

Putting Down

New Roots



Virginia Alcoholic Beverage
Control Authority

Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2022

A Component Unit of the Commonwealth of Virginia

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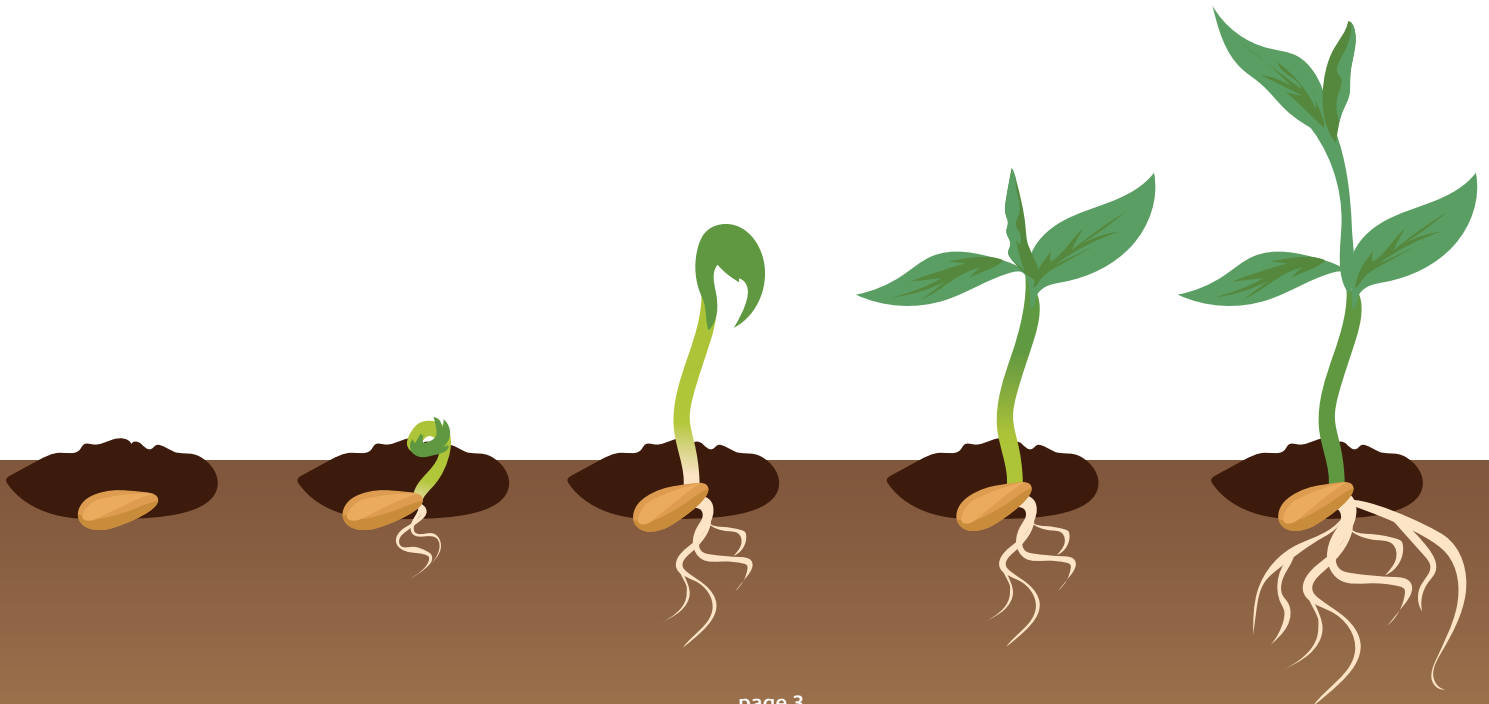
Virginia Alcoholic Beverage
Control Authority

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2022
prepared by Financial Management Services

Design by Virginia ABC's Communications Division

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





Field Notes from the Board Chair

Finding the silver lining is often the best way to cope during difficult times. For the third year in a row, Virginia ABC navigated challenges brought on by the pandemic. Our fiscal year 2022 annual report focuses on the people who helped us overcome the pandemic-related disruptions to our business as the state's sole retailer of distilled spirits.

Like other retailers and government entities, ABC made permanent changes because of the global and societal adjustments that COVID-19 required. Early in the fiscal year, we partnered with DoorDash to pilot same-day delivery to customers in the Richmond area. The initial success of the program enabled us to expand service throughout the state by fiscal year end. Significant process changes in the distribution center as part of the Authority's "One Team, One Goal" initiative enabled distribution center employees and retail staff to work together to address product shortages, shipment delays and employee absenteeism which increased efficiencies and boosted morale.

In many ways, we benefitted from innovative solutions to serve our customers, even if those projects were prompted by changing industry conditions. The adjustments we made resulted in a 24th consecutive record-breaking fiscal year for the Authority.

Retail sales grew in fiscal year 2022 by 3.49%. Gross revenues reached \$1.4 billion, up \$45.5 million over the previous year.

Virginia ABC's fiscal success can be directly attributed to the efforts of more than 4,694 teammates at the Authority. In fiscal year 2022 we recognized the value of our employees with programs that addressed pay and retention. The Authority engaged an independent third party to procure a classification and compensation study that allowed us to set competitive pay scales that accurately reflect work done within our organization. Adjustments to retail and distribution compensation put into place at the start of the pandemic were made a permanent part of base pay.

Diminishing COVID-19 infection and hospitalization rates across the Commonwealth in the latter part of the fiscal year brought more opportunities to engage with employees. HR held service award luncheons; divisions participated in team building outings. Headquarters and distribution center employees brought their loved ones to Mechanicsville to see the new facilities for Family Day. We brought back the ABC softball team and launched employee resource groups. Coming back together after two years apart was critical to our wellbeing as individuals and as an organization.

ABC's ability to not only stock the bar, but also to set the bar makes our organization one of the best places to work. Despite the setbacks we all endured these last couple of years, some larger than others, ABC is in a better place today as an organization. I am proud to call myself a part of the Virginia ABC team!

Virginia ABC Chair Maria J. K. Everett

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2022 KEY AUTHORITY HIGHLIGHTS

| | |
|------------------------------------|-----------------|
| Number of Stores | 395 |
| Total Employees | 4,694 |
| ABC Retail Licenses | 20,454 |
| ABC Profit Disbursements | \$243,607,393 |
| Active Items on Price List | 3,542 |
| Total Gross Sales | \$1,418,032,814 |
| Total Transfer to the Commonwealth | \$622,755,993 |

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Virginia Alcoholic Beverage
Control Authority

MISSION

To strengthen the Commonwealth through public safety, education and revenue derived from the responsible regulation and sale of alcoholic beverages.

VISION

To bring good spirits and excellent service to Virginia.

VALUES

Accountability • Service
Integrity • Performance Excellence



www.abc.virginia.gov

7450 Freight Way
Mechanicsville, VA 23116
(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 Glenn Youngkin
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Youngkin:

It is my pleasure to present the Annual Comprehensive Financial Report for the fiscal year ending June 30, 2022, in accordance with Section 4.1-101.07 of the *Code of Virginia*.

This report consists of management's representations concerning the Virginia Alcoholic Beverage Control Authority's (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. 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 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. By June 30, 2021, ABC had moved to a new larger office and distribution center located at 7450 Freight Way in Mechanicsville.

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 395 stores and employed almost 4,700 employees throughout the Commonwealth. The Authority works closely with the 11 public safety agencies under the Secretariat of Public Safety and Homeland Security for the Commonwealth. Virginia ABC administers ABC laws with an emphasis on public service and a focus on protecting citizens by ensuring a safe, orderly and regulated system for the convenient distribution and responsible consumption of alcohol.

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 almost \$12.7 billion to the Commonwealth's General Fund, which supports major education, health and transportation initiatives.

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

ECONOMIC CONDITION AND OUTLOOK

The rapid pace of growth in distilled spirits during the pandemic is unlikely to continue in the next couple years due to economic uncertainty, with estimates from zero to 4% growth. For fiscal year 2023, disruptions in the global supply chain, the pace of consumer goods inflation, and an economic recession are areas of concern, and expectations for growth in this fiscal year are guarded at best during this moment of caution.

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

In fiscal year 2022, ABC's total gross revenue, including state tax on distilled spirits and wine, was \$1.4 billion, \$45.5 million over prior year or 3.4%. Gross sales of alcoholic beverages in the retail stores accounted for 97.8% of gross revenue. The remaining 2.2% of gross revenue was generated largely through the ABC's regulatory and licensing activities.

ABC contributed \$243.6 million of net profits to the Commonwealth and collected \$311.9 million of taxes on ABC store sales (distilled spirits and wine) and wine and beer wholesaler taxes, and an additional \$67.3 million of general sales tax totaling \$622.8 million.

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

Premiumization — During fiscal year 2022, \$14.6M of the increase in store sales was driven by consumers selecting higher quality premium brands.

Incremental Units — During fiscal year 2022, \$40.2M of the increase in store sales was driven by an increase in the number of bottles/units sold.

The Authority's operating expenses increased 2.8% in fiscal year 2022. Depreciation and amortization increased by \$30.8 million primarily due to implementation of GASB 87-Accounting for Leases, of which \$23.8 million of the increase was due to amortization expense on the right to use intangible assets on buildings. In addition, this is the first full year that depreciation and amortization expenses were recorded for the Authority's new headquarters and distribution center. Continuous charges decreased by \$22.4 million compared to fiscal year 2021, also primarily due to the GASB 87 effect on accounting for lease rentals. Rental payments were accounted for as a reduction to the lease liability as payments were made and recognized as an outflow of resources for the interest on the liability.

On the expense side, ABC incurred increases in salary and benefit costs as a result of state-approved salary increases. Personnel costs account for 55.6% of ABC's non-merchandise expenditures, 20.5% are for contractual charges such as credit card fees, shipping products to stores and telecommunications, 12.9% are for depreciation and amortization of ABC's capital assets, including right to use intangible asset amortization, and 11% are for miscellaneous expenses such as supplies and materials and equipment.

Overall increases in expenses are exacerbated by the need to make significant ongoing improvements in order to improve our IT infrastructure. ABC continues to invest in upgrading and maintaining its systems to ensure viability, increase efficiency, and provide service excellence to its internal and external customers. Numerous efforts are underway to address these challenges and ABC has developed a roadmap to complete and sustain these investments for the long term. 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, supply chain disruptions and inflation impacts 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 54-58.

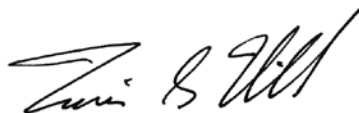
FINANCIAL CONTROLS

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 that adequate accounting data is compiled for financial statements.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance that 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 tested annually as part of the Commonwealth's Agency Risk Management and Internal Control Standards program.

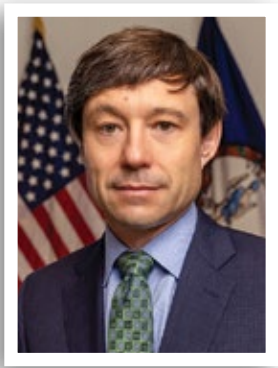
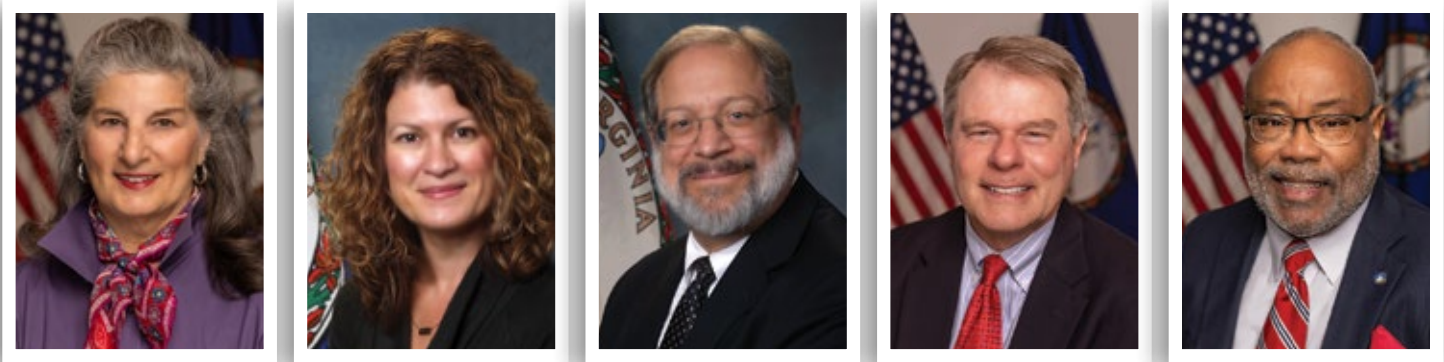
Respectfully submitted,



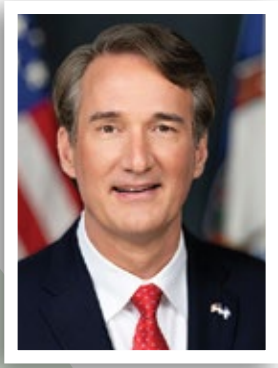
Travis G. Hill | Chief Executive Officer

EXECUTIVE INFORMATION

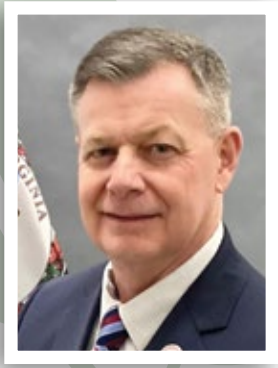
Organizational Structure



Chief Executive Officer,
Travis G. Hill



Governor, Glenn Younklin



Secretary of Public Safety
and Homeland Security,
Robert "Bob" Mosier

ABC Board of Directors *(photos above, left to right)*

| | |
|--------------|------------------------|
| Chair | Maria J. K. Everett |
| Vice Chair | 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* |
| Chief Communications & Research Officer | W. Eddie Wirt |
| Deputy Secretary to the Board | S. Christopher Curtis |
| Chief Bureau of Law Enforcement | Tom Kirby |
| Chief Government Affairs Officer and General Counsel | John Daniel |
| Chief Information Officer | Paul Williams |
| Chief Retail Operating Officer | Mark Dunham* |
| Chief Transformation Officer | Elizabeth Chu* |

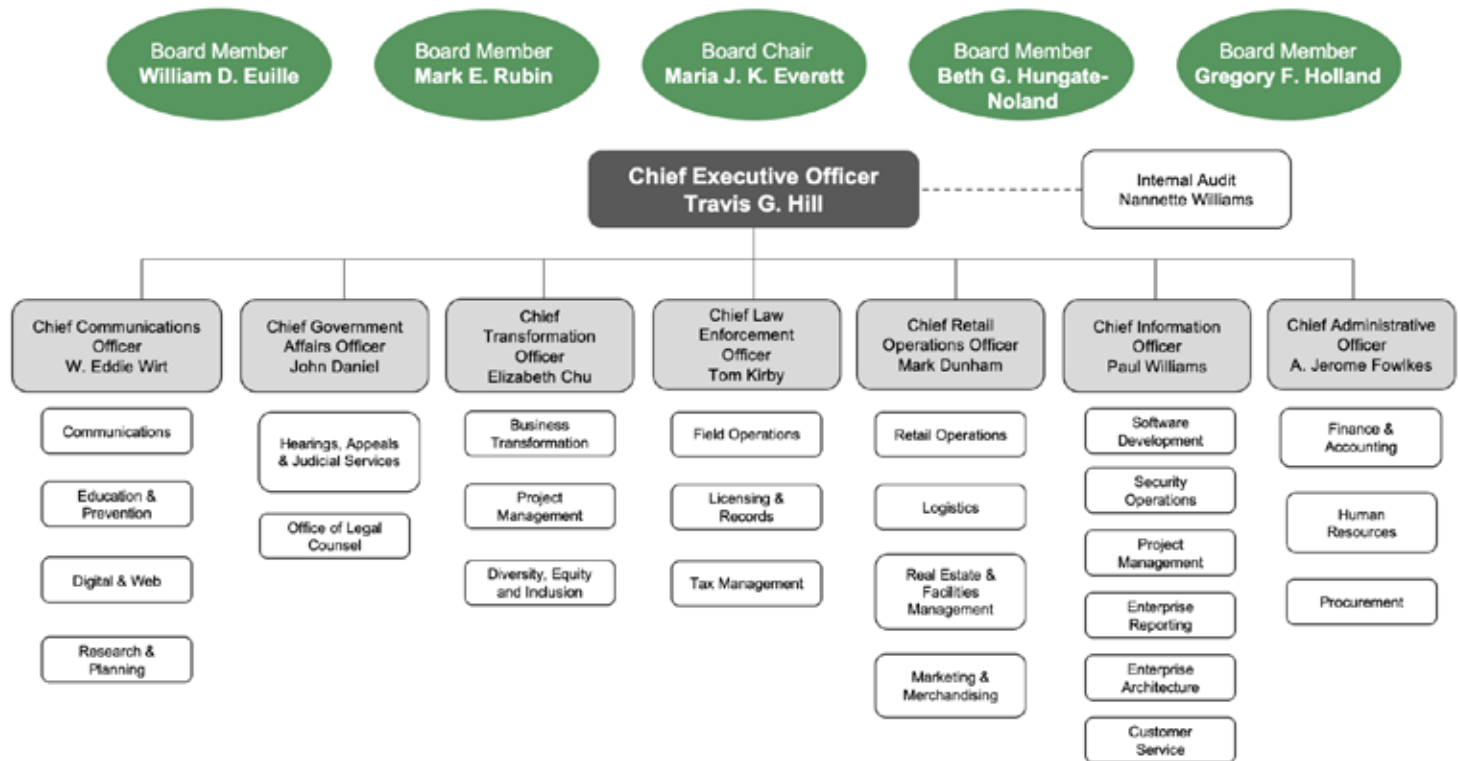
Division Directors

| | |
|---|-----------------------|
| Change Management | Tracey Lorraine* |
| Communications | Nick Schimick |
| Digital Operations | Ernest Moore |
| Diversity, Equity & Inclusion | Cortley West* |
| Education and Prevention | Katie Crumble |
| Financial Management Services | Douglas Robinson |
| Hearings, Appeals and Judicial Services | John Patrick Griffin |
| Human Resources | John Singleton |
| Internal Audit | Nannette Williams |
| Logistics | Tracey Heilborn* |
| Marketing and Merchandising | John Shiffer |
| Office of Legal Counsel | LaTonya Hucks-Watkins |
| Procurement and Support Services | Melissa Watts |
| Real Estate & Facilities Management | Susan W. Johnson |
| Research and Planning | Mike Berman |
| Retail Operations | Jennifer Burke |

**All Board members, executive staff and division directors served throughout the fiscal year with exception of the following: A. Jerome Fowlkes resigned as Chief Administrative Officer in January 2022. Eddie Wirt resigned as Chief Communications & Research Officer in November 2021. Tracey Heilborn was hired as Spirits Supply Chain (Logistics) Director in August 2021. Elizabeth Chu was hired as Chief Transformation Officer in October 2021. Tracey Lorraine was hired as Change Management Director in March 2022. Cortley West was hired as Diversity, Equity & Inclusion Director in June 2022.*

EXECUTIVE INFORMATION

Organizational Structure



LEGISLATIVE SYNOPSIS

New Alcohol-Related Laws—Effective July 1, 2022

Third-Party Delivery License/Cocktails To-Go Extension

House Bill (HB) 426 and **Senate Bill (SB) 254** (*Chapters 78 and 79 of the 2022 Acts of Assembly*) Both bills create a third-party delivery license which will be necessary to deliver alcoholic beverages purchased by consumers from retail licensees.

