



*A component unit of the Commonwealth of Virginia*



**Virginia Alcoholic Beverage  
Control Authority**

# **A COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For Fiscal Year Ended June 30, 2018*



**ACCOUNTABILITY · SERVICE · INTEGRITY · PERFORMANCE EXCELLENCE**

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**Virginia Alcoholic Beverage  
Control Authority**

## **A COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For Fiscal Year Ended June 30, 2018*

Prepared by Financial Management Services

## LETTER FROM THE CHAIRMAN

Virginia ABC marked a historic milestone in January 2018 when, after more than 84 years as the Virginia Department of Alcoholic Beverage Control, the agency officially became the Virginia Alcoholic Beverage Control Authority.

I've been privileged to work with four new Authority board members and a seven-member executive leadership team. The transition to an Authority allowed us to pursue retail and organizational efficiencies that are already paving the way for improved operations and long-term profitability.

The Authority recorded its 20th consecutive record-breaking year, with fiscal year 2018 gross sales topping \$983.3 million, up \$43 million over the previous year. During the same timeframe, retail sales grew 4.5 percent and licensee sales (sales to restaurants) climbed 4 percent.

Virginia ABC transferred \$179.2 million in earnings to the Commonwealth, which includes retail sales and other revenue such as license fees and permits, an increase of \$7.4 million over the previous year. As required in the Appropriation Act, \$65.4 million of the disbursements are designated for the Virginia Department of Behavioral Health and Development Services. The remaining \$113.8 million was distributed to the Commonwealth's general fund.

A significant accomplishment during the fiscal year was forward movement on a new central office and warehouse facility. Virginia ABC, working with the Commonwealth's Department of General Services, obtained executive and legislative approval to build a 95,000-square-foot office building and a separate 315,000-square-foot warehouse that will support continued store growth. The Hanover County site at the intersection of Pole Green Road and I-295, is about 10 miles from our present Hermitage Road location in Richmond.

Other notable successes included the introduction of "Door Buster" promotions featuring 15 to 20 percent savings in November and again in June. Customers responded enthusiastically generating more than a 500 percent sales increase for each promotion. Our "Cyber Monday" promotion exceeded expectations as well with online transactions, supported by website enhancements, jumping from 107 in the previous year to 3,030 this year.

The Authority's education efforts expanded with this being the first full fiscal year during which seven online training opportunities were offered. More than 3,500 people created online training accounts.

Our Bureau of Law Enforcement released a recruiting video under the auspices of a 21st Century Policing grant. The two-minute video showcases the diversity of our sworn and civilian workforce and invites viewers interested in a law enforcement career to "come join us."

Our popular Spirited Virginia magazine, read by consumers and licensees across the Commonwealth, took top accolades at the 71st Virginia Public Relations Awards program when it was chosen to receive the Capital Award of Excellence in magazines.

During fiscal year 2018, Virginia ABC opened five new stores, generating \$5.4 million in sales. ABC also oversaw 11 store remodels and two store relocations to improved market areas, enhancing customer service and accessibility. Sunday sales also continue to contribute to the rising revenue, increasing by \$14 million or 23.3 percent in fiscal year 2018 to \$74 million with an additional hour of opening.

Virginia ABC closed the fiscal year on the precipice of exceeding \$1 billion in gross sales. This incredible performance would not be possible without the customers who support our business and, more importantly, the outstanding efforts of our full- and part-time employees. It is because of their work that we are able to tout these achievements.



ABC Board Chairman Jeffrey L. Painter

### MISSION

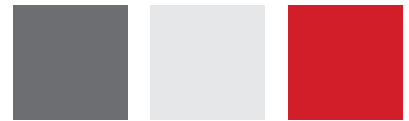
To generate a reliable stream of revenue for Virginia and promote public safety through the responsible sale and regulation of alcoholic beverages.

### VISION

To bring good spirits and excellent service to Virginia.

### VALUES

Accountability · Service  
Integrity · Performance Excellence



**2018 KEY AGENCY HIGHLIGHTS**

Number of Stores	370
Total Employees	3,909
ABC Retail Licenses	19,458
ABC Profit Disbursements	\$179,190,609
Active Items on Price List	2,963
Total Gross Sales	\$984,943,702
Total Transfer to the Commonwealth	\$464,741,232



**Virginia Alcoholic Beverage  
Control Authority**

2901 Hermitage Road  
Richmond, VA 23220  
(804) 213-4400

[www.abc.virginia.gov](http://www.abc.virginia.gov)

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**Cover photos** (clockwise from top left): Following a competitive recruitment process that generated hundreds of applicants, these five individuals were sworn in as new ABC agents on January 3, 2017 during a ceremony in the Central Office Hearings Room. Pictured (left to right): Michael Jacobs, Lawrence Wright, Casey Oakley, Dany Sao and Maria Hall.

Miss Virginia visits elementary schools across the state delivering her platform in conjunction with messages encouraging healthy choices and leadership among elementary-aged students. Miss Virginia 2017 Cecili Weber visiting a Goochland County public school.

Rachel E. Burger, an administrative technician in the Bureau of Law Enforcement’s Roanoke office, was one of many employees to receive a service award at the 2017 awards luncheon held in the fall. The Authority recognized 145 employees who were celebrating anniversaries at five year marks, including one recipient who celebrated 45 years of employment with the Commonwealth.

Retail staff welcomed customers at the grand opening of Store 418 in July 2017. One of the largest in state, the 6,000 sq. ft. Dulles store carries ABC’s complete inventory of more than 2,500 regular items as well as 460 special order items. Front row (left to right), Sales Associates Sirjana Khadka and Cindy Kawano, and Lead Sales Associate Susan Cress. Back row, Sales Associate Mikael Kaiser-Vu, Lead Sales Associate Guy McNeil, Sales Associate Adam Lutton, Manager Donnie Van Steelant and Regional Manager Lori Murphy.

VirginiaABC  SpiritedVirginia

 VirginiaABC



# LETTER OF TRANSMITTAL

Virginia Alcoholic Beverage Control Authority

Chief Executive Officer

Travis G. Hill



Chairman

Jeffrey Painter

Board of Directors

Maria J. K. Everett

Gregory F. Holland

Beth Hungate-Noland

Mark Rubin

**The Honorable Ralph S. Northam**  
**Governor of the Commonwealth of Virginia**  
**State Capitol**  
**Richmond, Virginia 23219**

**Dear Governor Northam:**

It is my pleasure to present the comprehensive Annual Financial Report for the fiscal year ending June 30, 2018, in accordance with Section 4.1-101.07 of the Code of Virginia.

This report consists of management's representations concerning the Virginia Alcoholic Beverage Control Authority's (the "ABC") finances. Management assumes full responsibility for the completeness and reliability of all information presented. Data presented in this report is believed to be accurate in all material respects, and provides all disclosures that are necessary to enable the reader to obtain a thorough understanding of Virginia ABC's financial activities and results.

## **BACKGROUND**

On March 22, 1934, the General Assembly voted to create the Alcoholic Beverage Control Board with three board members. The Virginia ABC opened its first four stores in Richmond on May 15, 1934 and continued to grow over the decades to 159 stores statewide by 1959.

In 1971, the ABC warehouse moved from Harrison and West Broad Streets in Richmond to its current location at 2901 Hermitage Road. By the end of the 1970's, ABC was operating over 250 stores and generating more than \$240 million in gross store sales. In 2009, when the Department celebrated its 75th anniversary, 332 stores were in operation statewide.

During fiscal year 2018, under Virginia Code Title 4.1, Virginia ABC transitioned from a Department to an Authority. Virginia ABC is currently considered a Blended Component Unit Enterprise Fund by the Commonwealth for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America. Five part-time board members govern the Authority, which as of June 30, operated 370 stores and employs nearly 3,500 employees throughout the Commonwealth. The Authority works closely with the 11 public safety agencies under the Secretariat of Public Safety and Homeland Security for the Commonwealth. Virginia ABC administers ABC laws with an emphasis on public service and a focus on protecting citizens by ensuring a safe, orderly and regulated system for the convenient distribution and responsible consumption of alcohol.

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## LETTER OF TRANSMITTAL

ABC is a leading revenue producer for Virginia and a vital source of future economic growth and innovation for the Commonwealth. On the retail side, profits come from the sale of distilled spirits within ABC stores. The Authority's Bureau of Law Enforcement generates revenue from taxes collected on beer and wine sales, violation penalties and license fees. The money that Virginia ABC disperses to the Commonwealth provides much-needed funding for use in programs across all secretariates, thus benefitting citizens in all areas of the state whether they choose to drink or not. Since its establishment in 1934, Virginia ABC has dispersed \$10.4 billion to the Commonwealth's General Fund, which supports major education, health and transportation initiatives.

As one of 17 control states across the United States—where the state government manages the sale and distribution of distilled spirits at the wholesale level—ABC stores are the only retail outlets in Virginia where consumers may purchase distilled spirits.

### ECONOMIC CONDITION AND OUTLOOK

According to key economic indicators such as gross domestic product, the economic outlook for the United States and the Commonwealth of Virginia is healthy and positive. The U.S. economy expanded 2.3 percent in 2017, exceeding marketing expectations, with increases in personal consumption and consumer spending contributing to the significant growth.

As the economy continues to grow at a stable rate, so does the sale of alcohol. ABC's profit, however, is a factor of two elements: sales performance and trends in expenses.

In fiscal year 2018, ABC's total operating revenue, excluding state tax on distilled spirits and wine, was \$844.9 million. Gross sales of alcoholic beverages in the retail stores accounted for 97.3 percent of this income. The remaining 2.7 percent of income was generated largely through the ABC's regulatory and licensing activities.

ABC contributed \$180.8 million of net profits to the Commonwealth and collected \$240.2 million of taxes on ABC store sales (distilled spirits and wine) and wine and beer wholesaler taxes, and an additional \$45.4 million of general sales tax totaling \$466.4 million.

The increase in profits over the prior year was primarily driven by increased sales, which in turn, was primarily driven by:

- **Sunday Sales**—In fiscal year 2018, Sunday sales grew to \$73.9 million, up \$14.0 million, or a 23.3% increase. This increase is partially attributed to having 51 Sundays in fiscal year 2018, up from 50 in fiscal year 2017. Additionally, two high sales days, Christmas Eve and New Year's Eve, both fell on a Sunday in fiscal 2018, further driving Sunday's sales volume.
- **New Stores**—During fiscal year 2018, Virginia ABC opened five new stores across the state, generating \$5.4 million in sales. ABC also oversaw 11 store remodels and two store relocations to improved market areas, enhancing customer service and accessibility.
- **Days of the Week**—During fiscal year 2018, sales from Fridays totaled \$242.9 million, up by \$0.7 million, despite having only 52 Fridays in fiscal year 2018 compared to 53 Fridays in fiscal year 2017. Friday sales accounted for 24.7 percent of total sales.
- **Marketing & Merchandising**—During fiscal year 2018, Virginia ABC implemented new marketing and merchandising programs for retail stores and the website, resulting in marked increases in customer transactions and sales. The educational and promotional kiosk display program expanded to 137 stores while the success of the inaugural Door Buster Days sale in November 2017 prompted a second Door Buster promotion in June 2018. Fiscal year 2018 also saw an expansion of Virginia ABC's Cyber Monday promotions, resulting in sales in excess of \$0.3 million.

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## LETTER OF TRANSMITTAL

The Authority's operating expenses increased 4.3 percent in fiscal year 2018. Personal service cost increased by \$5.8 million from fiscal year 2017, primarily due to increased staffing for high-performing stores, increased benefit rates, and back filling information technology (IT) positions that were vacant in fiscal year 2017. In addition, expendable equipment decreased by \$0.9 million primarily due to capitalizing shelving and fixtures installed in the retail stores compared to expensing them in the prior fiscal year.

On the expense side, ABC is faced with mandated salary and benefit costs, energy inflation, automatic rent escalation, telecommunication and technology costs and growth in credit card discount fees that are all very difficult to influence in the short run. Personnel costs account for 60 percent of ABC non-merchandise expenditures, 17 percent are for continuous charges such as rent and utilities, 18 percent are for contractual services such as credit cards fees, shipping product to stores and telecommunications, and 5 percent are for miscellaneous expenses such as supplies and materials, equipment and depreciation.

Increases in expenses are exacerbated by the need to make significant ongoing improvements in order to improve our IT infrastructure. Currently, several of ABC's systems are outdated and have reached their end-of-life, needing to be upgraded to maintain viability and to keep up with ABC's growing needs. Upgrading the outdated systems also addresses a Commonwealth of Virginia's Auditor of Public Accounts' audit point, ensuring that ABC complies with state and industry security standards. Changes in salary and benefit cost rates, as well as mandated Appropriations Act disbursements, can also significantly impact the accuracy of ABC's expense forecasts.

For more detailed information regarding Virginia ABC's finances for the fiscal year, please see our Management's Discussion & Analysis section of this report found on pages 46-51.

Respectfully submitted,



**Cort Kirkley, CPA**  
Chief Administrative Officer



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**The Virginia ABC Board of Directors**, clockwise from center: Chairman Jeffrey L. Painter, Board Members Beth E. Hungate-Noland, Gregory F. Holland, Mark E. Rubin and Maria J. K. Everett.

**ABC BOARD OF DIRECTORS**

Chairman .....	Jeffrey L. Painter
Vice Chair .....	Maria J. K. Everett
Board Member .....	Beth E. Hungate-Noland
Board Member .....	Mark E. Rubin
Board Member .....	Gregory F. Holland

**EXECUTIVE STAFF**

Chief Executive Officer .....	Travis G. Hill
Chief Administrative Officer .....	Cort Kirkley*
Deputy Secretary to the Board .....	S. Christopher Curtis
Chief Retail Operating Officer .....	Jeff Reeder*
Chief, Bureau of Law Enforcement .....	Tom Kirby*
Chief Government Affairs Officer .....	John Daniel*
Chief Communications & Research Officer .....	W. Eddie Wirt
Chief Information Officer .....	Paul Williams



Governor Ralph S. Northam

**DIVISION DIRECTORS**

Communications .....	Duriechee Friend*
Financial Management Services .....	Barry M. Wenzig
Hearings, Appeals and Judicial Services .....	John Patrick Griffin
Human Resources .....	Robin Wynn*
Internal Audit .....	Nannette Williams
Logistics .....	Mark Dunham
Marketing .....	John Shiffer
Procurement and Support Services .....	Debra C. Corley
Real Estate & Facilities Management .....	Susan W. Johnson
Retail Operations .....	C. Wilson Jones*

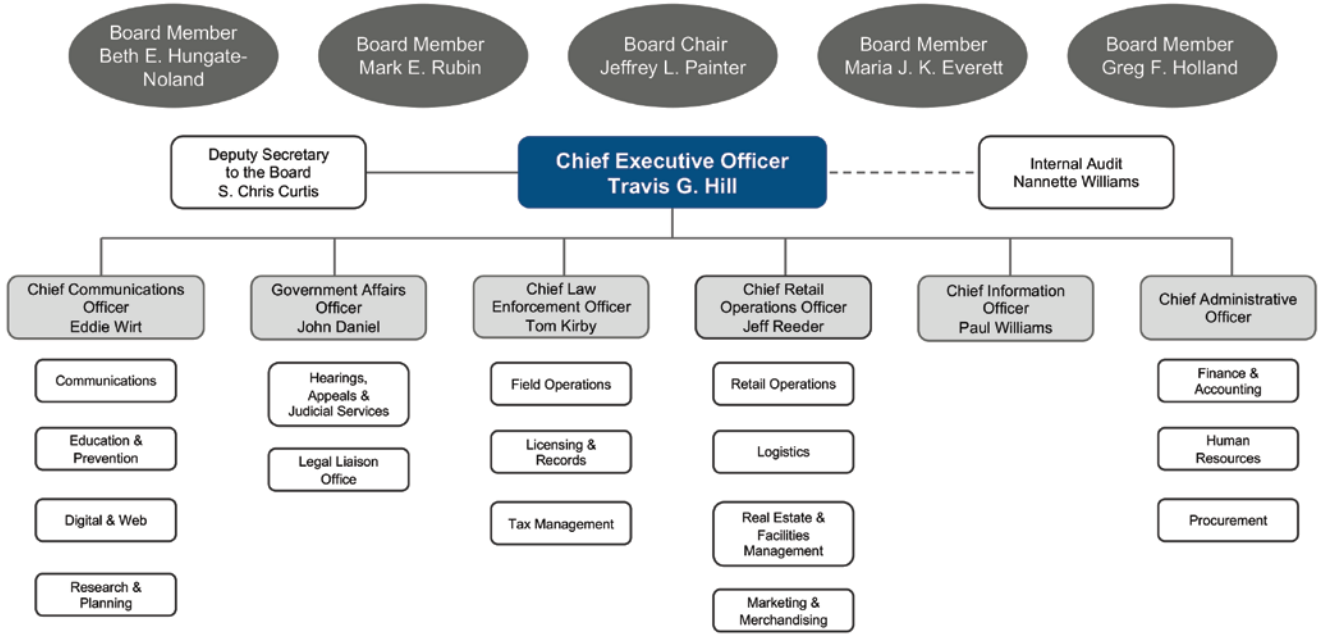


Secretary of Public Safety and Homeland Security Brian J. Moran

*\* All Board members, executive staff and division directors served throughout the fiscal year with the exception of the following: Faith Richardson served as Co-Interim HR Director until her resignation in July 2018. Vanessa George served as Co-Interim HR Director until her resignation in January 2018. Robin Wynn became HR Director in December 2017. Wilson Jones retired in August 2018. John Daniel became Chief Government Affairs Officer in April 2018. Duriechee Friend became Communications Director in February 2018 after Rebecca Gettings retirement in October 2017. Cort Kirkley became Chief Administrative Officer in October 2017. Jeff Reeder became Chief Retail Operations Officer in April 2018. Tom Kirby served as Interim Chief of ABC Law Enforcement until his promotion in June 2018.*

# EXECUTIVE INFORMATION

## ORGANIZATIONAL STRUCTURE



**The Virginia ABC Executive team,** clockwise from center: Chief Executive Officer Travis Hill, Deputy Secretary to the Board Chris Curtis, Chief Information Officer Paul Williams, Chief Government Affairs Officer John Daniel, Chief Retail Operating Officer Jeff Reeder, Chief Communications and Research Officer W. Eddie Wirt, Chief Law Enforcement Officer Tom Kirby, Chief Administrative Officer Cort Kirkley.

# LEGISLATIVE SYNOPSIS

NEW ALCOHOL-RELATED LAWS—Effective July 1, 2018



## LICENSE FEES

House Bill (HB) 826 and Senate Bill (SB) 884 (*Chapters 405 and 406 of the 2018 Acts of Assembly*) increases the ABC general license application fee from \$65 to \$195 and the application fee for banquet special event and mixed beverage special event licenses from \$15 to \$45. The law also increases the state tax on wine shipper's licenses, beer shipper's licenses and wine and beer shipper's licenses from \$95 to \$230. This proposal was the result of discussions with industry stakeholders regarding the agency's increased efforts to process applications in a timely manner and effectively regulate shipment of alcohol into Virginia. Additional revenues will be used to support Virginia ABC Bureau of Law Enforcement operations.

## NOTARY REQUIREMENT

SB 647 (*Chapter 657 of the 2018 Acts of Assembly*) removes the requirement that applicants for certain ABC licenses provide a written statement, under oath. Instead, applicants will swear and affirm that all of the information contained in the application is true. This change will allow Virginia ABC to continue to move towards being paperless with the implementation of its new licensing system.

**Other legislation important to Virginia ABC and its stakeholders:**

## HIGHER EDUCATION SUBSTANCE ABUSE ADVISORY COMMITTEE

HB 852 and SB 120 (*Chapters 210 and 211 of the 2018 Acts of Assembly*) directs Virginia ABC to establish and appoint members to the Virginia Institutions of Higher Education Substance Use Advisory Committee, with the goal of developing and updating a statewide strategic plan for substance use education, prevention and intervention at Virginia's public and private institutions of higher education.

## DISTILLERIES

SB 486 (*Chapter 734 of the 2018 Acts of Assembly*) allows licensed distillers to include in samples, spirits or vermouth not manufactured on the licensed premises, provided that at least 75 percent of the spirits used are manufactured on the distillery's premises. Distilleries may keep no more than 10 spirits not manufactured on site. The law also increases the number of banquet licenses for special events a licensed distiller may purchase per year from four to eight and allows the licensee to sell samples of spirits at such special events.

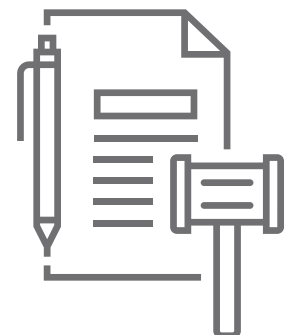
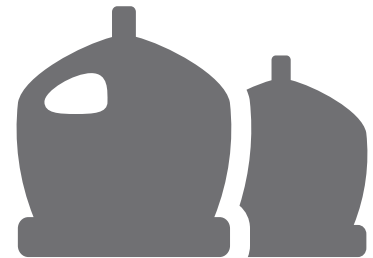
## ELECTRONIC RECORDS

HB 1379 (*Chapter 729 of the 2018 Acts of Assembly*) permits electronic records of retail licensees to be stored off site under certain conditions, provided that such records are readily retrievable and available for electronic inspection by Virginia ABC or its special agents at the licensed premises.

## ADDITIONAL MEASURES IMPACTING ALCOHOL LICENSES

HB 486 (*Chapter 494 of the 2018 Acts of Assembly*) adds property related to the Old Prices Fork School Comprehensive Community Revitalization project for which a mixed beverage license may be issued without requiring a local referendum.

HB 1602 and SB 61 (*Chapters 173 and 334 of the 2018 Acts of Assembly*) creates a new confectionary license, which authorizes the licensee to prepare and sell confectionary that contains five percent or less alcohol by volume for off-premise consumption.



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SB 588 (*Chapter 179 of the 2018 Acts of Assembly*) expands the privileges of the existing annual mixed beverage special events license to include museums or other facilities owned by the locality and used primarily for historic interpretation.

SB 695 (*Chapter 337 of the 2018 Acts of Assembly*) creates an internet beer retailer license, establishes the privileges of and fee for the license, and defines “internet beer retailer.”

SB 769 (*Chapter 665 of the 2018 Acts of Assembly*) allows museum licensees who operate a museum located in the Town of Front Royal that is dedicated to educating the consuming public about historic beer products to sell beer for on-premises consumption in areas approved by the Virginia ABC Board of Directors.

### SWIM CLUBS

HB 1520 (*Chapter 172 of the 2018 Acts of Assembly*) allows any private swim club operated by a duly organized nonprofit corporation or association to allow its members to bring and consume lawfully acquired alcoholic beverages on the premises.



### WHOLESALERS

HB 1005 and SB 174 (*Chapters 168 and 169 of the 2018 Acts of Assembly*) permits wine wholesalers to have designated exclusive sales territories. This law matches how beer franchise territories are currently structured.

HB 820 and SB 382 (*Chapters 166 and 167 of the 2018 Acts of Assembly*) requires that before any wine or beer may be delivered to a retail licensee for resale, the wine or beer must first be delivered to the licensed premises of a wine or beer wholesaler, unloaded from the transporting vehicle, kept on the licensed premises of the wholesaler for not less than four hours prior to reloading on a vehicle, and recorded in the wholesaler’s inventory.



### BREWERY REMOTE LOCATIONS

HB 422 and SB 306 (*Chapters 63 and 234 of the 2018 Acts of Assembly*). This law requires that when a brewery licensee sells at retail the brands of beer that the brewery owns, at least 20 percent of the volume of beer sold for on-premises consumption in any calendar year shall be manufactured on the licensed premises. This law has a delayed effective date of Jan. 1, 2019, related to the minimum percentage of beer that must be manufactured on the licensed premises to be sold for on-premises consumption. There is a second delayed effective date of April 30, 2022, related to a brewery which has entered into specific contracts identified within the Chapter.





## ABC Becomes An Authority

Virginia ABC marked a historic juncture in January 2018 when after more than 84 years of existence as the Virginia Department of Alcoholic Beverage Control the agency officially became the Virginia Alcoholic Beverage Control Authority.

The change to this new authority structure was the result of the Virginia Alcoholic Beverage Control Act of 2015 which transformed ABC to better reflect its operation as a business. The transition resulted in numerous changes in the structure and business practices of the organization. The Act empowered the Authority to achieve greater efficiency in several operational arenas, particularly as it relates to the human resources, hearings and procurement functions.

Becoming an Authority provides greater flexibility with policies and procedures than allowed under traditional state requirements. As a result, the Human Resources Division rewrote many ABC policies and procedures that recognize the unique role a major retail organization plays within the Commonwealth. For example, in January 2019, ABC will implement paid-time-off (PTO), a leave policy that provides more flexibility to employees.

The Hearings Division expanded the consent-settlement option, transformed the offer-in-compromise option into a negotiation process and implemented a uniform scheduling order to control the discovery process in franchise hearings, all of which streamlined judicial procedures for licensees.

The Procurement Division updated policies and enacted changes that in the future will help streamline the process of purchasing goods and services while continuing to ensure the Authority is a good steward of Commonwealth resources.

As an Authority, Virginia ABC also adopted a new leadership structure. The Agency's three-member, full-time board was replaced with an Authority board comprised of five part-time members. Jeff Painter remained as chair and was joined by Maria Everett, Beth Hungate- Noland, Greg Holland and Mark Rubin, all of whom were appointed by Governor Northam.

Travis Hill was appointed to serve as the new Authority's CEO and a six-member executive leadership team was formed which included a Chief Administrative Officer, Chief Retail Operations Officer, Chief Information Technology Officer, Chief Governmental Affairs Officer, Chief Communications and Research Officer and a Chief Law Enforcement Officer.

# DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

## BUREAU OF LAW ENFORCEMENT

A new licensing project, recruiting video and continued success with a swift response tool to serious public safety concerns were among a number of Bureau of Law Enforcement achievements in fiscal year 2018.

The Bureau is charged with enforcing the alcoholic beverage control laws and regulations governing the manufacture, distribution, sale and consumption of alcoholic beverages and tobacco while utilizing innovative educational and community partnerships.

Of the 18 public safety investigations initiated during the fiscal year, the Bureau immediately suspended ABC licenses at five establishments in the Richmond and Hampton Roads areas where violations resulted in death and/or serious bodily injury. Contributing to the success of this summary suspension tool is assistance and cooperation from local law enforcement agencies, civic leagues, residents, businesses and other affected community stakeholders.

On January 29, 2018, the Authority launched a collaborative effort with a leading software provider to significantly enhance the authority's regulatory licensing and enforcement activities. The project will create a public-facing portal for online application and license management of the approximate 19,000 retail licensees and 20,000 one-day, special event licenses. The new system will also allow the Bureau's special agents to manage such activities as licensee inspections and investigations and assist in the issuance of violation and warning reports with mobile solutions giving field staff a new level of flexibility and efficiency. The Bureau is working with other Authority divisions to rollout this new system to consolidate multiple license management and enforcement functions into a single, paperless and customer-friendly database in January 2020.

The Bureau of Law Enforcement completed and released a recruiting video under the auspices of the 21st Century Policing grant awarded last year. The professionally produced video showcases the Bureau's diverse and dynamic workforce, while also highlighting the wide array of its nearly 100 special agents' activities. The video was also created to encourage a career in law enforcement with the authority and build a diverse and qualified pool of potential candidates for special agents. To accomplish this, the video was released via social media platforms and shown at various community outreach events.

The Bureau's sworn agents, supported by 52 civilian staff, conducted field operations out of nine regional offices situated throughout the Commonwealth and one satellite office in Abingdon.

### Sworn Enforcement Personnel Demographics

White / Caucasian (%)	73
Black / African American (%)	14
Hispanic (%)	3
Asian / Pacific Islander (%)	5
American Indian / Alaskan native (%)	1
Total filled sworn positions	96
Non-minority (%)	75
Minority (%)	25

### Professional Standards Summary

<b>Internal Affairs Investigations conducted</b>	<b>11</b>
Citizen Complaints	5
Agency initiated	6
<b>Findings</b>	
Justified	0
No further Action, citizen request	2
Not Substantiated	2
Substantiated	4
Unfounded	2
Pending	1

### Law Enforcement Activity

Criminal Incidents	2,907
Arrests	592
Illegal still investigations	13
Inspections of licensed establishments	13,902
Observations of licensed establishments	904
Underage Buyer (UAB) compliance checks	3,901
Written warning reports	2,210
Written violation reports	555
Wine, beer and mixed-beverage application and state license fees collected	\$14,215,965.29

### Tobacco Compliance

Synar compliance rate, May 1–September 30, 2017 (%) (1)	89.91
Total tobacco checks by ABC agents (2)	513
FDA retail compliance check inspections (3)	4009

- (1) FY 16: 90.52 percent. Virginia ABC special agents conducted random, unannounced Synar inspections on behalf of the Virginia Department of Behavioral Health and Development Services (DBHDS).
- (2) FY 16: 414 checks. This includes attempted visits found not suitable for an underage buyer check.
- (3) FY 16: 3,743. The Bureau of Law Enforcement's 30 FDA-commissioned tobacco inspectors conducted tobacco retail inspections on behalf of the Food and Drug Administration (FDA), Center for Tobacco Products (CTP).

*continued on next page*



## DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

### BUREAU OF LAW ENFORCEMENT, *continued*

Approximately 70 percent of agent activity was spent on regulatory compliance conducting background investigations, license suitability and inspections of licensed establishments. ABC continued its commitment to the safe sale of alcohol and tobacco to legally aged individuals. Approximately 30 percent of agent activity was focused on underage access to alcohol and tobacco, citizen complaints of violations, over service of patrons by establishments and other investigations directly related to industry business practices.

Staff from the Bureau's licensing, compliance and administrative units served as liaisons to breweries, distilleries and wineries; informed and interacted with manufacturers, importers and distributors; collected Virginia state taxes; processed invoices and renewals; conducted alcohol-related training

about state ABC laws; and maintained records for businesses with ABC licenses and individuals seeking licenses related to alcohol sale and consumption at private special events.

The Bureau of Law Enforcement remained committed to providing the highest standard of training to sworn employees, community stakeholders and its law enforcement partners throughout the Commonwealth. Under the auspices of our Department of Criminal Justice Services (DCJS) certified training academy, the Bureau conducted or directed a total of 1,096 hours of training on a wide variety of subjects to include community policing, cultural diversity, de-escalation, defensive tactics, firearms, first aid/CPR/AED, as well as alcohol laws and regulations.



### LIGHTS, CAMERA, ACTION, HIRE!

#### *Bureau produces recruitment video*

In an effort to showcase the diverse employment opportunities within the Bureau of Law Enforcement, the Authority put together a recruitment video this year.

The project was managed by the Bureau and the Communications Division and funded entirely by a grant secured by Senior Special Agent Dave Huff. JPixx, a production company based in Virginia Beach, produced the video.

The project goal was to increase public knowledge and awareness of the Bureau by highlighting the attributes and benefits of being an ABC special agent, as well as showing the agency as a diverse workforce that actively seeks and welcomes women and minority applicants.

Agents from a variety of different ethnic backgrounds were featured in the video, some speaking different languages. The Bureau currently has agents who can speak Cambodian, Russian, Spanish, Vietnamese and Korean, as well as a dialect of Ghana and the Philippines.



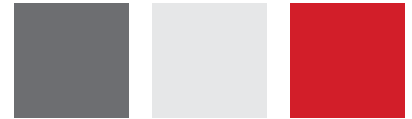
At left: That's a wrap! Bureau agents, ABC communications staff and the crew from JPixx gather for a fun parting shot following a day of shooting in Blackstone.

Above: Special Agent Tommy Pond is comfortable in front of the camera as he elaborates on the merits of licensee training.

In addition to showcasing the many different aspects of working in the Bureau, from working with local distilleries and restaurants to training and advancement opportunities, the diverse workforce and ethnic backgrounds showcased in the video speak to the needs of the agency in educating licensees on the alcohol laws of the state and country with agents who are aware of cultural norms and nuances.

The recruitment video utilized locations around Richmond and the state and featured nearly 20 Virginia ABC special agents and Bureau employees. Scenes were shot in Virginia ABC's hearing room, central office and the Region 6 enforcement office. Special agents were also filmed on location at Hardywood Brewery and Rosies' Restaurant in Richmond and at Store 256 (Virginia Beach).

VIRGINIA ABC  
AT A GLANCE



**COMMUNICATIONS**

The Communications Division had an active fiscal year making significant contributions to the Authority’s mission in terms of revenue and public safety.

The division is responsible for internal and external communications, media relations, photography and graphic design. Key functions include providing graphic design and printing services for marketing campaigns and education initiatives. The division also produces the annual report, Spirited Virginia Magazine and licensee e-newsletter and maintains the internal SharePoint news page, ABC Now, with daily content.

Creative services included the design and production of all collateral materials for the 2017 “Make Spirits Bright” campaign and the summer 2017 and fall 2018 “Door Buster” campaigns as well as a variety of posters, brochures, booklets and direct mail pieces that supported agency initiatives. The division also led the production of a two-minute recruitment video for the Authority’s Bureau of Law Enforcement.

**Social Media Statistics**

Virginia ABC Twitter Account	
New Twitter followers	328
Tweet impressions	693,500
Retweets	316
Likes	598
Virginia ABC Facebook Account	
New Facebook likes	762
New Facebook followers	1,037
Spirited Virginia Facebook Account	
New Facebook likes	1,931
New Facebook followers	2,335

Utilizing tools such as news releases, e-newsletters, printed collateral, social media, website content, SharePoint Mixer postings and more, the division remained committed to providing accurate and timely communications to the agency’s 3,909 employees, its customers, the media and other stakeholders. The communications team continued to serve as an advisor to leadership in maintaining the agency’s image and reputation.

In the area of media relations, Communications wrote and distributed 46 news releases, responded to 351 media inquiries and provided talking points for numerous interviews.

The division also drafted speeches for board appearances, planned and executed five store grand opening events and wrote, edited and designed collateral pieces including posters, brochures, booklets and direct mail pieces. Communications

supported the agency’s Mixer intranet platform by developing and posting more than 270 articles on ABC Now and managed the agency’s social media by posting regularly on Facebook and Twitter.

Communications maintained the quarterly publication of the Licensee e-newsletter which grew by 678 subscribers and had an averaged open rate of 58.4 percent and a click rate of 9.1 percent, surpassing the industry standard rates of 26.5 and 3.6 percent respectively.

The division continued producing Spirited Virginia, the agency’s flagship magazine and, in response to demand from readers, increased the quarterly press run for the magazine from 42,000 in July 2017 to 57,000 in October 2017. This marked the third print increase in as many years since the magazine’s launch in July 2015 with a press run of just 14,000. The 64-page color publication, which includes beautiful photography and feature articles on distilled spirits, cocktail recipes and the Authority’s quarterly price list, received the top honor in the magazine category at the Virginia Public Relations Awards in May 2018.

Communications provided photographic support for the agency by producing images for printed and digital use and in July 2017 launched a Flickr account to facilitate the sharing of these photos.

The division also provides support to the Digital and Web unit by generating content and images for the Authority website.

**693,500**  
TWITTER IMPRESSIONS  
**351** MEDIA  
INQUIRIES



**EDUCATION & PREVENTION SECTION**

The Education and Prevention Section (EPS) continued its mission of preventing high-risk drinking by building the capacity of communities and noted three major successes during the fiscal year. This was the first full year the section offered seven online training opportunities: 3,511 signed up for training accounts. EPS launched HEADS UP, a state-wide initiative which addresses the use of alcohol on campus communities. Lastly, upon the adoption of SB120 and HB852, which Governor Ralph Northam signed into law, the section took steps to establish the Virginia Higher Education Substance Use Advisory Committee.

**Youth Prevention Programming**

**Elementary School:**

Miss Virginia School Program	
Miss Virginia School Tour stops	39
Miss Virginia School Tour participants	9,107
Elementary School reach (%) <sup>(1)</sup>	3.11

**Middle School:**

Middle School reach (%) <sup>(2)</sup>	12.70
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**High School:**

Youth Alcohol and Drug Abuse Prevention Project (YADAPP) 2017	
YADAPP participants (3)	435
YADAPP 2017 individuals reached	12,453
High School reach (%) <sup>(4)</sup>	10.03

**Adult Education and Prevention Programming**

**Institutions of Higher Education:**

Higher Education Alcohol and Drug Strategic Unified Prevention (HEADS UP)	
HEADS UP educational materials distributed	25,742
HEADS UP individuals reached	21,584
Institutions of Higher Education reach (%) <sup>(5)</sup>	92.31

**Adults 21 years old and older:**

Project Sticker Shock events	22
Project Sticker Shock participants	272
Project Sticker Shock individuals reached	10,800

**Alcohol Seller, Server and Manager Training**

Responsible Sellers & Servers: Virginia's Program (RSVP)	
RSVP classroom trainings	101
RSVP classroom participants	1,463
RSVP online training participants	1,894
Managers' Alcohol Responsibility Training (MART)	
MART classroom trainings	18
MART classroom participants	140
MART online training participants	532



(ABOVE) "Mission Tomorrow," a middle school career and trade fair, was hosted by Chamber RVA at the Richmond International Raceway November 1 – 2, 2017. The Education and Prevention Section discussed the impact of healthy behaviors and healthy lifestyles on future career and educational goals with 2,475 middle school students from Charles City, Chesterfield, Goochland, Hanover, Henrico, Powhatan, and Richmond.

**Capacity Building Resources**

Education and Prevention publications distributed	32,322
Education and Prevention publications downloaded	15,491
Education and Prevention social media reach	118,433
YADAPP 2017 grants presented (6)	21
YADAPP 2017 grants disbursements	\$5,500
Alcohol Education and Prevention grants (7)	11
Alcohol Education and Prevention grants disbursements	\$66,981
Alcohol Education and Prevention grants individuals reached	1,488,987

- (1) YADAPP annual kick off conference held at Longwood University, July 17-21, 2017 where 81 teams of students and adult sponsors represented schools and communities across Virginia.
- (2) Reached or partnered with 37 out of 1,191 public elementary schools across Virginia.
- (3) Reached or partnered with 39 out of 307 public middle schools across Virginia.
- (4) Reached or partnered with 31 out of 309 public middle schools across Virginia.
- (5) Reached or partnered with 60 out of 65 institutions of higher education across Virginia.
- (6) These include both YADAPP mini-grants (\$250 each) and Wheeler Award (\$500). The 2017 Wheeler Award recipient was CHILL Franklin County.
- (7) Alcohol Education and Prevention grantees: Chesterfield Substance Abuse Free Environment, City of Newport News Department of Human Services, Community Law Enforcement Against Narcotics, Hanover Cares Coalition, Hanover County Public Schools, Life Changing Community Development Corporation, Piedmont Community Services/CHILL, Radford Youth Adult Partnership, Virginia State University Department of Psychology, Washington County Prevention Coalition and City of Portsmouth Police Department.

### **EDUCATION & PREVENTION SECTION** *(continued)*

The following is a list of education and prevention programs. For more information, please visit [www.abc.virginia.gov/education](http://www.abc.virginia.gov/education) or [www.facebook.com/VirginiaABCEducationandPrevention](https://www.facebook.com/VirginiaABCEducationandPrevention), call (804) 977-7440 or email [education@abc.virginia.gov](mailto:education@abc.virginia.gov)

#### **MISS VIRGINIA SCHOOL TOUR**

Under grant funding provided by Virginia ABC, Miss Virginia travels to elementary schools across the Commonwealth and shares a message of health, wellness and prevention with students and teachers.

