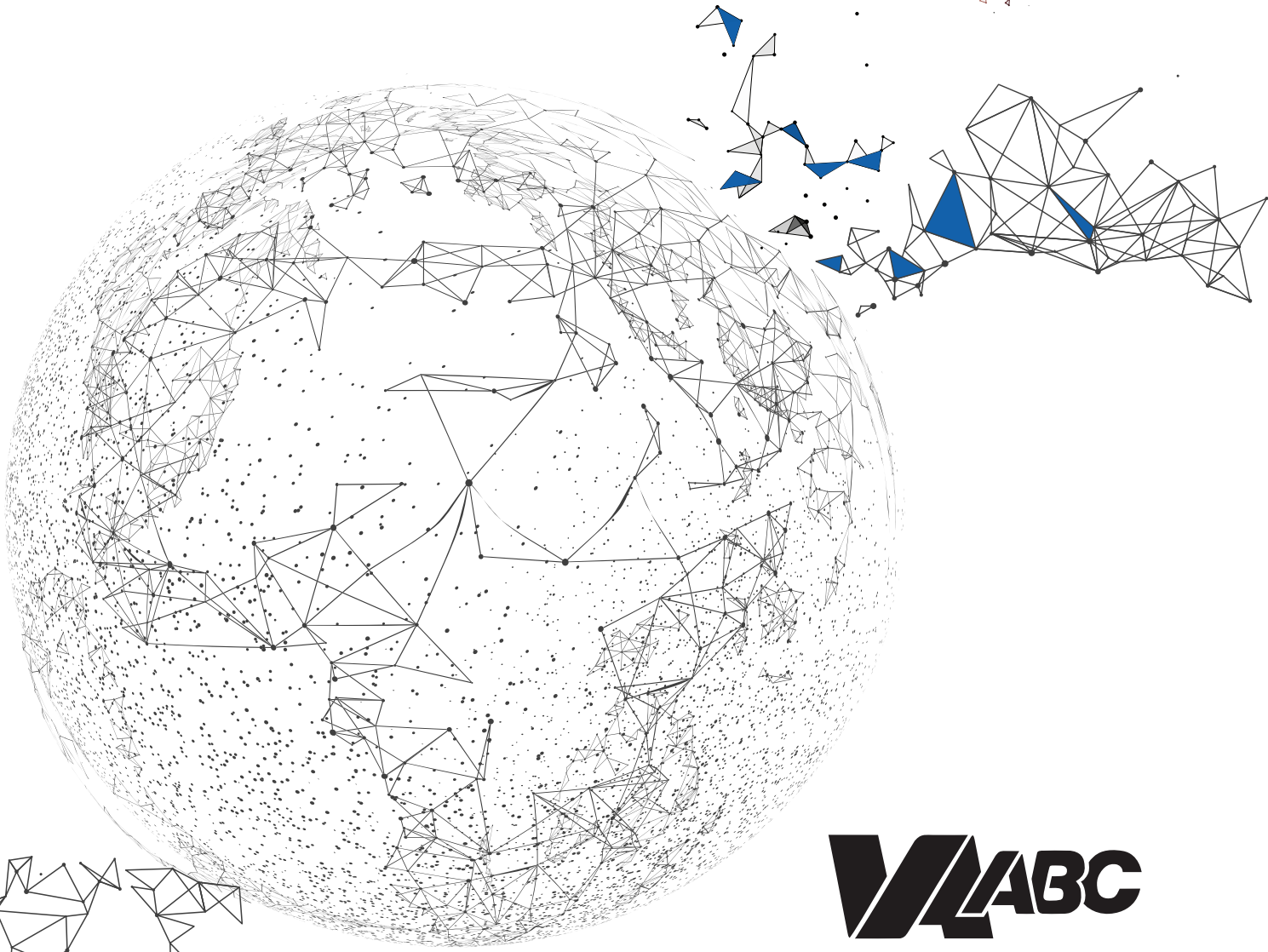


ADAPTING TO CHANGE



Virginia Alcoholic Beverage
Control Authority

A Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2020

A Component Unit of the Commonwealth of Virginia

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**Virginia Alcoholic Beverage
Control Authority**

A COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2020
prepared by Financial Management Services

Editorial and design by
Virginia ABC's Communications Division

Virginia Alcoholic Beverage Control Authority is a
Component Unit of the Commonwealth of Virginia

COVID

The Calm Before the Storm



Virginia ABC Chair Maria J. K. Everett

Virginia ABC saw changes abound in every facet of Authority operation. New faces in new places, new ideas, new technologies—even my appointment as ABC Board Chair.

The biggest change occurred at the end of the fiscal year’s third quarter when the COVID-19 pandemic hit in mid-March. Virginia ABC was quick to respond to the challenges of operating a billion-dollar business and supporting its licensee community during the midst of a quarantine.

The Authority took immediate measures to keep employees and customers safe. It introduced curbside pickup at most ABC stores for a contactless pickup experience and launched at-home shipping from a Suffolk store. Both initiatives were firsts for ABC.

The Authority’s Bureau of Law Enforcement extended privileges to licensees that enabled them to continue to operate under the trying circumstances. Cocktails to go, deferred license fees and curbside wine, beer and mixed drinks pickup and delivery were put into place to support licensees’ efforts to sustain their businesses.

Virginia ABC’s Education and Prevention staff, in response to youth teams being unable to continue implementing their Strategies To Act Now (STAN) Plans in their original formats, developed messaging for adult sponsors that included virtual collaboration and engagement resources, alcohol, tobacco and other drug education tools and information on virtual strategies such as social media campaigns.

Despite the pandemic, Virginia ABC continued its record-breaking fiscal year achievements. In fiscal year 2020, Virginia ABC produced \$1.2 billion in revenue, up \$117 million over fiscal year 2019. The Authority disbursed \$545.3 million to the Commonwealth’s general fund, an increase of \$45.8 million over the previous year. These disbursements reflected \$212.1 million in profits from retail sales, \$251.4 million in retail taxes and \$81.8 million collected in wine and beer taxes.

Virginia ABC opened 12 new stores which generated nearly \$18.3 million in sales. The Authority also oversaw six store remodels and 13 store relocations, enhancing customer service and accessibility.

In February, the Authority broke ground for its new headquarters and distribution center on a 40-acre site in Hanover County. By fiscal year end, the construction was well underway and on schedule for a summer 2021 opening.

The Authority exceeded its previous “Raise the Bar” holiday campaign with a “Holiday Cheers” campaign, which spanned Black Friday, Cyber Monday, Door Buster Days and Cyber Thursdays and continued utilizing TV spots for only the second time in ABC’s history. The campaign was a huge success with increased sales of \$7.5 million compared to the previous year.

The holiday season campaign came on the heels of a successful September Spirits Month which featured Virginia Spirits Day and Spirited Bourbon Day and the Authority’s first-ever Halloween-themed promotion. A “Spooky Spirits Day” downloadable e-coupon led to an average increase of 194 percent in sales of five designated “spooky spirits.”

Notwithstanding the challenges of the last four months of the fiscal year, Virginia ABC closed the cycle with the introduction of a new point of sale (POS) system in three Richmond-area stores. This new POS features an innovative design and streamlined many day-to-day store operations, including transactions, inventory management, licensee order fulfillment, and continues ABC’s efforts to provide a modern retail experience.

While change occurred throughout fiscal year 2020, one thing remained constant—the dedication of ABC employees to demonstrate accountability, service, integrity and performance excellence every day.

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2020 KEY AUTHORITY HIGHLIGHTS

Number of Stores	388
Total Employees	4,483
ABC Retail Licenses	20,204
ABC Profit Disbursements	\$212,090,014
Active Items on Price List	2,795
Total Gross Sales	\$1,173,498,688
Total Transfer to the Commonwealth	\$545,257,655

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Virginia Alcoholic Beverage
Control Authority

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



www.abc.virginia.gov

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

Letter of Transmittal

Virginia Alcoholic Beverage Control Authority

Chief Executive Officer

Travis G. Hill



Chair

Maria J. K. Everett

Vice Chair

Beth G. Hungate-Noland

Board of Directors

William D. Euille

Gregory F. Holland

Mark E. 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, 2020, in accordance with § 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 388 stores and employed over 4,480 employees throughout the Commonwealth. The Authority works closely with the Secretariat of Public Safety and Homeland Security in communicating and implementing ABC operations. 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.

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 secretariats, 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 \$11.4 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.

Letter of Transmittal

Economic Condition and Outlook

The economic outlook for the coming years suggest that both the national and Commonwealth economies will continue to grow, but at a slower rate than recent years (U.S. economy expanded by 2.3% in 2019). As the overall economy continues to grow at a stable rate, so does the sale of alcohol. The U.S. market for distilled spirits is expected to grow by 3-4% annually for the next several years.

ABC's profit, however, is a factor of two elements: sales performance and trends in expenses.

In fiscal year 2020, ABC's total operating revenue, excluding state tax on distilled spirits and wine, was \$1.0 billion. Gross sales of alcoholic beverages in the retail stores accounted for 97.8% of this revenue. The remaining 2.2% of revenue was generated largely through the ABC's regulatory and licensing activities.

ABC contributed \$212.1 million of net profits to the Commonwealth and collected \$275.5 million of taxes on ABC store sales (distilled spirits and wine) and wine and beer wholesaler taxes, and an additional \$57.7 million of general sales tax totaling \$545.3 million.

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

- *COVID-19 Pandemic* — As of the end of February 2020, Virginia ABC was on pace to potentially generate approximately \$1.125 billion of gross store sales revenue for the fiscal year. This trend was eclipsed by heightened consumer purchasing behavior starting in mid-March as the pandemic began to impact the Commonwealth, and resulted in fiscal year store sales of \$1.173 billion, \$48.6 million above the prior trend.
- *Same Store Sales* — As of the end of February 2020, prior to the impacts from COVID-19 impacting sales, same stores sales had generated \$723.1 million, up \$37.1 million over the prior fiscal year, or 5.4%. Including the impacts of COVID-19, same stores sales for the full 2020 fiscal year generated a total of \$1.141 billion, up \$94.3 million over the prior fiscal year, or 9.0%.
- *New Stores* — During fiscal year 2020, Virginia ABC opened twelve new stores across the state, generating \$18.3 million in sales. Additionally, the seven new stores that opened across the state during fiscal year 2019 generated \$5.7 million more in sales than in the fiscal year they opened, due to being open for the entire fiscal year. In addition, ABC also oversaw six store remodels and thirteen store relocations to improve market areas, enhancing customer service and accessibility.
- *Sunday Sales* — In fiscal year 2020, Sunday sales grew to \$93.8 million, up \$14.4 million, or an 18.1% increase. This increase is attributed to overall pandemic sales growth. There were 52 Sundays in both fiscal year 2020 and 2019.

The Authority's operating expenses increased 12.6% in fiscal year 2020. Personal service cost increased by \$17.0 million from fiscal year 2019, primarily due to increased staff and pay to run stores during the pandemic. In addition, contractual service cost increased \$9.1 million primarily due to increased IT contractor support to assist with the implementation of internal projects, particularly POS and the new financial management services (FMS) system.

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 57% of ABC non-merchandise expenditures, 16% are for continuous charges such as rent and utilities, 22% are for contractual services such as credit cards fees, shipping product to stores and telecommunications, and 5% are for miscellaneous expenses such as supplies, 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. ABC must invest in upgrading its systems to maintain viability, increase efficiency, and provide service excellence to its internal and external customers. 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 56-60.

Letter of Transmittal

Financial Controls

The accounting system of the Authority is dependent upon a strong system of internal accounting controls to ensure that financial information is both accurate and reliable. The Authority's internal controls are designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure adequate accounting data is compiled for financial statements.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance the objectives listed above are obtained. Reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived and the evaluation of costs and benefits is an estimate determined by management.

All internal control evaluations occur within the above framework. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording transactions. The Authority's internal controls are reviewed as necessary and are tested annually as part of the Commonwealth's Agency Risk Management and Internal Control Standards program.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. Virginia ABC has received a Certificate of Achievement for the second time last fiscal year (fiscal year 2019). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all state agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,



A. Jerome Fowlkes

Chief Administrative Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Virginia Alcoholic Beverage
Control Authority**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

EXECUTIVE INFORMATION

Organizational Structure



The Virginia ABC Board of Directors



Governor Ralph S. Northam

ABC Board of Directors

Chair	Maria J. K. Everett*
Board Member	Beth G. Hungate-Noland
Board Member	Mark E. Rubin
Board Member	Gregory F. Holland
Board Member	William D. Euille*

Executive Leadership

Chief Executive Officer	Travis G. Hill
Chief Administrative Officer	A. Jerome Fowlkes
Deputy Secretary to the Board	S. Christopher Curtis
Chief Retail Operating Officer	Vacant
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



Secretary of Public Safety and Homeland Security Brian J. Moran

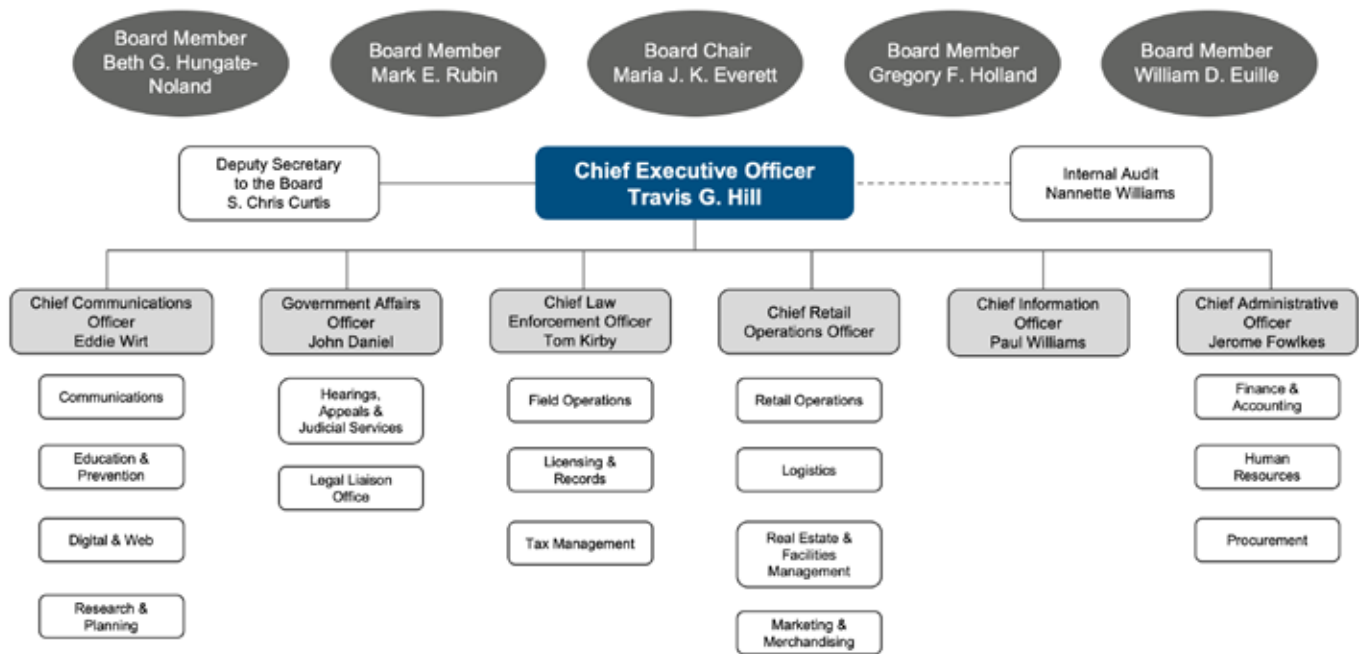
Division Directors

Communications	Nick Schimick
Financial Management Services	Vacant
Hearings, Appeals and Judicial Services	John Patrick Griffin
Human Resources	Vacant
Internal Audit	Nannette Williams
Logistics	Mark Dunham
Marketing	John Shiffer
Procurement and Support Services	Melissa Watts
Real Estate & Facilities Management	Susan W. Johnson
Retail Operations	Jennifer Burke

**All Board members, executive staff and division directors served throughout the fiscal year with the exception of the following: Maria J. K. Everett served as Vice Chair until her appointment as Chair after the resignation of Jeffrey L. Painter in November 2019. William D. Euille was appointed Board Member by Governor Northam in January 2020.*

EXECUTIVE INFORMATION

Organizational Structure



LEGISLATIVE SYNOPSIS

New Alcohol-Related Laws—Effective July 1, 2020

ABC License Reform

House Bill (HB) 390 and **Senate Bills (SB) 389** and **447** (*Chapters 1113 and 1114 of the 2020 Acts of Assembly*) modernizes and reforms Virginia ABC’s licenses by reducing the total number by approximately 50%. It reorganizes the licensing sections found in Title 4.1 of the Alcoholic Beverage Control Act to improve service to licensees by defining licenses as either retail, wholesale or manufacturing. The bill further addresses the changing world of alcoholic beverage service by creating a new “marketplace” license, which provides discretion to ABC in issuing specialized on-premises licenses authorizing a licensee to provide limited volumes of wine and beer to customers free of charge. Modest across-the-board license fee increases will address ABC’s continued growth and enable the authority to build on its commitment to support licensees with regulatory guidance from its Bureau of Law Enforcement.

“After several years of creative thinking within ABC and collaboration with various stakeholders, we’re pleased to now have a licensing solution that will provide long-term benefits for everyone,” said Chief Executive Officer Travis Hill. “Over the next year, licensees will see a gradual transition to the new licensing structure, with all amendments becoming effective no later than July 1, 2021.”

Games of Skill

HB 881 and **SB 971** (*Chapters 1217 and 1277 of the 2020 Acts of Assembly*) provides for a one-year phase-out of existing skill games, with skill games prohibited effective July 1, 2021. Each distributor who issues skill games to Virginia ABC licensees or truck stops pays a monthly tax of \$1,200 for each skill game provided for play during the previous month. Tax revenues would be disbursed among four entities with 2% going to the Problem Gambling Treatment and Support Fund, 2% to ABC for administering the bill’s provisions, 12% to localities in which the skill games are located and 84% to the COVID-19 Relief Fund, created by the bill. Distributors are required to report monthly to ABC the number of skill games provided for play. Distributors are prohibited from increasing the number of machines above the number provided for play as of June 30, 2020, and are prohibited from operating new skill games. Distributors are subject to a civil penalty of up to \$50,000 for violations of the bill’s provisions. ABC’s Board of Directors adopted final regulations to implement this legislation on June 11, 2020.

The following bill passed during the 2019 session effective July 1, 2020, allows the sale of distilled spirits in all Virginia jurisdictions, moving certain areas from “dry to wet” unless determined otherwise by referendum:

continued on next page

Mixed Beverage Referendum

HB 2634 and **SB 1110** (*Chapters 178 and 37 of the 2019 Acts of Assembly*) permits Virginia ABC to sell alcoholic beverages and restaurants to sell mixed beverages in all counties, cities, towns and supervisors' districts unless 10% of the qualified voters in those jurisdictions petition the circuit court asking that a referendum be held on the question of whether the sale of alcoholic beverages by restaurants licensed by ABC should be prohibited within that jurisdiction. Results of previous referenda taken prior to July 1, 2019, will be effective for five years after the date of the referenda, and previous establishments exempt from local mixed beverage referenda will continue licensure.

Other 2020 session legislation important to Virginia ABC and its stakeholders includes:

Virginia Spirits Board

HB 1436 and **SB 583** (*Chapters 40 and 85 of the 2020 Acts of Assembly*) establishes the Virginia Spirits Board within the Virginia Department of Agriculture and Consumer Services. The bill provides for a Virginia Spirits Promotion Fund, which includes research services to improve farming practices related to growing ingredients necessary for distillation in Virginia. The board may also enter into contracts with private and public entities to market, advertise and promote the industry, and engage in revenue generating activities. The Virginia Spirits Board includes gubernatorial appointees and ABC's Chief Executive Officer.

Habitual Drunkard Law Repeal

HB 923 (*Chapter 150 of the 2020 Acts of Assembly*) repeals the provision allowing a court to enter an order of interdiction prohibiting the sale of alcoholic beverages to any person who has shown to be a habitual drunkard.

ABC Net Payment Program

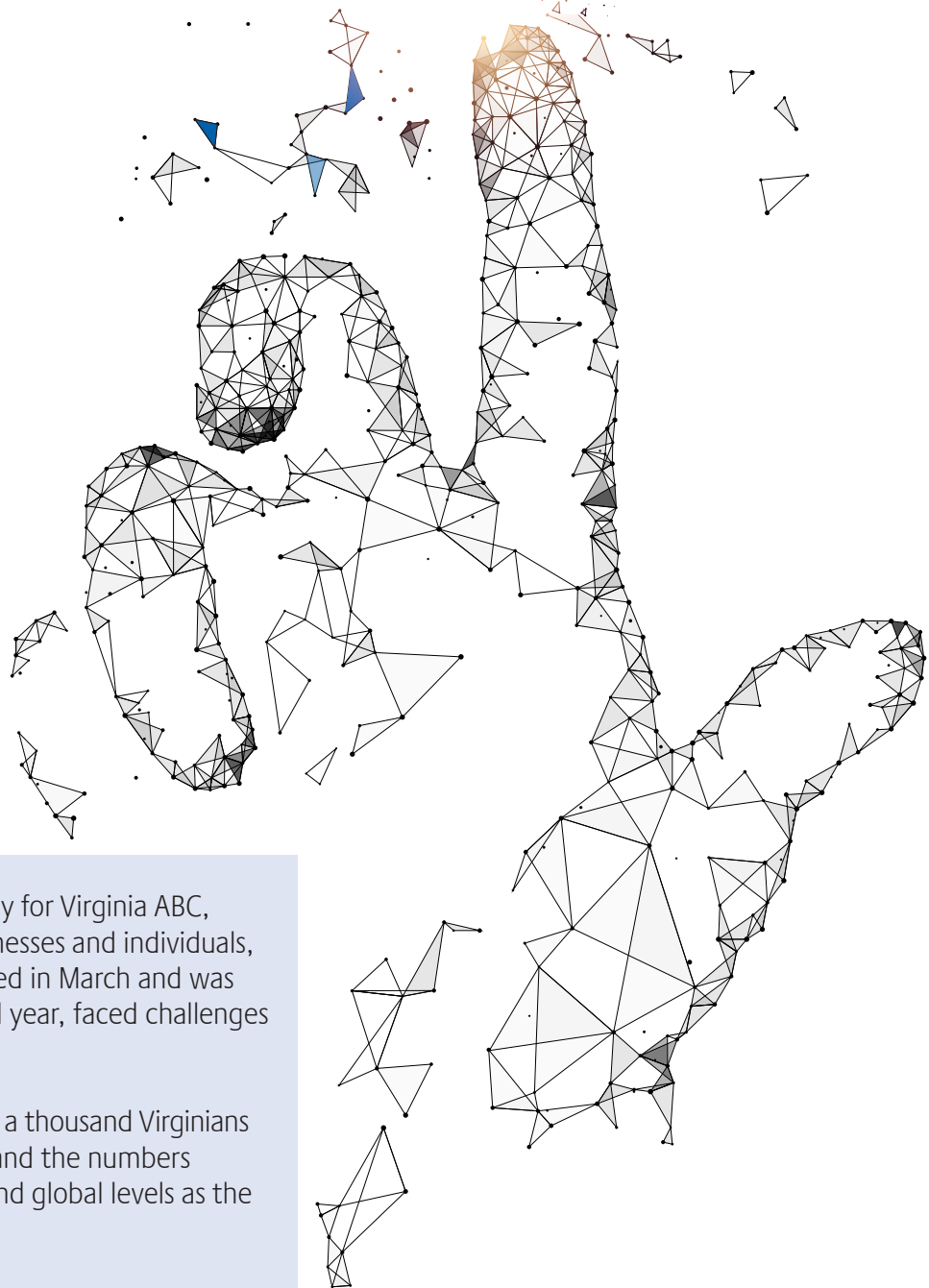
SB 698 (*Chapter 1017 of the 2020 Acts of Assembly*) requires Virginia ABC to allow licensed distillers to enter the Net Payment Program if they have a distillery store agreement and meet certain requirements for entry into the program. The Net Payment Program would allow these licensed distillers to submit electronic payments to Virginia ABC for applicable taxes and markups.

Additional measures impacting alcohol licenses:

- **SB 395** – eliminates Virginia's one-year residency requirement for the issuance of alcoholic beverage licenses to conform to the U.S. Supreme Court's ruling in *Tennessee Wine and Spirits Retailers Association v. Thomas*. This ruling held that state residency requirements violated the Commerce Clause.
- **SB 181** – reduces the acreage necessary for Virginia ABC to issue a Commercial Lifestyle Center license from locations with 25 acres to locations with 10 acres. This allows visitors at a mall or shopping center to buy drinks at a restaurant and leave the restaurant to enjoy it in the center's common areas.

- **SB 496** – authorizes culinary lodging resorts to obtain a mixed beverage restaurant license that allows for the sale of alcoholic beverages for on-premise consumption on areas approved by Virginia ABC, including any outdoor areas under control of the licensee.
- **HB 949 and SB 689** – increases the number of local special event licenses available each year from 12 to 16 events per year. This combined bill also restricts the duration of any licensed local special event to a maximum of three consecutive days.
- **SB 833** – increases the number of annual tasting licenses issued to any person from four to 12. The bill does not affect tastings conducted by manufacturers of alcoholic beverages, wholesalers or their representatives. These groups need a tasting permit for their products.
- **SB 497** – allows mixed beverage-licensed restaurants operated by private, nonprofit or for-profit clubs exclusively for members and their guests to sell and serve mixed beverages for on-premises consumption, and sell spirits that are packaged in original closed containers with a maximum capacity of 2 fluid ounces or 50 milliliters purchased from ABC for on-premise consumption.
- **SB 441** – permits winery licensees to sell at retail the brands of wine that the winery manufactures on the licensed premises described in the winery license for on-premise consumption or in closed containers for off-premise consumption.
- **SB 1029** – permits gourmet shop licensees to allow distilleries to participate in tastings at the gourmet shop.
- **SB 414** – removes the provision that restricts limited distiller licensees to manufacturing a maximum of 36,000 gallons of spirits per year.
- **HB 1088** – eliminates the requirement that food cooked or prepared on the premises be served at each retail on-premise location selling alcoholic beverages as part of a walking tour permit. Instead, the walking tour will go to retail on-premise locations selling alcoholic beverages. The fee charged by the licensee will also include any food offered as part of the tour, but food is not required.
- **HB 37** – narrows ABC permit requirements to keep, store or possess any still or distilling apparatus to include only instances in which the still or distilling apparatus is licensed for distilling alcohol.
- **SB 212 and HB 598** – provides for a new mixed beverage license for a performing arts facility located in Fairfax County. The new license authorizes the sale of alcoholic beverages for on-premises consumption only on the dates of performances or events in areas approved by ABC. This mixed beverage license would not be subject to the Mixed Beverage Annual Review (MBAR) or food requirements.
- **HB 731 and SB 676** – grants the City of Hampton's governing authority or its board of zoning appeals the ability to impose conditions upon any special exception or use permit relating to retail alcoholic beverage control licensees.

ADAPTING TO CHANGE



2020 certainly was a year of change. Not only for Virginia ABC, but for the entire world. Governments, businesses and individuals, impacted by a global pandemic that appeared in March and was still not under control at the end of the fiscal year, faced challenges never before seen.

The coronavirus, or COVID-19, infected nearly a thousand Virginians by June 30 including some ABC employees, and the numbers continued to grow at local, state, national and global levels as the virus spread.

The mantra for Virginia ABC became Adapting to Change.

Virginia ABC was three-quarters into fiscal year 2020 and nearing a second year of generating more than a billion dollars in revenue when it radically changed gears to address the arrival of COVID-19.

ABC's Procurement Division secured and distributed personal protective equipment throughout the Authority:

- **270,000** disposable masks
- **10,500** cloth masks
- **5,000** boxes of gloves
- More than **2,000** bottles and **800** five-gallon drums of hand sanitizer
- **1,200** face shields
- **1,150** Plexiglas shields
- **2,500** packets of disinfectant cleaning solution
- **32 55-gallon drums** of bleach that was converted to **1,600** one-gallon jugs and **850** spray bottles.
- Retail regional managers and individual purchasing officers also made numerous purchases of cleaning and disinfecting supplies in the field. Another **200,000 disposable masks**, **64,100 gloves** and **400 five-gallon containers of hand sanitizer** were also acquired after May 2.



Governor Ralph Northam's issuance of Executive Order 53 on March 23 limited in person public and private gatherings to 10 persons and closed all schools and non-essential businesses. Restaurants, breweries, distilleries, wineries and tasting rooms were limited to delivery and take out services for weeks.

CEO Travis Hill created a COVID-response team comprised of division directors and personnel from Enforcement and Communications which met several times a week and guided the Authority as it quickly transitioned to operating as one the Commonwealth's few essential businesses. Most central office personnel were working remotely and two regional enforcement offices (Hampton Roads and Northern Virginia) were closed to the public because of outbreaks in those regions at the end of March. ABC's 380+ stores continued to serve customers, albeit with limited hours as needed because of sicknesses or staff shortages.

The Authority-wide use of Microsoft Teams allowed for ABC to continue functioning efficiently on a day-to-day basis. Hearings were conducted virtually. Security personnel were critical in keeping the building safe for employees and warehouse staff who were unable to work remotely, while enforcement agents continued their important work. Virginia ABC also ensured licensees were able to continue to operate, providing new temporary guidance to allow for privileges such as to-go cocktails.

The health and safety of all Virginia ABC employees was the Authority's top priority. During the four weeks following Executive Order 53, ABC's Procurement Division secured and distributed personal protective equipment (PPE) to more than 4,000 employees.



RIGHT: The health and safety of all Virginia ABC employees was the Authority's top priority. During the four weeks following Executive Order 53, ABC's Procurement Division secured and distributed personal protective equipment (PPE) to more than 4,000 employees.



ABOVE: While many employees at ABC's Hermitage Road address were able to telework during the pandemic, employees in the Authority's warehouse continued to report to work. Even before the mandate, warehouse associates wore masks, many of which were handmade by ABC employees. Despite attrition due to employee shortages, the warehouse was able to keep ABC's stores well supplied.

The Logistics and Warehouse division significantly adapted its day-to-day receiving and shipping operations in response to the pandemic. As employees called out sick for shifts, Logistics cross-trained its staff to work in multiple areas of the warehouse. Human Resources hired 46 new warehouse employees to help alleviate the staff shortage. Following new safety guidelines, equipment was cleaned daily and employees began to practice social distancing. Many voluntarily wore homemade facemasks (stitched by other ABC employees) weeks before they were required to do so. The Authority provided complementary daily lunches, purchased from local restaurants, to limit unnecessary exposure for warehouse employees. Weekend shifts were added to ensure shipments went out to stores.

Even with these challenges, warehouse employees were able to meet holiday-levels of production and broke records along the way. From March 20 to April 2, the warehouse shipped 242,619 cases. On March 31, the crew shipped 26,485 cases in a single day, with all but three days between March 20 and April 2 surpassing 22,000 cases shipped. On a day in April when 45 employees called out, the warehouse still picked almost 20,000 cases despite the high number of callouts.

Retail stores and the Retail Division responded quickly as the pandemic escalated. All Virginia ABC stores modified their operating hours to allow ABC staff to thoroughly clean and disinfect stores and installed social distancing markers to ensure customers stood at least six feet apart from one another. The Procurement and Retail divisions worked tirelessly to acquire and install Plexiglas barriers at every register in all stores. Protocols were also implemented for suspected or confirmed cases of COVID-19 where the store was closed and professionally cleaned before being reopened.

ABC also adjusted its business model and phased in curbside pickup at nearly all of its stores. The new service allows for contactless pickup of product from most ABC stores the same day the order is placed, as long as inventory is available. The initiative was piloted on April 17 and by May 27, 370 stores across the state offered the service. The Authority

COVID-19-Related Hiring (March 16, 2020 – June 30, 2020):

Retail store hires:

- Full-Time: 36
- Wage: 1175

All other divisions:

- Full-Time: Logistics and Warehouse-5, Information Technology (IT)-1, Financial Management Services-1, Marketing-1, Bureau of Law Enforcement-1, Education and Prevention-1, Retail Operators-1, **Total: 11**
- Wage: Logistics and Warehouse-46, IT-3, Human Resources- 1, Facilities-1, **Total: 51**

RIGHT: On March 23, in response to the growing spread of COVID-19, Governor Ralph Northam issued Executive Order #53 closing non-essential businesses across the commonwealth. As an essential business, the Virginia Alcoholic Beverage Control Authority (ABC) took action to ensure the safety of its nearly 4,000 employees and the thousands of daily customers shopping in its 388 stores throughout the state.



also launched a pilot program to test the concept of shipping spirits, wines and mixers to customers’ homes, reinforcing its commitment to social distancing. Many divisions were involved in getting the pilot up and running quickly, from Retail, Logistics, Communications, Research and Planning, Information Tecnology and more.

COVID-related staffing shortages also occurred in the retail stores, as employees interacted with customers daily during the pandemic. In response to employee call outs which peaked at more than 500, Human Resources continued hiring during the COVID crisis, onboarding 1,175 wage employees and 36 full-time employees. These employees were crucial in keeping ABC’s operations up and running.

In an effort to blunt the financial impact of business closures related to the early phases of COVID-19 mitigation, the License Records Management Section deferred an estimated \$4.5 million dollars in payments for license renewals by extending for 90 days, the payment due dates for licenses expiring in March, April, May and June.

For Virginia restaurants, the Bureau of Law Enforcement relaxed or amended regulations to permit the curbside pickup of wine, beer and mixed drinks in sealed containers, and permitted the delivery of these products to customer’s homes. Additionally, the Bureau relaxed requirements and expedited approvals for outdoor dining permits which enabled businesses to create or expand the use of these areas. This proved to be especially helpful as restaurants were initially permitted to allow outdoor dining only.

DEPARTMENT HIGHLIGHTS

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For Virginia wineries and breweries, the Bureau permitted the sale of wine and beer in sealed containers for curbside pickup and allowed for the delivery of wine and beer to customers' homes. Virginia distilleries with distillery stores were permitted to use common carriers to ship products directly to consumers' homes. Both breweries and distilleries were permitted to re-purpose their equipment for the manufacture of critically needed hand sanitizer. Finally, in an effort to enhance social distancing and encourage paperless transactions, the Bureau waived the requirement for Virginia wholesalers to obtain a signature on deliveries between wholesale and retail licensees.

Following its crisis communication guidelines, the Communications Division continued its direct dialog with employees, customers and other key stakeholders as news and alerts became available. In the first eight weeks, Communications drafted more than 100 different CEO messages, media alerts, news releases, internal newsletter stories, social media posts and other key messages. The team also responded to 108 COVID-related media inquiries from across the state and participated in more than a dozen TV and radio interviews.

The Digital and Web Unit created a specific COVID-19 page on ABC's website, which served as an important hub of information for customers and industry partners, especially concerning store opening statuses. The page garnered over 41,000 visits in its first six days, with over 218,000 visits through eight weeks.

The Marketing Division significantly altered promotional programming by canceling new product listings, in-store tastings, and the successful Cyber Mom and Cyber Dad days, all while introducing a new marketing manager to the team in March.

The Education and Prevention Section (EPS) modified its high school prevention program, Youth Against Drugs and Alcohol Prevention Project (YADAPP). In response to youth teams being unable to continue implementing their Strategies To Act Now (STAN) Plans in their original formats, EPS staff developed messaging for adult sponsors that included virtual collaboration and engagement resources, alcohol, tobacco and other drug education tools and information on virtual strategies, such as social media campaigns. While barriers of technology resources such as WiFi and computer accessibility hindered some youth teams from redeveloping their STAN Plan, other teams were able to redevelop their strategies to be delivered virtually.

Virginia ABC stood its ground as an essential business during the COVID-19 crisis and continued to provide its customers and licensees the tools they needed to safely acquire spirits.



ABOVE: Virginia ABC's Bureau of Law Enforcement supported the licensee community by enabling numerous temporary privileges during the COVID-19 pandemic. In April 2019, less than a month after the pandemic hit, restaurants were permitted to begin selling cocktails to go with the purchase of an entrée. NN Burger, in the town of Kilmarnock on Virginia's Northern Neck, was one of many restaurants that offered cocktails in sealed containers.

Bureau of Law Enforcement

Charged with enforcing the laws and regulations governing the manufacture, distribution, sale and consumption of alcoholic beverages and tobacco, the Bureau of Law Enforcement utilized innovative education and community/business partnerships to fulfill its mission. Both sworn and civilian personnel located in the ABC's central Richmond office and in nine regional enforcement offices actively engaged with local law enforcement partners, community coalitions and businesses to help make Virginia safe.

The Bureau also managed the Authority's License Records Management section (LRM) that oversaw the life of all ABC licenses from application to renewal, as well as all disciplinary hearings, processes and outcomes.

Communications Division

The team made significant contributions throughout the fiscal year to ABC's mission and vision while supporting the daily business functions of the Authority. Communications provided writing, editing, media relations, photography, graphic design, images and event planning services to numerous internal clients. 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 Authority's employees, its customers, the media and other stakeholders. The communications team served as an advisor to leadership in maintaining the authority's image and reputation by developing talking points for internal and external use on a variety of timely and sensitive issues.

Keeping up with the Jones

Throughout its history, Virginia ABC has adapted to about anything the world has thrown its way. Now, the Authority is embracing some cutting edge technologies and technological practices, from using product data and new point of sale systems to enhancing customer shopping experiences and harnessing the power of artificial intelligence, to evaluate public sentiment. This fiscal year will be remembered as the year ABC embraced technology and launched into the future.

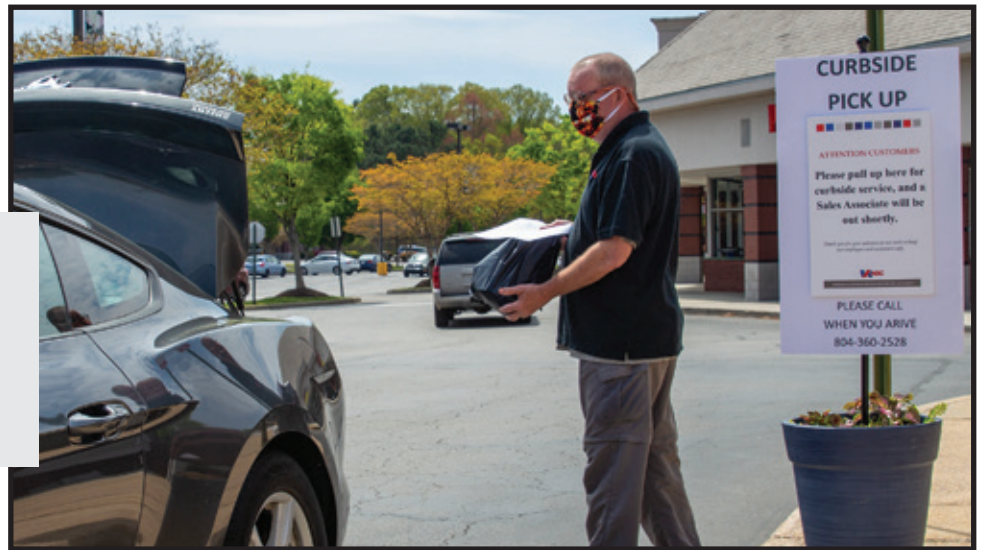
Curbside Pickup and Home Shipping

In response to COVID-19, the Authority introduced curbside pickup at Richmond's store 331 in April. A collaborative effort by the Retail and Information Technology divisions and staff from ABC's Digital and Web unit, the service was stood up in a matter of weeks. The new process takes a customer's online order and fills it in a matter of hours, based upon a customer-selected pickup time.