Created to address safety issues including age verification and food requirements, the new license requires delivery personnel to pass an alcohol delivery safety and responsibility course and certify their compliance with the regulations annually. In addition, the bills extend from July 1, 2022, to July 1, 2024, the sunset of prior legislation that allowed certain licensees to sell mixed beverages for off-premises consumption.

Alcohol Licenses for Casinos

HB455 and **SB519** (*Chapters 589 and 590 of the 2022 Acts of Assembly*) Both bills create a new mixed beverage casino license for the sale of alcoholic beverages for on-premises consumption in areas designated by ABC during all hours of operation. These bills also authorize the licensee to provide gifts of alcoholic beverages to patrons and establish loyalty or reward credit programs under certain conditions.

Funding for Virginia Distilleries to Market their Products

HB20 and **SB196** (*Chapters 84 and 85 of the 2022 Acts of Assembly*) Both bills allocate from the General Fund an amount equal to 20 percent of the 20 percent tax levied on the sale of Virginia-distilled spirits to the Virginia Spirits Promotion Fund.

Bringing Alcohol from Out of State

SB 325 (*Chapter 201 of the 2022 Acts of Assembly*) This bill increases the amount of alcoholic beverages that a person may transport into the Commonwealth from one gallon to three gallons.

Removing Sunset Clause for the Sale of Grain Alcohol

SB527 (*Chapter 583 of the 2022 Acts of Assembly*) This bill removes the sunset clause from the authorization for the sale of neutral grain spirits or alcohol up to a proof limit of 151 in ABC stores.

Putting Down



After operating from a succession of offices in the City of Richmond for more than eight decades, Virginia ABC celebrated its first anniversary in Hanover County. The 88-year-old organization successfully transplanted its headquarters, distribution center and supporting workforce to a new location, strategically situated just north of Richmond and east of the I-95 and I-295 junction.

The convenient location was a welcoming environment for the state's billion-dollar business. Hanover County is proving to be the perfect place for ABC to innovate, prosper and grow. As the Authority established its new roots, its post-COVID-19 business thrived.

Virginia ABC employees also flourished in the new environment. With the construction of a new headquarters and distribution center in its rear-view mirror, the Authority renewed its focus on its workforce and invested in the team members who are so essential to the success of the Authority.

The Authority's 2020-2022 Strategic Plan identifies its first strategic goal as "Investing in our people to foster an inclusive, flexible and engaged workforce."

Nurturing Our Team

ABC directed more than \$4.3 million toward employee compensation. Utilizing its status as an authority, ABC created its own 15-band system to better classify positions based on job responsibilities and implement a competitive pay philosophy. Every employee was reclassified into one of four tracks and a specific level in that track.

ABC utilized internal and external resources to assess the Authority's existing job structure for employees at headquarters and the distribution center and for sworn and non-sworn personnel in its Bureau of Law Enforcement. An independent study compared ABC's jobs and salaries to similar positions in the market.

The objectives of the effort were twofold. The Authority sought to implement its compensation philosophy of setting pay around the midpoint of the market. More importantly, ABC wanted to begin the process of creating a job classification system that reflected organizational needs and provided opportunities for career progression throughout the Authority.

The study reviewed 591 employees within nine Commonwealth of Virginia pay bands. When ABC positions were compared with similar positions in the market, the Authority found it was lagging competitive compensation levels. Ultimately, the Authority was able to make targeted and comprehensive adjustments to both compensation and job classification to cultivate its most valued resource, its people. The people of ABC enabled the Authority to weather the challenges of COVID-19 and produce gross revenues that topped \$1.4 billion for the fiscal year.



Adolphus Maples

LEFT: Security Guard Kenneth Baugh checks a truck carrying distilled spirits, Virginia wines and mixers for delivery to ABC's 315,000-square-foot distribution center. ABC receives an average of 24 scheduled deliveries a day between 5:30 a.m. and 2 p.m., Monday thru Friday. Baugh, who joined ABC in June 2019, is one of 20 security officers that staff the Authority's headquarters and distribution center 24 hours a day, seven days a week.



Billy Felton

ABOVE: Employees from the Authority's Real Estate and Property Management Division and Retail staff worked together to open ABC's 395th store. Located at 535 Bird Neck Road, Store 394 opened for business in February 2020 with a staff of 11 and is the 18th ABC store in Virginia Beach. Because of COVID-19 concerns, a public grand opening event was postponed until August 2021. The store, managed by Jessica Keough, sold 28,230 gallons of spirits for gross sales of \$2,620,707. Sharon Bushey is the district manager.

Recognizing Essential Workers

As the economic impacts of the COVID-19 pandemic continued to ripple into fiscal year 2022, one of the most striking trends involved employment. During the early days of the pandemic, employees left companies in droves citing a variety of reasons including health and better pay in what was dubbed the "Great Resignation." The retail and hospitality industry was one of the hardest hit by the departure of workers who were essential to the business.

ABC experienced significant loss of personnel during this time. In fiscal year 2021, nearly 3,000 wage and just over 200 full time salaried employees left the Authority. ABC implemented a Service Commitment Pay plan to recognize and reward retail and distribution center employees who stayed on the job and enabled the Authority to continue to serve its customers. With pay adjustments, the Authority became more competitive. Former employees returned and many decided not to leave. ABC made these adjustments a part of base pay at the end of calendar year 2021 to remain competitive with the market and in recognition of the essential nature of our workers.

Importantly, in addition to rehires, 2,812 new wage and 337 new fulltime employees were hired in fiscal year 2022, giving ABC an infusion of new and enthusiastic teammates to serve our customers.

Cultivating Progress

By nurturing its workforce and putting people first, Virginia ABC was able to accomplish amazing things. The Authority made tremendous progress on multiple initiatives during the fiscal year. At the conclusion of the year in June 2022, the Authority had nearly completed a modernization strategy started in 2014. Of the 13 separate major “systems” and back-office components identified as obsolete, 11 were modernized or migrated to new platforms at fiscal year end.

Systems Review

ABC became a hybrid enterprise by distributing its technology operations between SaaS-hosted systems, public and private cloud, and a small number of on-premise systems mainly focused on the new distribution center materials handling capabilities. The Authority no longer owns, manages nor supports a large physical enterprise data center.

Several minor web and Sitecore upgrades were completed which enabled the website to handle higher volumes of traffic. Warehouse online ordering and ship-to-store service was rolled out to all stores, paving the way for a future when customers may order limited availability and lottery products directly from ABC’s distribution center.

E-commerce

These behind-the-scenes enhancements created numerous efficiencies that heightened the Authority’s e-commerce services with the goal of expanding digital capabilities to give customers a modern e-commerce experience. A ship-to-store function was reinstated for products that are not routinely on store shelves. This feature enabled stores to order individual bottles (outside of their regular order) directly from the new distribution center. ABC partnered with DoorDash to launch same day delivery in July 2021 at five Richmond-area stores. A gradual, eight-phase rollout to 286 stores provided across-the-state service coverage by fiscal year end. The average home delivery order amount was \$68.66 with an average delivery fee of \$7.71.



LEFT: Happy Hour at home! With the launch of a new partnership with Door Dash, the home delivery of spirits became a reality for Virginians 21 years of age and older in fiscal year 2022. Orders must be a minimum of \$10 with no more than 12 bottles. Delivery fees begin at \$6.99 for the first three miles and are prorated at \$1.25 per mile after three miles for further distances.



Limited Availability Products

To provide all customers with the greatest opportunity to purchase limited availability products, ABC began random distributions of these 100+ highly sought products in April 2022. Stores received limited availability products as part of their normal shipment and were instructed to keep the items in storage until notified to make the products available for in-store purchase. ABC notified customers via Spirited Virginia email, Facebook and Instagram as to the locations of these items once the stores had been authorized to sell the products. The timing and store locations are random to discourage individuals from lining up outside stores for extended periods or seeking information that would give them an unfair advantage, enabling them to purchase these items ahead of other customers.

Warehouse Transition and Sale

For the first six months of the fiscal year, ABC ran a dual-warehouse operation, storing product inventory both in the Hermitage Road warehouse in Richmond and in its new Hanover County distribution center. The sale of the Hermitage Road property for \$16 million to Virginia Commonwealth University necessitated the removal of remaining product inventory which amounted to 1,097,118 bottles or 87,138 cases across 2,390 different products.

Logistical Efficiencies

Significant process changes in logistics, as part of the Authority’s “One Team, One Goal” initiative, were the result of employees in the distribution center and retail staff working together to address product shortages, shipment delays and employee absenteeism. The changes that were implemented increased efficiencies and boosted morale.

On January 24, ABC piloted an every-other-week delivery schedule for 188 of the 395 stores that received weekly deliveries. The 188 stores were located throughout the state, so no one geographical area was negatively impacted. The number of items in each shipment was adjusted based on sales data and back-room storage capacity.

DIVISION HIGHLIGHTS

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LEFT: With a look to the future, the Authority hired Tyler Moore (left) to fill the role of senior warehouse manager over its state-of-the-art distribution center and Tracey Lorraine (right) as ABC's first director of change management in spring 2021. The two new teammates partnered to introduce innovative warehouse processes that created noteworthy efficiencies.

The revised biweekly delivery schedule remained in effect through March 2022 and helped eliminate late and cancelled deliveries resulting from sick drivers not reporting to work. It also reduced the number of daily trucks that needed to be loaded from 20 trucks to 15 or 16. Stores with more than \$3.5 million per year in sales and at least 15% of sales from licensees remained on a weekly truck schedule.

The distribution center team marked a new high in volume of cases shipped in a day from the Hanover distribution center. On March 1, the team shipped 36,556 cases, the highest volume of cases shipped to date in a 10-hour-and 35-minute shift. This equates to 3,566 cases per hour. The previous highest volume shipped out of the Hermitage Road warehouse was 35,333 cases during a same shift length or 3,339 cases per hour on December 5, 2019.

“Taking time to understand the what and the why of the change and to access and address the impacts on people, processes and technology is an investment in an organization’s future.”

— Tracey Lorraine

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 used innovative education and community/business partnerships to fulfill its mission. Both sworn and civilian personnel located in ABC's headquarters and nine regional enforcement offices actively engaged with local law enforcement partners, community coalitions and businesses to help keep Virginia safe. The Bureau also managed the Authority's License Records Management section (LRM) that oversaw 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, videography, graphic design, images and event planning services to numerous internal clients. Using tools such as news releases, e-newsletters, printed collateral, the annual report, the quarterly Spirited Virginia magazine, social media, website content, SharePoint (Mixer) postings and more, the division remained committed to providing accurate and timely communications to ABC employees, customers, the media and other stakeholders. The Communications team served as an advisor to leadership in planning and executing grand openings and other special events that were both virtual and onsite, as well as maintaining ABC's image and reputation by developing talking points and speeches for internal and external use on a variety of timely and high-profile issues.



Nourishing Our People

Employees are the heart and spirit of Virginia ABC. The Authority's 2020-2022 Strategic Plan identifies its first strategic goal as "Investing in our people to foster an inclusive, flexible and engaged workforce."

Over the course of a few years the Authority has heavily invested in its employees in recognition of their service, hard work, dedication to ABC and value to the organization. This continued investment remains a central goal as ABC strives to create an environment that conveys the appreciation and respect that its employees deserve. ABC supported and honored employees through the following events and programs in fiscal year 2022.

Town Halls

All Virginia ABC teammates were invited to attend a June 16 virtual town hall meeting held via Microsoft Teams. ABC executive leadership delivered news about plans that would guide the Authority through the rest of 2022 and into the future. Leadership covered a wide range of topics from the sale of the old central office and warehouse on Hermitage Road in Richmond and the Authority's budgetary outlook, to news about a new Diversity, Equity and Inclusion director and the outlook for e-commerce. The "Let's Engage" series of town halls will continue to serve as a conversation between leadership and employees about the Authority's big picture in years to come.

Digital Operations Division

The Digital and Web Unit was renamed the Digital Operations Division in early 2022 to represent the Authority's growing focus on digital communication and e-commerce. Notable content in Fiscal Year 2022 included signature cocktails and holiday gift guides. Other significant content ;development centered around the new Virginia ABC Licensing (VAL) System. In the area of e-commerce, the Digital Operations team led the creation of an e-commerce program with the goal of expanding digital capabilities to give customers a modern e-commerce experience. The program encompasses over 14 discrete projects and will be conducted in several phases over the next four years.

Education and Prevention Division

Embracing its mission to prevent underage and high-risk drinking, the Education and Prevention (E&P) Division built the capacity of Virginia's communities to educate individuals and prevent substance misuse. E&P continued to offer 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. E&P used the most current data and best practices to not only ensure that alcohol safety and responsibility practices remained in place, but also provide quality and effective E&P programming across the Commonwealth.

Service Awards

A celebration of gratitude for the hard work, dedication, camaraderie and selfless service in fiscal year 2022 highlighted the physical return of Virginia ABC's Service Awards banquets, which recognized ABC's employees for their years of service to both the Authority and the Commonwealth. The 2020 and 2021 Service Awards were held virtually.

Service Award banquets were held throughout the state to honor employees with luncheons in Short Pump, Ashburn, Roanoke and Norfolk.

Members of the Employee Experience Team, including team leaders Brittany Rogers and Sarah Tyler, presented awards to over 130 teammates at the four events. Honored team members worked for the Commonwealth from five to 40 years. Leaders who spoke at the events included Board Chair Maria Everett, CEO Travis Hill, Human Resources Director John Singleton and other members of the Authority executive leadership team.

BELOW: Scott King (far right) was joined by his wife Bessie (at his right) at the Norfolk service awards luncheon where he was recognized for five years of service to the Commonwealth. King, who serves as the manager at Store 391 in the Isle of Wight County's community of Carrollton. Also seated at the table from left to right, HR Employee Relations Manager Vickie Gay, Board Chair Maria Everett, HR Assistant Director Candace Frost and HR Employee Relations Senior Specialist Jaquett Nickens.



Billy Fellin

Financial Management Services Division

The Financial Management Services (FMS) Division is comprised of multiple departments. The Accounting Department ensured the Authority's financial records were maintained in accordance with 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 employees and ensured that 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 Financial Reporting Department prepared the Authority's annual financial statements, reporting to the Department of Accounts and ad-hoc financial reporting and analysis as needed. The Budgeting and Forecasting Department developed the Authority's annual budget, monitored appropriations and expenditures, developed the multi-year forecast for the Governor's Advisory Council on Revenue Estimates (GACRE) and provided support for the General Assembly and Department of Planning and Budgeting activities. 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.

RIGHT: Abby Pendleton (left) and Jennifer Burke (right) were recognized with top accolades at the second annual ABC Honors program. Pendleton, a consumer and digital marketing specialist, received the Authority’s Distinguished Service Award. Burke, Director of Retail Operations, received the Leadership Award. Pendleton joined the Authority in 2016; Burke accepted her position in 2018.



Billy Fellin

ABC Honors Program

The ABC Honors awards program recognizes those employees who epitomize the Authority’s values of accountability, service, integrity, and performance excellence, as well as the qualities of impact, diversity, equity and inclusion. This initiative was conceptualized by ABC’s Human Resources team based on feedback from leadership discussions following the 2019 Employee Satisfaction and Engagement Survey, through which employees expressed the desire to have more opportunities for employee recognition. In its second year, the program recognized 18 employees and awarded a total of \$21,500 for their outstanding work during a Microsoft Teams live event on October 21, 2021.

Teammate Recognition and Input

Virginia ABC continued to utilize and implement new programs to encourage employee recognition and input. “Top Shelf” awards encourage employees to recognize and reward their coworkers for embodying the Authority’s mission, vision and values. Employees can be recognized in each core value category and earn monetary awards or paid leave.

Hearings, Appeals and Judicial Services Division

The Hearings, Appeals and Judicial Services Division (HAJS) provided 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 offers 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.

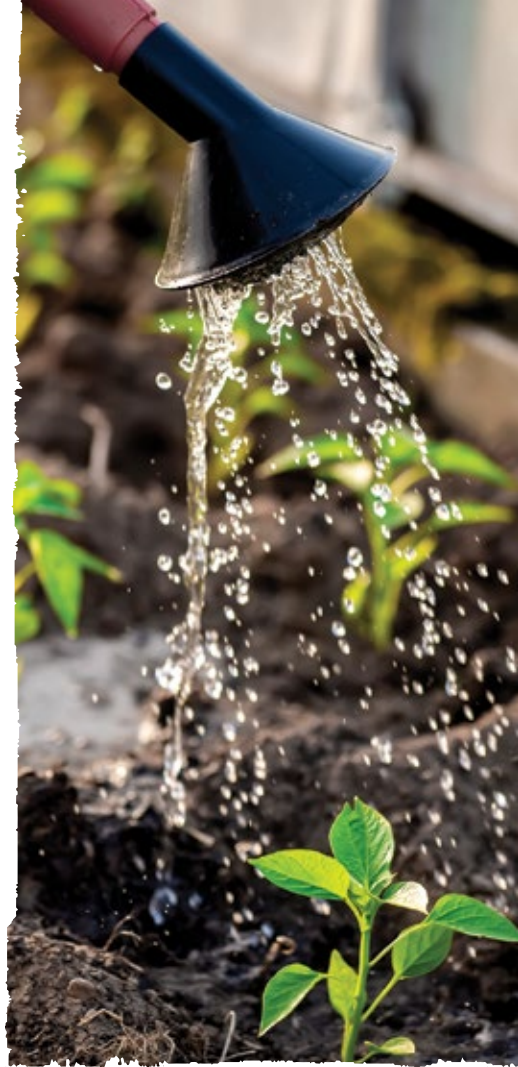
Human Resources Division

The Human Resources Division supported Virginia ABC’s business objectives by providing services in recruitment and selection, employee relations, employee engagement, compensation, benefits, policy development, learning and development and human resources information systems. The HR Division has created and updated policies to enhance its brand as ABC strives to become an “Employer of Choice.” The Employee Engagement Team addresses diversity and inclusion, employee retention, employee recognition and employee appreciation. The Learning and Development Team contributed to the overall success of the division by ensuring that the Authority’s employees learned new skills, increasing productivity.