#### **BEING OUTSTANDING LEADERS TOGETHER AGAINST DRUGS AND ALCOHOL (BOLT)**

Targeted for middle school students and their parents, BOLT provides drug and alcohol prevention knowledge through regional community collaboration and high school peer leadership.

#### **YOUTH ALCOHOL AND DRUG ABUSE PREVENTION PROJECT (YADAPP)**

This high school peer-led leadership program equips teens with a strategic plan and empowers them to keep their schools and communities alcohol and drug free.

#### **HIGHER EDUCATION ALCOHOL AND DRUG STRATEGIC UNIFIED PREVENTION (HEADS UP)**

HEADS UP provides educational materials and training to help strengthen and support the mission of healthy and safe campus communities and offers strategic planning resources to define clear and identifiable measures for effective prevention programming.

#### **PROJECT STICKER SHOCK**

Supplies are provided to community groups which place stickers on cases and coolers of alcohol in retail establishments to remind buyers of the negative legal consequences associated with providing alcohol to minors.

#### **RESPONSIBLE SELLERS AND SERVERS: VIRGINIA'S PROGRAM / MANAGERS' ALCOHOL RESPONSIBILITY TRAINING (MART)**

Trainings are held regionally and conducted by ABC Special Agents to help licensees become more responsible and to better understand Virginia laws, rules and regulations.

#### **ALCOHOL AND AGING AWARENESS GROUP**

This statewide affiliate group provides education, training and resources to prevent the misuse of alcohol and medications as adults age.

#### **VIRGINIA OFFICE FOR SUBSTANCE ABUSE PREVENTION**

In collaboration with state and local agencies, organizations, coalitions and faith communities, this organization addresses substance abuse prevention.

#### **SELLER/SERVER TRAINING APPROVAL PROGRAM (STAP)**

Pursuant to COV 4.1-227(E), STAP reviews and approves alcohol seller and server training programs external to Virginia ABC for approved use by licensed establishments in Virginia.

#### **GRANT PROGRAM**

Alcohol education and prevention grants assist community partners to develop and enhance initiatives related to alcohol education and prevention. The grant cycle is July through June with applications due in the spring.

#### **PUBLICATION SERIES**

Available free of charge, these publications offer education and prevention messages for a variety of age ranges including elementary school, middle school, high school, college, 21 years old and over, parents, older adults and licensees.



**FINANCIAL MANAGEMENT SERVICES**

The Financial Management Services (FMS) Division is comprised of multiple departments based on business function. These departments consist of Accounting, Accounts Payable, Sales Audit, Financial Reporting, Payroll, Tax Management and Process & Controls.

The division was heavily involved in many of the Authority's key initiatives throughout fiscal year 2018. The FMS team worked closely with an external consultant to develop the requirements for replacing the existing financial accounting system. After system requirements were developed, FMS worked with the Procurement team to issue a request for proposal (RFP). The RFP focused on both the selection of a software solution and implementation partner. Several key members of the FMS team served on the evaluation team reviewing and scoring all proposals. The final contract was awarded in June 2018, and implementation began in July 2018.

As a stakeholder in key procurement processes, FMS assisted the Authority's Procurement Division in implementing the Commonwealth's procurement management system (eVA), as well as the Bank of America small purchase charge card management and compliance solution. These implementations will vastly improve the management and control of procuring good and services for the Authority.

In an effort to streamline tax payment and reporting for malt beverage wholesalers, FMS worked with the Information Technology Division to expand the functionality of the e-payment application. This application allows the Authority to accept payments for online customer orders. The expansion allows malt beverage wholesalers the ability to file online and make tax payments via ACH transactions.

The Financial Reporting Department initiated a project to qualify for the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. The certification focuses on disclosing additional information, outside the minimum requirements of GAAP, in order to provide more transparency to the financial statement's key stakeholders. Some of the changes include: the addition of a transmittal letter, additional information provided in the footnotes section and the addition of a statistical section. The statistical section includes a 10-year trend analysis of key data element (e.g. revenue, cost of goods sold, expenses and profit) shown graphically and in chart form. With this additional information, the annual report provides additional value to the Authority's internal and external stakeholders.

**MAGAZINE WINS TOP STATE AWARD**

Spirited Virginia magazine brought home top honors for Virginia ABC in May 2017 when it was recognized by the Public Relations Society of America's Richmond Chapter.

The Communications Division accepted the Award of Excellence for the magazine on behalf of the Authority at the 2018 Virginia PR Awards banquet held at the Jefferson Hotel in Richmond. The awards competition garnered 247 submissions in 29 different categories from PR professionals representing organizations and companies from across the state.

Spirited Virginia magazine is the Authority's flagship publication. The quarterly, 64-page, color magazine includes interesting stories about distilled spirits, beautiful photography, cocktail recipes, special columns, agency news and Virginia ABC's product price list. The publication is provided to all 5,100 mixed beverage licensed establishments and made available in Virginia ABC stores to retail customers free of charge. The press run is 57,000 magazines.

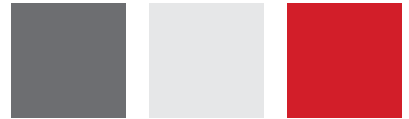
Communications works with a Leisure Media 360 in Roanoke to produce the magazine at no cost to Virginia ABC nor Virginia taxpayers. Financial support for the partnership comes from numerous vendors and brokers who purchase advertisements in the magazine.



**VIRGINIA ABC  
AT A GLANCE**

The Virginia ABC publication won the magazine category, beating the VCU Alumni Magazine and Virginia, Maryland & Delaware Association of Electric Cooperatives "Cooperative Living Magazine" which earned honorable mentions.

Entries were evaluated on quality, creativity and execution.



**HEARINGS, APPEALS AND JUDICIAL SERVICES**

The Hearings, Appeals and Judicial Services Division strives to provide fair, unbiased hearings and settlement resolution options including mediation to ABC stakeholders, including applicants, licensees, local law enforcement personnel and citizens throughout the Commonwealth.

The division conducts four types of hearings: application hearings that resolve contested requests for ABC licenses; disciplinary hearings that determine if a licensee has violated an ABC law or regulation; summary suspension hearings that consider measures to protect the public safety; and franchise hearings that resolve disputes arising under distribution agreements between wine and beer manufacturers and their wholesalers.

In addition to formal proceedings before a hearing officer, there are three resolution procedures available. For disciplinary cases: (i) initially, many licensees may accept a consent settlement rather than go to a hearing; and (ii) alternatively to resolve cases within established parameters, licensees can enter settlement negotiations with ABC legal liaisons for the

Board's consideration and (iii) finally, the division provides mediation services at no cost to licensees and stakeholders. All procedures are conducted impartially and with the requisite confidentiality to ensure all matters are resolved appropriately. Initial disciplinary hearings take place at the ABC regional office that serves the licensee. Contested applications and summary suspension proceedings are held in the regional office or a nearby state or local facility that can accommodate the number of interested parties; with video conferencing being a potential option.

Administrative appeals and franchise cases are heard at the Richmond Central Office.

**Average Case Turnaround Time (in Days)**

Activity	2015	2015*	2016*	2016	2017*	2017	2018*	2018
Violations	89	115	102.9	89.2	89.7	84.1	218	86.83
Applications	137	146	164.3	135.8	121.6	120.8	n/a	155.86

Unless otherwise noted, turnaround times do not include continuances.

\* This column shows turnaround times with continuances included. This shows how parties' requests for continuances increase turnaround time.

**Cases Referred for Hearings**

Case Activity	Count
Violation/disciplinary reports	491
Contested applications	17
• Approved	8
• Denied	4
• Withdrawn before hearing	5
Contested banquet applications	7
• Approved	3
• Denied	2
• Withdrawn before hearing	2
Summary Suspensions (all surrendered as revoked)	4
Wine and beer franchise cases	9
<b>Total hearings requested</b>	<b>528</b>

**Case Decisions Appealed**

Activity	Count	Percentage of Total (%)
Initial decision of hearing officer to ABC Board (1)	21	3.99
Final decision of ABC Board to circuit court (2)	9	42.86

(1) Percentage of all cases referred

(2) Percentage of all cases appealed to the Board

**Civil Penalties Collected**

Activity	Count
Civil penalties collected (dollars)	558,350.00
Average civil penalty per case (dollars)	2,269.72
Average suspension period per case (days) (1)	19.58

(1) Most ABC cases result in the imposition of a civil penalty and/or suspension period.

This average reflects the results of all civil penalties or suspension periods from all case decisions, consent settlement offers, and offers-in-compromise for FY 2017. The Board may allow licensees to choose between a civil penalty or suspension period. Some penalties, however, contain civil penalties and mandatory suspension periods.

**Hearings Dispositions**

Case Activity	Count	Percentage of Total Cases Received (%)
Settled by consent settlement offer	241	45.73
Heard by ABC Hearing Officer (1)	116	22.01
Settled by offer in compromise	58	11.01
Negotiated Settlement	29	5.50
Heard by ABC Board on appeal	21	3.99
Withdrawn or dismissed prior to hearing (2)	62	11.76
<b>Total hearings dispositions (3)</b>	<b>527</b>	<b>100</b>

(1) 116 hearings were held on 121 charges/objections filed. Single cases with multiple charges are heard in one hearing. 21 of these were appealed to the Board for a second hearing.

(2) Cases may be withdrawn or dismissed prior to a hearing, but after docketing for a variety of reasons, e.g., license surrendered; application withdrawn; settlement through mediation.

(3) 99 cases were in process at the end of FY 17 and completed during FY 2018.



**\$558,350.00**  
CIVIL PENALTIES COLLECTED

**\$2,269.72**  
AVERAGE CIVIL PENALTY COLLECTED PER CASE





**HUMAN RESOURCES**

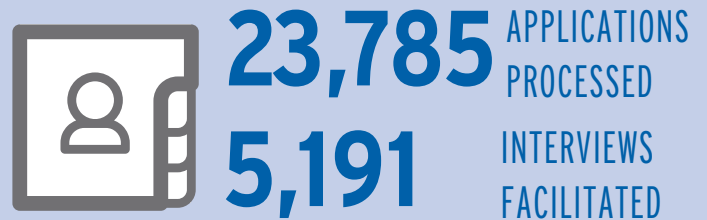
The Human Resources Division is responsible for ensuring the agency’s most important asset—its employees—are supported in achieving business objectives. The division focuses on providing service to all customers in the areas of recruitment and selection, employee relations, compensation, benefits, compliance with federal and state laws, policy development, human resource information systems and training and development.

Human Resources managed the Authority transition process this year, which included the process of developing policies as an authority, handling the technology side of the personnel transition as well as migrating employees to the new Authority structure. Also included in this process was educating employees about the differences between the Agency and Authority.

The division’s training and development team contributed greatly to the overall success of Virginia ABC this fiscal year. In total, the team led 81,074 units of training in areas such as tuition assistance programming, new hire orientations and safety as well as agency-mandated trainings for retail and warehouse employees.

The Human Resources Division also introduced a new hire onboarding process. This process not only educated the new employees on the Authority structure, but also created a first-day welcome that set expectations for what new employees would experience as a Virginia ABC employee.

Overall, Human Resources processed 23,785 applications, facilitated interviews with 5,191 candidates and extended employment offers to 1,549 individuals in fiscal 2018. These interviews were part of the continuing emphasis of the unit to develop and implement long-term strategies and best practices in recruiting, hiring and retaining the best talent.



**Employees and Hiring**

Total employees (as of June 30, 2018)	3,909
Total classified employees	1,139
Total wage employees	2,270
Classified employees hired in FY 18	188
Wage employees hired in FY 18	1,361

ABC employs a diverse workforce, with approximately 1,139 classified (full-time) employees, 2,270 wage (part-time) employees, and 44 contractual workers supplementing ABC’s workforce. These 3,909 Authority employees work throughout the Commonwealth operating 370 retail stores and nine regional offices. Approximately 400 ABC employees and 23 contractual workers are physically located in Richmond at the central office and warehouse facility.



The number of people Virginia ABC employs statewide on a part-time or full-time basis (as of June 30, 2018).

**Employee Demographics**

Average age (years) (1)	46.1
Average years of service, classified employees (2)	10.1
Gender: male (%) (3)	54
Gender: female (%) (3)	46
Minority (%) (4)	32.1

The demographics of ABC’s workforce are generally consistent with the overall state workforce. The average age of an ABC classified employee is 46.1 years, with an average length of service of 10.1 years. Approximately 1.3% of employees are eligible for an unreduced retirement as of June 30, 2019 and 4% will be eligible in 5 years.

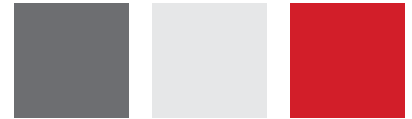
- (1) Average age (all state employees): 48 years
- (2) Average years of service (all state employees): 10.1 years
- (3) Gender (all state employees): male, 46.34 percent; female, 53.66 percent
- (4) Minority (all state employees): 35.1 percent

**Tuition and Training Assistance**

Description of Training	Course Types	Units* (1)
Tuition Assistance Program (TAP)	22	22
Instructor-led (Authority) (1)	24	173
New hire orientation	14	220
<b>Authority/state mandates (online)</b>		
Retail/warehouse employees	37	38,345
Non-retail/warehouse employees	105	4,237
Emergency management	NA	NA
HPM supervisor (online)	14	736
Safety	5	9,352
Safety (ASHI-CPR) Instructor-Led	NA	NA

\*“Units completed” represents the units (modules) of training completed by ABC employees. One employee may account for more than one unit of participation.

(1) Instructor-led (Agency) units include Leadership and Management Program courses.



## INFORMATION TECHNOLOGY

The Information Technology (IT) Services Division supports the Authority's mission with delivery of IT technical services, including driving modernization through projects.

In fiscal year 2018, IT continued its momentum of streamlining operations and supporting major projects pursuing the agency's strategic goals.

The division successfully migrated several environments to AISN, a third-party hosting provider, out of CESC, the VITA managed services provider. This achieved huge time savings in provisioning new physical and virtual servers, which improves project delivery time and project performance.

IT also achieved a 40 percent reduction in one-time server acquisition costs and saved more than 60 percent of monthly recurring costs. This equates to long-term agency savings of nearly \$250,000 per year for just test and development, with better response and service options for our customers.

Another development during the fiscal year was the ability for ABC to accept online payment for taxes from licensees through ACH (as opposed to check or cash payments). The feature will support future applications, such as online license payments and renewals, supporting the goal of offering electronic pay-

ments and moving to paperless transaction capability for 100 percent of services over the next few years. This functionality significantly saves time and money for Virginia ABC and licensees compared to paying with cash, credit card or a check.

ABC implemented Office 365 this year for messaging and collaboration. This provides no-cost add-ons such as One Drive, mobile device management and video conferencing to drive down future costs. A huge benefit Microsoft Office 365 gives is that Virginia ABC staff are now members of the global Skype (and Teams) directory. This means the public and licensees can participate in free calling and video conferencing between Virginia ABC staff and licensees or customers—from mobile devices, tablets or computers with a Web cam capability.

The focus of the ABC Modernization and the IT Reinvestment program, which kicked off in fiscal 2016, is to update ABC's core legacy systems to improve customer service, return on investment, reliability, compliance and flexibility. The steps made in fiscal 2018 continued to make progress toward those goals.

## INTERNAL AUDIT

The Internal Audit Division, responsible for both the internal audit and the information security operations at Virginia ABC, focuses on identifying agency risks to ensure that an adequate system of internal controls is in place to mitigate identified risks and maintain compliance with applicable standards, policies and procedures.

The division maintained a robust store audit program, completing 240 store reviews and four distillery store reviews during the fiscal year. Staff completed seven State Fraud, Waste and Abuse Hotline complaint investigations and two internal fraud investigations. Internal Audit also oversaw efforts for compliance with Virginia Information Technologies Agency (VITA) SEC 502 information security audits and the information security audit program.

For a third consecutive year, Information Security (InfoSec) ensured ABC passed its mandatory Payment Card Industry Data Services Standard (PCI DSS) compliance review ensuring that the authority was able to continue to accept credit cards and to avoid costly fines from the payment card issuers. Info Sec monitored the agency's information security policies and procedures and provided expertise to implement its IT Security Program.

**LICENSE RECORDS MANAGEMENT**

The Bureau of Law Enforcement manages License Records Management (LRM) which consists of 21 employees in two sections—Licensing and Records. These sections interact with all aspects of the life of an ABC license from application submission through possible approval, suspension, revocation and surrender.

In fiscal year 2018, the Records section served more than 3,878 walk-in customers and handled more than 12,090 telephone calls. Transactions totaling more than \$6.8 million included fees for banquet and retail applications, license renewals and beer/wine tax payments. The section pro-

cessed 16,816 renewal bills, 4,508 underage buyer investigation forms and 5,014 mixed beverage annual review packets. The Records section also responded to 97 Freedom of Information Act requests. The Licensing section processed 2,122 new retail applications during the fiscal year. For each application, the section initiated first contact with the applicant within one business day of receiving the application from the Records section. The Licensing section assisted all applicants with the collection of required documents based on the application type and forwarded 1,803 completed applications to the appropriate regional office for investigation by an ABC special agent.

**Licenses and Licensing**

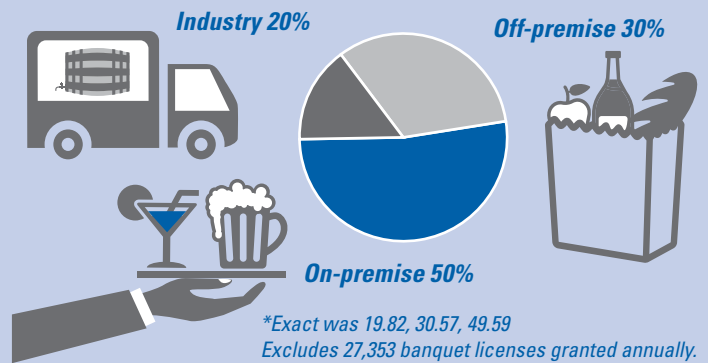
ABC retail licenses (1)	19,458
New retail, wholesale and special-permit licenses	2,103
Licensed retail establishments	18,078
Private or corporate owners	14,014
Alcohol compliance rates for retail licensees (%) (2)	89.57%
Median processing time for new retail applications (in days) (3)	85
One-day banquet and special-event licenses	27,353

(1) Inclusive of licenses for sale and consumption of beer and wine, mixed beverages, on- or off-premises.

(2) FY 2017 rate: 90.20 percent

(3) FY 2017: 72 days. ABC targets a 60-day median.

**Licenses Granted in 2018 by Type\***



**LOGISTICS**

The Logistics Division continued to improve operations over previous years with a decrease in warehouse damages and an increase in shipping productivity.

During fiscal year 2018 the staff reduced warehouse damages by 40 percent resulting in a savings of \$108,000. This reduction was achieved through implementing process improvement recommendations which originated with warehouse staff and were adopted by management.

Equally impressive was the number of cases shipped. The warehouse moved 5,062,057 cases to stores—203,596 more cases and a 15 percent increase over the previous year. This equated to five cases per employee per hour and was a reflection of several factors. ‘Picking locations’ were consolidated which resulted in a 10 percent increase in storage capacity, and warehouse managers completed a seven-month training program that equipped them to work more efficiently as a team and offer better supervision.

A third achievement was the adoption of 52-week forecasting. The Logistics Division implemented a 52-week indexing program to improve forecasting and retail order recommendations. Additional inventory is supplied to stores for busy holiday weeks to support increased sales and then adjusted back to regular levels following the busy period.

These milestones also produced higher employee engagement for the 97 employees who served in Logistics during the fiscal year.

**5,070,262**  
CASES SHIPPED TO STORES



## MARKETING

The Marketing Division develops and implements consumer engagement, retail merchandising and product management strategies and plans that grow Virginia ABC sales and profits.

Expanded consumer engagement and merchandising efforts yielded positive results for the Authority during the fiscal year.

Following outstanding sales results in an initial 30-store pilot program, the Marketing Division expanded the promotional kiosk display program in collaboration with Retail Operations. The program, which focuses on themes such as seasonal recipes, product category education, food pairings and Virginia products, is now active in 137 stores and continues to show exceptional sales results for featured products.

The inaugural Door Buster Days was also a huge success for the Authority in November 2017. The event offered 10 top-selling 1.75L products at a cost savings of 15 to 20 percent. The sale resulted in a 564 percent increase of the combined sales of the 10 items and a 134 percent increase in total store sales during the three-day promotional period. This promotion also avoided taking away from post-promotion sales.

The success of the November promotion led the division to implement a second Door Buster promotion in June 2018, entitled the "Declaration of Savings." This promotion featured select 1.75L items at 17.76 percent off and was met with similar success.

Marketing also led the expansion of the Cyber Monday promotion in November 2017. The promotion offered 20 percent off all products, which was a change from the previous year when the discount applied to only 250 select products.

The results exceeded expectations as online transactions increased from 107 to 3,030 and sales blossomed from \$17,000 to \$389,000 from 2016 to 2017. Additionally, the promotion increased customer awareness of Virginia ABC's e-commerce capabilities as the average online orders increased from 38 per week to 66 per week after the promotion.

The division continued to leverage traditional media, social media, email, promotional programs and other vehicles to connect with, inform and educate customers about Virginia ABC products and services. The Spirited Virginia Facebook page grew from over 4,000 followers in 2017 to over 7,000 followers in 2018.



(ABOVE) Among the many promotions led by the Marketing Division, was Virginia Spirits Month in September which highlighted nearly 200 products distilled in the Commonwealth. More than 224 tasting events held in stores during September featured Virginia products including bourbons, whiskies, moonshine, vodkas, gins and rums.

## POLICY, PLANNING AND ANALYSIS

The Policy, Planning & Analysis (PPA) section PPA provides program and decision support services to internal and external customers of the Authority. PPA manages and coordinates the analysis, development and maintenance of the strategic plan; spearheads internal and external customer satisfaction research; and conducts process improvement efforts. PPA also supports the accomplishment of the Authority's mission and objectives by tracking legislation and developing fiscal impact statements; producing reports on sales, product and store performance; coordinating Freedom of Information Act (FOIA) requests and employee suggestions; and collecting and reporting agency performance measures as required by the Commonwealth's Department of Planning and Budget.

In fiscal year 2018, PPA also supported the accomplishment of the Authority's mission and objectives by tracking 198 bills during the General Assembly session. PPA produced reports on sales, product and store performance, evaluated 109 store locations for either a new store location or lease renewal in fiscal year 2018, and assisted with the fulfillment and tracking of more than 43 FOIA requests, collaborated across Virginia ABC on an additional 114 FOIA requests, and coordinated efforts for 16 employee suggestions.



### PROCUREMENT

The Procurement and Support Services Division's responsibility is to support Virginia ABC's business units by ethically, prudently, competitively, and strategically managing the spend of agency funds for excellent quality goods and services. The division assists internal customers in achieving their goals and maximizing value for the taxpayer's dollar while improving response time when and where applicable and ensuring compliance with government laws.

In May 2018, Virginia ABC Authority procurement policies governing general (non-technology) procurement were implemented. The policies are intended to provide a level of decentralization, more flexibility and allow the organization to operate more like a private business. In conjunction with the implementation of new procedures, Virginia ABC transitioned from the purchasing module within the legacy financial system (Performance) to entering orders directly in eVA, the Commonwealth of Virginia's electronic procurement system. Virginia ABC contracted and procured goods and services with an estimated value of \$35.7 million in fiscal year 2018, which

includes eVA direct orders and Small Purchase Card Charge (SPCC) transactions. As the administrator of the Authority's SPCC program, the division monitored the activities of 121 cardholders that resulted in approximately 9,000 transactions. The division also provided key support services such as the supply and equipment warehouse, high volume copy, and mail services. The supply and equipment warehouse manages supplies frequently used by Virginia ABC retail stores as well as central and regional offices. During the fiscal year, 16,299 supply orders equating to 248,253 items were handled through the supply warehouse.

**248,253**  
ITEMS SUPPLIED



### REAL ESTATE AND FACILITIES MANAGEMENT

During fiscal year 2018 the Real Estate and Facilities Management Division was responsible for management of the Authority's Central Office, the warehouse and its 370 retail stores.

The division encompasses three major work areas: Initial Site Selection, Negotiation, Leasing and Lease Administration; Facility Management and Maintenance of the Central Office, Retail Stores and Regional Offices; and Construction/Fixture Installation for New Stores, Relocations, and Modernizations. These tasks are accomplished by a staff of 28 individuals, who have approximately 300 combined years of ABC service and experience. During fiscal year 2018, the division was responsible for 18 owned properties, 352 leased retail outlets, and 10 offices for the Authority's Bureau of Law Enforcement.

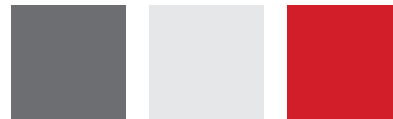
The director chairs the Real Estate Committee and works in concert with Virginia's commercial retail brokerage community and landlords, as well as ABC's Retail Operations, Logistics, Marketing, Policy, Planning and Analysis, and Finance divisions to discuss new store and lease activity in an effort to make sound recommendations to the ABC board.

During the fiscal year the division modernized and maintained the Authority's current retail locations while it explored new store locations. Division staff also created additional office space and parking at the Central Office for new employees.

The Authority opened five new stores based on location strategy. Modernizations numbered 11 with flooring installed in an additional four stores. The division facilitated the relocation of two stores and the expansion of three stores in an effort to enhance convenience and the shopping experience for ABC customers. The Authority plans to open 14 new stores in fiscal year 2019.



(ABOVE) Members of the Real Estate team from left to right: Steve Atkins, central office maintenance supervisor; Liz Chatham, real property agent; William Henley, facility and design permit coordinator, and Ronnie Young, assistant director.



## RETAIL

The Retail Operations Division is responsible for the operation of 370 stores across the Commonwealth—367 self-service stores (which include four premier locations) and four conventional stores. Twenty-three Regional Managers and a classified and part-time work force of 3,217 employees oversee the efficient management of the retail stores.

Open 362 days of the year, these stores served more than 31 million customers and generated more than \$984.8 million in sales in fiscal year 2018. Operational support and guidance for the stores is provided by a staff of eight in the central office who also manage the staffing program, design and configure the point-of-sale system and provide analysis, performance tracking, and expense management for the entire division.

In October 2017, Virginia ABC completed its upgrade of over 900 registers and 900 VeriFone credit card signature devices at all of its retail locations. The six-month project, completed on schedule, resulted in significantly reduced credit fraud and a concurrent reduction in ABC's liability risk for customer-challenged credit card transactions. Also included in the upgrade was an update to VeriFone Head Quarters (VHQ), which is VeriFone's cloud-based solution enabling ABC to observe, update, troubleshoot and track the VeriFone devices. Having this ability allows ABC to monitor these devices more effectively than previous manual processes and ensures compliance with PCI audit requirements and industry best practices.

Retail Operations created a comprehensive product database for all ABC standard products. The database, used in conjunction with a cloud-based cataloging application, will provide store employees with an up-to-date, tangible product guide to retain in the sales area for quick and convenient reference. This valuable tool will also give sales associates immediate access to product information, which will enhance the level of service they provide to customers and aid them in their selections.

Regional Managers also began holding staff meetings in local distilleries resulting in 32 off-site product knowledge opportunities held during the fiscal year. In addition, four supplier partners held training sessions with the goal to help drive premiumization by increasing ABC store brand knowledge of luxury and ultra-luxury products. Heaven Hill provided training to 351 employees, Sauza trained 60, Moet-Hennessy trained 35 and Luxco trained 77 employees.

Retail Operations implemented a new store security contract administrative process. Working closely with IT Procurement and the vendor, the division identified contract needs, and requirements were defined with service level agreements. These clearly defined requirements and agreements improved vendor relations, service provided to the stores and adherence to the contract terms.

Retail tracks and submits incoming service requests, coordinates new installations and verifies the monthly billing to include travel, labor, equipment, and monthly monitoring. Expenses were reduced approximately 26 percent compared to the average expense for the last three contract years.

Additionally, regional managers now independently issue and remove access codes and maintain web-based emergency call lists for their stores.

### ABC Stores

Alcohol compliance rate for ABC stores (%) (1)	99.13
Average delivery cost to ABC stores (dollars per case)	\$.91
Total shipments to ABC stores (cases)	5,070,262.75
Total shipments to ABC stores (weight, in lbs)	156,654,119.49
(1) FY 17 rate: 99.12 percent	

### ABC Products

#### Price list

Active items on price list	2,963
Virginia wines on price list	75
Vermouths on price list	14
Non-Alcoholic on price list	69
Items de-listed from price list (1)	177

#### Special orders

Active items on special order catalog	786
Active items on special order noncatalog	1,004
Total special order purchases (cases) (2)	36,139
Total special order revenue (dollars) (2)	8,632,846
• Catalog purchases (cases)	7,357
• Catalog revenue (dollars)	2,424,391
• Noncatalog purchases (cases) (3)	28,782
• Noncatalog revenue (dollars)	6,208,454
Total special order revenue increased (%)	14.80

(1) De-listed items remain on the price list until all inventory has been depleted.

(2) These totals include both catalog and noncatalog special orders.

(3) Noncatalog special orders are for those items not included in the special order catalog.



# DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

## RETAIL, continued

### Top 50 Brands Sold in Fiscal Year 2018

Rank		BRAND	PRODUCT CATEGORY	Gross Dollars		CHANGE (%)	Actual CHANGE (\$)
FY 18	FY 17			FY 18 (\$)	FY 17 (\$)		
		<b>Statewide Total</b>		<b>978,127,866</b>	<b>937,694,402</b>	<b>4.3</b>	<b>40,433,465</b>
		<b>Top 50 Brands</b>		<b>474,638,693</b>	<b>459,528,658</b>	<b>3.3</b>	<b>15,110,035</b>
		<b>All Others</b>		<b>503,489,173</b>	<b>478,165,744</b>	<b>5.3</b>	<b>25,323,429</b>
1	3	Tito's Handmade	domestic vodka	33,451,056	25,018,702	33.7	8,432,353
2	1	Hennessy VS	cognac/armagnac	33,157,815	33,941,737	(2.3)	(783,922)
3	2	Jack Daniel's 7 Black	Tennessee whiskey	29,282,762	28,702,100	2.0	580,662
4	4	Jim Beam	straight bourbon	21,494,889	20,421,335	5.3	1,073,554
5	6	Fireball Cinnamon	cordials	18,749,122	18,662,785	0.5	86,338
6	5	Smirnoff 80	domestic vodka	18,598,281	18,807,951	(1.1)	(209,669)
7	7	Crown Royal	Canadian whisky	17,288,992	16,651,947	3.8	637,044
8	8	Grey Goose	imported vodka	15,787,612	16,238,080	(2.8)	(450,468)
9	0	Patron Silver	tequila	15,550,179	15,061,885	3.2	488,293
10	11	Jameson Irish	Irish whiskey	15,493,731	13,701,120	13.1	1,792,611
11	12	Maker's Mark	straight bourbon	14,408,186	13,588,959	6.0	819,227
12	10	Absolut	imported vodka	13,948,563	14,256,863	(2.2)	(308,299)
13	13	Bacardi Superior	rum	12,210,919	12,108,245	0.8	102,674
14	15	Captain Morgan's Spiced	rum	11,049,572	11,203,189	(1.4)	(153,617)
15	14	Aristocrat	domestic vodka	10,635,240	11,703,331	(9.1)	(1,068,091)
16	16	Pinnacle	imported vodka	9,540,675	9,905,455	(3.7)	(364,780)
17	17	Jose Cuervo Especial Gold	tequila	9,237,385	9,560,573	(3.4)	(323,188)
18	23	Woodford Reserve	straight bourbon	7,672,936	6,370,497	20.4	1,302,439
19	20	Crown Royal Regal Apple	Canadian whisky	7,629,693	7,057,864	8.1	571,829
20	18	Evan Williams Black	straight bourbon	7,448,582	7,733,085	(3.7)	(284,503)
21	21	Ketel One	imported vodka	7,367,060	6,915,453	6.5	451,608
22	19	Jagermeister	cordials	7,307,268	7,636,944	(4.3)	(329,677)
23	22	Tanqueray	imported gin	6,912,915	6,817,000	1.4	95,916
24	24	Bowman's Virginia	domestic vodka	6,352,387	6,341,682	0.2	10,705
25	25	Burnett's	domestic vodka	6,339,566	6,270,577	1.1	68,989
26	26	Skyy	domestic vodka	6,265,928	6,213,565	0.8	52,363
27	28	Bailey's Original Irish Cream	cordials	5,849,834	5,519,518	6.0	330,316
28	27	Seagram's Extra Dry	domestic gin	5,749,065	6,062,433	(5.2)	(313,368)
29	30	Johnnie Walker Black	Scotch Whiskey	5,738,718	5,465,023	5.0	273,695
30	29	Malibu Coconut	rum	5,679,558	5,487,212	3.5	192,346
31	31	Paul Masson Grande Amber VS	brandy	5,589,993	5,435,612	2.8	154,381
32	32	Bombay Sapphire	imported gin	5,312,067	5,138,177	3.4	173,891
33	34	Svedka	imported vodka	5,301,691	5,105,630	3.8	196,062
34	37	1800 Silver	tequila	5,106,368	4,865,218	5.0	241,150
35	33	Evan Williams Green	straight bourbon	5,087,019	5,121,588	(0.7)	(34,569)
36	36	Wild Turkey 101	straight bourbon	5,064,772	4,952,092	2.3	112,680
37	35	Grand Marnier Cordon Rouge	cordials	4,995,295	5,065,667	(1.4)	(70,373)
38	39	New Amsterdam	domestic vodka	4,691,471	4,657,194	0.7	34,276
39	44	Bulleit	straight bourbon	4,579,824	3,790,854	20.8	788,970
40	38	Dewar's White Label	Scotch whiskey	4,573,086	4,731,912	(3.4)	(158,826)
41	40	Canadian Mist	Canadian whisky	4,145,979	4,340,687	(4.5)	(194,709)
42	41	Bacardi Gold	rum	4,108,161	4,130,700	(0.5)	(22,539)
43	49	Courvoisier VS	cognac/armagnac	3,948,004	3,411,989	15.7	536,015
44	47	Knob Creek	straight bourbon	3,917,327	3,581,334	9.4	335,993
45	43	E & J VS	brandy	3,894,355	3,869,408	0.6	24,948
46	48	Gentleman Jack	Tennessee whiskey	3,815,336	3,573,229	6.8	242,107
47	42	Early Times	domestic whiskey	3,793,802	4,011,715	(5.4)	(217,913)
48	46	Kahlua Coffee	cordials	3,595,548	3,582,303	0.4	13,245
49	---	Jack Daniel's Tennessee Honey	cordials	3,463,304	2,987,438	15.9	475,866
50	45	Stolichnaya	imported vodka	3,456,802	3,750,801	(7.8)	(293,999)

This table is based on FY2018 dollars and previous years' sales for these items. A dash (--) indicates items not included in the Top 50 last year. A dash (—) indicates items not included in the "Top 50 Brands" last year.

**RETAIL, continued**

**Store Activities: July 1, 2017–June 30, 2018**

Store	Location	Activity	Closed	Opened	Total
279	Forest	modernization	6-14-17	7-6-17	366
413	Suffolk	new store	n/a	7-8-17	367
052	Strasburg	flooring	7-16-17	7-20-17	367
047	Winchester	flooring	7-17-17	7-22-17	367
372	Alexandria	modernization	7-23-17	8-6-17	367
418	Loudoun	new store	n/a	8-10-17	368
066	Bealeton	flooring	8-15-17	8-19-17	368
138	Louisa	flooring	8-13-17	8-17-17	368
126	Nellysford	modernization	8-17-17	9-6-17	368
077	Powhatan	expansion	8-5-17	9-20-17	368
156	Cape Charles	modernization	9-29-17	10-14-17	368
344	Onley	modernization	10-13-17	10-22-17	368
162	Accomack	modernization	10-20-17	11-4-17	368
421	Fairfax	new store	n/a	11-14-17	369
088	Marshall	expansion	9-24-17	11-18-17	369
237	Portsmouth	relocation	11-28-17	12-3-17	369
380	Alexandria	new store	n/a	12-19-17	370
241	Fairfax	relocation	1-1-18	1-5-18	370
089	Manakin-sabot	modernization	1-20-18	2-5-18	370
181	Middleburg	modernization	2-3-18	2-22-18	370
208	Ashburn	modernization	2-25-18	3-10-18	370
396	Forest	new store	n/a	3-17-18	371
290	Grafton	expansion	1-4-18	3-20-18	371
313	Fredericksburg	modernization	3-17-18	3-31-18	371
242	Henrico	modernization	5-10-18	5-27-18	371
358	Alexandria	closed	6-8-18	n/a	370

**FIRST SUPERSTORE OPENS IN DULLES**

Shelf selections at every Virginia ABC store vary slightly with each store reflecting the preferences of its customer base. When a specific product isn't available, store staff go through the process of special ordering the bottle. One store doesn't have those worries. Store 418 in Dulles became Virginia ABC's first "superstore" to carry more than 2,500 regular products available in the regular catalog as well as 460 special order items. The store opened in August 2017 and sits just 10 miles from Dulles International Airport. It was the 368th store in the retail network.

During the fiscal year, the store posted \$2,808,527 in sales and sold 140,237 bottles. Fireball Cinnamon moved the most bottles with 6,717 in the 2018 fiscal year, but Tito's Handmade Vodka brought in the most sales with \$145,182. Jack Daniel's 7 Black was second with \$71,943, Jameson Irish was fourth after Fireball with \$49,661 and Grey Goose was fifth with \$47,341. Smirnoff 80, Patron Silver, Johnnie Walker Black, Woodford Reserve and Maker's Mark rounded out the top 10.

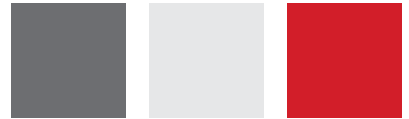
Some higher-end products, such as Glenlivet whiskey, Bombay Sapphire, Basil Hayden's and Johnnie Walker Blue also cracked the top 25 of the store's sales. The store had a high-water mark of \$435,856 in total dollars in its sixth month of operation. Regional Manager Lori Murphy said that the store's selection has been well received by its customers. Murphy also reported that customers come in from Washington D.C. and Maryland to visit the Dulles store in order to acquire the premium products that it has that they can't easily find elsewhere. "It's become a destination store," she said.

Store 418 not only carries every single product that Virginia ABC has available to it, but also hosts free, in-store tastings of the Recipe of the Week on Fridays. Customers who purchased products used in those recipes received a complimentary gift. The store is also one of the largest in the ABC retail network at 6,017 square feet. That square footage is almost double the size of the average ABC store, which is 3,169.



(Above): Store 418 opened in July 2017 just 10 miles from Dulles International Airport, which hosts 60,000 passengers traveling to 125 global destinations on a typical day.