ABC also fast tracked a pilot for home shipping, launching the new service on May 28. Suffolk Store 377 tested the program for customers residing within a 25-mile radius of the store. During the first four weeks of offering the service, the store processed more than 150 orders totaling more than \$13,300 in sales. The most popular products shipped were Smirnoff, Tito's, Seagram's, Jose Cuervo and Crown Royal.



RIGHT: In response to COVID-19, the Authority introduced curbside pickup. The transaction at the curb is contactless — making it safer for employees and customers. By fiscal year end, nearly 370 of the Authority's 388 stores offered this convenient service.

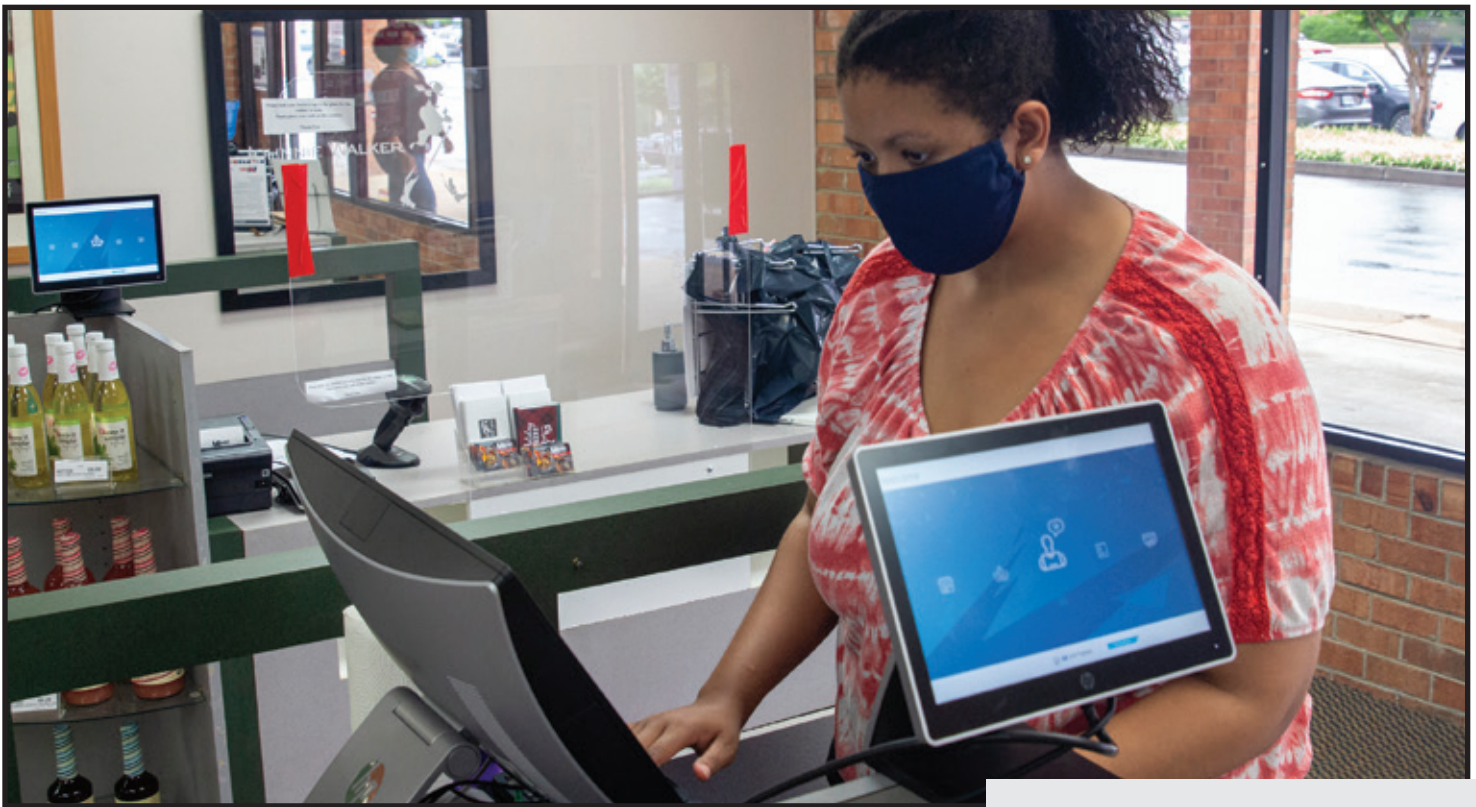


Communications Division, *continued*

Communications wrote and distributed news releases, responded to media inquiries and provided talking points for numerous interviews. The division also drafted speeches for board appearances, planned and executed store grand opening and other special events and wrote, edited and designed collateral pieces including posters, brochures, booklets and direct mail pieces. Communications supported "Mixer" (the internal SharePoint intranet platform) and managed the authority's social media presence by posting regularly on Facebook, Twitter and Instagram. The division also produced the Authority's Annual Report, Spirited Virginia magazine and Licensee e-newsletter and maintained Mixer's news page, ABC Now, by updating the site daily with new content.

Digital and Web Unit

The Digital and Web Unit continued work in content, e-commerce and digital development. The scope of e-commerce work expanded beyond a single event, encompassing usability, content and personalization, web system software and infrastructure, internal communication and omni-channel capabilities. Through all this, the unit continued in a key internal partnership with IT's Digital Development Group, conducting regular monthly releases of enhancements to the website and ecommerce. The digital group continued to examine and improve the online ordering experience, based on feedback and new testing. Notably, staff improved the integration of store and warehouse ordering and created alternate pickup capabilities and better email messaging.



In response to the increased market demand for delivery options due to COVID, these two initiatives provided order fulfillment options that limited in-person interactions for our staff and customers and helped Virginia ABC to offer continued service to customers who were unable or did not wish to shop in our stores.

Point of Sale System Rollout

After two years in development, in June 2020 and amid the pandemic, Virginia ABC piloted a new point of sale (POS) system in three Richmond area stores (308, 150 and 363). The sleek design of the new system streamlines many of the day-to-day store operations such as customer transactions, inventory management and licensee order fulfillment, taking Virginia ABC to the next level as a modern retailer.

Led by ABC's Retail Operations Division and supported by the Information Technology Division, the new POS system replaced the store's previous hardware, software and network connections. The new design of the POS registers and intuitive ease of use of the POS software allows store associates to be more efficient and effective while being able to provide more interactive information to the customers. Store associates also have ready access to ABC's website and other tools while at the register.

ABOVE: The new point of sale system (POS) features a large touch screen monitor for store associates, 10-inch customer transaction displays and a handheld device that can be used to receive inventory and complete e-commerce and licensing transactions without using the registers. Roll out of the new POS in stores across the commonwealth continued into the following fiscal year.

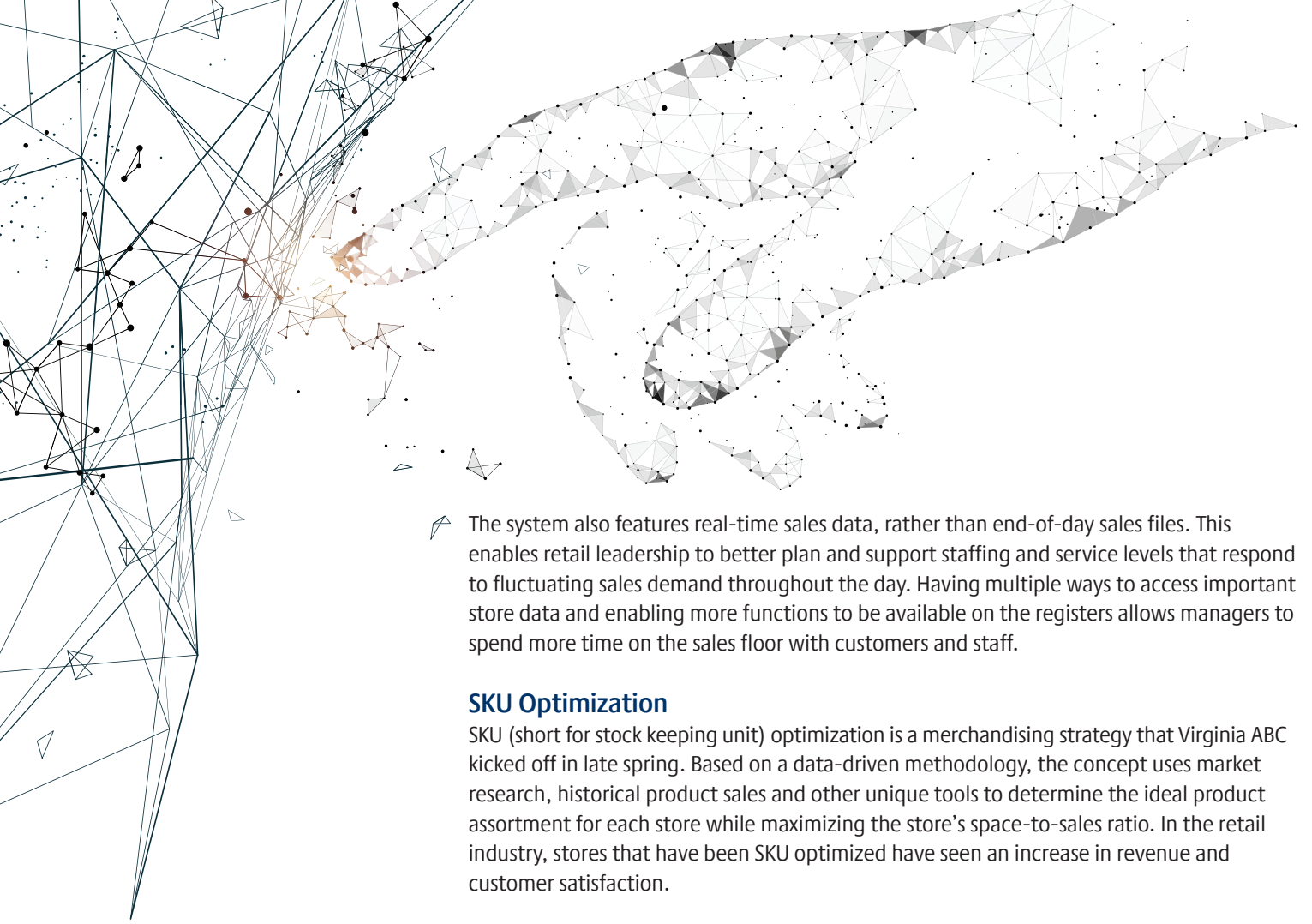
Education and Prevention Section

The Education and Prevention Section (EPS)'s mission is to prevent underage and high-risk drinking by building the capacity of Virginia's communities to educate individuals and prevent substance misuse. EPS offers an extensive library of resources and programming for audiences of all ages including, the distribution of trainings, curriculum and grants to assist community partners in developing and implementing their own alcohol education and prevention initiatives. EPS utilizes the most current data and best practices to ensure that alcohol safety and responsibility practices are in place and to provide quality and effective programming across the commonwealth.

Financial Management Services

The Financial Management Services (FMS) Division is comprised of multiple departments: The Accounting Department ensured the Authority's financial records were maintained in accordance to Generally Accepted Accounting Principles (GAAP) and performed reconciliations of the Authority's general ledger accounts. The Accounts Payable Department processed payments to the Authority's vendors. The Payroll Department processed salary and wage paychecks for Authority employees and ensured all deductions, adjustments, and employee leave balances were properly accounted.

The Sales Audit Department balanced daily retail store cash and credit card receipts, reconciled licensee payments, and monitored online and retail store credit card activity to prevent fraudulent transactions.



✦ The system also features real-time sales data, rather than end-of-day sales files. This enables retail leadership to better plan and support staffing and service levels that respond to fluctuating sales demand throughout the day. Having multiple ways to access important store data and enabling more functions to be available on the registers allows managers to spend more time on the sales floor with customers and staff.

SKU Optimization

SKU (short for stock keeping unit) optimization is a merchandising strategy that Virginia ABC kicked off in late spring. Based on a data-driven methodology, the concept uses market research, historical product sales and other unique tools to determine the ideal product assortment for each store while maximizing the store's space-to-sales ratio. In the retail industry, stores that have been SKU optimized have seen an increase in revenue and customer satisfaction.

Although ABC has always had a formal listing and delisting process for adding new items and removing poor-performing items from the product catalog, SKU optimization allowed for product consistency in all stores. With SKU optimization, poorly performing products are identified and replaced with new items that are expected to be popular with customers. This resulted in a better product assortment and a more streamlined, organized and easily navigated stockroom.

SKU-optimized stores no longer have to wait until the quarterly listing and delisting process to make changes to their product assortment. The new process enables a more nimble approach with products updated every week. Items that are less appealing to customers and those that are wasting valuable shelf space were eliminated to free up space to display new products.

Financial Management Services, *continued*

The Financial Reporting Department prepared the Authority's annual financial statements, developed the Authority's annual budget, and provided ad-hoc financial reporting and analysis as needed.

The Processes and Controls Department ensured the Authority's compliance with the Commonwealth's Agency Risk Management and Internal Control Standards (ARMICS), the Commonwealth's Accounting Policies and Procedures (CAPP) manual and the Authority's financial policies.

Hearings, Appeals and Judicial Services

The Hearings, Appeals and Judicial Services Division ("HAJS") provides fair, unbiased hearings and alternate dispute resolution options for ABC stakeholders, applicants, licensees and permit holders (both within and beyond the Commonwealth's borders) and other interested parties. HAJS holds four types of hearings: application hearings to resolve contested requests for ABC licenses; disciplinary hearings to determine if an ABC law or regulation has been violated; summary suspension hearings to consider what, if any, measures are needed to protect the public safety; and franchise hearings to resolve disputes arising under distribution agreements between wine or beer manufacturers and their wholesalers. If all parties agree in writing, HAJS mediation services are available to attempt to resolve franchise mat-

Following the first pilot in stores 180, 366, 413 and 247, ABC made adjustments and rolled out a second pilot in stores 254, 312, 66 and 47 that was completed by fiscal year end. Store personnel reported that in addition to all of the other benefits of this new merchandising technique, their stores dealt with less inventory, resulting in less stock to organize, fewer case stacks and improved safety and maneuverability in the stockroom. Managers spent less time preparing their weekly order and rarely needed to request an emergency order.

New Social Media Tools

In fiscal year 2020, Virginia ABC commanded a significant presence on social media, representing four brands across nine public-facing accounts which included Facebook, Instagram, LinkedIn, Twitter and YouTube. To better administer ABC's social media portfolio amongst multiple account users, the Authority upgraded its media management platform to Hootsuite Business in 2019. The enhanced service streamlines the content review and posting process and allows staff responsible for social media to monitor comments about ABC's brands and respond to questions directly from Hootsuite.

Millennials (largely 25-34-year-olds), a demographic more likely to try new products, were introduced to ABC via the Spirited Virginia brand on Instagram (@SpiritedVirginia) in January 2020. The visual nature of Instagram is a perfect venue to display full-color photos of refreshing cocktails and the spirits used to create them, something that would have been more difficult to illustrate on other social media platforms. It didn't take long for Instagram users to discover Spirited Virginia. In fact, within the first three months, the new account had 250 followers.

The Communications Division acquired Talkwalker, a tool for monitoring and analyzing mentions of Virginia ABC and its campaigns, programs and products across multiple news and social channels in real-time, in April 2019. The platform also uses artificial intelligence to measure public sentiment toward ABC's brands (positive, negative and neutral) and identify trends. Talkwalker users can create reports showing the effectiveness of ABC's outreach efforts on paid, earned, shared and owned media channels. The platform also integrates with Hootsuite Business.

Video Hosting

In March 2020, Virginia ABC sought a new video platform to host its videos in a truly ad-free space and landed on Vimeo as the solution. ABC had previously posted videos exclusively on YouTube. Vimeo provides Virginia ABC with robust marketing and analytics tools, as well as customizable players, in-platform review capabilities and a video experience free of ads and suggested content at the end of the video. Virginia ABC's YouTube page still exists but is not an active social media platform.

ters and many application and disciplinary matters. The coming fiscal year will see an expansion of disciplinary matters with the inclusion of alleged improprieties in the operation of skill game activities.

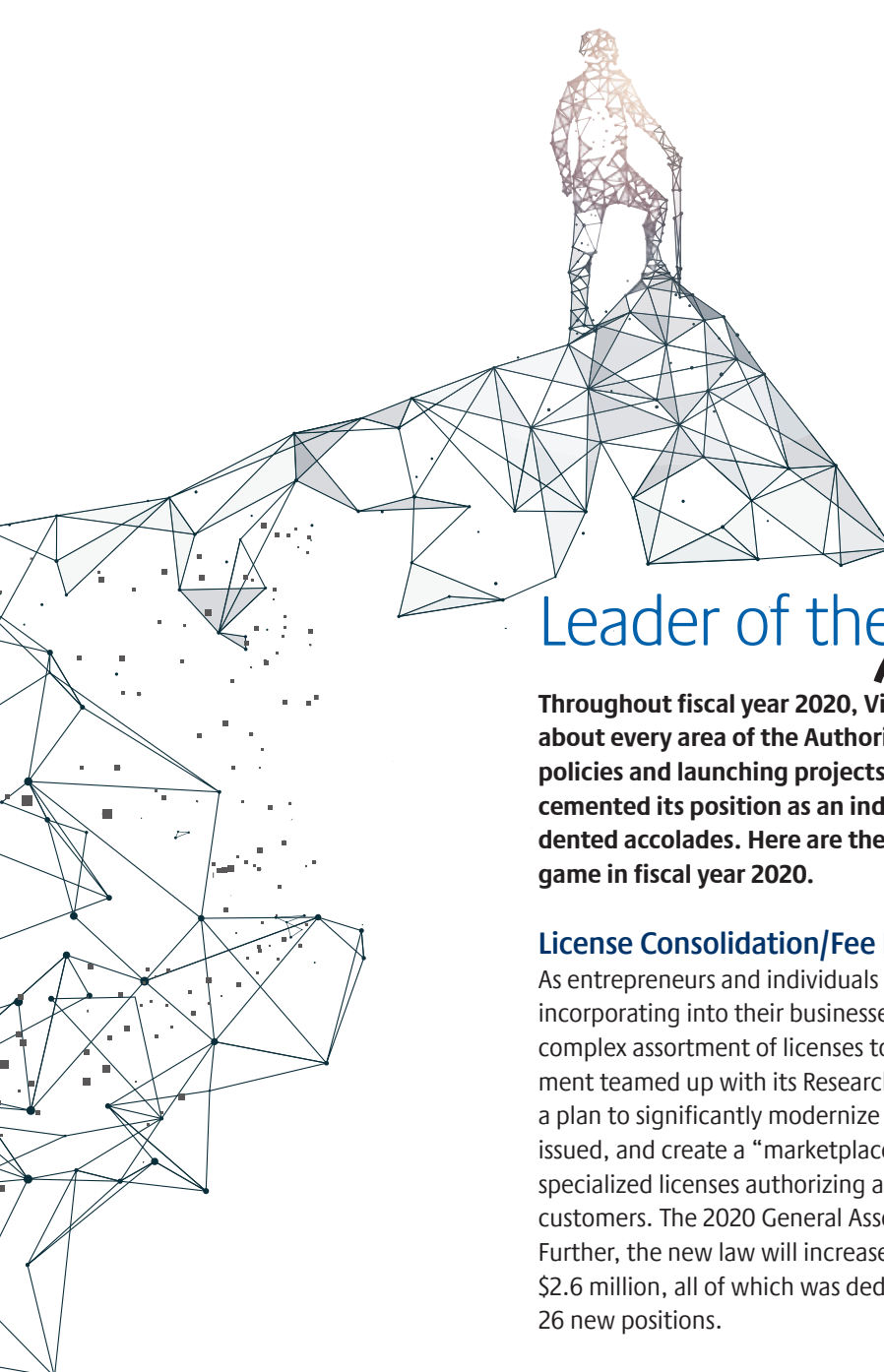
Human Resources Division

The Human Resources Division supported Virginia ABC's business objectives during fiscal year 2020 by providing services in the area of recruitment and selection, employee relations, employee engagement, compensation, benefits, policy development, learning and development human resources information systems.

The Employee Experience Team was tasked with improving employee engagement in the workplace with the goal of empowering, motivating and engaging the ABC workforce and ensuring their initiatives aligned with business goals and objectives. The team modified the new hire onboarding process to a virtual platform during the COVID-19 pandemic. The team also continued to address employee recognition, employee retention, diversity and inclusion, employee retention and employee appreciation.

The Learning and Development Team contributed to the overall success of the division by ensuring Authority employees learn new skills for increased productivity. Course options included state-mandated courses, supervisor training, law enforcement training and instructor-led courses.





INDUSTRY Leader of the Pack

Throughout fiscal year 2020, Virginia ABC saw outstanding accomplishments in just about every area of the Authority. Tasked with developing innovative processes and policies and launching projects to improve services and operations, Virginia ABC cemented its position as an industry leader and earned the new Authority unprecedented accolades. Here are the achievements that catapulted ABC to the top of its game in fiscal year 2020.

License Consolidation/Fee Reform

As entrepreneurs and individuals continue to innovate alcoholic beverage production and incorporating into their businesses and celebrations, Virginia ABC faced an increasingly complex assortment of licenses to address them. The Authority's Bureau of Law Enforcement teamed up with its Research and Planning section and Legislative teams to develop a plan to significantly modernize the Authority's licensing, reduce the types of licenses issued, and create a "marketplace" license which could provide ABC discretion in issuing specialized licenses authorizing a licensee to provide limited volumes of wine and beer to customers. The 2020 General Assembly passed legislation putting this plan in place. Further, the new law will increase license fees which expected to raise an additional \$2.6 million, all of which was dedicated to Virginia ABC's Bureau of Law Enforcement for 26 new positions.

This license reform legislation was the result of many years of effort by dedicated employees in the Authority and improved service by the enforcement division to licensees, both from a compliance and enforcement perspective.

Information Technology Division

The Information Technology (IT) Services Division continued its support of the Authority's mission with delivery of IT user and technical services, including driving modernization through project execution.

IT started the year expecting some exciting major projects to come online in 2020. The division moved ABC's Enforcement Case Management system, Web Search and Development tracking systems to cloud based services and began to deploy or pilot new business capabilities such as curbside pickup, home delivery and the new POS system.

In the coming year, IT intends to migrate the last of ABC's operations that are hosted with VITA in the Commonwealth data center to private and public clouds. This includes moving ABC's website to Azure to meet rising e-commerce demand and changing ABC's corporate "identity" to VirginiaABC.com which will allow ABC to better support our customers. This conversion commenced with all employee email addresses changing to "firstname.lastname@VirginiaABC.com" in late August. From then on staff would be all hands on deck for rolling out the new POS to all stores, integration and build work for the new warehouse and expanding our consumer shipping options.



ABOVE: Led by Special Agent in Charge Mike McKee, the Bureau of Law Enforcement’s reaccreditation efforts required a thorough inspection and review of Authority policies, procedures, processes and operations as defined by 190 stringent compliance standards. Bureau leadership accepted ABC’s certificate of reaccreditation at the January 9 meeting of the Virginia Law Enforcement Professional Standards Commission (VLEPSC) held in Pulas-ki. Pictured left to right, Deputy Chief Donnie Brown, Special Agent in Charge Mike McKee, Chief Law Enforcement Officer Tom Kirby and Deputy Chief Ryan Porter.

Bureau of Law Enforcement Accreditation

It isn’t easy to be accredited by the Virginia Law Enforcement Professional Standards Commission (VLEPSC)—only 99 of the nearly 400 law enforcement organizations in Virginia have achieved the high standards of accreditation. It’s even more challenging when Virginia ABC’s Bureau of Law Enforcement has agents spread throughout the state among nine regional offices. However, despite these challenges, Virginia ABC not only received its first re-accreditation in January 2020, but the Bureau aced the assessment, meeting every standard of compliance. ABC Chief Law Enforcement Officer Tom Kirby attributed the overwhelming success to the hard work of the Bureau’s reaccreditation team and agents who strive to always uphold public trust and adherence to the VLEPSC standards. Cindy Caldwell, the lead assessor of the three-member assessment team, which was comprised of sworn law enforcement personnel from other agencies or jurisdictions, noted at the January 9, 2020, announcement that it was evident from the beginning of the process that every member of the Authority reflects their mission and their leadership. Virginia ABC will be up for its second re-accreditation in four years.

Internal Audit Division

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

Internal audit administered the store audit program, completing store reviews and distillery store reviews. Staff completed both external and internal fraud and abuse complaints and investigations. Internal Audit also oversaw efforts for compliance with Virginia Information Technologies Agency (VITA) SEC 502 information security audits.

Information security ensured appropriate security controls and risk transfer options designed to protect the Authority’s investments were in place and monitored as well as provided expertise to implement the Information Technology security program.

Logistics Division

The Logistics Division maintained warehouse efficiencies developed in FY19 through February 2020. Due to COVID-19 the warehouse revamped its processes promoting safety through social distancing leading to an 8% reduction in shipping productivity. The division continued to focus on special order process improvement and inventory availability leading to a 56% increase in special order sales.

Supplier and Carrier Scorecards

The best ideas are more often than not born in the heat of problem-solving. Virginia ABC's Logistics Division collaborated with the Authority's Retail and Information Technology divisions to come up with a way to more efficiently move inventory to ABC stores and address concerns about supplier violations. The results of this collaboration not only improved operations and profitability for the Authority, it was award-winning. Virginia ABC received a **Governor's Technology Award** in September 2019 for the Forecast and Demand Planning Software (THRIVE) and the Supplier Scorecards initiatives. The award was won in the IT As Efficiency Driver-Government to Business category. THRIVE allows the Authority and its retail stores the ability to predict sales growth of products during a particular time of year or promotional period. Thanks to this software, Virginia ABC has been able to successfully predict and push high selling products and reevaluate slow-moving products in retail stores. The forecasting software has also been beneficial for product promotions such as holiday campaigns. The Supplier Scorecard initiative keeps track of monthly supplier violations and the Carrier Scorecard provides a running total of these violations throughout the year. This allows the Authority, the Logistics Division and the warehouse to hold suppliers accountable and be cost-effective with increased efficiency for production and delivery. The scorecards have been effective in decreasing violations and holding suppliers accountable for supply delays and mistakes.

ABOVE: Flanked by ABC leadership and staff from the Commonwealth of Virginia's Information Technology team, ABC Process Improvement Analyst Greg Doerr accepts the Governor's Technology Award on Thursday, September 5 for the Authority. The award recognizes ABC's Forecast and Demand Planning Software (THRIVE) and the Supplier Scorecards initiatives forged by the Logistics Division which promoted collaboration with Retail and IT.



Logistics Division, *continued*

The warehouse continued to produce record shipping days during the 2019 holiday season. The warehouse had a four-day period where over 30,000 cases of product shipped daily. The high-water mark of this run was a peak day of 35,333 cases, with the average peak day of 30,697 cases.

Marketing Division

The efforts of the Marketing Division continued to yield positive results for the Authority. The division developed and implemented consumer engagement and retail merchandising strategies and plans that grew Virginia ABC sales and profits. The division continued to leverage traditional media, social media, email, promotional programs and other vehicles to con-

nect with, inform and educate customers about Virginia ABC products and services. Marketing led quarterly product listings and de-listings as well as ABC's popular online lotteries, providing our customers with an exceptional product selection across categories, brands, bottle sizes and price points.

Procurement and Support Services Division

The Procurement and Support Services Division' managed Authority funds distribution for the purpose of obtaining quality goods and services. The division assisted 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 state and federal laws. Virginia ABC contracted and procured goods and services including eVA direct orders and Small Purchase Card Charge (SPCC) transactions.

Forging New Paths in Substance Use Prevention

Troubling and, in many cases, dire consequences of alcohol and other drug use among students at Virginia's colleges and universities compelled the commonwealth's Commission on Youth to team up with ABC in fiscal year 2019 to find more effective ways to address this persistent and growing public health and safety problem. The result was the Virginia Higher Education Substance Use Advisory Committee (VHESUAC).

During fiscal year 2020, VHESUAC, a group of representatives from public and private institutions of higher education, student leaders, state agencies and statewide partners in substance misuse prevention, collaborated to reduce college substance misuse and advocate for policies and practices that are science-based.

The committee interviewed administrators and staff at 30 Virginia colleges and universities about the institutions' perceptions and needs regarding the growth of student substance use and to identify ways to assist schools in developing individual strategic plans. These interviews revealed that most of the participating colleges and universities are interested in sharing effective strategies and approaches for reducing student substance misuse with other schools, and 38% of schools are planning to increase their capacity to address and respond to students with possible alcohol and other drug problems.

This information was used to develop a statewide strategic plan for substance use education, prevention, treatment and recovery at Virginia's public and private institutions of higher education.

Speaking of Awards...

A robust, multi-divisional program to promote holiday sales in 2018 earned ABC a **StateWays Magazine "Best Consumer Education Program" Award** in 2019. Every year ABC gears up for the holiday season with a series of promotions featuring discounts on spirits in its stores, innovative website and social media content and in-store tastings. In 2018, the Authority coordinated its biggest holiday campaign yet, with multiple promotions across the holiday season, including Black Friday, Cyber Monday, Door Buster Days and six category-specific Spirited Thursdays.

With the 2018 holiday campaign, Virginia ABC was able to:

- Increase sales by 9.2% compared to 2017 by bringing in \$7.5 million in incremental revenue.
- Implement a statewide media campaign, reaching customers across a variety of platforms across the commonwealth for the first time in Virginia ABC's 84-year history.

Real Estate and Facilities Management Division

The Real Estate and Facilities Management Division responsibly managed ABC's central office, warehouse, and 388 retail stores. The Division focused on three major areas of responsibility: 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. Division staff worked with Virginia's commercial retail brokerage community and landlords (as well as Retail Operations, Logistics, Marketing, Finance, and Research & Planning) to discuss new store, relocation, and renewal lease activity in an effort to make sound recommendations to Virginia ABC's Board of Directors.

Research & Planning Unit

The Research & Planning unit supports all levels of Authority leadership for strategic and tactical decision making by providing data driven guidance, higher-level analytical perspectives, financial analysis tools, and other value add activities. In addition to supporting internal leadership, Research & Planning provides a number of services to external stakeholders in support of Authority objectives.

The unit produced monthly and ad hoc reports on sales, product and store performance; assessed performance of holiday sales campaigns, online sales promotions, and pop up stores; and evaluated store locations for either new store placement or lease renewal. Research & Planning



ABOVE: Virginia ABC's ability to educate and engage with Virginians about the upcoming holiday campaign promotions across the commonwealth using various marketing and social strategies came with an incredible response, bringing in \$7.5 million in incremental revenue.

In early March 2020, the **Virginia Information Technologies Agency (VITA)** honored ABC with a **Project Excellence Award** for the creation, implementation and installation of a new Financial Management System. The project was a gigantic undertaking, requiring thousands of man-hours, collaboration with outside entities and partners, and rigorous testing and re-testing. The Financial Management System implemented three applications with 12 modules and was released over two release dates which spanned a year.

The Government Finance Officers Association notified ABC in September 2020 that the Authority's 126-page 2019 Annual Report was awarded the organization's **Certificate of Achievement for Excellence in Financial Reporting**. It was the second time ABC had submitted its annual report for the award, which is the highest form of recognition in the area of government accounting and financial reporting. The Authority's annual report was singled out for its constructive "spirit of full disclosure" to communicate ABC's financial story.



ABOVE: The Authority's flagship publication, Spirited Virginia magazine features interesting stories about distilled spirits, beautiful photography, cocktail recipes, special columns, Authority news and Virginia ABC's product price list. The magazine is available free of charge in ABC stores and is produced at no charge through a partnership with Leisure Media 360, a Roanoke-based publisher.

In May 2020, the Richmond Chapter of the Public Relations Society of America recognized ABC's Communications Division with eight awards in an annual competition open to communications professionals across the commonwealth. ABC, which was among a variety of organizations and local/state government agencies honored for their ability to find new ways to communicate effectively and creatively, received awards in the following categories:

- **Capital Award of Excellence — Brochures:** "Spirited Virginia Magazine," a 64-page publication published quarterly at no cost to Virginia taxpayers and distributed free to ABC store customers. This was the third year ABC's publication received the award.
- **Capital Award of Merit — Social Media, Paid:** "September Spirits Celebration," a social media campaign based on the in-store event, which featured Virginia-made spirits and a bourbon bounty.
- **Capital Award of Merit — Feature Stories:** "Spirited Virginia: A Drink to Call Your Own," a feature story written by Annie Tobey about couples and organizations who created their own unique twist on classic cocktails to commemorate their wedding or special occasion.
- **Capital Award of Merit — Internal/Intranet Programs:** "Holiday Retail Training Videos," a seven-part video series that informed retail employees about standards of service in stores as well as the 2019 holiday campaign in an entertaining and informative format.
- **Capital Award of Merit — Social Media: Organic:** "Come Work With Us" recruitment video, Virginia ABC's Bureau of Law Enforcement video which showed the day-to-day experience of being a special agent to increase recruitment of new agents.

Research & Planning Unit, *continued*

continued to manage and coordinate the analysis, development and maintenance of ABC's strategic plan. The unit also supports Authority infrastructure by managing functions such as Freedom of Information Act (FOIA) requests, policy management, and records retention and management.

Retail Operations Division

The Retail Operations Division was responsible for the operation of 388 stores across the commonwealth — 386 self-service stores which included four premier locations and four conventional/counter service stores. A team of 25 regional managers and two zone managers guided the operations of a classified and part-time work force of 4,000 plus employees and the management of retail stores.

Open 362 days of the year, these stores served more than 35 million customers and generated more than \$1.1 billion in sales during the fiscal year. Operational support and guidance for the stores was provided by a staff of nine employees in Richmond's central office.

- **Commonwealth Award of Merit—Brief Events and Observances:** “Cyber Monday Campaign,” a coordinated marketing, communications, web and retail effort for online sales on Cyber Monday.
- **Commonwealth Award of Merit—Marketing Consumer Products/Services:** “Cyber Mom and Dad Day Promotions,” a brand new promotion series which featured discounts centered on Mother’s and Father’s days.
- **Commonwealth Award of Merit—Government Communication:** “A Billion Reasons to Celebrate,” the campaign which celebrated Virginia ABC reaching the \$1 billion revenue mark.

Finally, a video, “Follow the Bottle: A Billion Reasons to Celebrate,” created by the Communications Division in August 2019 to showcase ABC’s processes, partnerships and hardworking employees earned a **Hermes Gold Award** in a competition administered by the International Association of Marketing and Communication Professionals. The video, which was shared on ABC’s website and social media platforms, won in the government electronic media/social media/interactive media category.



LEFT: One of many outstanding accomplishments by teams throughout the Authority in fiscal year 2020 was being recognized with an international award for a video, “Follow the Bottle: A Billion Reasons to Celebrate.” Created by the Communications Division in August 2019, the video showcased ABC’s processes, partnerships and hardworking employees and was shared on the authority’s website and social media platforms.

A New Leader

Virginia ABC had another reason to claim “leader of the industry” status in fiscal year 2020 with the governor’s appointment of a new board member, William D. Euille, on December 20, 2019. The CEO of Euille Group LLC, Euille served as the first Black mayor of Alexandria from 2003–2016. He led a charity foundation called the William D. Euille Foundation from 1994–2010, which helped youth, young adults and seniors in the community. He has also served as chairman of the Washington Metropolitan Council of Governments, a member of the Governor’s Council on Virginia’s Future and was president of the Virginia Municipal League. Euille has also received various honors and awards such as the 1994 Entrepreneur of the Year award from the Virginia NAACP, the 1996 Blue Chip Award from the U.S. Chamber of Commerce, the 1996 Small Business Person of the Year from the U.S. Small Business Administration and the 1996 Entrepreneur of the Year award from the Washington Post.



ABOVE: ABC's Communications and Marketing divisions developed printed materials for in-store use including posters, aisle signage, pricing signage, flyers and rack cards that customers could pick up at the counter. Unprecedented marketing efforts were also lavished on the Virginia ABC website, which was a one-stop-shop for information on all holiday promotions.

VIRGINIA ABC Flying Off The Shelves

Each fiscal year presents new opportunities for Virginia ABC to create fresh, exciting and engaging promotional campaigns for customers and licensees alike. Once again, in fiscal year 2020, Virginia ABC delivered with several successful campaigns.

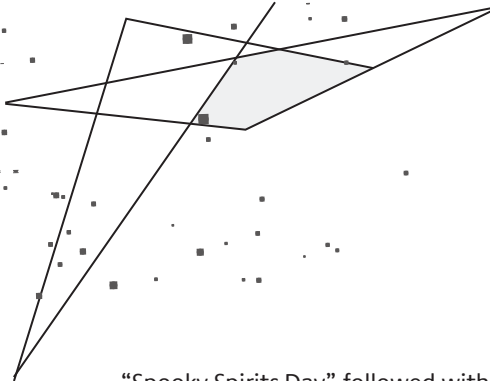
September 2019 kicked off the first of three fiscal year 2020 quarters which saw collaborative back-to-back campaigns. ABC worked with the Virginia Distillers Association and bourbon producers from across the U.S. to create a promotion called "September Spirits Month," featuring two discount product days dubbed "Virginia Spirits Day" (September 5) and "Spirited Bourbon Day" (September 19).

Both promotions featured 10 select Virginia-made spirits and 10 bourbons with a 20% discount, both in-store and online. The marketing campaign included printed materials, digital radio ads and a wide-reaching social media campaign that drove statewide sales both online and in stores. The two-event promotional campaign showcased Virginia-made spirits and bourbons from across the country while offering customers the opportunity to try these products at a discounted price.

Sales of the 10 selected Virginia spirits increased by an average of 1,096% over the previous year for a total of \$101,315. Sales for the 10 selected bourbons increased by an average of 5,684% for a total of \$385,705. The overall success of both promotions secured their place in Virginia ABC's 2020 promotional calendar.

Riding on the coattails of the September spirits promotions, ABC's Marketing Division dipped its toes in a Halloween-themed promotion for the first time. Under the tagline "Don't be afraid to try something new!" ABC posted a downloadable e-coupon on its website which gave customers the chance to save 20% on any item \$25 or more in-store on October 17 only.