As part of the Employee Rewards and Recognition program, “Cheers! Post a Toast” is a way for ABC employees to thank other employees for their acts of kindness, encouragement and other ways in which colleagues express support and go that extra mile. Each toast is posted on Virginia ABC’s employee platform Mixer and highlighted on hallway monitors in headquarters.

Launched in December 2021, all ABC employees were given the opportunity to participate in a refreshed employee suggestion program using a new form online. The employee suggestion program enables employees to offer suggestions that aim to improve the performance and quality of work at ABC. Employees have inspired many of ABC’s new initiatives, including Black Friday discounts, premier stores, Spirited Virginia magazine and the signature cocktails series.

Suggestions that identified specific problems and proposed suitable solutions to enhance efficiency and effectiveness through increased productivity, reduced costs, improved and safer working conditions, conservation of resources and enhanced public services were encouraged.



Billy Fellin

LEFT: Jay Herd in Procurement (left) and John Beck in Facilities (right) were two of more than 169 outstanding employees who received Top Shelf recognition during the fiscal year.

Information Technology Division

Following ABC’s conversion to an Authority in 2018 which permitted technology independence from VITA, the state’s central technology provider, ABC continued to modernize and upgrade its systems.

IT actual costs were \$26 million against a budget of \$29.7 million for the fiscal year. Significant savings were achieved in a number of areas, most notably:

- Telephony — the average cost per line per month was reduced from \$46 to \$19 by adopting enterprise VOIP (Voice Over IP)
- Network — ABC improved connection speeds and reliability across the entire fleet (over 400 locations) by an average of ten times and a

reduced overall cost by about 40%. This was performed by migrating to a software defined network using Cisco’s Meraki technology hosted in Azure with Cellular backup for every location. Cost per network location per month is now under \$500 per site

- Improvements in our core infrastructure, particularly the network, have supported ABC achieving a 99.9% uptime average for all systems consistently — seamlessly supporting both remote and in office work.

VAL, our new licensing system was deployed to users in January allowing for the retirement of CORE, a 20+ year-old, homegrown licensing system.



Billy Fellin

ABOVE: The Authority’s employee association committee helped staff many of the games and activities offered at the Authority’s annual Family Day. Sporting an ABC ballcap, Christy Kenney in Accounts Payable takes her turn at cornhole.

Employee Appreciation Week

ABC devoted an entire week to employees with its own Employee Appreciation Week. The final week of the fiscal year featured a variety of fun themes and free food for headquarters and distribution center staff. Snack carts and food trucks served treats to employees who were encouraged to dress for each day’s theme. Whether an employee had a favorite sports team to proclaim (Sports Fan Day) or loved colorful clothes (Tie Dye Day), just about everyone had a chance to have fun and feel appreciated in this annual event.

On June 29, about 500 employees and their family members enjoyed Virginia ABC’s annual Family Day. The afternoon event featured a photo booth, a DJ and outdoor games. Participants enjoyed treats from local vendors and took tours of ABC’s new distribution center.

Employee Resource Groups

Teammates launched their own affinity groups strengthening bonds and applying common life experiences, values and goals to lift up fellow employees and their community.

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 that the appropriate security controls and risk transfer options

designed to protect the Authority’s investments were in place while also monitoring and providing expertise to implement the Information Technology security program.

Logistics Division

The Logistics Division continued to operate the Hermitage Road warehouse in Richmond until August 2021 when shipping commenced from the new distribution center located in Hanover County. Full operations transitioned to the Hanover Distribution Center on October 5, 2021, at which time all staff were transferred. Inventory continued to be transferred from Hermitage Road to the Hanover location in phased approach until completion in April 2022.

Virginia ABC's Purchasing Supply Management Director Melissa Watts and IT Deputy Director Keith Russell, both veterans, created a Veteran's Group in November 2021 to provide fellow colleagues who are also veterans a platform to support each other and foster the camaraderie and partnership that they enjoyed while serving in the U.S. Armed Forces.

The group held a kickoff luncheon to bring ABC veterans together and get their input. Response from veterans within the organization was very positive. The group hopes to grow participation and expand into the regions including both enforcement and retail employees who are located elsewhere in the Commonwealth.

The Veterans Group also looks forward to being able to provide career-based support to junior veterans who join ABC and to senior individuals who are veterans within the Authority.

In May 2022, 26 women at ABC headquarters established a Women's Group focusing on gender-based issues. Their first meeting was a breakfast and networking event where they produced plans to build the group to support women in the workforce.



ABOVE: Virginia ABC Program Support Technician Gretchen Turner was an employee featured in the Leadership series on Mixer. Turner was among the 100+ veterans who were honored during the Virginia Women Veterans Pinning Ceremony held March 21, 2022, at the Virginia War Memorial. Lt. Governor Winsome Sears did the honor.

LEFT: To commemorate Memorial Day, the ABC Veterans Group, along with other headquarters volunteers, placed 2,000 American flags along the perimeter of ABC's headquarters and welcome sign. The group has employees representing the Army, Navy, Marine Corps and Coast Guard branches of the armed services. *Photos by Melissa Watts*



Marketing and Merchandising Division

The efforts of the Marketing and Merchandising 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 connect 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.

Office of Legal Counsel

The Office of Legal Counsel (OLC) became official in August 2020. Fiscal year 2022 saw a significant increase in matters requiring legal guidance and representation to various ABC departments. OLC provided representation to the Bureau of Law Enforcement in several administrative hearings and board appeals and negotiated several settlement agreements for various administrative matters. The office also provided legal training internally and legal education to outside entities. OLC had several regulatory projects during fiscal year 2022 due to changes resulting from license reform, as well as other revisions to board regulations surrounding pre-hearing conferences, electronic rebates, interests in licensed businesses and updates to the headquarters address. During the year OLC became responsible for handling the Authority's FOIA requests. The staff is participating in a comprehensive



Harvesting Success

Milestones and awards in large companies have no merit or meaning without the people behind those efforts.

Virginia ABC employees played important roles in helping the Authority reach strategic goals during fiscal year 2022. The Authority was recognized over the year for its achievements, a reflection of ABC’s ability to successfully navigate the constantly changing landscape of COVID-19 and implement a successful return to the workplace amid many obstacles.

As the community spread of COVID-19 throughout the Commonwealth continued to decline, ABC gradually transitioned from the remote work environment of fiscal year 2021 to an in-office setting for fiscal year 2022. The Authority distributed more than 11,000 test kits for employees to self-administer. On January 10, with more than 80% of ABC’s workforce vaccinated, headquarters employees returned for one day a week and gradually increased to a three-day regular schedule on June 30 supported by telework agreements. In addition to providing enhanced cleaning services and individual sanitation supplies, the Authority retrofitted headquarters workspaces with Plexiglass separators for added employee protection. Stores returned to normal working hours on March 1.

review and update of the board regulations with internal and external stakeholders that began during the fiscal year and will continue into fiscal year 2023.

Procurement and Support Services Division

This division managed Authority funds distribution for the purpose of obtaining quality goods and services. The division assisted internal customers in achieving 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. ABC contracted and procured goods and services including eVA direct orders and small purchase charge card transactions.

Real Estate and Facilities Management Division

The Real Estate and Facilities Management Division responsibly managed ABC’s headquarters, distribution center and 395 stores. The division focused on three major areas of responsibility: initial site selection, negotiation, leasing and lease administration; facility management and maintenance of headquarters and the distribution center, 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.



ABOVE: Retail Support Manager Chris Ruppert (left) and Client Services Analyst Kumar Desai conduct POS testing in the Authority's IT lab in support of ABC's 395 stores. The lab also houses all the equipment needed for building computer workstations.

Despite the roadblocks caused by COVID-19, the Authority kept pace in achieving numerous milestones, the first being the completion of a migration off the Commonwealth of Virginia (COV) network and many COV systems. This initiative included decommissioning the Hermitage Road central office building in Richmond in June and migrating network management to a cloud service provider. The result provided every ABC site with high-capacity network connectivity and redundancy, either cellular or with backup circuits. These enhancements reduced ABC's network costs by over 70% with more than 10 times average speed improvement. ABC's network achieved 99.99% reliability over a sustained 12-month period. ABC still uses COV systems for banking, HR, payroll, benefits and purchasing.

Licenses—Anytime and Anywhere

ABC launched a new online licensing solution called Virginia ABC Licensing (VAL) in 2022 which allows licensees to conduct their business with Virginia ABC whenever its convenient for them—day or night. The Authority's transition to VAL incorporated the new licensing structure which consolidated approximately 152 licenses to 71 in 12 categories. The new system enables licensees to apply for, renew, modify or surrender licenses and permits online, as well as pay fees and fines online, eliminating the need for licensees to drive to regional offices to conduct financial transactions. As an added convenience, after creating a VAL account, licensing communications such as renewal notices and licenses will be sent to the licensee electronically.

Research and Planning Division

Research and Planning supported all levels of Authority leadership for strategic and tactical decision making by providing data-driven guidance, high-level analytical perspectives, financial analysis tools and other value-added activities. In addition to supporting internal leadership, Research and Planning provided services to external stakeholders in support of Authority objectives. The division produced monthly and ad hoc reports on sales, product and store performance; assessed performance of holiday sales campaigns, in store promotions and online sales promotions; provided process consulting expertise to other divisions; and partnered with other divisions to lead Authority-wide initiatives. Research and Planning continued to manage and coordinate the analysis, development and maintenance of ABC's strategic plan, as well as deliver initiative prioritization

processes. The division also supported the Authority infrastructure by managing functions such as policy management and records retention and management.

Retail Operations Division

The Retail Operations Division was responsible for the operation of 395 stores across the Commonwealth. A team of 25 regional managers and two zone managers guided the operations of a classified and part-time work force of over 4,000 employees and the management of retail stores. Open 362 days of the year, these stores served more than a million customers and generated more than \$1.37 billion in sales during the fiscal year. Ten employees at ABC's headquarters provided operational support and guidance for the stores.



Following months of development, revisions and training, VAL went live on January 1 for banquet applications. By the end of the fiscal year, VAL had a 71% adoption rate for those requesting a banquet license. In May, ABC began onboarding existing retail and industry licensees. The Authority followed a phased approach of onboarding these licensees by renewal month. To aid in the onboarding, ABC created eight tutorial videos. These brief videos were posted on the Authority's website and garnered nearly 1,000 views.

With the first phase of onboarding completed, the Authority will continue to rollout additional services. Mix Beverage Annual Reporting (MBAR) and licensee training amendment tracking will also be available to all licensees that have created a new account in the VAL system.

Six internally facing systems were retired now that VAL provides ABC licensing technicians and licensees with one simplified interface for processing all regulatory functions within the Bureau of Law Enforcement, including such things as new license applications, underage buyer compliance checks, licensee inspection tracking, violation and incidents review. The monumental VAL milestone was just one way in which Virginia ABC excelled in the fiscal year.

Can You Hear Me Now?

ABC also completed a massive phone migration across the Authority, replacing legacy phone systems with a unified solution. The result provided desk phone capability anywhere—on a cell phone, on a computer or a desktop, with auto attendant, voicemail and e-fax capability. These upgrades were deployed in the new headquarters building at the beginning of the fiscal year and continued with the addition of the entire retail fleet. The initiative delivered substantial savings, reducing calling costs from \$49 per line per month to \$18 per line per month, with significantly improved capabilities.

The Authority also added call center capability to its phone solution. This enhancement was the first step in the buildout of a customer support response as the Authority added to its online capabilities. Deploying the call center reduced ABC's call abandonment rate from around 27% to below 7% by supporting custom routing, queuing and advanced call handling.

Transformation Office

The Transformation Office worked to drive sustainable transformations that built capabilities internally and demonstrated responsiveness and impact for customers and the community. This new office encompasses the following divisions: Strategy and Analytics, the Project Management Office (PMO), the Change Management Office (CMO) and the Diversity, Equity and Inclusion (DEI) Office.

The Transformation Office also established the following goals: equipping the PMO with the right structure, tools, and metrics to ensure project managers' success; building out the CMO to implement programs and projects effectively and with greater adoption; providing clear and consistent guidelines regarding DEI policies and practices; and

establishing strategic planning processes that drive ABC forward while building out analytical capabilities to support strategic direction.



LEFT: Tehya Moore, Tier 1 Support Specialist in IT Operations, responds to a call in the Authority's call center. Moore is one of four employees who assist licensee customers with service support related to VAL, Virginia ABC's Licensing system. The center handles an average of 40 calls a day. Personnel in ABC's 95,000-square-foot headquarters and ten regional Enforcement offices utilize 630 Polycom VVX desk phones. Another 398 phones are deployed for back-office use in ABC's 395 stores along with 806 cordless register phones. The Authority maintains 209 iPhones, 34 Androids and five flip phones for staff and warehouse use. Including tablets, hotspots, air cards and 400 SIM cards (installed in each retail store and regional office router as backup for ABC's network), ABC's telecommunications team manages more than 2,600 active devices. Team members include Business Manager Karen Bartlett and analysts Lynn Pratt, LaTandra Jackson and JJ Johnson.

A related initiative enabled ABC to provide a more premium computer to every user and eliminate machines that did not meet a modern standard, an issue at the start of the pandemic. The Authority moved to a flexible replacement cycle based on purchasing (not leasing) computers. Computers were replaced when they no longer met the users' needs, regardless of age. This change was supported by automating the process of moving users between computers, which significantly reduced costs. Over 95% of IT support functions were performable remotely or automatically, with very little hands-on support. In the Retail Division alone, this change saved over \$500,000 during the year and enabled ABC to achieve 99.99% system uptime for the point-of-sale system. The change also allowed IT to better support reliable remote working.

Fruits of Our Labor

Virginia ABC was selected as the Overall Winner in the 2021 StateWays Best Practices Awards. ABC entered and won eight awards and was named the Overall Winner among all the control state awards. The magazine showcased the Authority in a feature story, and awards were presented in October to leadership. These awards honored ABC's achievements for the 2020 holiday campaign, the Signature Cocktail recipes and videos, ABC's new POS system, the PickIt/Zebra handheld system, home shipping and curbside pickup, Virginia Higher Education Substance Use Advisory Committee's (VHESUAC) Statewide Campus Assessment, standing up cocktails to-go and licensee privileges during the COVID-19 pandemic and the Bureau of Law Enforcement's COVID-19 response.

Virginia ABC's driving fleet and drivers were honored by Virginia's Department of General Services with the Driver Safety Award for having the lowest crash rate per 100,000 miles in its category. The Virginia State Police also honored the Authority with an Accident Prevention Award for ABC's low crash rate.



Billy Fellin

ABOVE: ABC's Procurement and Support Services team oversaw more than 5.3 million Small Purchase Credit Card (SPCC) transactions during the 2022 fiscal year. Nearly 30% of the Authority's purchases totaling \$16.4 million were from SWaM (Small, Women-Owned and Minority) businesses.

BELOW RIGHT: Travis Hill speaks at a Greater Richmond Association of Commercial Real Estate (GRACRE) meeting following his acceptance on behalf of the Authority of GRACRE's award for best industrial project.

The Procurement Division was recognized early in the fiscal year as one of the 2021 Achievement in Excellence in Procurement Award winners. This annual award recognizes excellence in public procurement and is earned by organizations that demonstrate excellence by scoring highly in 18 sections of criteria, including ethics standards, performance measures and an electronic manual, among others.

ABC also received the Richmond Real Estate Group's 2022 Impact Award and Best Industrial Project from the Greater Richmond Association of Commercial Real Estate (GRACRE) for the headquarters and distribution center buildings in Hanover County.

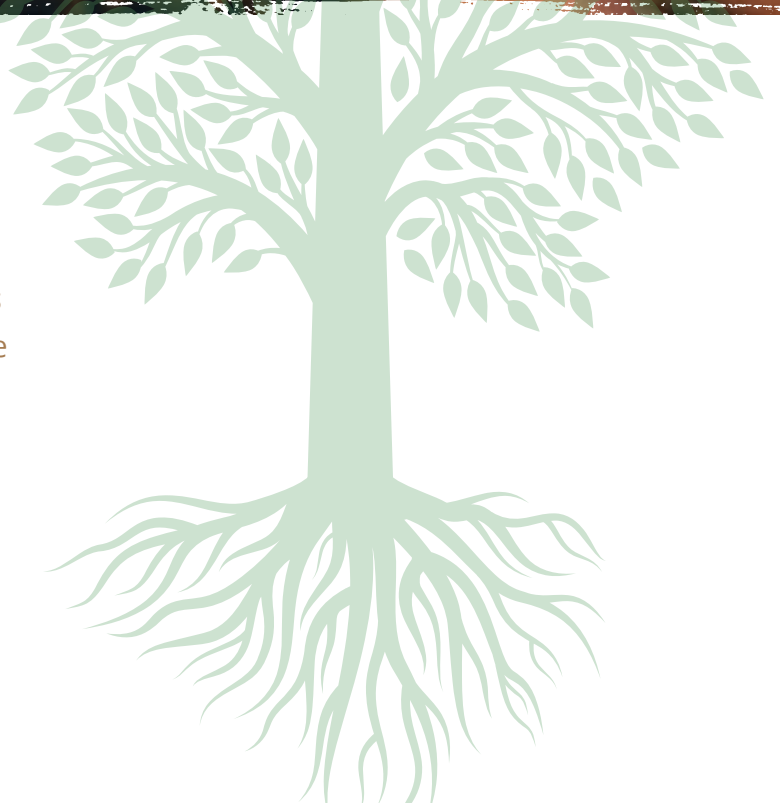
The Richmond chapter of the Public Relations Society of America honored Virginia ABC with seven awards at the 74th Annual Virginia Public Relations Awards. ABC won Awards of Merit for Spirited Virginia Magazine, "And the Winner Is..." feature story from Spirited Virginia, the 2020 Annual Report, the Virginia ABC Honors program, the Signature Cocktail video series, ABC's COVID-19 response via social media and ABC's COVID-19 government communications response.