**VIRGINIA ABC  
AT A GLANCE**



## WEB AND DIGITAL UNIT

During Fiscal Year 2018, the Digital and Web Unit expanded organizationally and led strategic initiatives in content, e-commerce and digital development, leading up to and then building upon a high-volume event for Cyber Monday 2017. Throughout the fiscal year, the Digital Unit continued in a key internal partnership with Information Technology's digital development group by conducting regular monthly releases of enhancements to the website and e-commerce.

Early in the fiscal year, the Digital Unit led the creation of a formal content strategy for digital communications, partnering with the Marketing and Communications divisions and the Education and Prevention Section. The content strategy sought to integrate content creation for the website and other communications channels (including social media, email and in-store messaging) while maintaining a focus on customer needs. In coordination with the broader content group, the strategy was implemented throughout the fiscal year and was supported by a staffing expansion of the Digital Unit.

In addition to a strategic approach to content, the Digital Unit led the creation of a digital roadmap, bringing data and insights to bear in the proper application of technology to drive business goals. Key activities for the roadmap included identification of business goals, challenges and opportunities for the next three-to-five years; industry research; consumer and licensee surveys; consumer and licensee journey maps; technical and organizational recommendations; and a multiyear

roadmap for omni-channel retail capabilities. This document provides a basis for ongoing development and planning. Cyber Monday 2017, held on November 27, 2017, saw unprecedented levels of online ordering and very high traffic. More than 3,000 orders were received that day, and the number of concurrent users reached levels that have been previously seen only for the highest-volume limited availability lotteries. The average order total was \$121, and a total of 15,386 bottles were sold online. This event provided invaluable feedback about e-commerce and digital content.

Informed by the experience of Cyber Monday, the Digital Unit and digital development group launched the Transform Online Customer Experience (TOCE) initiative in spring 2018. This initiative focused on the technical hardening of e-commerce—including improvements in monitoring, load testing, communications between ABC systems and the content management system, usability and contingency planning—as well as business and technical improvement in the shopping, ordering and pickup experiences. Most of the issues identified in Cyber Monday 2017 were addressed.

In fiscal year 2018, the website had 1,551,603 unique visitors and 10,621,607 page views. Of these, 59.3 percent were via mobile phones and 75.1 percent were acquired organically from search engines. Increases in visitors and page views over the previous fiscal year are largely attributable to the growth of product- and store-related traffic as well as search activity.

## BLACK FRIDAY AND CYBER MONDAY GENERATE RECORD SALES

Virginia ABC offered its annual Black Friday and Cyber Monday savings with sales breaking records set the previous year.

ABC customers embraced a Black Friday 15 percent discount on purchases \$75 or above and a 20 percent discount on purchases of \$100 or more. Stores saw a 69.5 percent increase in transactions of \$75 or more compared to the previous year. Sales resulting from the promotion represented 12.8 percent of the day's total sales transactions of \$7,001,625. This was a 29.5 percent increase from the previous year.

Cyber Monday also catered to the customer experience by providing the full catalog of products at a 20 percent discount with no minimum purchase required. The number of Cyber Monday transactions grew exponentially from 107 the previous year to 3,030. Sales skyrocketed from \$17,000 in 2016 to \$389,000 in 2017. The success of Cyber Monday also created awareness of online ordering, nearly doubling the amount of orders per week post-holiday season.



Impressive sales both in-store and online made November 2017 a month to remember.

The 2017 holiday season campaign was effective in increasing sales and traffic, utilizing both in-store and online avenues.

**VIRGINIA ABC  
AT A GLANCE**





**A Declaration of SAVINGS!**  
**Door Buster Deals!**  
**ABC**  
**JUNE 26-28, SAVE 17.76%**  
**on select 1.75L sizes...while supplies last!**

	SALE PRICE:	SAVINGS:
Knob Creek Bourbon	\$55.99	<del>\$12.00!</del>
Bulleit Bourbon	\$50.99	<del>\$11.00!</del>
Fireball Whiskey <i>(glass or plastic)</i>	\$25.49	<del>\$5.50!</del>
Hendrick's Gin	\$61.69	<del>\$13.30!</del>
Bombay Sapphire Gin	\$44.39	<del>\$9.60!</del>
Tito's Vodka	\$32.89	<del>\$7.10!</del>
1800 Tequila Reposado	\$30.49	<del>\$6.50!</del>
Jose Cuervo Silver Tequila	\$32.89	<del>\$7.10!</del>
Bacardi Superior Silver Rum <i>(glass or plastic)</i>	\$16.49	<del>\$3.50!</del>
Kraken Black Spiced Rum	\$23.89	<del>\$5.10!</del>

*Limit of 3 bottles per product, per person, per day.*

For more details, please ask store staff or visit [www.abc.virginia.gov](http://www.abc.virginia.gov)

VirginiaABC SpiritedVirginia VirginiaABC

## Doorbusters Promotion Offers Patriotic Savings

Virginia ABC celebrated the Fourth of July a week early in 2018 and offered its customers a promotion that was groundbreaking for the Authority.

Customers at Virginia ABC stores encountered a patriotic-themed discount, 17.76 percent, from June 26-28 on 10 select 1.75-liter sized products. This “Declaration of Savings” event was a first-time summer promotion from Virginia ABC and it was a successful venture for the Authority.

Overall, retail sales grew by \$3.9 million versus June, 2017. The campaign brought in incremental retail sales of \$692,980 in June. Over the course of those three days, store sales increased 8.6 percent to \$7,758,291 from the same period in 2017.

During the promotional period, the total number of bottles included in the event was 23,127. This was a 16,387 bottle increase, or 243 percent, on the 10 products that were featured in the Door Buster event.

The most popular product in the event was Tito’s Handmade Vodka, which sold 7,869 bottles for a total sale of \$261,323. This was a 236 percent increase to its 2,339 bottles sold in the same period in 2017. Some of the products featured saw more than a 1,000 percent increase from the same period of time in 2017.

The biggest gain was from Knob Creek Bourbon, which sold 1,181 bottles during the event for \$67,412. This was a 1,745 percent increase from the 64 bottles sold in the same period in 2017 and a 1,449 percent increase in sales from June, 2017.

Bulleit Bourbon increased 1,230 percent, from 74 bottles in 2017 to 984 bottles. Hendrick’s Gin increased 744 percent with 574 bottles sold from 68 the previous year.

The 10 products combined for a 229 percent increase in sales during the event.

Prior to, during, and after the Declaration of Savings Event, customers had the opportunity to enter a “Vacation/Stay-cation” sweepstakes with five winners receiving a \$1,000 Visa gift card in addition to a \$100 Virginia ABC gift card. The sweepstakes received approximately 30,000 entries, adding approximately 8,000 email addresses to the Spirited Virginia e-newsletter database.

On the web, the Door Busters page was the 16th out of the top 20 pages in terms of traffic. The event also increased traffic to the promotions and recipe pages as well.



## A Message from the Chairman and Chief Executive Officer



Virginia ABC Board Chairman Jeffrey L. Painter and Chief Executive Officer Travis G. Hill.

It is our pleasure to present the 2018 fiscal year annual report for the Virginia Alcoholic Beverage Control Authority. These facts and figures represent the organizations's 20th consecutive record-breaking year for retail sales.

Virginia ABC operations earned a record \$180.8 million in profits. These profits combined with state and general sales taxes as well as wine and beer taxes resulted in an all-time high of \$465 million transferred to Virginia's general fund, \$16 million above last year's contribution. A major source of revenue for the Commonwealth, ABC has contributed \$10.4 billion to the general fund since 1934.

We stand behind these figures with pride in the accomplishments made possible by the dedicated employees of Virginia ABC. To the best of our knowledge, these figures accurately represent the operations of our Authority during the fiscal year. These financial statements are audited annually by the Auditor of Public Accounts as required by the [Code of Virginia](#).

## Financial Results in Brief, Fiscal Year 2018

SOURCE	FY 18	FY 17	FY 16	FY 15	FY 14
ABC profit disbursements (1)	\$179,190,609	\$171,154,888	\$164,888,413	\$152,037,837	\$139,987,344
State taxes (2)	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584
General sales tax (3)	45,357,513	43,343,103	41,343,208	39,199,161	36,879,111
Wine liter tax (4)	37,649,424	36,801,248	36,208,113	35,249,206	34,608,741
Malt beverage tax (5)	41,633,945	42,818,745	43,181,973	42,948,462	43,341,595
<b>Total</b>	<b>\$464,741,232</b>	<b>\$448,564,614</b>	<b>\$433,434,635</b>	<b>\$409,266,851</b>	<b>\$386,860,375</b>

- (1) *Source:* "Statement of Revenues, Expenses and Changes in Net Position." Profits are reported in accordance with generally accepted accounting principles. Profits include licensing fees and ABC's portion of the wine liter tax.  
 (2) *Source:* "Notes to Financial Statements 4.B. General Fund." State tax on distilled spirits = 20 percent. State tax on wine sold in ABC stores = 4 percent.  
 (3) *Source:* "Notes to Financial Statements 4.C. Department of Taxation--Sales Tax."

- General sales tax rate is 6.0 percent in the localities that make up the Northern Virginia and Hampton Roads regions, and 5.3 percent statewide.  
 (4) *Source:* "Notes to Financial Statements 4.B. General Fund." The non-ABC portion of the wine liter tax = \$40 per liter. \$9,141,363 of the wine liter tax is transferred to the Virginia Department of Behavioral Health and Developmental Services.  
 (5) *Source:* "Notes to Financial Statements 8. Collections of Malt Beverage Tax."

## Sales of All Beverages, Fiscal Year 2018

PRODUCT	GALLONS*	LITERS	TOTAL GALLONS (%)	GROSS DOLLARS	GROSS SALES (%)
<b>STATE STORE SALES</b>					
Distilled Spirits	11,633,634	44,038,074	96.8%	\$967,758,999	96.8%
Virginia Wine	33,631	127,308	0.3%	\$2,259,824	0.3%
Vermouth	39,761	150,510	0.3%	\$1,787,250	0.3%
Alcohol	2,937	11,116	0.0%	\$378,054	0.0%
Non-Alcoholic Mixers	305,403	1,156,077	2.5%	\$5,837,656	2.5%
<b>TOTAL</b>	<b>12,015,366</b>	<b>45,483,085</b>	<b>100.0%</b>	<b>\$978,021,783</b>	<b>100.0%</b>
<b>DIRECT SALES FROM WHOLESALERS</b>					
Wines (\$0.40 Liter) (1)	26,815,978	101,509,472	15.3%	\$41,285,746	15.3%
Beer (\$7.95 Barrell)	148,511,976	562,178,719	84.7%	\$41,633,945	84.7%
<b>TOTAL</b>	<b>175,327,954</b>	<b>663,688,191</b>	<b>100.0%</b>	<b>\$82,919,691</b>	<b>100.0%</b>

\*excludes non-beverage items, confiscated items, distillery store sales

(1) Gross Liter Tax for Wines after 12 percent allocated to ABC Revenue

Source: Policy, Planning & Analysis



# COMPARISON OF PRODUCTS SOLD/MARKET SHARE

FISCAL YEAR 2018 VS. FISCAL YEAR 2017



PRODUCTS	CASES SOLD		CHANGE	MARKET SHARE (%)	
	FY 18	FY 17	(%)	FY 18	FY 17
Vodka	1,505,294	1,471,413	2.3	30.1	30.3
Domestic	823,756	795,487	3.6		
Imported	355,140	351,388	1.1		
Flavored	326,398	324,538	0.6		
Straight Bourbon Whiskey	578,328	535,671	8.0	11.6	11.0
Cordials -Liqueurs-Specialties	488,640	474,718	2.9	9.8	9.8
Imported	314,610	298,289	5.5		
Domestic	174,030	176,429	(1.4)		
Rum	464,811	455,635	2.0	9.3	9.4
Domestic	25,955	21,549	20.4		
Imported	438,855	434,086	1.1		
Tequila	353,493	324,504	8.9	7.1	6.7
Gin	234,097	236,821	(1.2)	4.7	4.9
Domestic	137,315	142,038	(3.3)		
Imported	84,557	81,542	3.7		
Flavored	11,805	12,780	(7.6)		
Sloe	420	461	(9.0)		
Canadian Whisky	187,912	183,177	2.6	3.8	3.8
Brandy	161,060	160,640	0.3	3.2	3.3
Grape	118,082	116,997	0.9		
Imported	7,035	7,315	(3.8)		
Flavored	35,943	36,328	(1.1)		
Scotch Whiskey	149,585	149,545	0.0	3.0	3.1
Cognac\Armagnac	121,746	149,837	(18.7)	2.4	3.1
Tennessee Whiskey	112,392	110,261	1.9	2.2	2.3
Blended Whiskey	101,123	103,626	(2.4)	2.0	2.1
Cocktails	97,273	76,613	27.0	1.9	1.6
Domestic	61,056	42,006	45.4		
Imported	36,217	34,608	4.7		
Irish Whiskey	62,282	53,596	16.2	1.2	1.1
Domestic Whiskey	56,801	53,194	6.8	1.1	1.1
Specialty Bottles	45,534	53,320	(14.6)	0.9	1.1
Imported	29,448	26,861	9.6		
Domestic	16,086	26,459	(39.2)		
Moonshine	34,585	31,709	9.1	0.7	0.7
Straight Rye Whiskey	32,505	26,609	22.2	0.6	0.5
Egg Nog	20,034	18,653	7.4	0.4	0.4
Rock & Rye	2,236	1,813	23.4	0.0	0.0
Alcohol(1)	1,227	53	2,215.7	0.0	0.0
Bottled in Bond Whiskey	561	601	(6.7)	0.0	0.0
Corn Whiskey	408	325	25.6	0.0	0.0
Vermouth	21,903	17,848	22.7	0.4	0.4
Virginia Wine	14,480	14,624	(1.0)	0.3	0.3
Non-Alcoholic Mixers	128,533	123,882	3.8	2.6	2.6
Non Beverage Item	29,272	28,399	3.1	0.6	0.6
<b>Statewide totals*</b>	<b>5,006,115</b>	<b>4,857,088</b>	<b>3.1</b>	<b>100.0</b>	<b>100.0</b>

\* Excludes miscellaneous records and confiscated items. Source: Policy, Planning & Analysis

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
<b>Statewide Totals</b>		<b>12,018,293</b>	<b>\$978,751,341</b>	<b>\$160,047,233</b>	<b>\$818,704,107</b>	<b>\$469,349,836</b>	<b>\$349,354,271</b>	<b>\$113,875,722</b>	<b>\$235,619,498</b>	<b>\$55,037,648</b>	<b>\$180,581,850</b>	<b>34.8%</b>
137 674 Hwy., 58 E.	Norton City	21,622	1,498,007	245,764	1,252,243	714,969	537,274	238,084	299,290	84,182	215,108	30.8
194 16427-E. Wise St.	Wise Co.	7,953	527,867	87,026	440,841	251,274	189,567	168,653	20,975	29,636	(8,661)	14.8
206 18 E. 4th St. S.	Wise Co.	11,669	742,271	122,130	620,142	353,415	266,727	136,776	129,993	41,689	88,304	28.3
218 3982 Hwy., 23 N.	Scott Co.	9,848	619,059	102,012	517,047	294,835	222,212	114,690	107,571	34,759	72,812	28.2
<b>Far Southwest</b>		<b>51,092</b>	<b>3,387,204</b>	<b>556,931</b>	<b>2,830,273</b>	<b>1,614,492</b>	<b>1,215,781</b>	<b>658,203</b>	<b>557,829</b>	<b>190,266</b>	<b>367,563</b>	<b>27.3</b>
87 4027 College Ave.	Tazewell Co.	24,251	1,749,648	287,517	1,462,131	838,189	623,942	271,488	352,706	98,292	254,414	31.0
174 One Plz. Dr.	Buchanan Co.	9,598	665,035	109,697	555,338	318,596	236,742	115,124	121,638	37,333	84,305	29.2
197 149 Clay Dr.	Tazewell Co.	19,609	1,369,166	225,130	1,144,035	653,663	490,372	216,834	273,625	76,908	196,717	30.8
230 599 Freedom Ave.	North Tazewell Co.	7,655	517,712	85,145	432,567	247,222	185,344	109,331	76,141	29,079	47,061	25.5
365 340 Chase St.	Dickenson Co.	6,836	453,675	74,828	378,847	216,673	162,175	116,914	45,267	25,468	19,799	20.9
<b>Southwest</b>		<b>67,948</b>	<b>4,755,236</b>	<b>782,317</b>	<b>3,972,919</b>	<b>2,274,343</b>	<b>1,698,575</b>	<b>829,692</b>	<b>869,377</b>	<b>267,081</b>	<b>602,297</b>	<b>29.1</b>
58 3002 Lee Hwy.	Bristol City	28,103	2,077,112	341,022	1,736,090	992,982	743,108	253,610	489,575	116,709	372,866	34.4
96 974 E. Stuart Dr.	Galax City	25,947	1,662,305	272,276	1,390,029	794,039	595,990	214,818	381,200	93,445	287,755	33.7
135 1173-1177 N. Main St.	Smyth Co.	25,062	1,681,669	276,460	1,405,209	802,393	602,816	194,934	407,950	94,466	313,484	35.1
141 441 W. Stuart Dr.	Carroll Co.	16,951	1,105,264	180,744	924,521	528,801	395,720	186,970	208,750	62,151	146,599	29.6
153 325 W. Main St.	Wythe Co.	27,667	1,931,932	314,260	1,617,672	924,112	693,560	248,791	444,775	108,749	336,026	33.7
201 545 W. Main St.	Washington Co.	46,891	3,445,491	564,412	2,881,079	1,650,824	1,230,255	237,600	992,801	193,681	799,120	39.6
343 2123 Euclid Ave.	Bristol City	25,030	1,641,796	269,725	1,372,070	782,495	589,575	204,520	385,128	92,238	292,890	34.3
<b>Wytheville/Hillsville</b>		<b>195,651</b>	<b>13,545,569</b>	<b>2,218,900</b>	<b>11,326,669</b>	<b>6,475,645</b>	<b>4,851,024</b>	<b>1,541,243</b>	<b>3,310,179</b>	<b>761,439</b>	<b>2,548,740</b>	<b>35.2</b>
67 290 Peppers Ferry Rd.	Montgomery Co.	32,195	2,401,443	393,150	2,008,292	1,150,174	858,119	349,232	509,036	135,008	374,028	31.9
195 100 N. Franklin St.	Montgomery Co.	27,336	1,842,590	303,391	1,539,199	879,649	659,550	194,402	465,321	103,473	361,848	36.1
199 140 Kinter Way	Giles Co.	16,607	1,041,308	170,567	870,740	496,395	374,345	148,534	225,849	58,536	167,313	32.4
327 1332 S. Main St.	Montgomery Co.	68,191	4,636,359	762,410	3,873,949	2,221,203	1,652,746	440,251	1,212,670	260,427	952,242	37.0
345 5265 Alexander Rd.	Pulaski Co.	29,036	2,077,715	336,934	1,740,781	999,705	741,075	294,412	447,011	117,025	329,986	32.1
356 97 Walker St.	Radford City	41,415	2,676,855	441,524	2,235,331	1,291,873	943,458	317,108	626,670	150,271	476,399	34.3
395 117 Parkview Rd. NE	Floyd Co.	13,094	886,661	145,336	741,325	424,403	316,922	111,133	205,812	49,836	155,976	34.0
414 765 University City Blvd.	Montgomery Co.	33,278	2,295,043	377,631	1,917,412	1,097,140	820,272	247,826	572,544	128,899	443,645	35.8
<b>Radford/Blacksburg</b>		<b>261,152</b>	<b>17,857,973</b>	<b>2,930,944</b>	<b>14,927,029</b>	<b>8,560,542</b>	<b>6,366,487</b>	<b>2,102,897</b>	<b>4,264,912</b>	<b>1,003,474</b>	<b>3,261,438</b>	<b>34.7</b>
115 1423 Williamson Rd., N.E.	Roanoke City	57,038	4,672,128	768,649	3,903,479	2,236,842	1,666,638	380,918	1,286,398	262,413	1,023,985	38.4
123 531 Main St.	Alleghany Co.	7,225	483,947	79,792	404,155	231,376	172,779	104,532	68,284	27,169	41,115	25.0
124 339 Thacker Ave.	Covington City	18,144	1,305,659	214,540	1,091,119	625,076	466,043	292,016	174,179	73,351	100,828	24.2
186 1483 W. Main St.	Salem City	49,229	3,447,118	566,933	2,880,185	1,648,958	1,231,228	307,396	924,006	193,621	730,384	37.6
229 3940 Valley Gateway Blvd.	Roanoke Co.	25,104	1,799,625	295,347	1,504,278	859,140	645,138	236,370	408,815	101,126	307,689	33.5
259 5050-C Rutgers St.	Roanoke City	57,329	4,293,990	704,801	3,589,189	2,053,399	1,535,790	416,851	1,121,027	241,284	879,742	36.9
269 646 Brandon Ave.	Roanoke City	68,050	5,469,089	887,528	4,581,562	2,622,158	1,959,404	517,959	1,444,942	307,997	1,136,945	37.0
289 3341 Melrose Ave., N.W.	Roanoke City	35,215	2,929,422	483,247	2,446,175	1,394,906	1,051,269	294,087	757,613	164,445	593,168	36.7
309 3901 Brambleton Ave., S.W.	Roanoke Co.	64,230	4,757,042	777,909	3,979,134	2,278,929	1,700,205	421,178	1,279,320	267,499	1,011,822	37.6
337 1113 Vinyard Rd.	Roanoke Co.	35,098	2,380,611	391,228	1,989,383	1,135,578	853,805	242,963	611,101	133,737	477,364	36.5
364 56 Kingston Dr.	Botetourt Co.	28,140	2,057,822	336,117	1,721,705	986,004	735,702	270,694	465,122	115,742	349,379	33.3
<b>Roanoke</b>		<b>444,804</b>	<b>33,596,452</b>	<b>5,506,088</b>	<b>28,090,364</b>	<b>16,072,365</b>	<b>12,017,999</b>	<b>3,484,965</b>	<b>8,540,807</b>	<b>1,888,384</b>	<b>6,652,423</b>	<b>36.2</b>
57 1028 Richmond Ave.	Staunton City	22,328	1,666,821	272,016	1,394,805	798,864	595,941	276,550	319,453	93,766	225,686	29.9
68 2196 John Wayland Hwy.	Rockingham Co.	30,179	2,116,330	346,441	1,769,889	1,014,605	755,285	244,442	510,956	118,981	391,975	34.9
113 2827 Main St.	Bath Co.	7,972	765,182	122,851	642,331	368,660	273,670	164,145	109,589	43,181	66,408	24.7
122 201 State St.	Staunton City	32,583	2,457,335	403,241	2,054,095	1,179,110	874,985	249,624	625,604	138,087	487,516	36.2

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
140 445 E. Nelson St.	Lexington City	44,628	3,199,964	522,593	2,677,371	1,537,518	1,139,853	320,486	819,670	179,987	639,683	36.3
145 398 N. Main St.	Harrisonburg City	40,727	2,999,717	490,687	2,509,030	1,438,526	1,070,503	257,436	813,211	168,670	644,540	37.8
147 58 Water St.	Highland Co.	2,396	164,076	26,376	137,701	79,337	58,363	72,095	(13,728)	9,257	(22,985)	2.1
173 130 Downey Knolls Dr.	Rockingham Co.	16,335	1,156,197	188,860	967,337	553,848	413,489	211,836	201,682	65,030	136,653	28.2
184 2035 E. Market St.	Harrisonburg City	55,393	4,351,221	712,010	3,639,211	2,088,614	1,550,597	474,604	1,077,069	244,647	832,422	35.5
296 32 Windward Dr.	Augusta Co.	10,908	787,445	129,041	658,404	377,713	280,691	156,301	124,526	44,261	80,265	26.6
338 125 Lucy Lane	Waynesboro City	43,935	3,239,067	532,577	2,706,490	1,551,669	1,154,821	350,935	804,028	181,945	622,084	35.6
339 Shop B, Ste. 108, Rt. 612	Augusta Co.	17,365	1,187,771	194,895	992,876	568,905	423,971	154,681	269,325	66,746	202,578	33.5
383 1037 Port Republic Rd.	Harrisonburg City	32,305	2,085,901	344,287	1,741,614	997,450	744,164	269,159	475,144	117,081	358,064	33.7
386 2576 Stuarts Draft Hwy.	Augusta Co.	16,104	1,131,300	185,904	945,396	540,759	404,638	165,195	239,546	63,555	175,992	32.0
411 85 Augusta Ave.	Augusta Co.	8,390	595,951	98,145	497,806	285,034	212,772	136,116	76,732	33,465	43,267	23.7
<b>Staunton/Waynesboro</b>		<b>381,549</b>	<b>27,904,278</b>	<b>4,569,922</b>	<b>23,334,356</b>	<b>13,380,612</b>	<b>9,953,744</b>	<b>3,503,605</b>	<b>6,452,807</b>	<b>1,568,660</b>	<b>4,884,148</b>	<b>33.9</b>
47 380 Gateway Dr.	Frederick Co.	32,139	2,520,380	412,333	2,108,047	1,206,904	901,142	287,597	613,653	141,714	471,939	35.1
52 786 Shp. Ctr. Rd.	Shenandoah Co.	15,492	1,067,780	175,568	892,212	510,336	381,876	168,301	213,641	59,979	153,661	30.8
56 182 Delco Plz.	Frederick Co.	28,052	2,146,911	352,244	1,794,667	1,031,035	763,632	273,120	495,457	120,647	374,810	33.9
75 240 Elizabeth Dr.	Frederick Co.	27,632	2,124,175	344,987	1,779,188	1,018,193	760,995	243,180	517,966	119,606	398,360	35.0
139 160 Rivendell Ct.	Frederick Co.	45,653	3,422,325	560,223	2,862,103	1,643,646	1,218,457	291,204	928,178	192,406	735,772	37.9
142 411-F South St.	Warren Co.	41,207	3,034,422	495,953	2,538,470	1,454,668	1,083,802	283,358	800,710	170,649	630,060	37.1
167 21 Crow St.	Clarke Co.	17,148	1,293,912	212,233	1,081,679	622,083	459,596	187,869	271,784	72,716	199,068	31.8
193 1412 US Hwy 211 W.	Page Co.	20,605	1,446,257	235,856	1,210,401	693,243	517,158	178,920	338,357	81,370	256,987	34.1
261 3 W. Jubal Early Dr.	Winchester City	42,378	3,245,504	530,666	2,714,838	1,556,743	1,158,095	315,289	843,082	182,506	660,576	36.7
293 5814 Main St.	Shenandoah Co.	13,793	918,440	150,797	767,643	440,408	327,236	147,519	179,766	51,605	128,161	30.4
318 1015 S. Main St.	Shenandoah Co.	22,209	1,556,729	255,962	1,300,767	746,105	554,662	197,000	357,794	87,444	270,349	33.8
387 135 Crooked Run Plz.	Warren Co.	25,334	1,946,555	318,134	1,628,421	933,478	694,943	260,745	434,372	109,471	324,901	33.0
<b>Winchester/Front Royal</b>		<b>331,642</b>	<b>24,723,390</b>	<b>4,044,955</b>	<b>20,678,435</b>	<b>11,856,843</b>	<b>8,821,593</b>	<b>2,834,100</b>	<b>5,994,759</b>	<b>1,390,114</b>	<b>4,604,644</b>	<b>35.0</b>
33 12631 Galveston Ct.	Prince William Co.	26,841	2,405,028	393,298	2,011,730	1,155,593	856,137	408,408	447,929	135,239	312,690	29.4
36 8038 and 8044 Crescent Park Dr.	Prince William Co.	26,949	2,381,694	389,885	1,991,809	1,146,018	845,791	331,547	514,417	133,900	380,517	32.3
39 10410 Bristow Ctr. Dr.	Prince William Co.	33,475	2,936,203	481,163	2,455,040	1,411,743	1,043,297	372,346	671,159	165,041	506,118	33.6
40 22000 Dulles Retail Plz.	Loudoun Co.	23,289	2,469,071	403,515	2,065,557	1,189,999	875,558	371,942	503,695	138,858	364,837	31.1
41 2435 Centreville Rd.	Fairfax Co.	17,093	1,835,054	300,939	1,534,115	881,645	652,470	353,982	298,583	103,131	195,452	27.1
42 7469 and 7471 Richmond Hwy.	Fairfax Co.	28,138	2,430,667	399,817	2,030,851	1,163,840	867,010	378,422	488,893	136,525	352,368	30.9
49 881 N. Quincy St.	Arlington Co.	42,590	4,205,975	682,413	3,523,562	2,027,050	1,496,513	532,269	964,637	236,873	727,765	33.5
54 42015 Village Ctr. Plz.	Loudoun Co.	28,824	2,865,169	466,165	2,399,003	1,381,209	1,017,795	400,329	617,730	161,274	456,456	32.2
55 9934 Liberia Ave.	Manassas City	47,481	4,178,283	679,099	3,499,185	2,006,277	1,492,908	435,233	1,058,264	235,234	823,030	36.0
61 22360 S. Sterling Blvd.	Loudoun Co.	25,927	2,333,122	384,631	1,948,491	1,120,248	828,243	393,576	434,752	130,988	303,764	29.5
63 8951 Ox Rd.	Fairfax Co.	18,597	1,710,036	279,038	1,430,998	813,092	617,906	233,212	385,034	96,199	288,834	33.2
73 43150 Broadlands Ctr. Plz.	Loudoun Co.	33,406	3,186,052	521,434	2,664,618	1,533,791	1,130,826	416,838	714,057	179,130	534,927	33.2
76 7121 Leesburg Pike	Falls Church City	27,148	2,624,450	424,282	2,200,168	1,261,843	938,324	458,079	480,295	147,907	332,388	28.8
78 5331 Merchants View Sq.	Prince William Co.	25,914	2,358,091	386,239	1,971,852	1,135,458	836,394	316,602	520,036	132,558	387,478	32.8
80 6206 Little River Tnpk.	Fairfax Co.	28,825	2,695,792	442,966	2,252,827	1,290,316	962,511	409,154	553,725	151,447	402,278	31.4
82 46930 Cedar Lakes Plz.	Loudoun Co.	49,109	4,779,648	779,050	4,000,598	2,304,767	1,695,831	533,297	1,164,332	268,942	895,391	35.0
83 7263-B Arlington Blvd.	Fairfax Co.	18,329	1,740,242	285,225	1,455,017	835,851	619,166	333,734	285,556	97,814	187,742	27.2
84 3903 Fair Ridge Dr.	Fairfax Co.	20,275	1,978,949	321,628	1,657,321	951,218	706,103	317,141	389,041	111,414	277,627	30.3
85 2930 Chain Bridge Rd.	Fairfax Co.	29,040	2,672,580	435,994	2,236,586	1,286,041	950,545	430,620	520,080	150,355	369,724	30.1
90 12965 Fair Lakes Shp. Ctr.	Fairfax Co.	41,111	3,806,408	621,719	3,184,689	1,829,825	1,354,864	459,718	895,353	214,092	681,261	34.2
93 6124 Rose Hill Dr.	Fairfax Co.	24,666	2,152,529	352,478	1,800,051	1,032,930	767,121	302,025	465,175	121,009	344,166	32.4
94 42385 Ryan Rd.	Loudoun Co.	22,485	2,449,854	401,241	2,048,613	1,178,538	870,075	331,009	539,106	137,719	401,388	32.8
99 601 Post Dr.	Fairfax Co.	40,607	3,938,435	645,075	3,293,359	1,894,629	1,398,730	469,941	929,861	221,397	708,464	34.4
109 1922 Wilson Blvd.	Arlington Co.	37,739	3,704,715	595,124	3,109,591	1,786,054	1,323,537	446,720	877,039	209,043	667,996	34.1

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
111 5722 Union Mill Rd.	Fairfax Co.	36,195	3,219,641	521,880	2,697,761	1,541,209	1,156,552	434,455	722,409	181,358	541,051	33.0
120 5926 Kingstowne Ctr.	Fairfax Co.	39,018	3,817,449	623,951	3,193,498	1,835,822	1,357,677	451,188	906,642	214,684	691,958	34.5
127 13300-C Franklin Farm Rd.	Fairfax Co.	17,943	1,709,227	278,800	1,430,427	821,430	608,996	274,060	335,017	96,161	238,856	30.3
131 6920-E Bradlick Shp. Ctr.	Fairfax Co.	24,448	2,213,450	362,923	1,850,528	1,061,490	789,038	370,771	418,349	124,402	293,947	29.7
133 9130 Mathis Ave.	Manassas City	38,776	3,393,072	555,417	2,837,655	1,627,370	1,210,286	422,712	787,791	190,762	597,029	34.0
136 18 Fairfax St., S.E.	Loudoun Co.	46,749	4,118,655	674,409	3,444,246	1,982,508	1,461,738	428,204	1,034,234	231,541	802,693	35.9
166 506A Fort Evans Rd. NE	Loudoun Co.	56,671	5,524,049	898,251	4,625,798	2,660,106	1,965,692	540,894	1,425,632	310,971	1,114,662	36.4
168 1001 N. Fillmore St.	Arlington Co.	24,636	2,455,321	397,828	2,057,493	1,179,968	877,525	356,921	520,704	138,316	382,388	31.8
170 1238 Elden St.	Fairfax Co.	38,168	3,724,383	612,160	3,112,223	1,792,079	1,320,144	360,225	960,439	209,220	751,219	36.6
181 106 W. Washington St.	Loudoun Co.	9,018	1,011,562	165,210	846,352	488,525	357,828	113,984	243,932	56,896	187,036	34.8
203 3678 King St.	Alexandria City	38,921	3,885,129	631,792	3,253,337	1,868,654	1,384,683	454,259	930,858	218,707	712,151	34.6
208 44110 Ashburn Village Blvd.	Loudoun Co.	29,655	2,787,972	457,696	2,330,276	1,342,842	987,434	358,348	629,170	156,654	472,517	33.4
210 11160-A S. Lakes Dr.	Fairfax Co.	26,255	2,627,047	430,134	2,196,913	1,264,573	932,339	352,943	579,509	147,688	431,820	32.8
212 167 Hillwood Ave.	Falls Church City	20,726	1,888,521	306,409	1,582,112	908,309	673,804	251,236	422,744	106,358	316,385	33.0
215 320 23rd St. S.	Arlington Co.	39,242	3,932,215	636,663	3,295,551	1,892,228	1,403,323	433,751	969,755	221,544	748,210	35.2
219 8413 Old Ct.house Rd.	Fairfax Co.	71,654	7,934,907	1,246,967	6,687,940	3,827,620	2,860,319	813,785	2,048,273	449,599	1,598,674	35.9
224 13944 Lee Jackson Hwy.	Fairfax Co.	37,968	3,401,511	546,959	2,854,552	1,634,937	1,219,615	436,771	782,979	191,898	591,081	33.5
228 1524 Belle View Blvd.	Fairfax Co.	56,040	5,371,054	875,802	4,495,252	2,585,808	1,909,445	524,487	1,385,383	302,195	1,083,188	36.5
231 436 E. Maple Ave.	Fairfax Co.	39,532	4,180,619	667,074	3,513,546	2,014,669	1,498,876	509,652	989,631	236,199	753,432	34.0
234 9574-76 Old Keene Mill Rd.	Fairfax Co.	37,721	3,363,593	552,273	2,811,320	1,616,263	1,195,057	422,144	773,046	188,992	584,054	33.8
235 8628-B Richmond Hwy.	Fairfax Co.	34,531	3,002,403	493,169	2,509,235	1,439,521	1,069,713	416,061	654,001	168,684	485,317	32.6
236 7200 Little River Tnpk.	Fairfax Co.	40,502	3,642,591	598,632	3,043,959	1,742,739	1,301,220	368,602	932,847	204,631	728,216	36.4
241 11725 Lee Hwy.	Fairfax Co.	35,112	3,367,179	543,198	2,823,981	1,617,633	1,206,347	451,014	755,552	189,843	565,709	32.9
248 4709-B, Lee Hwy.	Arlington Co.	37,145	3,358,057	546,563	2,811,494	1,615,472	1,196,022	527,398	669,626	189,004	480,623	30.6
260 6284 Arlington Blvd.	Fairfax Co.	22,796	2,196,246	357,528	1,838,717	1,057,180	781,537	318,149	463,592	123,608	339,983	31.8
264 16661 River Ridge Blvd.	Prince William Co.	41,980	3,936,250	646,759	3,289,491	1,885,616	1,403,874	456,529	947,754	221,137	726,616	34.9
267 1445B Chain Bridge Rd.	Fairfax Co.	51,491	5,698,037	911,241	4,786,796	2,746,047	2,040,749	641,554	1,399,629	321,794	1,077,835	34.9
268 6400 Springfield Plz.	Fairfax Co.	68,150	6,384,774	1,044,309	5,340,465	3,066,651	2,273,814	634,719	1,639,935	359,014	1,280,920	36.4
271 13991 Jefferson Davis Hwy.	Prince William Co.	48,043	4,652,379	763,246	3,889,134	2,230,964	1,658,169	495,884	1,162,645	261,448	901,197	35.8
273 9421 Lorton Market St.	Fairfax Co.	31,748	2,826,884	462,819	2,364,065	1,355,254	1,008,811	355,630	653,423	158,925	494,498	33.9
286 7555 Linton Hall Rd.	Prince William Co.	55,562	5,163,074	844,861	4,318,213	2,483,632	1,834,581	493,971	1,340,927	290,293	1,050,634	36.7
294 3556E S. Jefferson St.	Fairfax Co.	51,016	5,025,213	822,021	4,203,192	2,417,082	1,786,110	636,791	1,149,911	282,561	867,350	33.6
295 8095 Sudley Rd.	Prince William Co.	57,512	5,083,602	832,653	4,250,949	2,441,110	1,809,838	643,304	1,167,057	285,771	881,286	33.7
301 4292 Merchants Plz.	Prince William Co.	40,415	3,635,078	590,787	3,044,291	1,744,167	1,300,124	472,639	827,821	204,653	623,167	33.4
316 4108 Fortuna Ctr. Plz.	Prince William Co.	37,264	3,365,755	549,979	2,815,776	1,614,865	1,200,911	414,371	786,849	189,291	597,558	34.1
317 9600E Main St.	City of Fairfax	28,136	2,539,738	415,423	2,124,315	1,219,137	905,179	404,152	501,234	142,808	358,426	30.5
319 2507 N. Harrison St.	Arlington Co.	23,245	2,307,565	375,409	1,932,156	1,111,139	821,016	343,607	477,754	129,890	347,864	31.3
322 14151 St. Germain Dr.	Fairfax Co.	46,126	4,005,909	646,591	3,359,318	1,918,205	1,441,113	476,862	964,708	225,831	738,877	34.6
323 201 N. Maple St.	Loudoun Co.	42,133	3,789,950	614,697	3,175,254	1,825,920	1,349,334	390,434	959,178	213,457	745,721	35.9
346 8105 Lee Hwy.	Fairfax Co.	44,951	4,327,879	705,444	3,622,435	2,078,804	1,543,631	543,499	1,000,340	243,519	756,821	33.8
352 2555 John Milton Dr.	Fairfax Co.	24,094	2,283,037	373,713	1,909,324	1,097,346	811,978	331,584	480,648	128,355	352,293	31.8
353 4255 Cheshire Plz.	Prince William Co.	63,213	5,568,317	906,835	4,661,482	2,671,611	1,989,870	667,964	1,322,168	313,370	1,008,798	34.4
357 1454 N. Point Village Shp. Ctr.	Fairfax Co.	41,852	4,216,430	685,970	3,530,460	2,028,930	1,501,530	469,382	1,032,429	237,336	795,093	35.1
358 4312 Wheeler Ave.,	Alexandria City	46,461	4,559,390	733,900	3,825,489	2,193,239	1,632,251	553,686	1,078,857	257,170	821,687	34.1
362 100 Edds Lane	Loudoun Co.	44,068	3,848,791	626,938	3,221,853	1,851,387	1,370,466	434,478	936,389	216,590	719,799	35.0
367 20070 Ashbrook Commons Plz.	Loudoun Co.	36,465	3,783,793	618,770	3,165,023	1,823,077	1,341,947	383,068	961,008	212,770	748,238	36.1
368 10308 Willard Way	City of Fairfax	20,206	1,691,949	276,982	1,414,967	813,445	601,522	352,797	248,902	95,122	153,781	25.5
369 6343A Columbia Pike	Fairfax Co.	24,829	2,184,605	357,715	1,826,890	1,045,011	781,879	305,561	476,410	122,813	353,597	32.6
371 5739 Burke Centre Pkwy	Fairfax Co.	27,385	2,505,823	409,694	2,096,129	1,203,682	892,447	298,885	593,845	140,913	452,932	34.4
372 3161 Duke St.	Alexandria City	27,090	2,663,898	437,266	2,226,633	1,283,404	943,229	366,035	576,317	149,686	426,631	32.4
374 2955A S. Glebe Rd.	Arlington Co.	58,929	5,669,935	929,882	4,740,053	2,730,858	2,009,195	554,217	1,455,373	318,652	1,136,722	36.4