“Spooky Spirits Day” followed with 20% savings in-store and online on five Halloween-worthy spirits including Crystal Head Vodka, Fireball and Jägermeister on both October 24 and 31. This first-time promotion led to an average increase of 194% in sales for the five spirits across both days, for a total of \$148,328 in sales. The coupon was viewed/downloaded by about 45,000 customers.

After a busy fall season, the Authority coordinated its biggest holiday campaign yet, dubbed “Holiday Cheers,” which featured four promotions: Black Friday, Cyber Monday, Door Buster Days and Spirited Thursdays. A multi-faceted marketing campaign for all holiday promotions was developed with in-store and online components.

The campaign had an incredible response. Total sales for the holiday shopping period (November 1 through December 31) increased by approximately \$7.5 million compared to the previous year. Sales of the 10 Door Buster Day products increased by \$0.9 million, or 722%. Black Friday sales reached more than \$8 million, an increase of 13% over Black Friday 2018, and Cyber Monday online sales reached \$1.36 million, a 51% increase from Cyber Monday 2018. Additionally, bottle sales for the Spirited Thursday products increased from 200% to as high as 3,300% over usual sales (depending on the spirits category), and premium products in general saw sustained growth throughout the rest of the holiday season.

Virginia ABC continued to refine its online lottery process to increase efficiency and offer Virginia residents a chance to purchase highly sought after products. Fiscal year 2020’s lottery lineup was no different. ABC’s Marketing, Digital and Web, Retail, Logistics and Internal Audit divisions collaborated to seamlessly advertise, fairly select winners and distribute 24 products by lottery. This included the much-anticipated lotteries from the coveted Van Winkle collection, ABC’s most popular offering. The online lottery process, previously a first-come, first-serve website form, was streamlined. Emails were sent out to winners and non-winners while advertising upcoming product sales and promotions.

When the COVID-19 pandemic hit Virginia, entertaining, gathering and celebrating came to a screeching halt. ABC quickly adapted and shifted priorities to ensure safety for customers and employees, and support for licensees. Uncertainty prevented the Authority from holding scheduled Cyber Mom and Dad days promotions, but as the economy attempted a return to pre-COVID times and a new normal, ABC geared up for a summer-time promotion “Summer Door Busters” for the third year in a row in July 2020. Much of the campaign planning took place in May and June as it became clear the promotion could continue, with some minor tweaks. The campaign, which offered customers a 20% discount on 10 products, focused on stocking up on larger 1.75-liter bottles for summer sipping and, for the first time, would be offered both in stores and online with the option for curbside pickup in most stores.

The successful promotion was a collaborative effort among ABC’s Marketing, Retail Operations, Digital and Web, Research and Planning, Logistics and Communications divisions, and allowed ABC to end a tumultuous fiscal year on a high note. Virginia ABC proved yet again that it could adapt to change.

SPOOKY Spirits Thursday!

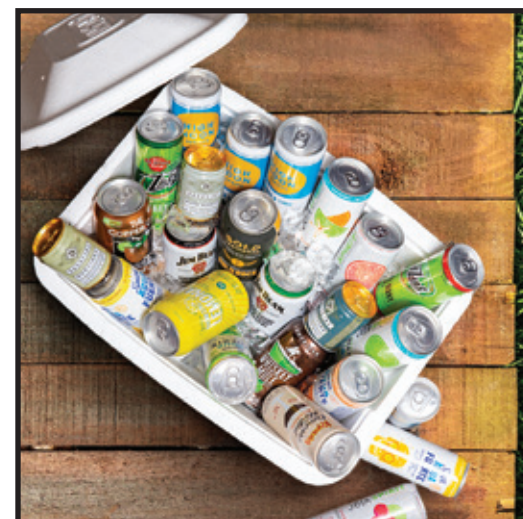
SAVE 20% on select 750ml products!

October 24
In-store and online.

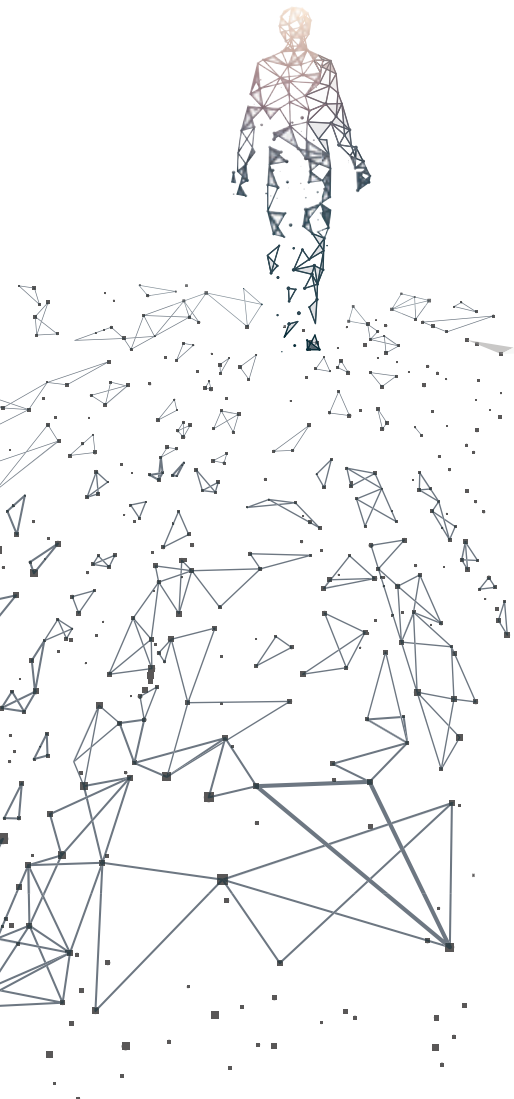
	Sale Price	Savings!
Jägermeister	\$20.99	\$5.20
Kraken Black Spiced Rum	\$15.99	\$4.00
Crystal Head Vodka	\$43.99	\$11.00
Espolón Tequila Blanco	\$23.19	\$5.80
Fireball Cinnamon Whisky (including plastic)	\$13.59	\$3.40

Purchase limit of 3 bottles per product per customer—while supplies last!

For more details and to shop online www.abc.virginia.gov



ABOVE: With the new calendar year came exciting new product offerings for ABC customers. After 2019 legislation passed allowing ABC stores to sell low alcohol beverage coolers, many hard seltzers and canned cocktails made their way to store shelves. In February 2020, ABC stores debuted a new section dedicated to these incredibly popular products. ABC expects this section to expand to offer even more creative combinations and flavor profiles.



AHEAD ~~Back To~~ The Future

Fiscal year 2020 was a year of looking ahead. On February 4, after years of planning, the passage of required legislation and obtaining necessary zoning, Virginia ABC broke ground for its new headquarters and distribution center on a 40-acre site in Hanover County. Located to the east of Richmond and less than a half mile off of Interstate 295, the new 95,000-square-foot office and 315,000-square foot warehouse will meet the Authority's needs for space well into the decades to come.

With construction plans complete, ABC was given full authority to select a warehouse management system and the material handling equipment to outfit the future distribution center. Following considerable research, the Logistics Division opted for the Manhattan warehouse management system which will work in conjunction with the material handling system which will include forklifts, dispensers and a conveyor system as well as extended conveyors that reach inside truck beds for faster loading. Forklift operators and pickers will be equipped with ring scanners and wrist-mounted, radio-frequency devices with a web-based screen to stream inventory control. The new Manhattan system is expected to process 135 cases per minute. (ABC's existing system handles approximately 40 cases per minute.)

By fiscal year end the construction of the headquarters and distribution center was well underway and on schedule with ABC's recently created new Business Transformation Office (BTO) serving as the liaison with the Department of General Services (DGS) which oversees the construction project.

The BTO kept employees engaged in the project by hosting several Town Hall meetings for directors and managers during which Travis Hill and a representative from DGS provided updates to the construction project. Supervisors then shared PowerPoint summaries of the progress with their teams. In addition, ABC Now, the Authority's daily digital news platform on Mixer, provided regular updates, photos and videos on the progress.



ABOVE: Governor Ralph Northam, Secretary of Public Safety and Homeland Security Brian Moran along with ABC board members, representatives from the Department of General Services and more than 50 additional employees and special guests attended a formal ground breaking ceremony for the facility which garnered headlines from numerous media outlets.

Virginia ABC continued expansion of its retail presence with the opening of 12 new stores across the commonwealth. Two stores opened in both Virginia Beach and Alexandria with additional stores in Fairfax, Arlington, Timberville, Winchester, Herndon, Norfolk, Henrico and Springfield. The Real Estate and Facilities Management Division relocated an additional 13 stores and remodeled or modernized six.

Future Virginia ABC
Headquarters and Warehouse
COMPLETION 2021



LEFT: With site preparation for ABC’s future headquarters and distribution center completed, footers and floors were poured before the first pre-cast concrete wall was hoisted into place on June 1, 2019. View the “First Wall” video at <https://vimeo.com/virginiaabc>.

The ABC workforce grew to 4,483 (1,263 full-time and 3,230 wage) employees by fiscal year end. During the early months of COVID-19 (from March 16- June 30), the Retail Division alone hired 36 full-time employees and 1,175 wage employees. Other divisions hired a combined total of 11 full-time and 51 wage employees during this same time frame. The Retail Division launched a development program for regional and stores managers to ensure ABC prepared its top talent for internal promotions and to enhance the retention of great employees.

With an eye on its future, ABC updated its strategic plan in early 2020. Tied to the Authority’s mission to generate a reliable stream of revenue for Virginia while promoting public safety through the responsible sale and regulation of alcoholic beverages, the revised plan has three strategic goals centered on investing in our workforce, enhancing public safety, education, health and welfare, and delivering exceptional customer service. The 2020 plan was developed using feedback from an Authority-wide employee survey, input from division directors and vision from executive leadership and serves as an objective-driven master plan for guiding the Authority into the future.

And what this post COVID-19 future will look like is anyone’s guess, but Virginia ABC will be ready!

BUREAU OF LAW ENFORCEMENT

Sworn Enforcement Personnel Demographics	
• White / Caucasian (%)	70.8
• Black / African American (%)	17.7
• Hispanic (%)	5.2
• Asian / Pacific Islander (%)	5.2
• American Indian / Alaskan Native (%)	1
• Total filled sworn positions	96
• Non-minority (%)	70.8
• Minority (%)	29.1
Professional Standards Summary	
Internal affairs investigations conducted	5
• Citizen complaints	2
• Authority initiated	3
Findings	
• Justified	0
• No further action, citizen request	0
• Not substantiated	1
• Substantiated	1
• Unfounded	2
• Pending	1
Total training hours for sworn officers	4,290
Law Enforcement Activity	
Criminal incidents	2,034
Arrests	305
Illegal still investigations	7
Inspections of licensed establishments	10,529
Observations of licensed establishments	415
Underage Buyer (UAB) compliance checks	2,909
Written warning reports	2,427
Written violation reports	562
Tobacco Compliance	
• Synar compliance rate, May 1-September 30, 2019 (%) (1)	83
• Total tobacco checks by ABC agents (2)	538
Licensing and Licenses	
Retail Licenses Granted (3)	20,204
• Industry (%)	23
• On-premise (%)	37
• Off-premise (%)	27
• On- & Off-premise (%)	13
New retail, wholesale and special-permit licenses	1,903
Licensed retail establishments	18,775
Private or corporate owners	14,582
One-day banquet and special-event licenses	20,892
Alcohol compliance rates for retail licensees (%) (4)	90
Median processing time for new retail applications (in days) (5)	74
Wine, beer and mixed-beverage application and state license fees collected (\$)	14,329,898
New applications processed	1,764
Walk-in customers	2,077
Renewals processed	17,099
Underage Buyer forms entered	2,851
MBAR processed	4,545
FOIAs processed	104
Transactions totaling (\$)	4,844,873

- (1) FY 18: 89.36%. Virginia ABC special agents conducted random, unannounced Synar inspections on behalf of the Virginia Department of Behavioral Health and Developmental Services (DBHDS).
- (2) FY 18: 451 checks. This includes attempted visits found not suitable for an underage buyer check.
- (3) Inclusive of licenses for sale and consumption of beer and wine, mixed beverages, on- or off-premises.
- (4) FY 19 rate: 88.61%
- (5) FY 19: 64 days. ABC targets a 60-day median.

COMMUNICATIONS DIVISION

Public Relations	
• News Releases	67
• Media Inquiries	317
• Intranet (Mixer) "ABC Now" articles	252
• Requests for writing/editing	168
Licensee e-Newsletter Statistics	
• New/Total Subscribers	385/2,734
• Avg. Open Rate (industry standard 23.4%)	45%
• Avg. Click Rate (industry standard 2.3%)	8.3%
Virginia ABC Twitter Account	
• New/Total Twitter followers	618/10,458
• Tweet impressions	1,067,300
• Retweets	687
• Likes	1,522
Virginia ABC Facebook Account	
• New/Total Facebook followers	2,885/10,685
• New Facebook likes	2,608
Spirited Virginia Facebook Account	
• New/Total Facebook followers	3,877/13,648
• New Facebook likes	3,313
Spirited Virginia Instagram Account (New February 2020)	
• New/Total Instagram Followers (1)	310/310
• Post Likes	410
Creative Services	
• Design Project Requests received	89
• Photography services requested	70
• New Products photographed	109

DIGITAL AND WEB UNIT

	FY 19	FY 20
Unique visitors	1,916,458	3,053,198
Page views	15,649,557	26,058,343
Online orders placed	21,545	82,512
Bottles sold	104,000	307,367
Total Online Sales (\$)	3,140,314	8,714,619

(1) Instagram account new to the Authority as of January 2020.

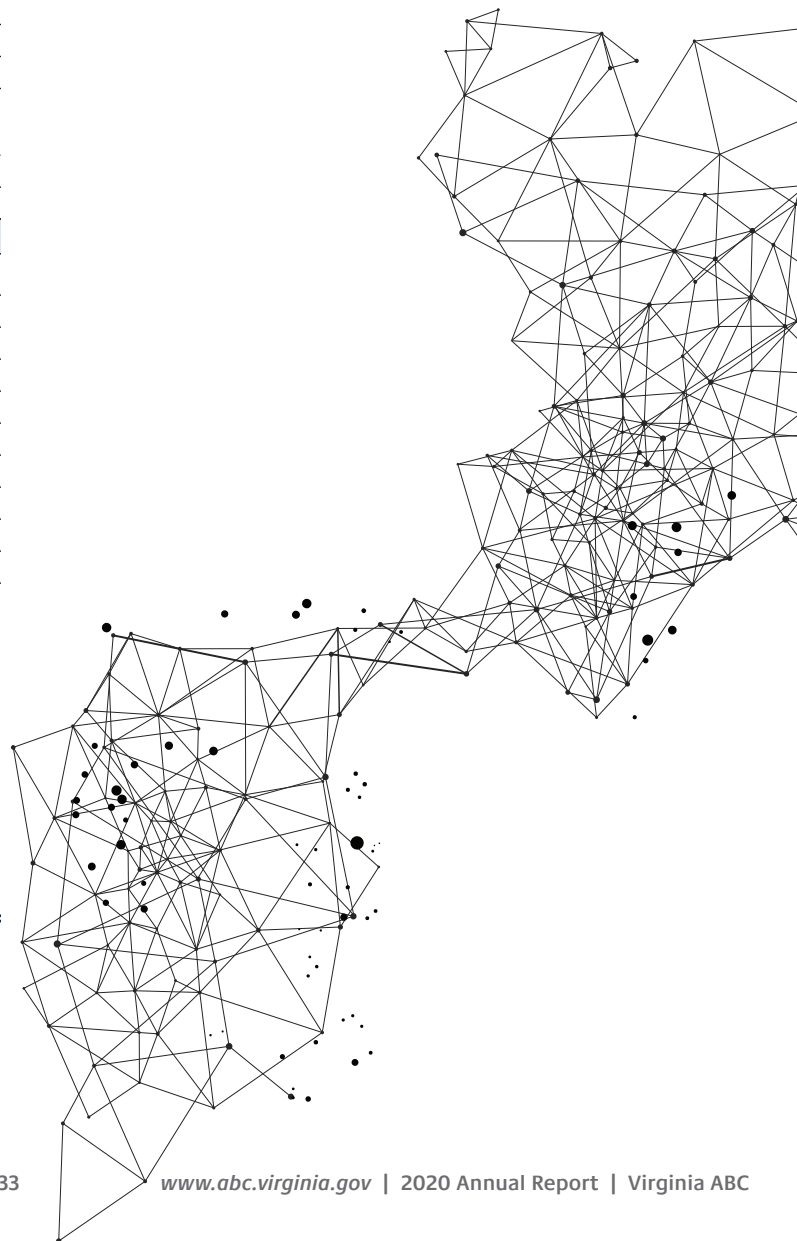
EDUCATION AND PREVENTION SECTION

Youth Prevention Programming	
Elementary School reach (%)⁽¹⁾	4.36
Miss Virginia School Tour	
• Miss Virginia School Tour stops	56
• Miss Virginia School Tour participants	16,001
Middle School reach (%)⁽²⁾	12.94
High School reach (%)⁽⁴⁾	8.74
Youth Alcohol and Drug Abuse Prevention Project (YADAPP) 2019	
• YADAPP participants (3)	248
• YADAPP 2019 individuals reached	15,205
Adult Education and Prevention Programming	
Institutions of Higher Education reach (%)⁽⁵⁾	71.21
Higher Education Alcohol and Drug Strategic Unified Prevention (HEADS UP)	
• HEADS UP educational materials distributed	11,030
• HEADS UP individuals reached	5,290
• HEADS UP online resource downloads:	3,583
Adults 21 years old and older:	
• Project Sticker Shock events	7
• Project Sticker Shock participants	164
• Project Sticker Shock individuals reached	27,817
Alcohol Seller, Server and Manager Training	
Responsible Sellers & Servers: Virginia's Program (RSVP)	
• RSVP classroom trainings	46
• RSVP classroom participants	569
• RSVP online training participants	2,734
Managers' Alcohol Responsibility Training (MART)	
• MART classroom trainings	9
• MART classroom participants	64
• MART online training participants	824
Capacity Building Resources	
• Education and Prevention publications distributed	32,013
• Education and Prevention publications downloaded	14,419
• Education and Prevention toolkits downloaded	1,579
• Education and Prevention social media reach	328,884
• YADAPP 2018 grants presented (6)	19
• YADAPP 2018 grants awarded (\$)	5,000
• YADAPP 2018 grants individuals reached	4,141
• Alcohol Education and Prevention grants (7)	10
• Alcohol Education and Prevention grants awarded (\$)	69,086.87
• Alcohol Education and Prevention grants individuals reached	629,723

(1) Reached or partnered with 52 out of 1,192 public elementary schools across Virginia.
 (2) Reached or partnered with 40 out of 309 public middle schools across Virginia.
 (3) YADAPP annual kick off conference held at Longwood University, July 15-19, 2019, where 69 teams of students and adult sponsors represented schools and communities across Virginia.
 (4) Reached or partnered with 27 out of 309 public high schools across Virginia.
 (5) Reached or partnered with 47 out of 66 institutions of higher education across Virginia.
 (6) These include both YADAPP mini-grants (\$250 each) and Wheeler Award (\$500). The 2019 Wheeler Award recipient was Hanover Cares Teens Care Too.
 (7) Alcohol Education and Prevention grantees: Edu-Futuro, Dickenson County Behavioral Health Services, Giles Youth Adult Partnership, Piedmont Community Services, Radford Youth Adult Partnership, Hanover Cares, Substance Abuse Prevention Coalition of Alexandria, Mothers Against Drunk Driving- Virginia Office, City of Portsmouth Police Department, and Freedom Support Center.



ABOVE: Then Miss Virginia Camille Schrie, who went on to become Miss America, speaks to Barack Obama Elementary School students in Richmond in October 2019 about making healthy choices.



HEARINGS, APPEALS AND JUDICIAL SERVICES

Cases Referred For Hearings				
Case Activity	FY 20			
Violation/disciplinary reports	519			
Contested applications	29			
• Approved	16			
• Denied	2			
• Withdrawn before hearing	11			
Contested banquet applications	2			
• Approved	0			
• Denied	0			
• Withdrawn before hearing	2			
Summary Suspensions	2			
Wine and beer franchise cases	10			
Total hearings requested	562			
Hearings Dispositions				
Case Activity	FY 2020	% of Cases Received		
Settled by expedited consent	265	49.63		
Settled by consent settlement offer	5	.94		
Heard by ABC Hearing Officer (1)	64	11.99		
Settled by negotiation	171	32.02		
Settled by mediation	2	.37		
Heard by ABC board on appeal	14	2.62		
Withdrawn or dismissed prior to hearing (2)	13	2.43		
Total hearings dispositions (3)	534	100		
Appealed Decisions				
Activity	Count	% of Total		
Initial decision of hearing officer to ABC Board (4)	14	2.62		
Final decision of ABC Board to circuit court (5)	4	28.57		
Civil Penalties Collected				
Activity	Count			
Civil penalties collected (\$)	771,121.76			
Average civil penalty per case (\$)	2,050.66			
Average suspension period per case (days) (6)	18.05			
Average Case Turnaround Time (in Days) (7)				
Activity	*FY 20	FY 20	FY 19*	FY 19
Violations	45.06	45.46	70.25	69.34
Applications	128.47	128.41	146.15	134.33

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

(1) 64 hearings were held on 63 charges/objections filed. Single cases with multiple charges are heard in one hearing. 14 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) 73 cases were in process at the end of fiscal year 2019 and completed during fiscal year 2020.
 (4) Percentage of all cases referred.
 (5) Percentage of all cases appealed to the Board.
 (6) 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 negotiations for fiscal year 2019. The Board may allow licensees to choose between a civil penalty or suspension period. Some penalties, however, contain civil penalties and mandatory suspension periods.
 (7) Unless otherwise noted, turnaround times do not include continuances.

HUMAN RESOURCES DIVISION

Employees and Hiring	
Total employees (as of June 30, 2020)	4,483
Total classified employees	1,263
Total wage employees	3,230
Classified employees hired in FY 19	188
Wage employees hired in FY 19	2,555

Virginia Alcoholic Beverage Control Authority employs a diverse workforce, with approximately 1,263 regular full-time employees 3,230 wage employees, and 88 contractual workers supplementing the Authorities workforce. These 4,483 Authority employees work throughout the Commonwealth operating 388 retail stores and nine regional offices. Approximately 629 Authority employees and 88 contractual workers are physically located in Richmond at the central office and warehouse facility

Tuition and Training Assistance

Description of Training	Courses Offered	Units Completed (1)
Tuition Assistance Program (TAP)	17	17
Face-to-Face training (in-classroom) (2)	13	287
Supervisory Academy (2)	0	0
New hire orientation	7	263
Authority/state-mandated courses (online)		
• Retail/warehouse employees:	24	51,340
• Non-retail employees:	44	7,495
High Performance Management supervisor (online)	14	670
Enforcement (online) (3)	1	3,091
Enforcement certification program (4)	2	63

(1) "Units completed" represents a single module of training completed by an ABC employee.

(2) Classes cancelled after March 6, 2020 due to COVID-19 restrictions

(3) Special online course offered to Enforcement Employees only

(4) Courses conducted by Learning and Development Team

Employee Demographics	FY 20	FY 19
Average age (years)	45	46
Average years of service, classified employees	7	8
Gender: male (%)	52.2	53
Gender: female (%)	47.7	47
Minority (%)	35.3	33.5

The demographics of ABC's workforce have remained consistent from the previous year after the transition to an Authority. The average age of an ABC regular employee is 45 years, with an average length of service to the Commonwealth of 7 years.

Approximately 6.3% are eligible for an unreduced retirement as of June 30, 2020 and 9.7% will be eligible in 5 years.

LOGISTICS DIVISION

ABC Shipment to Stores	FY 20	FY 19		
Average weekly bottles shipped (1) from Bottle Pick Room (2)	14,935	11,719		
Average delivery cost to ABC stores (\$ per case)	0.93	0.92		
Total shipments to ABC stores (cases)	5,858,916	5,316,778		
Special Order				
• Active items on special order catalog	1,317	1,142		
• Active items on special order non-catalog	671	591		
• Total Special Order Catalog purchases (cases) (3)	54,726	51,248		
• Total Non-catalog purchases (cases) (4)	21,466	16,534		
Special Orders	FY 20	FY 19	Variance (\$)	Variance (%)
Order Catalog	13,350,118	8,480,141	4,869,977	57.40
Non Catalog	4,691,827	3,077,907	1,613,920	52.40
Totals	18,041,945	11,558,048	6,483,897	56.10

(1) Bottles shipped include when the room was shut down for three weeks during April due to a positive COVID case where we shipped 5, 1, and 3 bottles.

(2) Bottle Pick includes special orders, online orders, or limited availability products

(3) These totals include both catalog and noncatalog special orders

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

MARKETING DIVISION

Spirited Virginia e-Newsletter Statistics*

• New/Total Subscribers	29,864/85,934
• Avg. Open Rate (industry standard 11.5%)	29.6%
• Avg. Click Rate (industry standard 1.5%)	4.2%

* statistics as of 7/4/2020 not 6/30/2020

PROCUREMENT AND SUPPORT SERVICES DIVISION

Small Purchase Credit Card (SPCC) Holders	135
Total value of SPCC transactions (\$)	271,322
Total SWaM qualified purchases (%)	27.59
Total SWaM qualified purchases (\$)	10,989,040
Total Request for Proposals	10

REAL ESTATE AND FACILITIES MANAGEMENT

Store Activities: July 1, 2019–June 30, 2020

Store	Location	Activity	Closed	Opened	Total*
138	Louisa	relocation	7-9-19	7-10-19	377
428	Virginia Beach	new store	N/A	7-12-19	378
334	Mechanicsville	relocation	7-15-19	7-16-19	378
119	Alexandria	new store	N/A	7-22-19	379
436	Winchester	new store	N/A	7-28-19	380
423	Norfolk	new store	N/A	8-16-19	381
099	Herndon	relocation	8-25-19	8-27-19	381
441	Henrico	new store	N/A	9-6-19	382
068	Harrisonburg	modernization	8-23-19	9-18-19	382
419	Fairfax	new store	N/A	9-23-19	383
134	Norfolk	modernization	9-8-19	9-25-19	383
391	Carrollton	relocation	9-23-19	9-26-19	383
426	Timberville	new store	N/A	9-30-19	384
071	Norfolk	new store	N/A	10-26-19	385
323	Purcellville	relocation	10-26-19	10-30-19	385
438	Alexandria	new store	N/A	11-3-19	386
364	Daleville	relocation	11-11-19	11-13-19	386
045	Springfield	new store	N/A	11-25-19	387
183	Stafford	relocation	11-30-19	12-5-19	387
265	Hampton	relocation	12-7-19	12-10-19	387
092	Hampton	relocation	12-14-19	12-17-19	387
448	Short Pump (Pop Up)	closed	N/A	12-30-19	386
363	Chesterfield	relocation	2-1-20	2-4-20	386
137	Norton	relocation	2-8-20	2-10-20	386
394	Virginia Beach	new store	N/A	2-16-20	387
440	Waynesboro	new store	N/A	2-24-20	388
325	Courtland	modernization	2-22-20	3-7-20	388
387	Front Royal	relocation	5-4-20	5-5-20	388
243	Ashland	relocation	5-11-20	5-13-20	388
383	Harrisonburg	expansion	3-20-20	5-17-20	388
240	Waverly	modernization	5-16-20	6-16-20	388
346	Merrifield	modernization	5-29-20	6-27-20	388
168	Arlington	modernization	3-8-20	6-28-20	388

* total number of stores as of that date



ABOVE: Store openings are a big deal for ABC Board Chair Maria Everett who makes it a point to attend nearly every grand opening event the Authority holds. Above she stands with Manager Jacinta McBride who sports an impromptu sash made from ribbon left over after the official ribbon cutting for Virginia Beach Store 428 moments before.

RESEARCH & PLANNING

FOIA requests received	139
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RETAIL OPERATIONS DIVISION

ABC Stores

ABC stores Gross Sales (\$)	1,164,944,553
ABC stores Transactions (\$)	35,733,748
Alcohol Compliance Rate for ABC Stores (%) (1)	98.5

ABC PRODUCTS

Price List

Standard Active items	2,795
Virginia Wines	75
Vermouth	13
Non-Alcoholic items	66
Items delisted	99

continued on next page

RETAIL OPERATIONS DIVISION

Top 50 Brands Sold, Fiscal Year 2020 vs. Fiscal Year 2019

Rank		Brand	Product Category	Gross Dollars			Variance (\$)
FY 20	FY 19			FY 20 (\$)	FY 19 (\$)	Change (%)	
		Statewide Total		\$1,164,944,553	\$1,045,967,354	11.4	118,977,199
		Top 50 Brands		544,374,543	498,816,928	9.1	45,557,615
		All Others		620,570,010	547,150,426	13.4	73,419,584
1	1	Tito's Handmade	domestic vodka	52,339,240	42,122,282	24.3	10,216,958
2	2	Hennessy VS	cognac\armagnac	46,879,266	35,309,436	32.8	11,569,830
3	3	Jack Daniel's 7 Black	Tennessee whiskey	30,259,504	29,979,450	0.9	280,054
4	4	Jim Beam	straight bourbon	23,485,631	22,713,341	3.4	772,290
5	8	Patron Silver	tequila	20,933,661	17,376,814	20.5	3,556,847
6	7	Jameson Irish	Irish Whiskey	18,479,038	17,555,255	5.3	923,783
7	9	Crown Royal	Canadian whisky	18,183,277	17,315,036	5.0	868,241
8	5	Fireball Cinnamon	cordials	17,891,892	19,224,053	(6.9)	(1,332,161)
9	6	Smirnoff 80	domestic vodka	17,493,684	17,759,218	(1.5)	(265,534)
10	11	Maker's Mark	straight bourbon	16,181,599	15,114,073	7.1	1,067,526
11	10	Grey Goose	imported vodka	15,402,125	15,115,380	1.9	286,745
12	13	Bacardi Superior	rum	13,175,714	12,421,808	6.1	753,906
13	12	Absolut	imported vodka	13,132,670	13,324,629	(1.4)	(191,959)
14	19	Crown Royal Regal Apple	Canadian whisky	12,359,518	8,902,422	38.8	3,457,096
15	18	Jose Cuervo Especial Gold	tequila	10,950,386	9,332,509	17.3	1,617,877
16	17	Woodford Reserve	straight bourbon	10,839,405	9,481,344	14.3	1,358,061
17	14	Captain Morgan's Spiced	rum	10,446,090	10,744,098	(2.8)	(298,008)
18	15	Pinnacle	imported vodka	10,406,287	9,978,426	4.3	427,861
19	16	Aristocrat	domestic vodka	8,946,986	9,812,287	(8.8)	(865,302)
20	21	Evan Williams Black	straight bourbon	7,870,048	7,485,922	5.1	384,126
21	30	1800 Silver	tequila	7,828,032	5,837,349	34.1	1,990,683
22	20	Ketel One	imported vodka	7,739,907	7,876,741	(1.7)	(136,834)
23	23	Tanqueray	imported gin	7,197,510	6,972,434	3.2	225,076
24	22	Jagermeister	cordials	7,005,526	7,463,571	(6.1)	(458,045)
25	27	Malibu Coconut	rum	6,991,110	6,107,605	14.5	883,505
26	28	Svedka	imported vodka	6,836,136	6,075,901	12.5	760,235
27	29	Bailey's Original Irish Cream	cordials	6,784,240	6,069,159	11.8	715,081
28	24	Skyy	domestic vodka	6,373,308	6,382,617	(0.1)	(9,309)
29	26	Bowman's Virginia	domestic vodka	6,368,540	6,196,657	2.8	171,883
30	25	Burnett's	domestic vodka	6,335,305	6,311,249	0.4	24,056
31	31	Paul Masson Grande Amber VS	brandy	6,220,524	5,833,822	6.6	386,702
32	36	Bulleit	straight bourbon	6,084,455	5,174,148	17.6	910,307
33	34	Bombay Sapphire	imported gin	5,984,387	5,465,633	9.5	518,754
34	32	Seagram's Extra Dry	domestic gin	5,568,117	5,610,248	(0.8)	(42,131)
35	33	Johnnie Walker Black	Scotch whiskey	5,501,261	5,544,111	(0.8)	(42,850)
36	41	Courvoisier VS	cognac\armagnac	5,382,018	4,672,620	15.2	709,398
37	-	Lunazul Blanco	tequila	5,263,517	3,293,969	59.8	1,969,548
38	37	Grand Marnier Cordon Rouge	cordials	5,250,298	5,110,414	2.7	139,884
39	40	Wild Turkey 101	straight bourbon	5,155,001	4,885,281	5.5	269,720
40	38	New Amsterdam	domestic vodka	5,038,547	5,018,243	0.4	20,304
41	39	Evan Williams Green	straight bourbon	4,967,554	4,965,145	0.0	2,409
42	45	Knob Creek	straight bourbon	4,621,673	3,977,446	16.2	644,227
43	35	Jose Cuervo Especial Silver	tequila	4,400,187	5,307,546	(17.1)	(907,359)
44	43	Gentleman Jack	Tennessee whiskey	4,344,360	4,191,018	3.7	153,342
45	42	Dewar's White Label	Scotch whiskey	4,313,802	4,487,173	(3.9)	(173,371)
46	46	Jack Daniel's Tennessee Honey	cordials	4,309,882	3,897,177	10.6	412,705
47	50	Basil Hayden's	straight bourbon	4,293,498	3,693,540	16.2	599,958
48	49	Kahlua Coffee	cordials	4,214,095	3,694,980	14.0	519,115
49	-	Crown Royal Vanilla	Canadian whisky	4,184,112	3,554,936	17.7	629,176
50	44	Bacardi Gold	rum	4,161,621	4,078,412	2.0	83,209

RETAIL OPERATIONS DIVISION

Comparison of Products / Market Share, Fiscal Year 2020 vs. Fiscal Year 2019

Category	Cases Sold			Market Share (%)	
	FY 20	FY 19	Change (%)	FY 20	FY 19
Vodka	1,656,207	1,556,615	6.4	28.5	29.3
Domestic	907,464	855,284	6.1		
Imported	389,336	363,835	7.0		
Flavored	359,408	337,496	6.5		
Straight Bourbon Whiskey	703,214	625,562	12.4	12.1	11.8
Cordials -Liqueurs-Specialties	558,782	517,337	8.0	9.6	9.7
Imported	361,042	331,695	8.8		
Domestic	197,740	185,642	6.5		
Rum	484,048	465,274	4.0	8.3	8.8
Domestic	27,389	26,818	2.1		
Imported	456,658	438,456	4.2		
Tequila	461,861	398,587	15.9	7.9	7.5
Gin	246,321	237,108	3.9	4.2	4.5
Domestic	132,294	134,651	(1.8)		
Imported	101,292	90,512	11.9		
Flavored	12,363	11,567	6.9		
Sloe	372	378	(1.5)		
Cognac\Armagnac	203,289	168,753	20.5	3.5	3.2
Canadian Whisky	201,871	194,789	3.6	3.5	3.7
Brandy	171,495	161,568	6.1	3.0	3.0
Grape	121,000	118,775	1.9		
Imported	14,663	7,253	102.2		
Flavored	35,832	35,540	0.8		
Scotch Whiskey	171,167	159,248	7.5	2.9	3.0
Cocktails	151,914	113,125	34.3	2.6	2.1
Domestic	90,017	71,435	26.0		
Imported	61,897	41,690	48.5		
Blended Whiskey	148,003	111,572	32.7	2.5	2.1
Tennessee Whiskey	121,693	116,350	4.6	2.1	2.2
Irish Whiskey	80,162	71,192	12.6	1.4	1.3
Domestic Whiskey	64,721	57,617	12.3	1.1	1.1
Straight Rye Whiskey	50,554	39,986	26.4	0.9	0.8
Specialty Bottles	43,221	51,732	(16.5)	0.7	1.0
Imported	26,600	31,760	(16.2)		
Domestic	16,621	19,973	(16.8)		
Moonshine	39,141	39,811	(1.7)	0.7	0.7
Egg Nog	25,321	22,972	10.2	0.4	0.4
Rock & Rye	2,398	2,368	1.2	0.0	0.0
Alcohol(1)	2,091	1,250	67.3	0.0	0.0
Bottled in Bond Whiskey	737	629	17.3	0.0	0.0
Corn Whiskey	691	489	41.1	0.0	0.0
Vermouth	25,175	22,681	11.0	0.4	0.4
Virginia Wine	15,762	14,936	5.5	0.3	0.3
Non-Alcoholic Mixers	157,705	134,259	17.5	2.7	2.5
Non Beverage Item	24,996	27,587	(9.4)	0.4	0.5
Statewide Totals*	5,812,539	5,313,398	9.4	100.0	100.0

* Excludes promotional items, miscellaneous records and confiscated items.