Adolphus Maples



Before sunrise to well past sunset, every day of the year, our teammates at the Authority tended to their duties across the Commonwealth, fulfilling their essential role as public servants. And in doing so, Virginia ABC continued to meet its twofold mission of public safety and revenue to the benefit of the citizens of the Commonwealth. 🌿



BUREAU OF LAW ENFORCEMENT

| Sworn Enforcement Personnel Demographics | |
|--|--------------|
| • American Indians (Includes Alaska) (%) | 1 |
| • Asian (Includes Pakistan/India/Pacific Islanders) (%) | 5 |
| • Black (includes Jamaica/Bahamas/Caribbean/Africa) (%) | 15 |
| • Hispanic (Includes Mexico/Spain/Central South America/Puerto Rico) (%) | 7 |
| • White (Includes Arabian) (%) | 70 |
| • Total filled sworn positions | 84 |
| • Non-minority (%) | 70 |
| • Minority (%) | 30 |
| Professional Standards Summary | |
| Internal affairs investigations conducted | |
| • Citizen complaints | 5 |
| • Authority initiated | 3 |
| Findings | |
| • Justified | 0 |
| • No further action, citizen request | 0 |
| • Not substantiated | 4 |
| • Substantiated | 0 |
| • Unfounded | 1 |
| • Pending | 3 |
| Total training hours for sworn officers | 3,163 |
| Law Enforcement Activity | |
| • Criminal incidents | 1,957 |
| • Arrests | 58 |
| • Illegal still investigations | 3 |
| • Inspections of licensed establishments | 12,491 |
| • Observations of licensed establishments | 266 |
| • Underage Buyer (UAB) compliance checks | 563 |
| • Written warning reports (1) | 1,415 |
| • Written violation reports | 265 |

| Tobacco Compliance | |
|---|---------------|
| • Synar compliance rate (%) (2) | 0 |
| • Total tobacco checks by ABC agents (2) | 0 |
| Licensing and Licenses | |
| Retail Licenses Granted | |
| | 20,454 |
| • Industry (%) | 18.35 |
| • On-premise (%) | 4.32 |
| • Off-premise (%) | 34.96 |
| • On- & Off-premise (%) | 42.36 |
| New retail and wholesale licenses | 1,918 |
| New permits (3) | 1,060 |
| Licensed retail establishments | 18,353 |
| Private or corporate owners | 14,594 |
| One-day banquet and special-event licenses | 22,752 |
| Alcohol compliance rates for retail licensees (%) | 84 |
| Median processing time for new retail applications (in days) (3) | 90 |
| Wine, beer and mixed-beverage application and state license fees collected (\$) | 16,406,953.17 |
| New applications processed | 1,768 |
| Walk-in customers | 4,009 |
| Renewals processed | 15,113 |
| Underage Buyer forms entered (1) | 0 |
| MBAR processed | 3,407 |
| FOIAs processed | 142 |
| Transactions totaling (\$) | 72,651,572.85 |

(1) Does not include system generated written warnings for late MBARS due to migration to new licensing system.

(2) Program suspended due to COVID.

(3) Due to system improvements, more permit types are now being managed within our licensing system.

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BYOB REUSABLE BAGS

An environmental focus blended with best practice led to Virginia ABC’s “Bag Responsibly and Bring Your Own Bag” campaign. Beginning in January, ABC acted on its commitment to the Commonwealth of Virginia’s initiative to reduce the utilization of single-use plastics by transitioning from plastic bags to paper grocery bags. Starting June 1, retail began offering ABC-branded reusable bags to customers whose purchases equaled or exceeded \$30 pre-tax. Approximately one million bags were approved for the giveaway, with these reusable bags becoming available for purchase following the promotion. This environmentally friendly alternative also has everyday use appeal, as customers have been seen using the bags for carrying non-ABC purchases.



Adolphus Maples

COMMUNICATIONS DIVISION

Public Relations

| | |
|---------------------------------------|-----|
| • News Releases | 32 |
| • Media Inquiries | 271 |
| • Intranet (Mixer) "ABC Now" articles | 252 |
| • Requests for writing/editing | 180 |

Licensee e-Newsletter Statistics

| | |
|--|-----------|
| • New/Total Subscribers | 424/3,683 |
| • Avg. Open Rate (industry standard 25.9%) (%) | 46.4 |
| • Avg. Click Rate (industry standard 2.8%) (%) | 14.9 |

Distillery e-Newsletter Statistics

| | |
|--|-------|
| • New/Total Subscribers (new in FY22) | 87/87 |
| • Avg. Open Rate (industry standard 43.2%) (%) | 63.5 |
| • Avg. Click Rate (industry standard 6.1%) (%) | 13.8 |

Spirited Virginia Magazine

| | |
|---|--------|
| • Q3 2021 Issues distributed (72 pages) | 60,000 |
| • Q4 2021 Issues distributed (80 pages) | 65,000 |
| • Q1 2022 Issues distributed (64 pages) | 65,000 |
| • Q2 2022 Issues distributed (72 pages) | 65,000 |

Virginia ABC Twitter Account

| | |
|-------------------------------|--------------|
| • New/Total Twitter followers | 1,308/12,646 |
| • Tweet impressions | 576,846 |
| • Retweets | 532 |
| • Likes | 2,516 |

Virginia ABC Facebook Account

| | |
|--------------------------------|--------------|
| • New/Total Facebook followers | 2,754/16,827 |
| • Page reach | 631,552 |

Creative Services

| | |
|-------------------------------------|-----|
| • Graphic design projects completed | 194 |
| • Photography services completed | 23 |
| • Videography services completed | 14 |
| • New products photographed | 159 |

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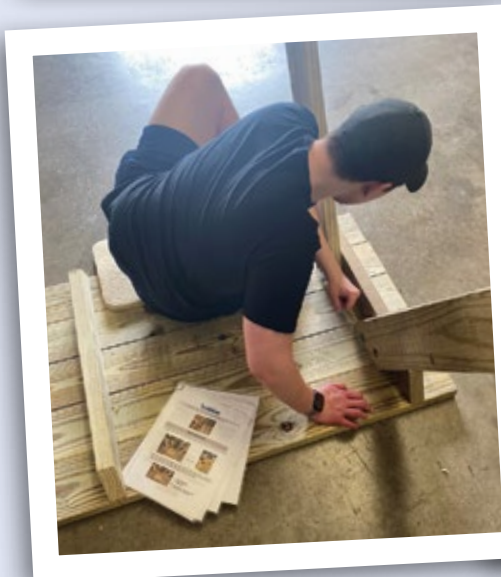


EMPLOYEES GIVE BACK

Virginia ABC employees believe in giving back. In addition to their traditional support of the Combined Virginia Campaign (CVC), employees across the Commonwealth demonstrated selfless service to their communities.

LEFT: On Oct. 16, 2021, retail employees from the Northern Virginia region helped the Fairfax County Park Authority remove invasive plant life and planted seeds of Virginia-native plants at Wayland Street Park in Oakton. Following a prompt from District Manager Ryan Stephens on volunteer projects, Store Manager Lindsey Fell took the lead on organizing the collective volunteer effort. From left to right: Brian Bezdziecki, Store 041; Biji George, Store 241; Ram Khatri, Store 352; Prabodh Inawali, Store 099; Prem Subedi, Store 127; Danny Dawson, Store 322; Michael Lee, Store 384; Regional Manager Ryan Stephens, Region 25; Tobin Demsko, Store 224; Henry Oviedo, Store 039; Andrew Shope, Store 295; Lindsey Fell, Store 090 and John Uthoff, Store 084.

BOTTOM LEFT: Elsewhere in the Commonwealth, ABC Records Support Specialist Dakota Rust used volunteer leave time available through ABC to help build one of the 100-plus picnic tables that Richmond ToolBank donated to Richmond-area elementary schools for outdoor instruction during the 2021-22 school year as the COVID-19 pandemic continued. Additionally, Rust, along with Virginia ABC Consumer and Digital Marketing Specialist Abby Pendleton, volunteered with the James River Park System to remove invasive plants at the historic Ancarrow's Landing in Richmond this spring.



DIGITAL OPERATIONS DIVISION

| | FY 22 | FY 21 | FY 20 | FY 19 |
|--------------------------------|------------------|-------------------|------------------|------------------|
| Users | 5,332,839 | 4,487,792 | 3,053,198 | 1,916,458 |
| Page views | 44,207,369 | 57,477,179 | 26,058,343 | 15,649,557 |
| Online orders placed | 98,903 | 168,557 | 82,512 | 21,545 |
| Bottles sold | 322,781 | 590,144 | 307,367 | 104,000 |
| Total Online Sales (\$) | 8,149,896 | 14,794,143 | 8,714,619 | 3,140,314 |

EDUCATION AND PREVENTION DIVISION

| Youth Prevention Programming | |
|--|--------------|
| Elementary School reach (%)⁽¹⁾ | 2.91 |
| Miss Virginia School Tour | |
| • Miss Virginia School Tour stops | 35 |
| • Miss Virginia School Tour reach | 8,441 |
| Middle School reach (%)⁽²⁾ | 7.34 |
| High School reach (%)⁽³⁾ | 2.48 |
| Youth Alcohol and Drug Abuse Prevention Project (YADAPP) 2021 | |
| • YADAPP participants (4) | 57 |
| • YADAPP 2021 individuals reached | 5,343 |
| Adult Education and Prevention Programming | |
| Institutions of Higher Education reach (%)⁽⁵⁾ | 81.54 |
| Higher Education Alcohol and Drug Strategic Unified Prevention (HEADS UP) | |
| • HEADS UP educational materials distributed | 6,835 |
| • HEADS UP individuals reached | 172 |
| • HEADS UP webpage visits | 1,009 |
| Adults 21 years old and older | |
| • Project Sticker Shock events | 4 |
| • Project Sticker Shock participants | 29 |
| • Project Sticker Shock individuals reached | 8,768 |
| Alcohol Seller, Server and Manager Training | |
| • classroom trainings | 12 |
| • classroom participants | 152 |
| • online training participants | 8,993 |
| • resources distributed | 98,413 |
| Capacity Building Resources | |
| • Education and Prevention publications ordered | 5,965 |
| • Education and Prevention publications downloaded | 2,939 |
| • Education and Prevention toolkits downloaded | 1,992 |
| • Education and Prevention social media reach | 121,507 |
| • YADAPP 2021 grants presented (6) | 6 |
| • YADAPP 2021 grants awarded (\$) | 3,500 |
| • YADAPP 2021 grants individuals reached | 5,343 |
| • Alcohol Education and Prevention grants (7) | 10 |
| • Alcohol Education and Prevention grants awarded (\$) | 67,251 |
| • Alcohol Education and Prevention grants individuals reached | 371,884 |

(1) Reached or partnered with 34 out of 1,167 public elementary schools across Virginia.
 (2) Reached or partnered with 24 out of 327 public middle schools across Virginia.
 (3) Reached or partnered with 8 out of 322 public high schools across Virginia.
 (4) YADAPP annual kick off conference held virtually, July 19-21, 2021, where 10 teams of students and adult sponsors represented schools and communities across Virginia.
 (5) Reached or partnered with 53 out of 65 institutions of higher education across Virginia.
 (6) These include both YADAPP mini-grants (\$250 each) and Wheeler Award (\$500). The 2021 Wheeler Award recipient was Virginia Beach Mayor's Youth Leaders in Action.
 (7) Alcohol Education and Prevention grantees: Averett University, East End Renaissance Council, Hampton Newport News CSB, Hampton University, Henrico Too Smart 2 Start, Inkwell Ventures, Marymount University, Planning District 1 Behavioral Health Services, Randolph Macon University and Substance Abuse Prevention Coalition of Alexandria.

HEARINGS, APPEALS AND JUDICIAL SERVICES DIVISION

| Cases Referred For Hearings | | |
|--|------------|---------------------|
| Case Activity | FY 22 | |
| Violation/disciplinary reports | 157 | |
| Contested applications | 10 | |
| • Approved | 9 | |
| • Denied | 1 | |
| • Withdrawn before hearing | 0 | |
| Contested banquet applications | 4 | |
| • Approved | 1 | |
| • Denied | 2 | |
| • Withdrawn before hearing | 1 | |
| Summary Suspensions | 4 | |
| Wine and beer franchise cases | 3 | |
| Total hearings requested | 174 | |
| Hearings Dispositions | | |
| Case Activity | FY 22 | % of Cases Received |
| Settled by expedited consent | 40 | 22.99 |
| Heard by Administrative Law Judge (1) | 24 | 13.79 |
| Settled by negotiation | 71 | 40.80 |
| Settled by mediation | 0 | 0 |
| Heard by ABC board on appeal | 8 | 4.60 |
| Withdrawn or dismissed prior to hearing (2) | 15 | 8.62 |
| Total hearings dispositions (3) | 158 | 100 |
| Appealed Decisions | | |
| Activity | Count | % of Total |
| Initial decision of hearing officer to ABC Board (4) | 8 | 5.06 |
| Final decision of ABC Board to Circuit Court (5) | 2 | 25 |
| Civil Penalties | | |
| Activity | Count | |
| Civil penalties collected (\$) | 145,195.31 | |
| Average civil penalty per case (\$) | 1,296.39 | |
| Average suspension period per case (days) (6) | 7.69 | |

(1) 24 hearings were held on 237 charges/objections filed. Single cases with multiple charges are heard in one hearing. 14 of these charges 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) 2 cases were in process at the end of fiscal year 2021 and completed during fiscal year 2022. Hearings received 24 matters from VAL which were returned to BLE and not yet processed.
 (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 2022. The Board may allow licensees to choose between a civil penalty or suspension period. Some penalties, however, contain civil penalties and mandatory suspension periods.

| Distilleries | |
|--|--------------------------|
| Activity | Count |
| Number of approved distillery store applications | 7 (2 re-openings, 5 new) |
| Number of closed distillery stores | 3 |
| Total active distillery stores as of June 22, 2022 | 62 |

HUMAN RESOURCES DIVISION

| Employees and Hiring | FY 22 |
|---------------------------------------|-------|
| Total employees (as of June 30, 2022) | 4,694 |
| • Full-time salary employees | 1,402 |
| • Wage employees | 3,292 |
| Full-time salary hired | 340 |
| Wage employees hired | 2,889 |

Virginia Alcoholic Beverage Control Authority employs a diverse workforce, with approximately 1,402 regular full-time employees 3,292 wage employees, and 143 contractual workers supplementing the Authority's workforce. These 4,694 Authority employees work throughout the Commonwealth operating 394 retail stores and nine regional offices. Approximately 510 Authority employees and 138 contractual workers are physically located in Hanover at the central office and distribution center.

| Employee Demographics | FY 22 | FY 21 |
|--|-------|-------|
| Average age (years) | 43 | 43 |
| Average years of service, classified employees | 7 | 8 |
| Gender | | |
| • male (%) | 49.0 | 49.0 |
| • female (%) | 51.0 | 51.0 |
| Minority (%) | 50.0 | 48.0 |

The demographics of ABC's workforce have remained consistent from the previous year. The average age of an ABC full-time employee is 43 years, with an average length of service to the Commonwealth of 7 years. Approximately 5% are eligible for an unretired retirement as of June 30, 2022 and 13.3% will be eligible in 5 years.

Tuition Assistance Program and Learning and Development

| Description of Training Types | Courses Offered | Units Completed (1) |
|---|-----------------|---------------------|
| Tuition Assistance Program (TAP) | 11 | 11 |
| In-classroom training (2) | 2 | 25 |
| Virtual Live Classroom | 22 | 221 |
| Virtual Live Classroom (Retail ISTs Only) | 36 | 113 |
| Manager's Excellence Training (MET) Program | 62 | 692 |
| Supervisory Academy (2) | 0 | 0 |
| New hire orientation | 24 | 340 |
| Authority/state-mandated Training (online) | 453 | 63,333 |
| Enforcement Training (online) (3) | 12 | 41 |

(1) "Units completed" represents a single module of training completed by an ABC employee.
 (2) Cancelled due to COVID - June 2022 (first classroom training since COVID shut-down)
 (3) Enforcement Only Specialized General Orders Training/Acknowledgement

MARKETING AND MERCHANDISING DIVISION

| Spirited Virginia | |
|---|----------------|
| Spirited Virginia e-Newsletter | |
| • New/Total Subscribers | 30,359/135,475 |
| • Avg. Open Rate (industry standard 23.9) (%) | 32.6 |
| • Avg. Click Rate (industry standard 3.7) (%) | 4 |
| Spirited Virginia Facebook Account | |
| • New/Total Facebook followers | 6,500/20,148 |
| • New Facebook likes | 4,485 |
| Spirited Virginia Instagram Account | |
| • New/Total Instagram followers | 597/907 |
| • Profile reach | 1,536,530 |

PROCUREMENT AND SUPPORT SERVICES DIVISION

| | |
|---|---------------|
| Small Purchase Credit Card (SPCC) Holders | 126 |
| Total value of SPCC transactions (\$) | 5,389,376.87 |
| Total SWaM qualified purchases (%) | 29.71 |
| Total SWaM qualified purchases (\$) | 16,421,297.99 |
| Total Solicitations | 74 |

OFFICE OF LEGAL COUNSEL

| Legal Services | |
|--|-----|
| Negotiated Resolutions | 73 |
| Mediations | 1 |
| Representation in Formal Hearings | 13 |
| Representation in Board Appeals | 6 |
| Representation/Co-Counsel in Circuit Court Matters | 7 |
| Representation/Co-Counsel Court of Appeals Matters | 1 |
| Legal Training Provided | |
| • Internal | 6 |
| • External | 2 |
| Regulatory actions | 24 |
| State Motor Vehicle Accident Recovery | 6 |
| FOIA/General Requests | 176 |
| Volunteer Service Projects | 1 |

continued on next page

RUSSIAN-SOURCED VODKA REMOVED FROM STORES SHELVES

In February, Virginia ABC ceased the sale of Russian-sourced spirits in response to a call from Gov. Glenn Youngkin for decisive action in support of Ukraine following Russian invasion of the country. ABC identified and removed seven vodkas from its retail stores. The lost sales were minimal. Combined sales for Beluga, Hammer and Sickle, Imperia, Mamont, Organika, Russian Standard and Zyr vodkas accounted for just over \$1 million in fiscal year 2021. In comparison, Virginia ABC's top-selling spirit, Tito's Vodka, on its own accounted for more than \$57 million in sales. The seven Russian spirits pulled from ABC store shelves accounted for roughly \$68,000 in ABC-owned inventory. Products that utilize Russian themes and marketing but are not Russian-sourced, such as Stolichnaya and Smirnoff, remained on store shelves.