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(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)



# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
375 2225 Old Bridge Rd.	Prince William Co.	26,811	2,329,494	381,574	1,947,921	1,118,347	829,574	277,570	552,247	130,950	421,297	34.5
378 2940 Columbia Pike	Arlington Co.	24,997	2,400,553	392,454	2,008,099	1,155,508	852,590	411,099	441,775	134,995	306,779	29.1
380 3815-3817 Mt. Vernon Ave.	Alexandria City	7,502	712,721	117,025	595,695	342,545	253,151	225,810	27,470	40,046	(12,576)	14.7
384 5109 Westfields Blvd.	Fairfax Co.	28,179	2,569,739	413,111	2,156,629	1,235,007	921,621	388,582	533,213	144,980	388,233	31.2
385 9575 Braddock Rd.	Fairfax Co.	19,806	1,658,372	271,837	1,386,536	795,231	591,305	291,631	299,719	93,210	206,508	28.8
388 8150 Leesburg Pike	Fairfax Co.	9,222	1,436,079	222,474	1,213,606	688,017	525,588	250,168	275,506	81,585	193,921	29.0
393 10685 Braddock Rd.	Fairfax Co.	19,570	1,629,623	267,497	1,362,126	782,965	579,160	316,772	262,490	91,569	170,920	26.9
397 4349 Duke St.	Alexandria City	64,301	6,394,326	1,033,914	5,360,412	3,081,722	2,278,690	601,005	1,683,306	360,355	1,322,951	36.9
416 686 N. Saint Asaph St.	Alexandria City	29,009	2,839,271	465,515	2,373,756	1,362,437	1,011,319	351,655	660,001	159,576	500,424	34.0
418 24570 Dulles Landing Dr.	Loudoun Co.	26,641	2,814,509	447,301	2,367,208	1,357,290	1,009,918	442,231	568,564	159,136	409,428	30.4
421 10140 Fairfax Blvd.	Fairfax Co.	6,810	601,460	98,697	502,763	287,896	214,867	196,748	18,558	33,798	(15,240)	13.9
<b>Northern Virginia</b>		<b>2,962,490</b>	<b>281,068,104</b>	<b>45,749,410</b>	<b>235,318,694</b>	<b>135,124,480</b>	<b>100,194,214</b>	<b>35,703,029</b>	<b>64,525,222</b>	<b>15,819,375</b>	<b>48,705,847</b>	<b>33.6</b>
37 15149 Montanus Dr.	Culpeper Co.	32,742	2,562,556	418,025	2,144,531	1,229,779	914,752	280,861	634,091	144,167	489,924	35.4
51 265 Turkey Sag Trail	Fluvanna Co.	17,737	1,333,388	217,524	1,115,864	640,524	475,339	206,993	268,403	75,014	193,388	30.8
66 11083-E Marsh Rd.	Fauquier Co.	21,626	1,646,544	270,438	1,376,106	790,075	586,031	187,474	398,839	92,509	306,330	35.0
72 5390-A Lyndon Dr.	Orange Co.	31,564	2,336,678	381,577	1,955,101	1,122,414	832,687	260,466	572,238	131,432	440,806	35.2
88 4199-B Winchester Rd.	Fauquier Co.	15,813	1,392,485	224,032	1,168,453	670,387	498,065	210,791	287,441	78,550	208,891	31.1
163 583 N. Madison Rd.	Orange Co.	17,881	1,295,486	212,680	1,082,806	618,255	464,551	176,824	287,785	72,792	214,993	33.0
227 S. Main St.	Orange Co.	8,427	600,264	97,784	502,481	287,431	215,050	109,698	105,354	33,779	71,574	28.2
274 28 Madison Plz. Dr.	Madison Co.	10,995	786,891	128,944	657,946	377,436	280,510	129,343	151,266	44,231	107,035	30.0
303 175 W. Lee Hwy.	Fauquier Co.	63,904	5,281,701	861,548	4,420,153	2,540,551	1,879,602	504,877	1,375,408	297,146	1,078,261	36.7
329 185 Southgate Shp. Ctr.	Culpeper Co.	27,805	2,118,428	346,892	1,771,535	1,014,714	756,821	242,788	514,146	119,092	395,054	35.0
<b>Warrenton/Culpeper</b>		<b>248,495</b>	<b>19,354,421</b>	<b>3,159,445</b>	<b>16,194,976</b>	<b>9,291,566</b>	<b>6,903,410</b>	<b>2,310,116</b>	<b>4,594,970</b>	<b>1,088,712</b>	<b>3,506,257</b>	<b>34.4</b>
46 183 Connor Dr.	Albemarle Co.	23,622	2,040,021	332,611	1,707,410	979,720	727,690	255,163	472,747	114,781	357,966	33.9
50 325 Four Leaf Lane	Albemarle Co.	20,383	1,756,271	287,470	1,468,801	844,285	624,515	212,673	411,968	98,741	313,228	34.2
70 98 Stoneridge Dr. N.	Greene Co.	23,386	1,704,894	278,689	1,426,205	818,056	608,149	201,212	407,024	95,877	311,147	34.6
125 304 Pantops Ctr.	Albemarle Co.	36,005	2,898,329	474,140	2,424,190	1,391,059	1,033,130	285,536	747,891	162,967	584,924	36.5
126 2819 Rockfish Valley Hwy.	Nelson Co.	8,772	728,021	116,960	611,061	351,600	259,461	120,538	138,959	41,079	97,880	29.5
138 502 E. Main St.	Louisa Co.	19,795	1,286,461	211,731	1,074,730	614,827	459,903	185,561	274,377	72,249	202,128	32.2
185 502 W. Main St.	Charlottesville City	36,054	3,051,635	496,183	2,555,453	1,463,772	1,091,681	292,491	800,870	171,791	629,079	36.9
189 138 Scottsville Village Sq.	Albemarle Co.	9,564	663,595	108,994	554,601	318,214	236,387	113,424	122,971	37,283	85,688	29.3
202 1902 Emmet St.	Charlottesville City	72,217	6,429,719	1,041,588	5,388,131	3,089,391	2,298,740	556,808	1,743,113	362,219	1,380,894	37.7
253 1169 Emmet St.	Charlottesville City	50,776	4,095,589	670,400	3,425,189	1,966,920	1,458,269	441,333	1,017,503	230,259	787,243	35.6
321 77 Callohill Dr.	Nelson Co.	11,779	830,572	136,978	693,593	398,061	295,532	195,033	100,666	46,627	54,039	23.0
359 1872 Rio Hill Ctr.	Albemarle Co.	27,080	2,191,346	359,391	1,831,955	1,052,121	779,834	252,966	527,298	123,154	404,144	34.8
376 11016 Kentucky Springs Rd.	Louisa Co.	23,898	1,771,692	289,313	1,482,379	852,134	630,245	204,931	425,484	99,653	325,830	34.7
392 415 Merchant Walk Sq.	Albemarle Co.	29,267	2,493,382	408,993	2,084,389	1,195,465	888,924	255,182	634,490	140,124	494,366	36.2
408 45 Market St.	Louisa Co.	22,964	1,777,328	288,174	1,489,154	852,471	636,683	252,967	383,877	100,109	283,768	32.2
<b>Charlottesville</b>		<b>415,563</b>	<b>33,718,854</b>	<b>5,501,613</b>	<b>28,217,241</b>	<b>16,188,097</b>	<b>12,029,144</b>	<b>3,825,820</b>	<b>8,209,238</b>	<b>1,896,913</b>	<b>6,312,325</b>	<b>35.0</b>
117 309 Twelfth St.	Lynchburg City	39,399	3,050,167	500,738	2,549,429	1,456,293	1,093,137	268,546	824,815	171,386	653,429	37.8
160 1128 E. Lynchburg Salem Tnpk.	Bedford Co.	23,840	1,614,186	265,256	1,348,930	772,529	576,402	228,112	348,481	90,682	257,799	32.4
176 Hwy. 501, 416 Lusardi Dr.	Campbell Co.	8,789	558,284	92,231	466,053	266,573	199,480	131,176	68,334	31,331	37,003	23.1
262 20401 Timberlake Rd.	Campbell Co.	42,427	3,005,084	494,271	2,510,813	1,436,409	1,074,404	277,287	797,235	168,790	628,445	37.4
266 2118 Wards Rd.	Lynchburg City	42,008	2,991,150	492,704	2,498,447	1,430,462	1,067,984	388,763	679,438	167,959	511,479	33.6
279 18013 Forest Rd.	Bedford Co.	29,454	2,169,048	355,361	1,813,687	1,038,497	775,190	232,924	542,520	121,926	420,595	35.8
281 179 Madison Heights Sq.	Amherst Co.	28,696	1,973,891	324,575	1,649,317	942,330	706,987	268,933	438,350	110,876	327,475	33.0
285 199 Ambriar Shp. Ctr.	Amherst Co.	12,968	897,054	146,645	750,409	434,822	315,587	173,520	142,125	50,446	91,679	26.6

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(continued)

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)	
287	4925 Boonsboro Rd.	Lynchburg City	28,641	2,308,364	378,144	1,930,220	1,110,114	820,106	269,985	550,258	129,760	420,498	34.6
347	105 Clarion Rd. Ste. D	Campbell Co.	21,654	1,490,946	244,736	1,246,210	712,746	533,464	220,153	313,388	83,777	229,611	31.8
354	7795 Richmond Hwy.	Appomattox Co.	18,729	1,227,074	202,296	1,024,779	586,579	438,200	177,599	260,637	68,891	191,746	32.1
396	12130 E. Lynchburg Salem Tnpk.	Bedford Co.	2,125	162,659	26,751	135,908	78,047	57,861	42,480	15,384	9,136	6,248	20.3
399	1051 Village Hwy.	Campbell Co.	16,380	1,056,348	174,476	881,872	504,808	377,064	185,833	191,309	59,284	132,025	29.0
400	14521 Forest Rd.	Bedford Co.	16,055	1,165,516	191,192	974,324	558,657	415,667	164,937	250,880	65,499	185,381	32.3
410	14807 Moneta Rd.	Bedford Co.	15,970	1,107,657	181,457	926,200	532,407	393,793	160,927	232,980	62,264	170,716	31.8
	<b>Lynchburg</b>		<b>347,135</b>	<b>24,777,430</b>	<b>4,070,832</b>	<b>20,706,598</b>	<b>11,861,272</b>	<b>8,845,326</b>	<b>3,191,177</b>	<b>5,656,135</b>	<b>1,392,008</b>	<b>4,264,127</b>	<b>33.6</b>
132	2777 Greensboro Rd.	Henry Co.	27,393	1,944,802	320,942	1,623,860	926,195	697,665	235,408	462,411	109,165	353,246	34.7
146	639 W. Main St.	Danville City	20,725	1,492,151	246,923	1,245,228	711,197	534,031	235,229	299,251	83,711	215,541	31.0
154	235 N. Union St.	Danville City	11,116	736,461	121,413	615,048	348,920	266,128	111,349	154,862	41,347	113,515	31.9
191	400 Old Franklin Tnpk.	Franklin Co.	37,046	2,507,183	413,179	2,094,003	1,200,520	893,483	273,014	620,523	140,770	479,753	35.6
213	12990 B.T. Washington Hwy.	Franklin Co.	30,575	2,268,120	370,443	1,897,677	1,091,617	806,060	323,326	482,953	127,572	355,381	32.0
276	221 Nor-Dan Dr.	Danville City	32,458	2,428,551	400,850	2,027,701	1,158,967	868,734	401,948	467,220	136,313	330,907	30.1
277	985 Fairystone Park Hwy.	Henry Co.	20,870	1,286,403	211,618	1,074,785	612,087	462,698	163,857	298,925	72,253	226,673	34.1
283	Hwy.s 29 & 703, Rt. 2	Pittsylvania Co.	14,928	1,062,785	175,092	887,693	507,343	380,350	165,337	215,154	59,675	155,478	31.1
291	786 Commonwealth Blvd.	Henry Co.	34,205	2,473,644	407,569	2,066,075	1,180,691	885,385	281,926	603,671	138,893	464,778	35.3
324	301 S. Main St.	Patrick Co.	11,093	752,386	124,275	628,111	359,822	268,288	99,421	168,950	42,225	126,725	33.4
373	3282 Riverside Dr.	Danville City	34,800	2,647,969	436,322	2,211,647	1,263,932	947,715	267,998	679,887	148,679	531,209	36.5
	<b>Danville/Martinsville</b>	<b>275,209</b>	<b>19,600,454</b>	<b>3,228,625</b>	<b>16,371,828</b>	<b>9,361,291</b>	<b>7,010,537</b>	<b>2,558,812</b>	<b>4,453,807</b>	<b>1,100,601</b>	<b>3,353,205</b>	<b>33.6</b>	
59	3136 Halifax Rd.	Halifax Co.	41,790	2,884,097	476,518	2,407,579	1,378,633	1,028,946	367,554	661,892	161,850	500,041	33.9
143	812 E. Atlantic St.	Mecklenburg Co.	39,876	2,827,773	466,301	2,361,472	1,351,620	1,009,852	285,882	724,310	158,751	565,560	36.5
157	93 Brunswick Sq. Ct.	Brunswick Co.	11,478	782,756	129,786	652,970	374,019	278,952	142,856	136,146	43,896	92,250	28.4
172	112 N. Main St.	Mecklenburg Co.	9,840	622,323	103,154	519,169	295,630	223,539	157,937	65,639	34,901	30,738	21.5
214	608 Virginia Ave.	Mecklenburg Co.	17,192	1,182,678	195,095	987,583	565,859	421,724	136,378	285,353	66,391	218,963	35.0
	<b>South Boston</b>	<b>120,176</b>	<b>8,299,627</b>	<b>1,370,855</b>	<b>6,928,772</b>	<b>3,965,760</b>	<b>2,963,013</b>	<b>1,090,606</b>	<b>1,873,341</b>	<b>465,789</b>	<b>1,407,552</b>	<b>33.5</b>	
152	1506 S. Main St.	Prince Edward Co.	43,455	2,959,802	485,687	2,474,115	1,416,361	1,057,754	306,193	751,839	166,323	585,516	36.2
161	501F Main St.	Lunenburg Co.	8,227	501,146	82,945	418,201	239,217	178,985	100,649	78,362	28,114	50,248	26.6
164	1618 W. Virginia Ave.	Nottoway Co.	10,745	675,008	111,174	563,834	321,649	242,186	164,180	78,090	37,904	40,186	22.4
178	974 Main St.	Buckingham Co.	9,445	623,167	102,929	520,238	297,136	223,102	145,167	78,038	34,973	43,064	23.4
196	110 King St.	Charlotte Co.	11,123	720,499	118,642	601,857	344,772	257,085	121,018	136,087	40,460	95,627	29.7
204	1592 Anderson Hwy.	Cumberland Co.	6,644	422,559	69,302	353,257	201,956	151,301	107,800	43,512	23,748	19,764	21.1
275	1423 S. Main St.	Nottoway Co.	17,877	1,229,824	203,202	1,026,622	587,193	439,429	191,675	247,771	69,015	178,756	31.1
351	15127 Patrick Henry Hwy.	Amelia Co.	12,509	851,260	140,138	711,122	406,742	304,381	132,114	172,319	47,805	124,513	31.1
	<b>Farmville</b>	<b>120,026</b>	<b>7,983,266</b>	<b>1,314,019</b>	<b>6,669,247</b>	<b>3,815,026</b>	<b>2,854,221</b>	<b>1,268,795</b>	<b>1,586,017</b>	<b>448,342</b>	<b>1,137,675</b>	<b>30.7</b>	
38	501 New Kent Hwy.	New Kent Co.	33,846	2,441,775	401,015	2,040,760	1,171,484	869,276	258,440	611,007	137,191	473,816	35.8
77	1800 S. Creek One Space H	Powhatan Co.	16,772	1,211,448	198,648	1,012,800	579,748	433,052	210,659	222,542	68,086	154,456	29.1
86	2610 Buford Rd.	Chesterfield Co.	36,011	3,028,435	490,739	2,537,696	1,453,815	1,083,881	298,569	785,473	170,597	614,876	36.5
89	34-A Broad St. Rd.	Goochland Co.	23,724	1,949,362	320,300	1,629,062	937,124	691,938	225,338	466,812	109,514	357,298	34.8
97	6504 Hull St.	Richmond City	35,521	3,153,174	520,618	2,632,556	1,507,766	1,124,790	356,576	768,740	176,974	591,765	35.3
101	3100-A W. Broad St.	Richmond City	35,032	3,075,572	503,596	2,571,976	1,472,241	1,099,735	424,220	675,857	172,902	502,955	32.7
102	1901 W. Main St.	Richmond City	43,985	3,524,624	563,512	2,961,113	1,685,958	1,275,155	301,540	974,211	199,062	775,150	38.0
104	7028 Woodlake Commons	Chesterfield Co.	43,303	3,333,600	542,182	2,791,418	1,600,990	1,190,428	309,335	881,365	187,654	693,711	37.1
108	10242 Staples Mills Rd.	Henrico Co.	26,318	2,089,521	340,238	1,749,283	1,002,113	747,170	215,942	531,291	117,596	413,695	36.1
116	12635 Jefferson Davis Hwy.	Chesterfield Co.	57,489	4,578,662	750,973	3,827,689	2,196,151	1,631,538	467,788	1,163,966	257,318	906,649	36.2
150	6030 Brook Rd.	Henrico Co.	32,192	2,444,505	402,228	2,042,276	1,164,541	877,736	299,450	578,614	137,293	441,322	34.5

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)	
159	201 Stonebridge Plz. Ave.	Chesterfield Co.	41,126	3,343,052	550,885	2,792,166	1,595,998	1,196,168	386,149	810,358	187,704	622,653	35.1
169	10 N. Thompson St.	Richmond City	87,633	7,966,262	1,279,834	6,686,428	3,817,443	2,868,985	460,963	2,409,330	449,497	1,959,832	40.7
171	8700 W. Broad St.	Henrico Co.	35,789	3,076,240	504,798	2,571,442	1,475,701	1,095,742	306,592	789,449	172,866	616,583	36.5
180	2026 E. Main St.	Richmond City	50,695	4,612,505	756,104	3,856,401	2,215,372	1,641,029	414,469	1,227,571	259,248	968,323	37.4
182	1217-19 W. Broad St.	Richmond City	31,215	2,319,185	380,021	1,939,164	1,107,382	831,782	316,625	515,555	130,361	385,194	33.0
187	2421 Venable St.	Richmond City	20,642	1,490,725	247,166	1,243,559	704,639	538,919	173,221	365,811	83,599	282,212	35.5
190	13113 Rittenhouse Dr.	Chesterfield Co.	58,467	4,727,710	766,390	3,961,321	2,270,360	1,690,961	458,580	1,232,665	266,301	966,364	36.7
205	2288 John Rolfe Pkwy	Henrico Co.	20,041	1,568,380	257,110	1,311,270	752,924	558,346	233,484	325,238	88,151	237,087	31.5
207	10106 Brook Rd.	Henrico Co.	34,791	2,898,771	473,846	2,424,925	1,389,058	1,035,867	342,679	693,466	163,016	530,450	34.6
242	1601 Willow Lawn Dr.	Henrico Co.	40,926	3,466,471	562,025	2,904,446	1,660,837	1,243,608	383,329	860,881	195,252	665,629	35.4
243	209 N. Washington Hwy.	Hanover Co.	38,348	2,814,486	462,370	2,352,116	1,347,869	1,004,248	311,242	693,226	158,122	535,105	35.4
247	9685 W. Broad St.	Henrico Co.	30,866	2,503,313	409,538	2,093,775	1,199,804	893,970	370,002	524,039	140,755	383,285	31.7
251	2924 N. Ave.	Richmond City	14,282	1,009,783	167,606	842,178	475,531	366,647	168,454	198,569	56,616	141,953	30.7
252	618 W. Southside Plz.	Richmond City	42,706	3,318,140	549,635	2,768,505	1,579,261	1,189,244	360,157	829,665	186,114	643,551	36.0
254	7015 Three Chopt Rd.	Richmond City	24,371	2,090,138	342,049	1,748,089	1,003,797	744,292	305,160	439,423	117,516	321,908	31.8
270	809-823 E. Parham Rd.	Henrico Co.	36,732	2,777,008	456,996	2,320,012	1,325,093	994,919	379,613	615,657	155,964	459,694	33.0
284	14229 Midlothian Tnkp.	Chesterfield Co.	51,325	4,109,612	675,034	3,434,578	1,975,638	1,458,940	411,010	1,048,197	230,891	817,306	36.3
292	1521 Parham Rd.	Henrico Co.	31,397	2,574,533	421,922	2,152,611	1,233,680	918,932	286,854	632,372	144,710	487,662	35.3
300	9502 Chamberlayne Rd.	Hanover Co.	36,621	2,794,929	457,885	2,337,044	1,341,788	995,256	273,144	722,458	157,109	565,350	36.6
304	2734 Fairground Rd.	Goochland Co.	16,133	1,178,113	193,714	984,399	565,111	419,288	177,061	242,339	66,177	176,162	31.4
305	3816 Mechanicsville Tnkp.	Henrico Co.	37,455	2,972,439	491,557	2,480,882	1,417,486	1,063,395	308,463	755,252	166,778	588,474	36.3
308	11252 Patterson Ave.	Henrico Co.	15,266	1,228,143	202,050	1,026,093	590,037	436,056	184,455	251,669	68,979	182,689	31.3
314	4320-D S. Laburnum Ave.	Henrico Co.	82,520	6,786,766	1,113,342	5,673,423	3,249,911	2,423,512	530,904	1,893,656	381,398	1,512,258	38.7
315	7048 Commons Plz.	Chesterfield Co.	43,796	3,333,794	545,942	2,787,852	1,598,416	1,189,436	355,127	834,472	187,414	647,058	35.8
326	2105 Academy Rd.	Powhatan Co.	23,088	1,681,990	276,276	1,405,714	807,473	598,241	216,646	381,704	94,500	287,204	33.5
330	5722 Hopkins Rd.	Chesterfield Co.	41,238	3,380,608	557,891	2,822,717	1,617,213	1,205,504	335,948	869,949	189,758	680,191	36.6
331	3450-3452 Pump Rd.	Henrico Co.	66,799	6,377,925	1,033,682	5,344,244	3,068,532	2,275,712	536,101	1,743,139	359,269	1,383,871	37.9
332	4018 Glenside Dr.	Henrico Co.	28,331	2,114,509	347,710	1,766,799	1,009,736	757,063	235,284	521,949	118,774	403,176	35.5
334	7057 Mechanicsville Tnkp.	Hanover Co.	51,353	3,804,091	623,563	3,180,528	1,824,017	1,356,511	329,209	1,027,828	213,812	814,016	37.8
348	7036 Forest Hill Ave.	Richmond City	36,110	2,891,246	471,451	2,419,795	1,387,914	1,031,881	340,488	691,616	162,671	528,945	34.6
350	11108 Midlothian Tnkp.	Chesterfield Co.	73,886	6,051,279	986,290	5,064,989	2,905,208	2,159,780	423,778	1,736,623	340,496	1,396,128	39.4
360	2901 Hermitage Rd.	Richmond City	58,356	5,010,310	819,836	4,190,474	2,405,728	1,784,746	286,703	1,499,273	281,706	1,217,567	40.7
363	9949 Hull St.	Chesterfield Co.	40,271	2,922,553	481,010	2,441,544	1,396,798	1,044,746	355,268	689,630	164,134	525,496	34.4
366	1370 Gaskins Rd.	Henrico Co.	32,187	2,799,085	452,398	2,346,687	1,345,479	1,001,208	355,898	645,766	157,757	488,009	33.6
389	11367 Nuckols Rd.	Henrico Co.	23,012	2,079,443	340,512	1,738,931	999,582	739,349	246,917	493,965	116,900	377,065	34.5
390	16605 Mountain Rd.	Hanover Co.	14,977	1,077,871	176,973	900,898	517,126	383,772	200,401	183,412	60,563	122,849	27.8
407	13113 River's Bend Blvd.	Chesterfield Co.	17,906	1,471,798	241,801	1,229,997	704,122	525,876	204,174	321,793	82,687	239,106	32.7
	<b>Richmond</b>		<b>1,814,848</b>	<b>147,453,883</b>	<b>24,111,260</b>	<b>123,342,624</b>	<b>70,653,994</b>	<b>52,688,630</b>	<b>15,332,404</b>	<b>37,377,844</b>	<b>8,291,748</b>	<b>29,086,096</b>	<b>36.1</b>
35	2757 Jefferson Davis Hwy.	Stafford Co.	43,249	3,671,330	598,362	3,072,968	1,759,360	1,313,608	344,219	969,703	206,581	763,122	37.1
44	18035 Jefferson Davis Hwy.	Caroline Co.	19,512	1,421,133	233,154	1,187,979	698,025	489,954	188,235	301,841	79,862	221,979	32.0
62	1416 Carl D. Silver Pkwy	Fredericksburg City	44,516	3,979,004	647,310	3,331,694	1,905,639	1,426,055	391,529	1,034,699	223,974	810,725	36.6
64	43 Town and Country Dr.	Stafford Co.	29,833	2,283,295	374,079	1,909,216	1,094,505	814,711	296,829	518,024	128,348	389,676	33.4
74	10857 Tidewater Trail	Spotsylvania Co.	15,485	1,194,218	196,235	997,983	573,472	424,511	228,439	196,673	67,090	129,583	27.3
95	10025 Jefferson Davis Hwy.	Spotsylvania Co.	37,799	3,042,080	497,425	2,544,655	1,457,847	1,086,808	321,600	765,556	171,065	594,491	35.9
103	6348 Jefferson Davis Hwy.	Spotsylvania Co.	17,698	1,274,282	209,230	1,065,051	609,786	455,266	198,482	256,835	71,598	185,236	31.0
121	507 William St.	Fredericksburg City	29,963	2,602,545	417,844	2,184,700	1,250,623	934,077	230,063	704,754	146,867	557,887	37.5
183	560 Celebrate Virginia Pkwy.	Stafford Co.	31,841	2,612,959	428,973	2,183,985	1,251,163	932,822	282,997	649,874	146,819	503,055	35.7
200	356 Garrisonville Rd.	Stafford Co.	47,265	4,151,317	681,371	3,469,946	1,990,575	1,479,371	390,991	1,088,614	233,268	855,346	37.0
209	5055 Jefferson Davis Hwy.	Spotsylvania Co.	39,399	3,021,090	495,197	2,525,893	1,446,327	1,079,566	361,984	718,872	169,804	549,068	34.6
221	16424 Consumer Row	King George Co.	17,195	1,363,982	222,779	1,141,203	652,575	488,628	189,114	299,681	76,718	222,963	32.7
239	320 W. Broaddus Ave.	Caroline Co.	8,600	575,092	94,485	480,606	274,914	205,692	117,261	88,500	32,309	56,191	26.2

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)



# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
245 1249 Jefferson Davis Hwy.	Fredericksburg City	25,763	1,982,335	324,993	1,657,342	949,309	708,033	274,434	433,743	111,415	322,328	32.7
313 4185 Plank Rd.	Spotsylvania Co.	47,371	3,679,663	602,420	3,077,243	1,765,028	1,312,215	409,736	902,703	206,869	695,834	35.3
<b>Fredericksburg</b>		<b>455,489</b>	<b>36,854,324</b>	<b>6,023,859</b>	<b>30,830,465</b>	<b>17,679,147</b>	<b>13,151,318</b>	<b>4,225,914</b>	<b>8,930,072</b>	<b>2,072,588</b>	<b>6,857,484</b>	<b>35.0</b>
130 700 McKinney Blvd.	Westmoreland Co.	15,538	1,042,957	171,871	871,086	498,825	372,261	143,700	228,746	58,559	170,187	32.8
149 4699 Richmond Rd.	Richmond Co.	11,322	803,058	131,895	671,163	384,941	286,222	142,888	143,408	45,119	98,288	28.7
192 101 S. Main St.	Lancaster Co.	42,850	3,022,978	495,526	2,527,452	1,453,571	1,073,881	337,516	736,542	169,909	566,633	35.1
220 17272 King's Hwy.	Westmoreland Co.	8,385	576,476	94,777	481,700	275,417	206,283	97,461	108,833	32,382	76,451	29.7
238 142 Northumberland Hwy.	Northumberland Co.	16,032	1,020,628	167,810	852,818	488,933	363,885	154,861	209,210	57,331	151,879	31.3
<b>Northern Neck</b>		<b>94,128</b>	<b>6,466,098</b>	<b>1,061,880</b>	<b>5,404,219</b>	<b>3,101,687</b>	<b>2,302,531</b>	<b>876,426</b>	<b>1,426,738</b>	<b>363,300</b>	<b>1,063,438</b>	<b>32.9</b>
32 16273 General Puller Hwy.	Middlesex Co.	14,826	1,015,376	166,018	849,358	489,139	360,219	147,792	212,585	57,098	155,487	31.7
155 2334 York Crossing Dr.	Gloucester Co.	31,212	2,221,864	363,839	1,858,025	1,064,125	793,899	276,544	517,597	124,906	392,691	34.0
175 416 14th St., Ste. B	King William Co.	21,374	1,486,162	243,815	1,242,347	712,029	530,319	222,982	307,555	83,517	224,038	31.5
179 231 Virginia St.	Middlesex Co.	12,225	867,619	142,196	725,423	417,665	307,758	111,547	196,800	48,767	148,033	33.5
198 1628 Tappahannock Blvd.	Essex Co.	22,031	1,511,435	246,099	1,265,336	724,500	540,836	247,441	293,544	85,063	208,481	30.1
233 6736 Main St.	Gloucester Co.	31,217	2,187,301	359,025	1,828,276	1,045,891	782,385	245,790	536,704	122,906	413,798	35.3
257 4917 Tappahannock Hwy.	King William Co.	20,078	1,386,993	228,209	1,158,784	665,317	493,467	217,502	276,049	77,900	198,150	30.7
333 10972 Buckley Hall	Mathews Co.	15,323	1,005,675	163,851	841,825	482,643	359,181	173,564	185,684	56,592	129,092	29.1
<b>West Point/Mathews</b>		<b>168,286</b>	<b>11,682,424</b>	<b>1,913,051</b>	<b>9,769,374</b>	<b>5,601,310</b>	<b>4,168,064</b>	<b>1,643,163</b>	<b>2,526,518</b>	<b>656,749</b>	<b>1,869,768</b>	<b>32.4</b>
60 Unit 4330 Westgate Dr.	Dinwiddie Co.	43,798	3,058,868	505,353	2,553,515	1,463,158	1,090,357	293,038	797,599	171,661	625,938	37.0
114 4575 Whitehill Blvd.	Prince George Co.	36,331	2,973,554	483,061	2,490,493	1,426,698	1,063,795	326,257	739,650	167,424	572,226	35.5
118 18 Washington St., W.	Petersburg City	19,148	1,354,270	224,753	1,129,517	643,142	486,376	210,487	275,927	75,932	199,995	31.4
144 301 Market Dr.	Emporia City	31,897	2,337,510	386,902	1,950,607	1,119,199	831,408	261,633	569,958	131,130	438,828	35.3
151 210 N. Main St.	Hopewell City	20,655	1,392,857	229,740	1,163,117	667,169	495,948	138,573	357,455	78,191	279,264	36.5
232 3071 Blvd.	Colonial Heights City	36,730	2,613,298	430,540	2,182,758	1,248,101	934,657	351,403	583,565	146,737	436,828	33.2
240 U. S. Rt. 460	Sussex Co.	11,544	767,409	126,876	640,532	368,406	272,126	123,708	148,520	43,060	105,460	30.3
255 3330 S. Crater Rd.	Petersburg City	44,065	3,255,104	537,132	2,717,972	1,557,752	1,160,221	349,717	811,660	182,717	628,944	35.8
310 5232 Oaklawn Blvd.	Prince George Co.	31,396	2,405,140	396,507	2,008,633	1,149,352	859,281	251,102	608,437	135,031	473,406	36.2
<b>Petersburg/Hopewell</b>		<b>275,564</b>	<b>20,158,009</b>	<b>3,320,863</b>	<b>16,837,146</b>	<b>9,642,977</b>	<b>7,194,169</b>	<b>2,305,918</b>	<b>4,892,772</b>	<b>1,131,883</b>	<b>3,760,890</b>	<b>35.1</b>
43 236 Carmichael Way	Chesapeake City	27,768	2,092,497	342,134	1,750,362	1,004,853	745,510	225,468	520,131	117,669	402,462	35.6
53 11409 Windsor Blvd	Isle of Wight Co.	14,181	959,754	158,604	801,150	458,417	342,733	181,571	161,190	53,858	107,333	27.7
69 648 Grassfield Pkwy	Chesapeake City	31,970	2,460,082	403,936	2,056,146	1,179,462	876,684	285,835	591,016	138,225	452,791	34.8
79 1434 Sam's Dr.	Chesapeake City	46,706	3,674,058	605,956	3,068,102	1,758,318	1,309,784	406,054	904,016	206,254	697,762	35.5
98 3312 Princess Anne Rd	Virginia Beach City	35,248	2,851,822	463,570	2,388,252	1,365,655	1,022,598	319,065	703,640	160,551	543,089	35.3
105 869 Lynnhaven Pkwy	Virginia Beach City	38,007	3,083,056	502,993	2,580,062	1,473,501	1,106,562	285,534	821,316	173,446	647,870	37.3
106 2973 Shore Dr.	Virginia Beach City	50,941	3,986,225	648,587	3,337,638	1,921,086	1,416,552	395,739	1,020,887	224,374	796,513	36.3
107 141 W. Virginia Beach Blvd.	Norfolk City	78,393	6,764,083	1,110,679	5,653,404	3,228,567	2,424,837	614,689	1,811,338	380,052	1,431,286	37.6
110 1136 London Blvd.	Portsmouth City	35,727	2,944,678	484,074	2,460,604	1,411,495	1,049,109	250,766	798,672	165,415	633,257	37.9
128 159 W. Ocean View Ave.	Norfolk City	48,723	3,494,638	575,745	2,918,893	1,667,084	1,251,810	343,276	909,142	196,224	712,919	36.9
129 1615 General Booth Blvd.	Virginia Beach City	36,811	2,691,387	438,040	2,253,347	1,291,149	962,198	384,354	579,258	151,482	427,776	32.2
134 2301 #M Colley Ave.	Norfolk City	58,876	4,706,588	773,645	3,932,943	2,250,729	1,682,214	441,415	1,241,415	264,393	977,022	37.2
165 550 E. Liberty St.	Chesapeake City	33,039	2,543,196	422,256	2,120,941	1,210,101	910,840	239,445	672,114	142,581	529,533	37.4
188 4334 Holland Rd.	Virginia Beach City	53,300	4,204,266	690,516	3,513,750	2,011,938	1,501,812	392,022	1,110,218	236,213	874,005	37.2
211 5911 Harbour View Blvd.	Suffolk City	28,822	2,498,090	409,391	2,088,698	1,196,797	891,902	323,017	569,072	140,413	428,658	33.5
216 1100 Armory Dr.	Franklin City	34,293	2,362,839	390,495	1,972,344	1,130,129	842,215	246,566	596,207	132,591	463,616	36.1
225 405 30th St.	Virginia Beach City	115,835	8,701,621	1,398,777	7,302,844	4,177,830	3,125,014	541,345	2,592,885	490,936	2,101,949	40.2
226 7862 Tidewater Dr.	Norfolk City	66,236	5,069,841	837,796	4,232,046	2,450,100	1,781,945	496,123	1,286,899	284,501	1,002,399	36.3
237 2012 A Victory Blvd.	Portsmouth City	29,995	2,401,842	397,537	2,004,305	1,146,907	857,398	344,265	513,374	134,740	378,634	32.3

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)



# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)	
246	5020 Ferrell Pkwy	Virginia Beach City	32,562	2,585,175	426,217	2,158,958	1,234,798	924,159	303,524	620,879	145,137	475,743	34.9
249	2350 E. Little Creek Rd.	Norfolk City	47,768	3,414,296	561,793	2,852,503	1,634,207	1,218,297	317,260	901,166	191,760	709,406	37.2
256	1612 Laskin Rd.	Virginia Beach City	116,060	9,333,007	1,526,208	7,806,800	4,487,398	3,319,402	660,985	2,660,962	524,815	2,136,147	39.2
263	5900 Virginia Beach Blvd.	Norfolk City	68,495	5,810,364	958,900	4,851,464	2,774,237	2,077,227	509,243	1,568,751	326,141	1,242,609	37.9
278	3333 Virginia Beach Blvd.	Virginia Beach City	92,968	7,524,309	1,226,497	6,297,812	3,615,667	2,682,145	541,183	2,143,067	423,372	1,719,694	39.2
280	1103 S. Military Hwy.	Chesapeake City	73,914	5,733,371	940,978	4,792,394	2,743,803	2,048,591	408,135	1,640,948	322,170	1,318,778	39.4
288	5909 High St. W.	Portsmouth City	39,110	2,993,668	492,972	2,500,697	1,429,364	1,071,332	341,376	730,399	168,110	562,288	35.2
298	821 W. Constance Rd.	Suffolk City	35,358	2,567,498	425,625	2,141,873	1,225,675	916,198	287,975	628,245	143,988	484,257	35.4
299	1917 S. Church St.	Isle of Wight Co.	32,773	2,353,546	386,375	1,967,171	1,127,399	839,772	294,557	546,554	132,244	414,310	34.0
306	2085 Lynnhaven Pkwy	Virginia Beach City	50,920	4,038,533	661,191	3,377,343	1,934,033	1,443,310	449,181	994,676	227,043	767,633	35.4
307	957/959 Providence Sq. Ctr.	Virginia Beach City	46,114	3,497,483	573,879	2,923,604	1,677,808	1,245,796	365,938	880,275	196,540	683,734	36.0
311	4020 Victory Blvd.	Portsmouth City	40,000	3,183,401	526,426	2,656,975	1,519,292	1,137,683	368,846	769,307	178,616	590,691	35.1
312	2815-G Godwin Blvd.	Suffolk City	27,937	2,193,101	360,637	1,832,463	1,049,431	783,033	279,710	503,519	123,188	380,331	33.8
325	22718 Main St.	Southampton Co.	8,319	516,388	85,395	430,993	246,755	184,237	92,182	92,123	28,974	63,149	28.8
328	836 Eden Way N.	Chesapeake City	47,842	4,040,758	661,133	3,379,625	1,937,068	1,442,557	361,337	1,081,439	227,196	854,243	37.5
336	1067 Independence Blvd.	Virginia Beach City	68,374	5,228,740	847,219	4,381,521	2,505,671	1,875,850	526,770	1,349,257	294,549	1,054,708	36.4
349	237 S. Battlefield Blvd.	Chesapeake City	47,287	3,546,851	582,642	2,964,209	1,700,762	1,263,447	373,466	890,225	199,270	690,955	35.9
355	4300 Portsmouth Blvd.	Chesapeake City	42,502	3,293,605	541,579	2,752,026	1,578,518	1,173,508	354,551	819,322	185,006	634,316	35.7
361	3014 Tnpk. Rd.	Portsmouth City	46,425	3,770,191	620,653	3,149,539	1,803,262	1,346,277	362,570	984,133	211,729	772,404	36.9
370	2181 Upton Dr.	Virginia Beach City	66,133	5,080,663	827,252	4,253,412	2,444,915	1,808,497	393,559	1,415,238	285,937	1,129,301	38.5
377	3575 Bridge Rd.	Suffolk City	24,464	2,026,850	330,489	1,696,361	970,909	725,451	268,237	457,322	114,038	343,283	33.2
379	5832 Northampton Blvd.	Virginia Beach City	45,893	3,827,129	624,868	3,202,261	1,816,345	1,385,916	350,467	1,035,509	215,273	820,236	37.8
391	13478 Carrollton Blvd.	Isle of Wight Co.	20,073	1,546,243	253,976	1,292,267	741,813	550,454	188,840	361,875	86,873	275,002	34.2
409	7550 Granby St.	Norfolk City	32,528	2,569,174	423,037	2,146,137	1,228,205	917,933	298,950	619,188	144,275	474,913	35.0
413	1457 N. Main St.	Suffolk City	13,844	1,061,243	174,917	886,327	506,676	379,651	175,429	204,345	59,584	144,761	30.1
415	1340 N. Great Neck Rd.	Virginia Beach City	28,068	2,179,470	356,332	1,823,139	1,048,765	774,373	222,725	551,778	122,561	429,217	36.0
<b>Norfolk/Virginia Beach</b>			<b>2,060,604</b>	<b>161,405,622</b>	<b>26,451,922</b>	<b>134,953,700</b>	<b>77,316,889</b>	<b>57,636,811</b>	<b>15,813,546</b>	<b>41,853,293</b>	<b>9,072,306</b>	<b>32,780,987</b>	<b>36.7</b>
48	6497 Ctr.ville Rd.	York Co.	52,514	3,873,666	632,198	3,241,467	1,859,803	1,381,664	358,229	1,023,629	217,909	805,720	37.1
92	27 Fox Hill Rd.	Hampton City	24,181	1,801,454	295,950	1,505,503	859,573	645,930	250,976	395,110	101,208	293,902	32.7
112	61 N. Mallory St.	Hampton City	30,337	2,436,091	400,294	2,035,797	1,165,851	869,946	245,902	624,459	136,857	487,602	36.4
148	4640-6 Monticello Ave.	James City Co.	52,603	4,440,003	716,334	3,723,670	2,135,494	1,588,176	531,766	1,056,815	250,325	806,490	34.3
158	3099 Jefferson Ave.	Newport News City	31,076	2,438,484	404,726	2,033,758	1,161,838	871,921	307,432	565,172	136,720	428,452	34.2
217	619 Pilot House Dr.	Newport News City	50,724	4,286,812	704,866	3,581,946	2,051,935	1,530,011	397,307	1,133,097	240,797	892,300	37.3
222	5005 Victory Blvd.	York Co.	32,597	2,753,564	450,149	2,303,415	1,320,742	982,673	347,976	634,875	154,848	480,027	33.8
244	4909 W. Mercury Blvd.	Hampton City	58,834	4,994,566	821,671	4,172,895	2,383,804	1,789,091	401,700	1,389,507	280,524	1,108,983	38.7
250	2078 Nickerson Blvd.	Hampton City	25,902	1,889,834	311,972	1,577,862	900,940	676,922	247,058	430,037	106,072	323,965	33.7
258	3831 Kecoughtan Rd.	Hampton City	34,041	2,643,844	435,240	2,208,604	1,263,361	945,244	311,289	634,502	148,474	486,027	34.8
265	20 Towne Ctr. Way	Hampton City	25,998	2,200,108	362,916	1,837,192	1,053,444	783,748	332,840	451,070	123,506	327,564	31.4
272	55 Hidenwood Shp. Ctr.	Newport News City	31,575	2,398,303	394,814	2,003,489	1,146,786	856,703	257,171	599,886	134,685	465,201	35.9
282	2400 Cunningham Dr.	Hampton City	75,167	6,819,709	1,123,147	5,696,562	3,265,828	2,430,734	566,414	1,864,840	382,953	1,481,887	38.2
290	5226 Geo. Washington Hwy	York Co.	19,943	1,486,032	242,908	1,243,124	713,697	529,427	233,663	296,006	83,569	212,436	30.6
320	1244 Richmond Rd.	Williamsburg City	48,961	4,103,378	660,934	3,442,444	1,967,206	1,475,238	420,746	1,055,505	231,419	824,085	36.2
335	801-F Merrimac Trail	York Co.	28,352	2,244,697	369,215	1,875,481	1,075,955	799,527	302,718	497,058	126,080	370,978	33.0
340	309-A Oyster Point Rd.	Newport News City	30,990	2,567,418	420,810	2,146,608	1,229,259	917,348	370,502	547,282	144,306	402,976	32.1
341	621 Stoney Creek Lane	Newport News City	51,762	4,386,997	717,197	3,669,799	2,101,029	1,568,771	482,595	1,086,579	246,703	839,875	35.5
342	10872 Warwick Blvd.	Newport News City	21,860	1,701,060	279,508	1,421,552	813,602	607,950	231,249	376,812	95,564	281,248	33.0
381	1480-3C Quarterpath Rd.	Williamsburg City	18,630	1,538,854	252,205	1,286,648	741,062	545,586	211,502	334,368	86,495	247,873	32.5

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

(continued)

# ANALYSIS OF STORE PERFORMANCE · FISCAL YEAR 2018

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
382 475 Wythe Creek Rd.	Poquoson City	21,877	1,598,033	260,732	1,337,301	766,719	570,583	192,634	378,040	89,901	288,139	34.3
417 201 Tradesman Way	York Co.	22,458	1,680,049	275,193	1,404,855	805,152	599,703	252,320	347,461	94,442	253,019	31.4
420 980 J. Clyde Morris Blvd.	Newport News City	15,472	1,242,977	205,062	1,037,915	594,111	443,804	197,059	246,893	69,774	177,119	30.7
422 14272 Warwick Blvd.	Newport News City	34,269	2,719,207	448,831	2,270,376	1,300,056	970,320	317,193	653,632	152,627	501,005	34.9
<b>Newport News/Hampton</b>		<b>840,122</b>	<b>68,245,138</b>	<b>11,186,872</b>	<b>57,058,266</b>	<b>32,677,247</b>	<b>24,381,019</b>	<b>7,768,242</b>	<b>16,622,635</b>	<b>3,835,760</b>	<b>12,786,875</b>	<b>35.1</b>
156 22489 Lankford Hwy.	Northampton Co.	18,779	1,334,848	219,703	1,115,145	641,164	473,981	167,962	306,157	74,966	231,191	33.8
162 7017 & 7019 Lankford Hwy.	Accomack Co.	12,743	910,429	149,839	760,590	436,044	324,546	177,677	146,993	51,131	95,862	27.0
177 4371 Pension St.	Accomack Co.	12,839	887,779	145,088	742,691	426,489	316,203	113,605	202,656	49,928	152,728	33.5
223 4090-A2 Lankford Hwy.	Northampton Co.	15,515	981,577	162,113	819,464	469,963	349,501	196,069	153,547	55,089	98,458	26.5
344 25234 Lankford Hwy.	Accomack Co.	26,443	1,798,949	295,927	1,503,022	860,589	642,433	240,839	401,772	101,041	300,731	33.2
<b>Eastern Shore</b>		<b>86,319</b>	<b>5,913,583</b>	<b>972,670</b>	<b>4,940,912</b>	<b>2,834,250</b>	<b>2,106,663</b>	<b>896,153</b>	<b>1,211,124</b>	<b>332,154</b>	<b>878,969</b>	<b>31.3</b>
<b>Statewide Totals</b>		<b>12,018,293</b>	<b>\$978,751,341</b>	<b>\$160,047,233</b>	<b>\$818,704,107</b>	<b>\$469,349,836</b>	<b>\$349,354,271</b>	<b>\$113,875,722</b>	<b>\$235,619,498</b>	<b>\$55,037,648</b>	<b>\$180,581,850</b>	<b>34.8%</b>

(1) Includes state taxes, but does not include 5 percent sales tax.

(2) State taxes on distilled spirits (20 percent) and wine (4 percent) sold in ABC stores.

(3) Store expenses include miscellaneous revenue and net cash overages.

(4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

# ANALYSIS OF DISTILLERY STORE PERFORMANCE · FISCAL YEAR 2018

ABC Distillery Stores	Gross Sales (1)	Spirits Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Commission	Case Handling Fee	Allocation of General & Administrative	Adjusted Net Profit	Rate of Return (3)
10 Three Brothers Distillery	13,310	2,219	11,091	6,276	4,815	1,065	92	404	3,255	24.5
11 Woods Mill Distillery	29,815	4,975	24,839	14,071	10,769	2,385	176	905	7,303	41.2
12 Belle Isle Distillery	19,492	3,249	16,242	10,084	6,159	1,559	252	592	3,756	35.9
13 Vitae Spirits Distillery	99,503	16,587	82,915	47,847	35,069	7,960	434	3,020	23,655	40.4
14 Five Mile Mountain Distillery	55,348	9,226	46,121	26,406	19,715	4,428	268	1,680	13,340	40.8
15 Copper Fox Distillery of Wmsbg	277,374	46,237	231,137	133,355	97,782	22,189	1,194	8,418	65,980	40.5
16 Virginia Distilling Co	295,377	49,239	246,138	142,652	103,486	23,630	1,680	8,965	69,211	40.1
17 James River Distillery	28,807	4,798	24,009	13,732	10,277	2,305	134	874	6,964	40.8
18 Chesapeake Bay Distillery	201,950	33,665	168,285	97,285	71,000	16,156	1,314	6,129	47,400	40.1
19 Williamsburg Distillery	41,170	6,863	34,307	19,923	14,384	3,294	182	1,250	9,659	40.1
20 KO Distilling	189,845	31,647	158,197	91,885	66,312	15,188	864	5,762	44,499	40.1
21 Old House Vineyards	107,247	17,878	89,369	50,741	38,627	8,580	442	3,255	26,351	41.2
22 Reservoir Distillery	295,427	49,248	246,179	139,740	106,439	23,634	854	8,966	72,984	41.4
23 Murlarkey Distilled Spirits	265,036	44,182	220,855	127,527	93,328	21,203	1,482	8,044	62,599	40.3
24 Mt. Defiance Cider & Distillery	106,832	17,809	89,023	49,864	39,159	8,547	652	3,242	26,718	41.7
25 River Hill Wine & Spirits	61,507	10,253	51,254	28,564	22,690	4,921	564	1,867	15,339	41.6
28 Silverback Distillery	556,426	92,756	463,670	271,310	192,360	44,514	3,842	16,888	127,116	39.5
29 Davis Valley Distillery	98,995	16,503	82,493	46,555	35,938	7,920	492	3,005	24,522	41.4
30 Copper Fox Distillery	401,483	66,927	334,556	192,699	141,857	32,119	1,590	12,185	95,963	40.6
31 George Washington's Distillery	665,047	110,863	554,183	301,236	252,947	53,204	13,720	20,184	165,839	41.6
34 Belmont Farms	191,378	31,903	159,476	92,832	66,644	15,310	1,246	5,808	44,279	39.8
65 Catocin Creek	325,042	54,184	270,857	155,775	115,082	26,003	2,166	9,865	77,048	40.4
91 A Smith Bowman	641,993	107,020	534,972	313,238	221,735	51,359	5,466	19,485	145,424	39.3
430 Springfield Distillery	61,379	10,232	51,147	29,057	22,090	4,910	344	1,863	14,973	41.1
431 Bondurant Brothers Distillery	15,440	2,574	12,866	7,354	5,512	1,235	116	469	3,692	40.6
432 Parched Group	49,321	8,222	41,099	24,645	16,454	3,946	312	1,497	10,700	38.4
433 Ragged Mountain Farm	185,842	30,980	154,862	88,591	66,271	14,867	1,248	5,640	44,515	40.6
434 Dilawri Barrels	38,949	6,493	32,457	19,019	13,438	3,116	274	1,182	8,866	39.4
435 Spirit Lab Distilling	11,281	1,881	9,401	5,344	4,057	903	42	342	2,770	41.2
450 Falls Church Distilleries	110,385	18,401	91,984	51,971	40,013	8,831	848	3,350	26,984	41.1
451 Ironclad Distillery	30,875	5,147	25,728	14,627	11,100	2,470	146	937	7,547	41.1
452 Twin Creeks Distillery	22,790	3,799	18,991	10,676	8,315	1,823	122	692	5,678	41.6
453 Blue Sky Distillery	12,125	2,021	10,104	5,848	4,256	970	88	368	2,830	40.0
454 Dida's Distillery	47,696	7,951	39,745	22,658	17,088	3,816	260	1,448	11,564	40.9
455 Sleepy Fox Distillery	30,320	5,054	25,266	14,224	11,041	2,426	352	920	7,343	40.9
456 Franklin County Distilleries	30,895	5,150	25,745	14,235	11,510	2,472	358	938	7,742	41.7
457 Dead Reckoning Distillery	10,946	1,825	9,121	5,177	3,944	876	174	332	2,562	40.1
458 Copper and Oak Craft Spirits	24,192	4,033	20,159	11,724	8,435	1,935	102	734	5,664	40.1
459 Stone Mountain Distillery	4,856	809	4,046	2,288	1,758	388	44	147	1,178	40.9
460 Tarnished Truth/Cavalier Ventures	166,426	27,743	138,683	78,582	60,101	13,314	1,064	5,051	40,672	41.1
461 Devil's Backbone/Mountain View	12,854	2,143	10,712	6,017	4,695	1,028	90	390	3,186	41.5
462 Bombolini/ Trial & Error	2,155	359	1,796	1,030	766	172	16	65	512	40.4
463 The Vanguard Brewing Co./Caisel	704	117	587	334	253	56	12	21	163	39.8
465 Virago Distilling	800	133	666	374	293	64	10	24	194	41.0
466 Cape Charles Distillery	9,178	1,530	7,648	4,321	3,327	734	60	279	2,254	41.2
<b>Statewide Distillery Totals</b>	<b>\$5,847,811</b>	<b>\$974,830</b>	<b>\$4,872,981</b>	<b>\$2,791,693</b>	<b>\$2,081,288</b>	<b>\$467,824</b>	<b>\$45,188</b>	<b>\$177,484</b>	<b>\$1,390,792</b>	<b>40.5%</b>

(1) Includes state taxes, but does not include 5 percent sales tax. (2) State taxes on distilled spirits sold in ABC stores (20 percent). (3) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales  
 Net Sales=Gross Sales- Spirits Taxes; Gross Profit = Net Sales-COGS; Adjusted Net Profit = Gross Profit-Commission-Case Handling Fee-AG&AE

# 2018 ESTABLISHMENTS BY LICENSE CATEGORY — BY CITIES



Cities (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Alexandria	10	0	3	0	2	1	8	6	13	3	0	14	25	31	13	145	204	0	478
Bedford	0	0	0	0	0	0	1	0	6	0	0	0	1	5	0	3	6	0	22
Bristol	3	0	2	2	2	0	1	0	18	1	0	3	4	8	3	14	22	0	83
Buena Vista	0	0	0	0	0	0	0	0	3	0	0	1	0	4	0	1	5	0	14
Charlottesville	10	1	7	6	9	0	15	6	29	0	2	5	16	8	8	106	162	2	392
Chesapeake	12	0	4	8	1	0	2	9	98	0	0	19	32	24	5	125	179	0	518
Colonial Heights	0	0	0	0	0	0	0	2	14	0	0	4	4	3	2	17	25	0	71
Covington	0	0	0	0	0	0	0	0	4	0	0	1	1	4	0	1	6	0	17
Danville	3	0	1	2	2	0	1	6	45	0	1	6	7	27	1	24	40	1	167
Emporia	0	0	0	0	0	0	0	1	14	0	0	1	2	4	0	4	4	0	30
Fairfax	0	0	0	0	1	0	2	3	3	0	0	5	7	10	0	40	77	1	149
Falls Church	1	0	1	1	2	0	1	1	2	0	1	3	4	6	1	28	53	0	105
Franklin	1	0	0	0	0	0	0	0	9	0	0	1	2	4	0	5	7	0	29
Fredericksburg	1	2	0	0	3	0	4	1	17	0	0	2	10	6	5	62	89	0	202
Galax	0	1	0	0	2	0	0	1	5	0	0	2	3	4	1	7	12	1	39
Hampton	12	2	2	2	10	1	2	16	77	0	1	13	14	18	4	69	102	1	346
Harrisonburg	2	2	2	2	5	0	2	6	22	0	0	5	13	13	4	48	84	0	210
Hopewell	3	0	0	0	0	0	1	7	17	0	0	3	2	6	0	11	15	0	65
Lexington	0	1	0	0	0	0	3	0	2	0	0	1	3	1	2	10	18	0	41
Lynchburg	6	1	0	4	0	0	4	7	45	0	0	7	13	15	7	58	93	0	260
Manassas	3	0	1	1	4	0	1	3	5	0	1	5	3	25	0	25	49	0	126
Manassas Park	0	0	0	0	0	0	0	0	2	0	0	0	0	6	0	5	8	0	21
Martinsville	3	0	0	0	0	0	0	2	8	0	0	1	2	7	0	11	15	0	49
Newport News	10	0	2	2	1	1	4	11	91	1	1	13	19	29	5	96	161	0	447
Norfolk	19	1	1	3	8	4	11	26	88	0	1	16	30	29	10	198	264	3	712
Norton	0	0	0	0	0	0	0	0	5	1	0	0	1	1	1	4	7	0	20
Petersburg	2	0	1	4	2	0	1	5	35	0	0	3	3	11	0	23	35	0	125
Poquoson	0	0	0	0	0	0	0	1	3	0	0	1	2	3	0	5	14	0	29
Portsmouth	3	1	0	0	2	2	0	12	61	0	1	8	9	14	2	46	55	0	216
Radford	1	0	0	0	0	0	1	1	5	0	0	1	1	6	0	7	13	0	36
Richmond	31	2	13	16	19	0	21	18	169	4	7	18	22	48	9	299	404	7	1107
Roanoke	6	0	0	1	5	1	4	9	88	0	0	8	16	24	6	92	138	1	399
Salem	3	0	2	3	3	0	2	6	21	0	0	4	4	2	0	15	28	0	93
Staunton	2	2	0	0	4	0	3	3	12	1	0	4	8	10	2	16	38	2	107
Suffolk	11	1	0	0	1	0	0	4	41	1	0	8	15	12	3	43	64	0	204
Virginia Beach	37	2	4	5	10	6	10	12	156	1	2	43	66	45	25	440	593	4	1461
Waynesboro	2	1	0	0	0	0	1	2	12	0	0	3	5	7	0	16	31	2	82
Williamsburg	7	8	0	0	2	0	3	0	9	0	1	3	6	1	8	46	61	5	160
Winchester	5	1	2	2	4	0	3	5	11	0	0	5	8	12	3	45	69	0	175
<b>Grand Total</b>	<b>209</b>	<b>29</b>	<b>48</b>	<b>64</b>	<b>104</b>	<b>16</b>	<b>112</b>	<b>192</b>	<b>1265</b>	<b>13</b>	<b>19</b>	<b>240</b>	<b>383</b>	<b>493</b>	<b>130</b>	<b>2210</b>	<b>3250</b>	<b>30</b>	<b>8807</b>

(1) All cities are "wet" (approved for liquor by the drink). Nine counties are "dry" (see pages 36–37); however, beer and wine may be served. Referendums may allow for mixed beverages in certain towns (and supervisor's election districts) located within dry counties.

(2) "All Others" includes hospitals, fire departments, rescue squads, performing arts facilities, gift shops, food concessions, etc. It does not include banquets.

(3) "Restaurants (Mixed Beverage)" represents the total number of wine and beer establishments also having mixed beverage licenses. These licenses are included in the grand total column.

Source: CORE, July 2017



# 2018 ESTABLISHMENTS BY LICENSE CATEGORY —BY COUNTIES



Counties (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Accomack	3	4	2	2	1	0	0	4	29	1	0	2	10	15	2	22	35	0	132
Albemarle	9	6	2	24	5	0	6	8	39	0	4	4	31	6	10	49	94	64	361
Alleghany	2	0	0	0	1	0	0	4	8	0	0	1	1	7	0	7	14	0	45
Amelia	0	0	0	0	0	0	0	1	12	0	0	1	0	3	0	2	7	0	26
Amherst	1	0	0	3	1	0	1	1	17	0	0	2	3	12	0	9	14	4	68
Appomattox	2	0	0	0	0	0	0	2	10	0	0	1	2	8	1	5	8	0	39
Arlington	5	0	2	2	2	4	6	6	36	0	0	20	30	42	30	216	309	1	711
Augusta	1	2	2	6	3	0	0	3	36	0	0	2	7	18	1	10	27	6	124
Bath	1	1	0	0	0	0	0	0	7	0	0	0	1	4	3	4	8	0	29
Bedford	2	1	0	6	3	1	1	7	25	1	0	4	8	18	1	26	48	11	163
Bland*	0	0	0	0	0	0	0	0	3	0	0	0	0	5	0	0	1	0	9
Botetourt	2	0	2	5	2	0	0	1	24	1	0	1	3	7	0	13	25	5	91
Brunswick	1	0	0	2	2	0	0	0	18	0	0	1	1	4	0	3	7	0	37
Buchanan*	0	0	0	0	0	0	0	0	21	1	0	2	2	7	0	1	2	0	36
Buckingham	1	0	0	0	0	0	0	0	13	0	0	0	2	5	0	1	2	0	24
Campbell	2	1	0	4	1	0	1	3	35	0	1	4	5	23	0	15	24	7	126
Caroline	0	1	0	1	0	0	0	2	27	0	0	1	2	4	0	7	15	1	61
Carroll*	2	0	0	1	0	0	0	1	15	0	0	1	2	9	1	4	10	2	48
Charles City	0	3	0	1	0	0	0	0	6	0	0	0	0	1	0	3	6	2	22
Charlotte*	1	0	0	0	0	0	0	1	12	0	0	1	0	12	0	0	2	0	29
Chesterfield	14	1	4	6	2	0	3	7	121	1	0	29	36	40	5	155	232	3	659
Clarke	5	2	1	4	0	0	0	3	8	1	1	0	3	4	0	4	11	5	52
Craig*	0	0	0	0	0	0	0	0	3	0	0	0	0	4	1	0	0	0	8
Culpeper	2	0	2	5	4	0	1	4	18	0	2	4	8	14	4	19	28	3	118
Cumberland	0	0	0	0	0	0	0	0	9	0	0	0	0	1	0	1	3	0	14
Dickenson*	0	0	0	0	0	0	0	0	9	0	0	1	1	5	0	0	1	0	17
Dinwiddie	2	0	0	0	0	0	0	1	22	0	0	2	1	10	0	4	5	0	47
Essex	2	1	0	1	0	0	0	1	9	0	0	0	2	5	0	9	11	1	42
Fairfax	51	0	54	63	12	0	39	26	46	2	3	61	132	176	36	605	957	4	2267
Fauquier	2	0	3	27	4	0	4	4	29	2	0	7	14	13	5	37	57	43	251
Floyd*	0	1	0	0	1	0	0	2	3	0	1	0	2	4	0	6	12	4	36
Fluvanna	1	0	0	4	1	0	0	0	9	0	0	1	5	3	0	6	12	4	46
Franklin*	4	0	1	4	3	0	2	2	26	0	4	4	4	19	1	21	38	3	136
Frederick	9	2	3	7	0	0	1	4	32	1	0	5	18	19	2	29	46	8	186
Giles*	0	1	0	1	0	0	1	3	14	2	0	2	1	12	1	1	5	2	46
Gloucester	3	0	0	0	1	0	0	3	20	1	0	3	5	9	0	17	26	0	88
Goochland	2	1	0	3	6	0	1	3	13	0	0	0	2	4	0	13	19	7	74
Grayson*	0	0	0	0	0	0	0	0	6	1	0	0	0	5	0	0	3	0	15
Greene	1	0	0	1	0	0	1	1	7	0	0	1	1	5	0	6	16	4	44
Greensville	0	0	0	0	0	0	0	1	11	0	0	0	0	2	0	1	1	0	16
Halifax	6	1	0	4	0	0	0	4	22	0	2	2	1	25	1	10	21	3	102
Hanover	12	0	7	16	2	0	2	5	48	2	1	7	14	17	0	48	80	6	267
Henrico	43	1	11	15	6	0	11	16	142	1	0	33	45	44	19	207	314	0	908
Henry*	6	0	0	2	1	0	1	4	38	0	0	6	1	31	1	4	18	4	117
Highland*	0	0	0	1	0	0	0	0	2	0	0	0	0	3	1	0	1	2	10
Isle of Wight	0	0	0	0	1	0	0	4	23	0	1	3	7	6	1	10	19	4	79
James City	4	0	1	1	3	0	1	4	22	0	2	4	13	6	5	50	70	2	188
King & Queen	1	0	0	0	0	0	0	0	3	0	0	0	0	4	0	1	2	0	11
King George	0	0	0	2	0	0	0	0	14	0	0	1	3	3	0	6	11	4	44
King William*	0	0	0	0	0	0	0	0	8	0	0	1	2	5	0	6	11	0	33
Lancaster	2	1	0	2	1	1	0	4	10	0	0	2	4	3	3	18	27	4	82
Lee*	0	0	0	0	0	0	0	2	20	0	0	1	3	8	0	0	4	0	38
Loudoun	23	2	21	52	37	18	13	7	21	2	3	17	50	77	14	230	374	82	1043
Louisa*	2	0	0	3	0	0	0	2	23	0	0	2	3	13	1	14	23	6	92
Lunenburg*	2	0	0	0	0	0	0	4	7	0	0	0	2	8	0	0	4	0	27
Madison	0	2	0	3	1	0	0	0	7	0	0	0	1	4	1	5	7	14	45
Mathews	1	1	0	0	0	0	1	2	7	0	0	0	1	3	0	3	7	0	26
Mecklenburg*	3	0	0	3	1	0	0	10	41	0	1	3	1	18	0	9	16	5	111
Middlesex	4	0	0	0	0	0	0	1	5	0	0	0	3	8	0	10	14	0	45
Montgomery*	1	2	0	3	4	0	4	1	40	0	0	5	11	20	6	49	76	5	227
Nelson	4	5	0	8	7	0	1	1	14	1	4	0	0	8	2	4	9	23	91
New Kent	2	2	0	2	0	0	0	0	16	0	0	3	3	4	0	9	17	5	63
Northampton	2	3	1	4	1	0	1	1	18	0	1	1	1	5	3	13	20	2	77

(continued)

# 2018 ESTABLISHMENTS BY LICENSE CATEGORY

## —COUNTIES (continued)



Counties (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Northernham	2	0	0	1	0	0	0	3	7	0	0	1	1	5	0	7	13	3	43
Nottoway	0	1	1	3	0	0	0	4	16	0	0	0	2	4	0	7	13	0	51
Orange	2	5	0	3	1	0	2	1	18	0	0	2	6	5	1	14	25	9	94
Page	5	3	0	1	1	0	0	3	15	0	1	1	3	10	1	4	17	4	69
Patrick*	1	1	0	2	0	0	0	1	12	0	0	1	2	9	0	3	10	3	45
Pittsylvania*	3	0	1	7	0	0	1	3	38	0	0	1	1	24	0	6	17	4	106
Powhatan	2	0	0	1	1	0	0	1	14	0	1	1	1	4	0	15	22	3	66
Prince Edward	1	0	0	0	1	0	2	2	17	0	0	3	2	4	1	13	18	0	64
Prince George	1	1	0	0	0	0	0	2	16	0	1	1	1	7	0	8	15	0	53
Prince William	25	0	12	17	11	1	1	9	37	1	1	20	44	121	9	183	300	6	798
Pulaski*	4	0	2	5	1	0	1	4	16	1	0	4	6	14	0	9	15	3	85
Rappahannock	2	6	0	6	2	0	0	0	3	0	2	0	0	4	1	7	10	16	59
Richmond	0	0	0	6	0	0	0	0	5	0	0	1	1	3	0	1	5	0	22
Roanoke	4	1	4	6	2	0	4	3	36	0	0	4	10	9	1	35	59	3	181
Rockbridge	1	6	0	2	3	0	4	2	15	0	0	0	2	12	4	5	17	6	79
Rockingham	5	1	1	4	3	0	1	3	32	0	0	2	7	15	0	14	34	7	129
Russell*	0	0	0	1	1	0	0	2	16	0	1	1	2	5	0	2	4	2	37
Scott*	0	0	0	0	1	0	0	0	18	0	0	1	2	11	0	1	4	0	38
Shenandoah	1	1	1	5	4	0	0	9	24	0	1	3	7	21	1	9	32	12	131
Smyth*	0	1	0	0	1	0	0	1	21	1	1	3	3	15	1	4	11	3	66
Southampton	0	0	0	0	0	0	0	2	14	0	0	1	1	5	0	1	3	0	27
Spotsylvania	5	1	3	7	3	0	2	7	55	0	1	13	18	15	0	55	84	9	278
Stafford	9	1	2	5	4	0	3	6	45	1	0	8	14	12	1	40	68	3	222
Surry*	0	0	0	1	0	0	0	0	6	0	0	0	0	2	0	1	2	3	15
Sussex	0	0	1	0	0	0	1	1	16	0	0	0	1	10	0	2	7	0	39
Tazewell*	2	0	0	1	2	0	0	2	30	1	0	2	7	18	0	9	18	1	93
Warren*	1	2	0	3	2	0	0	3	24	0	0	2	2	11	0	24	39	6	119
Washington*	1	5	1	5	2	0	1	1	34	0	0	3	8	18	2	16	29	3	129
Westmoreland	2	1	0	4	2	0	0	6	9	0	0	2	2	10	1	12	21	8	80
Wise*	0	0	0	1	1	0	0	1	27	0	0	5	5	10	2	7	10	2	71
Wythe*	0	0	0	2	0	0	0	3	18	1	0	2	2	17	1	11	14	4	75
York	8	2	0	2	2	1	1	3	27	1	1	7	11	6	3	35	61	5	176
<b>Grand Total</b>	<b>338</b>	<b>87</b>	<b>148</b>	<b>405</b>	<b>169</b>	<b>26</b>	<b>127</b>	<b>269</b>	<b>2040</b>	<b>28</b>	<b>42</b>	<b>354</b>	<b>688</b>	<b>1323</b>	<b>192</b>	<b>2597</b>	<b>4283</b>	<b>493</b>	<b>1360</b>

\*(1) All counties are "wet" (approved for liquor by the drink) unless indicated with an asterisk (\*). "Dry" counties include 30 jurisdictions which have a statutory exemption under the Code of Virginia Section 4.1-126 and/or have held a referendum in a designated district or place within the boundaries of the "dry" county to allow liquor by the drink.

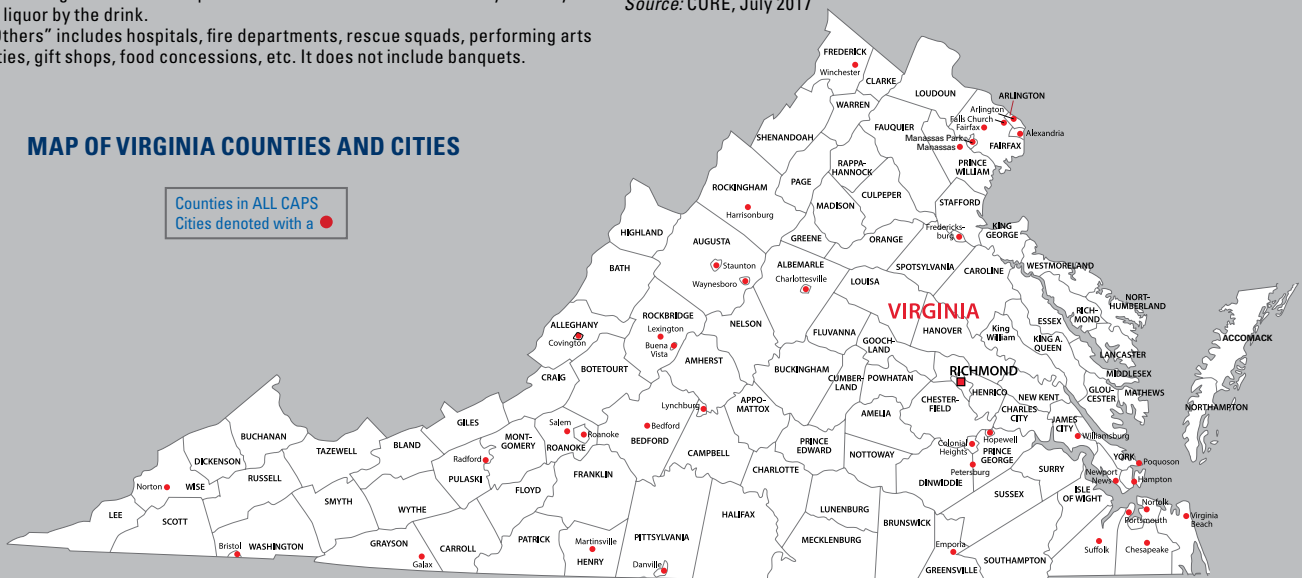
(2) "All Others" includes hospitals, fire departments, rescue squads, performing arts facilities, gift shops, food concessions, etc. It does not include banquets.

(3) "Restaurants (Mixed Beverage)" represents the total number of wine and beer establishments also having mixed beverage licenses. These licenses are included in the grand total column.

Source: CORE, July 2017

### MAP OF VIRGINIA COUNTIES AND CITIES

Counties in ALL CAPS  
Cities denoted with a ●





(TOP) Hanover County was chosen as the location for Virginia ABC's new headquarters and warehouse. The site near the intersection of I-295 and Pole Green Road is approximately seven miles (as the crow flies) northeast of the current Hermitage Road location.

Members of the Building Project committee clockwise from center are from left to right: Director of Logistics Mark Dunham, Director of Real Estate and Facilities Management Susan Johnson, Program Manager Chris Porras, IT Program Manager David Jenkins and Business Transformation Office Manager Beth Levermore. Other key individuals involved with the project but not pictured include CEO Travis Hill who also serves as the project's executive sponsor, CIO Paul Williams, GAO John Daniel, CROO Jeff Reeder, CAO Cort Kirkley and Assistant Director of Real Estate and Facilities Management Ronnie Young.

## Funding and Approval Obtained for Future Headquarters and Warehouse

Virginia ABC passed another important milestone in its effort to obtain a new central office and warehouse when the Authority, working with the Department of General Services (DGS), obtained executive and legislative approval during the 2018 legislative session to build a 95,000 sq. ft. office building and a 315,000 sq. ft. warehouse.

The approval to move forward came as a result of ABC's Property Project Team working closely with DGS and outside logistics and real estate experts. The group identified and evaluated ABC's organizational needs for a warehouse and office that will accommodate operations for decades to come. Numerous land options in the Richmond area were reviewed according to several factors some of which included employee drive-time, nearby amenities, crime statistics, freight costs, proximity to nearby interstate highways and ease of accessibility for truck traffic.

The preferred site is located in the Mechanicsville area, at the intersection of Pole Green Road and I-295 about 10 miles from ABC's current location. The new facility will provide a platform for Virginia ABC to make significant changes in both its physical space and operations. The future footprint will provide space for increased storage, eliminating the use of outside warehouses and enabling ABC to increase shipping levels to maintain pace with demand and positively influence the organization's continued growth as a modern retailer. Material handling equipment and warehouse management software, which are near end of life, will be replaced with state-of-the-art technology. A new headquarters will negate the need for expensive repairs to an inadequate electrical system and poor air circulation in the existing facility, as well as providing much-needed functional space.

A team led by H&M Company, a Jackson, Tennessee, engineering and construction firm is the selected developer for the project. Fifteen development teams submitted proposals ahead of the August 2017 RFP deadline, and twice the submitted proposals were narrowed through evaluation and developer interviews. In December 2017 ABC and DGS chose to continue negotiations with H&M which specializes in design, construction and design of distribution centers, manufacturing facilities, industrial buildings and office locations nationwide.

Barring funding or other delays, the project timeline calls for facility design to occur through spring 2019 with construction to begin that summer. Transition to the new facility is anticipated to occur in spring 2021.

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**FISCAL YEAR 2018** marked Virginia ABC’s 20th consecutive record-setting year in sales and profits. Gross sales increased to \$984.9 million, up \$44.8 million over the previous year, while profits rose to \$180.8 million, a jump of \$8.0 million. Retail sales grew 4.5 percent and licensee sales (sales to restaurants) climbed 4.0 percent during the same time frame.

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## CONTACTING VIRGINIA ALCOHOLIC BEVERAGE CONTROL AUTHORITY

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of ABC’s finances and to demonstrate ABC’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Virginia Alcoholic Beverage Control Authority at 2901 Hermitage Road, Richmond, Virginia 23220 or visit us at [www.abc.virginia.gov](http://www.abc.virginia.gov).



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Virginia Alcoholic Beverage Control Authority

Chief Executive Officer  
Travis G. Hill



Chairman  
Jeffrey Painter

Board of Directors  
Maria J. K. Everett  
Gregory F. Holland  
Beth Hungate-Noland  
Mark Rubin

## INTRODUCTION

This unaudited *Management's Discussion and Analysis (MD&A)* of the Alcoholic Beverage Control Authority's (the "Authority") financial performance provides a brief overview of financial activities for the fiscal year ended June 30, 2018. The MD&A is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the Authority's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the Authority's financial condition and results of operation for fiscal year ended June 30, 2018. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. The Authority's management is responsible for all of the information presented, including this discussion and analysis.

In fiscal year 2018, under Virginia Code Title 4.1, Virginia ABC transitioned from a Department to an Authority. The Authority is currently considered a Blended Component Unit Enterprise Fund by the commonwealth for financial statement purposes due to our unique nature of operation.