**change, Moonshine is now reported separate from the Corn Whiskey category.

(1) grain alcohol 151 proof available for sale in select ABC stores

Source: Research and Planning

Analysis of Store Performance — Fiscal Year 2020												
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)
Statewide Totals		13,518,947	\$1,165,105,206	\$192,390,801	\$972,714,405	\$558,778,515	\$413,935,890	\$129,244,187	\$284,691,703	\$69,334,870	\$215,356,833	35.00%
137 790 Commonwealth Dr.	Norton City	24,453	1,735,122	286,976	1,448,146	828,414	619,731	314,217	305,514	99,870	205,644	28.39
194 16427-E Wise St.	Wise Co.	8,207	579,457	96,147	483,310	277,344	205,967	182,326	23,641	34,478	(10,838)	14.72
206 18 E. 4th St. S.	Wise Co.	15,683	1,101,996	182,468	919,528	526,414	393,114	149,592	243,522	65,145	178,377	32.74
218 3982 Highway 23 N.	Scott Co.	11,076	732,572	121,048	611,524	349,476	262,048	137,044	125,004	43,524	81,479	27.65
Far Southwest		59,419	\$4,149,147	\$686,640	\$3,462,508	\$1,981,648	\$1,480,860	\$783,179	\$697,681	\$243,017	\$454,663	27.51
87 4027 College Ave.	Tazewell Co.	27,568	2,066,181	342,265	1,723,916	987,709	736,207	299,934	436,273	119,435	316,839	31.90
174 One Plz. Dr.	Buchanan Co.	11,320	822,230	136,123	686,108	395,697	290,411	146,811	143,600	48,373	95,227	28.14
197 749 Clay Dr.	Tazewell Co.	20,074	1,455,872	240,866	1,215,006	695,156	519,850	231,484	288,366	85,302	203,064	30.49
230 722 E. Riversiders Dr.	Tazewell Co.	9,638	698,579	115,952	582,627	333,382	249,244	146,969	102,275	40,923	61,352	25.38
365 340 Chase St.	Dickenson Co.	8,868	619,055	102,581	516,474	295,231	221,242	179,435	41,807	36,511	5,297	17.43
427 167 Pittston Rd.	Russell Co.	12,572	933,608	154,501	779,107	445,677	333,430	231,551	101,878	55,472	46,406	21.52
Southwest		90,040	\$6,595,526	\$1,092,288	\$5,503,237	\$3,152,853	\$2,350,384	\$1,236,184	\$1,114,200	\$386,015	\$728,185	27.60
58 3002 Lee Hwy.	Bristol City	30,627	2,299,413	380,356	1,919,057	1,097,074	821,983	270,452	551,531	136,290	415,241	34.60
96 974 E. Stuart Dr., Ste. E.	Galax City	29,379	1,994,741	329,702	1,665,039	950,622	714,417	267,337	447,080	116,143	330,937	33.12
135 1773-1177 N. Main St.	Smyth Co.	28,005	1,938,655	321,414	1,617,241	923,883	693,358	230,823	462,535	113,762	348,774	34.57
141 441 W. Stuart Dr.	Carroll Co.	19,489	1,314,770	217,145	1,097,625	628,284	469,340	195,651	273,689	77,185	196,504	31.46
153 325 W. Main St.	Wythe Co.	32,015	2,334,599	385,498	1,949,101	1,114,192	834,908	297,258	537,650	138,932	398,718	33.59
201 545 W. Main St.	Washington Co.	47,558	3,644,012	602,716	3,041,296	1,745,353	1,295,943	263,336	1,032,607	214,327	818,280	39.00
343 2123 Euclid Ave.	Bristol City	26,865	1,833,800	302,895	1,530,905	871,892	659,014	224,295	434,719	107,916	326,803	34.34
Wytheville/Hillsville		213,937	\$15,359,989	\$2,539,726	\$12,820,263	\$7,331,300	\$5,488,962	\$1,749,152	\$3,739,811	\$904,554	\$2,835,257	34.99
67 290 Peppers Ferry Rd.	Montgomery Co.	36,758	2,868,109	473,379	2,394,730	1,371,069	1,023,661	392,531	631,131	168,731	462,400	32.63
195 100 N. Franklin St.	Montgomery Co.	28,488	2,042,626	337,939	1,704,686	974,833	729,853	175,931	553,923	120,466	433,457	37.76
199 140 Kinter Way	Giles Co.	20,150	1,363,709	225,466	1,138,243	651,590	486,654	187,357	299,297	79,689	219,608	32.64
327 1332 S. Main St.	Montgomery Co.	57,216	4,191,761	692,714	3,499,047	2,003,997	1,495,050	471,199	1,023,851	249,395	774,456	35.00
345 5265 Alexander Rd.	Pulaski Co.	34,516	2,521,416	416,285	2,105,131	1,204,393	900,738	289,676	611,062	148,322	462,740	34.86
356 97 Walker St.	Radford City	40,134	2,803,994	464,112	2,339,882	1,338,658	1,001,224	304,612	696,612	165,692	530,920	35.49
395 117 Parkview Rd. N.E.	Floyd Co.	17,288	1,270,322	209,514	1,060,808	607,899	452,909	192,189	260,720	75,547	185,173	31.07
414 765 Univ. City Blvd.	Montgomery Co.	35,954	2,668,164	440,807	2,227,357	1,273,642	953,715	322,002	631,713	154,290	477,423	34.41
Radford/Blacksburg		270,505	\$19,730,101	\$3,260,217	\$16,469,884	\$9,426,080	\$7,043,804	\$2,335,496	\$4,708,308	\$1,162,132	\$3,546,176	34.50
115 1423 Williamson Rd. N.E.	Roanoke City	57,458	5,011,430	827,470	4,183,960	2,384,540	1,799,420	435,425	1,363,995	298,568	1,065,427	37.77
123 531 Main St.	Alleghany Co.	8,377	619,497	102,567	516,930	296,509	220,421	201,183	19,238	36,899	(17,661)	13.71
124 339 Thacker Ave., Ste. 010	Covington City	19,911	1,493,047	246,600	1,246,447	715,017	531,430	266,047	265,383	87,748	177,635	28.41
186 1483 W. Main St.	Salem City	56,875	4,196,742	693,819	3,502,923	2,002,405	1,500,517	279,635	1,220,882	247,094	973,789	39.74
229 3940 Valley Gateway Blvd.	Roanoke Co.	30,062	2,272,126	375,577	1,896,550	1,085,835	810,715	275,336	535,378	132,903	402,476	34.24
259 5050-C Rutgers St.	Roanoke City	60,630	4,872,129	806,216	4,065,913	2,328,639	1,737,275	458,019	1,279,255	286,382	992,873	36.93
269 646 Brandon Ave.	Roanoke City	72,761	6,140,356	1,012,684	5,127,672	2,948,298	2,179,375	516,990	1,662,385	360,702	1,301,683	37.69
289 3341 Melrose Ave., N.W.	Roanoke City	40,335	3,672,016	610,000	3,062,016	1,749,409	1,312,607	293,678	1,018,929	218,185	800,744	38.42
309 3901 Brambleton Ave., S.W.	Roanoke Co.	71,743	5,569,714	918,193	4,651,521	2,670,225	1,981,297	432,166	1,549,130	331,274	1,217,857	38.35
337 1113 Vinyard Rd.	Roanoke Co.	41,810	3,036,949	503,111	2,533,837	1,447,049	1,086,788	287,950	798,839	179,446	619,392	36.96
364 112 Kingston Dr.	Botetourt Co.	32,898	2,496,865	412,140	2,084,725	1,199,735	884,990	371,483	513,507	147,533	365,975	31.16
Roanoke		492,860	\$39,380,872	\$6,508,377	\$32,872,495	\$18,827,660	\$14,044,834	\$3,817,913	\$10,226,921	\$2,326,733	\$7,900,188	36.59
57 1028 Richmond Ave.	Staunton City	26,379	2,027,231	334,402	1,692,830	968,695	724,135	302,588	421,547	118,087	303,460	31.46
68 2196 John Wayland Hwy.	Rockingham Co.	29,696	2,195,373	362,126	1,833,247	1,051,730	781,517	264,443	517,074	129,623	387,451	34.14
113 2827 Main St.	Bath Co.	7,579	716,941	117,303	599,638	344,061	255,577	159,325	96,252	40,950	55,302	24.08
122 201 State St.	Staunton City	37,770	2,971,971	489,198	2,482,773	1,422,208	1,060,564	245,556	815,009	175,206	639,803	37.99
140 445 E. Nelson St.	Lexington City	46,855	3,498,904	574,773	2,924,131	1,680,886	1,243,245	323,394	919,851	206,215	713,636	36.82

(1) Includes state taxes, but does not include 5% sales tax.
 (2) State taxes on distilled spirits (20%) and wine (4%) 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 2020												
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)
145	398 N. Main St.	40,155	3,163,499	519,952	2,643,547	1,513,876	1,129,670	250,388	879,282	185,375	693,907	38.37
147	58 Water St.	3,070	224,267	36,466	187,801	109,143	78,658	104,881	(26,223)	13,389	(39,612)	-1.40
173	130 Downey Knolls Dr.	19,315	1,468,045	241,386	1,226,660	702,700	523,960	226,263	297,697	86,714	210,983	30.81
184	2035 E. Market St. Unit 129	55,887	4,636,358	763,420	3,872,938	2,222,993	1,649,946	478,958	1,170,988	269,563	901,424	35.91
296	32 Windward Dr., Ste. 114	14,184	1,070,734	176,468	894,267	512,547	381,720	207,392	174,327	63,825	110,502	26.80
338	125 Lucy Lane	43,963	3,390,136	559,583	2,830,553	1,620,198	1,210,356	335,383	874,973	194,211	680,763	36.59
339	200 Laurel Hill Rd., Ste. 108	21,021	1,493,878	246,639	1,247,238	711,759	535,480	187,814	372,660	88,283	259,383	33.87
383	1037 Port Republic Rd.	26,333	1,844,001	307,511	1,536,490	890,334	646,156	273,186	347,970	111,326	261,644	30.87
386	2576 Stuarts Draft Hwy.	19,208	1,438,295	237,465	1,200,830	686,182	514,648	193,444	321,204	84,588	236,616	32.96
396	12130 E. Lynchburg Salem Tpk.	12,170	981,949	162,112	819,837	470,894	348,943	181,359	167,584	58,880	108,704	27.58
411	85 Augusta Ave.	11,345	839,016	138,631	700,385	400,843	299,542	145,281	154,260	48,983	105,278	29.07
426	162 New Market Rd.	14,116	1,028,329	170,322	858,007	490,423	367,584	188,828	178,756	65,383	113,373	27.59
440	219 Arch Ave.	7,388	561,287	92,660	468,627	266,777	201,850	104,957	96,893	39,432	57,461	26.75
	Staunton/Waynesboro	436,433	\$33,550,215	\$5,530,417	\$28,019,798	\$16,066,249	\$11,953,550	\$4,173,439	\$7,780,111	\$1,980,032	\$5,800,080	33.77
47	380 Gateway Dr., Ste. 3	36,403	2,961,644	490,973	2,470,671	1,423,722	1,046,949	332,563	714,386	170,664	543,721	34.94
52	786 Shp. Center Rd.	18,745	1,347,807	222,945	1,124,863	643,289	481,573	187,176	294,397	79,136	215,261	32.51
56	182 Delco Plz.	24,592	2,004,064	330,843	1,673,221	959,526	713,695	253,198	460,497	120,270	340,227	33.49
75	240 Elizabeth Dr.	33,048	2,689,876	443,901	2,245,975	1,278,055	967,920	266,781	701,139	156,570	544,569	36.75
139	160 Rivendell Ct.	43,383	3,347,942	552,719	2,795,222	1,607,609	1,187,613	319,107	868,507	194,873	673,634	36.63
142	411-F South St.	44,182	3,397,197	560,300	2,836,897	1,626,215	1,210,682	302,873	907,809	200,858	706,951	37.30
167	21 Crow St.	22,962	1,841,583	303,408	1,538,176	882,812	655,364	248,861	406,502	109,374	297,129	32.61
193	142 US Hwy 211 W.	23,136	1,681,856	277,380	1,404,476	800,916	603,560	200,681	402,879	100,260	302,619	34.49
261	3 W. Jubal Early Dr.	48,744	3,919,469	645,819	3,273,650	1,880,488	1,393,162	331,982	1,061,180	229,045	832,135	37.71
293	5814 Main St.	13,471	970,034	160,253	809,781	464,286	345,495	167,150	178,345	56,432	121,913	29.09
318	1015 S. Main St.	25,251	1,822,629	300,951	1,521,678	873,120	648,559	238,324	410,235	107,032	303,203	33.15
387	135 Crooked Run Plz.	29,933	2,372,819	392,974	1,979,845	1,141,883	837,961	339,727	498,234	139,234	359,001	31.69
436	159 Market St.	15,694	1,306,918	214,652	1,092,266	629,186	463,080	204,848	222,233	81,000	141,232	27.23
	Winchester/Front Royal	379,545	\$29,663,838	\$4,897,119	\$24,766,719	\$14,211,107	\$10,555,612	\$3,429,268	\$7,126,344	\$1,744,749	\$5,381,595	34.65
33	12631 Galveston Ct.	30,714	2,917,310	482,512	2,434,798	1,402,669	1,032,129	456,724	575,405	171,977	403,428	30.37
36	8038/8044 Crescent Park Dr.	30,528	2,853,095	470,513	2,382,583	1,371,101	1,011,482	383,981	627,501	167,359	460,142	32.62
39	10410 Bristow Ctr. Dr.	41,798	3,786,084	624,638	3,161,445	1,818,198	1,343,247	431,316	911,931	226,054	685,877	34.61
40	22000 Dulles Retail Plz.	25,750	2,783,318	459,012	2,324,306	1,340,116	984,190	426,130	558,060	159,054	399,005	30.83
41	12950 Highland Crossing Dr.	27,306	3,020,658	498,586	2,522,072	1,450,275	1,071,797	434,504	637,293	177,091	460,202	31.74
42	7469/7471 Richmond Hwy.	28,527	2,581,044	426,232	2,154,812	1,234,917	919,895	362,833	557,061	149,206	407,855	32.32
45	6230-I Rolling Rd.	8,475	825,639	135,627	690,013	395,687	294,326	197,301	97,025	60,238	36,787	20.88
49	881 N. Quincy St.	46,381	4,817,507	787,598	4,029,910	2,316,150	1,713,759	582,908	1,130,851	283,843	847,008	33.93
54	42015 Village Center Plz.	32,779	3,380,835	557,257	2,823,578	1,628,915	1,194,663	418,612	776,051	198,784	577,267	33.56
55	9934 Liberia Ave.	57,327	5,265,690	869,810	4,395,880	2,526,189	1,869,691	497,766	1,371,926	310,595	1,061,330	36.67
61	22330 S. Sterling Blvd.	28,334	2,628,169	435,576	2,192,593	1,259,544	933,049	348,286	584,764	152,387	432,377	33.03
63	8951 Ox Rd.	22,222	2,189,424	360,110	1,829,315	1,054,631	774,684	299,423	475,260	130,566	344,694	32.19
73	43150 Broadlands Center Plz.	38,409	3,784,141	622,848	3,161,294	1,823,249	1,338,045	420,478	917,566	225,033	692,533	34.76
76	7121 Leesburg Pike	29,554	3,086,249	505,700	2,580,548	1,483,749	1,096,800	473,549	623,251	186,782	436,469	30.53
78	5331 Merchants View Sq.	28,046	2,696,168	444,545	2,251,623	1,299,810	951,813	341,212	610,601	165,600	445,001	32.99
80	6206 Little River Tpk.	30,556	3,112,048	514,675	2,597,373	1,488,670	1,108,703	409,564	699,139	178,436	520,702	33.27
82	46930 Cedar Lakes Plz.	52,671	5,346,214	881,873	4,464,341	2,576,784	1,887,557	533,018	1,354,539	320,193	1,034,346	35.84
83	7263-B Arlington Blvd.	18,728	1,834,268	302,771	1,531,496	880,958	650,538	356,112	294,426	119,512	174,905	26.04
84	3903 Fair Ridge Dr Suite N.	21,783	2,222,303	366,684	1,855,618	1,067,274	788,344	350,528	437,816	135,285	302,532	30.11
85	2930 Chain Bridge Rd.	31,959	3,123,073	513,106	2,609,967	1,502,591	1,107,376	456,997	650,380	184,580	465,799	31.34
90	12965 Fair Lakes Ship. Ctr.	45,635	4,474,580	737,524	3,737,056	2,151,774	1,585,282	476,352	1,108,930	263,483	845,447	35.38
93	6124 Rose Hill Dr.	27,206	2,508,734	413,150	2,095,584	1,203,327	892,257	321,796	570,461	149,576	420,886	33.25

(continued)

(3) Store expenses include miscellaneous revenue and net cash overages.
 (4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

Analysis of Store Performance — Fiscal Year 2020												
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)
94	42385 Ryan Rd., Ste. 106	27,767	3,085,986	509,451	2,576,535	1,487,187	1,089,348	396,653	692,695	184,935	507,760	32.96
99	378 Elden St.	38,060	3,890,778	638,154	3,252,624	1,866,194	1,386,431	585,753	800,678	227,972	572,706	31.12
101	5722 Wilson Blvd.	45,983	4,659,951	761,112	3,898,839	2,238,454	1,660,384	565,636	1,094,749	279,075	815,674	33.84
109	1922 Union Mill Rd.	40,881	3,641,048	601,092	3,039,956	1,742,503	1,297,454	473,600	823,853	213,745	610,108	33.27
119	5011 Montgomery St.	28,702	3,289,143	537,311	2,751,831	1,583,167	1,168,664	370,114	798,549	203,259	595,291	34.43
120	5926 Kingstowne Ctr.	40,954	4,212,614	693,910	3,518,703	2,019,697	1,499,006	480,806	1,018,201	245,519	772,682	34.81
127	13300-C Franklin Farm Rd.	19,381	1,946,281	321,121	1,625,160	934,059	691,102	301,725	389,377	115,530	273,847	30.57
131	6920-E Bradlick Shp. Ctr.	25,068	2,401,676	396,312	2,005,365	1,153,657	851,707	383,298	468,409	148,634	319,775	29.82
133	9130 Mathias Ave.	45,286	4,146,393	686,060	3,460,332	1,988,976	1,471,356	417,665	1,053,692	244,060	809,632	36.07
136	18 Fairfax St., S.E.	54,802	5,187,725	855,174	4,332,551	2,495,496	1,837,055	499,315	1,337,739	313,048	1,024,692	36.24
166	506A Fort Evans Rd. N.E.	62,269	6,296,002	1,038,565	5,257,437	3,032,387	2,225,050	565,374	1,659,676	373,503	1,286,173	36.92
168	1001 N. Fillmore St.	16,680	1,747,847	287,465	1,460,382	847,222	613,160	316,546	296,614	95,671	200,943	27.94
170	1238 Elden St. Space A-3	29,867	3,041,884	503,445	2,538,438	1,464,081	1,074,358	415,813	658,545	170,819	487,726	32.58
181	106 Washington St.	11,341	1,298,980	213,495	1,085,486	627,339	458,147	241,655	216,492	77,709	138,783	27.12
203	3678 King St.	45,662	4,857,103	798,171	4,058,932	2,335,384	1,723,548	615,322	1,108,226	290,606	817,620	33.27
208	4410 Ashburn Village Blvd.	31,959	3,124,026	515,424	2,608,602	1,513,626	1,094,976	388,149	706,828	187,049	519,779	33.14
210	1160-A S. Lakes Dr.	30,919	3,151,259	518,058	2,633,201	1,513,052	1,120,149	396,518	723,631	185,653	537,978	33.51
212	167 Hillwood Ave.	25,774	2,498,904	409,696	2,089,208	1,199,579	889,629	336,697	552,932	149,833	403,099	32.53
215	202 23rd St. S.	38,593	3,986,068	653,688	3,332,380	1,914,516	1,417,864	451,732	966,132	231,033	735,099	34.84
219	8413 Old Courthouse Rd.	74,741	8,672,118	1,432,137	7,239,981	4,165,514	3,074,467	920,234	2,154,233	512,737	1,641,496	35.44
224	Rt. 501/13944 Lee Jackson Hwy.	38,683	3,669,265	606,196	3,063,070	1,761,618	1,301,451	426,905	874,547	216,489	658,058	34.46
228	1524 Belle View Blvd.	50,311	5,079,585	834,270	4,245,315	2,444,685	1,800,631	498,620	1,302,010	300,264	1,001,746	36.14
231	436 E. Maple Ave.	37,465	3,974,058	651,475	3,322,583	1,912,975	1,409,608	563,966	845,642	238,377	607,266	31.67
234	9574-76 Old Keene Mill Rd.	38,326	3,578,728	590,888	2,987,840	1,720,674	1,267,167	435,257	827,910	207,006	620,904	33.86
235	8628-B Richmond Hwy.	38,300	3,445,730	567,396	2,878,334	1,652,715	1,225,619	445,594	780,025	203,245	576,780	33.21
236	7200 Little River Tpk.	46,829	4,086,862	676,461	3,410,401	1,955,737	1,454,664	423,709	1,030,955	239,649	791,306	35.91
241	11260 James Swart Cir.	31,621	3,158,798	520,780	2,638,018	1,577,103	1,120,914	381,793	739,122	187,334	551,788	33.95
248	4709-B Lee Hwy.	45,470	4,382,781	719,956	3,662,824	2,108,124	1,554,700	585,783	968,917	263,269	705,647	32.53
260	6284 Arlington Blvd.	26,565	2,667,602	437,065	2,230,537	1,282,602	947,935	366,280	581,656	159,740	421,915	32.20
264	16661 River Ridge Blvd.	48,268	4,846,504	802,023	4,044,481	2,324,225	1,720,256	479,970	1,240,286	283,763	956,523	36.28
267	1445B Chain Bridge Rd.	61,896	7,167,631	1,171,759	5,990,472	3,451,116	2,539,356	718,613	1,820,744	435,755	1,384,989	35.75
268	6400 Springfield Plz.	67,082	6,613,486	1,091,967	5,521,518	3,171,615	2,349,904	679,919	1,669,985	388,420	1,281,565	35.89
271	3991 Jefferson Davis Hwy.	55,988	5,782,856	958,105	4,824,750	2,773,204	2,051,946	520,243	1,531,303	346,445	1,184,857	37.06
273	9421 Lorton Market St.	33,139	3,149,241	519,390	2,629,851	1,511,029	1,118,822	405,277	713,545	185,893	527,652	33.25
286	7555 Linton Hall Rd.	64,694	6,255,956	1,033,392	5,222,565	3,007,260	2,215,305	604,016	1,611,289	363,465	1,247,824	36.46
294	3556 E. S. Jefferson St.	51,815	5,436,101	896,386	4,539,715	2,615,513	1,924,202	652,845	1,271,357	317,988	953,369	34.03
295	8095 Sudley Rd.	59,625	5,622,626	931,747	4,690,879	2,701,246	1,989,632	608,892	1,380,740	329,871	1,050,869	35.26
301	4292 Merchants Plz.	44,306	4,265,494	704,553	3,560,941	2,047,299	1,513,643	415,012	1,098,631	252,095	846,536	36.36
316	4108 Fortuna Center Plz.	43,294	4,134,878	682,078	3,452,800	1,970,944	1,481,856	433,451	1,048,405	248,648	799,757	35.84
317	9600 E. Main St.	28,045	2,645,551	435,134	2,210,417	1,268,601	941,816	385,684	556,132	158,076	398,056	31.49
319	2507 N. Harrison St.	24,468	2,551,763	418,517	2,133,246	1,227,512	905,734	359,606	546,128	155,527	390,602	31.71
322	14151 St. Germain Dr.	45,241	4,083,348	675,771	3,407,577	1,955,211	1,452,366	485,883	966,483	240,551	725,932	34.33
323	1020 E. Main St.	51,210	4,774,771	783,905	3,990,865	2,306,385	1,684,481	502,236	1,182,245	281,483	900,762	35.28
346	805 Lee Hwy.	41,443	4,146,875	683,805	3,463,071	1,993,732	1,469,339	485,358	983,981	200,495	783,486	35.38
352	2555 John Milton Dr.	26,963	2,679,479	441,019	2,238,461	1,303,976	934,484	398,341	536,143	159,139	377,004	30.53
353	4255 Cheshire Plz.	65,665	6,131,331	1,014,980	5,116,351	2,943,626	2,172,725	698,477	1,474,248	357,271	1,116,977	34.77
357	1454 N. Point Village Cntr.	49,153	5,228,111	862,248	4,365,862	2,522,982	1,843,715	517,983	1,325,731	311,137	1,014,594	35.90
362	100 Edds Lane	44,440	4,074,274	671,135	3,403,140	1,955,982	1,447,158	503,322	943,836	242,780	701,056	33.68
367	20070 Ashbrook Commons Plz.	32,133	3,402,768	559,941	2,842,827	1,631,501	1,211,326	444,167	767,159	200,197	566,962	33.12
368	10308 Willard Way	20,443	1,814,838	298,760	1,516,078	871,502	644,576	349,016	295,560	108,449	187,111	26.77
369	6343A Columbia Pike	25,877	2,449,255	404,052	2,045,203	1,173,504	871,700	342,913	528,787	145,283	383,504	32.15
371	5739 Burke Centre Pkwy.	30,204	2,868,989	472,921	2,396,068	1,376,629	1,019,439	321,713	697,726	170,917	526,809	34.85
372	3161 Duke St.	26,936	2,689,674	442,925	2,246,748	1,294,342	952,406	386,763	565,643	155,697	409,946	31.71

(continued)

(3) Store expenses include miscellaneous revenue and net cash overages.
 (4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

RETAIL OPERATIONS DIVISION

Analysis of Store Performance— Fiscal Year 2020												
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)
374	2955A S. Glebe Rd.	44,003	4,478,576	737,830	3,740,746	2,157,611	1,583,135	455,371	1,127,765	261,878	865,887	35.81
375	2225 Old Bridge Rd.	31,827	2,967,638	489,589	2,478,050	1,421,142	1,056,908	317,880	739,028	179,437	559,591	35.35
378	2940 Columbia Pike	28,337	2,867,465	471,807	2,395,659	1,379,749	1,015,909	417,819	598,090	168,834	429,257	31.42
380	3815-3817 Mount Vernon Ave.	28,332	2,788,196	458,606	2,329,590	1,341,768	987,822	436,905	550,917	161,295	389,621	30.42
384	5109 Westfields Blvd.	32,864	3,068,253	506,079	2,562,174	1,472,521	1,089,653	399,476	690,176	184,107	506,070	32.99
385	9575 Braddock Rd.	23,681	2,126,892	350,164	1,776,728	1,021,848	754,880	335,582	419,298	126,112	293,186	30.25
388	10685 Braddock Rd.	11,991	1,879,379	310,595	1,568,784	902,537	666,247	329,274	336,974	117,005	219,968	28.23
393	4349 Duke St.	20,285	1,821,287	300,215	1,521,072	875,082	645,990	329,911	316,079	113,219	202,860	27.62
397	686 N. St. Asaph St.	84,453	8,597,200	1,420,448	7,176,751	4,124,916	3,051,835	832,041	2,219,794	502,524	1,717,270	36.50
416	44722 Brimfield Dr.	21,494	2,231,536	365,681	1,865,855	1,067,228	798,626	374,457	424,169	130,440	293,729	29.55
418	8074 Rolling Rd.	46,527	5,212,827	858,028	4,354,799	2,522,387	1,832,412	520,353	1,312,059	317,294	994,765	35.54
421	10140 Fairfax Blvd.	17,793	1,689,776	278,572	1,411,204	689,652	512,062	415,065	96,998	89,773	7,224	16.98
424	44722 Brimfield Dr.	18,502	2,053,965	338,560	1,715,405	986,747	728,658	347,233	381,426	124,183	257,243	29.01
425	5940 Richmond Hwy.	24,671	2,482,868	407,072	2,075,797	1,195,370	880,427	342,859	537,567	154,732	382,835	31.81
438	4604 Kenmore Ave.	10,969	1,051,652	172,222	879,430	499,134	380,296	257,368	122,928	67,258	55,669	21.67
952	1750 Fair Oaks Mall	248	85,141	13,949	71,192	41,021	30,171	26,660	3,511	4,406	(895)	15.33
953	1100 S Hayes St.	172	57,438	9,454	47,984	26,475	21,510	30,545	(9,035)	2,978	(12,013)	-4.46
Northern Virginia							\$116,370,381	\$40,430,418	\$75,939,963	\$19,429,528	\$56,510,435	33.70
37	15149 Montanus Dr.	39,305	3,146,851	518,263	2,628,587	1,511,916	1,116,671	337,127	779,544	181,658	597,885	35.47
51	265 Turkey Sag Trail	21,630	1,671,658	274,818	1,396,840	800,760	596,080	211,562	384,518	98,858	285,660	33.53
66	1083-E Marsh Rd.	25,703	2,031,316	335,708	1,695,608	974,531	721,077	287,478	433,599	118,704	314,896	32.03
72	5390-A Lyndon Dr.	37,864	2,921,763	480,617	2,441,146	1,403,030	1,038,116	295,865	742,250	173,269	568,982	35.92
88	4199-B Winchester Rd.	23,747	2,139,875	352,208	1,787,667	1,031,095	756,572	272,051	484,522	126,976	357,545	33.17
163	583 N. Madison Rd.	19,986	1,508,225	249,409	1,258,816	719,362	539,454	216,307	323,147	88,517	234,630	32.09
227	200 S. Main St.	10,128	885,670	128,889	656,781	375,618	281,162	128,901	152,261	47,048	105,213	29.80
274	28 Madison Plz. Dr.	12,686	982,541	163,072	819,469	476,167	343,298	215,890	127,407	57,631	69,776	23.70
303	175 W. Lee Hwy.	69,336	5,946,009	981,221	4,964,788	2,864,805	2,099,983	579,678	1,520,305	355,323	1,164,983	36.09
329	185 Southgate Shp. Ctr.	32,606	2,592,610	427,591	2,165,020	1,244,612	920,408	238,252	682,156	153,935	528,221	36.87
Warrenton/Culpeper							\$3,911,801	\$19,814,718	\$5,629,709	\$1,401,918	\$4,227,791	34.31
46	183 Community St.	27,673	2,513,609	413,296	2,100,313	1,209,057	891,257	294,465	596,792	148,308	448,484	34.28
50	325 Four Leaf Lane, Ste. 3	24,514	2,197,434	360,953	1,836,480	1,041,895	794,586	236,361	558,225	131,332	426,893	35.85
70	98 Stoneridge Dr. N.	28,434	2,178,473	357,911	1,820,562	1,060,539	760,023	276,559	483,464	128,914	354,550	32.70
125	304 Pantops Ctr.	37,034	3,152,685	519,320	2,633,364	1,516,145	1,117,220	287,314	829,906	186,050	643,856	36.89
126	2819 Rock Fish Valley Hwy.	12,776	1,055,526	179,303	926,223	533,486	392,737	157,684	235,054	66,123	168,930	31.50
138	502 E. Main St., Ste. 2	23,458	1,664,672	274,916	1,389,757	795,773	593,984	269,857	324,127	98,204	225,923	30.09
185	502 W. Main St.	39,791	3,355,300	582,382	2,952,918	1,692,488	1,260,431	367,642	892,789	207,885	684,904	35.85
189	138 Scottsville Village Sq.	12,840	966,929	159,601	807,328	462,137	345,191	126,980	218,211	56,343	161,868	33.25
202	1902 Emmett St.	58,564	5,571,139	920,247	4,650,892	2,680,379	1,970,513	472,695	1,497,818	329,105	1,168,713	37.50
203	1169 Emmet St.	45,380	3,976,050	654,917	3,321,134	1,913,278	1,407,856	493,460	914,395	234,257	680,139	33.58
321	77 Caillohill Dr.	12,983	973,512	161,108	812,404	465,718	346,686	211,155	135,531	57,434	78,098	24.57
359	1872 Rio Hill Ctr.	30,731	2,618,413	431,776	2,186,637	1,256,164	930,473	299,822	630,651	156,041	474,611	34.62
376	11016 Kentucky Springs Rd.	28,781	2,258,705	372,026	1,886,679	1,085,944	800,735	240,555	560,180	139,969	420,210	35.07
392	415 Merchant Walk Sq.	40,590	3,634,436	598,238	3,036,198	1,743,788	1,292,411	338,926	953,485	216,690	736,795	36.73
408	45 Market St.	29,270	2,401,213	394,560	2,006,653	1,155,152	851,501	319,629	531,873	141,776	390,096	32.68
951	1600 Rio Rd. E.	130	39,394	6,422	32,971	19,017	13,955	12,717	1,238	2,033	(795)	14.29
Charlottesville							\$6,386,976	\$32,400,515	\$9,363,739	\$2,300,463	\$7,063,276	34.68
117	309 Twelfth St.	City/44,213	3,452,599	572,040	2,880,559	1,644,669	1,235,890	283,876	952,014	204,520	747,494	38.22
160	1128 E. Lynchburg Salem Tmpk.	26,297	1,871,928	309,286	1,562,642	893,556	669,086	226,133	442,953	110,427	332,526	34.29

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

(2) State taxes on distilled spirits (20%) and wine (4%) 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 2020												
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)
176	Highway 501, 416 Lusardi Dr.	10,004	683,842	113,486	570,356	326,487	243,869	148,749	95,120	39,986	55,134	24.66
262	20401 Timberlake Rd.	44,521	3,321,795	549,740	2,772,056	1,584,768	1,187,288	288,088	899,200	197,553	701,646	37.67
266	218 Wards Rd.	City	45,055	3,467,326	574,673	2,892,653	1,238,559	334,099	904,460	207,245	697,215	36.68
279	18013 Forest Rd.	32,832	2,600,785	429,228	2,171,557	1,240,370	931,188	271,174	660,013	154,540	505,473	35.94
281	216 Amelon Sq. Plz.	31,308	2,321,619	383,516	1,938,103	1,110,769	827,335	254,045	573,290	137,494	435,795	35.29
285	199 Amherst Ship. Ctr.	15,558	1,109,959	183,097	926,862	530,912	395,950	203,280	192,670	66,279	126,391	27.88
287	4925 Boonsboro Rd.	33,153	2,735,434	450,433	2,285,001	1,317,408	967,593	283,711	683,883	162,031	521,852	35.54
347	105 Clarion Rd.	26,460	1,919,137	317,721	1,601,416	914,995	686,421	222,695	463,726	112,601	351,124	34.85
354	7955 Richmond Hwy.	21,470	1,484,438	246,164	1,238,274	706,631	531,643	214,702	316,941	87,711	229,230	32.03
399	1051 Village Hwy.	17,258	1,221,044	202,133	1,018,911	583,922	434,988	193,968	241,021	72,336	168,685	30.37
400	14521 Forest Rd.	18,853	1,437,316	236,648	1,200,668	687,428	513,240	196,851	316,390	85,360	231,030	32.54
410	14807 Moneta Rd.	20,913	1,542,770	253,748	1,289,021	740,334	548,687	203,016	345,672	97,537	248,135	32.53
	Lynchburg	387,897	\$29,169,992	\$4,821,913	\$24,348,079	\$13,936,343	\$10,411,737	\$3,324,386	\$7,087,351	\$1,735,621	\$5,351,730	34.88
132	2777 Greensboro Rd.	31,978	2,432,839	403,857	2,028,983	1,157,208	871,775	266,692	605,082	145,603	459,479	35.49
146	639 W Main St.	21,631	1,716,325	285,123	1,431,202	817,555	613,648	256,475	357,173	104,076	253,097	31.36
154	235 N. Union St.	11,350	853,623	141,783	711,840	406,091	305,749	168,148	137,601	56,370	81,231	26.13
191	400 Old Franklin Tnpk.	43,610	3,104,402	513,529	2,590,873	1,484,523	1,106,351	308,749	797,602	183,759	613,843	36.32
213	12990 B. T. Washington Hwy.	35,127	2,729,037	449,441	2,279,596	1,314,450	965,147	332,125	633,022	170,622	462,400	33.41
276	221 Nor-Dan Dr.	35,740	2,951,837	490,252	2,461,585	1,403,847	1,057,738	283,040	774,698	176,462	598,235	36.87
277	985 Fairystone Park Hwy.	23,950	1,595,446	264,411	1,331,034	757,655	573,379	215,480	357,899	95,277	262,622	33.03
283	Hwys. 29/703, R. 2	16,871	1,267,828	210,702	1,057,127	604,961	452,165	175,553	276,612	75,663	200,949	32.47
291	786 Commonwealth Blvd.	36,960	2,842,809	471,437	2,371,372	1,355,138	1,016,234	307,636	708,598	170,291	538,307	35.52
324	301 S. Main St.	13,624	980,297	162,595	817,702	466,903	350,799	169,492	181,307	57,897	123,410	29.18
373	3282 Riverside Dr.	42,933	3,480,300	576,513	2,903,786	1,660,836	1,242,951	331,427	911,523	205,786	705,737	36.84
	Danville/Martinsville	313,775	\$23,954,744	\$3,969,643	\$19,985,102	\$11,429,166	\$8,555,935	\$2,814,818	\$5,741,117	\$1,441,809	\$4,299,309	34.52
59	3136 Halifax Rd.	48,378	3,519,486	584,246	2,935,240	1,678,513	1,256,727	338,018	918,709	205,953	712,756	36.85
143	812 E. Atlantic St.	44,977	3,406,179	564,895	2,841,284	1,629,420	1,211,864	289,119	922,745	203,013	719,732	37.71
157	93 Brunswick Square Ct.	14,457	1,083,201	179,704	903,497	516,577	386,920	162,861	224,059	65,182	158,877	31.26
172	112 N. Main St.	12,187	866,515	144,053	722,463	409,971	312,491	183,087	129,405	51,199	78,205	25.65
214	608 Virginia Ave.	20,025	1,462,185	242,733	1,219,452	698,177	521,275	160,632	360,643	87,555	273,088	35.28
	South Boston	140,025	\$10,337,567	\$1,715,630	\$8,621,937	\$4,932,659	\$3,689,278	\$1,133,717	\$2,555,561	\$612,903	\$1,942,659	35.39
152	1506 S. Main St.	43,723	3,211,245	531,763	2,679,482	1,534,033	1,145,449	295,599	849,850	188,838	661,012	37.14
161	501F Main St.	9,961	684,110	113,759	570,352	325,809	244,543	143,074	101,469	40,294	61,175	25.57
164	1618 W. Virginia Ave.	13,890	972,934	160,972	811,962	464,029	347,933	202,759	145,174	57,102	88,072	25.60
178	974 Main St.	11,780	878,065	145,625	732,440	418,747	313,693	175,148	138,545	51,848	86,697	26.46
196	110 King St.	12,603	850,736	140,573	710,163	406,997	303,165	151,233	151,932	49,780	102,153	28.53
204	1592 Anderson Hwy.	7,943	557,639	91,952	465,687	266,916	198,771	138,431	60,341	34,882	25,459	21.06
275	1423 S. Main St.	19,181	1,425,830	236,758	1,189,071	681,549	507,523	230,024	277,499	82,009	195,489	30.32
351	15127 Patrick Henry Hwy.	15,534	1,156,833	191,575	965,258	552,284	412,974	193,358	219,617	68,404	151,213	29.63
	Farmville	134,614	\$9,737,392	\$1,612,977	\$8,124,415	\$4,650,363	\$3,474,051	\$1,529,625	\$1,944,426	\$573,157	\$1,371,269	30.65
38	2501 New Kent Hwy.	41,631	3,175,910	525,131	2,650,780	1,526,690	1,124,090	289,678	834,412	183,684	650,728	37.02
77	1800 S. Creek One	26,565	1,986,212	328,164	1,658,048	951,654	706,394	237,946	468,448	115,416	353,032	34.30
86	2610 Buford Rd.	36,152	3,214,171	528,714	2,685,457	1,547,769	1,137,688	319,737	817,951	196,369	621,582	35.79
89	34-A Broad St. Rd.	27,883	2,332,176	385,388	1,946,788	1,120,939	825,849	258,484	567,365	139,463	427,902	34.87
97	6504 Hull St.	41,297	3,957,812	656,157	3,301,655	1,895,714	1,405,942	385,798	1,020,144	240,771	779,373	36.27
101	3100-A W. Broad St.	41,868	3,871,249	637,189	3,234,060	1,859,391	1,374,669	452,280	922,389	224,564	697,825	34.49
102	1901 W. Main St.	45,625	3,966,132	653,764	3,312,367	1,922,040	1,390,328	389,785	1,000,543	229,394	771,148	35.93
104	7028-7032 Woodlake	54,926	4,499,134	739,008	3,760,126	2,164,615	1,595,511	373,535	1,221,976	271,780	950,196	37.55

(continued)

(3) Store expenses include miscellaneous revenue and net cash overages.
 (4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