Billy Fellin

LOGISTICS DIVISION

| ABC Shipment to Stores | FY 22 | FY 21 | FY 20 | FY 19 | FY 18 |
|--|-------------|-------------|-------------|-------------|-------------|
| Average weekly bottles shipped from Bottle Pick Room (1) | 9,519 | 16,760 | 14,935 (2) | 11,719 | 7,834 |
| Average delivery cost to ABC stores (\$ per case) | 1.06 | 0.98 | 0.93 | 0.92 | 0.91 |
| Total shipments to ABC stores (cases) | 6,343,335 | 6,305,184 | 5,858,916 | 5,316,778 | 5,070,626 |
| Total shipments to ABC stores (weight, in lbs) | 189,967,783 | 187,028,556 | 178,125,049 | 162,615,202 | 156,654,119 |

Special Orders

| Revenue Information | FY 22 | FY 21 | FY 20 | Variance (\$) | Variance (%) |
|----------------------|-------------------|-------------------|-------------------|--------------------|--------------|
| • Order Catalog (\$) | 15,232,948 | 17,147,645 | 13,350,118 | (1,914,697) | -11.2 |
| • Non Catalog (\$) | 3,155,866 | 6,708,469 | 4,691,827 | (3,552,603) | -53.0 |
| • Totals | 18,388,814 | 23,856,114 | 18,041,945 | (5,467,300) | -22.9 |

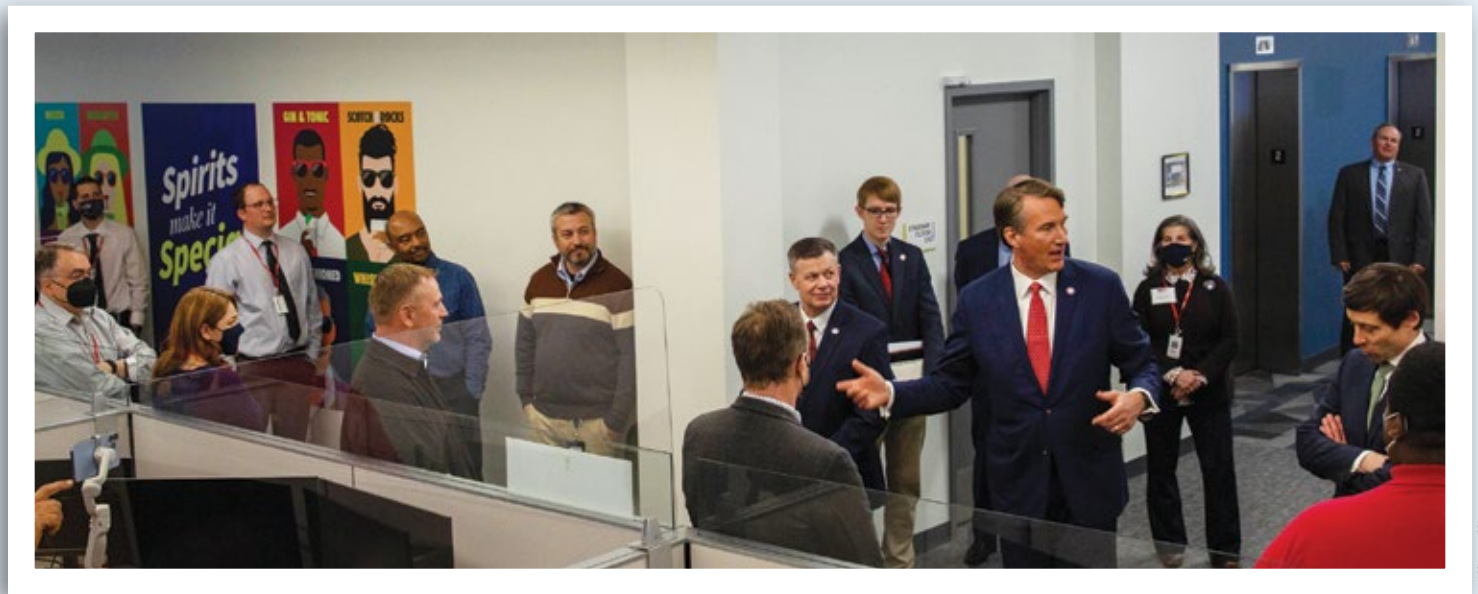
| Logistics Information | FY 22 | FY 21 | FY 20 | FY 19 | FY 18 |
|---|--------|--------|--------|--------|-------|
| • Active items on special order catalog | 1,399 | 1,145 | 1,317 | 1,142 | NA |
| • Active items on special order non-catalog | 772 | 772 | 671 | 591 | NA |
| • Total Special Order Catalog purchases (cases) (2) | 61,290 | 69,362 | 54,726 | 51,248 | NA |
| • Total Non-catalog purchases (cases) (3) | 14,441 | 20,576 | 21,466 | 16,534 | NA |

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

(2) These totals include only Special Order Catalog items.

(3) These totals include only Special-Order Non-Catalog items.

continued on next page



Billy Fellin

GOVERNOR'S VISIT

Out of the 100-plus state agencies and offices in Virginia, newly elected Gov. Glenn Youngkin chose Virginia ABC's Headquarters and Distribution Center for his first official visit on Tuesday, Feb. 8.

Joined by Secretary of Public Safety and Homeland Security Bob Mosier, members of Gov. Youngkin's staff and ABC leadership and staff, Gov. Youngkin met and spoke with ABC teammates throughout the Authority's state-of-the-art distribution center and headquarters.

During his 1½-hour tour, Gov. Youngkin said he was impressed not only by the people and processes of the distribution center, but also by the longtime tenure of several ABC teammates including Tax Management's Sherry Harper, who has worked at ABC for 47 years.

"One of the indicators of an entity's health is the longevity of employees' tenure," he said. "This makes a workplace like ABC more welcoming for younger employees."

REAL ESTATE AND FACILITIES MANAGEMENT

Store Activities: July 1, 2021 – June 30, 2022

| Store | Location | Activity | Closed | Opened | Total* |
|-------|----------------|---------------|----------|----------|--------|
| 406 | Stafford | new store | N/A | 7-21-21 | 395 |
| 159 | Chesterfield | expansion | N/A | N/A | 395 |
| 282 | Hampton | relocation | 11/14/21 | 11-16-21 | 395 |
| 118 | Petersburg | modernization | 10-23-21 | 11-15-21 | 395 |
| 396 | Forest | expansion | 8-14-21 | 11-22-21 | 395 |
| 295 | Manassas | relocation | 12-12-21 | 12-15-21 | 395 |
| 033 | Manassas | relocation | 1-9-22 | 1-14-22 | 395 |
| 350 | Chesterfield | modernization | 9-6-21 | 1-18-22 | 395 |
| 404 | Richmond | new store | N/A | 1-31-22 | 396 |
| 048 | Lightfoot | expansion | 10-17-22 | 2-3-22 | 396 |
| 416 | Alexandria | closed | 2-28-22 | N/A | 395 |
| 360 | Richmond | relocation | 4-1-22 | 4-9-22 | 395 |
| 225 | Virginia Beach | relocation | 4-23-22 | 4-29-22 | 395 |
| 314 | Henrico | relocation | 4-30-22 | 5-6-22 | 395 |
| 220 | Montross | relocation | 5-15-22 | 5-17-22 | 395 |
| 223 | Exmore | relocation | 5-21-22 | 5-27-22 | 395 |
| 357 | Reston | expansion | 1-28-22 | 6-3-22 | 395 |
| 305 | Henrico | relocation | 6-5-22 | 6-10-22 | 395 |
| 193 | Luray | relocation | 6-20-22 | 6-21-22 | 395 |

* total number of stores as of that date

RETAIL OPERATIONS DIVISION

ABC Stores

| | |
|--|---------------|
| ABC stores Gross Sales (\$) | 1,370,205,012 |
| ABC stores Transactions | 35,950,722 |
| Alcohol Compliance Rate for ABC Stores (%) | 91.7 |

ABC Products

Price List

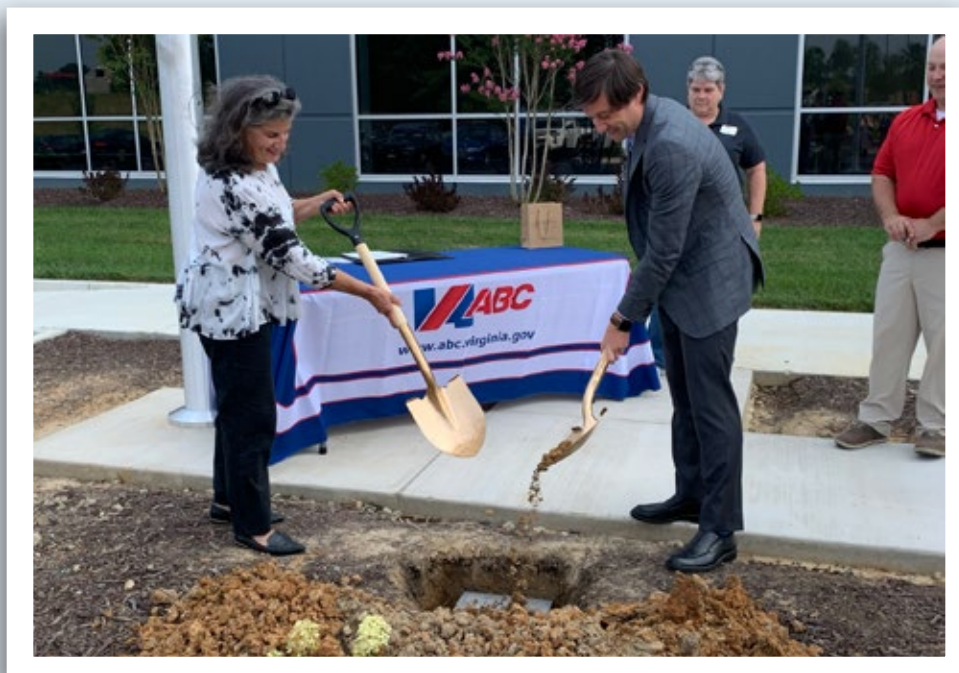
| | |
|--|-------|
| Total Standard Active items | 3,542 |
| • Virginia Wines | 78 |
| • Vermouth | 14 |
| • Non-Alcoholic items | 76 |
| Items delisted | 0 |
| Total Special order revenue increase (%) | 11.2% |

continued on next page

TIME CAPSULE COMMEMORATES NEW BUILDING

Virginia ABC celebrated its new Hanover headquarters and distribution center with a time capsule ceremony on June 20. CEO Travis Hill and Board Chair Maria Everett presided over the event as employees filled the capsule with items representing Virginia ABC and its employees, the Authority’s COVID-19 pandemic response and ABC’s move from Hermitage Road to Hanover County, as well as an autographed copy of then-Governor Ralph Northam’s remarks at the ribbon cutting ceremony for the new facility and a letter from then-Secretary Brian Moran.

Store 325 Manager Tammy Darden won the opportunity to put her employee badge in the capsule after Darden correctly named the top four items selected for inclusion. The time capsule also included a bottle of John J. Bowman Single Barrel Bourbon. The bourbon was selected by Virginians in an online survey as their favorite Virginia-made spirit. The capsule was dedicated and placed outside of the main entrance of headquarters.



Billy Fellin

RETAIL OPERATIONS DIVISION

Top 50 Brands Sold, Fiscal Year 2022 vs. Fiscal Year 2021

| Rank | | Gross Dollars | | | | | |
|------------------------|------|-------------------------------|-------------------|------------------------|------------------------|------------|-------------------|
| FY 22 | FY21 | Brand | Product Category | FY 22 (\$) | FY 21 (\$) | Change (%) | Variance (\$) |
| Statewide Total | | | | \$1,363,785,592 | \$1,322,268,776 | 3.1 | 41,516,816 |
| Top 50 Brands | | | | 621,727,934 | 599,077,914 | 3.8 | 22,650,020 |
| All Others | | | | 742,057,658 | 723,190,862 | 2.6 | 18,866,796 |
| 1 | 1 | Tito's Handmade | domestic vodka | 66,908,281 | 57,855,123 | 15.6 | 9,053,158 |
| 2 | 2 | Hennessy VS | cognac\armagnac | 42,524,111 | 52,767,334 | (19.4) | (10,243,223) |
| 3 | 3 | Jack Daniel's Old No. 7 | Tennessee whiskey | 30,387,548 | 30,392,413 | (0.0) | (4,865) |
| 4 | 4 | Patron Silver | tequila | 28,637,480 | 28,915,619 | (1.0) | (278,139) |
| 5 | 5 | Jim Beam | straight bourbon | 24,226,098 | 23,236,014 | 4.3 | 990,084 |
| 6 | 6 | Crown Royal | Canadian whisky | 20,753,879 | 19,910,336 | 4.2 | 843,543 |
| 7 | 11 | Maker's Mark | straight bourbon | 20,275,098 | 16,642,011 | 21.8 | 3,633,087 |
| 8 | 7 | Jameson Irish | Irish whiskey | 18,365,432 | 19,763,290 | (7.1) | (1,397,858) |
| 9 | 10 | Fireball Cinnamon | flavored whiskey | 17,420,612 | 17,003,905 | 2.5 | 416,707 |
| 10 | 8 | Grey Goose | imported vodka | 16,251,167 | 17,138,554 | (5.2) | (887,387) |
| 11 | 9 | Smirnoff 80 | domestic vodka | 15,194,246 | 17,129,057 | (11.3) | (1,934,811) |
| 12 | 12 | Crown Royal Regal Apple | flavored whiskey | 14,422,040 | 15,156,219 | (4.8) | (734,179) |
| 13 | 14 | Woodford Reserve | straight bourbon | 13,461,734 | 13,202,941 | 2.0 | 258,793 |
| 14 | 13 | Bacardi Superior | rum | 13,196,712 | 13,426,748 | (1.7) | (230,036) |
| 15 | 18 | 1800 Silver | tequila | 12,235,032 | 10,492,858 | 16.6 | 1,742,174 |
| 16 | 17 | Jose Cuervo Especial Gold | tequila | 12,211,892 | 12,008,580 | 1.7 | 203,312 |
| 17 | 16 | Captain Morgan's Spiced | rum | 12,160,555 | 12,853,779 | (5.4) | (693,224) |
| 18 | 15 | Absolut | imported vodka | 12,099,567 | 13,037,976 | (7.2) | (938,409) |
| 19 | 19 | Jose Cuervo Especial Silver | tequila | 11,754,027 | 10,047,767 | 17.0 | 1,706,260 |
| 20 | 30 | Lunazul Blanco | tequila | 9,773,518 | 6,649,768 | 47.0 | 3,123,750 |
| 21 | 21 | Evan Williams Black | straight bourbon | 9,715,982 | 8,653,884 | 12.3 | 1,062,098 |
| 22 | 38 | Casamigos Blanco | tequila | 9,340,552 | 5,952,140 | 56.9 | 3,388,412 |
| 23 | 36 | Don Julio Blanco | tequila | 8,920,735 | 6,272,519 | 42.2 | 2,648,216 |
| 24 | 20 | Pinnacle | imported vodka | 8,820,242 | 10,033,557 | (12.1) | (1,213,315) |
| 25 | 25 | D'usse VSOP | cognac\armagnac | 8,649,976 | 7,884,383 | 9.7 | 765,593 |
| 26 | 22 | Ketel One | imported vodka | 8,549,290 | 8,382,278 | 2.0 | 167,012 |
| 27 | 28 | Bulleit | straight bourbon | 8,166,238 | 7,119,005 | 14.7 | 1,047,233 |
| 28 | --- | Casamigos Reposado | tequila | 8,037,526 | 3,641,697 | 120.7 | 4,395,829 |
| 29 | 45 | Crown Royal Peach | flavored whiskey | 7,680,420 | 5,156,415 | 48.9 | 2,524,005 |
| 30 | 27 | Tanqueray | imported gin | 7,666,595 | 7,218,102 | 6.2 | 448,493 |
| 31 | 23 | Malibu Coconut | rum | 7,637,089 | 8,142,091 | (6.2) | (505,002) |
| 32 | 26 | Aristocrat | domestic vodka | 7,538,182 | 7,557,618 | (0.3) | (19,436) |
| 33 | 24 | Bailey's Original Irish Cream | cordials | 7,523,655 | 8,122,917 | (7.4) | (599,262) |
| 34 | 31 | Svedka | imported vodka | 7,429,152 | 6,550,281 | 13.4 | 878,871 |
| 35 | 32 | Johnnie Walker Black | Scotch whiskey | 7,369,316 | 6,465,566 | 14.0 | 903,750 |
| 36 | 29 | Jagermeister | cordials | 6,961,197 | 7,094,149 | (1.9) | (132,952) |
| 37 | 34 | Wild Turkey 101 | straight bourbon | 6,835,366 | 6,302,883 | 8.4 | 532,483 |
| 38 | 33 | Courvoisier VS | cognac\armagnac | 6,273,502 | 6,452,451 | (2.8) | (178,949) |
| 39 | 39 | Grand Marnier | cordials | 6,065,503 | 5,948,113 | 2.0 | 117,390 |
| 40 | --- | Elijah Craig Small Batch | straight bourbon | 5,834,425 | 4,425,580 | 31.8 | 1,408,845 |
| 41 | 43 | Basil Hayden's | straight bourbon | 5,755,167 | 5,467,047 | 5.3 | 288,120 |
| 42 | 35 | Skyy | domestic vodka | 5,713,480 | 6,288,563 | (9.1) | (575,083) |
| 43 | 37 | Bombay Sapphire | imported gin | 5,673,245 | 6,219,982 | (8.8) | (546,737) |
| 44 | 40 | Paul Masson Grande Amber VS | brandy | 5,670,459 | 5,941,001 | (4.6) | (270,542) |
| 45 | 41 | Burnett's | domestic vodka | 5,595,142 | 5,761,164 | (2.9) | (166,022) |
| 46 | 46 | New Amsterdam | domestic vodka | 5,479,147 | 5,093,010 | 7.6 | 386,137 |
| 47 | 42 | Bowman's | domestic vodka | 5,438,760 | 5,587,712 | (2.7) | (148,952) |
| 48 | --- | Espolon Blanco | tequila | 5,071,513 | 4,161,936 | 21.9 | 909,577 |
| 49 | 44 | Crown Royal Vanilla | flavored whiskey | 5,059,189 | 5,441,593 | (7.0) | (382,404) |
| 50 | --- | Hendrick's | imported gin | 4,997,860 | 4,109,985 | 21.6 | 887,875 |