The Authority's financial statements have been prepared in accordance with GASB and the Generally Accepted Accounting Principles (GAAP). GASB Statement No. 75, Accounting and financial reporting for postemployment benefits other than pensions, became effective in fiscal year 2018. This change in accounting practice had a significant impact on the Authority's net position which is presented in the financial statements.

The Authority has included a new statistical section in this fiscal years' annual report. The statistical section is part of the annual financial report where the Authority presents historical information, for the past 10 years, about finances and operations to readers of the Authority's annual report.

- The Authority's operating revenues increased 4.6% in fiscal year 2018. The increase in revenue is primarily due to an increase in sales volume in existing stores which generated an additional \$31.7 million in sales, while the addition of five new stores added \$5.4 million in sales. Two stores were relocated to improve market coverage, 11 stores were modernized, three stores were expanded, four stores had flooring updates and one store closed.
- The Authority's cost of goods sold (COGS) for alcohol increased \$21.8 million from fiscal year 2017. This increase is due to the increase in sales volume and the addition of five new stores. Historically, COGS is about 48.5% of the annual gross sales. In fiscal year 2018, COGS was 48.1% of gross sales. Cost of Goods Sold trends are available in the Statistical Section on page 112.
- The Authority's operating expenses increased 4.3% in fiscal year 2018. Personal service cost increased by \$5.8 million from fiscal year 2017, a 5.4% increase. The increase in personal service cost is primarily attributed to increased staffing for high-performing stores, the addition of staff for the operation of the five new stores in fiscal year 2018 and back filling IT positions that were vacant in fiscal year 2017. In addition, expendable equipment decreased by \$0.9 million, primarily due to capitalizing shelving and fixtures installed in the retail stores compared to expensing them in the prior fiscal year.
- The Authority's operations earned record profits of \$180.8 million and disbursed \$179.2 million to the Commonwealth. In addition, the Authority collected state tax on sales of \$160.9 million. The increase in profits for fiscal year 2018 is primarily due to the overall increase in sales throughout all stores and the opening of five new retail stores.

### OVERVIEW OF FINANCIAL STATEMENTS

The audited annual report consists of the following financial statements as required by GAAP.

- The Statement of Net Position (SNP) provides information about the Authority's assets, liabilities and deferred flows of resources, and reflects the financial position of the Authority to readers as of June 30, 2018. The data presented aids readers in determining the assets available to continue operations of the Authority. It also allows readers to determine the liability of the Authority to vendors. Finally, the SNP provides a picture of the Authority's net position and the restrictions for expenditure of the components of net position.
- The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents operating and non-operating activities creating changes in the Authority's total net position for the twelve-month period ended June 30, 2018. The purpose of this statement is to present all revenues received and accrued, all expenses paid and accrued, and gains and losses from capital assets. Operating revenues are generally received through providing goods and services to all of the Authority's clients. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenue. Salaries and benefits for staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided and the same is for non-operating expense.
- The Statement of Cash Flows outlines the cash inflows and outflows relating to the operations for the same twelve-month period. This statement presents detailed information about the cash activity of the Authority during the year. Cash flows from operating activities will always be different from the operating activity on the SRECNP. This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expense, whereas the Statement of Cash flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows should help readers assess the ability of the Authority to generate sufficient cash flows necessary to meet its obligations.

The financial statements also include "notes" that provide additional information that is essential to a full understanding of the data provided in the statements. These statements provide current and noncurrent information about the Authority's financial position.

### FINANCIAL ANALYSIS

The Authority ended fiscal year 2018 with a total of \$137.8 million in total assets and deferred outflows, a 7.7% increase over the prior fiscal year. \$114.6 million of the total assets and deferred outflows amount is attributed to current and other assets. Included in the \$114.6 million is \$79.1 million in inventory of alcohol merchandise for resale, a \$9.1 million increase over fiscal year 2017. The increase in inventory is primarily a result of the addition of five new stores and the Authority's Advance Buy policy. The Authority does not purchase the alcohol in its warehouse until it is being shipped to one of its stores. At periodic times throughout the year, the Authority purchases the inventory in its warehouse, prior to vendors implementing a price increase, called an Advance Buy. At the end of June (fiscal year 2018), the Authority purchased an additional \$8.6 million of alcohol that was in its warehouse using the Advance Buy. This results in significant savings to the agency, increased profits for the commonwealth, and a higher inventory value at year-end.

#### Total Assets and Deferred Outflows

- *Current assets* increased \$9.2 million from last fiscal year, primarily due to the \$9.1 million increase in inventory value (described above). Receivables also increased by \$2.8 million from last fiscal year primarily due to credit card receivables. The Authority's credit card receivables are deposited in the Commonwealth's account the following business day. This delay creates credit card receivables. In fiscal year 2018, the last day of the fiscal year (June 30th) fell on a Saturday compared to a Friday in fiscal year 2017, creating two days of high-sale, credit card receivables. Friday and Saturday are high-volume sales days for Authority retail stores and this resulted in the Authority having an increase in credit card receivable in fiscal year 2018. Cash and cash equivalents decreased in fiscal year 2018 by \$2.8 million primarily due to the Authority paying down more vouchers that were due this fiscal year end compared to the prior year.

## DISCUSSION AND ANALYSIS, *continued*

- *Capital assets, net*—capital assets saw a net decrease of \$0.2 million in fiscal year 2018 primarily due to all the ongoing projects in the construction-in-progress (CIP) account that will not be depreciated until the project is completed and put in service.
- *Other Assets*—Other Post Employment Benefits (OPEB) contributed a \$2.4 million increase to the total assets due the implementation of GASB 75. Since Virginia Sickness and Disability Program (VSDP) is a net OPEB asset, it increases the restricted component of net position because any excess funding is in a trust and can legally only be used to pay OPEB benefits.
- *Deferred Outflows*—combined deferred outflows of resources for both pension and OPEB decreased by \$1.6 million over fiscal year 2017. The decrease is due to the Authority’s portion of the Virginia Retirement System (VRS) unfunded pension liability and the unfunded portion of the Authority’s OPEB liability of the Commonwealth.

Net Position	Fiscal Year 2018	Fiscal Year 2017	Change Amount	Change Percent
Current and other assets	\$ 114,554,343	\$ 105,328,963	\$ 9,225,380	8.8%
Capital assets, net	9,110,959	9,305,696	(194,737)	-2.1%
Other assets - OPEB	2,395,000	-	2,395,000	N/A
Deferred outflows of resources, Pension	9,626,932	13,285,957	(3,659,025)	-27.5%
Deferred outflows of resources, OPEB	2,078,339	-	2,078,339	N/A
<b>Total assets and deferred outflows</b>	<b>137,765,573</b>	<b>127,920,616</b>	<b>9,844,957</b>	<b>7.7%</b>
Current liabilities	119,647,714	110,453,113	9,194,601	8.3%
Noncurrent liabilities	102,355,230	85,274,365	17,080,865	20.0%
Deferred inflows of resources, Pension	6,711,000	3,017,000	3,694,000	122.4%
Deferred inflows of resources, OPEB	5,120,196	-	5,120,196	N/A
<b>Total liabilities and deferred inflows</b>	<b>233,834,140</b>	<b>198,744,478</b>	<b>35,089,662</b>	<b>17.7%</b>
Net position:				
Invested in capital assets	9,110,959	9,305,696	(194,737)	-2.1%
Restricted	2,395,000	-	2,395,000	N/A
Unrestricted	(107,574,527)	(80,129,558)	(27,444,969)	34.3%
<b>Total net position</b>	<b>\$ (96,068,568)</b>	<b>\$ (70,823,862)</b>	<b>\$ (25,244,706)</b>	<b>35.6%</b>

### Total Liabilities and Deferred Inflows

- *Current Liabilities*—increased \$9.2 million or 8.3% over fiscal year 2017. The Authority’s disbursement pending, vouchers payable, and payroll payable accounts increased \$1.9 million in fiscal year 2018 compared to fiscal year 2017 primarily due to the accruals of outstanding vendor payables at year end and backfilled positions in fiscal year 2018 which increased the accrued payroll payables. Another contributing factor to the increase in current liabilities is the Authority’s significant increase in notes payable over fiscal year 2017. This increase is as a result of the increase in the Authority’s Line of Credit amount with the Treasurer of Virginia (see note 4).
- *Noncurrent liabilities*—increased \$17.1 million primarily due to the Authority’s portion of the unfunded net pension and OPEB liabilities of the commonwealth.
- *Deferred inflows of resources*—Pension and OPEB’s deferred inflows increased \$8.8 million from the prior fiscal year, due to the effects of the VRS pension and the new OPEB entries in accordance with GAAP (see Notes 9 & 10).

## DISCUSSION AND ANALYSIS, *continued*

### Total Net Position

- *Invested* in capital assets represents the Authority's total investment in non-depreciable capital assets, depreciable capital assets and construction-in-progress.
- *Restricted* component of net position is the \$2.4 million restricted amount of VSDP OPEB asset that can be used to pay for only VSDP OPEB benefits.
- *Unrestricted component of net position* decreased by \$27.4 million from the prior year primarily due to the implementation of GASB 75 this fiscal year. This is the net OPEB liability amount that wasn't applicable the prior year.
- The Authority lacks working capital (current assets in excess of current liabilities) to fund all of business needs at year-end including accelerated payments of taxes and profits before June 30. Given this periodic lack of necessary working capital, the Authority depends on a \$60.0 million line of credit with the State Comptroller to meet day-to-day operations. At June 30, 2018, the amount borrowed was \$39.9 million. (see Note 4)

### Revenue

The vast majority of the Authority's revenue comes from the sale of alcoholic beverages. This revenue is generated through the 370 state-run stores located throughout the Commonwealth. During fiscal year 2018, gross alcohol sales, including state tax on sales, reached an all time high of \$983.4 million, up \$43.3 million over fiscal year 2017. The gross revenue without state tax on sales of alcohol increased from \$785.6 million in fiscal year 2017 to \$822.5 million in fiscal year 2018 or a 4.7% increase. License and permit fees increased from \$13.5 million to \$13.9 million, a 2.7% increase. Federal grant revenue also increased by \$0.4 million while sales of lottery tickets, penalty fees collected and wine wholesalers tax decreased this fiscal year compared to the prior year.

Operating Revenues	Fiscal Year 2018	Fiscal Year 2017	Change
Sales of alcohol	\$ 822,450,743	\$ 785,648,883	\$ 36,801,860
Sales of lottery tickets	1,583,218	1,775,666	(192,448)
License and permit fees	13,875,412	13,514,032	361,380
Wine wholesalers tax	4,414,271	4,484,961	(70,690)
Penalties	687,045	760,810	(73,765)
Federal grants and contracts	651,384	269,767	381,617
Mixed beverage tax on common carriers	24,336	20,597	3,739
Miscellaneous	1,190,883	1,088,729	102,154
<b>Net operating revenues</b>	<b>\$ 844,877,292</b>	<b>\$ 807,563,445</b>	<b>\$ 37,313,847</b>

### Expenses

In fiscal year 2018, operating expenses (not including cost of sales for alcohol and lottery) increased from \$184.3 million to \$190.4 million, an increase of 3.3%. Approximately 71.1% of the Authority's total expenses are for the cost of sales of distilled spirits and mixers sold through the Authority's stores and 0.2% for lottery cost of sales. Following cost of merchandise is personal services (cost of personnel and benefits), which accounts for 17.1% of the Authority's total expenses. The remaining 11.5% is made up of contractual services (e.g., VITA, computer software development and maintenance), continuous charges (e.g., store rentals) and other miscellaneous charges. Personal services costs which makes up 17.1% of the Authority's total expenses in fiscal year 2018, saw a \$5.8 million increase over the prior year primarily due to an increase in Retail Operations staffing directly related to the increase in sales volume and the addition of five new retail stores, backfilling Information Technology positions that were vacant in the prior fiscal year, an increase in accumulated leave which has increased the Authority's leave liability and an increase in benefit rates across the Commonwealth. Continuous charges increased by \$0.8 million over the prior year primarily due to an increase in building rentals due to standard contractual increases in rent as well as the new rental contracts for the addition of five new stores. Contractual services decreased by \$0.2 million, driven by \$0.8 million decrease in computer software development services, a \$0.7 million decrease in VITA infrastructure cost and a \$0.7 million decrease in management services, offset by a \$1.1 million increase in IT design services and \$0.7 million increase in credit card fees.



## DISCUSSION AND ANALYSIS, *continued*

Operating Expenses	Fiscal Year 2018	Fiscal Year 2018 % Expenses	Fiscal Year 2017	Change Amount	Change Percent
Cost of sales, alcohol	\$ 472,772,427	71.1%	451,003,488	\$ 21,768,939	4.8%
Cost of sales, lottery	1,484,755	0.2%	1,684,968	(200,213)	-11.9%
	474,257,182	71.3%	452,688,456	21,568,726	4.8%
Personal services	113,946,379	17.1%	108,120,748	5,825,631	5.4%
Continuous charges	32,134,553	4.8%	31,315,640	818,913	2.6%
Contractual services	34,948,390	5.3%	35,181,744	(233,354)	-0.7%
Supplies and materials	3,906,161	0.6%	3,429,626	476,535	13.9%
Depreciation	2,580,739	0.4%	2,216,175	364,564	16.5%
Expendable equipment	2,539,276	0.4%	3,453,386	(914,110)	-26.5%
Other	347,589	0.1%	611,832	(264,243)	-43.2%
	190,403,087	28.7%	184,329,151	6,073,936	3.3%
<b>Total operating expenses</b>	<b>\$ 664,660,269</b>	<b>100.0%</b>	<b>\$ 637,017,607</b>	<b>\$ 27,642,662</b>	<b>4.3%</b>

- The Authority's operating expenses are driven by sales. In fiscal year 2018, the Authority's operating expenses increased by 4.3% over fiscal year 2017; but as a percentage of sales, the Authority had increases and decreases in the four main cost drivers. Cost of goods sold (COGS) and personal services saw marginal increases of 0.1% and 0.7% respectively. However, the Authority also had decreases in continuous services and contractual services of 2.0% and 5.1% respectively. The 0.1% increase of COGS for alcohol (as a percentage of sales) correlates with the increase in alcohol sales, and the 0.7% increase in personal service cost is primarily due to the cost for additional personnel, the increased cost in employer paid benefits and a tightening labor market during fiscal year 2018. Continuous charges decreased by 2.0% from fiscal year 2017 (as a percentage of sales) primarily due to same-store sale increases. Contractual services also had a decrease (as a percentage of sales) of 5.1% from fiscal year 2017 primarily due to reduced VITA contracts as part of the Authority transition.

Operating Expenses as a Percentage of Sales	Fiscal Year 2018	% of Sales	Fiscal Year 2017	% of Sales	% Change
Sales—Alcohol	\$ 822,450,743		\$ 785,648,883		
Cost of Goods—Alcohol	472,772,427	57.5%	451,003,488	57.4%	0.1%
Personal Services Cost	113,946,379	13.9%	108,120,748	13.8%	0.7%
Continuous Services	32,134,553	3.9%	31,315,640	4.0%	-2.0%
Contractual Services	34,948,390	4.2%	35,181,744	4.5%	-5.1%

### Profits

- Prior to the statutory distribution of quarterly net profits to the General Fund, disbursements required in the Appropriation Act for each fiscal year must be executed promptly and accurately. In fiscal year 2018, approximately \$69.9 million of the Authority's \$179.2 million in net profits were disbursed to other state agencies. The majority, \$65.4 million, was disbursed to the Department of Behavioral Health and Developmental Services for the care, treatment, study and rehabilitation of Virginia citizens suffering from alcohol abuse. The remaining \$109.3 million was distributed to the General Fund in accordance with the Code of Virginia.

## DISCUSSION AND ANALYSIS, *continued*

Revenues, Expenses and Change in Net Position	Fiscal Year 2018	Fiscal Year 2017	Change
Net operating revenues	\$ 844,877,292	\$ 807,563,445	\$ 37,313,847
Total operating expenses	664,660,269	637,017,607	27,642,662
Non-operating revenues / (expenses)	601,355	2,318,691	(1,717,336)
Net profit before disbursements	180,818,377	172,864,529	7,953,849
Disbursements of profit to the General Fund of the commonwealth	(109,261,467)	(101,725,746)	(7,535,721)
Appropriation Act disbursements	(69,929,142)	(69,429,142)	(500,000)
Total disbursements	(179,190,609)	(171,154,888)	(8,035,721)
Net increase after disbursements	1,627,768	1,709,641	(81,873)
Total net position - beginning	(70,823,862)	(72,533,503)	1,709,641
Net effect of change in accounting principle	(26,872,474)		
Net Position - July 1, 2017, as restated	(97,696,336)	(72,533,503)	(25,162,833)
<b>Total net position – ending</b>	<b>\$ (96,068,568)</b>	<b>\$ (70,823,862)</b>	<b>\$ (25,244,706)</b>

### Economic Factors and Next Year's Budget

- *Days of the Week* - During fiscal year 2018, sales from Fridays totaled \$242.9 million, which was up by \$0.7 million despite having only 52 Fridays in fiscal year 2018 compared to 53 Fridays in fiscal year 2017. Friday sales accounted for 24.7% of total sales.
- *Sunday Sales* - In fiscal year 2018 Sunday sales grew to \$73.9 million, up \$14.0 million, a 23.3% increase. This increase is attributed to having 51 Sundays in fiscal year 2018, up from 50 in fiscal year 2017. Additionally, two high sales days, Christmas Eve and New Years Eve both fell on a Sunday in fiscal 2018, further driving Sunday's sales volume.
- In fiscal year 2019, considering the impact of the variables and operational activities described in more detail above, the Authority expects to see a slight increase in the retail sales sector, and will continue to monitor mixed beverage licensee sales. The Authority is currently forecasting gross sales, including state tax on sales, of nearly \$1.03 billion, or a 4.6% increase over fiscal year 2018 year-end sales of \$984.9 million. This increase surpasses the Authority's fiscal year 2018 same store sales growth rate of 3.4%, yet considers continued growth in the store network and the purchasing of premium products by retail and licensee customers.
- Risks include economic declines and weather fluctuations, particularly during the holiday season, unforeseen increases in expenses as Virginia ABC transitions from a state agency to an Authority, projected increases in expenses in improving information technology infrastructure and related audit points, and the central office and warehouse facility reaching capacity.
- ABC expects expenses to continue to increase in fiscal year 2019. Expenses such as store rents will increase because of contractual escalation clauses and the addition of new stores. Employer portion of health insurance cost is projected to increase by 6.0% over fiscal year 2018. The Authority also expects an increase in logistics related expenses, such as additional staff and freight charges, due to the continued expansion of stores and increasing sales volume, including increased deliveries to dual operation stores. The expectation for significant and continued investment in information technology continues as the Authority advances existing and future systems and associated infrastructure.
- Appropriation Act profit disbursement requirements for fiscal year 2019 are \$179.7 million. Of that total, \$69.9 million will be distributed to other state agencies and \$109.8 million will go the Commonwealth's general fund.
- During fiscal year 2018, the General Assembly approved additional projects to upgrade the Authority's IT infrastructure and further invest in business operations. These include new systems to manage point of sale transactions and sales audit functions both of which are currently in the procurement phase. Previously approved systems for financial and licensing management are currently in the implementation phase with expected completion dates of July 2019 and March 2020, respectively. These projects are major implementations that are imperative to further solidify the Authority as a continued source of significant revenue to the Commonwealth.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

October 15, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
And Review Commission

Alcoholic Beverage Control Board  
Virginia Alcoholic Beverage Control Authority

## INDEPENDENT AUDITOR'S REPORT

### Report on Financial Statements

We have audited the accompanying financial statements the Virginia Alcoholic Beverage Control Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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## INDEPENDENT AUDITOR'S REPORT, *continued*

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Virginia Alcoholic Beverage Control Authority as of June 30, 2018, and the changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### Change in Accounting Principle

As Discussed in Note 1.K. to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, related to accounting and financial reporting for post-employment benefits other than pensions. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 46 through 51, and the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer's Share of Total OPEB Liability, and the Notes to Required Supplementary Information on pages 99 through 106, be presented to supplement the basic financial statements. Such information, 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 the 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



## INDEPENDENT AUDITOR'S REPORT, *continued*

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Virginia Alcoholic Beverage Control Authority's basic financial statements. The Authority Highlights and Financial Reports sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Authority Highlights and Financial Reports sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2018, on our consideration of the Virginia Alcoholic Beverage Control Authority'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 Authority's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

KKH/vks

# FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION — As of June 30, 2018

### ASSETS

#### Current assets:

Cash and cash equivalents (Note 2)	\$	23,046,657
Petty cash		200,000
Receivables (Note D)		8,541,137
Inventory – Alcohol (Note 1, 12)		79,098,815
Inventory – Lottery tickets		79,416
Inventory – Merchandise		1,110
Prepaid insurance expenses (Note M)		2,067,837
Prepaid other expenses (Note M)		<u>1,519,370</u>
Total current assets		<u>114,554,343</u>

#### Noncurrent assets:

Nondepreciable capital assets (Note 3)		1,724,372
Depreciable capital assets, net (Note 3)		6,114,989
Construction in progress (Note 3)		<u>1,271,597</u>
Capital assets, net		<u>9,110,959</u>

Other Assets – OPEB (Note 10)		2,395,000
Total noncurrent & other assets		<u>11,505,959</u>

<b>DEFERRED OUTFLOWS OF RESOURCES</b> (Pension) (Note 9)		9,626,932
<b>DEFERRED OUTFLOWS OF RESOURCES</b> (OPEB) (Note 10)		<u>2,078,339</u>

Total assets and deferred outflows of resources		<u>137,765,573</u>
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### LIABILITIES

#### Current liabilities:

Accounts payable (Note 7)		60,459,782
Unearned revenue (Note 1C)		502,870
Due to Commonwealth of Virginia (Note 4)		52,837,652
Obligations under securities lending (Note 1F)		1,578,117
Compensated absences payable (Note 6)		<u>4,269,293</u>
Total current liabilities		<u>119,647,714</u>

#### Noncurrent liabilities:

Installment notes payable		288,394
Compensated absences payable (Note 6)		1,554,492
Net pension liability (Note 9)		73,788,000
Net OPEB liability (Note 10)		<u>26,724,345</u>
Total noncurrent liabilities		<u>102,355,231</u>

<b>DEFERRED INFLOWS OF RESOURCES</b> (Pension) (Note 9)		6,711,000
<b>DEFERRED INFLOWS OF RESOURCES</b> (OPEB) (Note 10)		5,120,196

Total liabilities and deferred inflows of resources		<u>233,834,142</u>
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### NET POSITION

Investment in Capital Assets		9,110,959
Restricted net position (Note 1J)		2,395,000
Unrestricted net position		<u>(107,574,527)</u>
<b>Total net position</b>	<b>\$</b>	<b><u>(96,068,568)</u></b>

The accompanying Notes to Financial Statements are an integral part of this statement.

# FINANCIAL STATEMENTS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018



### Operating revenues:

Sales of alcohol	\$822,450,743
Sales of lottery tickets	1,583,218
License and permit fees	13,875,412
Wine wholesalers tax	4,414,271
Penalties	687,045
Federal grants and contracts	651,384
Mixed beverage tax on common carriers	24,336
Miscellaneous	1,190,883
Total operating revenues	<u>844,877,292</u>

### Operating expenses:

Cost of sales of alcohol	472,772,427
Cost of sales of lottery tickets	1,484,755
Personal services	113,946,379
Continuous charges	32,134,553
Contractual charges	34,948,390
Supplies and materials	3,906,161
Depreciation and amortization	2,580,739
Expendable equipment	2,539,276
Other	347,589
Total operating expenses	<u>664,660,269</u>

Operating income 180,217,023

### Nonoperating revenues (expenses):

Rents	24,168
Income from security lending transactions (Note 1.F.)	25,613
Expenses from security lending transactions	(25,613)
Interest income (expense)	334,667
Seized assets	242,520

Total nonoperating revenues before disbursements 601,355

**Net profit before disbursements** **180,818,377**

### Disbursements Out:

Disbursements of profits to the General Fund of the Commonwealth	(109,261,467)
Appropriation Act disbursements	(69,929,142)
Total disbursements	<u>(179,190,609)</u>

Total nonoperating revenues (expenses) after disbursements 1,627,768

Total net position – July 1, 2017 (70,823,862)

Net effect of change in Accounting Principle (Note 1.N.) (26,872,474)

Net Position - July 1, 2017, as restated (Note 1.N.) (97,696,336)

**Total net position – June 30, 2018** **\$(96,068,568)**

The accompanying Notes to Financial Statements are an integral part of this statement.

# FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS—For the Year Ended June 30, 2018

### Cash flows from operating activities:

Cash received from sales	\$823,818,426
Cash received from licenses and fees	13,945,548
Cash received from other revenues	4,383,500
Cash payments for cost of sales	(484,738,145)
Cash payments for personal services	(114,222,361)
Cash payments for other expenses	(71,038,811)
Net cash provided by operating activities	<u>172,148,157</u>

### Cash flows from noncapital financing activities:

Note payable to the Commonwealth	39,919,708
Due to the Commonwealth repayments	(34,053,657)
Cash received from seized assets and rental income	357,429
Cash disbursed from seized assets	(90,742)
Cash received from taxes	243,916,678
Disbursements of tax collections to the General Fund of the Commonwealth	(199,677,056)
Disbursements of tax collections to the Commonwealth's Department of Taxation	(45,420,333)
Disbursements of profit to the General Fund of the Commonwealth	(109,456,098)
Appropriation Act Disbursements	(69,929,142)
Net cash used for noncapital financing activities	<u>(174,433,213)</u>

### Cash flows from capital and related financing activities:

Construction in-progress	(1,065,382)
Acquisition of equipment	(1,321,239)
Sale of depreciable assets	620
Interest Income	334,667
Net cash used for capital financing activities	<u>(2,051,334)</u>
Net increase in cash and cash equivalents	(4,336,390)

Cash and cash equivalents – July 1, 2017	<u>26,004,931</u>
Cash and cash equivalents – June 30, 2018	<u>\$21,668,540</u>

Reconciliation of cash and cash equivalents	
Cash and cash equivalents	23,046,657
Petty cash	200,000
Securites lending cash equivalents	(1,578,117)
	<u>\$21,668,540</u>

### Reconciliation of net profit to net cash provided by operating activities:

Operating income	180,217,023
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,580,739
Change in assets, deferred outflows, liabilities, and deferred inflows	
Increase in accounts receivable	(2,799,954)
Increase in inventory	(9,135,474)
Increase in compensated absences	568,132
Increase in accounts payable	1,792,635
Increase in prepaid items	(48,225)
Increase in unearned revenues	70,136
Increase in long-term-liability	288,394
Decrease in pension deferred outflows	3,659,025
Decrease in pension liabilities	(9,237,000)
Increase in pension deferred inflows	3,694,000
Increase in OPEB deferred outflows	(2,078,339)
Decrease in OPEB liabilities	(2,333,130)
Increase in OPEB deferred inflows	5,120,196
Decrease in Special Revenue Employer Contributions	-
Increase in OPEB Assets	(210,000)
Net cash provided by operating activities	<u>\$172,148,157</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting Entity**

The Alcoholic Beverage Control Authority (the “Authority”) administers ABC laws with an emphasis on public service and a focus on public safety by ensuring a safe, orderly, and regulated system for convenient distribution and responsible consumption of alcoholic beverages while generating a reasonable profit for the Commonwealth of Virginia (the “Commonwealth”).

A separate report is prepared for the Commonwealth, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority or is the recipient of their services and/or benefits. The Authority is considered a blended component unit of the Commonwealth due to its fiscal dependence on the Commonwealth. Therefore, the Authority’s financial position and results of operation are presented in the Commonwealth’s Comprehensive Annual Financial Report (the “CAFR”). The Authority does not have any component units for financial reporting purposes.

The accounting policies of the Alcoholic Beverage Control Authority (the “Authority”) conform to the accounting principles generally accepted in the United States of America (the “GAAP”) as applicable to governmental entities. The Authority’s significant accounting policies are described below:

**B. Fund Accounting**

The activities of the Authority are accounted for in an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis, including depreciation and amortization, be financed or recovered primarily through user charges.

**C. Basis of Accounting**

The Authority’s records are maintained on the accrual basis, with an economic resources measurement focus, whereby revenues are recognized when earned and expenses are recognized when the liability is incurred. Unearned revenues are a liability that represents amounts received where the exchange transaction has not been completed.

Operating revenues and expenses include exchange activities related to the sale of alcohol and licenses, as well as enforcement activities. Non-operating revenues and expenses include activities that have the characteristics of noncapital financing activities, such as the collection of rent, as defined by GAAP.

**D. Accounts Receivable**

The Authority has an account receivable account, which is mostly comprised of credit card sales and a small portion from wine taxes due to the agency from distributors. The credit card receivables are collected the following business day after sales are made. The Authority’s total receivables is a very small portion of the agency’s assets. The Authority has a high collection rate on receipt of these receivables.

**E. Inventories**

Merchandise inventory, purchased for resale, is valued at average cost, which is lower than market value. Inventory was higher in fiscal year 2018 primarily due to the Authority’s advance buy of \$8,629,831 during the fourth quarter to maximize profit on upcoming vendor price increases, and the opening of five new stores.

**F. Securities Lending**

In fiscal year 2017, the Department of the Treasury resumed participation in the securities lending program for the Commonwealth’s General Account, which was suspended in October of 2016. Investments held by the Treasurer of Virginia represent the Authority’s allocated share of cash collateral received and reinvested and securities received for the State Treasury’s securities lending program. Information related to these investments and the State Treasury’s securities lending program is available on a statewide level in the CAFR. The Commonwealth’s policy is to record unrealized gains and losses in the General Fund in the Commonwealth’s basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

**G. Pensions and Other Post-Employment Plans**

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers’ System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension

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expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Authority also participates in post-employment benefit programs that are sponsored by the Commonwealth of Virginia and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The Authority also participates in the Pre-Medicare Retiree Healthcare Plan administered by the Department of Human Resources Management (DHRM). For general information about the other post-employment benefits (OPEB) plans and calculation of the net OPEB liability see note 10.

### H. Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. It increases net position similar to assets. The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets.

### I. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of assets that are applicable to a future reporting period. It decreases net position similar to liabilities. The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities.

### J. Restricted Component of Net Position

The restricted component of net position includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

### K. Deficit Net Position

The Deficit Net Position at year-end was primarily as a result of recording the Authority's pension and OPEB liability at year-end as required under GAAP.

### L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates.

### M. Prepaid Items

Prepaid items represent non-inventory transactions that do not qualify for expense recognition, but the cash flow occurred as of the end of the fiscal year but prior to meeting the requirements for liability recognition.

### N. Change in Accounting Principle

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits other than Pensions, which addresses reporting by governments that provide OPEB to their employees and governments that finance OPEB for employees of other governments:

<b>Net Position as previously reported at June 30, 2017</b>	<b>\$(70,823,862)</b>
Net Position Restatement:	
Virginia Sickness and Disability Program OPEB Asset – June 30, 2016 measurement date	1,905,000
Pre-Medicare retirees, Health Insurance Credit, Line of Duty Act, and Group life OPEM Liability – June 30, 2016 measurement date	(30,414,498)
Deferred outflows – Fiscal Year 2017 Contributions	<u>1,637,024</u>
Total Net Position restatement	<u>(26,872,474)</u>
<b>Net Position as restated, July 1, 2017</b>	<b><u>\$(97,696,336)</u></b>

*continued on next page*

# FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS—As of June 30, 2018

## 2. CASH WITH THE TREASURER OF VIRGINIA

All State funds of the Authority are held by the Treasurer of Virginia, pursuant to Section 2.2-1800, et. seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled State funds is reported as "Cash and Cash Equivalents" on the Statement of Net Position and is not categorized as to credit risk.

## 3. CAPITAL ASSETS

The following schedule presents the changes in capital assets by category:

	Balance at July 01, 2017	Acquired	Deleted	Transferred	Balance at June 30, 2018
Nondepreciable capital assets					
Land	\$ 1,724,372	\$ -	\$ -	\$ -	\$1,724,372
Construction in-progress	206,216	1,498,551	(433,169)	-	1,271,597
<b>Total nondepreciable capital assets</b>	<b>1,930,588</b>	<b>1,498,551</b>	<b>(433,169)</b>	<b>-</b>	<b>2,995,970</b>
Depreciable capital assets					
Buildings	9,220,575	-	-	-	9,220,575
Office equipment	6,756,428	17,055	(25,770)	(12,350)	6,735,363
Motor vehicle equipment	4,732,055	328,534	(256,389)	12,350	4,816,551
Stores equipment	10,870,088	449,242	-	(6,995)	11,312,335
Warehouse and office building equipment	13,728,965	163,736	(68,370)	6,995	13,831,327
Equipment Manual Entry	-	-	-	-	-
Intangibles	6,959,436	362,672	-	-	7,322,109
<b>Total depreciable capital assets</b>	<b>52,267,548</b>	<b>1,321,239</b>	<b>(350,528)</b>	<b>-</b>	<b>53,238,259</b>
Less accumulated depreciation:					
Buildings	9,016,804	12,192	-	-	9,028,995
Office equipment	5,930,392	281,640	(25,770)	(9,057)	6,177,205
Motor vehicle equipment	3,780,636	435,017	(255,769)	9,057	3,968,941
Stores Equipment	10,835,149	50,824	-	(6,995)	10,878,978
Warehouse and office building equipment	12,592,663	247,240	(68,370)	6,995	12,778,529
Intangibles	2,736,796	1,553,826	-	-	4,290,622
<b>Total accumulated depreciation</b>	<b>44,892,440</b>	<b>2,580,739</b>	<b>(349,909)</b>	<b>-</b>	<b>47,123,270</b>
<b>Depreciable capital assets, net</b>	<b>7,375,108</b>	<b>(1,259,499)</b>	<b>(620)</b>	<b>-</b>	<b>6,114,989</b>
<b>Total capital assets, net</b>	<b>\$ 9,305,696</b>	<b>\$ 239,051</b>	<b>\$ (433,789)</b>	<b>\$ -</b>	<b>\$9,110,959</b>

Generally, the standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life of greater than one year. The standard for capitalization of computer software is \$100,000 with an expected useful life greater than one year. Property, plant, equipment, and intangibles are stated at cost at the time of acquisition and are setup in a comprehensive capital asset system. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Contributed capital assets are recorded at acquisition value at the time of receipt. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is reflected in the results of operations in the financial statements. Depreciation of the cost of property, plant, equipment, and intangibles are provided on a straight-line basis over their estimated lives of from ten to forty years on buildings, from three to eight years on equipment, and from three to five years on intangibles. Intangible assets are defined as assets that lack physical substance, are non-financial in nature and useful lives or benefit period exceed one or more years. Examples of intangible assets are: software, land use rights (right-of-ways) and intellectual property (patents, copyrights and trademarks). Depreciation of all exhaustible capital assets used by the Authority is charged as an expense in the Statement of Revenue, Expenses and Changes in Net Position and accumulated depreciation is reported in the Statement of Net Position.

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**4. DUE TO THE COMMONWEALTH**

**A. Note Payable**

The Authority has a line of credit for \$60,000,000 with the Treasurer of Virginia. Repayment is made from revenue collections pursuant to Title 4.1, Chapter 1 of the Code of Virginia. As of June 30, 2018, the Authority had outstanding \$39,919,708 of its available line of credit to extinguish a cash overdraft.

The following schedule presents the changes in short term debt activity:

Balance at July 01, 2017	Acquired	Deleted	Balance at June 30, 2018
\$ 34,053,657	\$ 39,919,708	\$ (34,053,657)	\$ 39,919,708

**B. General Fund**

The Authority collects certain taxes on behalf of the General Fund of the Commonwealth. The state tax on sales is collected from store sales and is paid quarterly to the General Fund of the Commonwealth. The liter tax is collected on wholesalers' direct wine shipments. The 2018 Virginia Acts of Assembly required \$9,141,363 of the gross liter tax to be disbursed to the General Fund for expenses incurred for care, treatment, study, and rehabilitation of alcoholics by the Department of Behavioral Health and Development Services and other state agencies. Of the remaining liter tax, twelve percent is retained by the Authority and reported as wine wholesalers' tax on the Authority's financial statements. The remaining eighty-eight percent is paid to the General Fund of the Commonwealth quarterly. Collections and disbursements of state tax on sales and liter tax are not reported on the Statement of Revenues, Expenses, and Changes in Net Position. Activity relating to the amounts due to the General Fund for the year ended June 30, 2018, is summarized below.

	State Tax on Sales	Liter Tax on Wine	Total
Balance due to the General Fund, July 1, 2017	\$ 2,649,027	\$ 1,031,268	\$ 3,680,295
Receipts for fiscal year	160,909,741	37,649,424	198,559,165
Disbursements to the General Fund	(161,504,092)	(38,172,964)	(199,677,056)
Balance due to the General Fund, June 30, 2018	<b>\$ 2,054,676</b>	<b>\$ 507,728</b>	<b>\$ 2,562,404</b>

**C. Department of Taxation – Sales Tax**

The Authority collects sales tax on all sales of alcohol and remits collections monthly to the Commonwealth of Virginia's Department of Taxation ("Taxation"). Sales tax collections and disbursements are not reported on the Statement of Revenues, Expenses, and Changes in Net Position. Activity relating to the amounts due to Taxation for the year ended June 30, 2018, is summarized below.

Balance due to the Department of Taxation, July 1, 2017	\$ 637,087
Sales Tax Collections	45,357,513
Disbursements to the Department of Taxation	(45,420,333)
Balance due to the Department of Taxation, June 30, 2018	<b>\$ 574,267</b>

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**D. Earned Surplus**

The Appropriation Act, Chapter 836 of the 2018 Acts of Assembly, requires the Authority to disburse an estimate of its fourth quarter profits in the month of June. In accordance with the Alcoholic Beverage Control Act, Section 54.1-116 of the Code of Virginia, the Authority disburses any additional net profit to the General Fund of the Commonwealth 50 days after the last day of the quarter. The Authority underestimated profit for the fourth quarter resulting in an additional \$9,781,273 due to the General Fund at June 30, 2018.

**5. LEASE COMMITMENTS**

The Authority is committed under various operating lease agreements for retail store buildings. Rent expense under operating lease agreements amounted to \$ 26,830,845 for the year. A summary of future obligations under lease agreements as of June 30, 2018, follows.

Year Ending June 30,	
2019	\$25,473,740
2020	22,274,793
2021	18,462,484
2022	13,982,985
2023	9,171,874
2024-2028	<u>15,789,648</u>
<b>Total Obligations</b>	<b>\$ <u>105,155,524</u></b>

**6. COMPENSATED ABSENCES**

Compensated absences reflected in the Statement of Net Position represent the amounts of vacation, sick, and compensatory leave earned by employees of the Authority, but not taken as of June 30, 2018. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia’s leave payout policies. Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours at the end of the leave year. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours upon separation.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 16). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the leave year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the traditional sick leave plan. If converting, the employee’s sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the traditional sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25.0 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or \$5,000. All employees leaving state service are paid for accrued annual leave up to the maximum leave year limit at their current earnings rate.