RETAIL OPERATIONS DIVISION

Analysis of Store Performance — Fiscal Year 2020												
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)
Commons Loop												
108	10242 Staples Mills Rd.	30,003	2,497,169	411,536	2,085,632	1,198,377	887,255	276,005	611,251	147,693	463,557	35.04
116	12635 Jefferson Davis Hwy.	64,705	5,430,134	898,348	4,531,785	2,605,880	1,925,906	449,936	1,475,970	322,489	1,153,481	37.79
150	6030 Brook Rd.	34,688	2,881,146	477,067	2,404,078	1,376,201	1,027,877	314,858	713,019	170,368	542,651	35.39
159	201 Stonebridge Plz. Ave.	49,514	4,338,692	718,357	3,620,335	2,078,717	1,541,618	431,819	1,109,799	258,328	851,471	36.18
169	10 N. Thompson St.	71,453	6,728,917	1,108,376	5,620,541	3,242,902	2,377,639	517,437	1,860,202	387,711	1,472,491	38.35
171	8700 W. Broad St.	38,077	3,349,603	553,111	2,796,492	1,602,712	1,193,780	393,250	800,530	201,051	599,480	34.41
180	2026 E. Main St.	49,431	4,868,173	804,237	4,063,937	2,348,592	1,715,345	436,183	1,279,162	280,732	998,429	37.03
182	1217-19 W. Broad St.	29,917	2,407,794	398,479	2,009,315	1,140,310	869,004	314,451	554,553	122,792	431,761	34.48
187	2421 Venable St.	20,410	1,713,356	285,040	1,428,315	812,342	615,974	189,895	426,079	97,698	328,381	35.80
190	13113 & 13117 Rittenhouse Dr.	66,827	5,741,321	945,749	4,795,572	2,758,664	2,036,908	509,732	1,527,176	345,902	1,181,274	37.05
205	2288 John Rolfe Pkwy.	20,654	1,698,676	280,047	1,418,629	802,585	616,044	235,753	380,291	101,471	278,820	32.90
207	10106 Brook Rd.	38,923	3,426,424	565,750	2,860,675	1,648,545	1,212,129	362,833	849,296	206,067	643,229	35.28
242	1601 Willow Lawn Dr.	49,576	4,586,532	755,042	3,831,490	2,207,294	1,624,196	447,586	1,176,610	275,158	901,452	36.12
243	245-B N. Washington Hwy.	41,282	3,220,582	533,376	2,687,206	1,550,139	1,137,067	258,828	878,239	191,673	686,566	37.88
247	9685 W. Broad St.	35,088	2,972,493	491,712	2,480,782	1,439,730	1,041,052	314,328	726,724	181,042	545,682	34.90
251	2924 N. Avenue	19,071	1,562,532	259,873	1,302,659	740,355	562,303	230,343	331,960	94,844	237,116	31.81
252	618 W. Southside Plz.	44,273	3,756,817	624,429	3,132,388	1,795,294	1,337,094	342,002	995,092	216,789	778,303	37.34
254	7015 Threes Chopt Rd.	28,818	2,615,258	431,900	2,183,358	1,264,006	919,352	320,610	598,742	160,373	438,369	33.28
270	809-823 E. Parham Rd.	41,627	3,379,759	559,204	2,820,555	1,618,620	1,201,935	360,026	841,909	200,736	641,173	35.52
284	14229 Midlothian Tnkp.	60,835	5,112,860	842,734	4,270,126	2,461,959	1,808,168	438,358	1,369,810	310,737	1,059,073	37.20
292	1521 Parham Rd.	34,860	2,984,534	492,065	2,492,469	1,426,656	1,065,813	303,094	762,719	178,337	584,382	36.07
300	9502 Chamberlayne Rd.	42,113	3,343,607	551,919	2,791,688	1,640,293	1,151,394	286,985	864,409	200,015	664,395	36.38
304	2734 Fairground Rd.	19,592	1,514,893	250,373	1,264,520	731,964	532,556	215,005	317,551	89,166	228,385	31.60
305	3816 Mechanicsville Tnkp.	41,507	3,576,602	593,427	2,983,175	1,715,444	1,267,731	356,762	910,969	206,653	704,316	36.28
308	11252 Patterson Ave.	17,560	1,474,507	243,268	1,231,239	708,944	522,295	237,564	284,731	87,878	196,853	29.85
314	4320-D S. Laburnum Ave.	77,944	6,898,042	1,142,707	5,755,335	3,298,208	2,457,127	569,473	1,887,654	407,387	1,480,267	38.02
315	7048 Commons Plz.	50,133	4,095,060	677,911	3,417,150	1,964,956	1,452,194	377,098	1,075,095	242,645	832,451	36.88
326	2105 Academy Rd.	22,901	1,760,081	290,752	1,469,329	845,850	623,479	252,262	371,217	104,788	266,429	31.66
330	5722 Hopkins Rd.	47,518	4,219,413	699,241	3,520,171	2,020,036	1,500,135	353,681	1,146,454	250,039	896,415	37.75
331	3450-3452 Pump Rd.	76,339	7,750,902	1,278,231	6,472,672	3,735,140	2,737,532	623,706	2,113,826	466,230	1,647,595	37.32
332	4018 Glenside Dr.	36,141	2,851,786	471,476	2,380,310	1,366,295	1,014,015	278,116	735,899	170,571	565,328	36.36
334	7057 Mechanicsville Tnkp.	61,738	4,850,310	800,685	4,049,625	2,328,739	1,720,886	495,883	1,225,003	288,828	936,174	35.81
348	7036 Forest Hill Ave.	48,847	4,157,443	683,908	3,473,535	1,998,475	1,475,060	363,876	1,111,184	241,629	869,554	37.37
350	11008 Midlothian Tnkp.	82,118	6,981,931	1,153,321	5,828,610	3,357,856	2,470,754	458,927	2,011,827	417,528	1,594,299	39.35
360	2901 Hermitage Rd.	49,129	4,459,140	736,751	3,722,388	2,132,309	1,590,079	264,221	1,325,858	256,426	1,069,432	40.51
363	9953 Hull St. Rd.	47,154	3,666,793	606,771	3,060,023	1,755,860	1,304,163	390,275	913,887	214,161	699,726	35.63
366	1370 Gaskins Rd.	34,545	3,077,676	508,047	2,569,629	1,497,639	1,071,990	366,650	705,340	182,917	522,423	33.48
389	11367 Nuckolls Rd.	28,750	2,722,509	448,536	2,273,973	1,314,688	959,285	351,040	608,245	162,091	446,155	32.86
390	16605 Mountain Rd.	18,514	1,422,261	234,243	1,188,018	683,393	504,625	249,386	255,239	83,980	171,259	28.51
407	13113 River's Bend Blvd.	25,859	2,224,430	367,666	1,856,764	1,066,174	790,590	284,934	505,655	133,635	372,021	33.25
441	4991 Nine Mile Rd.	28,244	2,562,298	424,974	2,137,324	1,221,438	915,885	302,356	613,529	166,579	446,950	34.03
448	11800 W. Broad St.	1,093	223,488	37,229	186,260	109,435	76,825	49,229	27,596	12,142	15,454	23.57
Richmond		2,043,720	\$176,108,742	\$29,091,384	\$147,017,357	\$84,601,827	\$62,415,531	\$17,282,000	\$45,133,531	\$10,438,723	\$34,694,808	36.22
35	2757 Jefferson Davis Hwy.	44,605	3,989,834	657,970	3,331,865	1,911,179	1,420,685	350,167	1,070,518	240,188	830,330	37.30
44	18035 Jefferson Davis Hwy.	23,509	1,823,667	301,426	1,522,240	869,795	652,445	268,153	384,292	108,332	275,961	31.66
62	1416 Carl D. Silver Pkwy.	47,931	4,541,614	750,785	3,790,829	2,172,669	1,618,160	432,866	1,185,294	271,034	914,200	36.66
64	43 Town and Country Dr.	37,578	3,024,234	499,197	2,525,037	1,411,749	1,113,288	324,472	788,816	178,691	610,125	36.68
74	10857/10859 Tidewater Trail	18,681	1,582,266	261,556	1,320,709	757,037	563,673	240,992	322,680	94,015	228,666	30.98
95	10025 Jefferson Davis Hwy.	46,565	3,975,079	656,020	3,319,060	1,904,769	1,414,291	387,457	1,026,834	235,516	791,318	36.41
103	6348 Jefferson Davis Hwy.	20,418	1,570,813	259,495	1,311,317	751,469	559,848	224,574	335,274	93,514	241,760	31.91

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

(2) State taxes on distilled spirits (20%) and wine (4%) 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 2020												
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)
121	507 William St.	28,483	2,644,084	435,333	2,208,751	1,268,343	940,408	237,283	703,125	161,778	541,346	36.94
183	9 Village Center Dr.	38,962	3,342,141	551,715	2,790,426	1,599,532	1,190,895	361,036	829,858	198,457	631,401	35.40
200	356 Garrisonville Rd.	48,904	4,658,421	767,255	3,891,166	2,231,558	1,659,608	468,268	1,191,340	268,790	922,550	36.27
209	5055 Jefferson Davis Hwy.	44,757	3,627,470	599,766	3,027,704	1,734,758	1,292,946	391,686	901,261	214,906	686,354	35.46
221	16424 Consumer Row	21,042	1,757,966	299,339	1,467,627	839,934	627,693	209,903	417,789	103,971	313,818	34.37
239	320 W. Broadbuss Ave.	10,679	784,006	129,803	654,203	374,615	279,589	153,291	126,298	46,067	80,231	26.79
245	1249 Jefferson Davis Hwy.	57,519	2,322,700	383,693	1,939,007	1,111,507	827,500	488,871	544,769	134,663	410,105	34.18
313	4185 Plank Rd.	26,924	4,664,608	770,821	3,893,787	2,223,948	1,669,839	418,681	1,251,158	275,376	975,782	37.44
412	50 N. Stafford Complex	25,916	2,331,792	383,958	1,947,835	1,120,610	827,224	308,068	519,156	142,125	377,031	32.64
950	137 Spotsylvania Mall Dr.	218	57,806	9,495	48,311	27,828	20,483	29,185	(8,702)	2,969	(11,671)	-3.77
Fredericksburg		542,691	\$46,698,501	\$7,708,626	\$38,989,874	\$22,311,298	\$16,678,576	\$5,088,814	\$11,589,762	\$2,770,453	\$8,819,309	35.39
130	700 McKinney Blvd.	19,896	1,437,019	237,887	1,199,133	686,873	512,260	188,538	323,722	91,260	232,462	32.73
149	4699 Richmond Rd.	14,097	1,073,711	176,986	896,724	515,272	381,452	212,925	168,527	65,277	103,250	26.10
192	101 S. Main St.	47,031	3,523,805	580,820	2,942,984	1,694,398	1,248,586	343,473	905,114	212,702	692,412	36.13
220	12722 King's Hwy., Ste. 109	9,807	743,622	122,562	621,061	356,885	264,176	164,231	99,944	45,425	54,519	23.81
238	142 Northumberland Hwy.	18,623	1,271,736	209,974	1,061,762	609,186	452,576	198,884	253,692	78,709	174,982	30.27
Northern Neck		109,453	\$8,049,894	\$1,328,229	\$6,721,664	\$3,862,614	\$2,859,050	\$1,108,051	\$1,750,999	\$493,373	\$1,257,625	32.12
321	6273 General Puller Hwy.	17,475	1,235,983	203,146	1,032,837	591,384	441,453	178,608	262,845	77,809	185,037	31.41
155	2334 York Crossing Dr.	33,503	2,473,620	408,636	2,064,984	1,183,105	881,879	270,948	610,931	147,912	463,019	35.24
175	416 14th St.	23,785	1,751,467	288,951	1,462,516	838,337	624,180	221,654	402,526	103,498	299,027	33.57
179	231 Virginia St.	13,978	1,047,774	172,138	875,636	504,030	371,606	164,756	206,850	65,754	141,096	29.90
198	1628 Tappahannock Blvd.	23,761	1,744,980	287,954	1,457,026	837,802	619,223	227,641	391,792	104,575	287,218	32.96
233	6376 Main St.	37,678	2,736,134	452,561	2,283,572	1,307,271	976,302	267,694	708,607	163,876	544,731	36.45
257	4917 Richmond Tapp. Hwy.	23,345	1,744,486	288,748	1,455,738	835,081	620,657	239,790	380,867	104,466	276,400	32.40
333	10972 Buckley Hall	17,485	1,225,681	201,505	1,024,176	588,234	435,942	185,978	249,964	75,071	174,893	30.71
West Point/Mathews		191,010	\$13,960,125	\$2,303,640	\$11,656,485	\$6,685,243	\$4,971,242	\$1,756,860	\$3,214,382	\$842,960	\$2,371,422	33.49
60	Unit 4330 Westgate Dr.	50,455	3,902,285	647,716	3,254,568	1,868,198	1,386,371	305,219	1,081,151	232,639	848,512	38.34
114	4575 Whitehill Blvd.	38,698	3,341,796	552,502	2,789,294	1,601,252	1,188,043	353,328	834,715	203,073	631,642	35.43
118	18 Washington St., W.	23,865	2,026,648	337,044	1,689,604	963,469	726,135	288,370	437,766	121,571	316,195	32.23
144	301 Market Dr. Ste. H	34,937	2,795,179	464,407	2,330,771	1,337,105	993,667	311,364	682,303	166,225	516,078	35.08
151	210 N. Main St.	26,433	2,021,140	335,200	1,685,939	967,172	718,767	207,807	510,960	118,765	392,195	35.99
232	3107 Boulevard	42,599	3,298,742	546,770	2,751,972	1,572,767	1,179,205	351,666	827,539	195,483	632,056	35.74
240	201 S. Country Dr.	12,699	945,123	158,075	787,049	455,912	331,137	185,508	145,629	49,281	96,348	26.92
255	3330 S. Crater Rd.	47,236	3,813,003	632,150	3,180,853	1,807,964	1,372,889	307,396	1,065,493	227,462	838,031	38.56
310	5232 Oaklawn Blvd.	35,992	2,959,647	490,540	2,469,107	1,413,535	1,055,572	256,366	799,206	176,843	622,363	37.60
Petersburg/Hopewell		312,915	\$25,103,562	\$4,164,404	\$20,939,158	\$11,987,373	\$8,951,785	\$2,567,023	\$6,384,763	\$1,491,343	\$4,893,420	36.08
43	236 Carmichael Way	34,483	2,724,745	448,669	2,276,076	1,306,576	969,500	273,747	695,754	162,019	533,734	36.05
53	11409 Windsor Blvd., Unit B	16,784	1,198,452	198,727	999,725	573,199	426,526	212,990	213,536	71,985	141,551	28.39
69	648 Grassfield Pkwy.	38,464	3,175,964	523,720	2,652,244	1,522,221	1,130,022	320,010	810,012	189,348	620,665	36.03
71	143 B Granby St.	4,755	486,856	80,019	406,837	232,052	174,785	151,924	22,861	32,019	(9,158)	14.55
79	1434 Sam's Dr.	52,980	4,485,254	743,076	3,742,177	2,147,742	1,594,435	428,528	1,165,907	267,273	898,634	36.60
98	3312 Princess Anne Rd.	37,442	3,188,783	524,879	2,663,904	1,522,275	1,141,629	347,133	794,496	189,650	604,846	35.43
105	869 Lynnhaven Pkwy.	45,893	3,891,073	643,880	3,247,194	1,858,962	1,388,231	320,128	1,068,103	231,978	836,125	38.04
106	2973 Shore Dr.	48,092	3,843,296	632,069	3,211,227	1,852,580	1,358,647	314,069	1,044,579	246,845	797,734	37.20
107	141 W. Virginia Beach Blvd.	78,503	7,364,414	1,219,824	6,144,590	3,549,114	2,595,476	622,851	1,972,625	435,524	1,537,101	37.44
110	1136 London Blvd.	37,237	3,222,962	534,507	2,688,455	1,545,619	1,142,836	288,970	853,866	192,995	660,872	37.09
128	159 W. Ocean View Ave	50,316	3,805,558	629,513	3,176,045	1,820,066	1,355,979	400,115	955,864	229,160	726,704	35.64
129	1615 General Booth Blvd.	41,764	3,196,453	526,709	2,669,745	1,528,842	1,140,902	339,698	801,205	192,253	608,952	35.53
134	2301 Ste. M Colley Ave.	65,513	5,616,951	930,450	4,686,501	2,701,716	1,984,785	450,522	1,534,263	333,735	1,200,527	37.94
165	550 E. Liberty St.	37,087	3,292,876	547,292	2,745,584	1,574,708	1,170,876	268,529	902,347	198,368	703,979	38.00

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

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

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

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

(continued)

Analysis of Store Performance — Fiscal Year 2020													
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)	
188	4334 Holland Rd.	Virginia Beach City	59,705	4,957,416	820,479	4,136,937	2,374,258	1,762,679	384,020	1,378,659	291,981	1,086,678	38.47
211	5911 Harbour View Blvd.	Suffolk City	34,564	3,252,198	537,890	2,714,308	1,560,685	1,153,622	359,312	794,311	192,664	601,647	35.04
216	100-102 Armory Dr.	Franklin City	36,460	2,707,758	449,529	2,258,229	1,280,433	977,796	269,008	708,787	158,764	550,023	36.91
225	405 30th St.	Virginia Beach City	107,104	8,456,061	1,395,405	7,060,655	4,052,332	3,008,323	566,943	2,441,381	549,110	1,892,271	38.88
226	7862 Tidewater Dr.,	Norfolk City	64,000	5,490,951	909,114	4,581,837	2,635,422	1,946,415	426,259	1,520,157	327,565	1,192,591	38.28
237	3812 Geo. Washington Hwy.	Portsmouth City	38,437	3,297,519	547,679	2,749,840	1,575,627	1,174,214	338,896	835,317	186,798	648,520	36.28
246	5020 Ferrell Pkwy.	Virginia Beach City	42,391	2,787,370	461,860	2,325,510	1,330,989	994,521	322,539	671,982	164,852	507,129	34.76
249	2350 E. Little Creek Rd.	Norfolk City	33,283	3,173,430	548,236	2,625,193	1,591,725	1,173,468	331,799	841,669	196,449	645,220	36.02
256	1612 Laskin Rd.	Virginia Beach City	108,395	9,614,876	1,589,734	8,025,142	4,617,589	3,407,552	769,064	2,638,489	607,015	2,031,473	37.66
263	5900 Virginia Beach Blvd.	Norfolk City	68,840	6,390,628	1,060,492	5,330,137	3,061,223	2,268,914	487,816	1,781,098	375,811	1,405,287	38.58
278	3333 Virginia Beach Blvd.	Virginia Beach City	79,467	6,468,974	1,070,393	5,398,581	3,105,495	2,293,086	628,120	1,664,966	392,300	1,272,667	36.22
280	1103 S. Military Hwy.	Chesapeake City	76,680	6,372,156	1,056,408	5,315,748	3,060,318	2,255,430	413,463	1,841,967	380,201	1,461,766	39.52
288	5909 High St. W.	Portsmouth City	47,635	3,980,816	659,175	3,321,641	1,907,480	1,414,161	334,197	1,079,964	241,128	838,836	37.63
298	821W. Constance Rd.	Suffolk City	34,767	2,746,493	456,319	2,290,174	1,311,088	979,086	277,194	701,893	162,060	539,833	36.27
299	1917-19 S. Church St.	Isle of Wight Co.	39,622	3,088,969	510,873	2,578,096	1,483,211	1,094,886	321,515	773,371	184,832	588,539	35.59
306	2085 Lynnhaven Pkwy.	Virginia Beach City	54,926	4,585,856	757,876	3,827,979	2,197,018	1,630,961	436,735	1,194,226	271,803	922,422	36.64
307	957 & 959 Providence Sq.	Virginia Beach City	51,146	4,003,708	660,717	3,342,991	1,917,110	1,425,880	366,586	1,059,295	242,639	816,656	36.90
311	4020 Victory Blvd., Ste. 13	Portsmouth City	44,292	3,831,603	636,252	3,195,351	1,836,184	1,359,167	359,929	999,238	233,671	765,566	36.59
312	2815-G Godwin Blvd.	Suffolk City	32,027	2,661,060	440,570	2,220,490	1,272,128	948,362	296,671	651,691	157,276	494,415	35.14
325	2718 Main St.	Southampton Co.	10,441	723,897	120,272	603,626	349,104	254,522	178,296	76,225	43,858	32,367	21.09
328	836 Eden Way N.	Chesapeake City	40,613	3,600,220	596,368	3,003,853	1,723,336	1,280,516	333,203	947,313	215,161	732,153	36.90
336	1067 Independence Blvd.	Virginia Beach City	63,221	5,052,136	834,744	4,217,391	2,420,237	1,797,155	527,099	1,270,055	301,209	968,847	35.70
349	237 S. Battlerfield Blvd.	Chesapeake City	51,843	4,132,253	682,420	3,449,833	1,980,097	1,469,736	315,642	1,154,094	245,287	908,807	38.51
355	4300 Portsmouth Blvd.	Chesapeake City	47,899	3,943,267	652,698	3,290,568	1,891,936	1,398,832	340,475	1,058,357	235,834	822,523	37.41
361	3014 Turnpike Rd.	Portsmouth City	51,714	4,493,733	745,556	3,748,177	2,168,501	1,579,676	450,045	1,129,630	267,966	861,664	35.77
370	2181 Upton Dr.	Virginia Beach City	72,755	5,898,422	968,392	4,930,029	2,833,491	2,096,538	422,986	1,673,553	358,794	1,314,758	38.71
377	3575 Bridge Rd., Ste. 29	City of Suffolk	31,404	2,755,949	454,893	2,301,056	1,322,542	978,514	307,593	670,921	170,958	499,963	34.65
379	5832 Northampton Blvd.	Virginia Beach City	46,792	4,183,894	692,291	3,491,602	2,002,443	1,489,160	373,639	1,115,520	251,083	864,438	37.21
391	13478 Carrollton Blvd.	Isle of Wight Co.	22,948	1,920,129	317,329	1,602,800	923,247	679,553	269,583	409,971	112,663	297,307	32.01
394	535 N. Birdneck Rd	Virginia Beach City	9,288	809,019	133,286	675,733	385,888	289,845	117,649	172,196	63,504	108,693	29.91
409	7550 Granby St., Ste. 80	Norfolk City	41,069	3,504,347	579,905	2,924,441	1,678,939	1,245,502	310,830	934,672	209,822	724,850	37.23
413	1340 N. Main St., Ste. 28	Suffolk City	24,400	2,030,733	338,006	1,692,727	977,785	714,942	232,843	482,099	122,659	359,441	34.34
415	1340 N. Great Neck Rd.	Virginia Beach City	34,870	2,837,156	467,515	2,369,641	1,364,323	1,005,318	320,593	684,725	171,234	513,491	34.58
423	1595 International Blvd.	Norfolk City	29,202	2,578,603	427,254	2,151,349	1,239,564	911,785	304,538	607,247	168,159	439,088	33.60
428	4807 Shore Dr.	Virginia Beach City	30,581	2,389,270	392,348	1,996,922	1,158,001	838,922	343,016	495,906	145,734	350,172	31.08
429	164 Central Park Ave.	Virginia Beach City	25,782	2,575,094	423,529	2,151,565	1,236,013	915,552	307,176	608,376	160,002	448,374	33.86
437	1400 Kempsville Rd.	Chesapeake City	32,728	2,837,389	468,598	2,368,791	1,357,889	1,010,902	263,690	747,212	168,775	578,437	36.90
Norfolk/Virginia Beach			2,310,611	\$193,767,188	\$32,047,738	\$161,719,450	\$92,919,327	\$68,800,123	\$18,148,174	\$50,651,950	\$11,702,771	\$38,949,179	36.64
48	6497 Centerville Rd.	York Co.	63,271	4,939,397	811,234	4,128,163	2,373,278	1,754,885	427,739	1,327,146	296,275	1,030,872	37.29
92	30 W Mercury Blvd.	Hampton City	27,733	2,276,455	377,433	1,899,022	1,089,061	809,961	330,584	479,377	142,193	337,183	31.39
112	61 N. Mallory St.	Hampton City	37,712	3,262,432	540,306	2,722,127	1,563,212	1,158,915	299,571	859,343	207,276	652,067	36.55
148	4640-6 Monticello Ave.	James City Co.	58,586	5,112,420	840,514	4,271,906	2,464,381	1,807,525	603,082	1,204,443	308,249	896,194	33.97
158	3099 Jefferson Ave.	Newport News City	36,604	3,203,055	534,338	2,670,716	1,530,844	1,139,873	312,682	827,191	188,062	639,128	36.61
217	619 Pilot House Dr.	Newport News City	55,829	5,024,501	831,831	4,192,670	2,404,564	1,788,106	402,953	1,385,153	306,505	1,078,647	38.02
222	5005 Victory Blvd.	York Co.	32,388	2,906,474	480,151	2,426,324	1,395,675	1,030,649	359,363	671,286	172,780	498,506	33.67
244	4909 W. Mercury Blvd.	Hampton City	64,400	5,927,863	984,392	4,943,471	2,839,232	2,104,239	388,071	1,716,167	350,563	1,365,604	39.64
250	2078 Nickerson Blvd.	City of Hampton	34,560	2,723,729	451,372	2,272,356	1,302,144	970,213	285,205	685,008	164,782	520,226	35.67
258	3831 Kecoughtan Rd.	Hampton City	39,108	3,359,476	557,181	2,802,296	1,607,824	1,194,471	320,410	874,062	205,435	668,626	36.49
265	19 Towne Ctr. Way	Hampton City	27,875	2,512,186	415,902	2,096,284	1,203,233	893,051	406,796	486,256	151,887	334,369	29.87
272	55 Hidenwood Shp. Ctr.	Newport News City	33,149	2,660,894	440,547	2,220,347	1,272,887	947,460	250,529	696,931	157,487	539,444	36.83
282	2400 Cunningham Dr.	Hampton City	79,506	7,609,823	1,260,892	6,348,932	3,648,319	2,700,613	611,475	2,089,137	443,655	1,645,482	38.19

(continued)

(3) Store expenses include miscellaneous revenue and net cash overages.
 (4) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

Analysis of Store Performance— Fiscal Year 2020												
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)
290	5226 Geo. Washington Hwy. York Co.	30,164	2,344,763	386,253	1,958,510	1,126,661	831,849	310,963	520,886	139,990	380,896	32.72
320	1244 Richmond Rd. Williamsburg City	41,859	3,721,388	611,667	3,109,721	1,793,336	1,316,385	436,471	879,914	224,299	655,615	34.05
335	801-F Merrimac Trail York Co.	28,694	2,371,821	392,107	1,979,714	1,137,565	842,149	246,894	595,255	138,511	456,744	35.79
340	309-A Oyster Point Rd. Newport News City	35,525	3,089,823	511,223	2,578,600	1,487,557	1,091,042	374,487	716,555	186,846	529,709	33.69
341	621 Stoney Creek Lane Newport News City	52,541	4,726,188	783,022	3,943,165	2,263,347	1,679,818	438,568	1,241,250	283,887	957,363	36.82
342	10872 Warwick Blvd. Newport News City	26,396	2,194,670	363,789	1,830,882	1,049,252	781,630	264,565	517,065	131,290	385,775	34.15
381	1480-3C Quarterpath Rd. Williamsburg City	20,725	1,795,327	295,562	1,499,766	863,347	636,419	220,925	415,493	108,054	307,439	33.59
382	475 Wythe Creek Rd. Poquoson City	27,491	2,152,498	354,551	1,797,947	1,032,910	765,037	179,207	585,830	129,002	456,828	37.69
417	201 Tradesman Way York Co.	24,583	1,921,475	317,280	1,604,196	920,588	683,608	264,835	418,772	115,710	303,063	32.28
420	980 J Clyde Morris Blvd. Newport News City	21,937	1,908,568	316,194	1,592,374	910,972	681,403	236,848	444,555	114,971	329,584	33.84
422	14272 Warwick Blvd. Newport News City	47,624	4,192,852	694,772	3,498,080	2,015,328	1,482,751	353,723	1,129,028	244,434	884,594	37.67
	Newport News/Hampton	948,256	\$81,940,081	\$13,552,513	\$68,387,568	\$39,295,518	\$29,092,050	\$8,325,948	\$20,766,102	\$4,912,142	\$15,853,960	35.89
156	22485 Lankford Hwy. Northampton Co.	22,654	1,696,359	279,079	1,417,281	812,555	604,725	202,860	401,866	106,313	295,553	33.87
162	7017 & 7019 Lankford Hwy. Accomack Co.	16,004	1,212,290	200,433	1,011,857	579,258	432,599	210,302	222,297	71,929	150,367	28.94
177	4371 Pension St. Accomack Co.	14,891	1,051,398	172,058	879,340	506,323	373,017	187,581	185,436	70,073	115,363	27.34
223	4090-B Lankford Hwy. Northampton Co.	16,319	1,100,048	182,118	917,931	525,911	392,019	177,754	214,265	66,031	148,234	30.03
344	25234 Lankford Hwy. Accomack Co.	29,629	2,143,255	354,372	1,788,883	1,025,481	763,403	242,294	521,108	126,129	394,979	34.96
	Eastern Shore	99,497	\$7,203,350	\$1,188,059	\$6,015,291	\$3,449,529	\$2,565,762	\$1,020,791	\$1,544,971	\$440,475	\$1,104,496	31.83
	Statewide Totals	13,518,947	\$1,165,105,206	\$192,390,801	\$972,714,405	\$558,778,515	\$413,935,890	\$129,244,187	\$284,691,703	\$69,334,870	\$215,356,833	35.00%

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

(2) State taxes on distilled spirits (20%) and wine (4%) 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

RETAIL OPERATIONS DIVISION

Analysis of Distillery Store Performance — Fiscal Year 2020										
ABC Distillery Stores	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales 7,733.97	Cost of Goods Sold	Gross Profit	Commission	Case Handling Fee	Allocation of General & Admin. Expenses	Adjusted Net Profit	Rate of Return to Virginia (3)
10 Three Brothers' Distillery, Inc.	9,310.35	1,576.38	7,733.97	4,671.92	3,062.05	1,786.11	64.00	1,075.13	136.81	18.40
12 Belle Isle Craft Spirits, Inc.	65,152.23	9,255.10	55,897.13	32,951.45	22,945.68	12,837.08	1,024.00	16,497.47	(7,412.87)	2.83
13 Vitae Spirits Distillery, LLC	115,407.00	19,264.67	96,142.33	55,958.73	40,183.60	22,037.83	264.00	15,608.16	2,273.61	18.66
14 Dark Hollow Hooch, LLC (dba Five Mile Distillery)	53,253	8,877	44,375	25,512	18,863	9,849	262	7,451	1,301	19.11
15 Copper Fox Distillery Enterprises, LLC (Williamsburg)	307,018	48,092	258,925	141,318	117,607	54,593	1,694	36,744	24,576	23.67
16 The Virginia Distillery Company, LLC	317,878	52,965	264,913	158,805	106,107	60,892	1,704	48,441	(4,930)	15.11
17 James River Distillery, LLC	24,234	4,040	20,195	11,527	8,667	4,625	40	3,570	432	18.45
18 Chesapeake Bay Distillery, LLC	227,219	37,532	189,687	109,201	80,486	41,852	1,500	27,539	9,596	20.74
19 Williamsburg Distillery, Inc.	63,197	10,535	52,662	29,841	22,821	11,868	284	7,679	2,990	21.40
20 Karlson & O'Mara Distilleries, LLC	265,665	44,286	221,379	134,698	86,680	50,535	1,042	30,632	4,472	18.35
21 Old House Vineyards, LLC	171,783	32,403	141,018	81,928	62,090	32,896	786	22,078	6,330	19.85
22 Reservoir Distillery, LLC	194,378	32,403	161,975	93,064	68,911	37,620	720	29,197	1,374	17.38
23 Murlarkey Distilled Spirits, LLC	380,482	63,426	317,056	185,225	131,831	71,296	2,618	54,732	3,186	17.51
24 Mount Defiance Cider & Distillery, LLC	153,628	25,610	128,018	77,553	50,465	29,913	1,190	20,156	(794)	16.15
25 River Hill Wine and Spirits, LLC	46,933	7,824	39,110	21,861	17,249	8,784	386	5,376	2,703	22.43
28 Silverback Spirits, LLC	593,088	98,868	494,220	281,707	212,513	113,289	4,126	79,781	15,317	19.25
29 Davis Valley Winery and Vineyard, Inc.	66,093	11,018	55,075	31,466	23,609	12,166	222	7,463	3,758	22.36
30 Copper Fox Distillery Enterprises, LLC—Sperryville	362,680	63,546	299,134	185,945	113,189	71,781	2,122	43,315	(4,030)	16.41
31 The Mount Vernon Ladies Association of the Union	622,647	103,795	518,852	298,630	220,222	113,145	14,428	67,380	25,269	20.73
34 Belmont Farms of Virginia, Inc.	193,673	32,285	161,388	93,054	68,334	35,499	3,013	26,499	3,323	18.39
65 Catoctin Creek Distilling Company, LLC	510,746	85,141	425,604	245,256	180,349	99,231	3,158	70,125	7,835	18.20
91 Sazerac Distillers, LLC (dba A. Smith Bowman Distillery)	723,922	120,678	603,245	352,367	250,878	135,564	5,934	95,883	13,496	18.53
430 Springfield Distillery, LLC	116,224	19,365	96,859	55,149	41,711	22,187	522	18,007	995	17.52
431 Bondurant Brothers Distillery, LLC	17,319	2,729	14,590	7,756	6,834	3,070	132	1,883	1,749	25.86
432 Parched Group LLC (aka Cirrus)	116,294	19,386	96,908	57,298	39,610	22,688	882	23,030	(6,990)	10.66
433 Ragged Mountain Farm, LLC	310,308	51,728	258,580	149,152	109,428	59,340	2,310	39,097	8,681	19.47
434 Filbuster Barrels LLC (formerly Dilawri Barrels LLC)	86,608	14,438	72,171	41,548	30,622	15,213	792	10,919	3,698	20.94
435 AAS Distillery, LLC (dba Spirit Lab)	17,713	2,953	14,760	8,421	6,339	3,443	46	2,007	843	21.43
450 Falls Church Distillers, LLC	271,010	45,177	225,833	126,679	99,154	52,326	978	32,646	13,204	21.54
451 Ironclad Distillery, Inc.	46,505	7,752	38,752	22,035	16,717	8,696	278	6,424	1,319	19.51
452 Twin Creeks Distillery, Inc.	41,887	6,983	34,904	20,295	14,609	8,020	232	6,034	323	17.44
454 Glenway Farms, Inc. (dba Dida's Distillery)	70,190	11,701	58,489	33,648	24,841	13,414	336	9,537	1,554	18.88
455 Buffalo Brands Inc. (dba Sleepy Fox)	64,392	10,734	53,658	30,115	23,543	11,894	506	6,979	4,164	23.14
456 Franklin County Distilleries, LLC	65,795	10,968	54,827	30,815	24,012	12,744	294	9,144	1,830	19.45
459 Stone Mountain Distilling, LLC	2,461	410	2,051	1,209	842	470	2	318	52	18.79
460 Cavalier Ventures, LLC (dba Tarnished Truth)	781,800	130,326	651,474	376,873	274,600	149,708	4,902	86,183	33,807	20.99
461 Mountain View Brewery, LLC (dba Devils Backbone Distilling Co.)	93,183	15,534	77,649	44,571	33,078	17,468	1,134	12,157	2,319	19.16
462 Bombolini L.L.C. (dba Trial & Error Distillery)	33,038	5,507	27,531	15,692	11,839	6,353	166	4,742	579	18.42
463 The Vanguard Brewpub & Distillery LLC (dba Caiseal Beer and Spirits Company)	100,311	16,720	83,591	47,522	36,068	18,731	404	11,837	5,097	21.75
464 Dry Fork Fruit Distillery, LLC	29,937	4,992	24,944	14,168	10,777	5,711	160	4,492	413	18.06
465 Virago Spirits, LLC	116,266	19,418	96,849	55,924	40,925	22,663	1,076	15,508	1,678	18.14
466 Cape Charles Distillery, LLC	232,750	38,799	193,950	110,516	83,435	43,122	1,054	27,644	11,614	21.66
467 Three Crosses Distilling Company, LLC (formerly Antebellum Spirit Company, LLC)	250,840	41,815	209,025	120,688	88,337	48,284	1,220	38,539	294	16.79
468 Greenspur, Inc. (Lost Whiskey Co.)	28,365	4,727	23,638	12,737	10,902	5,606	154	6,129	(987)	13.18
469 Hill Top Distillery	24,283	4,048	20,235	11,473	8,762	4,857	132	7,773	(3,999)	0.20
470 Sleepy Fox - Glasgow	18,701	3,117	15,583	8,682	6,901	3,766	112	3,369	(346)	14.82
471 Reverend Spirits Co./RD Wilhelm Distillery	39,726	6,622	33,104	18,754	14,350	7,945	266	6,779	(641)	15.06
Statewide Distillery Totals	8,565,879	1,425,077	7,140,802	4,133,289	3,007,512	1,622,802	65,733	1,129,523	89,454	18.85%

(1) Includes state taxes; but does not include 5% sales tax. (2) State taxes on distilled spirits sold in ABC stores (20%). (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&E