continued on next page

RETAIL OPERATIONS DIVISION

Comparison of Products / Market Share, Fiscal Year 2022 vs. Fiscal Year 2021

| Category | Cases Sold | | | Market Share (%) | |
|--------------------------------|------------------|------------------|------------|------------------|--------------|
| | FY 22 | FY 21 | Change (%) | FY 22 | FY 21 |
| Vodka | 1,650,203 | 1,666,837 | (1.0) | 26.1 | 26.5 |
| Domestic | 922,924 | 898,413 | 2.7 | | |
| Imported | 380,527 | 394,030 | (3.4) | | |
| Flavored | 346,752 | 374,394 | (7.4) | | |
| Straight Bourbon Whiskey | 755,521 | 736,207 | 2.6 | 11.9 | 11.7 |
| Tequila | 748,000 | 615,083 | 21.6 | 11.8 | 9.8 |
| Rum | 488,348 | 494,499 | (1.2) | 7.7 | 7.9 |
| Domestic | 39,641 | 41,635 | (4.8) | | |
| Imported | 448,707 | 452,864 | (0.9) | | |
| Cordials -Liqueurs-Specialties | 478,956 | 452,504 | 5.8 | 7.6 | 7.2 |
| Imported | 295,062 | 281,355 | 4.9 | | |
| Domestic | 183,894 | 171,149 | 7.4 | | |
| Flavored Whiskey** | 336,535 | 366,550 | (8.2) | 5.3 | 5.8 |
| Gin | 238,926 | 247,227 | (3.4) | 3.8 | 3.9 |
| Domestic | 110,564 | 120,931 | (8.6) | | |
| Imported | 114,982 | 113,592 | 1.2 | | |
| Flavored | 13,294 | 12,288 | 8.2 | | |
| Sloe | 86 | 417 | (79.4) | | |
| Cognac\Armagnac | 201,905 | 251,574 | (19.7) | 3.2 | 4.0 |
| Cocktails | 182,814 | 190,166 | (3.9) | 2.9 | 3.0 |
| Domestic | 108,867 | 107,019 | 1.7 | | |
| Imported | 73,947 | 83,147 | (11.1) | | |
| Scotch Whiskey | 178,106 | 181,068 | (1.6) | 2.8 | 2.9 |
| Brandy | 159,752 | 168,741 | (5.3) | 2.5 | 2.7 |
| Grape | 111,251 | 114,374 | (2.7) | | |
| Imported | 20,179 | 21,846 | (7.6) | | |
| Flavored | 28,322 | 32,521 | (12.9) | | |
| Canadian Whisky | 146,374 | 149,935 | (2.4) | 2.3 | 2.4 |
| Tennessee Whiskey | 117,345 | 124,981 | (6.1) | 1.9 | 2.0 |
| Blended Whiskey | 96,032 | 91,456 | 5.0 | 1.5 | 1.5 |
| Irish Whiskey | 86,424 | 89,296 | (3.2) | 1.4 | 1.4 |
| Straight Rye Whiskey | 69,446 | 63,447 | 9.5 | 1.1 | 1.0 |
| Moonshine | 49,735 | 45,288 | 9.8 | 0.8 | 0.7 |
| Domestic Whiskey | 47,096 | 43,709 | 7.7 | 0.7 | 0.7 |
| Specialty Bottles | 34,048 | 35,588 | (4.3) | 0.5 | 0.6 |
| Imported | 22,778 | 21,345 | 6.7 | | |
| Domestic | 11,270 | 14,243 | (20.9) | | |
| Egg Nog | 26,522 | 24,005 | 10.5 | 0.4 | 0.4 |
| Rock & Rye | 2,347 | 2,200 | 6.7 | 0.0 | 0.0 |
| Alcohol(1) | 1,922 | 2,097 | (8.4) | 0.0 | 0.0 |
| Corn Whiskey | 1,469 | 1,699 | (13.6) | 0.0 | 0.0 |
| Vermouth | 18,413 | 25,324 | (27.3) | 0.3 | 0.4 |
| Virginia Wine | 15,732 | 17,278 | (8.9) | 0.2 | 0.3 |
| Non-Alcoholic Mixers | 161,316 | 176,008 | (8.3) | 2.6 | 2.8 |
| Non Beverage Item | 30,320 | 22,509 | 34.7 | 0.5 | 0.4 |
| Statewide totals* | 6,323,607 | 6,285,276 | 0.6 | 100.0 | 100.0 |

* Excludes promotional items, miscellaneous records and confiscated items.

**change, Flavored Whiskey is a new breakout category.

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

Source: Research and Planning

continued on next page

| Analysis of Store Performance — Fiscal Year 2022 | | | | | | | | | | | | |
|--|----------------|-------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|---|----------------------|--------------------------------|
| 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 | | 14,225,673 | \$1,355,050,202 | \$224,379,590 | \$1,130,670,612 | \$654,116,920 | \$476,553,692 | \$165,213,541 | \$311,340,152 | \$65,984,728 | \$245,355,424 | 34.67% |
| 137 790 Commonwealth Dr. | Norton City | 26,230 | 1,967,589 | 325,358 | 1,642,231 | 940,746 | 701,485 | 313,285 | 388,200 | 96,645 | 291,555 | 31.35 |
| 194 16427-E. Wise St. | Wise Co. | 8,413 | 642,053 | 106,462 | 535,591 | 306,445 | 229,146 | 170,707 | 58,439 | 31,615 | 26,824 | 20.76 |
| 206 18 E. 4th St. S. | Wise Co. | 14,924 | 1,120,847 | 185,808 | 935,039 | 536,530 | 398,509 | 238,802 | 159,707 | 55,071 | 104,637 | 25.91 |
| 218 3982 Hwy. 23 N. | Scott Co. | 11,111 | 804,011 | 134,356 | 669,655 | 385,873 | 283,782 | 225,320 | 58,462 | 39,225 | 19,237 | 19.10 |
| Far Southwest | | 60,677 | 4,534,500 | 751,984 | 3,782,516 | 2,169,594 | 1,612,923 | 948,114 | 664,809 | 222,556 | 442,253 | 26.34 |
| 87 4027 College Ave. | Tazewell Co. | 27,902 | 2,311,636 | 382,937 | 1,928,699 | 1,111,395 | 817,304 | 324,822 | 492,482 | 113,099 | 379,383 | 32.98 |
| 174 One Plz. Dr. | Buchanan Co. | 10,951 | 849,804 | 142,422 | 707,382 | 410,392 | 296,989 | 272,311 | 24,678 | 41,707 | (17,029) | 14.76 |
| 197 749 Clay Dr. | Tazewell Co. | 20,187 | 1,596,553 | 264,328 | 1,332,225 | 761,489 | 570,736 | 292,068 | 278,668 | 78,356 | 200,311 | 29.10 |
| 230 122 E. Riversiders Dr. | Tazewell Co. | 10,049 | 780,154 | 129,463 | 650,690 | 369,952 | 280,738 | 209,725 | 71,013 | 38,214 | 32,799 | 20.80 |
| 365 340 Chase St. | Dickenson Co. | 8,770 | 649,008 | 107,595 | 541,413 | 308,994 | 232,419 | 232,080 | 339 | 32,103 | (31,765) | 11.68 |
| 427 167 Pittston Rd. | Russell Co. | 13,891 | 1,053,566 | 174,232 | 879,334 | 503,573 | 375,761 | 271,569 | 104,192 | 51,631 | 52,561 | 21.53 |
| Southwest | | 91,750 | 7,240,720 | 1,200,977 | 6,039,743 | 3,465,797 | 2,573,947 | 1,602,575 | 971,372 | 355,111 | 616,261 | 25.10 |
| 58 3002 Lee Hwy. | Bristol City | 31,484 | 2,554,238 | 423,539 | 2,130,699 | 1,225,067 | 905,632 | 350,713 | 554,919 | 124,971 | 429,949 | 33.41 |
| 96 974 E. Stuart Dr. | Galax City | 29,969 | 2,231,043 | 369,059 | 1,861,985 | 1,068,382 | 793,603 | 323,899 | 469,704 | 108,847 | 360,857 | 32.72 |
| 135 1173 N. Main St. | Smyth Co. | 29,502 | 2,196,276 | 364,627 | 1,831,649 | 1,050,341 | 781,308 | 287,571 | 493,737 | 107,756 | 385,981 | 34.18 |
| 141 441 W. Stuart Dr. | Carroll Co. | 20,469 | 1,511,579 | 250,217 | 1,261,362 | 725,818 | 535,544 | 257,665 | 277,879 | 73,716 | 204,162 | 30.06 |
| 153 325 W. Main St. | Wythe Co. | 32,875 | 2,623,122 | 434,587 | 2,188,535 | 1,259,637 | 928,898 | 309,120 | 619,778 | 128,034 | 491,744 | 35.31 |
| 201 545 W. Main St. | Washington Co. | 48,573 | 4,088,939 | 677,303 | 3,411,636 | 1,965,362 | 1,446,274 | 290,384 | 1,155,890 | 199,352 | 956,538 | 39.96 |
| 343 2123 Euclid Ave. | Bristol City | 28,357 | 2,228,024 | 369,128 | 1,858,896 | 1,066,653 | 792,243 | 280,144 | 512,099 | 108,150 | 403,949 | 34.70 |
| Wytheville/Hillsville | | 221,229 | 17,433,222 | 2,888,460 | 14,544,762 | 8,361,260 | 6,183,502 | 2,099,496 | 4,084,005 | 850,825 | 3,233,180 | 35.11 |
| 67 200 Peppers Ferry Rd. | Montgomery Co. | 35,518 | 3,051,177 | 504,860 | 2,546,318 | 1,466,977 | 1,079,340 | 431,679 | 647,661 | 149,088 | 498,573 | 32.89 |
| 195 100 N. Franklin St. | Montgomery Co. | 30,061 | 2,359,967 | 391,394 | 1,968,573 | 1,131,894 | 836,679 | 277,322 | 559,357 | 115,653 | 443,705 | 35.39 |
| 199 140 Kinter Way | Giles Co. | 20,481 | 1,506,650 | 251,057 | 1,255,593 | 722,340 | 533,254 | 223,546 | 309,708 | 73,251 | 236,457 | 32.36 |
| 327 1332 S. Main St. | Montgomery Co. | 72,328 | 5,241,204 | 868,888 | 4,372,316 | 2,525,984 | 1,846,331 | 567,151 | 1,279,180 | 257,372 | 1,021,809 | 36.07 |
| 345 5265 Alexander Rd. | Pulaski Co. | 32,908 | 2,606,946 | 431,632 | 2,175,313 | 1,248,777 | 926,537 | 342,720 | 583,817 | 127,549 | 456,268 | 34.06 |
| 356 97 Walker St. | Radford City | 40,324 | 3,014,275 | 499,780 | 2,514,494 | 1,445,062 | 1,069,432 | 351,209 | 718,223 | 147,733 | 570,490 | 35.51 |
| 395 117 Parkview Rd. | Floyd Co. | 18,430 | 1,449,159 | 239,390 | 1,209,769 | 695,756 | 514,013 | 241,021 | 272,992 | 70,572 | 202,420 | 30.49 |
| 414 765 University City Blvd. | Montgomery Co. | 36,078 | 2,935,787 | 486,209 | 2,449,578 | 1,415,182 | 1,034,396 | 476,039 | 558,357 | 144,708 | 413,650 | 30.65 |
| Radford/Blacksburg | | 286,127 | 22,165,164 | 3,673,210 | 18,491,954 | 10,651,971 | 7,839,983 | 2,910,687 | 4,929,296 | 1,085,925 | 3,843,371 | 33.91 |
| 115 1423 Williamson Rd., N.E. | Roanoke City | 63,660 | 6,012,341 | 998,758 | 5,013,583 | 2,895,661 | 2,117,922 | 499,532 | 1,618,390 | 295,743 | 1,322,647 | 38.61 |
| 123 531 Main St. | Alleghany Co. | 8,604 | 681,983 | 112,917 | 569,066 | 329,265 | 239,801 | 164,497 | 75,304 | 33,227 | 42,077 | 22.73 |
| 124 339 Thacker Ave. | Covington City | 18,672 | 1,500,332 | 248,766 | 1,251,566 | 720,705 | 530,861 | 366,090 | 164,771 | 72,993 | 91,778 | 22.70 |
| 186 1483 W. Main St. | Salem City | 54,111 | 4,346,752 | 720,528 | 3,626,224 | 2,077,978 | 1,548,246 | 532,741 | 1,015,506 | 212,847 | 802,659 | 35.04 |
| 229 3940 Valley Gateway Blvd. | Roanoke Co. | 29,858 | 2,553,002 | 425,390 | 2,127,612 | 1,234,098 | 893,514 | 314,357 | 579,158 | 125,022 | 454,136 | 34.45 |
| 259 5050-C Rutgers St. | Roanoke City | 62,660 | 5,584,135 | 924,460 | 4,659,675 | 2,690,882 | 1,968,793 | 550,789 | 1,418,004 | 273,315 | 1,144,688 | 37.05 |
| 269 646 Brandon Ave. | Roanoke City | 71,188 | 7,119,735 | 1,180,175 | 5,939,560 | 3,450,598 | 2,488,962 | 672,695 | 1,816,267 | 347,553 | 1,468,713 | 37.20 |
| 289 3341 Melrose Ave., N.W. | Roanoke City | 37,529 | 3,793,015 | 630,497 | 3,162,518 | 1,838,766 | 1,323,752 | 376,790 | 946,962 | 185,251 | 761,711 | 36.70 |
| 309 3901 Brambleton Ave., S.W. | Roanoke Co. | 71,668 | 6,059,383 | 1,001,335 | 5,058,048 | 2,927,080 | 2,130,968 | 523,715 | 1,607,254 | 296,102 | 1,311,152 | 38.16 |
| 337 1113 Vinyard Rd. | Roanoke Co. | 42,799 | 3,458,501 | 573,599 | 2,884,902 | 1,660,744 | 1,224,158 | 282,501 | 941,657 | 169,643 | 772,014 | 38.91 |
| 364 112 Kingston Dr. | Botetourt Co. | 35,101 | 2,867,526 | 473,756 | 2,393,770 | 1,380,577 | 1,013,193 | 318,422 | 694,771 | 140,005 | 554,766 | 35.87 |
| Roanoke | | 501,849 | 43,976,705 | 7,290,181 | 36,686,524 | 21,206,355 | 15,480,170 | 4,602,128 | 10,878,042 | 2,151,702 | 8,726,340 | 36.42 |
| 57 1028 Richmond Ave. | Staunton City | 26,548 | 2,293,938 | 379,013 | 1,914,925 | 1,102,919 | 812,007 | 356,851 | 455,155 | 112,601 | 342,554 | 31.46 |
| 68 2196 John Wayland Hwy. | Rockingham Co. | 31,992 | 2,591,235 | 428,565 | 2,162,670 | 1,247,522 | 915,148 | 305,169 | 609,979 | 127,043 | 482,936 | 35.18 |
| 113 2827 Main St. | Bath Co. | 7,914 | 815,134 | 133,859 | 681,275 | 392,521 | 288,754 | 230,851 | 57,903 | 39,144 | 18,759 | 18.72 |
| 122 201 State St. | Staunton City | 39,416 | 3,368,271 | 557,143 | 2,811,129 | 1,626,927 | 1,184,202 | 275,236 | 908,966 | 164,332 | 744,634 | 38.65 |
| 140 445 E. Nelson St. | Lexington City | 48,973 | 3,955,435 | 651,017 | 3,304,418 | 1,915,640 | 1,388,778 | 359,439 | 1,029,339 | 193,447 | 835,892 | 37.59 |