<u>Balance at July 01, 2017</u>	<u>Short Term Decrease</u>	<u>Long Term Increase</u>	<u>Balance at June 30, 2018</u>	<u>Amounts due within one year</u>
\$ 5,255,653	\$ 1,263,005	\$ (694,873)	\$ 5,823,785	\$ 4,269,293

**7. ACCOUNTS PAYABLE**

Accounts payable and accrued liabilities consisted of the following as of June 30, 2018:

Vouchers Payable	\$ (33,186,523)
Payroll Payables	(7,031,392)
Disbursements Pending	<u>(20,241,867)</u>
<b>Total Accounts Payable</b>	<b>\$ <u>(60,459,782)</u></b>

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Vouchers payable represent liabilities of the Authority that are related to the current fiscal year but are billed and scheduled to be paid in the next fiscal year. Disbursements pending represent liabilities of the Authority that are related to the current fiscal year and have been billed in the current fiscal year but for which payment is pending.

## 8. COLLECTIONS OF MALT BEVERAGE TAX

During the year ended June 30, 2018, the Authority collected \$41,633,945 in malt beverage taxes. These funds are deposited by the Authority directly with the Treasurer of Virginia for credit to the General Fund of the Commonwealth and are not available to the Authority to meet current operating needs and are not included in the financial statements.

## 9. PENSION PLAN

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the [Code of Virginia](#), as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan: Plan 1, Plan 2, and, Hybrid and two different benefit structures for covered employees in the VaLORS Retirement Plan: Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the notes below:

### Retirement Plan Provisions By Plan Structures:

#### A. About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

##### 1. **Eligible Members**

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

##### 2. **Hybrid Opt-In Election**

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

##### 3. **Retirement Contributions**

State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

##### 4. **Creditable Service**

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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### RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE (continued) — About Plan 1

#### 5. Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

#### 6. Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

#### 7. Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

#### 8. Service Retirement Multiplier

- VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.
- VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.

#### 9. Normal Retirement Age

- VRS: Age 65.
- VaLORS: Age 60.

#### 10. Earliest Unreduced Retirement Eligibility

- VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.
- VaLORS: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

#### 11. Earliest Reduced Retirement Eligibility

- VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- VaLORS: 50 with at least five years of creditable service.

#### 12. Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

##### Eligibility:

- a. For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.
- b. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- a. The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- b. The member retires on disability.
- c. The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- d. The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- e. The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

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**RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE (continued) — About Plan 1****13. Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**14. Purchase of Prior Service**

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**B. About Plan 2**

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

**1. Eligible Members**

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

**2. Hybrid Opt-In Election**

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

**3. Retirement Contributions**

State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

**4. Creditable Service**

Same as Plan 1 (page 63).

**5. Vesting**

Same as Plan 1 (page 64).

**6. Calculating the Benefit**

See definition under Plan 1 (page 64).

**7. Average Final Compensation**

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

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### RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE (continued) — About Plan 2

#### 8. Service Retirement Multiplier

- VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
- VaLORS: The retirement multiplier for VaLORS employees is 2.00%.

#### 9. Normal Retirement Age

- VRS: Normal Social Security retirement age.
- VaLORS: Same as Plan 1 (page 64).

#### 10. Earliest Unreduced Retirement Eligibility

- VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.
- VaLORS: Same as Plan 1 (page 64).

#### 11. Earliest Reduced Retirement Eligibility

- VRS: Age 60 with at least five years (60 months) of creditable service.
- VaLORS: Same as Plan 1 (page 64).

#### 12. Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility: Same as Plan 1 (page 64).

Exceptions to COLA Effective Dates: Same as Plan 1 (page 64).

#### 13. Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### 14. Purchase of Prior Service

Same as Plan 1 (page 65).

### C. About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

#### 1. Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1–April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

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### RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE (continued) — About Hybrid Retirement Plan

#### \*Non-Eligible Members\*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the Virginia Law Officers' Retirement System (VaLORS)

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

#### 2. Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

#### 3. Creditable Service

##### a. Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

##### b. Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

#### 4. Vesting

##### a. Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

##### b. Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

#### 5. Calculating the Benefit

a. **Defined Benefit Component:** See definition under Plan 1 (page 64).

##### b. Defined Contributions Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

#### 6. Average Final Compensation

Same as Plan 2 (page 65). It is used in the retirement formula for the defined benefit component of the plan.

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### RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE (continued) — About Hybrid Retirement Plan

#### 7. Service Retirement Multiplier

##### a. Defined Benefit Component:

- VRS: The retirement multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
- VaLORS: Not applicable.

##### b. Defined Contributions Component:

Not applicable.

#### 8. Normal Retirement Age

##### a. Defined Benefit Component:

- VRS: Same as Plan 2 (page 66).
- VaLORS: Not applicable.

##### b. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### 9. Earliest Unreduced Retirement Eligibility

##### a. Defined Benefit Component:

- VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
- VaLORS: Not applicable.

##### b. Defined Contributions Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### 10. Earliest Reduced Retirement Eligibility

##### a. Defined Benefit Component:

- VRS: Age 60 with at least five years (60 months) of creditable service.
- VaLORS: Not applicable.

##### b. Defined Contributions Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### 11. Cost-of-Living Adjustment (COLA) in Retirement

##### a. Defined Benefit Component: Same as Plan 2 (page 66).

##### b. Defined Contributions Component: Not applicable.

##### c. Eligibility: Same as Plan 1 and Plan 2 (page 64).

##### d. Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2 (page 64).

#### 12. Disability Coverage

State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

#### 13. Purchase of Prior Service

##### a. Defined Benefit Component: Same as Plan 1, with the following exception:

- Hybrid Retirement Plan members are ineligible for ported service.

##### b. Defined Contributions Component: Not applicable.

*Note 9 continued on next page*

**9. PENSION PLAN (continued)**

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each Authority's contractually required contribution rate for the year ended June 30, 2018 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of \$16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Retirement Plan were \$5,731,608 and \$5,140,864 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the Authority to the VaLORS Retirement Plan were \$1,200,324 and \$1,222,093 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the Authority reported a liability of \$62,721,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$11,067,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net Pension Liability was based on the Authority's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority's proportion of the VRS State Employee Retirement Plan was 1.07629% as compared to 1.05037% at June 30, 2016. At June 30, 2017, the Authority's proportion of the VaLORS Retirement Plan was 1.68625% as compared to 1.78234% at June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$5,455,000 for the VRS State Employee Retirement Plan and \$235,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 165,000	\$ 1,927,000
Net difference between projected and actual earnings on pension plan investments	-	2,985,000
Changes in assumptions	609,000	719,000
Changes in proportion and differences between:		
Employer contributions and proportionate share of contributions	1,921,000	1,080,000
Employer contributions subsequent to the measurement date	6,931,932	-
Totals	<u>\$ 9,626,932</u>	<u>\$ 6,711,000</u>

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\$6,931,932 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

### Year Ended June 30

2019	\$ (2,752,000)
2020	403,000
2021	342,000
2022	(2,009,000)
2023	-

### Actuarial Assumptions

The total pension liability for the **VRS State Employee Retirement Plan** was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* *Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.*

### MORTALITY RATES:

#### Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

#### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant at ages 50 and older projected with Scale BB; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

#### Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Increase rate from 14% to 25%

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The total pension liability for the **ValORS Retirement Plan** was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5percent
Salary increases, including Inflation	3.5 – 4.75 percent
Investment rate of return	7 percent, net of pension plan investment expense, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7% to simplify preparation of pension liabilities.

**MORTALITY RATES:**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant at ages 50 and older projected with Scale BB; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 1 year.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Decrease rate from 50% to 35%

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2017, NPL amounts for the VRS State Employee Retirement Plan and the ValORS Plan are as follows (amounts expressed in thousands):

	<b>State Employee Retirement Plan</b>	<b>ValORS Retirement Plan</b>
Total Pension Liability	\$ 23,617,412	\$ 2,002,184
Plan Fiduciary Net Position	17,789,888	1,345,887
Employers’ Net Pension Liability (Asset)	<u>\$ 5,827,524</u>	<u>\$ 656,297</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	67.22%

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The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.*

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the Authority for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority’s proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
<b>Authority’s proportionate share of the VRS State Employee Retirement Plan Net Pension Liability</b>	\$ 92,647,000	\$ 62,721,000	\$ 37,589,000

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	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
<b>Authority's proportionate share of the VaLORS, VaLORS Retirement Plan Net Pension Liability</b>	\$ 15,439,000	\$ 11,067,000	\$ 7,452,000

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**10. OTHER POSTEMPLOYMENT BENEFITS**

**A. Pre-Medicare Retiree Healthcare**

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

**1. Actuarial Assumptions and Methods**

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2017. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.62 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2017 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.43 years
Discount Rate	3.58%
Projected Salary Increases	4.00%
Medical Trend Under 65	Medical & Rx: 8.62% to 5.00% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2025

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Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017.

**Changes of Assumptions:** The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates - updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates - lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates - adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

**2. Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources**

At June 30, 2018, the employer reported a liability of \$14,448,345 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The covered employer’s proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer’s healthcare premium contributions as a percentage of the total employer’s healthcare premium contributions for all participating employers. At June 30, 2017, the participating employer’s proportion was 1.11235% as compared to 1.08660% at June 30, 2016. For the year ended June 30, 2018, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of \$1,215,540.

At June 30, 2018, the employer reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows	Deferred Outflows
Difference between actual and expected experience	\$ -	\$ 581,133
Changes in assumptions	-	3,063,063
Changes in proportion	340,526	-
Sub Total	340,526	3,644,196
Amounts associated with transactions subsequent to the measurement date	383,155	N/A
<b>Total</b>	<b>\$ 723,681</b>	<b>\$ 3,644,196</b>

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\$383,155 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

**Year Ended June 30**

2019	\$ (608,411)
2020	\$ (608,411)
2021	\$ (608,411)
2022	\$ (608,411)
2023	\$ (608,411)
Total Thereafter	\$ (261,615)

	<b>1.00% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1.00% Increase (4.58%)</b>
<b>OPEB Liability</b>	\$ 15,477,476	\$ 14,448,345	\$ 13,462,328

**3. Sensitivity of the Employer’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate**

The following presents the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.58%, as well as what the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	<b>1% Decrease (7.62% decreasing to 4.00%)</b>	<b>Trend Rate (8.62% decreasing to 5.00%)</b>	<b>1% Increase (9.62% decreasing to 6.00%)</b>
<b>OPEB Liability</b>	\$ 12,855,363	\$ 14,448,345	\$ 16,315,802

**4. Sensitivity of the Employer’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.62% decreasing to 5%, as well as what the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.62% decreasing to 4.0%) or one percentage point higher (9.62% decreasing to 6.0%) than the current rate:

**B. State Employee Health Insurance Credit Program**

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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### 1. Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits:

### 2. Provisions

#### a. Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include: full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

#### b. Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- At Retirement – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

#### c. Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

### 3. Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Health Insurance Credit Program were \$613,224 and \$558,379 for the years ended June 30, 2018 and June 30, 2017, respectively.

### 4. State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

At June 30, 2018, the Authority reported a liability of \$ 6,912,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Authority's actuarially deter-

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# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS—As of June 30, 2018

mined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority's proportion of the VRS State Employee Health Insurance Credit Program was 0.7591% as compared to 0.76036% at June 30, 2016.

For the year ended June 30, 2018, the Authority recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$598,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

\$613,224 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net State

	Deferred Outflows	Deferred Outflows
Difference between actual and expected experience	\$ -	\$ -
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	17,000
Changes in assumptions	-	78,000
Changes in proportionate share	52,000	62,000
Employer contributions subsequent to the measurement date	613,224	-
<b>Total</b>	<b>\$ 665,224</b>	<b>\$ 157,000</b>

Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

### Year Ended June 30

2019	\$ (21,000)
2020	\$ (21,000)
2021	\$ (21,000)
2022	\$ (21,000)
2023	\$ (17,000)
Total Thereafter	\$ (4,000)

### 5. Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	
General state employees	3.5 – 5.35 percent
Teachers	3.5 – 5.95 percent
SPORS employees	3.5 – 4.75 percent
VaLORs employees	3.5 – 4.75 percent
JRS employees	4.5 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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**ASSUMPTIONS – GENERAL STATE EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females set back 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

*The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Increased rate from 14% to 25%

**ASSUMPTIONS – STATE POLICE OFFICERS’ RETIREMENT SYSTEM (SPORS) EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

*The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Increased rate from 60% to 85%

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**ASSUMPTIONS – VALORS EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Increased rate from 50% to 35%

**ASSUMPTIONS – JUDICIAL RETIREMENT SYSTEM (JRS) EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No Change
Disability Rates	Removed disability rates
Salary Scale	No Change

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**6. Net State Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	<b>State Employee HIC OPEB Plan</b>
Total State Employee HIC OPEB Liability	\$990,028
Plan Fiduciary Net Position	79,516
State Employee net HIC OPEB Liability (Asset)	\$910,512
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	8.03%

The total State Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**7. Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.*

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**8. Discount Rate**

The discount rate used to measure the total State Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Authority for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

**9. Sensitivity of the Authority's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
<b>Authority's Proportionate Share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability</b>	\$ 7,644,000	\$ 6,912,000	\$ 6,284,000

**10. State Employee HIC OPEB Fiduciary Net Position**

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**C. GROUP LIFE INSURANCE**

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1. Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below: *continued on next page*

### 2. Provisions

#### a. Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

#### b. Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

1. Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
2. Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
3. Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

#### c. Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

#### d. Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

### 3. Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entities were \$270,292 and \$257,058 for the years ended June 30, 2018 and June 30, 2017, respectively.

### 4. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entities reported a liability of \$ 4,009,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.26635% as compared to 0.26649% at June 30, 2016.

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# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS—As of June 30, 2018

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$ 44,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 89,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	151,000
Changes in assumptions	-	206,000
Changes in proportionate share	40,000	41,000
Employer contributions subsequent to the measurement date	270,292	-
<b>Total</b>	<b>\$ 310,292</b>	<b>\$ 487,000</b>

\$270,292 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

### Year Ended June 30

2019	\$ (93,000)
2020	\$ (93,000)
2021	\$ (93,000)
2022	\$ (93,000)
2023	\$ (55,000)
Total Thereafter	\$ (20,000)

## 5. ACTUARIAL ASSUMPTIONS

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5 percent

### Salary increases, including Inflation

General state employees	3.5 – 5.35 percent
Teachers	3.5 – 5.95 percent
SPORS employees	3.5 – 4.75 percent
ValORS employees	3.5 – 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 – 5.35 percent
Locality - Hazardous Duty employees	3.5 – 4.75 percent

Investment rate of return 7.0 percent, net of plan investment expenses, including inflation\*

*\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.*

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- **Assumptions – General State Employees**, See page 78.
- **Assumptions – SPORS Employees**, See page 78.
- **Assumptions – VaLORS Employees**, See page 79.
- **Assumptions – JRS Employees**, See page 79.

- **Assumptions – Teachers**

**Pre-Retirement:** RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:** RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:** RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change

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**• Assumptions – Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year.
Disability Rates	Lowered disability rates
Salary Scale	No Change
Line of Duty Disability	Increased rate from 14% to 20%

**• Assumptions – Non-Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No Change
Line of Duty Disability	Increased rate from 14% to 15%

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• **Assumptions – Largest Ten Locality Employers-Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No Change
Line of Duty Disability	Increased rate from 60% to 70%

• **Assumptions – Non-Largest Ten Locality Employers-Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Decreased rate from 60% to 45%

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**6. NET GLI OPEB LIABILITY**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

**7. LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
 Total	 <u>100.00%</u>		 <u>4.80%</u>
	Inflation		2.5%
	* Expected arithmetic nominal return		7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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**8. DISCOUNT RATE**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**9. SENSITIVITY OF THE EMPLOYER’S PROPORTIONATE SHARE OF THE NET GLI OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Employer’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 5,185,000	\$ 4,009,000	\$ 3,055,000

**10. GROUP LIFE INSURANCE PROGRAM FIDUCIARY NET POSITION**

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**D. VRS DISABILITY INSURANCE PROGRAM**

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1. Plan Description**

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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Specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits:

### 2. Provisions

#### a. Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

#### b. Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- Long-Term Disability – The program provides a long-term disability benefit beginning after 125 work-days of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- Income Replacement Adjustment – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- VSDP Long-Term Care Plan – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

#### c. Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

#### d. Cost-of-Living Adjustment (COLA)

1. During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
  - For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

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- 2. For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

**3. Contributions**

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were \$315,270 and \$318,092 for the years ended June 30, 2018 and June 30, 2017, respectively.

**4. Disability Insurance Program (VSDP) OPEB Liabilities (Assets), VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB**

At June 30, 2018, the entity reported a liability (asset) of \$(2,395,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of that date. The Authority’s proportion of the Net VSDP OPEB Liability (Asset) was based on the Authority’s actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority’s proportion was 1.16695% as compared to 1.1414% at June 30, 2016.

For the year ended June 30, 2018, the Authority recognized VSDP OPEB expense of \$196,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	188,000
Changes in assumptions	-	180,000
Changes in proportionate share	6,000	44,000
Employer contributions subsequent to the measurement date	315,270	-
<b>Total</b>	<b>\$ 321,270</b>	<b>\$ 412,000</b>

\$315,270 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority’s contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

<b>Year Ended June 30</b>	
2019	\$ (76,000)
2020	\$ (76,000)
2021	\$ (76,000)
2022	\$ (77,000)
2023	\$ (29,000)
Total Thereafter	\$ (72,000)

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**5. Actuarial Assumptions**

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	
General state employees	3.5 – 5.35 percent
SPORS employees	3.5 – 4.75 percent
VaLORS employees	3.5 – 4.75 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

*\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.*

- **Assumptions – General State Employees,** See page 78.
- **Assumptions – SPORS Employees,** See page 78.
- **Assumptions – VaLORS Employees,** See page 79.

**6. NET VSDP OPEB LIABILITY (ASSET)**

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

	<b>Disability Insurance Program</b>	
Total VSDP OPEB Liability	\$	237,013
Plan Fiduciary Net Position		442,334
Employers’ Net OPEB Liability (Asset)	\$	(205,321)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability		186.63%

The total VSDP OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**7. Long-Term Expected Rate of Return**

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

*continued on next page*

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
	Inflation		2.5%
	* Expected arithmetic nominal return		7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**8. Discount Rate**

The discount rate used to measure the total VSDP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

**9. Sensitivity of the Authority’s Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the Authority’s proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 7.00%, as well as what the Authority’s proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Authority’s proportionate share of the total VSDP Net OPEB Liability	\$ (2,280,000)	\$ (2,395,000)	\$ (2,595,000)

**10. VSDP OPEB Fiduciary Net Position**

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**E. LINE OF DUTY ACT PROGRAM**

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1. Plan Description**

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

**2. STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS**

**a. Eligible Employees**

The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

**b. Benefit Amounts**

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- 1. Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- 2. Health Insurance** – The Line of Duty Act program provides health insurance benefits.
  - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
  - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

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**c. Contributions**

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$57,872 and \$55,602 for the years ended June 30, 2018 and June 30, 2017, respectively.

**4. Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB**

At June 30, 2018, the entity reported a liability of \$1,355,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity’s proportion of the Net LODA OPEB Liability was based on the entity’s actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity’s proportion was 0.51555% as compared to 0.62749 % at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$85,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ -
Net difference between projected and actual earnings on State LODA OPEB plan investments	-	2,000
Changes in assumptions	-	140,000
Changes in proportionate share	-	278,000
Employer contributions subsequent to the measurement date	57,872	-
<b>Total</b>	<b>\$ 57,872</b>	<b>\$ 420,000</b>

\$57,872 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<b>Year Ended June 30</b>	
2019	\$ (52,000)
2020	\$ (52,000)
2021	\$ (52,000)
2022	\$ (52,000)
2023	\$ (51,000)
Total Thereafter	\$ (161,000)

*continued on next page*

**5. Actuarial Assumptions**

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	
General state employees	3.5 – 5.35 percent
SPORS employees	3.5– 4.75 percent
VaLORS employees	3.5– 4.75 percent
Locality employees	3.5– 4.75 percent
Medical cost trend rates assumption –	
Under age 65	7.75 – 5.00 percent
Ages 65 and older	5.75 – 5.00 percent
Investment rate of return	3.56 Percent, net of OPEB plan investment expenses, including inflation*

*\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.*

- **Assumptions – General State Employees**, See page 78.
- **Assumptions – SPORS Employees**, See page 78.
- **Assumptions – VaLORS Employees**, See page 79.
- **Assumptions –LARGEST TEN LOCALITY EMPLOYERS WITH PUBLIC SAFETY EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No Change
Line of Duty Disability	Increased rate from 60% to 70%

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• **Assumptions — NON - LARGEST TEN LOCALITY EMPLOYERS WITH PUBLIC SAFETY EMPLOYEES**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Decreased rate from 60% to 45%

**6. Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)**

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

**7. Net LODA OPEB Liability**

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<b>Line of Duty Act Program</b>	
	<u>\$</u>	<u></u>
Total LODA OPEB Liability	266,252	
Plan Fiduciary Net Position		3,461
Employees' Net OPEB Liability (Asset)	<u>\$</u>	<u>262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.30%

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The total LODA OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

### 8. Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

### 9. Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

### 10. Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

### 11. Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care

	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
Covered employer’s proportionate share of the total LODA Net OPEB Liability	\$ 1,536,000	\$ 1,355,000	\$ 1,203,000

### Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1.00% Decrease (6.75% decreasing to 4.00%)	Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Covered employer’s proportionate share of the total LODA Net OPEB Liability	\$ 1,536,000	\$ 1,355,000	\$ 1,203,000

### 12. LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**11. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Authority participates in insurance plans maintained by the Commonwealth. The Commonwealth employee health care and workers' compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Authority pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's CAFR.

**12. CONTINGENT LIABILITIES****A. Legal Proceedings**

The Authority is not currently named as a party in any significant legal proceedings. However, there may be some minor ongoing legal proceedings such as workers' compensation, but at this time, it is not possible to estimate the ultimate outcome or liability, if any, of the Authority in respect legal proceedings. It is believed that any ultimate liability resulting from any legal proceedings will not have a material, adverse effect on the financial condition of the Authority.

**B. Bailment Inventory**

The Authority houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by the Authority or returned to the supplier. The Authority uses the bailment system for payment of merchandise for resale. The Authority initiates payments to the vendors based on shipments from the Authority's warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2018, the bailment inventory was valued at \$42,959,191.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Cost-Sharing Employer Plans: VRS State Employee Retirement Plan**  
**and VaLORS Retirement Plan — For the Fiscal Year Ended June 30, 2018**



**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY — VRS STATE EMPLOYEE RETIREMENT PLAN**  
*For the Years Ended June 30, 2018, 2017, 2016 and 2015\**

	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.08%	1.05%	1.03%	1.01%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 62,721,000	\$ 69,227,000	\$ 63,182,000	\$ 56,734,000
Employer's Covered Payroll	\$ 43,178,236	\$ 41,564,222	\$ 39,813,992	\$ 39,286,362
Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	145.26%	166.55%	158.69%	144.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	71.29%	72.81%	74.28%

*Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.*

*\* The amounts presented have a measurement date of the previous fiscal year end.*

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — VRS STATE EMPLOYEE RETIREMENT PLAN**  
*For the Years Ended June 30, 2015 through 2018*

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 5,731,608	\$ 5,731,608	\$ -	\$ 46,170,798	12.41%
2017	\$ 5,140,864	\$ 5,140,864	\$ -	\$ 43,178,236	11.91%
2016	\$ 5,753,321	\$ 5,753,321	\$ -	\$ 41,564,222	13.84%
2015	\$ 4,863,085	\$ 4,863,085	\$ -	\$ 39,813,992	12.21%

*Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.*

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# REQUIRED SUPPLEMENTARY INFORMATION

## Cost-Sharing Employer Plans: VRS State Employee Retirement Plan and VaLORS Retirement Plan — For the Fiscal Year Ended June 30, 2018



### SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY —VALORS PLAN

For the Year Ended June 30, 2018, 2017, 2016 and 2015 \*

	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.69%	1.78%	1.99%	2.00%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,067,000	\$ 13,798,000	\$ 14,143,000	\$ 13,470,000
Employer's Covered Payroll	\$ 5,754,835	\$ 6,172,009	\$ 6,734,463	\$ 6,916,426
Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	192.31%	223.56%	210.01%	194.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

\* The amounts presented have a measurement date of the previous fiscal year end.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS —VALORS PLAN

For the Years Ended June 30, 2015 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 1,200,324	\$ 1,200,324	\$ -	\$ 5,700,678	21.06%
2017	\$ 1,222,092	\$ 1,222,092	\$ -	\$ 5,754,835	21.24%
2016	\$ 1,160,053	\$ 1,160,053	\$ -	\$ 6,172,009	18.80%
2015	\$ 1,189,987	\$ 1,189,987	\$ -	\$ 6,734,463	17.67%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **General State Employees:** See page 78.

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **VALORS Employees :** See page 79.

# REQUIRED SUPPLEMENTARY INFORMATION

## Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees

For the Fiscal Year Ended June 30, 2018



### SCHEDULE OF EMPLOYER'S SHARE OF TOTAL OPEB LIABILITY

For the Year Ended June 30, 2018

	2018
Employer's proportion of the collective total OPEB liability	1.11%
Employer's proportionate share of the collective total OPEB liability	\$ 14,448,345
Employer's covered-employee payroll	\$ 49,118,624
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	8.03%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

\* The amounts presented have a measurement date of the previous fiscal year end.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

There are no assets accumulated in a trust to pay related benefits.

**Changes of benefit terms** – There have been no changes to the benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016.

Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index and spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)****Health Insurance Credit Program (HIC)**

For the Fiscal Year Ended June 30, 2018

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY — HEALTH INSURANCE CREDIT PROGRAM (HIC)**

For the Year Ended June 30, 2018\*

	2018
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.7591%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 6,912,000
Employer's Covered Payroll	\$ 49,062,189
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.09%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.03%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

\* The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — HEALTH INSURANCE CREDIT PROGRAM (HIC)**

For the Year Ended June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to		Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
		Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 613,687	\$ 613,224	\$ 463	\$ 52,007,392	1.18%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **General State Employees:** See page 78.
- **SPORS Employees:** See page 78.
- **VALORS Employees:** See page 79.
- **JRS Employees:** See page 79.



**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**Group Life Insurance (GLI) Program**

For the Fiscal Year Ended June 30, 2018



**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY — GROUP LIFE INSURANCE PROGRAM (GLI)**

For the Year Ended June 30, 2018\*

	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.26635%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$4,009,000
Employer's Covered Payroll	\$ 49,118,624
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%
<p><i>Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.</i></p> <p>* The amounts presented have a measurement date of the previous fiscal year end.</p>	

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — GROUP LIFE INSURANCE PROGRAM (GLI)**

For the Year Ended June 30, 2018\*

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2018	\$ 270,609	\$ 270,292	\$ 317	\$ 52,040,245	0.52%
<p><i>Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.</i></p>					

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **General State Employees:** See page 78.
- **Teachers:** See page 84.

*continued on next page*

## REQUIRED SUPPLEMENTARY INFORMATION (RSI)

### Group Life Insurance (GLI) Program

*For the Fiscal Year Ended June 30, 2018*



- **SPORS Employees:** See page 78.
- **VALORS Employees:** See page 79.
- **JRS Employees:** See page 79.
- **Largest Ten Locality Employers - General Employees:** See page 85.
- **Non-Largest Ten Locality Employers - General Employees:** See page 85.
- **Largest Ten Locality Employers - Hazardous Duty Employees:** See page 95.
- **Non-Largest Ten Locality Employers - Hazardous Duty Employees:** See page 96.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**Disability Insurance Program (VSDP)**

For the Fiscal Year Ended June 30, 2018



**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY — DISABILITY INSURANCE PROGRAM (VSDP)**

For the Year Ended June 30, 2018\*

	2018
Employer's Proportion of the Net VSDP OPEB Liability (Asset)	1.11695%
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset)	\$ (2,395,000)
Employer's Covered Payroll	\$ 43,797,565
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.47%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	186.63%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

\* The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — DISABILITY INSURANCE PROGRAM (VSDP)**

For the Year Ended June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 315,386	\$ 315,270	\$ 116	\$ 47,785,688	0.66%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **SPORS Employees:** See page 78.
- **VALORS Employees:** See page 79
- **JRS Employees:** See page 79.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**Line of Duty Act Program (LODA)**

For the Fiscal Year Ended June 30, 2018



**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY — LINE OF DUTY ACT PROGRAM (LODA)**

For the Year Ended June 30, 2018\*

		2018
Employer's Proportion of the Net LODA OPEB Liability (Asset)		0.51555%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$	1,355,000
Employer's Covered Payroll	\$	5,998,207
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll		22.6%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.30%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

\* The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — LINE OF DUTY ACT PROGRAM (LODA)**

For the Years Ended June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to		Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
		Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	57,872	\$ 57,872	(0)	\$ 5,602,849	1.03%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- **SPORS Employees:** See page 78.
- **VALORS Employees:** See page 79.
- **JRS Employees:** See page 79.
- **Largest Ten Locality Employers with Public Safety Employees:** See page 95.
- **Non-Largest Ten Locality Employers with Public Safety Employees:** See page 96.

**STATISTICAL SECTION**

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*Last Ten Fiscal Years*



*Sources: Unless otherwise noted, the information in these tables is derived from the annual report for the relevant year*

**Net Position Trends . . . . . 108**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time

**Revenue Trends . . . . . 109**

These schedules contain information to help the reader assess the Authority's most significant revenue source, sales of alcohol, as well as other revenue sources

**Cost of Goods Sold Trends . . . . . 112**

These schedules contain information to help the reader understand the trends in cost of goods sold

**Expense Trends . . . . . 113**

These schedules contain information to help the reader understand the relationship of expenses to sales

**Profit Disbursements Trends . . . . . 115**

These schedules contain information to help the reader assess the profit disbursement trends

**Operating Information . . . . . 116**

These schedules contain statistical data regarding stores and products



# STATISTICAL SECTION

## Financial — Last Ten Fiscal Years



### CHANGES IN NET POSITION — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total operating revenues	844,877,292	807,563,445	771,945,773	730,075,776	689,511,021	662,433,062	632,923,574	598,583,725	584,670,158	576,026,832
Total operating expenses	664,249,633	637,017,607	606,624,500	577,709,566	549,746,146	528,108,106	501,071,632	477,760,671	464,303,033	464,510,767
Operating income	180,627,659	170,545,838	165,321,273	152,366,211	139,764,874	134,324,956	131,851,942	120,823,053	120,367,124	111,516,065
Non-operating revenues (expenses)	601,355	2,318,691	(128,586)	130,466	164,396	(603,087)	246,632	73,723	224,423	234,955
Net profit before disbursements	181,229,013	172,864,529	165,192,687	152,496,677	139,929,270	133,721,869	132,098,574	120,896,777	120,591,547	111,751,021
Disbursements:										
Disbursements of profits to General Fund of the Commonwealth	(109,261,467)	(101,725,746)	(96,860,303)	(84,572,527)	(72,851,385)	(67,437,563)	(64,163,784)	(53,269,159)	(49,899,621)	(44,235,757)
Appropriation Act disbursements	(69,929,142)	(69,429,142)	(68,028,110)	(67,465,310)	(67,135,959)	(67,139,188)	(67,858,000)	(67,744,441)	(70,610,061)	(67,586,382)
Total disbursements	(179,190,609)	(171,154,888)	(164,888,413)	(152,037,837)	(139,987,344)	(134,576,751)	(132,021,784)	(121,013,600)	(120,509,682)	(111,822,139)
Net increase after disbursements	2,038,404	1,709,641	304,274	458,840	(58,074)	(854,882)	76,790	(116,823)	81,865	(71,118)
Total Net Position - July 1	(70,823,862)	(72,533,503)	(72,837,777)	1,745,383	1,803,458	2,658,340	2,581,550	2,698,373	2,616,508	2,687,626
Net effect in change in Accounting Principle	(26,872,474)			(75,042,000)						
Net Position - July 1, as restated	(97,696,336)	(72,533,503)	(72,837,777)	(73,296,617)	1,803,458	2,658,340	2,581,550	2,698,373	2,616,508	2,687,626
Total Net Position - June 30	(95,657,932)	(70,823,862)	(72,533,503)	(72,837,777)	1,745,383	1,803,458	2,658,340	2,581,550	2,698,373	2,616,508

**Notes:**

1. The significant change in Net Position in 2015 was due to the adoption of GASB 68
2. The significant change in Net Position in 2018 was due to the adoption of GASB 75

### NET POSITION TABLE 2 — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Investment in Capital Assets	9,110,959	9,305,696	10,325,665	11,623,322	10,917,072	9,254,140	10,076,413	11,026,925	12,190,782	8,065,261
Restricted Net Position	2,395,000									
Unrestricted Net Position	(107,163,890)	(80,129,558)	(82,859,168)	(84,461,099)	(9,171,689)	(7,450,682)	(7,418,073)	(8,445,375)	(9,492,409)	(5,448,753)
Total Net Position	(95,657,931)	(70,823,862)	(72,533,503)	(72,837,777)	1,745,383	1,803,458	2,658,340	2,581,550	2,698,373	2,616,508

**Notes:**

1. The significant change in total net position in 2015 was the implementation of GASB 68
2. The significant change in total net position in 2018 was due to the adoption of GASB 75

# STATISTICAL SECTION

## Revenues — Last Ten Fiscal Years

### ALCOHOL SALES & TAX COLLECTED — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross alcohol sales	\$ 983,360,484	\$ 940,095,513	\$ 897,687,239	\$ 848,245,457	\$ 800,612,239	\$ 768,800,059	\$ 733,850,264	\$ 692,722,634	\$ 675,435,137	\$ 665,485,982
Excise tax	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220	120,988,748	114,201,593	111,293,220	109,642,969
Excise tax as a % of gross sales	16.36%	16.43%	16.47%	16.48%	16.49%	16.49%	16.49%	16.49%	16.48%	16.48%
Net alcohol sales	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041	564,141,917	555,843,013

Notes:  
1. Pursuant to Virginia Code 4.1-234, a 20% excise tax is included in the selling price of alcohol, except vermouth and wine, which has a 4% tax.