LICENSED ESTABLISHMENTS' STATISTICS

2020 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	12	0	4	2	2	1	7	6	14	4	0	13	21	30	13	152	208	1	490
Richmond	38	1	12	15	26	0	16	18	189	3	0	15	29	46	9	322	421	7	1,174
Bristol	2	0	0	2	2	0	1	1	21	1	0	3	4	9	4	16	24	0	90
Norton	0	0	0	0	0	0	0	0	5	1	0	0	1	1	0	5	9	1	23
Staunton	2	1	0	0	3	0	2	3	14	1	0	3	6	8	2	19	38	2	104
Suffolk	8	1	0	0	1	0	0	4	39	1	0	7	13	12	3	40	58	0	187
Virginia Beach	45	1	4	6	15	6	11	12	164	1	4	42	61	44	27	439	584	6	1,472
Bedford	0	0	0	0	1	0	0	0	6	0	0	0	1	5	0	4	6	0	23
Buena Vista	0	0	0	0	0	0	0	0	4	0	0	1	0	3	0	1	6	0	15
Charlottesville	19	1	6	8	8	0	12	6	28	0	3	5	18	7	8	106	163	4	402
Chesapeake	11	0	7	7	2	0	2	8	98	0	1	19	32	21	6	121	174	0	509
Colonial Heights	2	0	0	0	0	0	0	2	14	0	0	4	5	2	2	18	26	0	75
Covington	0	0	0	0	1	0	0	0	5	0	0	1	1	4	0	1	5	0	18
Danville	5	0	2	2	2	0	1	6	49	0	1	7	8	25	1	23	40	1	173
Emporia	0	0	0	0	0	0	0	1	14	0	0	1	3	3	0	2	2	0	26
Fairfax	2	0	0	2	2	0	1	3	3	0	0	4	7	10	0	43	78	0	155
Falls Church	1	0	1	1	2	0	1	1	1	0	1	2	3	5	1	29	52	0	101
Franklin	1	0	0	0	0	0	0	0	11	0	0	1	1	3	0	4	6	0	27
Fredericksburg	1	1	0	0	4	0	3	1	19	0	0	2	10	5	5	55	84	1	191
Galax	0	1	0	0	1	0	0	0	5	0	0	2	3	4	1	6	11	0	34
Hampton	14	1	2	3	10	1	2	14	79	0	1	11	15	16	5	65	97	1	337
Harrisonburg	0	2	1	1	5	0	2	6	26	0	0	5	12	12	3	44	75	1	195
Hopewell	3	0	0	1	0	0	1	7	19	0	0	3	2	8	0	12	16	1	73
Lexington	0	1	0	0	0	0	4	0	2	0	0	1	3	1	2	10	18	0	42
Lynchburg	5	1	1	5	2	0	4	6	50	0	0	7	15	14	6	57	95	0	268
Manassas City	2	0	1	1	4	0	1	3	9	0	1	4	4	21	0	26	48	0	125
Manassas Park	0	0	0	1	0	0	0	0	4	0	0	0	0	6	0	5	8	0	24
Martinsville	2	0	0	0	0	0	0	2	11	0	0	1	2	6	0	11	15	0	50
Newport News	9	0	2	2	2	1	4	11	105	0	1	12	21	27	5	98	161	0	461
Norfolk	18	1	1	2	10	7	11	23	92	0	1	16	27	29	12	189	265	2	706
Petersburg	1	0	0	1	1	0	0	5	40	0	0	2	3	12	0	22	34	0	121
Poquoson	0	0	0	0	0	0	0	1	3	0	0	1	1	3	0	7	16	0	32
Portsmouth	3	0	0	0	2	2	0	12	60	0	1	8	9	15	1	40	50	0	203
Radford	0	0	0	0	0	0	1	1	6	0	0	1	0	6	0	10	15	0	40
Roanoke	11	1	0	1	6	1	3	9	87	0	0	8	14	22	5	97	144	2	411
Salem	3	0	2	2	2	0	2	5	22	0	0	3	4	2	0	17	34	0	98
Waynesboro	3	0	1	2	0	0	0	3	16	0	1	3	6	7	0	13	27	3	85
Williamsburg	9	8	0	1	3	0	2	0	9	0	1	3	3	1	6	49	63	3	161
Winchester	7	1	2	2	4	0	3	5	11	0	0	5	5	9	3	43	65	1	166
Grand Total	239	23	49	70	123	19	97	185	1,354	12	24	226	373	464	130	2,221	3,241	37	8,887

(1) All cities are "wet" (approved for liquor by the drink). Nine counties are "dry" (see page 49–50), however, beer and wine may be served. Referendums may allow for mixed beverages in certain towns (and supervisor's election districts) located with 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 2019

LICENSED ESTABLISHMENTS' STATISTICS

2020 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	4	5	2	2	1	1	0	3	30	1	0	2	8	13	1	24	35	0	132
Albemarle	40	7	2	30	9	0	6	8	41	0	6	4	28	4	11	48	91	45	380
Alleghany	2	0	0	0	0	0	0	4	10	0	0	1	2	5	0	5	12	0	42
Amelia	0	0	0	0	0	0	0	1	11	0	0	1	0	3	0	2	6	0	24
Amherst	1	0	0	4	2	0	1	1	20	0	0	2	2	9	0	8	12	4	66
Appomattox	3	0	0	0	1	0	0	2	11	0	0	1	2	6	1	5	8	0	40
Arlington	5	0	2	2	3	4	10	6	32	0	0	18	32	38	29	222	317	0	720
Augusta	3	0	2	10	5	0	1	3	40	0	0	2	7	15	1	11	26	7	133
Bath	1	2	0	1	1	0	0	0	6	0	0	0	1	4	3	5	10	3	37
Bedford	8	1	0	5	3	1	1	7	26	1	0	3	7	17	1	23	41	7	152
Bland*	0	0	0	0	0	0	0	0	6	0	0	0	0	3	0	0	1	0	10
Botetourt	2	0	2	4	1	0	0	1	25	1	0	1	3	6	0	12	23	3	84
Brunswick	1	0	0	2	0	0	0	0	17	1	0	1	1	4	0	3	7	0	37
Buchanan*	0	0	0	0	0	0	0	0	21	1	0	2	2	9	0	1	3	0	39
Buckingham	1	0	0	0	0	0	0	0	12	0	0	0	3	5	0	1	3	0	25
Campbell	2	0	0	2	0	0	0	3	38	0	1	4	5	22	0	16	22	3	118
Caroline	0	1	0	1	0	0	1	2	30	0	0	1	2	5	0	7	15	1	66
Carroll	2	0	0	1	0	0	0	1	18	0	0	1	1	8	1	3	11	1	48
Charles City	1	2	0	1	0	0	0	0	5	0	0	0	0	2	0	3	6	1	21
Charlotte*	1	0	0	0	0	0	0	1	12	0	0	1	0	14	0	0	2	0	31
Chesterfield	19	1	4	4	4	0	3	7	124	1	0	26	40	36	6	159	239	2	675
Clarke	6	2	1	4	0	0	0	3	7	1	1	0	2	4	0	5	13	3	52
Craig*	0	0	0	0	0	0	0	0	3	0	0	0	0	4	1	0	0	0	8
Culpeper	4	1	1	5	4	0	1	4	20	0	2	3	8	10	4	22	34	3	126
Cumberland	0	0	0	0	0	0	0	0	9	0	0	0	0	2	0	1	3	0	15
Dickenson*	0	0	0	0	0	0	0	0	11	2	1	1	1	4	0	0	2	0	22
Dinwiddie	2	0	0	0	0	0	0	1	24	0	0	2	1	9	0	5	7	0	51
Essex	2	1	0	1	0	0	0	1	9	0	0	0	2	4	0	8	11	1	40
Fairfax	60	0	55	58	15	0	36	25	55	0	4	57	129	160	36	616	972	4	2,282
Fauquier	21	0	3	25	6	0	4	4	33	2	0	4	14	12	4	33	54	32	251
Floyd*	1	0	0	0	1	0	0	2	4	0	1	0	2	6	0	4	10	3	34
Fluvanna	4	0	0	4	1	0	0	0	10	0	0	1	4	2	0	5	10	4	45
Franklin*	5	0	1	3	3	0	2	1	28	0	4	3	3	19	1	23	33	2	131
Frederick	9	2	4	9	0	0	2	4	37	2	0	5	17	13	2	27	43	8	184
Giles*	0	1	0	1	0	0	1	3	15	2	0	2	1	11	1	2	6	1	47
Gloucester	5	0	0	1	2	0	0	3	21	1	0	3	6	8	0	17	27	1	95
Goochland	6	1	0	2	6	0	2	3	14	0	1	0	2	2	0	15	21	5	80
Grayson*	0	0	0	0	0	0	0	0	6	1	0	0	0	4	0	0	4	0	15
Greene	1	0	0	3	1	0	1	1	8	0	0	1	2	5	0	4	13	2	42
Greensville	0	0	0	0	0	0	0	1	12	0	0	0	0	0	0	1	1	0	15
Halifax	4	1	0	2	0	0	0	4	24	0	1	2	1	27	1	10	20	2	99
Hanover	18	0	7	16	2	0	2	6	50	2	1	6	17	16	1	48	77	3	272
Henrico	48	1	17	23	6	0	16	16	145	2	0	30	51	36	21	194	310	1	917
Henry*	5	0	0	2	1	0	1	4	44	0	1	6	1	28	0	4	18	2	117
Highland*	1	0	0	1	0	0	0	0	2	0	0	0	0	2	0	0	3	1	10
Isle of Wight	0	0	0	1	1	0	0	3	22	0	1	3	6	6	1	11	21	6	82
James City	5	0	1	1	3	0	1	3	21	0	2	3	14	6	3	44	62	3	172
King & Queen	1	0	0	0	1	0	0	0	3	0	0	0	0	4	0	1	2	0	12
King George	0	0	0	1	0	0	0	0	16	0	0	1	3	3	0	7	9	3	43
King William*	0	0	0	0	0	0	0	0	8	0	0	1	2	5	0	7	13	0	36
Lancaster	3	1	0	2	1	0	0	5	10	0	0	2	3	4	3	17	26	2	79
Lee*	0	0	0	0	0	0	0	1	21	0	0	1	3	8	0	3	4	0	41
Loudoun	56	5	20	58	41	17	15	7	27	2	3	18	51	74	14	237	384	70	1,099
Louisa*	4	0	0	4	1	0	0	2	23	1	0	2	3	13	1	14	23	4	95
Lunenburg*	2	0	0	0	0	0	0	4	7	0	0	0	1	7	0	0	6	0	27
Madison	5	3	0	5	3	0	0	1	8	0	0	0	1	4	1	4	6	10	51
Mathews	1	1	0	0	0	0	0	2	7	0	0	0	1	2	0	3	7	0	24
Mecklenburg*	4	0	0	3	1	0	0	9	42	0	1	3	1	19	0	12	18	4	117
Middlesex	5	0	0	0	0	0	1	1	6	0	0	0	3	8	0	13	18	0	55
Montgomery*	4	1	0	3	7	0	5	1	40	0	0	4	12	17	8	54	79	2	237

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LICENSED ESTABLISHMENTS' STATISTICS

2020 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
Nelson	12	7	0	11	8	0	1	1	15	1	5	0	0	9	2	7	13	19	111
New Kent	4	1	0	2	1	0	0	0	17	0	0	2	3	4	0	14	22	4	74
Northampton	2	2	1	4	1	0	1	1	18	0	1	1	1	5	3	12	22	1	76
Northumberland	3	0	0	2	1	0	0	3	8	0	0	1	1	4	0	8	13	4	48
Nottoway	0	1	1	3	0	0	0	3	18	0	0	0	2	5	0	7	11	0	51
Orange	5	3	0	6	3	0	2	1	20	0	0	2	5	4	1	16	27	8	103
Page	4	3	0	1	1	0	0	3	16	0	2	1	3	10	1	4	18	4	71
Patrick*	1	0	0	2	0	0	0	1	14	0	0	2	2	10	0	3	10	2	47
Pittsylvania*	3	0	1	7	0	0	1	3	45	0	0	1	0	24	0	8	18	3	114
Powhatan	3	0	0	1	2	0	0	1	13	0	1	1	1	4	0	13	20	2	62
Prince Edward	1	0	0	1	1	0	2	2	19	0	0	2	2	4	1	11	17	0	63
Prince George	1	1	0	0	0	0	0	2	16	0	1	1	1	7	0	7	14	0	51
Prince William	29	0	11	18	9	1	2	9	46	1	2	20	45	112	7	180	288	6	786
Pulaski*	5	0	2	5	1	0	0	4	20	0	0	4	4	12	0	10	16	4	87
Rappahannock	10	4	0	7	2	0	0	0	2	0	2	0	0	4	2	6	8	13	60
Richmond	0	0	2	3	0	0	2	0	6	0	0	1	1	3	0	0	5	0	23
Roanoke	4	1	4	6	3	0	2	3	42	0	0	4	10	7	1	39	65	2	193
Rockbridge	2	5	0	3	5	0	4	2	19	1	1	0	1	11	3	6	14	5	82
Rockingham	5	1	1	5	4	0	1	3	38	0	0	2	6	12	0	19	43	7	147
Russell*	0	0	0	1	1	0	0	2	18	0	2	1	2	5	0	1	4	1	38
Scott*	0	0	0	0	0	0	0	0	18	0	0	1	2	13	0	0	4	0	38
Shenandoah	4	2	1	9	5	0	0	9	25	0	2	3	7	21	1	12	34	14	149
Smyth*	1	0	0	0	1	0	0	1	20	2	2	2	3	15	0	5	12	2	66
Southampton	0	0	0	0	0	0	0	2	14	0	0	1	1	6	0	1	4	0	29
Spotsylvania	7	1	3	10	2	0	2	7	58	0	1	12	17	15	0	54	84	7	280
Stafford	10	0	2	5	5	0	3	6	41	1	0	6	15	12	2	44	72	2	226
Surry*	1	0	0	1	0	0	0	0	3	0	0	0	0	3	0	1	2	2	13
Sussex	0	0	0	0	0	0	1	1	18	0	0	0	2	8	0	0	6	0	36
Tazewell*	2	0	0	1	3	0	0	2	30	2	0	2	8	17	0	9	22	1	99
Warren*	2	1	0	3	2	0	0	3	26	0	0	2	3	8	0	23	38	6	117
Washington*	3	3	0	6	2	0	1	2	33	0	0	2	8	20	1	21	34	3	139
Westmoreland	4	1	0	4	2	0	0	6	9	0	0	2	2	11	1	13	21	5	81
Wise*	2	0	0	1	1	0	0	1	29	0	0	4	4	9	1	9	13	1	75
Wythe*	3	0	0	2	3	0	0	3	28	1	0	2	2	16	1	10	13	2	86
York*	10	2	0	1	4	1	1	3	28	1	1	7	9	6	3	36	63	3	179
Grand Total	531	79	153	438	211	25	139	265	2,177	34	54	327	687	1,232	188	2,638	4,330	392	13,900

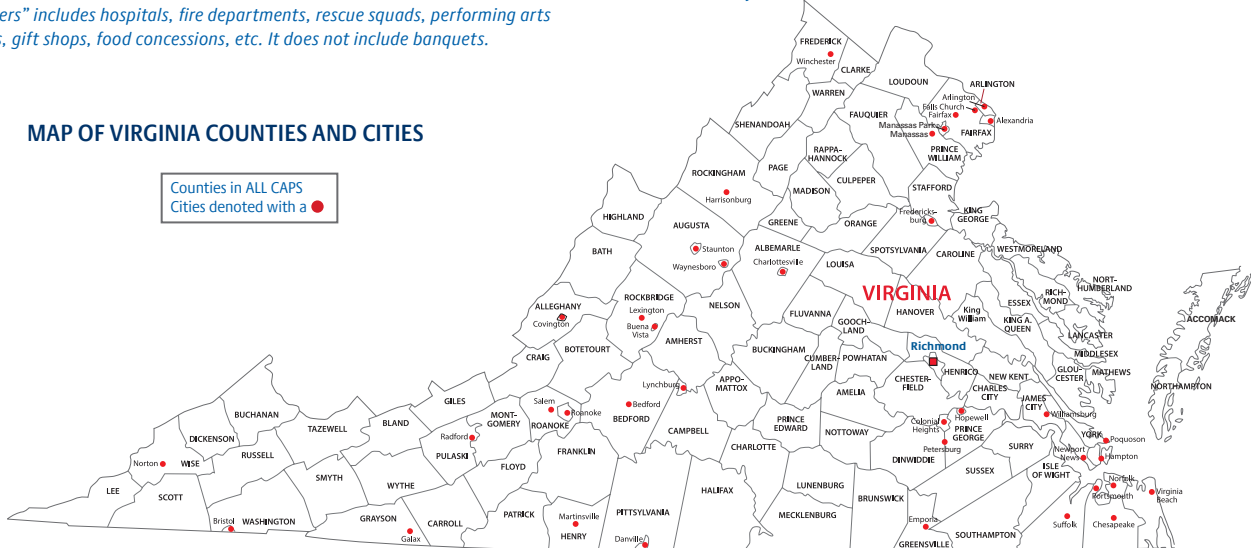
(1) All cities are "wet" (approved for liquor by the drink). Nine counties are "dry" (see page 49-50), however, beer and wine may be served. Referendums may allow for mixed beverages in certain towns (and supervisor's election districts) located with dry counties.

(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 2019

MAP OF VIRGINIA COUNTIES AND CITIES



A Message from the Chair and Chief Executive Officer



ABOVE: Surrounded by Board Chair Maria Everett, store staff and Board Member Gregory Holland, CEO Travis Hill delivers remarks to guests attending the grand opening ceremony for Store 428 on September 20, 2019 in Virginia Beach.

It is our pleasure to present the 2020 fiscal year annual report for the Virginia Alcoholic Beverage Control Authority. These facts and figures represent the Authority's 22nd consecutive record-breaking year for retail sales for a second time generating more than \$1 billion in alcohol sales.

Virginia ABC operations contributed a record \$212.1 million in profits. These profits combined with \$251.4 million in retail taxes as well as \$81.8 million collected in wine and beer taxes resulted in an all-time high of \$545.3 million transferred to Virginia's general fund, \$45.8 million above last year's contribution. A major source of revenue for the Commonwealth, ABC has contributed more than \$11.4 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. The financial statements of the Authority are audited annually by the Auditor of Public Accounts as required by the [Code of Virginia](#).

Financial Results in Brief, Fiscal Year 2020

SOURCE	FY 20	FY 19	FY 18	FY 17	FY 16
ABC profit disbursements (1)	212,090,014	196,657,876	179,190,609	171,154,888	164,888,413
State Taxes (2)	193,674,997	174,144,519	160,909,741	154,446,630	147,812,928
General Sales tax (3)	57,644,636	48,846,783	\$45,357,513	43,343,103	41,343,208
Wine Liter Tax (4)	39,628,720	38,465,862	37,649,424	36,801,248	36,208,113
Malt beverage tax (5)	42,219,288	41,383,922	41,633,945	42,818,745	43,181,973
Total	\$545,257,655	\$499,498,962	\$464,741,232	\$448,564,614	\$433,434,635

- (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%. State tax on wine sold in ABC stores = 4%.
- (3) Source: "Notes to Financial Statements 4.C. Department of Taxation--Sales Tax." General sales tax rate is 6.0% in the localities that make up the Northern Virginia and Hampton Roads regions, and 5.3% 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 2020

	Gallons*	Liters	Total Gallons (%)	Gross Dollars (\$)	Gross Sales (%)
State Store Sales					
Distilled Spirits	13,050,004	49,399,617	96.6	1,151,965,481	96.6
Virginia Wine	37,232	140,937	0.3	2,612,915	0.3
Vermouth	45,112	170,766	0.3	2,344,143	0.3
Alcohol	4,999	18,922	0.0	666,853	0.0
Non-Alcoholic Mixers	372,249	1,409,116	2.8	7,255,989	2.8
Total	13,509,595	51,139,358	100.0%	\$1,164,845,381	100.0%
Direct Sales from Wholesalers					
Wines (\$0.40 Liter) (1)	28,029,867	106,104,540	15.7%	42,441,878	0.0
Beer (\$7.95 Barrel)	150,826,439	570,939,910	84.3%	42,577,205	100.0
Total	178,856,306	677,044,451	100.0%	\$85,019,083	100.0%

*excludes non-beverage items, confiscated items, distillery store sales (1)Gross Liter Tax for Wines after 12% allocated to ABC Revenue
Source: Research and Planning



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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 ABC at 2901 Hermitage Road, Richmond, Virginia 23220 or visit us at www.abc.virginia.gov.

INDEPENDENT AUDITOR'S REPORT



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 1, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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 of the Virginia Alcoholic Beverage Control Authority (Virginia ABC), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Virginia ABC'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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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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Alcoholic Beverage Control Authority as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 56 through 60; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 104 through 105; the Schedule of Employer's Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on page 106; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 107 through 110. 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 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 Introductory, Statistical, and Six-Year Financial Forecast sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Introductory, Statistical and Six-Year Financial Forecast 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 December 1, 2020 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 effectiveness of 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 Virginia ABC's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

DLR/vks

MANAGEMENT'S DISCUSSION AND ANALYSIS

Virginia Alcoholic Beverage Control Authority

Chief Executive Officer

Travis G. Hill



Chair

Maria J. K. Everett

Vice Chair

Beth G. Hungate-Noland

Board of Directors

William D. Euille

Gregory F. Holland

Mark E. Rubin

INTRODUCTION

This unaudited Management's Discussion and Analysis (MD&A) of the Alcoholic Beverage Control Authority's financial performance provides a brief overview of financial activities for the fiscal year ended June 30, 2020. 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, 2020. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying 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.

The Authority is considered a Blended Component Unit Enterprise Fund by the Commonwealth for financial statement purposes due to our unique nature of operation.

The Authority's Enterprise Resource Planning (ERP) system went into service July 1, 2019, completing the phase-in of a new cloud-based financial system.

FINANCIAL HIGHLIGHTS

The Authority's operating revenues increased 10.8% in fiscal year 2020. This increase in revenue is primarily due to an increase in sales volume in existing stores, which generated an additional gross sales amount of \$94.3 million, while the addition of twelve new stores added \$18.3 million in gross sales. Thirteen stores were relocated to improve market coverage, and six stores were modernized. In addition, one pop-up store operated from November to January of fiscal year 2020.

The Authority's Cost of Goods Sold (COGS) for alcohol increased \$59 million from 2019 due to the increased sales volume and the addition of twelve new stores. Historically, COGS is about 48.4% of gross sales. In fiscal year 2020, COGS was 48.0%. Cost of Goods Sold trends are available in the Statistical Section on page 116.

The Authority's operating expenses increased 12.6% in fiscal year 2020. Contractual service cost increased by \$9.1 million from fiscal year 2019, a 22.3% increase. The increase in contractual service cost is primarily attributed to increased IT contractor support to assist with the implementation of internal projects, particularly the new financial management services (FMS) system. The increase in Supplies and Materials expense of \$1.3 million, or 36.8% in fiscal year 2020, is due to the purchase of protective equipment required to prevent the spread of the Coronavirus in all store locations and offices.

The Authority's operations earned record profits of \$212.0 million and disbursed \$212.1 million to the Commonwealth. In addition, the Authority collected state tax on sales of \$193.7 million. The increase in profits for fiscal year 2020 is primarily due to the overall increase in sales throughout all stores and the opening of twelve 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, 2020. 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 that are creating changes in the Authority's total net position for the twelve-month period ended June 30, 2020. The purpose of this statement is to present all revenues received and accrued, all expenses paid and accrued, and all 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS, *continued*

Non-operating revenues are revenues received for which goods and services are not directly provided and the same applies for non-operating expenses.

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 differentiate 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 regards to accrual items. The Statement of Cash Flows intends to help readers assess the ability the Authority possesses to generate sufficient cash flows necessary to meet its obligations.

The financial statements also include “notes” that provide additional information that is essential for 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 2020 with a total of \$179.4 million in total assets and deferred outflows, a 43.8% increase over the prior fiscal year. \$119.7 million of total assets is attributed to current assets. Included in the \$119.7 million is \$80.3 million in inventory of alcohol merchandise for resale, a \$2.6 million increase over fiscal year 2019. 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. This increase is primarily attributed to a change in Advance Buy opportunities presented to the Authority in fiscal year 2020, compared to fiscal year 2019.

Total Assets and Deferred Outflows

- Current assets**—increased \$26.7 million from the 2019 fiscal year, primarily due to a \$29.5 million increase in cash and cash equivalents. This increase is due to the Authority paying down a significant amount of vouchers at year end 2019 to limit conversion issues with the new accounting system. No accelerated payments of vouchers were necessary in 2020. Receivables also decreased by \$5.5 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 a credit card receivable. In fiscal year 2020, the last day of the fiscal year (June 30th) fell on a Tuesday compared to a Sunday in fiscal year 2019, resulting in a decreased receivable balance in 2020.
- Capital assets, net** — capital assets saw a \$17.6 million increase to \$33.1 million in fiscal year 2020 primarily due to ongoing projects in the construction-in-progress (CIP) account that will not be depreciated until the project is completed and put in service. \$10 million of the total can be attributed to the land for the new facility which was recorded in fiscal year 2020.
- Deferred Outflows** — combined deferred outflows of resources for both pension and OPEB increased by \$10.5 million in fiscal year 2020.

Net Position	FY 2020	FY 2019	Change (\$)	Change (%)
Current and other assets	\$119,676,490	\$92,999,150	\$26,677,340	28.7%
Capital assets, net	33,116,293	15,485,332	17,630,961	113.9%
Other assets - OPEB	2,523,739	2,728,000	(204,261)	-7.5%
Total assets	155,316,522	111,212,482	44,104,040	39.7%
Deferred outflows of resources, Pension	19,300,257	10,120,343	9,179,914	90.7%
Deferred outflows of resources, OPEB	4,738,265	3,386,339	1,351,926	39.9%
Total assets and deferred outflows	179,355,044	124,719,164	54,635,880	43.8%
Current liabilities	137,569,488	104,695,062	32,874,426	31.4%
Noncurrent liabilities	107,213,581	95,655,229	11,558,352	12.1%
Total liabilities	244,783,069	200,350,291	44,432,778	22.2%
Deferred inflows of resources, Pension	4,379,921	6,561,000	(2,181,079)	-33.2%
Deferred inflows of resources, OPEB	11,073,987	8,529,714	2,544,273	29.8%
Total liabilities and deferred inflows	260,236,977	215,441,005	44,795,972	20.8%
Net position:				
Invested in capital assets	33,116,293	15,485,332	17,630,961	113.9%
Restricted	2,523,739	2,728,000	(204,261)	-7.5%
Unrestricted	(116,521,965)	(108,935,173)	(7,586,792)	7.0%
Total net position	\$(80,881,933)	\$(90,721,841)	\$9,839,908	-10.8%

continued on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*

Total Liabilities and Deferred Inflows

Current Liabilities — increased \$32.9 million or 31.4% from fiscal year 2019. The Authority's accounts payable increased \$37.2 million in fiscal year 2020 primarily due to the increased expense required to protect against the spread of Covid-19 virus and resuming normal operations with regards to payables with the new FMS system during fiscal year 2020.

Noncurrent liabilities — increased \$11.6 million primarily due to increases in net pension liability.

Deferred inflows of resources — increased \$0.4 million, driven by an increase in deferred inflows of resources related to OPEB.

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. This increased by \$17.6 million in fiscal year 2020.

The restricted component of net position is the \$2.5 million VSDP OPEB asset that can only be used to pay for VSDP OPEB benefits. The unrestricted component of net position decreased by \$7.6 million from the prior year while total net position increased by \$9.8 million in fiscal year 2020.

The Authority lacks working capital (current assets in excess of current liabilities) to fund all of its 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, 2020, the amount borrowed was \$33.1 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 388 state-run stores located throughout the Commonwealth. During fiscal year 2020, gross alcohol sales, including state tax on sales, reached an all-time high of \$1,173.6 million, up \$119.5 million over fiscal year 2019. The net revenue without state tax on sales of alcohol increased from \$880.0 million in fiscal year 2019 to \$979.8 million in fiscal year 2020 or an 11.3% increase. License and permit fees decreased from \$14.5 million to \$14.1 million, a 2.5% decrease. Federal grant revenue, penalty fees collected, and wine wholesalers tax decreased this fiscal year.

Operating Revenues	FY 2020	FY 2019	Change (\$)	Change (%)
Sales of alcohol	\$979,823,691	\$879,997,263	\$99,826,428	11.3%
Sales of lottery tickets	-	1,008,508	(1,008,508)	-100.0%
License and permit fees	14,105,749	14,460,539	(354,790)	-2.5%
Wine wholesalers tax	4,079,190	4,926,698	(847,508)	-17.2%
Penalties	842,199	1,149,306	(307,107)	-26.7%
Federal grants and contracts	89,498	153,488	(63,990)	-41.7%
Mixed beverage tax on common carriers	67,278	31,236	36,042	115.4%
Miscellaneous	1,283,889	956,287	327,602	34.3%
Net operating revenues	\$1,000,291,494	\$902,683,325	\$97,608,169	10.8%

continued on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*

EXPENSES

In fiscal year 2020, operating expenses (not including cost of sales for alcohol and lottery) increased from \$196.2 million to \$226.7 million, an increase of 15.5%. Approximately 71.3% of the Authority's total expenses are for the cost of sales of distilled spirits and mixers sold through the Authority's stores. Following cost of merchandise is personal services (cost of personnel and benefits), which accounts for 16.3% of the Authority's total expenses. The remaining 12.4% is made up of contractual services (e.g., VITA, computer software development & maintenance), continuous charges (e.g., store rentals) and other miscellaneous charges. Continuous charges increased by \$1.7 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 twelve new stores. Contractual services increased by \$9.1 million, driven by a \$2.6 million increase in computer software development and maintenance services, a \$0.6 million decrease in VITA infrastructure cost, a \$0.6 million increase in outbound freight services, and a \$0.9 million increase in commission payments due to a mandated increase to 20%.

Operating Expenses	FY 2020	FY 2020 % Expenses	FY 2019	Change (\$)	Change (%)
Cost of sales, alcohol	\$563,153,604	71.3%	\$504,150,211	\$59,003,393	11.7%
Cost of sales, lottery	-	0.0%	1,017,235	\$(1,017,235)	-100.0%
	563,153,604	71.3%	505,167,446	57,986,158	11.5%
Personal services	129,098,812	16.3%	112,085,785	17,013,027	15.2%
Continuous charges	35,976,421	4.6%	34,276,756	1,699,665	5.0%
Contractual services	50,090,559	6.3%	40,966,570	9,123,989	22.3%
Supplies and materials	4,783,598	0.6%	3,496,605	1,286,993	36.8%
Depreciation	2,890,134	0.4%	2,127,490	762,644	35.8%
Expendable equipment	3,464,031	0.4%	2,867,828	596,203	20.8%
Other	361,709	0.1%	372,382	(10,673)	-2.9%
	226,665,264	28.7%	196,193,416	30,471,848	15.5%
Total operating expenses	\$789,818,868	100.0%	\$701,360,862	\$88,458,006	12.6%

The Authority's operating expenses are driven by sales. In fiscal year 2020, the Authority's operating expenses increased by 12.6% over fiscal year 2019; but as a percentage of sales, the Authority had three increases and one decrease in the four main cost drivers. Cost of goods sold (COGS), personal service costs and contractual services saw percentage of sales increase of 0.2%, 0.5% and 0.4%, respectively. The 0.2% increase of COGS for alcohol (as a percentage of sales) correlates with the increase in alcohol sales and the 0.5% increase in personal service cost (as a percentage of sales) is primarily due to an increase in personnel turnover, an increase in benefit rates, and the increase in sales resulting in personal services costs. Contractual services had an increase (as a percentage of sales) of 0.4% from fiscal year 2020 primarily due to a large increase in IT costs associated with the implementation and go-live of the new FMS and Licensing systems that could not be capitalized.

Operating Expenses as a Percentage of Sales	FY 2020	% of Sales	FY 2019	% of Sales	% Change
Sales — Alcohol	\$979,823,691		\$879,997,263		
Cost of Goods — Alcohol	563,153,604	57.5%	504,150,211	57.3%	0.2%
Personal Services Cost	129,098,812	13.2%	112,085,785	12.7%	0.5%
Continuous Services	35,976,421	3.7%	34,276,756	3.9%	-0.2%
Contractual Services	50,090,559	5.1%	40,966,571	4.7%	0.4%

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MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*

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 2020, approximately \$69.4 million was disbursed to other state agencies. The remaining \$142.7 million was disbursed the General Fund in accordance with the [Code of Virginia](#).

Revenues, Expenses and Change in Net Position	FY 2019	FY 2018	Change
Net operating revenues	\$1,000,291,494	\$902,683,325	\$97,608,169
Total operating expenses	789,818,868	701,360,862	88,458,006
Non-operating revenues / (expenses)	1,488,296	682,140	806,156
Net profit before disbursements	211,960,922	202,004,603	9,956,319
Capital Contribution: Land	9,969,000	-	9,969,000
Disbursements of profit to the General Fund of the Commonwealth	(142,661,735)	(126,727,832)	(15,933,903)
Appropriation Act disbursements	(69,428,279)	(69,930,044)	501,765
Total disbursements	(212,090,014)	(196,657,876)	(15,432,138)
Change in net position	9,839,908	5,346,727	4,493,181
Total net position - beginning	(90,721,841)	(96,068,568)	5,346,727
Total net position - ending	\$(80,881,933)	\$(90,721,841)	\$9,839,908

Economic Factors and Next Year's Budget

Days of the Week — During fiscal year 2020, sales from Sundays totaled \$93.8 million, which was up by \$14.4 million, despite having 52 Sundays in fiscal year 2020, one fewer than in fiscal year 2019. Sunday sales accounted for 8% of total sales.

Tuesday Sales — In fiscal year 2020 Tuesday sales grew to \$150.6 million, up \$32.7 million, a 28% increase. This can be attributed to having 53 Tuesdays in fiscal year 2020, up from 51 in fiscal year 2019.

In fiscal year 2021, 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 \$1,216.5 million, or a 3.65% increase over fiscal year 2020 year-end sales of \$1,173.6 million. This increase considers continued growth in the store network, sales increases driven by COVID-19 and the purchasing of premium products by retail customers.

Risks include continued economic stressors related to the COVID-19 pandemic and weather fluctuations, particularly during the holiday season, projected increases in expenses due to personal protective measures put in place in all stores and facilities, as well as, in improving information technology infrastructure and the central office and warehouse facility reaching capacity.

ABC expects expenses to continue to increase in fiscal year 2021. Expenses such as store rents will increase because of contractual escalation clauses and the addition of new stores. 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. The Authority also expects an increase in expenses as the completion of the four main projects approved in 2018 enter the implementation stage. As these projects are implemented, depreciation and amortization expense will occur, increasing the Authority's operating expenses in the upcoming fiscal years.

The General Assembly has approved four main projects to upgrade the Authority's infrastructure and further invest in business operations. Of the approved projects, the new licensing management system is currently in the development stage with an expected completion date of July 2021. The new FMS system, which went live July 1, 2019, has ongoing support and amortization expense in fiscal year 2021. The sales audit system and the new POS system are currently in the development stage and expected to be fully implemented by January 2021. These projects are a considerable undertaking, but are imperative to further solidify the Authority as a continued source of significant revenue for the Commonwealth.

FINANCIAL STATEMENTS

Statement of Net Position — As of June 30, 2020

Assets

Current assets:

Cash and cash equivalents (Note 2)	30,918,542
Petty cash	200,000
Receivables (Note 1D)	6,289,075
Inventory - Alcohol (Note 1E, 12)	80,296,983
Inventory - Merchandise	-
Prepaid insurance expenses (Note 1M)	68,551
Prepaid other expenses (Note 1M)	1,903,339
Total current assets	<u>119,676,490</u>

Noncurrent assets:

Nondepreciable capital assets - Land (Note 3)	11,693,372
Depreciable capital assets, net (Note 3)	8,808,178
Nondepreciable Construction in progress (Note 3)	12,614,743
Total noncurrent assets (capital assets, net)	<u>33,116,293</u>

Other Assets - OPEB (Note 10)	2,523,739
Total noncurrent & other assets	<u>35,640,032</u>

Deferred Outflows Of Resources (Pension) (Note 1H, 9)	19,300,257
Deferred Outflows Of Resources (OPEB) (Note 1H, 10)	4,738,265
Total assets and deferred outflows of resources	<u>179,355,044</u>

Liabilities

Current liabilities:

Accounts payable (Note 7)	77,630,137
Installment notes payable	-
Unearned revenue (Note 1C)	2,035,416
Due to Commonwealth of Virginia (Note 4)	49,599,204
Obligations under securities lending (Note 1F)	2,286,803
Compensated absences payable (Note 6)	5,627,610
Net OPEB liability (Note 10)	390,318

Total current liabilities	<u>137,569,488</u>
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Noncurrent liabilities:

Installment notes payable	-
Compensated absences payable (Note 6)	2,562,965
Net pension liability (Note 9)	83,333,367
Net OPEB liability (Note 10)	21,317,249

Total noncurrent liabilities	107,213,581
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Deferred Inflows Of Resources (Pension) (Note 1I, 9)	4,379,921
Deferred Inflows Of Resources (OPEB) (Note 1I, 10)	11,073,987
Total liabilities and deferred inflows of resources	<u>260,236,977</u>

Net Position

Investment in Capital Assets	33,116,293
Restricted net position (Note 1J)	2,523,739
Unrestricted net position	<u>(116,521,965)</u>

Total Net Position	<u>\$(80,881,933)</u>
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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, 2020

Operating Revenues:

Sales of alcohol	\$979,823,691
License and permit fees	14,105,749
Wine wholesalers tax	4,079,190
Penalties	842,199
Federal grants and contracts	89,498
Mixed beverage tax on common carriers	67,278
Miscellaneous	<u>1,283,889</u>

Total operating revenues 1,000,291,494

Operating Expenses:

Cost of sales of alcohol	563,153,604
Personal services	129,098,812
Continuous charges	35,976,421
Contractual charges	50,090,559
Supplies and materials	4,783,598
Depreciation and amortization	2,890,134
Expendable equipment	3,464,031
Other	<u>361,709</u>

Total operating expenses 789,818,868

Operating income 210,472,626

Nonoperating Revenues (Expenses):

Rents	27,729
Income from security lending transactions (Note 1F)	82,668
Expenses from security lending transactions	(82,668)
Federal funding: CARES Act	1,131,178
Interest income (expense)	297,522
Seized assets	31,867

Total nonoperating revenues before disbursements 1,488,296

Net profit before contributions and disbursements 211,960,922

Capital Contribution: Land

9,969,000

Disbursements:

Disbursements of profits to the General Fund of the Commonwealth	(142,661,735)
Appropriation Act disbursements	<u>(69,428,279)</u>
Total disbursements	<u>(212,090,014)</u>

Total Nonoperating Revenues (expenses) after disbursements **9,839,908**

Total net position - July 1, 2019 (90,721,841)

Total Net Position - June 30, 2020 **\$(80,881,933)**

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, 2020

ASSETS

Cash Flows from Operating Activities:

Cash received from sales	\$979,761,251
Cash received from licenses and fees	14,879,495
Cash received from other revenues	11,924,359
Cash payments for cost of sales	(548,268,394)
Cash payments for personal services	(126,088,382)
Cash payments for other expenses	(75,768,236)
Net cash provided by operating activities	<u>256,440,093</u>

Cash Flows From Noncapital Financing Activities:

Note payable to the Commonwealth	33,129,473
Due to the Commonwealth repayments	(44,994,928)
Cash received from seized assets and rental income	1,190,776
Cash disbursed from seized assets	-
Cash received from taxes	290,948,352
Disbursements of tax collections to the General Fund of the Commonwealth	(235,580,081)
Disbursements of tax collections to the Commonwealth's Department of Taxation	(56,720,480)
Disbursements of profit to the General Fund of the Commonwealth	(137,408,540)
Appropriation Act Disbursements	(69,428,279)
Net cash used for noncapital financing activities	<u>(218,863,707)</u>

Cash Flows from Capital and Related Financing Activities:

Construction in-progress	(3,687,315)
Acquisition of equipment	(6,850,809)
Sale of depreciable assets	(13,971)
Interest Income	354,981
Note payable principal payments	-
Note payable interest payments	(57,459)
Net cash used for capital financing activities	<u>(10,254,573)</u>
Net Increase in cash and cash equivalents	27,321,813

Cash and cash equivalents - July 1, 2019 1,509,926

Cash and cash equivalents - June 30, 2020 \$28,831,739

Reconciliation of cash and cash equivalents	
Cash and cash equivalents	30,918,542
Petty cash	200,000
Securities lending cash equivalents	(2,286,803)
	<u>\$28,831,739</u>

Reconciliation of Net Profit to Net Cash provided by Operating Activities:

Operating income	210,472,626
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,890,134
Change in assets, deferred outflows, liabilities, and deferred inflows	
Decrease in accounts receivable	5,499,865
Increase in inventory	(2,615,386)
Increase in compensated absences	2,088,134
Increase in accounts payable	37,241,555
Increase in prepaid items	(71,332)
Increase in unearned revenues	773,746
Increase in pension liabilities	12,850,367
Increase in pension deferred outflows	(9,179,914)
Decrease in pension deferred inflows	(2,181,079)
Increase in OPEB deferred outflows	(1,351,927)
Decrease in OPEB liabilities	(2,725,229)
Increase in OPEB deferred inflows	2,544,272
Decrease in OPEB assets	204,261
Net cash provided by operating activities	<u>\$256,440,093</u>

Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions
 Donation of Land \$9,969,000

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

FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

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 Authority from distributors. The credit card receivables are collected the following business day after sales are made. The Authority’s total receivables are a very small portion of the Authority’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 increased in fiscal year 2020 primarily due to opening of twelve new stores and the expansion of one existing store.