(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 2022 | | | | | | | | | | | | |
|--|--------------------|----------------|-------------------|--------------------------|-------------------|--------------------|-------------------|--------------------|------------------|---|---------------------|--------------------------------|
| 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. | Harrisonburg City | 42,704 | 3,698,238 | 608,150 | 3,090,089 | 1,782,371 | 1,307,717 | 249,805 | 1,057,912 | 182,036 | 875,876 | 40.13 |
| 147 58 Water St. | Highland Co. | 3,252 | 255,919 | 41,610 | 214,309 | 123,964 | 90,345 | 151,496 | (61,152) | 12,767 | (73,918) | -12.62 |
| 173 130 Downey Knolls Dr. | Rockingham Co. | 22,797 | 1,911,495 | 314,765 | 1,596,730 | 921,364 | 675,366 | 523,933 | 381,433 | 93,240 | 288,193 | 31.54 |
| 184 2035 E. Market St. | Harrisonburg City | 55,003 | 4,926,867 | 812,478 | 4,114,388 | 2,369,425 | 1,744,963 | 292,077 | 1,222,886 | 240,173 | 982,712 | 36.44 |
| 296 32 Windward Dr. | Augusta Co. | 15,414 | 1,258,633 | 207,795 | 1,050,837 | 601,392 | 449,445 | 256,933 | 192,512 | 61,861 | 130,651 | 26.89 |
| 338 125 Lucy Lane | Waynesboro City | 34,010 | 2,842,057 | 469,486 | 2,372,572 | 1,363,693 | 1,008,879 | 377,812 | 631,067 | 139,988 | 491,079 | 33.80 |
| 339 208 Laurel Hill Rd. | Augusta Co. | 20,584 | 1,600,346 | 265,929 | 1,334,416 | 770,438 | 563,978 | 253,091 | 310,888 | 78,192 | 232,696 | 31.16 |
| 383 1037 Port Republic Rd. | Harrisonburg City | 31,270 | 2,467,574 | 408,112 | 2,059,462 | 1,186,104 | 873,357 | 329,918 | 543,439 | 121,271 | 422,168 | 33.65 |
| 386 2576 Stuarts Draft Hwy. | Augusta Co. | 20,345 | 1,652,303 | 273,084 | 1,379,219 | 793,603 | 585,615 | 238,903 | 346,712 | 80,735 | 265,977 | 32.62 |
| 396 12130 E. Lynchburg Salem Tpk. | Bedford Co. | 9,562 | 863,852 | 143,766 | 720,086 | 419,018 | 301,068 | 285,677 | 15,391 | 42,823 | (27,431) | 13.47 |
| 411 85 Augusta Ave. | Augusta Co. | 11,361 | 906,237 | 149,883 | 756,354 | 433,887 | 322,467 | 204,681 | 117,786 | 44,515 | 73,271 | 24.62 |
| 426 162 New Market Rd. | Rockingham Co. | 20,599 | 1,620,932 | 268,969 | 1,351,963 | 776,608 | 575,355 | 313,875 | 261,480 | 79,217 | 182,263 | 27.84 |
| 440 219 Arch Ave. | Waynesboro City | 24,789 | 2,003,676 | 331,556 | 1,672,119 | 955,048 | 717,071 | 338,614 | 378,457 | 96,970 | 281,488 | 30.60 |
| Staunton/Waynesboro | | 466,532 | 39,032,142 | 6,445,180 | 32,586,961 | 18,782,444 | 13,804,517 | 5,344,363 | 8,460,155 | 1,910,355 | 6,549,800 | 33.29 |
| 47 380 Gateway Dr. | Frederick Co. | 37,692 | 3,379,514 | 559,501 | 2,820,013 | 1,626,452 | 1,193,561 | 372,250 | 821,311 | 164,652 | 656,659 | 35.99 |
| 52 786 Shp. Ctr. Rd. | Shenandoah Co. | 18,825 | 1,484,894 | 245,717 | 1,239,178 | 714,313 | 524,865 | 235,268 | 289,597 | 72,766 | 216,831 | 31.15 |
| 56 182 Delco Plz. | Frederick Co. | 26,748 | 2,385,485 | 394,470 | 1,991,016 | 1,148,638 | 842,378 | 306,169 | 536,209 | 116,615 | 419,594 | 34.13 |
| 75 240 Elizabeth Dr. | Frederick Co. | 41,285 | 2,771,878 | 458,389 | 2,313,490 | 1,340,446 | 973,043 | 334,527 | 638,516 | 135,312 | 503,204 | 34.69 |
| 139 160 Rivendell Ct. | Frederick Co. | 31,296 | 2,411,811 | 564,587 | 2,847,223 | 1,652,302 | 1,194,922 | 390,343 | 804,578 | 166,424 | 638,155 | 35.25 |
| 142 411-F South St. | Warren Co. | 43,126 | 3,637,575 | 601,315 | 3,036,260 | 1,754,070 | 1,282,190 | 351,797 | 930,393 | 177,964 | 752,429 | 37.22 |
| 167 21 Crow St. | Clarke Co. | 24,124 | 2,112,079 | 348,827 | 1,763,252 | 1,020,656 | 742,596 | 273,435 | 469,161 | 103,402 | 365,760 | 33.83 |
| 193 142 U.S. Hwy. 211 W. | Page Co. | 23,906 | 1,919,998 | 316,896 | 1,603,102 | 921,112 | 681,990 | 311,014 | 370,976 | 93,469 | 277,508 | 30.96 |
| 261 3 W. Jubal Early Dr | Winchester City | 49,052 | 4,286,866 | 707,257 | 3,579,610 | 2,066,480 | 1,513,129 | 452,417 | 1,060,713 | 208,733 | 851,980 | 36.37 |
| 293 5814 Main St. | Shenandoah Co. | 12,054 | 974,197 | 161,194 | 813,003 | 468,432 | 344,571 | 192,022 | 152,549 | 47,776 | 104,773 | 27.30 |
| 318 1015 S. Main St. | Shenandoah Co. | 25,702 | 2,051,064 | 338,349 | 1,712,715 | 987,120 | 725,596 | 332,762 | 392,833 | 99,934 | 292,899 | 30.78 |
| 387 135 Crooked Run Plz. | Warren Co. | 31,603 | 2,767,312 | 457,228 | 2,310,085 | 1,338,654 | 971,431 | 420,080 | 551,351 | 134,466 | 416,884 | 31.59 |
| 436 159 Market St. | Frederick Co. | 25,566 | 2,335,479 | 385,598 | 1,949,884 | 1,131,828 | 818,056 | 320,846 | 497,209 | 113,359 | 383,851 | 32.95 |
| Winchester/Front Royal | | 390,978 | 33,518,154 | 5,539,324 | 27,978,830 | 16,170,503 | 11,808,327 | 4,292,931 | 7,515,396 | 1,634,871 | 5,880,525 | 34.07 |
| 33 12631 Galveston Ct. | Prince William Co. | 28,831 | 3,038,543 | 505,726 | 2,532,816 | 1,479,151 | 1,053,665 | 444,148 | 609,516 | 147,145 | 462,372 | 31.86 |
| 36 8038 Crescent Park Dr. | Prince William Co. | 24,829 | 2,612,107 | 432,038 | 2,180,069 | 1,269,363 | 910,706 | 463,866 | 446,840 | 127,982 | 318,858 | 28.75 |
| 39 10410 Bristow Ctr. Dr. | Prince William Co. | 41,210 | 4,177,761 | 692,148 | 3,485,613 | 2,018,172 | 1,467,440 | 532,688 | 934,753 | 203,769 | 730,984 | 34.06 |
| 40 22000 Dulles Retail Plz. | Loudoun Co. | 26,777 | 3,225,056 | 534,124 | 2,690,932 | 1,563,425 | 1,127,507 | 505,197 | 622,310 | 157,687 | 464,624 | 30.97 |
| 41 12950 Highland Crossing Dr. | Fairfax Co. | 29,373 | 3,512,001 | 580,858 | 2,931,142 | 1,696,283 | 1,234,860 | 547,578 | 687,282 | 172,504 | 514,778 | 31.20 |
| 42 7469-71 Richmond Hwy. | Fairfax Co. | 28,975 | 3,002,651 | 496,483 | 2,506,168 | 1,444,799 | 1,061,369 | 449,430 | 611,939 | 147,692 | 464,247 | 32.00 |
| 45 6230-I Rolling Rd. | Fairfax Co. | 26,113 | 2,857,766 | 471,836 | 2,385,930 | 1,386,443 | 999,487 | 450,416 | 549,071 | 140,146 | 408,925 | 30.82 |
| 49 881 N. Quincy St. | Arlington Co. | 52,498 | 5,669,924 | 932,641 | 4,737,283 | 2,741,310 | 1,995,973 | 746,403 | 1,249,570 | 276,601 | 972,968 | 33.61 |
| 54 42015 Village Ctr. Plz. | Loudoun Co. | 33,078 | 3,970,319 | 657,156 | 3,313,163 | 1,918,510 | 1,394,653 | 491,015 | 903,638 | 193,173 | 710,465 | 34.45 |
| 55 9934 Liberia Ave. | Manassas City | 61,599 | 6,097,228 | 1,009,103 | 5,088,125 | 2,947,571 | 2,140,554 | 657,015 | 1,483,540 | 297,477 | 1,186,062 | 36.00 |
| 61 22330 S. Sterling Blvd. | Loudoun Co. | 27,807 | 2,962,804 | 491,705 | 2,471,100 | 1,428,713 | 1,042,387 | 405,084 | 637,303 | 144,756 | 492,547 | 33.22 |
| 63 8951 Ox Rd. | Fairfax Co. | 23,209 | 2,526,278 | 416,676 | 2,109,602 | 1,221,354 | 888,248 | 437,628 | 450,620 | 122,889 | 327,731 | 29.47 |
| 73 4150 BRD.lands Ctr. Plz. | Loudoun Co. | 37,172 | 3,927,393 | 656,058 | 3,316,335 | 1,926,756 | 1,389,578 | 464,987 | 924,591 | 193,833 | 730,758 | 34.91 |
| 76 7121 Leesburg Pike | Falls Church City | 28,319 | 3,207,831 | 528,013 | 2,679,818 | 1,556,764 | 1,123,054 | 549,822 | 573,232 | 157,703 | 415,528 | 29.41 |
| 78 5331 Merchants View Sq. | Prince William Co. | 28,864 | 3,141,138 | 519,691 | 2,621,447 | 1,524,957 | 1,096,489 | 520,384 | 576,105 | 152,830 | 423,275 | 30.02 |
| 80 6206 Little River Tpk. | Fairfax Co. | 31,520 | 3,584,121 | 593,325 | 2,990,796 | 1,721,689 | 1,269,107 | 486,659 | 782,448 | 175,435 | 607,013 | 33.49 |
| 81 1301 S. Joyce St. | Arlington Co. | 21,366 | 2,611,405 | 429,590 | 2,181,815 | 1,256,942 | 924,872 | 535,138 | 389,734 | 128,025 | 261,709 | 26.47 |
| 82 46930 Cedar Lakes Plz. | Loudoun Co. | 57,508 | 6,411,790 | 1,059,637 | 5,352,152 | 3,106,331 | 2,245,821 | 674,821 | 1,571,000 | 313,977 | 1,257,023 | 36.13 |
| 83 7263-B Arlington Blvd. | Fairfax Co. | 16,501 | 1,819,577 | 301,271 | 1,518,307 | 881,321 | 636,986 | 423,857 | 213,129 | 89,151 | 123,978 | 23.37 |
| 84 3903 Fair Ridge Dr. Ste. N. | Fairfax Co. | 23,019 | 2,506,532 | 415,000 | 2,091,532 | 1,215,212 | 876,320 | 449,648 | 426,672 | 121,673 | 304,999 | 28.72 |
| 85 2930 Chain Bridge Rd. | Fairfax Co. | 33,830 | 3,631,512 | 598,971 | 3,032,541 | 1,758,644 | 1,273,897 | 489,159 | 784,738 | 176,768 | 607,970 | 33.24 |
| 90 12965 Fair Lakes Shp. Ctr. | Fairfax Co. | 46,123 | 5,077,246 | 841,021 | 4,236,225 | 2,460,991 | 1,775,234 | 582,587 | 1,192,648 | 247,196 | 945,452 | 35.19 |

(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 2022 | | | | | | | | | | | | | |
|--|----------------------------------|--------------------|-----------------|--------------------------|-----------|--------------------|--------------|--------------------|------------------|---|---------------------|--------------------------------|-------|
| 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) | |
| 93 | 6124 Rose Hill Dr. | Fairfax Co. | 25,108 | 2,596,820 | 429,339 | 2,167,481 | 1,255,998 | 911,483 | 380,113 | 531,370 | 126,471 | 404,899 | 32.13 |
| 94 | 42385 Ryan Rd. | Loudoun Co. | 27,615 | 3,436,026 | 569,390 | 2,866,637 | 1,668,282 | 1,198,355 | 418,128 | 780,227 | 167,068 | 613,158 | 34.42 |
| 99 | 378 Elden St. | Fairfax Co. | 48,294 | 5,203,668 | 863,049 | 4,340,619 | 2,548,368 | 1,792,251 | 704,985 | 1,160,743 | 256,731 | 904,012 | 33.96 |
| 109 | 1922 Wilson Blvd. | Arlington Co. | 56,044 | 5,791,991 | 953,316 | 4,838,675 | 2,795,163 | 2,043,512 | 631,508 | 1,388,527 | 283,062 | 1,055,465 | 34.68 |
| 111 | 5722 Union Mill Rd. | Fairfax Co. | 38,325 | 3,663,741 | 606,268 | 3,057,473 | 1,766,584 | 1,290,889 | 489,457 | 801,432 | 177,790 | 623,642 | 33.57 |
| 119 | 501 Montgomery St. | Alexandria City | 63,539 | 7,619,371 | 1,258,473 | 6,360,898 | 3,679,123 | 2,681,775 | 518,682 | 2,163,092 | 369,690 | 1,793,402 | 40.05 |
| 120 | 5926 Kingstowne Ctr. | Fairfax Co. | 40,864 | 4,523,197 | 746,371 | 3,776,766 | 2,182,361 | 1,594,405 | 541,089 | 1,053,316 | 220,489 | 832,827 | 34.91 |
| 127 | 13300-C Franklin Farm Rd. | Fairfax Co. | 19,016 | 2,134,717 | 353,370 | 1,781,347 | 1,035,654 | 745,693 | 372,615 | 373,078 | 104,476 | 268,602 | 29.14 |
| 131 | 6920-E Bradlick Shp. Ctr. | Fairfax Co. | 27,741 | 2,886,231 | 478,406 | 2,407,825 | 1,397,596 | 1,010,229 | 451,468 | 558,761 | 141,627 | 417,135 | 31.03 |
| 133 | 9130 Mathis Ave. | Manassas City | 46,603 | 4,824,135 | 799,349 | 4,024,786 | 2,327,908 | 1,696,878 | 543,699 | 1,153,179 | 236,005 | 917,174 | 35.58 |
| 136 | 18 Fairfax St., S.E. | Loudoun Co. | 59,241 | 6,980,598 | 1,026,561 | 5,164,037 | 3,026,169 | 2,137,868 | 621,052 | 1,516,816 | 300,412 | 1,216,404 | 36.23 |
| 166 | 506A Fort Evans Rd. N.E. | Loudoun Co. | 60,923 | 6,682,178 | 1,026,828 | 5,575,350 | 3,253,678 | 2,321,672 | 674,988 | 1,646,684 | 323,943 | 1,322,741 | 36.36 |
| 168 | 1001 N. Fillmore St. | Arlington Co. | 22,616 | 2,627,826 | 429,595 | 2,198,231 | 1,272,879 | 925,352 | 442,346 | 483,006 | 127,799 | 355,208 | 29.87 |
| 170 | 1238 Elden St. Space A-3 | Fairfax Co. | 28,295 | 3,108,101 | 515,869 | 2,592,232 | 1,505,235 | 1,086,997 | 477,469 | 609,528 | 153,066 | 456,462 | 31.28 |
| 181 | 106 Washington St. | Loudoun Co. | 13,539 | 1,731,623 | 285,073 | 1,446,551 | 840,184 | 606,367 | 235,500 | 370,867 | 84,750 | 286,117 | 32.99 |
| 203 | 3678 King St. | Alexandria City | 46,888 | 5,387,764 | 892,471 | 4,495,293 | 2,618,348 | 1,876,945 | 610,914 | 1,266,030 | 262,058 | 1,003,972 | 35.20 |
| 208 | 44110 Ashburn Village Blvd. | Loudoun Co. | 32,264 | 3,542,536 | 586,310 | 2,956,226 | 1,713,392 | 1,242,834 | 457,336 | 785,498 | 173,102 | 612,396 | 33.84 |
| 210 | 1160-A South Lakes Dr. | Fairfax Co. | 31,713 | 3,566,004 | 588,795 | 2,977,209 | 1,727,990 | 1,249,419 | 477,768 | 771,652 | 174,024 | 597,628 | 33.27 |
| 212 | 167 Hillwood Ave. | Falls Church City | 27,365 | 2,884,205 | 478,482 | 2,405,723 | 1,400,460 | 1,009,819 | 452,928 | 556,891 | 140,917 | 415,974 | 30.96 |
| 215 | 320 23rd St. S. | Arlington Co. | 32,270 | 3,634,205 | 597,741 | 3,036,464 | 1,760,046 | 1,276,419 | 480,947 | 795,471 | 178,397 | 617,074 | 33.43 |
| 219 | 8413 Old Ct. house Rd. | Fairfax Co. | 93,933 | 11,653,969 | 1,934,233 | 9,719,736 | 5,632,090 | 4,087,646 | 1,199,942 | 2,887,704 | 568,774 | 2,318,929 | 36.50 |
| 224 | Rt. 50, 13944 Lee Jackson Hwy. | Fairfax Co. | 38,405 | 3,970,939 | 656,720 | 3,314,219 | 1,919,077 | 1,395,141 | 455,772 | 939,369 | 194,504 | 744,865 | 35.30 |
| 228 | 1524 Belle View Blvd. | Fairfax Co. | 49,638 | 5,431,534 | 895,719 | 4,535,815 | 2,637,788 | 1,898,027 | 544,906 | 1,353,121 | 263,226 | 1,089,895 | 36.56 |
| 231 | 436 E. Maple Ave. | Fairfax Co. | 34,914 | 4,192,863 | 691,524 | 3,501,281 | 2,026,994 | 1,474,287 | 777,994 | 696,293 | 204,275 | 492,018 | 28.23 |
| 234 | 9574-76 Old Keene Mill Rd. | Fairfax Co. | 31,068 | 3,253,439 | 538,579 | 2,714,860 | 1,568,373 | 1,146,487 | 474,160 | 672,327 | 158,793 | 513,534 | 32.34 |
| 235 | 8628-B Richmond Hwy. | Fairfax Co. | 36,803 | 3,683,749 | 607,576 | 3,076,172 | 1,777,127 | 1,299,045 | 545,333 | 753,712 | 180,846 | 572,866 | 32.04 |
| 236 | 200 Little River Tnpk. | Fairfax Co. | 54,493 | 4,913,784 | 814,402 | 4,099,382 | 2,361,806 | 1,731,576 | 475,476 | 1,262,100 | 240,202 | 1,021,898 | 33.71 |
| 241 | 11260 James Swart Cir. | Fairfax Co. | 32,628 | 3,550,837 | 587,400 | 2,963,430 | 1,710,874 | 1,252,555 | 469,551 | 783,004 | 173,331 | 609,673 | 33.37 |
| 248 | 4709-B Lee Hwy. | Arlington Co. | 38,509 | 3,990,651 | 657,609 | 3,333,042 | 1,930,895 | 1,402,147 | 662,595 | 739,551 | 194,994 | 544,557 | 30.12 |
| 260 | 6284 Arlington Blvd. | Fairfax Co. | 26,616 | 2,868,838 | 474,085 | 2,394,753 | 1,392,098 | 1,002,655 | 436,750 | 565,905 | 141,047 | 424,858 | 31.33 |
| 264 | 16661 River Ridge Blvd. | Prince William Co. | 50,547 | 5,596,910 | 927,187 | 4,669,723 | 2,702,468 | 1,967,255 | 601,190 | 1,366,066 | 273,618 | 1,092,447 | 36.08 |
| 267 | 1445B Chain Bridge Rd. | Fairfax Co. | 57,658 | 7,277,592 | 1,205,632 | 6,081,960 | 3,548,439 | 2,533,521 | 821,534 | 1,711,987 | 352,763 | 1,359,224 | 35.19 |
| 268 | 6400 Springfield Plz. | Fairfax Co. | 62,601 | 6,833,314 | 1,131,178 | 5,702,136 | 3,294,213 | 2,407,922 | 765,620 | 1,642,303 | 332,808 | 1,309,495 | 35.72 |
| 271 | 13991 Jefferson Davis Hwy. | Prince William Co. | 51,359 | 6,027,818 | 1,002,520 | 5,025,298 | 2,909,353 | 2,115,945 | 637,907 | 1,478,038 | 294,927 | 1,183,111 | 36.26 |
| 273 | 9421 Lorton Market St. | Fairfax Co. | 26,334 | 2,797,525 | 462,218 | 2,335,308 | 1,349,708 | 985,599 | 428,126 | 557,474 | 136,806 | 420,668 | 31.56 |
| 286 | 7555 Linton Hall Rd. | Prince William Co. | 60,253 | 6,404,408 | 1,059,830 | 5,344,578 | 3,101,900 | 2,242,678 | 828,015 | 1,414,663 | 310,131 | 1,104,533 | 33.79 |
| 294 | 3556 E.S. Jefferson St. | Fairfax Co. | 58,200 | 6,868,760 | 1,137,473 | 5,731,286 | 3,324,934 | 2,406,352 | 772,567 | 1,633,785 | 335,083 | 1,298,703 | 35.47 |
| 295 | 8095 Sudley Rd. | Prince William Co. | 58,155 | 5,990,635 | 996,292 | 4,994,343 | 2,921,716 | 2,072,628 | 891,838 | 1,180,789 | 291,403 | 889,387 | 31.48 |
| 301 | 4292 Merchants Plz. | Prince William Co. | 41,495 | 4,399,151 | 727,839 | 3,671,311 | 2,126,106 | 1,545,206 | 513,581 | 1,031,625 | 215,068 | 816,557 | 35.11 |
| 316 | 4108 Fortuna Ctr. Plz. | Prince William Co. | 26,830 | 2,787,010 | 461,412 | 2,325,599 | 1,351,568 | 974,031 | 419,927 | 554,104 | 133,459 | 420,644 | 31.65 |
| 317 | 9600E Main St. | Fairfax City | 25,842 | 2,636,956 | 435,092 | 2,201,865 | 1,278,448 | 923,416 | 470,668 | 452,749 | 127,754 | 324,994 | 28.82 |
| 319 | 2507 N. Harrison St. | Arlington Co. | 25,325 | 2,932,719 | 482,946 | 2,449,773 | 1,420,201 | 1,029,573 | 455,790 | 573,782 | 143,470 | 430,312 | 31.14 |
| 322 | 1020 E. Main St. | Loudoun Co. | 53,829 | 5,542,834 | 914,414 | 4,628,420 | 2,697,900 | 1,930,520 | 622,776 | 1,307,744 | 268,807 | 1,038,938 | 35.24 |
| 346 | 8105 Lee Hwy. | Fairfax Co. | 42,999 | 4,625,980 | 762,579 | 3,863,402 | 2,233,992 | 1,629,409 | 585,907 | 1,043,503 | 226,789 | 816,714 | 34.14 |
| 352 | 2555 John Milton Dr. | Prince William Co. | 65,588 | 6,549,554 | 1,085,118 | 5,464,436 | 3,169,280 | 2,295,156 | 842,874 | 1,452,282 | 320,868 | 1,131,414 | 33.84 |
| 357 | 1454 N. Point Village Shp. Cntr. | Fairfax Co. | 27,788 | 3,152,736 | 521,815 | 2,630,922 | 1,519,986 | 1,110,936 | 467,721 | 641,215 | 147,351 | 493,864 | 32.22 |
| 362 | 100 Edds Lane | Loudoun Co. | 42,520 | 4,225,287 | 696,953 | 3,528,334 | 2,045,632 | 1,482,703 | 564,729 | 917,973 | 205,386 | 712,587 | 33.36 |
| 367 | 20070 Ashbrook Commons Plz. | Loudoun Co. | 35,228 | 4,021,568 | 666,381 | 3,355,187 | 1,944,963 | 1,410,224 | 523,691 | 886,533 | 196,413 | 690,121 | 33.73 |
| 368 | 10308 Willard Way | Fairfax City | 18,617 | 1,826,969 | 302,191 | 1,524,778 | 887,296 | 637,482 | 381,651 | 255,831 | 89,189 | 166,642 | 25.66 |
| 369 | 6343A Columbia Pike | Fairfax Co. | 24,355 | 2,526,531 | 417,933 | 2,108,598 | 1,217,647 | 890,951 | 427,787 | 463,164 | 123,117 | 340,048 | 30.00 |
| 371 | 5739 Burke Centre Pkwy. | Fairfax Co. | 26,993 | 2,794,288 | 461,878 | 2,332,410 | 1,344,379 | 988,031 | 394,263 | 593,768 | 136,243 | 457,525 | 32.90 |