### OPERATING REVENUES — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sales of alcohol	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041	564,141,917	555,843,013
Sales of lottery tickets	1,583,218	1,775,666	2,204,199	2,336,382	2,476,712	2,604,381	2,662,214	2,496,597	2,419,871	3,050,857
License & permit fees	13,875,412	13,514,032	13,304,832	12,967,544	12,606,895	12,122,130	12,005,411	12,055,197	11,796,257	11,347,857
Wine wholesalers tax	4,414,271	4,484,962	4,295,718	4,259,463	3,958,111	3,760,195	3,467,123	3,240,332	2,937,302	2,758,136
Penalties	687,045	760,810	816,695	1,041,342	1,020,717	1,018,368	973,266	1,142,666	1,356,403	1,467,143
Federal grants & contracts	651,384	269,767	280,007	239,915	306,285	361,936	446,546	619,678	872,812	915,757
Mixed beverage tax on common carriers	24,336	20,597	25,039	22,103	24,475	27,035	30,778	28,061	24,044	23,320
Miscellaneous	1,190,883	1,088,729	1,144,972	795,756	549,169	541,177	476,720	480,152	1,121,552	620,749
Total operating revenues	844,877,292	807,563,445	771,945,773	730,075,776	689,511,021	662,433,062	632,923,574	598,583,724	584,670,158	576,026,832

Notes:  
1. In FY15, mark-ups on alcohol were effective December 16, 2014, which included the case handling fee increase from one dollar per case to two dollars per case. The mark-up on miniatures increased from 49% to 69%.  
2. In FY16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015

continued on next page

# STATISTICAL SECTION

## Revenues — Last Ten Fiscal Years



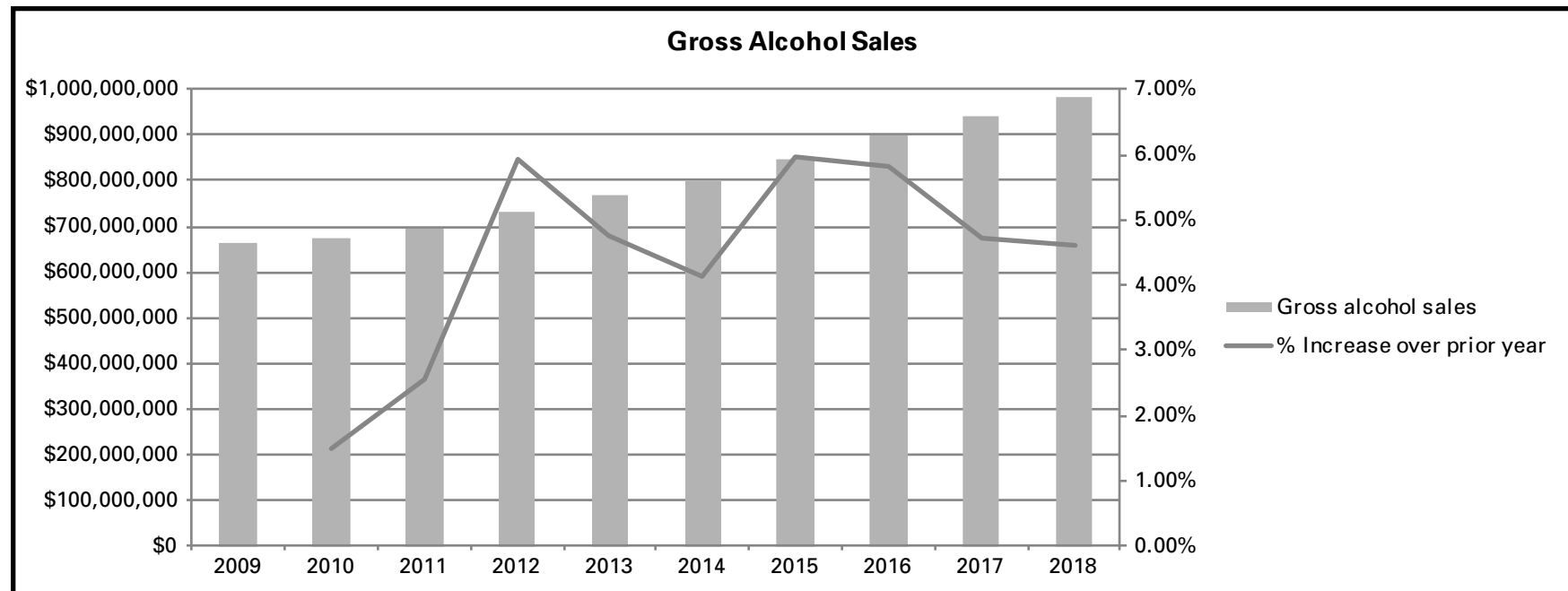
### OPERATING REVENUES ANNUAL CHANGE AS A PERCENT OF PRIOR YEAR — Last Ten Fiscal Years

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales of alcohol	4.68%	4.77%	5.85%	5.96%	4.14%	4.75%	5.94%	2.55%	1.49%
Sales of lottery tickets	-11%	-19%	-6%	-6%	-5%	-2%	7%	3%	-21%
License & permit fees	3%	2%	3%	3%	4%	1%	0%	2%	4%
Wine wholesalers tax	-2%	4%	1%	8%	5%	8%	7%	10%	6%
Penalties	-10%	-7%	-22%	2%	0%	5%	-15%	-16%	-8%
Federal grants & contracts	141%	-4%	17%	-22%	-15%	-19%	-28%	-29%	-5%
Mixed beverage tax on common carriers	18%	-18%	13%	-10%	-9%	-12%	10%	17%	3%
Miscellaneous	9%	-5%	44%	45%	1%	14%	-1%	-57%	81%
<b>Total Increase</b>	<b>4.62%</b>	<b>4.61%</b>	<b>5.74%</b>	<b>5.88%</b>	<b>4.09%</b>	<b>4.66%</b>	<b>5.74%</b>	<b>2.38%</b>	<b>1.50%</b>

*Notes:*

- In FY15, mark-ups on alcohol were effective December 16, 2014, which included the case handling fee increase from one dollar per case to two dollars per case. The mark-up on miniatures increased from 49% to 69%.
- In FY16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015
- Only 9 years of annual change data presented due to 10-year lookback period

### GROSS ALCOHOL SALES — Last Ten Fiscal Years



continued on next page

# STATISTICAL SECTION

## Revenues — Last Ten Fiscal Years



### NON-OPERATING REVENUES — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Rents	24,168	27,244	31,559	210,061	225,074	195,361	191,950	195,600	184,924	127,623
Income from security lending transactions	25,613	342	3,320	113	157	321	1,024	1,320	10,819	201,496
Interest income (expense)	334,667	182,039	64,013	-	-	-	-	-	-	128,029
Seized assets	242,520	109,408	-	-	-	-	54,682	-	46,694	-
Other - Special Employer Contributions (VRS)	-	2,000,000	-	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	626,968	2,319,033	98,892	210,175	225,231	195,682	247,656	196,920	242,437	457,149
Increase	(1,692,065)	2,220,141	(111,283)	(15,056)	29,549	(51,974)	50,735	(45,517)	(214,712)	
% Increase	-72.96%	2245.02%	-52.95%	-6.68%	15.10%	-20.99%	25.76%	-18.77%	-46.97%	

# STATISTICAL SECTION

## Cost of Goods Sold — Last Ten Fiscal Years

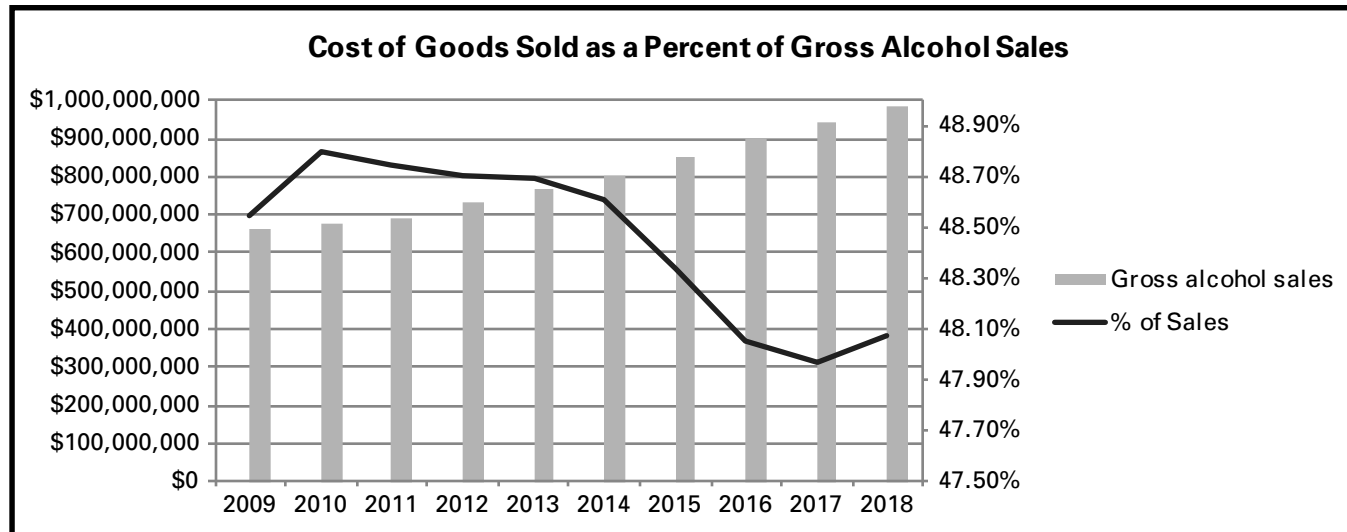


### COST OF GOODS SOLD: ALCOHOL — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross alcohol sales	\$ 983,360,484	\$ 940,095,513	\$ 897,687,239	\$ 848,245,457	\$ 800,612,239	\$ 768,800,059	\$ 733,850,264	\$ 692,722,634	\$ 675,435,137	\$ 665,485,982
Excise tax	\$ 160,909,741	\$ 154,446,630	\$ 147,812,928	\$ 139,832,186	\$ 132,043,584	\$ 126,802,220	\$ 120,988,748	\$ 114,201,593	\$ 111,293,220	\$ 109,642,969
Net alcohol sales	\$ 822,450,743	\$ 785,648,883	\$ 749,874,311	\$ 708,413,271	\$ 668,568,655	\$ 641,997,839	\$ 612,861,516	\$ 578,521,041	\$ 564,141,917	\$ 555,843,013
Cost of Goods Sold	472,772,427	451,003,488	431,328,614	409,991,902	389,204,362	374,356,481	357,374,917	337,689,682	329,573,272	323,086,495
% of Gross Alcohol Sale:	48.08%	47.97%	48.05%	48.33%	48.61%	48.69%	48.70%	48.75%	48.79%	48.55%

*Notes:*  
 1. One factor that drives decreasing cost of goods sold is the Advanced Buy program, allowing product to be purchased by the Authority before a price increase.  
 2. Pursuant to Virginia Code 4.1-234, a 20% excise tax is included in the selling price of alcohol, except vermouth and wine, which has a 4% tax.

### COST OF GOODS SOLD AS A PERCENT OF GROSS ALCOHOL SALES — Last Ten Fiscal Years



# STATISTICAL SECTION

## Expenses — Last Ten Fiscal Years



### OPERATING EXPENSES BY CATEGORY — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Personal services	\$ 113,535,743	\$ 108,120,748	\$ 102,977,280	\$ 99,345,268	\$ 96,016,888	\$ 91,151,356	\$ 83,223,807	\$ 81,396,498	\$ 79,063,927	\$ 79,535,146
Continuous services	32,134,553	31,315,640	29,278,603	27,954,258	26,238,093	25,209,421	24,687,763	23,848,628	23,839,618	22,967,554
Contractual services	34,948,390	35,181,744	31,215,352	29,216,426	27,263,123	26,498,703	25,737,133	24,373,121	21,773,337	23,038,603
Supplies and materials	3,906,161	3,429,626	3,272,558	3,393,215	3,401,478	3,437,872	2,885,166	2,852,422	2,342,684	2,697,330
Depreciation & amortization	2,580,739	2,216,175	2,580,090	2,664,489	2,573,170	2,101,808	1,958,032	3,175,843	2,948,194	6,421,757
Expendable Equipment	2,539,276	3,453,386	2,986,732	2,258,331	2,209,117	2,066,725	1,869,571	1,560,795	1,866,000	3,532,611
Other	347,589	611,832	856,410	661,649	500,029	860,993	812,313	536,134	569,664	362,359
<b>Total operating expenses</b>	<b>189,992,451</b>	<b>184,329,151</b>	<b>173,167,025</b>	<b>165,493,637</b>	<b>158,201,899</b>	<b>151,326,879</b>	<b>141,173,785</b>	<b>137,743,441</b>	<b>132,403,424</b>	<b>138,555,360</b>
Increase (decrease) from prior FY	5,663,300	11,162,126	7,673,388	7,291,738	6,875,020	10,153,094	3,430,344	5,340,017	(6,151,936)	5,736,595
% Increase (decrease)	3.07%	6.45%	4.64%	4.61%	4.54%	7.19%	2.49%	4.03%	-4.44%	4.32%

### OPERATING EXPENSES BY DIVISION WITHOUT COST OF GOODS SOLD — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Retail & Distribution Expenses	129,705,731	122,428,825	115,809,039	110,179,547	104,958,799	99,315,094	93,533,636	94,661,876	93,060,362	92,977,643
Administrative Expenses	44,903,559	43,837,955	40,354,100	37,763,015	35,000,633	34,665,598	32,106,833	28,317,235	25,209,313	29,244,060
Regulatory Expenses	16,527,661	16,885,187	17,328,181	17,900,232	17,936,183	16,984,251	15,086,772	14,144,652	13,260,936	15,417,901
GASB 68, GASB 75 and other Adjustments	(1,144,500)	1,177,184	(324,295)	(349,157)	306,285	361,936	446,544	619,678	872,812	915,757
<b>Total Operating Costs</b>	<b>189,992,451</b>	<b>184,329,151</b>	<b>173,167,025</b>	<b>165,493,637</b>	<b>158,201,899</b>	<b>151,326,879</b>	<b>141,173,785</b>	<b>137,743,441</b>	<b>132,403,424</b>	<b>138,555,360</b>
<i>Notes:</i>										
1. Area breakdown from final Profit & Loss statement for respective fiscal year										
2. Store breakage removed from operating expense and classified as part of Cost of Goods Sold on financial statements										
3. Cost of Goods Sold for Virginia is for Lovers merchandise added back in FY17 and FY18										

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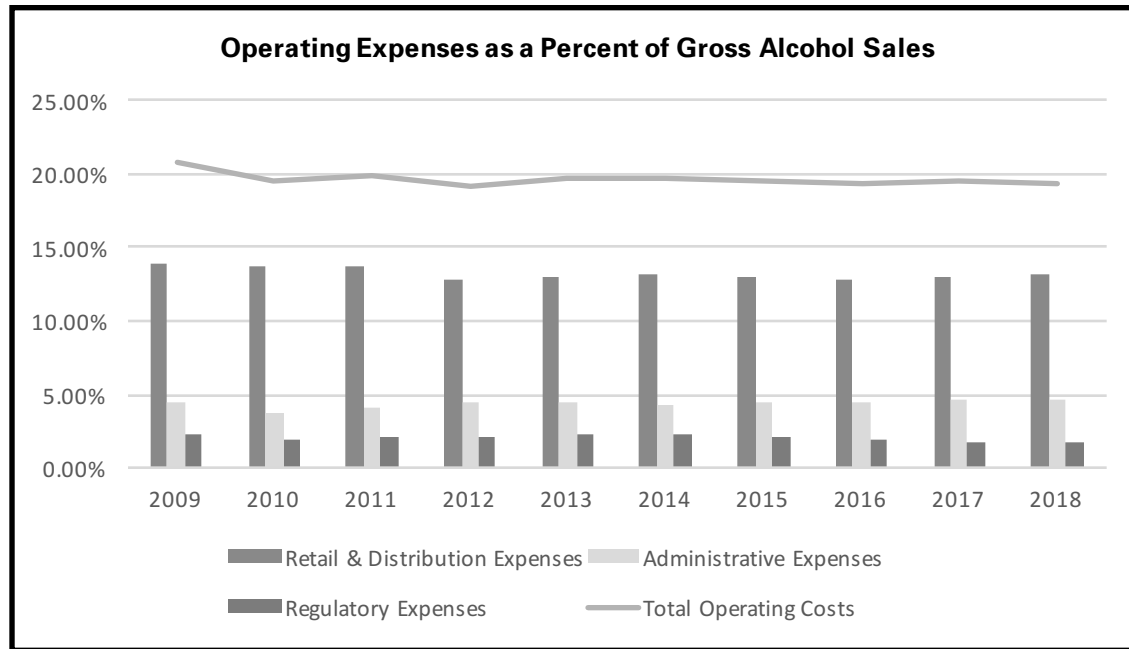


# STATISTICAL SECTION

Expenses — Last Ten Fiscal Years



## OPERATING EXPENSES AS A PERCENT OF GROSS ALCOHOL SALES — Last Ten Fiscal Years



## NON-OPERATING EXPENSES — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses from security lending transactions	25,613	342	3,320	113	157	321	1,024	1,320	10,819	201,496
Interest Expense	-	-	-	-	-	-	-	1,964	7,195	-
Seized assets	-	-	224,158	79,596	60,678	798,449	-	119,913	-	20,697
<b>Total non-operating expenses</b>	<b>25,613</b>	<b>342</b>	<b>227,478</b>	<b>79,709</b>	<b>60,835</b>	<b>798,770</b>	<b>1,024</b>	<b>123,197</b>	<b>18,014</b>	<b>222,193</b>
Increase	25,271	(227,136)	147,769	18,874	(737,935)	797,746	(122,174)	105,183	(204,179)	-
% Increase	7389.18%	-99.85%	185.39%	31.02%	-92.38%	77904.88%	-99.17%	583.90%	-91.89%	-

# STATISTICAL SECTION

Profits — Last Ten Fiscal Years

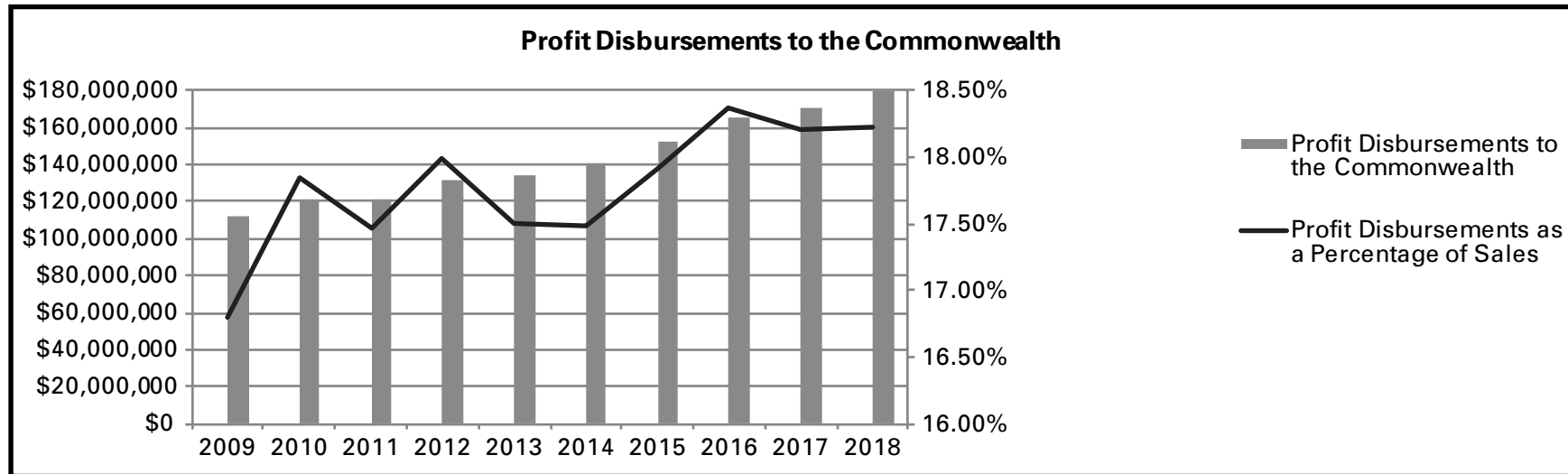


## DISBURSEMENTS TO THE COMMONWEALTH — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross alcohol sales	983,360,484	940,095,513	897,687,239	848,245,457	800,612,239	768,800,059	733,850,264	692,722,634	675,435,137	665,485,982
Excise tax	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220	120,988,748	114,201,593	111,293,220	109,642,969
Net alcohol sales	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041	564,141,917	555,843,013
Profit Disbursement to the Commonwealth	179,190,609	171,154,888	164,888,413	152,037,837	139,987,344	134,576,751	132,021,784	121,013,600	120,509,682	111,822,139
% of Gross Sales	18.22%	18.21%	18.37%	17.92%	17.49%	17.50%	17.99%	17.47%	17.84%	16.80%

*Notes*  
 1. Pursuant to Virginia Code 4.1-234, a 20% excise tax is included in the selling price of alcohol, except vermouth and wine, which has a 4% tax.

## PROFIT DISBURSEMENTS TO THE COMMONWEALTH — Last Ten Fiscal Years



# STATISTICAL SECTION

Operational — Last Ten Fiscal Years



## STORES BY YEAR — Last Ten Fiscal Years

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2012	2011	2010	2009
Total Stores, July 1	366	359	351	349	342	334	332	332	332
New Stores	5	9	8	4	7	3	2	1 <sup>1</sup>	2
Closed Store	1	2	0	3	0	0	0	2	2
Total Stores, June 30	370	366	359	351	349	337	334	332	332

Notes:

\* Store growth slowed during the recession in 2009-11 with an emphasis on modernization and renegotiating lease agreements.  
The Authority had increasing sales through the recession and had a strong negotiating position as other businesses were closing.

<sup>1</sup> Store #68 - Harrisonburg was listed as closed on 9/11/08 due to fire and relocated on 8/15/09

<sup>2</sup> Store #042 - Mount Vernon was listed as closed on 7/31/12 and relocated on 4/3/13

## SALES DATA BY YEAR — Last Ten Fiscal Years

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2012	2011	2010	2009
Store square footage	1,190,407	1,158,478	1,146,234	1,117,425	1,112,807	1,073,910	1,067,170	1,057,604	1,061,284
Total transactions	32,241,445	31,270,307	30,398,994	29,712,285	28,770,720	26,678,450	25,554,777	25,074,821	24,499,657
Total bottles sold	65,500,188	60,731,956	58,058,001	57,049,526	55,397,422	51,717,746	49,151,309	47,998,715	47,188,061
Gross alcohol sales	\$ 983,360,484	\$ 940,095,513	\$ 897,687,239	\$ 848,245,457	\$ 800,612,239	\$ 733,850,264	\$ 692,722,634	\$ 675,435,137	\$ 665,485,982
Average bottle price	\$ 15.01	\$ 15.48	\$ 15.46	\$ 14.87	\$ 14.45	\$ 14.19	\$ 14.09	\$ 14.07	\$ 14.10
Average sales per transaction	\$ 30.50	\$ 30.06	\$ 29.53	\$ 28.55	\$ 27.83	\$ 27.51	\$ 27.11	\$ 26.94	\$ 27.16
Average sales per square foot	\$ 826.07	\$ 811.49	\$ 783.16	\$ 759.11	\$ 719.45	\$ 683.34	\$ 649.12	\$ 638.65	\$ 627.06

Notes:

1. Information provided by Authority's Research & Planning office

continued on next page

# STATISTICAL SECTION

Operational — Last Ten Fiscal Years



## SALES PERCENT CHANGE FROM PRIOR FISCAL YEAR — Last Ten Fiscal Years

	Fiscal Years Ended June 30,							
	2018	2017	2016	2015	2014	2012	2011	2010
Store square footage	2.76%	1.07%	2.58%	0.41%	1.99%	0.63%	0.90%	-0.35%
Total transactions	3.11%	2.87%	2.31%	3.27%	3.32%	4.40%	1.91%	2.35%
Total bottles sold	7.85%	4.61%	1.77%	2.98%	3.52%	5.22%	2.40%	1.72%
Average bottle price	-3.01%	0.11%	3.99%	2.88%	0.60%	0.68%	0.15%	-0.22%
Average sales per transaction	1.45%	1.81%	3.44%	2.59%	0.79%	1.48%	0.63%	-0.83%
Average sales per square foot	1.80%	3.62%	3.17%	5.51%	2.11%	5.27%	1.64%	1.85%

## TOP PERFORMING STORES – GROSS SALES — Last Ten Fiscal Years

(Rank in parentheses)

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2012	2011	2010	2009
#256 - Virginia Beach	\$9,335,821 (1)	\$9,356,735 (1)	\$9,202,992 (1)	\$8,226,884 (1)	\$8,630,556 (1)	\$9,217,925 (1)	\$9,716,636 (1)	\$9,430,955 (1)	\$9,759,604 (1)
#225 - Virginia Beach	\$8,708,926 (2)	\$8,292,157 (2)	\$8,399,650 (2)	\$8,081,614 (2)	\$7,312,737 (2)	\$6,544,207 (3)	\$5,883,884 (4)		
#169 - Richmond	\$7,966,670 (3)	\$7,652,272 (5)		\$6,461,490 (5)	\$6,107,183 (5)	\$6,121,640 (5)	\$6,109,361 (3)		
#219 - Vienna	\$7,936,805 (4)	\$7,754,878 (4)	\$7,621,199 (4)	\$7,048,143 (4)	\$6,490,317 (4)	\$6,669,833 (2)	\$6,962,528 (2)	\$7,373,156 (2)	\$8,103,077 (2)
#278 - Virginia Beach	\$7,526,361 (5)	\$7,773,909 (3)	\$7,699,741 (3)	\$7,462,194 (3)	\$6,652,089 (3)	\$6,133,558 (4)	\$5,803,670 (5)	\$6,266,074 (3)	
#358 - Alexandria			\$7,133,652 (5)						\$6,756,931 (4)
#282 - Hampton									
#360 - Richmond								\$6,242,474 (4)	\$6,993,466 (3)
#280 - Chesapeake								\$6,067,425 (5)	\$6,471,946 (5)

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# STATISTICAL SECTION

Operational — Last Ten Fiscal Years



## PRODUCTS SOLD – BY CASE — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Vodka	1,505,294	1,471,413	1,448,850	1,423,240	1,398,474	1,396,567	1,383,752	1,281,618	1,207,686	1,125,096
Domestic	823,756	795,487	774,794	761,099	738,803	720,810	708,694	693,502	683,268	655,784
Imported	355,140	351,388	350,341	340,831	342,794	345,758	343,277	319,924	309,301	295,702
Flavored	326,398	324,538	323,716	321,310	316,877	329,999	331,780	268,191	215,117	173,610
Straight bourbon whiskey	578,328	535,671	515,177	483,441	457,349	429,988	400,583	379,082	364,414	357,966
Cordials-Liqueurs-Specialties	488,640	474,718	478,332	530,603	503,018	450,782	413,783	392,440	376,005	385,511
Imported	314,610	298,289	295,955	303,305	285,565	-	212,622	204,085	202,441	208,697
Domestic	174,030	176,429	182,377	227,298	217,454	-	201,161	188,355	173,564	176,814
Rum	464,811	455,635	446,425	425,817	423,243	424,539	427,484	416,813	406,483	398,904
Imported	438,855	434,086	429,928	142,537	137,762	141,445	144,878	138,276	143,434	145,423
Domestic	25,955	21,549	16,497	283,279	285,481	283,094	282,606	278,537	263,048	253,481
Tequila	353,493	324,504	291,677	242,280	227,319	219,623	208,781	193,225	180,865	175,651
Gin	234,097	236,821	236,615	234,712	237,532	244,341	246,382	246,411	248,762	252,982
Domestic	137,315	142,038	145,141	157,721	163,085	172,552	178,540	180,970	183,642	187,992
Imported	84,557	81,542	78,884	64,857	62,515	60,108	56,337	52,875	52,439	52,125
Flavored	11,805	12,780	12,116	11,616	11,351	11,025	10,829	11,877	11,906	12,033
Sloe	420	461	475	518	582	656	675	689	774	833
Canadian whisky	187,912	183,177	160,584	173,099	165,700	173,679	167,154	169,495	171,070	173,198
Brandy	161,060	160,640	157,516	151,833	136,390	134,537	138,537	140,902	147,986	145,523
Grape	118,082	116,997	116,670	116,579	118,435	-	111,244	114,117	119,875	124,584
Imported	7,035	7,315	7,312	7,218	7,269	-	17,375	16,152	17,007	9,814
Flavored	35,943	36,328	33,534	28,036	10,686	-	9,918	10,634	11,104	11,125
Scotch whiskey	149,585	149,545	150,531	146,400	142,730	143,184	137,849	137,207	137,120	137,725
Cognac/Armagnac	121,746	149,837	124,684	102,713	91,924	86,930	82,973	79,784	78,417	77,933
Tennessee whiskey	112,392	110,261	107,528	106,959	101,608	101,214	100,077	98,285	98,116	98,355
Blended whiskey	101,123	103,626	104,110	100,208	98,016	96,777	96,719	94,626	96,796	95,290
Cocktails	97,273	76,613	67,963	55,972	60,139	71,662	82,462	77,844	84,012	84,066
Domestic	61,056	42,006	33,107	49,808	53,071	-	77,701	73,129	80,523	78,730
Imported	36,217	34,608	34,856	6,165	7,068	-	4,761	4,715	3,490	5,336
Irish whiskey	62,282	53,596	46,944	39,789	34,966	32,013	27,610	22,797	20,020	17,852
Domestic whiskey	56,801	53,194	47,235	41,368	41,383	39,881	39,224	39,798	43,485	43,452
Specialty bottles	45,534	53,320	73,124	62,705	54,575	46,262	47,723	38,494	28,277	26,189
Imported	29,448	26,861	47,717	32,645	29,004	-	27,850	27,268	-	20,027
Domestic	16,086	26,459	25,407	30,060	25,571	-	19,874	11,226	-	6,162
Moonshine	34,585	31,709	33,249	31,778	-	-	-	-	-	-
Straight rye whiskey	32,505	26,609	21,271	13,534	9,366	6,647	4,447	3,029	1,952	1,385
Egg nog	20,034	18,653	13,101	13,349	14,334	12,881	10,930	11,095	3,760	3,966
Rock & rye	2,236	1,813	1,610	1,271	1,288	1,419	1,296	1,327	1,420	1,393
Alcohol*	1,227	53	57	56	40	49	43	32	39	46
Bottled in bond	561	601	606	1,574	1,165	584	378	362	570	532
Corn whiskey	408	325	441	724	32,022	24,643	11,861	4,681	4,127	4,168
Vermouth	21,903	17,848	16,561	15,892	15,819	15,821	15,693	15,393	15,699	15,963
Virginia Wine	14,480	14,624	13,131	12,241	11,533	12,087	11,180	11,609	12,017	12,262
Nonalcoholic mixers	128,533	123,882	114,393	103,893	99,270	106,037	114,158	109,834	114,445	113,845
Nonbeverage item	29,272	28,399	24,387	20,549	17,331	20,978	19,974	17,793	13,388	11,669
Statewide Totals	5,006,115	4,814,183	4,691,820	4,515,008	4,342,951	4,196,203	4,148,651	3,923,757	3,748,087	3,675,574
Increase from prior FY	191,933	122,363	176,812	172,057	146,748	47,552	224,893	175,670	72,513	
% Increase	3.99%	2.61%	3.92%	3.96%	3.50%	1.15%	5.73%	4.69%	1.97%	

**Notes:**

\* Grain alcohol 151 proof available for sale in select ABC stores

1. In fiscal year 2012, the general "flavored" subcategory includes specific fruit-flavored products that were previously reported separately

(e.g., apricot, peach, apple, etc.). This table reflects that change across all years.

2. Excludes miscellaneous records and confiscated items.

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# STATISTICAL SECTION

Operational — Last Ten Fiscal Years



## BOTTLES SOLD — Last Ten Fiscal Years

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2012	2011	2010	2009
Total bottles sold	65,500,188	60,731,956	58,058,001	57,049,526	55,397,422	51,717,746	49,151,309	47,998,715	47,188,061
Increase of prior year	4,768,232	2,673,955	1,008,475	1,652,104	1,881,241	2,566,437	1,152,594	810,654	
% Increase over prior year	10.33%	5.80%	2.19%	3.58%	4.08%	5.56%	2.50%	1.76%	
50mL bottles sold	16,640,845	13,316,637	12,130,465	12,546,559	12,339,394	10,711,448	9,828,768	9,433,951	9,084,184
Change from prior year	3,324,208	1,186,172	(416,094)	207,165	875,563	882,680	394,817	349,767	
% change prior year	7.20%	2.57%	-0.90%	0.45%	1.90%	1.91%	0.86%	0.76%	
50mL bottles as % of total	25.41%	21.93%	20.89%	21.99%	22.27%	20.71%	20.00%	19.65%	19.25%

Notes:  
 1. Source: Policy, Planning & Analysis  
 2. Sales of 50mL bottles increased in FY2018 due to a pricing change by a distributor that lowered many popular brands from \$1.79 to \$0.99.

## TOP PERFORMING BRANDS - GROSS DOLLARS — Last Ten Fiscal Years

(Rank in parentheses)

	Fiscal Years Ended June 30,								
	2018	2017	2016	2015	2014	2012	2011	2010	2009
Tito's Handmade	\$33,451,056 (1)	\$25,018,702 (3)							
Hennessy VS	\$33,157,815 (2)	\$33,941,737 (1)	\$25,269,088 (2)	\$18,758,631 (4)					
Jack Daniel's #7 Black	\$29,282,762 (3)	\$28,702,100 (2)	\$27,599,088 (1)	\$26,925,694 (1)	\$25,658,300 (1)	\$23,714,063 (1)	\$22,664,736 (1)	\$22,418,593 (1)	\$22,823,023 (1)
Jim Beam	\$21,494,889 (4)	\$20,421,335 (4)	\$19,805,216 (3)	\$18,657,478 (5)	\$17,802,469 (3)	\$16,892,320 (4)	\$17,249,613 (4)	\$17,965,975 (4)	\$18,733,316 (3)
Fireball Cinnamon	\$18,749,122 (5)		\$19,110,580 (5)	\$18,759,979 (3)	\$16,124,716 (5)				
Smirnoff 80		\$18,807,951 (5)	\$19,294,602 (4)	\$18,966,572 (2)	\$19,066,109 (2)	\$19,801,223 (2)	\$19,508,095 (2)	\$19,131,450 (2)	
Grey Goose					\$17,104,944 (4)	\$17,829,724 (3)	\$17,880,921 (3)	\$18,332,773 (3)	\$19,439,729 (2)
Crown Royal						\$15,814,294 (5)	\$15,806,513 (5)	\$17,366,315 (5)	\$18,255,947 (4)
Absolut									\$15,199,324 (5)



The Alcoholic Beverage Control Authority (the “Authority”) has developed a summary table and a brief narrative as a response to Enactment Clause 14 for the Alcoholic Beverage Control Authority legislation.

**Enactment Clause 14 of the legislation requires:**

That by October 15 each year, the Alcoholic Beverage Control Authority or its successor shall, for the purposes of identifying the total costs of the operation and administration of the Department or its successors to be funded from the revenues generated by such entity, submit to the General Assembly a report detailing the total percentage of gross revenues required for the operation and administration of the Department, excluding expenditures made for the purchase of distilled spirits, for the prior fiscal year, and a relative comparison to the three prior fiscal years.

	In Millions				As a Percentage of Sales			
	FY2018	FY2017	FY2016	FY2015	FY2018	FY2017	FY2016	FY2015
Sales	\$ 98.3	\$ 940.1	\$ 897.6	\$ 848.1	100.0%	100.0%	100.0%	100.0%
- Excise Tax	161.0	154.4	147.9	139.9	16.4%	16.4	16.5	16.5
+ Other Revenue	22.3	22.0	22.0	21.9	2.3%	2.3	2.5	2.6
Net Revenue	844.6	807.5	771.8	730.0	85.9%	85.9	86.0	86.1
Cost of Goods Sold	473.7	452.0	432.8	411.7	48.2%	48.1	48.2	48.5
Operation Costs	130.3	123.1	116.5	110.7	13.3%	13.1	13.0	13.1
Administrative Costs	44.9	43.8	40.4	38.7	4.6%	4.7	4.5	4.6
Regulatory Costs	16.5	16.9	17.3	17.9	1.7%	1.8	1.9	2.1
<b>Profit</b>	<b>\$ 179.2</b>	<b>\$ 171.7</b>	<b>\$ 164.8</b>	<b>\$ 151.1</b>	<b>18.2%</b>	<b>18.3%</b>	<b>18.4%</b>	<b>17.8%</b>

**Notes:**

1. All support costs (e.g. Human Resources, Information Technology, Finance, etc.) for Regulatory and Operations are included in the Administrative Costs category.
2. The Authority’s total operation cost excludes the year-end VRS pension liability adjusting entries, the new GASB 75 liability adjusting entries for other postemployment benefit (OPEB), and the federal grant entries because they are non-operational costs. However, these costs were included in the year-end financials.

The Authority has opted to include a more detailed chart than what is required by the legislation. This will permit the General Assembly to be familiar with the magnitude of our business and have the percentage of revenue data that was requested. Inclusion of the cost of goods sold (i.e.: purchase of distilled spirits, Lottery and Virginia is for Lovers (VIFL) Merchandise) data allows the General Assembly to see the full picture of the Authority’s operations and a high level Statement of Revenues, Expenses, and Changes in Net Position (Profit and Loss).

There are four major categories of ABC costs: Cost of Goods Sold, Operation Costs, Administrative Costs, and Regulatory Costs. The Cost of Goods Sold is simply the cost that the Authority incurs to purchase the distilled spirits, Lottery tickets, VIFL merchandise that are sold in the ABC stores. The Operation Costs includes the costs to operate the Authority’s stores (Personnel cost, store rentals, utilities, etc.), the costs to operate the Authority’s Distribution Center (Warehouse), and the overhead costs of the leadership and support functions that are directly linked to either the store operations or the Distribution Center. The Administrative Costs are the most diverse cost group as it includes all of the administrative functions that are necessary to support the business. These include Information Technology; Internal Audit, Procurement; Policy, Planning & Analysis; Education & Prevention; Marketing; Human Resources; Financial Management; Communications; Property Management; the Authority’s Leadership and charges for services from other state agencies.

*continued on next page*

The Regulatory Costs category represents the costs to operate the Authority's Bureau of Law Enforcement and the Hearings & Appeals function. The Bureau operates under a separate appropriation than the rest of the Authority but the enforcement function remains a part of the overall costs that affects the Authority's profits. In addition, there are approximately 2,000 new licensees each year that require a full investigation to include a background check of the owners, corporate structure review, complete financial review, and making a determination about the suitability of the applicant to possess an ABC license in Virginia.

Cost of Goods Sold increases are primarily driven by sales volume. In fiscal year 2018, the Cost of Goods Sold represents 48.2% of the sales revenue collected. This percentage is consistent with previous years.

Operation Costs, Administrative Costs, and Regulatory Costs are all primarily driven by personnel needs (salary, healthcare, retirement, etc.). In addition, Operation Costs include new stores, store rentals (with rent escalation clauses), utilities, and freight to transport product from the warehouse to the stores.

Administrative Costs increases are primarily driven by the cost of Information Technology, new store construction costs, an aging central office and warehouse facility (repairs), and the increased focus on Marketing and Communications over the past few years (to communicate information about the Authority and its products). These costs are all tied back to either revenue generating activities or activities that support continued operation of the business.

In the Administrative Costs category, information technology retains a great deal of importance. As the Authority continues to migrate from VITA to third party vendors where beneficial based on either cost of service levels, Administrative cost related to VITA is slowly decreasing and Non-VITA cost is gradually increasing. The authority is also undertaking various projects such as providing licensees with the ability to pay taxes online via ACH, replacement of the aging systems with the new financial and licensing system. Even though there are increases in cost related to the migration and the implementation of these systems, the Authority expects VITA costs to continue to decrease which would create a net neutral effect on the P&L. However, the authority will continue to see significant cost decreases once the migration and the implementation of these systems are completed and operational.

Regulatory Costs are also expected to increase due to the additional regulatory activities the increase in licensing funds will support. Costs will also be driven by the growth in the number of retail licensees and the consistent increase in manufacturing. However, in the short term, with the high vacancy rate within the Bureau, increases in regulatory costs will be offset by the current vacancies until additional non-sworn personnel are hired to support regulatory activities.

# VIRGINIA ABC AT A GLANCE



(FROM THE TOP): Greta Mulhall, Chairman Painter, Ambassador Mulhall, Liz Chatham and COO Hill tour the Short Pump premier store during the Mulhalls visit to the United States.

Virginia ABC's 370 retail stores began accepting smartphone payments in May 2017.

Spirits models representing Bacardi prepare a cocktail featuring banana rum at the Short Pump premier store in Richmond.

## IRISH AMBASSADOR DANIEL MULHALL VISITS SHORT PUMP STORE

Daniel Mulhall, Ireland's Ambassador to the United States, visited the Short Pump premier store in December 2017. Chairman Jeffrey Painter, COO Travis Hill and Real Estate and Property Management's Liz Chatham discussed ABC's mission, its importance to the Commonwealth and the agency's modern approach to store design. Ambassador Mulhall was especially impressed with the number of Irish products available in the store. He spoke at length about Ireland's burgeoning alcoholic beverage industry and pointed to new product Gunpowder Irish Gin as an example of Ireland's attempts to diversify its distilled spirit selection. To give the Mulhalls an impression of Virginia spirits, Painter and Hill presented them with bottles of Laird's Apple Brandy and Virginia Highland Whisky. Painter also presented the ambassador, a keen advocate of poetry, a collection by a Virginia poet. The Mulhall's visit follows that of previous ambassador Anne Anderson, who toured the Short Pump store in 2016.

## AGENCY ACCEPTS SMART PHONE PAYMENTS

Across the Commonwealth more and more people are replacing their wallets with their smartphones and in May 2017, Virginia ABC began accepting smartphone payments. The Authority updated card payment devices in its existing 370 stores to accommodate the new technology. Customers using Apple Pay, Google Pay, Samsung Pay and other Near Field Communications (NFC) technology-enabled apps can simply wave their mobile phone near the secure credit card terminal at checkout, confirm payment and be on their way. With a commitment to performance excellence, Virginia ABC was pleased to offer customers a contactless payment option for greater convenience at checkout. The service is free to Virginia ABC customers. Stores continue to accept credit/debit cards, cash and gift cards at checkout.

## TASTINGS TOP 7,000 MARK

During fiscal year 2017, Virginia ABC hosted over 7,000 tastings across the Commonwealth. ABC customers shopping in stores where tastings occur are invited to try something new by sampling up to 1.5 ounces of selected spirits provided by distiller's representatives. Popular areas such as Virginia Beach, Richmond and Northern Virginia hosted 150–300 tastings throughout the course of the year, with the most well-attended time slot being between 6-8 p.m. on Fridays and Saturdays. In September 2017, ABC celebrated National Bourbon Heritage Month and Virginia Spirits Month by planning hundreds of tastings for customers to enjoy. Honoring the celebration, Virginia ABC hosted nearly 700 in-store tastings across the state, showing an increase of 60 percent (256 tastings) over the number of tastings held in September 2016. Almost one-third of September's tastings featured Virginia products from some of the Commonwealth's most popular distilleries. Virginia ABC invited patrons to share their stories and experiences via various social media platforms using the hashtags #VAspiritsmonth and #VAbourbon. Virginia ABC Chairman Jeffery Painter emphasized the uniqueness and benefit of these tastings commenting, "not only can customers try out different spirits, but in some cases they can talk to the distillers."

## TRADING PLACES

The "Day in the Life" program, launched in 2015, provides an immersive training experience for employees who do not work in a retail environment. During fiscal year 2017, approximately 30 participants from various ABC divisions completed a total of 80 training courses in stores. The "Day In The Life" program integrates employees from all backgrounds of Virginia ABC by providing them with the opportunity to work in a store alongside one of 14 Richmond-area store managers. Participants learn the basics of one of four different courses of store study including how to work on the sales floor, carry out daily office duties, log inventory and monitor incoming shipments. "The program gives employees a way to interact from both sides of the agency," said Wayne Dries, manager at store 102 in Richmond. "Everyone gains a better understanding and a new level of respect for all employees." Dries had four participants train in his store during fiscal year 2017 who completed nearly a dozen training modules.

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2901 HERMITAGE ROAD  
RICHMOND, VA 23220  
(804) 213-4400

[www.abc.virginia.gov](http://www.abc.virginia.gov)