F. Securities Lending

Investments held by the Treasurer of Virginia represent the Authority’s allocated share of cash collateral received and re-invested and securities received for the State Treasury’s securities lending program. Information related to the credit risk of 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. Liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

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 expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the 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.

FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, Virginia ABC no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

The VRS State Employee Health Insurance Credit Program (HIC) 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.

The VRS Group Life Insurance Program (GLI) 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 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.

The 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.

The VRS Disability Insurance Program (Virginia Sickness and Disability Program, VSDP) 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.

See Note 10 (page 79) for general information about the other post-employment benefits (OPEB) plans and calculation of the net OPEB liability.

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

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, and the cash flow occurred as of the end of the fiscal year but prior to meeting the requirements for liability recognition.

2. CASH WITH THE TREASURER OF VIRGINIA

All State funds of the Authority are held by the Treasurer of Virginia, pursuant to § 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.

The Authority participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$2,286,803 represents the Authority's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's CAFR.

3. CAPITAL ASSETS

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 10 to 40 years on buildings, from three to eight years on equipment, and from three to 10 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).

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

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

	Balance at July 01, 2019	Acquired	Deleted	Transferred	Balance at June 30, 2020
Nondepreciable capital assets					
Land	\$ 1,724,372	\$ 9,969,000	\$ -	\$ -	\$ 11,693,372
Construction in-progress	8,927,427	9,655,824	(5,968,508)	-	12,614,743
Total nondepreciable capital assets	10,651,799	19,624,824	(5,968,508)	-	24,308,115
Depreciable capital assets:					
Buildings	9,220,575	-	-	-	9,220,575
Office equipment	6,753,902	129,168	(145,989)	(416,251)	6,320,830
Motor vehicle equipment	4,960,049	111,084	(265,569)	-	4,805,564
Stores equipment	11,614,316	661,977	-	(6,995)	12,269,298
Warehouse and office building equipment	13,873,727	32,237	(24,943)	64,167	13,945,188
Intangibles	7,322,109	5,916,343	-	359,079	13,597,531
Total depreciable capital assets	53,744,678	6,850,809	(436,501)	-	60,158,986
Less accumulated depreciation:					
Buildings	9,044,062	11,833	-	-	9,055,895
Office equipment	6,333,461	140,696	(145,989)	(416,251)	5,911,917
Motor vehicle equipment	4,039,257	359,843	(279,360)	-	4,119,740
Stores Equipment	10,982,711	186,765	-	(6,995)	11,162,481
Warehouse and office building equipment	13,021,351	225,947	(24,942)	64,167	13,286,523
Intangibles	5,490,303	1,965,050	(180)	359,079	7,814,252
Total accumulated depreciation	48,911,145	2,890,134	(450,471)	-	51,350,808
Depreciable capital assets, net	4,833,533	3,960,675	13,970	-	8,808,178
Total capital assets, net	\$ 15,485,332	\$ 23,585,499	\$(5,954,538)	\$ -	\$ 33,116,293

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."

Land was acquired directly from the Seller during the year with the transaction paid for by the Commonwealth and contributed to the Authority in a non-monetary transaction. The land was recorded at the actual purchase price of \$9,969,000 and was accounted for on the Authorities books as a capital contribution with no gain or loss recognized on the transfer.

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

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, 2020, the Authority had outstanding \$33,129,473 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, 2019	Acquired	Deleted	Balance at June 30, 2020
\$ 44,994,928	\$ 33,129,473	\$ (44,994,928)	\$ 33,129,473

B. General Fund

The Authority collects certain taxes on behalf of the General Fund of the Commonwealth. The state tax on sales (excise tax) 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 2020 Virginia Acts of Assembly required \$9,141,363 of the gross wine liter tax as specified in § 4.1-234, Code of Virginia 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 88 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, 2020, is summarized below.

	Excise Tax	Liter Tax on Wine	Total
Balance due to the General Fund, July 1, 2019	\$ 3,950,914	\$ 2,130,130	\$ 6,081,044
Receipts for fiscal year	193,674,997	39,628,720	233,303,717
Disbursements to the General Fund	(195,687,563)	(39,892,518)	(235,580,081)
Balance due to the General Fund, June 30, 2020	\$ 1,938,348	\$ 1,866,331	\$ 3,804,680

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, 2020, is summarized below.

Balance due to the Department of Taxation, July 1, 2019	\$ 640,150
Sales Tax Collections	57,644,636
Disbursements to the Department of Taxation	(56,720,480)
Balance due to the Department of Taxation, June 30, 2020	\$ 1,564,306

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

D. Earned Surplus

The Appropriation Act, Chapter 1283 of the 2020 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 §4.1-116 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 \$11,100,745 due to the General Fund at June 30, 2020.

5. LEASE COMMITMENTS

The Authority is committed under various operating lease agreements for retail store buildings. Rent expense under operating lease agreements amounted to \$30,344,942 for the year. A summary of future obligations under lease agreements as of June 30, 2020, follows.

Year Ending June 30,	
2021	\$ 28,681,766
2022	24,371,623
2023	19,284,117
2024	15,472,400
2025	11,090,713
2026-2030	17,328,273
Total Obligations	\$ 116,228,892

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Position represent the amounts of Paid Time Off (PTO), annual leave and compensatory leave earned by employees of the Authority, but not taken as of June 30, 2020. Employees accrue PTO leave at a rate of eight to 13 hours semi-monthly, depending on their length of service. The maximum leave accumulation per year is dependent upon years of service, but in no case may it exceed 360 hours at the end of the leave year. The maximum compensation for Annual Leave Bank and PTO payouts is 336 hours.

<u>Balance at July 01, 2019</u>	<u>Short Term Increase</u>	<u>Long Term Increase</u>	<u>Balance at June 30, 2020</u>	<u>Amounts due within one year</u>
\$ 6,102,441	\$ 798,885	\$ 1,289,249	\$ 8,190,575	\$ 5,627,610

7. ACCOUNTS PAYABLE

The Authority's accounts payable and accrued liabilities consisted of the following as of June 30, 2020:

Vouchers Payable	\$ (39,990,187)
Payroll Payables	(7,805,626)
Disbursements Pending	(29,834,324)
Total Accounts Payable	\$ (77,630,137)

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, 2020, the Authority collected \$42,219,288 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.

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9. PENSION PLAN

A. Plan Descriptions

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 table below.

B. Retirement Plan Provisions By Plan Structures:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1	About Plan 2	About the Hybrid Retirement Plan
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.	Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit 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.
Eligible Members	Eligible Members	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.	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.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • 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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Notes to Financial Statements — As of June 30, 2020

B. Retirement Plan Provisions By Plan Structures (continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election</p> <p>VRS 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Hybrid Opt-In Election</p> <p>VRS 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Members of the Virginia Law Officers' Retirement System (VaLORS) <p>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.</p>
<p>Retirement Contributions</p> <p>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.</p>	<p>Retirement Contributions</p> <p>Same as Plan 1.</p>	<p>Retirement Contributions</p> <p>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.</p>
<p>Service Credit</p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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.</p>	<p>Service Credit</p> <p>Same as Plan 1.</p>	<p>Service Credit</p> <p>Defined Benefit Component:</p> <p>Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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.</p> <p>Defined Contributions Component:</p> <p>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

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Notes to Financial Statements — As of June 30, 2020

B. Retirement Plan Provisions By Plan Structures *(continued)*

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting</p> <p>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 service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.</p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p>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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit</p> <p>The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p>Defined Benefit Component: See definition under Plan 1.</p> <p>Defined Contribution 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.</p>
<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

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Notes to Financial Statements — As of June 30, 2020

B. Retirement Plan Provisions By Plan Structures *(continued)*

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier</p> <p>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 1.70%.</p> <p>ValORS: The retirement multiplier for ValORS employees is 1.70% or 2.00%.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>ValORS: The retirement multiplier for ValORS employees is 2.00%.</p>	<p>Service Retirement Multiplier</p> <p>Defined Benefit Component:</p> <ul style="list-style-type: none"> VRS: The retirement multiplier for the defined benefit component is 1.00%. <p>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.</p> <ul style="list-style-type: none"> ValORS: Not applicable. <p>Defined Contribution Component:</p> <p>Not applicable</p>
<p>Normal Retirement Age</p> <p>VRS: Age 65.</p> <p>ValORS: Age 60.</p>	<p>Normal Retirement Age</p> <p>VRS: Normal Social Security retirement age.</p> <p>ValORS: Same as Plan 1</p>	<p>Normal Retirement Age</p> <p>Defined Benefit Component:</p> <p>VRS: Same as Plan 2.</p> <p>ValORS: Not applicable.</p> <p>Defined Contribution Component:</p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>ValORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>ValORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Defined Benefit Component:</p> <p>VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>ValORS: Not applicable.</p> <p>Defined Contribution Component:</p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>ValORS: 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>ValORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>Defined Benefit Component:</p> <p>VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>ValORS: Not applicable.</p> <p>Defined Contribution Component:</p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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Notes to Financial Statements — As of June 30, 2020

B. Retirement Plan Provisions By Plan Structures *(continued)*

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p>
<p>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%.</p> <p>Eligibility:</p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates:</p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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. • 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. 	<p>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%.</p> <p>Eligibility:</p> <p>Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1.</p>	<p>Defined Benefit Component:</p> <p>Same as Plan 2.</p> <p>Defined Contribution Component:</p> <p>Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1 and Plan 2.</p>

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Notes to Financial Statements — As of June 30, 2020

B. Retirement Plan Provisions By Plan Structures (continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage</p> <p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage</p> <p>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.</p> <p>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.</p>
<p>Purchase of Prior Service</p> <p>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 service credit in their plan. Prior service credit 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.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p>Defined Benefit Component: Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p>Defined Contribution Component: Not applicable.</p>

C. 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. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2020 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on an actuarially determined rate(s) from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, 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 Retirement Plan were \$7,310,652 and \$5,875,052 for the years ended June 30, 2020, and June 30, 2019, respectively. Contributions from the Authority to the VaLORS Retirement Plan were \$1,363,952 and \$1,218,291 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Authority reported a liability of \$72,237,702 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$11,095,665 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion of the VRS State Employee Retirement Plan was 1.14305% as compared to 1.11198% at June 30, 2018. At June 30, 2019, the Authority's proportion of the VaLORS Retirement Plan was 1.59872% as compared to 1.65029% at June 30, 2018.

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Notes to Financial Statements — As of June 30, 2020

For the year ended June 30, 2020, the Authority recognized pension expense of \$9,950,021 for the VRS State Employee Retirement Plan and \$560,891 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018, and June 30, 2019, 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, 2020, 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	\$ 1,617,345	\$ 2,071,224
Net difference between projected and actual earnings on pension plan investments	-	1,982,005
Changes in assumptions	6,323,072	16,630
Changes in proportion and differences between:		
Employer contributions and proportionate share of contributions	2,685,236	310,062
Employer contributions subsequent to the measurement date	8,674,604	-
Total	<u>\$ 19,300,257</u>	<u>\$ 4,379,921</u>

\$8,674,604 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 Fiscal Year ending June 30, 2021. 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,

FY 2021	3,134,394
FY 2022	911,812
FY 2023	2,040,189
FY 2024	159,337
FY 2025	0

E. Actuarial Assumptions

1. The total pension liability for the **VRS State Employee Retirement Plan** was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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Notes to Financial Statements — As of June 30, 2020

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 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

2. The total pension liability for the **ValORS Retirement Plan** was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

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 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No Change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

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F. 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, 2019, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 25,409,842	\$ 2,190,025
Plan Fiduciary Net Position	19,090,110	1,495,990
Employers' Net Pension Liability (Asset)	<u>\$ 6,319,732</u>	<u>\$ 694,035</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	68.31%

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.

G. 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP -Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

H. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the

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Notes to Financial Statements — As of June 30, 2020

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.

I. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

1. The following presents the Authority's proportionate share of the **VRS State Employee Retirement Plan** net pension liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 106,116,571	\$ 72,237,702	\$ 43,757,820

2. The following presents the Authority's proportionate share of the **ValORS Retirement Plan** net pension liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's proportionate share of the ValORS Retirement Plan Net Pension Liability	\$ 15,582,207	\$ 11,095,665	\$ 7,389,029

J. 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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

K. Payables to the Pension Plan

At June 30, 2020, the Authority had accrued retirement contributions payable to the pension plan of \$465,344, including \$395,041 payable to the VRS State Employee Retirement Plan and \$70,303 payable to the ValORS Retirement Plan. The payable is based on retirement contributions earned by Authority employees through June 30, 2019, but not yet paid to the plan.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Pre-Medicare Retiree Healthcare Plan

The Commonwealth provides a health benefits program established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare.

1. Eligibility requirements

- a. Following are eligibility requirements for **Virginia Retirement System** retirees:
 - You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
 - You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
 - Your last employer before retirement was the Commonwealth of Virginia, and
 - You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
 - You enroll no later than 31 days from your retirement date.

* For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

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b. Following are eligibility requirements for Optional Retirement Plan retirees (effective January 1, 2017**):

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

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 4,800 retirees and 89,000 active employees in the program in fiscal year 2019. 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.

2. 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, 2019. 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 7.00% for medical and pharmacy and 4.0% for dental. The ultimate trend rates used were 4.50% for medical and pharmacy and 4.00% 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, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.50% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates 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 and females setback 1 year.
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, 2019.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage - reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

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Notes to Financial Statements — As of June 30, 2020

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projections of the tax thresholds. Trend rates were updated based on economic conditions as of June 30, 2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

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

At June 30, 2020 the employer reported a liability of \$7,966,474 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$678.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. 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, 2019, the participating employer's proportion was 1.17347% as compared to 1.14711% at June 30, 2018. For the year ended June 30, 2020, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB decrease in expense of \$664,887.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 4,042,291
Changes in assumptions	-	5,519,292
Changes in proportion	954,482	-
Sub Total	<u>954,482</u>	<u>9,561,583</u>
Amounts associated with transactions subsequent to the measurement date	<u>339,169</u>	<u>-</u>
Total	<u>\$ 1,293,651</u>	<u>\$ 9,561,583</u>

\$339,169 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, 2021. 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,

2021	\$ (1,998,868)
2022	\$ (1,998,868)
2023	\$ (1,998,868)
2024	\$ (1,631,054)
2025	\$ (809,098)
Total Thereafter	\$ (170,345)

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 the discount rate of 3.51%, 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 (2.51) or one percentage point higher (4.51%) than the current rate:

	1.00% Decrease (2.51%)	Current Rate (3.51%)	1.00% Increase (4.51%)
OPEB Liability	\$ 8,521,348	\$ 7,966,474	\$ 7,446,101

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5. 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 7.00% decreasing to 4.5%, 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 (6.00% decreasing to 3.5%) or one percentage point higher (8.00% decreasing to 5.5%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.50%)	Current Discount Rate (7.00% decreasing to 4.50%)	1.00% Increase (8.00% decreasing to 5.50%)
OPEB Liability	\$ 7,114,394	\$ 7,966,474	\$ 8,974,910

B. State Employee Health Insurance Credit Program

General Information about the State Employee Health Insurance Credit Program

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 is set out below:

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 with at least 15 years of service credit, 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 officer's 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 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.

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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 state agency's contractually required employer contribution rate for the year ended June 30, 2020, was 1.17% 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, 2017. 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 \$679,503 and \$630,505 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the Authority reported a liability of \$7,298,540 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, 2019, 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 determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2019, the Authority's proportion of the VRS State Employee Health Insurance Credit Program was 0.79068% as compared to 0.77167% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$677,763. Since there was a change in proportionate share between measurement dates, 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, 2020, 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:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 3,979	\$ 88,676
Net difference between projected and actual earnings		
on State HIC OPEB plan investments	-	2,868
Changes in assumptions	150,200	49,978
Changes in proportion	308,957	90,267
Employer contributions subsequent to the measurement date	679,503	-
Total	\$ 1,142,639	\$ 231,789

\$679,503 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 Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2021. 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,

FY 2021	\$ 40,022
FY 2022	\$ 40,017
FY 2023	\$ 44,434
FY 2024	\$ 57,870
FY 2025	\$ 43,731
Thereafter	\$ 5,273

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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, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Investment rate of return	6.75%, 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 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 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.*

For the following Mortality Rates, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.
- Mortality rates – JRS Employees, page 100.

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, 2019, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan	
Total State Employee HIC OPEB Liability	\$	1,032,094
Plan Fiduciary Net Position		109,023
State Employee net HIC OPEB Liability (Asset)	\$	923,071
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability		10.56%

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:

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP -Private Investment Partnership	3.00%	6.29%	0.19%
	100.00%		5.13%
		Inflation	2.50%
	*Expected arithmetic nominal return		7.63%

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long term rate of 6.75 % which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

8. Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. 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, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
The Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 8,089,188	\$ 7,298,540	\$ 6,619,045

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

11. Payables to the State Employee Health Insurance Credit Program OPEB Plan

At June 30, 2020, the Authority had accrued health insurance credit contributions payable to the OPEB plan of \$39,729. The payable is based on OPEB contributions earned by Authority employees through June 30, 2020, but not yet paid to the plan.

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C. Group Life Insurance

General Information about the Group Life Insurance Program

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 below:

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 ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement 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 service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

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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, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contributions to the Group Life Insurance Program from the entity were \$302,420 and \$271,457 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the entities reported a liability of \$4,480,351 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.27533% as compared to 0.27337% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$126,857. 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, 2020, 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	\$ 297,970	\$ 58,115
Net difference between projected and actual earnings on GLI OPEB program investments	-	92,030
Changes in assumptions	282,863	135,102
Changes in proportionate share	167,170	61,238
Employer contributions subsequent to the measurement date	302,420	-
Total	\$ 1,050,423	\$ 346,485

\$302,420 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, 2021. 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,

FY 2021	\$ 39,173
FY 2022	\$ 39,176
FY 2023	\$ 78,154
FY 2024	\$ 113,727
FY 2025	\$ 104,013
Thereafter	\$ 27,275

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Notes to Financial Statements — As of June 30, 2020

5. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5% – 5.95%
SPORS employees	3.5%– 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Locality – General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75 percent
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

For the following Mortality Rates, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98.
- Mortality rates – Teachers, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.
- Mortality rates – JRS Employees, page 100.
- Mortality rates – Largest 10 Locality Employers – General Employees, page 100.
- Mortality rates – Non-Largest 10 Locality Employers – General Employees, page 101.
- Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees, page 101.
- Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees, page 102.

6. Net GLI 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, 2019, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers’ Net GLI OPEB Liability (Asset)	\$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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.

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:

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Notes to Financial Statements — As of June 30, 2020

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP -Private Investment Partnership	3.00%	6.29%	0.19%
	100.00%		5.13%
		Inflation	2.50%
	*Expected arithmetic nominal return		7.63%

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

8. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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 Authority's Proportionate Share of the State Employee HIC Net 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
The Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 5,885,942	\$ 4,480,351	\$ 3,340,457

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500

11. Payables to the Group Life Insurance OPEB Plan

At June 30, 2020, the Authority had accrued group life insurance contributions payable to the OPEB plan of \$45,274. The payable is based on OPEB contributions earned by Authority employees through June 30, 2020, but not yet paid to the plan.

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Notes to Financial Statements — As of June 30, 2020

D. VRS Disability Insurance Program

General Information about the VRS Disability Insurance Program

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.

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

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:

- *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 (LTD)* – The program provides a long-term disability benefit beginning after 125 workdays 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%).

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Notes to Financial Statements — As of June 30, 2020

- 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%).
- 2. 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%
- 3. 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, 2020, was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$360,058 and \$322,829 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the entity reported an asset of \$2,523,739 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2019 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority’s proportion of the Net VSDP OPEB Asset was based on the agency’s actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority’s proportion was 1.28634% as compared to 1.21104% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized VSDP OPEB expense of \$169,493. 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, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 323,127	\$ 101,592
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	97,460
Changes in assumptions	45,805	143,733
Changes in proportionate share	4,205	207,727
Employer contributions subsequent to the measurement date	360,058	-
Total	\$ 733,195	\$ 550,512

\$360,058 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 Asset in the Fiscal Year ending June 30, 2021. 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:

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Notes to Financial Statements — As of June 30, 2020

Year ended June 30,

FY 2021	\$ (73,592)
FY 2022	\$ (73,574)
FY 2023	\$ (21,779)
FY 2024	\$ (17,894)
FY 2025	\$ (13,443)
Thereafter	\$ 22,907

5. Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation 2.5%

Salary increases, including Inflation:

General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%

Investment rate of return 6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

For the following Mortality Rates, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.

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 the Measurement Date of June 30, 2019, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Disability Insurance Program	
Total VSDP OPEB Liability	\$	292,046
Plan Fiduciary Net Position		488,241
Employers’ Net OPEB Liability (Asset)	\$	(196,195)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability		167.18%

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:

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Notes to Financial Statements — As of June 30, 2020

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	100.00%		5.13%
		Inflation	2.50%
	*Expected arithmetic nominal return		7.63%

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

7. Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed to continue 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.

8. Sensitivity of the Authority's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net VSDP OPEB asset using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net VSDP OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
The Authority's proportionate share of the total VSDP Net OPEB Asset	\$ (2,291,534)	\$ (2,523,739)	\$ (2,729,473)

9. VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at vare-tire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

9. Payables to the VSDP OPEB Plan

At June 30, 2020, the Authority had accrued VSDP contributions payable to the OPEB plan of \$21,140. The payable is based on OPEB contributions earned by Authority employees through June 30, 2020, but not yet paid to the plan.

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Notes to Financial Statements — As of June 30, 2020

E. Line of Duty Act Program

General Information about about the Line of Duty Act Program.

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 below:

2. 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.

3. 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, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017, 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 \$69,871 and \$73,400 for the years ended June 30, 2020, and June 30, 2019, 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, 2020, the entity reported a liability of \$1,962,202 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was 0.54690% as compared to 0.54331% at June 30, 2018.

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Notes to Financial Statements — As of June 30, 2020

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$138,194. 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.

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 285,204	\$ (1)
Net difference between projected and actual earnings on State LODA OPEB plan investments	-	3,885
Changes in assumptions	92,068	170,100
Changes in proportions	71,214	209,634
Employer contributions subsequent to the measurement date	69,871	-
Total	\$ 518,357	\$ 383,618

\$69,871 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, 2021. 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:

Year ended June 30

FY 2021	\$ 1,167
FY 2022	\$ 1,174
FY 2023	\$ 1,775
FY 2024	\$ 2,415
FY 2025	\$ 2,604
Thereafter	\$ 55,733

5. Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including Inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption -	
Under age 65	7.25% - 4.75%
Ages 65 and older	5.50% - 4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, 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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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Notes to Financial Statements — As of June 30, 2020

For the following Mortality Rates, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.
- Mortality rates – Largest 10 Locality Employers with Public Safety Employees, page 102.
- Mortality rates – Non-Largest 10 Locality Employers with Public Safety Employees, page 103.

6. 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 the Measurement Date of June 30, 2019, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program	
Total LODA OPEB Liability	\$	361,626
Plan Fiduciary Net Position		2,839
Employees' Net OPEB Liability (Asset)	\$	<u>358,787</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		 0.79%

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.

7. Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% 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 as of the measurement date of June 30, 2019.

8. Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. 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.

9. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1.00% Decrease (2.50%)	Current Discount Rate (3.50%)	1.00% Increase (4.50%)
Covered employer’s proportionate share of the total LODA Net OPEB Liability	\$ 2,276,294	\$ 1,962,202	\$ 1,713,775

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2020

10. Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care 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 4.75%, 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 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.75% decreasing to 3.75%)	Health Care Trend Rates (7.75% decreasing to 4.75%)	1.00% Increase (8.75% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	\$ 1,659,022	\$ 1,962,202	\$ 2,344,543

11. 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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

At any given time, the Authority may be a named party in legal proceedings. Normally these are worker compensation or human resources matters and administrative appeals. These matters are not considered to be significant legal proceedings. However, it is not possible to estimate the ultimate outcome or liability, if any, on the Authority. It is believed that any ultimate liability resulting from any legal proceedings known at this time 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, 2020, the bailment inventory was valued at \$62,042,742.

13. SUBSEQUENT EVENTS

The Authority has a line of credit for with the Treasurer of Virginia. Repayment is made from revenue collections pursuant to Title 4.1, Chapter 1 of the [Code of Virginia](#). The line of credit increased to \$80,000,000 on September 21, 2020, due to multiple large projects and the need to have cash available for operating expenses to prevent negative cashflow.

FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 set back one year, 85% of rates; females set back one 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 one year; females set back one 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate for GLI, HIC and VSDP, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 nine 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%
Discount Rate (GLI, HIC, VSDP Only – LODA No Change)	Decreased rate from 7.00% to 6.75%

- MORTALITY RATES – TEACHER EMPLOYEES**

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:

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 three 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and applicable VRS Board action 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 nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate for GLI, HIC and VSDP, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and applicable VRS Board action 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
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate (GLI, HIC, VSDP Only – LODA No Change)	Decreased rate from 7.00% to 6.75%

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate for GLI, HIC and VSDP, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and applicable VRS Board action 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 nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate (GLI, HIC, VSDP Only – LODA No Change)	Decreased rate from 7.00% to 6.75%

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FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 one year, 85% of rates; females set back one 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 one year; females set back one 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

- MORTALITY RATES – LARGEST TEN LOCALITY EMPLOYERS 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 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 three 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 two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate (GLI, HIC, VSDP Only – LODA No Change)	Decreased from 7.00% to 6.75%

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FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 three 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 two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate (GLI, HIC, VSDP Only – LODA No Change)	Decreased rate from 7.00% to 6.75%

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three 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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, 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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FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix — As of June 30, 2020

- MORTALITY RATES – 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 one 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 one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, 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%

REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Employer Plans – VRS State Employee Retirement Plan

For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net Pension Liability — VRS State Employee Retirement Plan For the Measurement Dates of June 30, 2019, 2018, 2017, 2016, 2015 and 2014

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	1.14%	1.11%	1.08%	1.05%	1.03%	1.01%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$72,237,702	\$60,199,000	\$62,721,000	\$69,227,000	\$63,182,000	\$56,734,000
Employer's Covered Payroll	\$48,154,635	\$46,170,798	\$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	150.01%	130.38%	145.26%	166.55%	158.69%	144.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Schedule of Employer Contributions — VRS State Employee Retirement Plan For the Years Ended June 30, 2015 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 7,310,652	\$ 7,310,652	\$ -	\$ 52,399,644	13.95%
2019	\$ 5,875,052	\$ 5,875,052	\$ -	\$ 48,154,635	12.20%
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 2020 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Employer Plans – VaLORS State Employee Retirement Plan
For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net Pension Liability —VaLORS Plan For the Measurement Dates of June 30, 2019, 2018, 2017, 2016, 2015 and 2014

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	1.60%	1.65%	1.69%	1.78%	1.99%	2.00%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$11,095,665	\$10,284,000	\$11,067,000	\$13,798,000	\$14,143,000	\$13,470,000
Employer's Covered Payroll	\$5,569,913	\$5,700,678	\$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	199.21%	180.40%	192.31%	223.56%	210.01%	194.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS —VALORS PLAN For the years ended June 30, 2015 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 1,363,952	\$ 1,363,952	\$ -	\$ 5,450,181	25.03%
2019	\$ 1,218,291	\$ 1,218,291	\$ -	\$ 5,569,913	21.87%
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 2020 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Notes to Required Supplementary Information — For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action may be viewed on page 98.

The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action may be viewed on page 99.

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REQUIRED SUPPLEMENTARY INFORMATION

Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees

For the Fiscal Year Ended June 30, 2020

SCHEDULE OF EMPLOYER'S SHARE OF TOTAL OPEB LIABILITY

For the Years ended June 30, 2020, 2019 and 2018

	2020	2019*	2018*
Employer's proportion of the collective total OPEB liability	1.17%	1.15%	1.11%
Employer's proportionate share of the collective total OPEB liability	\$ 7,966,474	\$ 11,535,795	\$ 14,448,345
Employer's covered-employee payroll	\$ 58,869,521	\$ 54,656,476	\$ 49,118,624
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	13.53%	21.11%	29.42%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years 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, 2020

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 actuarial assumptions were updated since the June 30, 2017, valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation – reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

REQUIRED SUPPLEMENTARY INFORMATION

Health Insurance Credit Program (HIC)

For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net OPEB Liability — Health Insurance Credit Program (HIC) For the measurement dates of June 30, 2019, 2018 and 2017

	2019	2018	2017
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.7907%	0.7717%	0.7591%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 7,298,540	\$ 7,040,000	\$ 6,912,000
Employer's Covered Payroll	\$53,907,914	\$ 52,007,392	\$ 49,062,189
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.54%	13.54%	14.09%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	10.56%	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions — Health Insurance Credit Program (HIC) For the years ended June 30, 2018 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 679,304	\$ 679,503	\$ (199)	\$ 58,291,025	1.17%
2019	\$ 630,723	\$ 630,505	\$ 218	\$ 53,907,914	1.17%
2018	\$ 613,687	\$ 613,224	\$ 463	\$ 52,007,392	1.18%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years 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, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. For the following changes to actuarial assumptions as a result of the experience study and VRS Board action, see "Notes to Financial Statements: Appendix"

- Mortality rates – General State Employees, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.
- Mortality rates – JRS Employees, page 100.

REQUIRED SUPPLEMENTARY INFORMATION

Group Life Insurance Program (GLI)

For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net OPEB Liability — Group Life Insurance Program (GLI)

For the measurement dates of June 30, 2019, 2018 and 2017

	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.2753%	0.27337 %	0.26635%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 4,480,351	\$ 4,153,000	\$ 4,009,000
Employer's Covered Payroll	\$ 53,977,296	\$ 52,040,245	\$ 49,118,624
Employer's Proportionate Share of the GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.30%	7.98%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions — Group Life Insurance Program (GLI)

For the years ended June 30, 2018 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 309,627	\$ 302,420	\$ 7,207	\$ 58,400,351	0.52%
2019	\$ 280,682	\$ 271,457	\$ 9,225	\$ 53,977,296	0.50%
2018	\$ 270,609	\$ 270,292	\$ 317	\$ 52,040,245	0.52%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years 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, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. For the following changes to actuarial assumptions as a result of the experience study and VRS Board action, see "Notes to Financial Statements: Appendix"

- Mortality rates – General State Employees, page 98.
- Mortality rates – Teachers, page 98.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 99.
- Mortality rates – JRS Employees, page 100.
- Mortality rates – Largest 10 Locality Employers – General Employees, page 100.
- Mortality rates – Non-Largest 10 Locality Employers – General Employees, page 101.
- Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees, page 101.
- Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees, page 102.

continued on next page

REQUIRED SUPPLEMENTARY INFORMATION

Disability Insurance Program (VSDP)

For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net OPEB Liability — Disability Insurance Program (VSDP) For the measurement dates of June 30, 2019, 2018 and 2017

	2019	2018	2017
Employer's Proportion of the Net VSDP OPEB Liability (Asset)	1.28634%	1.21104%	1.11695%
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset)	\$ (2,523,739)	\$ (2,728,000)	\$ (2,395,000)
Employer's Covered Payroll	\$ 51,852,685	\$ 47,785,688	\$ 43,797,565
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-4.87%	-5.71%	-5.47%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	167.18%	194.74%	186.63%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions — Disability Insurance Program (VSDP) For the years ended June 30, 2018 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 360,221	\$ 360,058	\$ 163	\$ 58,106,466	0.62%
2019	\$ 321,487	\$ 322,829	\$ (1,342)	\$ 51,852,685	0.62%
2018	\$ 315,386	\$ 315,270	\$ 116	\$ 47,785,688	0.66%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years 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, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. For the following changes to actuarial assumptions as a result of the experience study and VRS Board action, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98
- Mortality rates – SPORS Employees, page 99
- Mortality rates – VaLORS Employees, page 99

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REQUIRED SUPPLEMENTARY INFORMATION

Line of Duty Act Program (LODA)

For the Fiscal Year Ended June 30, 2020

Schedule of Employer's Share of Net OPEB Liability — Line of Duty Act Program (LODA) For the measurement dates of June 30, 2019, 2018 and 2017

	2019	2018	2017
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.54690%	0.54331%	0.51555%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 1,962,202	\$ 1,704,000	\$ 1,355,000
Employer's Covered Payroll	\$ 5,695,304	\$ 5,602,849	\$ 5,998,207
Employer's Proportionate Share of the LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll	34.5%	30.4%	22.6%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule of Employer Contributions — Line of Duty Act Program (LODA) For the years ended June 30, 2018 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 69,871	\$ 69,871	\$0	\$ 5,606,443	1.25%
2019	\$ 73,400	\$ 73,400	\$0	\$ 5,695,304	1.29%
2018	\$ 57,872	\$ 57,872	\$(0)	\$ 5,602,849	1.03%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years 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, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. For the following changes to actuarial assumptions as a result of the experience study and VRS Board action, see “Notes to Financial Statements: Appendix”

- Mortality rates – General State Employees, page 98
- Mortality rates – SPORS Employees, page 99
- Mortality rates – VaLORS Employees, page 99
- Mortality Rates – Employees In The Largest Ten Locality Employers With Public Safety Employees, page 102
- Mortality Rates – Employees In The Non-Largest Ten Locality Employers With Public Safety Employees, page 103

FINANCIAL STATISTICAL SECTION

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

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

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

These schedules contain information to help the reader understand the trends in cost of goods sold.

EXPENSE TRENDS

These schedules contain information to help the reader understand the relationship of expenses to sales

PROFIT DISBURSEMENTS TRENDS

These schedules contain information to help the reader assess the profit disbursement trends.

OPERATING INFORMATION

These schedules contain statistical data regarding stores and products.

STATISTICAL SECTION

Financial — Last Ten Fiscal Years

CHANGES IN NET POSITION — Last Ten Fiscal Years (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total operating revenues	1,000,291,494	902,683,325	844,877,292	807,563,445	771,945,773	730,075,776	689,511,021	662,433,062	632,923,574	598,583,725
Total operating expenses	789,818,868	701,360,862	664,660,269	637,017,607	606,624,500	577,709,566	549,746,146	528,108,106	501,071,632	477,760,671
Operating income	210,472,626	201,322,463	180,217,023	170,545,838	165,321,273	152,366,210	139,764,875	134,324,956	131,851,942	120,823,054
Non-operating revenues (expenses)	1,488,296	682,140	601,355	2,318,691	(128,586)	130,466	164,396	(603,087)	246,632	73,723
Net profit before disbursements	211,960,922	202,004,603	180,818,378	172,864,529	165,192,687	152,496,676	139,929,271	133,721,869	132,098,574	120,896,777
Capital contribution: land	9,969,000									
Disbursements:										
Disbursements of profits to General Fund of the Commonwealth	(142,661,735)	(126,727,832)	(109,261,467)	(101,725,746)	(96,860,303)	(84,572,527)	(72,851,385)	(67,437,563)	(64,163,784)	(53,269,159)
Appropriation Act disbursements	(69,428,279)	(69,930,044)	(69,929,142)	(69,429,142)	(68,028,110)	(67,465,310)	(67,135,959)	(67,139,188)	(67,858,000)	(67,744,441)
Total disbursements	(212,090,014)	(196,657,876)	(179,190,609)	(171,154,888)	(164,888,413)	(152,037,837)	(139,987,344)	(134,576,751)	(132,021,784)	(121,013,600)
Net increase/(decrease) after disbursements & capital contributions	9,869,908	5,346,727	1,627,769	1,709,641	304,274	458,839	(58,073)	(854,882)	76,790	(116,823)
Total Net Position - July 1	(90,721,841)	(96,068,568)	(70,823,862)	(72,533,503)	(72,837,777)	1,745,383	1,803,458	2,658,340	2,581,550	2,698,373
Net effect in change in Accounting Principle			(26,872,474)			(75,042,000)				
Net Position - July 1, as restated	(90,721,841)	(96,068,568)	(97,696,336)	(72,533,503)	(72,837,777)	(73,296,617)	1,803,458	2,658,340	2,581,550	2,698,373
Total Net Position - June 30	(80,881,933)	(90,721,841)	(96,068,568)	(70,823,862)	(72,533,503)	(72,837,778)	1,745,385	1,803,458	2,658,340	2,581,550

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 — Last Ten Fiscal Years (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Investment in Capital Assets	33,116,293	15,485,332	9,110,959	9,305,696	10,325,665	11,623,322	10,917,072	9,254,140	10,076,413	11,026,925
Restricted Net Position	2,523,739	2,728,000	2,395,000							
Unrestricted Net Position	(116,521,965)	(108,935,173)	(107,574,527)	(80,129,558)	(82,859,168)	(84,461,099)	(9,171,689)	(7,450,682)	(7,418,073)	(8,445,375)
Total Net Position	(80,881,933)	(90,721,841)	(96,068,568)	(70,823,862)	(72,533,503)	(72,837,777)	1,745,383	1,803,458	2,658,340	2,581,550

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 (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross alcohol sales	\$ 1,173,498,688	\$ 1,054,141,782	\$ 983,360,484	\$ 940,095,513	\$ 897,687,239	\$ 848,245,457	\$ 800,612,239	\$ 768,800,059	\$ 733,850,264	\$ 692,722,634
Excise tax	193,674,997	174,144,519	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220	120,988,748	114,201,593
Excise tax as a % of gross sales	16.50%	16.52%	16.36%	16.43%	16.47%	16.48%	16.49%	16.49%	16.49%	16.49%
Net alcohol sales	979,823,691	879,997,263	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041

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 (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales of alcohol	979,823,691	879,997,263	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041
Sales of lottery tickets	-	1,008,508	1,583,218	1,775,666	2,204,199	2,336,382	2,476,712	2,604,381	2,662,214	2,496,597
License & permit fees	14,105,749	14,460,539	13,875,412	13,514,032	13,304,832	12,967,544	12,606,895	12,122,130	12,005,411	12,055,197
Wine wholesalers tax	4,079,190	4,923,698	4,414,271	4,484,962	4,295,718	4,259,463	3,958,111	3,760,195	3,467,123	3,240,332
Penalties	842,199	1,149,306	687,045	760,810	816,695	1,041,342	1,020,717	1,018,368	973,266	1,142,666
Federal grants & contracts	89,498	153,488	651,384	269,767	280,007	239,915	306,285	361,936	446,546	619,678
Mixed beverage tax on common carriers	67,278	31,236	24,336	20,597	25,039	22,103	24,475	27,035	30,778	28,061
Miscellaneous	1,283,889	956,286	1,190,883	1,088,729	1,144,972	795,756	549,169	541,177	476,720	480,152
Total operating revenues	1,000,291,494	902,683,325	844,877,292	807,563,445	771,945,773	730,075,776	689,511,021	662,433,062	632,923,574	598,583,724

Notes: 1. In FY 15, 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 FY 16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015.

STATISTICAL SECTION

Revenues — Last Ten Fiscal Years

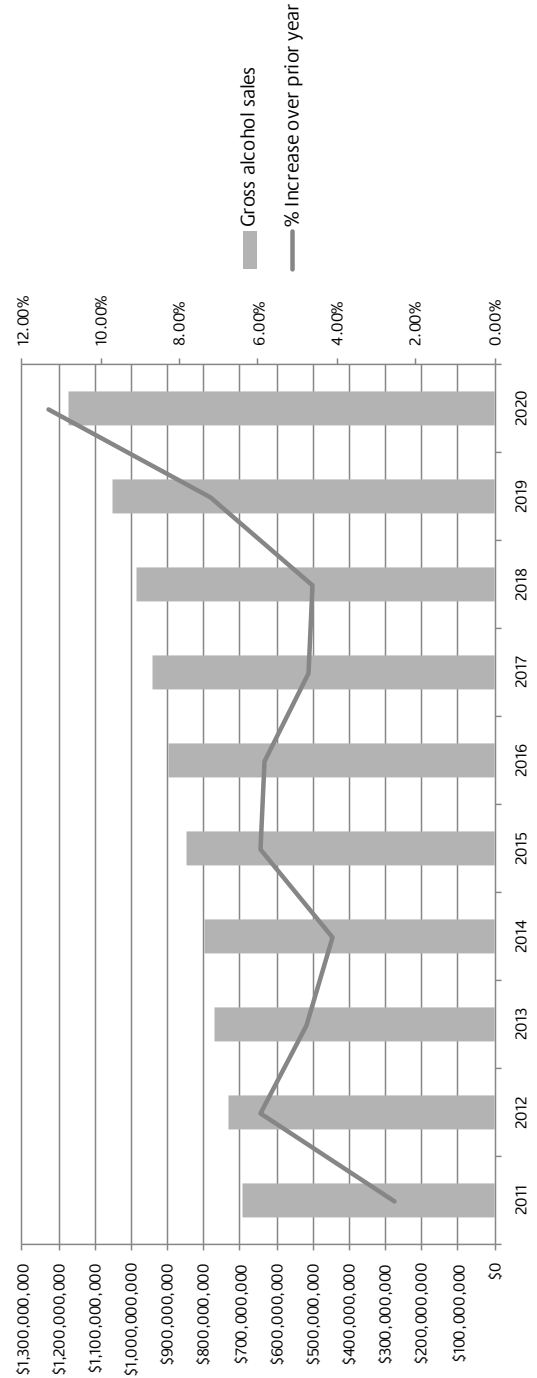
OPERATING REVENUES ANNUAL CHANGE AS A PERCENT OF PRIOR YEAR — Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Fiscal Years Ended June 30,										
Sales of alcohol	11.34%	7.00%	4.68%	4.77%	5.85%	5.96%	4.14%	4.75%	5.94%	2.55%
Sales of lottery tickets	-100.00%	-36.30%	-10.84%	-19.44%	-5.66%	-5.67%	-4.90%	-2.17%	6.63%	3.17%
License & permit fees	-2.45%	4.22%	2.67%	1.57%	2.60%	2.86%	4.00%	0.97%	-0.41%	2.20%
Wine wholesalers tax	-17.15%	11.54%	-1.58%	4.41%	0.85%	7.61%	5.26%	8.45%	7.00%	10.32%
Penalties	-26.72%	67.28%	-9.70%	-6.84%	-21.57%	2.02%	0.23%	4.63%	-14.82%	-15.76%
Federal grants & contracts	-41.69%	-76.44%	141.46%	-3.66%	16.71%	-21.67%	-15.38%	-18.95%	-27.94%	-29.00%
Mixed beverage tax on common carriers	115.39%	28.35%	18.15%	-17.74%	13.28%	-9.69%	-9.47%	-12.16%	9.68%	16.71%
Miscellaneous	34.26%	-19.70%	9.38%	-4.91%	43.88%	44.90%	1.48%	13.52%	-0.71%	-57.19%
Total Increase	10.81%	6.84%	4.62%	4.61%	5.74%	5.88%	4.09%	4.66%	5.74%	2.38%

Notes: 1. In FY 15, 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 4.9% to 6.9%.

2. In FY 16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015.

GROSS ALCOHOL SALES — Last Ten Fiscal Years



STATISTICAL SECTION

Revenues — Last Ten Fiscal Years

NON-OPERATING REVENUES — Last Ten Fiscal Years (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Rents	27,729	24,893	24,168	27,244	31,559	210,061	225,074	195,361	191,950	195,600
Income from security lending transactions	82,668	164,801	25,613	342	3,320	113	157	321	1,024	1,320
Interest income	297,522	607,387	334,667	182,039	64,013	-	-	-	-	-
Seized assets	31,867	49,861	242,520	109,408	-	-	-	-	54,682	-
Other - Special Employer Contributions (VRS)	-	-	-	2,000,000	-	-	-	-	-	-
Federal Funding: CARES Act	1,131,178	-	-	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	1,570,964	846,941	626,968	2,319,033	98,892	210,175	225,231	195,682	247,656	196,920
Increase	724,023	219,973	(1,692,065)	2,220,141	(111,283)	(15,056)	29,549	(51,975)	50,736	(45,517)
% Increase	85.49%	35.09%	-72.96%	2245.02%	-52.95%	-6.68%	15.10%	-20.99%	25.76%	-18.77%

STATISTICAL SECTION

Cost of Goods Sold — Last Ten Fiscal Years

COST OF GOODS SOLD: ALCOHOL — Last Ten Fiscal Years (in dollars)

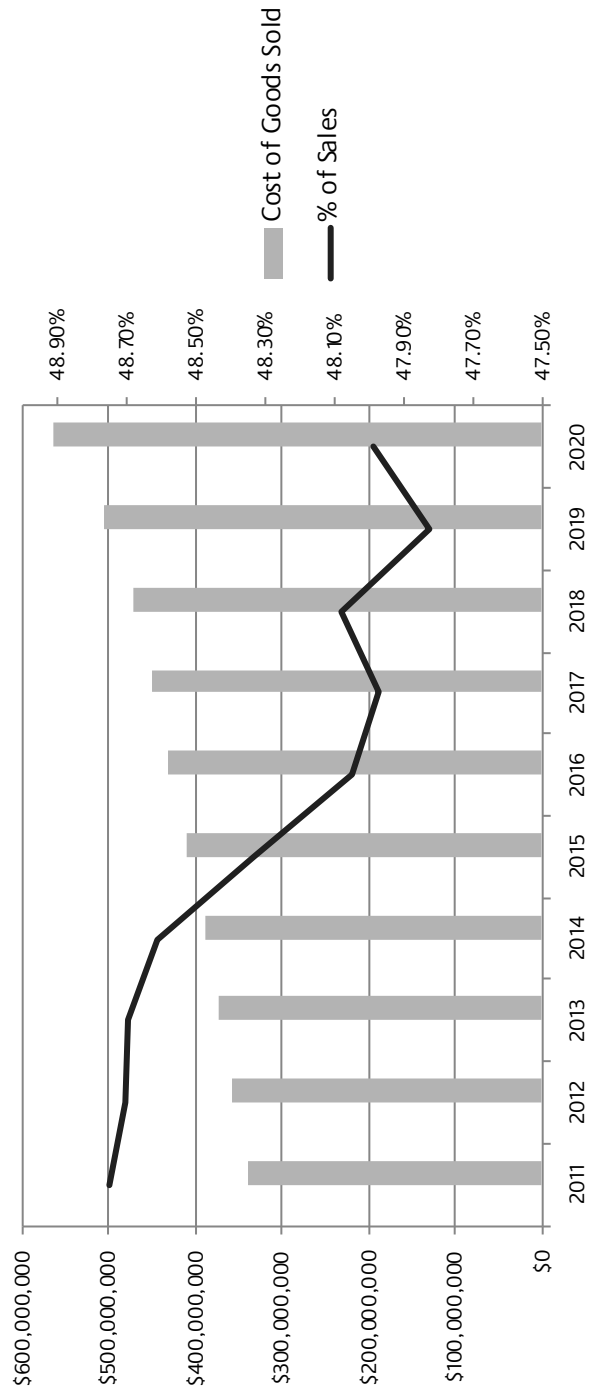
Fiscal Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross alcohol sales	1,173,498,688	1,054,141,782	983,360,484	940,095,513	897,687,239	848,245,457	800,612,239	768,800,059	733,850,264	692,722,634
Excise tax	193,674,997	174,144,519	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220	120,988,748	114,201,593
Net alcohol sales	979,823,691	879,997,263	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041
Cost of Goods Sold	563,153,604	504,150,211	472,772,427	451,003,488	431,328,614	409,991,902	389,204,362	374,356,481	357,374,917	337,689,682
% of Gross Alcohol Sales	47.99%	47.83%	48.08%	47.97%	48.05%	48.33%	48.61%	48.69%	48.70%	48.75%

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 WITHOUT COST OF GOODS SOLD — Last Ten Fiscal Years (in dollars)

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Personal services	\$ 129,098,812	\$ 112,085,785	\$ 113,535,743	\$ 108,120,748	\$ 102,977,280	\$ 99,345,268	\$ 96,016,888	\$ 91,151,356	\$ 83,223,807	\$ 81,396,498
Continuous services	35,976,421	34,276,756	32,134,553	31,315,640	29,278,603	27,954,258	26,238,093	25,209,421	24,687,763	23,848,628
Contractual services	50,090,559	40,966,570	34,948,390	35,181,744	31,215,352	29,216,426	27,263,123	26,498,703	25,737,133	24,373,121
Supplies and materials	4,783,598	3,496,605	3,906,161	3,429,626	3,272,558	3,393,215	3,401,478	3,437,872	2,885,166	2,852,422
Depreciation & amortization	2,890,134	2,127,490	2,580,739	2,216,175	2,580,090	2,664,489	2,573,170	2,101,808	1,958,032	3,175,843
Expendable Equipment	3,464,031	2,867,828	2,539,276	3,453,386	2,986,732	2,258,331	2,209,117	2,066,725	1,869,571	1,560,795
Other	361,709	372,382	347,589	611,832	856,410	661,649	500,029	860,993	812,313	536,134
Total operating expenses	226,665,264	196,193,416	189,992,451	184,329,151	173,167,025	165,493,637	158,201,899	151,326,879	141,173,785	137,743,441
Increase (decrease) from prior FY	30,471,848	6,200,965	5,663,300	11,162,126	7,673,388	7,291,738	6,875,020	10,153,094	3,430,344	5,340,017
% Increase (decrease)	15.53%	3.26%	3.07%	6.45%	4.64%	4.61%	4.54%	7.19%	2.49%	4.03%

OPERATING EXPENSES BY DIVISION WITHOUT COST OF GOODS SOLD — Last Ten Fiscal Years (in dollars)

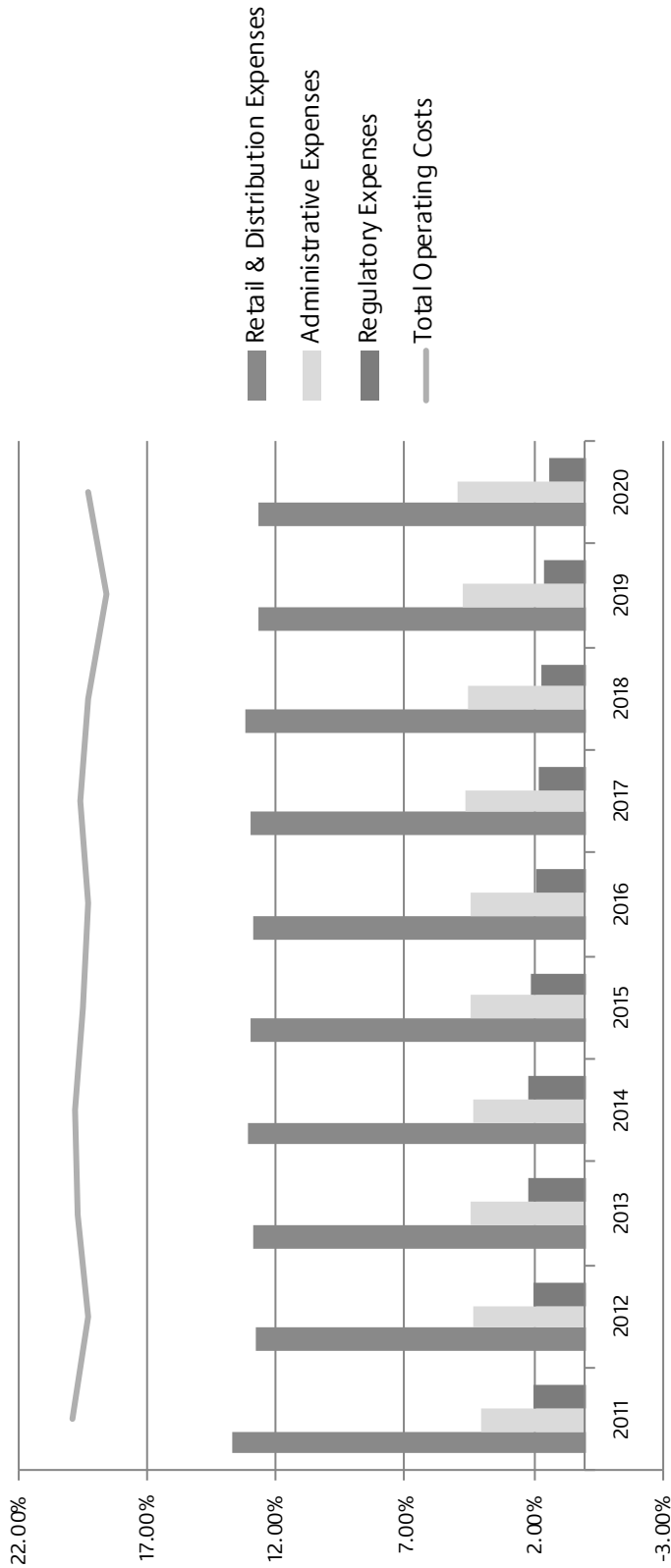
	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Retail & Distribution Expenses	149,241,340	133,346,792	129,705,731	122,428,825	115,809,039	110,179,547	104,958,799	99,315,094	93,533,636	94,661,876
Administrative Expenses	58,544,041	49,874,639	44,903,559	43,837,955	40,354,100	37,763,015	35,000,633	34,665,598	32,106,833	28,317,235
Regulatory Expenses	16,900,634	17,288,559	16,527,661	16,885,187	17,328,181	17,900,232	17,936,183	16,984,251	15,086,772	14,144,652
CASB 68, CASB 75 and other Adjustments	1,979,249	(4,316,574)	(1,144,500)	1,177,184	(324,295)	(349,157)	306,285	361,936	446,544	619,678
Total Operating Costs	226,665,264	196,193,416	189,992,451	184,329,151	173,167,025	165,493,637	158,201,899	151,326,879	141,173,785	137,743,441

Notes: 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 FY 17 and FY 18.

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 (in dollars)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses from security lending transactions	82,668	164,801	25,613	342	3,320	113	157	321	1,024	1,320
Interest Expense	-	-	-	-	-	-	-	-	-	1,964
Seized assets	-	-	-	-	224,158	79,596	60,678	798,449	-	119,913
Total non-operating expenses	82,668	164,801	25,613	342	227,478	79,709	60,835	798,770	1,024	123,197
Increase	(82,133)	139,188	25,271	(227,136)	147,769	18,874	(737,935)	797,745	(122,173)	105,183
% Increase	-49.84%	543.43%	7389.18%	-99.85%	185.39%	31.02%	-92.38%	NM	-99.17%	583.90%

STATISTICAL SECTION

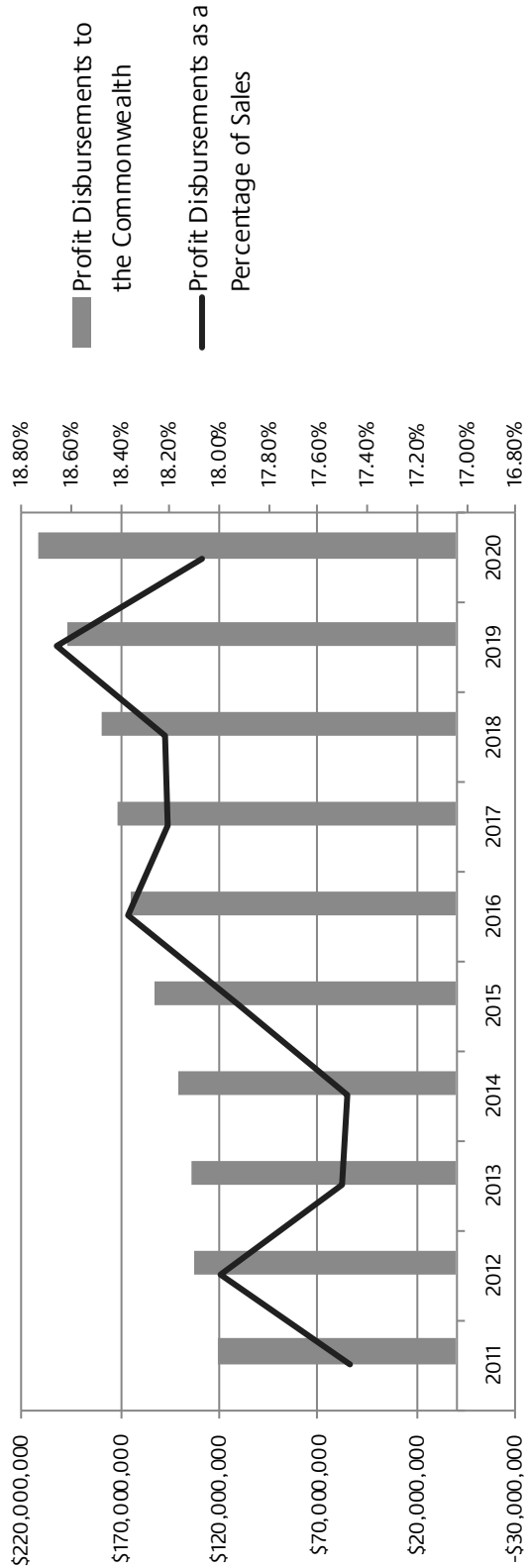
Profits — Last Ten Fiscal Years

PROFIT DISBURSEMENTS TO THE COMMONWEALTH — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross alcohol sales	1,173,498,688	1,054,141,782	983,360,484	940,095,513	897,687,239	848,245,457	800,612,239	768,800,059	733,850,264	692,722,634
Excise tax	193,674,997	174,144,519	160,909,741	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220	120,988,748	114,201,593
Net alcohol sales	979,823,691	879,997,263	822,450,743	785,648,883	749,874,311	708,413,271	668,568,655	641,997,839	612,861,516	578,521,041
Profit Disbursement to the Commonwealth	212,090,014	196,657,876	179,190,609	171,154,888	164,888,413	152,037,837	139,987,344	134,576,751	132,021,784	121,013,600
% of Gross Sales	18.07%	18.66%	18.22%	18.21%	18.37%	17.92%	17.49%	17.50%	17.99%	17.47%

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.

DISBURSEMENTS TO THE COMMONWEALTH — Last Ten Fiscal Years (in dollars)



STATISTICAL SECTION

Operational — Last Ten Fiscal Years

STORES BY YEAR — Last Ten Fiscal Years

Fiscal Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Stores, July 1	377	370	366	359	351	349	342	337	334	332
New Stores	12	7	5	9	8	4	7	6	3	2
Closed Store	1	0	1	2	0	3	0	2 ¹	0	0
Total Stores, June 30	388	377	370	366	359	351	349	342	337	334

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.

¹ 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 (in dollars)

Fiscal Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Store square footage ¹	1,191,176	1,233,746	1,190,407	1,158,478	1,146,234	1,117,425	1,112,807	1,091,146	1,073,910	1,067,170
Total transactions	35,733,748	33,652,166	32,241,445	31,270,307	30,398,994	29,712,285	28,770,720	27,846,686	26,678,450	25,554,777
Total bottles sold	76,792,597	70,985,820	65,500,188	60,731,956	58,058,001	57,049,526	55,397,422	53,516,181	51,717,746	49,151,309
Gross alcohol sales	\$ 1,173,498,688	\$ 1,054,141,782	\$ 983,360,484	\$ 940,095,513	\$ 897,687,239	\$ 848,245,457	\$ 800,612,239	\$ 768,800,059	\$ 733,850,264	\$ 692,722,634
Average bottle price	\$ 15.28	\$ 14.85	\$ 15.01	\$ 15.48	\$ 15.46	\$ 14.87	\$ 14.45	\$ 14.37	\$ 14.19	\$ 14.09
Average sales per transaction	\$ 32.84	\$ 31.32	\$ 30.50	\$ 30.06	\$ 29.53	\$ 28.55	\$ 27.83	\$ 27.61	\$ 27.51	\$ 27.11
Average sales per square foot	\$ 985.16	\$ 854.42	\$ 826.07	\$ 811.49	\$ 783.16	\$ 759.11	\$ 719.45	\$ 704.58	\$ 683.34	\$ 649.12

Notes: Information provided by Authority's Research & Planning office.

¹ An authority-wide store survey was completed during FY 2020, resulting in a more accurate square footage calculation. The actual store square footage did not decrease.

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

SALES PERCENT CHANGE FROM PRIOR FISCAL YEAR — Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Store square footage ¹	-3.45%	3.64%	2.76%	1.07%	2.58%	0.41%	1.99%	1.60%	0.63%	0.90%
Total transactions	6.19%	4.38%	3.11%	2.87%	2.31%	3.27%	3.32%	4.38%	4.40%	1.91%
Total bottles sold	8.18%	8.37%	7.85%	4.61%	1.77%	2.98%	3.52%	3.48%	5.22%	2.40%
Average bottle price	2.90%	-1.09%	-3.01%	0.11%	3.99%	2.88%	0.60%	1.24%	0.68%	0.15%
Average sales per transaction	4.84%	2.70%	1.45%	1.81%	3.44%	2.59%	0.79%	0.37%	1.48%	0.63%
Average sales per square foot	15.30%	3.43%	1.80%	3.62%	3.17%	5.51%	2.11%	3.11%	5.27%	1.64%

Notes: 1. An authority-wide store survey was completed during FY 2020, resulting in a more accurate square footage calculation.

The actual store square footage did not decrease.

TOP PERFORMING STORES – GROSS SALES — Last Ten Fiscal Years (in dollars) (Rank in parentheses)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
#256 - Virginia Beach	\$9,614,876 (1)	\$9,848,073 (2)	\$9,335,821 (1)	\$9,356,735 (1)	\$9,202,992 (1)	\$8,226,884 (1)	\$8,630,556 (1)	\$8,487,325 (1)	\$9,217,925 (1)	\$9,716,636 (1)
#219 - Vienna	\$8,672,118 (2)	\$8,607,977 (4)	\$7,966,670 (3)	\$7,652,272 (5)		\$6,461,490 (5)	\$6,107,183 (5)		\$6,121,640 (5)	\$6,109,361 (3)
#397 - Alexandria	\$8,597,200 (3)	\$9,870,509 (1)								
#225 - Virginia Beach	\$8,456,061 (4)	\$9,212,139 (3)	\$8,708,926 (2)	\$8,292,157 (2)	\$8,399,650 (2)	\$8,081,614 (2)	\$7,312,737 (2)	\$7,001,529 (2)	\$6,544,207 (3)	\$5,883,884 (4)
#331 - Richmond	\$7,750,902 (5)									
#169 - Richmond		\$7,588,304 (5)	\$7,936,805 (4)	\$7,754,878 (4)	\$7,621,199 (4)	\$7,048,143 (4)	\$6,490,317 (4)	\$6,167,351 (4)	\$6,669,833 (2)	\$6,962,528 (2)
#278 - Virginia Beach			\$7,526,361 (5)	\$7,773,909 (3)	\$7,699,741 (3)	\$7,462,194 (3)	\$6,652,089 (3)	\$6,440,523 (3)	\$6,133,558 (4)	\$5,803,670 (5)
#358 - Alexandria					\$7,133,652 (5)					
#282 - Hampton										\$5,934,201 (5)

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

BOTTLES SOLD — Last Ten Fiscal Years

Fiscal Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total bottles sold	76,792,597	70,985,820	65,500,188	60,731,956	58,058,001	57,049,526	55,397,422	53,516,181	51,717,746	49,151,309
Increase of prior year	5,806,777	5,485,632	4,768,232	2,673,955	1,008,475	1,652,104	1,881,241	1,798,435	2,566,437	1,152,594
% Increase over prior year	8.18%	8.37%	7.85%	4.61%	1.77%	2.98%	3.52%	3.48%	5.22%	2.40%
50mL bottles sold	22,169,462	20,266,659	16,640,845	13,316,637	12,130,465	12,546,559	12,339,394	11,463,831	10,711,448	9,828,768
Change from prior year	1,902,803	3,625,814	3,324,208	1,186,172	(416,094)	207,165	875,563	752,383	882,680	394,817
% change prior year	9.39%	21.79%	24.96%	9.78%	-3.32%	1.68%	7.64%	7.02%	8.98%	4.19%
50mL bottles as % of total	28.87%	28.55%	25.41%	21.93%	20.89%	21.99%	22.27%	21.42%	20.71%	20.00%

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,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tito's Handmade	\$52,339,240 (1)	\$42,122,282 (1)	\$33,451,056 (1)	\$25,018,702 (3)						
Hennessy VS	\$46,879,265 (2)	\$35,309,436 (2)	\$33,157,815 (2)	\$33,941,737 (1)	\$25,269,088 (2)	\$18,758,631 (4)				
Jack Daniel's #7 Black	\$30,259,503 (3)	\$29,979,450 (3)	\$29,282,762 (3)	\$28,702,100 (2)	\$27,599,088 (1)	\$26,925,694 (1)	\$25,658,300 (1)	\$25,018,476 (1)	\$23,714,063 (1)	\$22,664,736 (1)
Jim Beam	\$23,485,631 (4)	\$22,713,241 (4)	\$21,494,889 (4)	\$20,421,335 (4)	\$19,805,216 (3)	\$18,657,478 (5)	\$17,802,469 (3)	\$17,593,209 (3)	\$16,892,320 (4)	\$17,249,613 (4)
Patron Silver	\$20,933,661 (5)									
Fireball Cinnamon		\$19,224,053 (5)	\$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)	\$19,532,760 (2)	\$19,801,223 (2)	\$19,508,095 (2)
Grey Goose							\$17,104,944 (4)	\$16,944,481 (4)	\$17,829,724 (3)	\$17,880,921 (3)
Crown Royal								\$16,022,401 (5)	\$15,814,294 (5)	\$15,806,513 (5)

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

PRODUCTS SOLD - BY CASE — Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Vodka	1,656,207	1,556,616	1,505,294	1,471,413	1,448,850	1,423,240	1,398,474	1,396,567	1,383,752	1,281,618
Domestic	907,464	855,285	823,756	795,487	774,794	761,099	738,803	720,810	708,694	693,502
Imported	389,336	363,835	355,140	351,388	350,341	340,831	342,794	345,758	343,277	319,924
Flavored	359,408	337,496	326,398	324,538	323,716	321,310	316,877	329,999	331,780	268,191
Straight Bourbon Whiskey	703,214	625,562	578,328	535,671	515,177	483,441	457,349	429,988	400,583	379,082
Cordials -Liqueurs-Specialt	558,782	517,337	488,640	474,718	478,332	530,603	503,018	450,782	413,783	392,440
Imported	361,042	331,695	314,610	298,289	295,955	303,305	285,565	-	212,622	204,085
Domestic	197,740	185,643	174,030	176,429	182,377	227,298	217,454	-	201,161	188,355
Rum	484,048	465,274	464,811	455,635	446,425	425,817	423,243	424,539	427,484	416,813
Domestic	27,389	438,456	438,855	434,086	429,928	142,537	137,762	141,445	144,878	138,276
Imported	456,658	26,818	25,955	21,549	16,497	283,279	285,481	283,094	282,606	278,537
Tequila	461,861	398,587	353,493	324,504	291,677	242,280	227,319	219,623	208,781	193,225
Gin	246,321	237,108	234,097	236,821	236,615	234,712	237,532	244,341	246,382	246,411
Domestic	132,294	134,651	137,315	142,038	145,141	157,721	163,085	172,552	178,540	180,970
Imported	101,292	90,512	84,557	81,542	78,884	64,857	62,515	60,108	56,337	52,875
Flavored	12,363	11,567	11,805	12,780	12,116	11,616	11,351	11,025	10,829	11,877
Sloe	372	378	420	461	475	518	582	656	675	689
Cognac\Armagnac	203,289	194,789	187,912	183,177	160,584	173,099	165,700	173,679	167,154	169,495
Canadian Whiskey	201,871	161,568	161,060	160,640	157,516	151,833	136,390	134,537	138,537	140,902
Brandy	171,495	118,775	118,082	116,997	116,670	116,579	118,435	-	111,244	114,117
Grape	121,000	7,254	7,035	7,315	7,312	7,218	7,269	-	17,375	16,152
Imported	14,663	35,540	35,943	36,328	33,534	28,036	10,686	-	9,918	10,634
Flavored	35,832	158,935	149,585	149,545	150,531	146,400	142,730	143,184	137,849	137,207
Scotch Whiskey	171,167	168,753	121,746	149,837	124,684	102,713	91,924	86,930	82,973	79,784
Cocktails	151,914	116,350	112,392	110,261	107,528	106,959	101,608	101,214	100,077	98,285
Domestic	90,017	111,572	101,123	103,626	104,110	100,208	98,016	96,777	96,719	94,626
Imported	61,897	113,125	97,273	76,613	67,963	55,972	60,139	71,662	82,462	77,844
Blended Whiskey	148,003	71,435	61,056	42,006	33,107	49,808	53,071	-	77,701	73,129
Tennessee Whiskey	121,693	41,690	36,217	34,608	34,856	6,165	7,068	-	4,761	4,715
Irish Whiskey	80,162	71,192	62,282	53,596	46,944	39,789	34,966	32,013	27,610	22,797
Domestic Whiskey	64,721	57,617	56,801	53,194	47,235	41,368	41,383	39,881	39,224	39,798
Straight Rye Whiskey	50,554	51,732	45,534	53,320	73,124	62,705	54,575	46,262	47,723	38,494
Specialty Bottles	43,221	31,760	29,448	26,861	47,717	32,645	29,004	-	27,850	27,268
Imported	26,600	19,973	16,086	26,459	25,407	30,060	25,571	-	19,874	11,226
Domestic	16,621	39,811	34,585	31,709	33,249	31,778	-	-	-	-
Moonshine	39,141	39,986	32,505	26,609	21,271	13,534	9,366	6,647	4,447	3,029
Egg Nog	25,321	22,972	20,034	18,653	13,101	13,349	14,334	12,881	10,930	11,095
Rock & Rye	2,398	2,368	2,236	1,813	1,610	1,271	1,288	1,419	1,296	1,327
Alcohol(1)	2,091	1,250	1,227	53	57	56	40	49	43	32
Bottled in Bond Whiskey	737	629	561	601	606	1,574	1,165	584	378	362
Corn Whiskey	691	489	408	325	441	724	32,022	24,643	11,861	4,681
Vermouth	25,175	22,681	21,903	17,848	16,561	15,892	15,819	15,821	15,693	15,393
Virginia Wine	15,762	14,936	14,480	14,624	13,131	12,241	11,533	12,087	11,180	11,609
Non-Alcoholic Mixers	157,705	134,259	128,533	123,882	114,393	103,893	99,270	106,037	114,158	109,834
Non Beverage Item	24,996	27,587	29,272	28,399	24,387	20,549	17,331	20,978	19,974	17,793
Statewide Totals	5,532,494	5,313,085	5,006,115	4,814,183	4,691,820	4,515,005	4,342,954	4,196,203	4,148,651	3,923,756
Increase from prior FY	219,409	306,970	191,933	122,363	176,815	172,051	146,751	47,551	224,895	175,670
% Increase	4.13%	6.13%	3.99%	2.61%	3.92%	3.96%	3.50%	1.15%	5.73%	4.69%

Notes: 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.

3. Moonshine was reported separate from corn whiskey category beginning in 2015. * Grain alcohol 151 proof available for sale in select ABC stores.

ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Authority Transition — Enactment Clause

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 Authority 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 Authority, 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			
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2020	FY 2019	FY 2018	FY 2017
Sales	1,173.6	1,054.1	\$ 983.3	\$ 940.1	100.0%	100.0%	100.0%	100.0%
- Excise Tax	193.8	174.3	161.0	154.4	16.5%	16.5%	16.4%	16.4
+ Other Revenue	20.8	23.3	22.3	22.0	1.8%	2.2%	2.3%	2.3
Net Revenue	1,000.6	903.2	844.6	807.5	85.3%	85.7%	85.9%	85.9
Cost of Goods Sold	563.2	504.5	473.7	452.0	48.0%	47.9%	48.2%	48.1
Operation Costs	149.9	134.0	130.3	123.1	12.8%	12.7%	13.3%	13.1
Administrative Costs	58.5	49.9	44.9	43.8	5.0%	4.7%	4.6%	4.7
Regulatory Costs	16.9	17.3	16.5	16.9	1.4%	1.6%	1.7%	1.8
Profit	\$ 212.1	\$ 197.5	\$ 179.2	\$ 171.7	18.1%	18.7%	18.2%	18.3%

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 operating costs excludes the year-end VRS pension liability adjusting entries, the new GASBS No. 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) 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 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 and Support Services, Research & Planning, Education and Prevention, Marketing, Human Resources, Financial Management Services, Communications, Real Estate and Facilities Management, the Authority’s Leadership, and charges for services from other state agencies. The Regulatory Costs category represents the costs to operate the Authority’s Enforcement division and the Hearings & Appeals function. Enforcement operates under a separate appropriation than the rest of the Authority; however, the Enforcement division remains a part of the overall costs that affects the Authority’s profits. In addition, there are approximately 1,700 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 2020, Cost of Goods Sold represents 48.0% of the sales revenue collected. This percentage is consistent with previous years.

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ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Authority Transition — Enactment Clause

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. In fiscal year 2021, Administrative Costs are expected to increase due to amortization and ongoing support for new systems in finance, licensing and point-of-sale. Additionally, there are new expenses for the new warehouse and central office.

Regulatory Costs are also expected to increase due to the additional regulatory activities related to new licensees. License fee revenue is expected to decrease since most mixed beverage restaurants are operating at a reduced seating occupancies and those licensees may choose to renew their license at a decreased seating occupancy causing a reduction in license fee revenue. We could also experience a higher number of licensees surrendering their license due to closure than we normally experience. Finally, the 90 day deferral of license fee collection could impact the end of the year license fee collections by pushing the revenue into the next fiscal year.

ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Six-Year Financial Forecast — As of October 16, 2020

Six-Year Financial Forecast Fiscal Year 2020 – Fiscal Year 2026 (in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenue Sources: Growth Rate		3.65%	4.32%	4.50%	4.50%	4.50%	4.50%
Alcoholic Beverages (Store Sales)	1,173.6	1,216.5	1,269.1	1,326.2	1,385.9	1,448.2	1,513.4
Less: State Taxes on Spirits & Wine	193.8	202.5	211.3	220.8	230.8	241.1	252.0
Net Store Sales	979.8	1,014.0	1,057.8	1,105.4	1,155.1	1,207.1	1,261.4
Other Revenue	20.5	23.3	23.5	23.7	23.9	24.1	24.4
Total ABC Revenue	1,000.3	1,037.3	1,081.3	1,129.1	1,179.0	1,231.2	1,285.8
Cost of Goods Sold:	563.2	583.7	609.0	636.4	665.0	694.9	726.2
Operating Costs:	226.2	248.6	256.1	266.5	278.2	291.3	301.7
Infrastructure Projects:	-	7.2	10.6	12.5	15.4	16.0	15.2
Federal Funding - Cares Act	(1.1)	-	-	-	-	-	-
GASBS No. 87:	-	-	3.5	1.8	0.9	-	-
ABC Net Profit	212.0	197.8	202.1	211.9	219.5	229.0	242.7

ABC's profit forecast is a factor of two elements: sales performance and trends in expenses. In both cases, forecasts beyond fiscal year 2021 are more prone to forecast error given the uncertainty with the economy and impacts on customer behavior and ABC's cost structure.

In fiscal year 2021, ABC expects sales to continue to grow in the retail segment. Sales in the mixed beverage licensee (restaurant) segment are lower due to the impact of COVID on the restaurant industry. Sales growth projections are lower than the previous year's growth projections due to the higher than expected growth of fiscal year 2020 including unexpected sales growth during the initial stages of the pandemic. Licensee revenue is projected to be down principally offset by increases in Games of Skill revenue during the year. After fiscal year 2021, Games of Skill revenue is projected to discontinue. Sales from ABC's retail outlets continue to increase year over year. Uncontrollable factors such as holiday season sales and licensee sales have the potential to significantly impact the accuracy of ABC's sales forecast. Currently, ABC is experiencing growth in retail (store and e-Commerce) sales and declines in restaurant sales

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. COVID pandemic, expenses are also expected to be higher with regard to enhanced pay for retail and warehouse employees, personal protective equipment and heightened cleaning protocols for retail stores, the warehouse and central office. For fiscal year 2021 there are significant increases in amortization (\$1.3 million), ongoing support of new system projects principally the licensing and point-of-sale systems (\$4.6 million) and expenses on the new building project (\$1.2 million).

During fiscal year 2020, ABC contributed \$212.1 million (accrual basis) of net profits to the Commonwealth, and collected \$275.5 million of taxes on store sales, wine and beer and an additional \$57.7 million of general sales tax totaling \$545.3 million. ABC expects to meet transfer requirements in fiscal year 2021 given the projected increase in gross sales. However, risks include reduced purchases (economic uncertainty, weather related, or supply chain related) and unforeseen increases in expenses.

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www.abc.virginia.gov

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