(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 2022 | | | | | | | | | | | | |
|--|-----------------------------|----------------------|------------------|--------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|---|---------------------|--------------------------------|
| 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) |
| 372 | 3161 Duke St. | Alexandria City | 2,650,993 | 439,375 | 2,211,618 | 1,289,652 | 921,966 | 418,354 | 503,611 | 129,845 | 373,766 | 30.67 |
| 374 | 2955A S. Glebe Rd. | Arlington Co. | 4,040,448 | 668,072 | 3,372,376 | 1,959,517 | 1,412,859 | 463,987 | 948,872 | 199,107 | 749,766 | 35.09 |
| 375 | 2225 Old Bridge Rd. | Prince William Co. | 30,673 | 491,669 | 2,482,440 | 1,428,508 | 1,053,932 | 392,498 | 661,434 | 145,630 | 515,804 | 33.87 |
| 378 | 2940 Columbia Pike | Arlington Co. | 2,977,503 | 484,168 | 2,453,334 | 1,425,410 | 1,027,924 | 555,205 | 472,719 | 143,834 | 328,885 | 27.68 |
| 380 | 3815 Mount Vernon Ave. | Alexandria City | 2,924,006 | 482,851 | 2,441,155 | 1,415,363 | 1,025,792 | 526,299 | 499,493 | 144,040 | 355,453 | 28.67 |
| 384 | 5109 Westfields Blvd. | Fairfax Co. | 3,978,571 | 658,495 | 3,320,076 | 1,923,774 | 1,396,301 | 531,302 | 864,999 | 194,091 | 670,907 | 33.41 |
| 385 | 9575 Leeburg Rd. | Fairfax Co. | 2,026,595 | 336,018 | 1,690,577 | 986,822 | 703,755 | 413,371 | 290,385 | 99,009 | 191,376 | 26.02 |
| 388 | 8150 Braddock Pike | Fairfax Co. | 2,469,203 | 409,532 | 2,059,671 | 1,196,418 | 863,253 | 368,720 | 494,533 | 121,097 | 373,436 | 31.71 |
| 393 | 10685 Braddock Rd. | Fairfax Co. | 2,322,912 | 383,928 | 1,938,984 | 1,126,256 | 812,728 | 433,294 | 379,433 | 113,456 | 265,978 | 27.98 |
| 397 | 4349 Duke St. | Alexandria City | 7,182,148 | 1,190,400 | 5,991,747 | 3,396,765 | 2,594,983 | 1,040,943 | 1,554,040 | 352,365 | 1,201,676 | 33.31 |
| 406 | 1630 Publix Way | Stafford Co. | 2,286,837 | 376,940 | 1,909,897 | 1,104,725 | 805,172 | 412,595 | 392,577 | - | 392,577 | 33.65 |
| 416 | 686 N. St. Asaph St. | Alexandria City | 1,397,402 | 229,578 | 1,167,825 | 674,771 | 493,053 | 358,414 | 134,639 | 68,377 | 66,262 | 21.17 |
| 418 | 24570 Dulles Landing Dr. | Loudoun Co. | 5,468,498 | 904,084 | 4,564,414 | 2,647,387 | 1,917,027 | 749,396 | 1,167,631 | 264,540 | 903,091 | 33.05 |
| 419 | 8074 Rolling Rd. | Fairfax Co. | 2,354,391 | 389,526 | 1,964,865 | 1,139,645 | 825,220 | 538,265 | 286,954 | 114,893 | 172,061 | 23.85 |
| 421 | 10140 Fairfax Blvd | Fairfax Co. | 2,927,334 | 484,605 | 2,437,729 | 1,411,208 | 1,026,521 | 455,903 | 570,618 | 144,382 | 426,236 | 31.17 |
| 424 | 47222 Brimfield Dr. | Loudoun Co. | 3,213,011 | 531,855 | 2,681,156 | 1,551,819 | 1,129,337 | 476,320 | 653,017 | 156,637 | 496,380 | 32.00 |
| 425 | 5940 Richmond Hwy. | Alexandria City | 3,566,543 | 587,526 | 2,979,017 | 1,726,603 | 1,252,414 | 462,835 | 789,580 | 174,796 | 614,784 | 33.71 |
| 438 | 4604 Kenmore Ave. | Alexandria City | 2,378,133 | 392,029 | 1,986,104 | 1,145,208 | 840,897 | 491,372 | 349,525 | 116,935 | 232,590 | 26.27 |
| 439 | 14220 Smoketown Rd. | Prince William Co. | 2,837,174 | 469,653 | 2,367,522 | 1,364,390 | 1,003,132 | 418,229 | 584,902 | 138,824 | 446,078 | 32.28 |
| 443 | 6464 Trading Sq. | Prince William Co. | 2,053,678 | 338,997 | 1,714,681 | 994,395 | 720,286 | 504,828 | 215,458 | 100,232 | 115,226 | 22.12 |
| Northern Virginia | | | 3,429,690 | 61,905,829 | 312,387,546 | 181,071,541 | 131,316,005 | 50,771,393 | 80,544,611 | 18,152,008 | 62,392,604 | 33.21 |
| 37 | 15149 Montanus Dr. | Culpeper Co. | 3,363,163 | 556,635 | 2,806,528 | 1,624,256 | 1,182,272 | 390,995 | 791,277 | 164,468 | 626,809 | 35.19 |
| 51 | 265 Turkey Sag Trail | Fluvanna Co. | 1,915,535 | 316,219 | 1,599,317 | 922,185 | 677,131 | 311,717 | 365,414 | 94,172 | 271,242 | 30.67 |
| 66 | 11083-E Marsh Rd. | Fauquier Co. | 2,200,866 | 364,187 | 1,836,680 | 1,056,873 | 779,806 | 361,279 | 418,528 | 107,729 | 310,798 | 30.67 |
| 72 | 3390-A Lyndon Dr. | Orange Co. | 3,426,598 | 565,125 | 2,861,473 | 1,653,860 | 1,207,612 | 356,696 | 850,917 | 166,679 | 684,238 | 36.46 |
| 88 | 4199-B Winchester Rd. | Fauquier Co. | 2,332,767 | 384,421 | 1,948,347 | 1,124,384 | 823,963 | 353,638 | 478,325 | 114,039 | 364,286 | 32.10 |
| 163 | 583 N. Madison Rd. | Orange Co. | 1,651,788 | 273,101 | 1,378,687 | 794,037 | 584,649 | 255,484 | 329,166 | 81,063 | 248,103 | 31.55 |
| 227 | 200 S. Main St. | Orange Co. | 877,176 | 144,594 | 732,582 | 424,163 | 308,419 | 243,255 | 65,164 | 43,070 | 22,094 | 19.00 |
| 274 | 28 Madison Plz. Dr. | Madison Co. | 1,126,159 | 185,981 | 940,178 | 541,945 | 398,233 | 184,815 | 213,418 | 55,391 | 158,027 | 30.55 |
| 297 | 45 Main St. | Fauquier Co. | 814,118 | 133,956 | 680,162 | 392,056 | 288,105 | 247,490 | 40,615 | 40,187 | 428 | 16.51 |
| 303 | 175 W. Lee Hwy. | Fauquier Co. | 6,301,579 | 1,042,362 | 5,259,217 | 3,056,273 | 2,202,944 | 576,940 | 1,626,004 | 307,168 | 1,318,836 | 37.47 |
| 329 | 185 Southgate Shp. Ctr. | Culpeper Co. | 2,932,561 | 484,456 | 2,448,105 | 1,409,382 | 1,038,723 | 335,283 | 703,440 | 143,132 | 560,308 | 35.63 |
| Warrenton/Culpeper | | | 299,613 | 4,451,037 | 22,491,275 | 12,999,415 | 9,491,860 | 3,609,592 | 5,882,268 | 1,317,098 | 4,565,170 | 33.46 |
| 46 | 183 Community St. | Albemarle Co. | 2,850,141 | 470,370 | 2,379,770 | 1,382,524 | 997,246 | 344,967 | 652,279 | 138,977 | 513,302 | 34.51 |
| 50 | 325 Four Leaf Lane | Albemarle Co. | 2,481,100 | 408,873 | 2,072,228 | 1,198,804 | 873,424 | 351,018 | 522,406 | 121,471 | 400,936 | 32.64 |
| 70 | 98 Stoneridge Dr. N. | Greene Co. | 2,574,666 | 424,190 | 2,150,476 | 1,238,529 | 911,947 | 339,685 | 572,262 | 125,608 | 446,655 | 33.82 |
| 125 | 304 Pantops Ctr. | Albemarle Co. | 3,554,661 | 587,762 | 2,966,899 | 1,723,196 | 1,243,703 | 329,944 | 913,759 | 174,067 | 739,692 | 37.34 |
| 126 | 2819 Rock Fish Valley Hwy. | Nelson Co. | 1,304,114 | 212,498 | 1,091,615 | 630,543 | 461,072 | 189,674 | 271,398 | 63,933 | 207,466 | 32.20 |
| 138 | 502 E. Main St. | Louisa Co. | 1,910,129 | 315,330 | 1,594,798 | 913,855 | 680,944 | 305,227 | 375,717 | 92,954 | 282,763 | 31.31 |
| 185 | 502 W. Main St. | Charlottesville City | 4,225,784 | 698,229 | 3,527,555 | 2,078,002 | 1,449,552 | 331,870 | 1,117,683 | 205,841 | 911,841 | 38.10 |
| 189 | 138 Scottsville Village Sq. | Albemarle Co. | 1,052,981 | 174,038 | 878,943 | 504,894 | 374,048 | 225,326 | 148,723 | 51,656 | 97,066 | 25.75 |
| 202 | 1902 Emmet St. | Charlottesville City | 6,599,416 | 1,094,365 | 5,505,051 | 3,155,374 | 2,349,677 | 573,533 | 1,776,144 | 323,189 | 1,452,954 | 38.60 |
| 253 | 1169 Emmet St. | Charlottesville City | 4,815,376 | 794,316 | 4,021,060 | 2,340,340 | 1,680,720 | 518,997 | 1,161,723 | 234,778 | 926,945 | 35.75 |
| 321 | 77 Callohill Dr. | Nelson Co. | 1,025,642 | 169,581 | 856,061 | 492,182 | 363,879 | 227,344 | 136,535 | 50,268 | 86,267 | 24.95 |
| 359 | 1872 Rio Hill Ctr. | Albemarle Co. | 3,111,224 | 516,398 | 2,594,826 | 1,501,352 | 1,093,474 | 360,931 | 732,543 | 152,313 | 580,230 | 35.25 |
| 376 | 11016 Kentucky Springs Rd. | Louisa Co. | 2,578,281 | 425,196 | 2,153,085 | 1,242,894 | 910,192 | 379,091 | 531,101 | 124,335 | 406,766 | 32.27 |
| 392 | 415 Merchant Walk Sq. | Albemarle Co. | 4,198,469 | 692,643 | 3,505,826 | 2,025,808 | 1,480,018 | 434,390 | 1,045,628 | 205,419 | 840,209 | 36.51 |
| 408 | 45 Market St. | Louisa Co. | 2,831,238 | 466,464 | 2,364,774 | 1,351,203 | 1,013,570 | 370,037 | 643,533 | 138,047 | 505,487 | 34.33 |
| Charlottesville | | | 480,047 | 7,450,253 | 37,662,967 | 21,779,499 | 15,883,467 | 5,282,034 | 10,601,434 | 2,202,856 | 8,398,577 | 35.13 |

(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 2022 | | | | | | | | | | | | |
|--|-------------------------------|----------------|-------------------|--------------------------|-------------------|--------------------|-------------------|--------------------|------------------|---|---------------------|--------------------------------|
| 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) |
| 117 | 309 Twelfth St. | 57,392 | 5,023,948 | 833,472 | 4,190,476 | 2,404,747 | 1,785,729 | 424,878 | 1,360,850 | 246,847 | 1,114,004 | 38.76 |
| 160 | 1128 E. Lynchburg Salem Tnpk. | 25,733 | 2,011,550 | 333,264 | 1,678,286 | 965,556 | 712,730 | 279,491 | 433,239 | 98,252 | 334,987 | 33.22 |
| 176 | Hwy. 501, 416 Lusardi Dr. | 10,215 | 803,450 | 133,177 | 670,273 | 383,064 | 287,210 | 242,929 | 44,281 | 39,741 | 4,540 | 17.14 |
| 262 | 20401 Timberlake Rd. | 45,395 | 3,829,926 | 634,946 | 3,194,979 | 1,843,113 | 1,351,866 | 409,208 | 942,658 | 188,905 | 753,753 | 36.26 |
| 266 | 2118 Wards Rd. | 42,964 | 3,745,149 | 620,728 | 3,124,421 | 1,800,588 | 1,323,833 | 607,444 | 716,389 | 183,875 | 532,514 | 30.79 |
| 279 | 18013 Forest Rd. | 34,545 | 3,004,188 | 497,475 | 2,506,713 | 1,440,852 | 1,065,860 | 303,524 | 762,337 | 146,872 | 615,464 | 37.05 |
| 281 | 216 Amelon Sq. Plz. | 31,767 | 2,615,479 | 433,289 | 2,182,190 | 1,239,126 | 943,064 | 330,738 | 612,325 | 127,747 | 484,578 | 35.09 |
| 285 | 199 Ambrar Ship. Ctr. | 15,799 | 1,261,311 | 208,400 | 1,052,911 | 604,724 | 448,187 | 223,193 | 244,994 | 61,807 | 163,187 | 29.46 |
| 287 | 4925 Boonsboro Rd. | 33,530 | 3,046,998 | 505,222 | 2,541,776 | 1,478,530 | 1,063,246 | 314,417 | 748,829 | 147,865 | 600,964 | 36.30 |
| 347 | 105 Clarion Rd. | 26,969 | 2,143,411 | 355,200 | 1,788,211 | 1,025,365 | 762,845 | 282,117 | 480,728 | 105,092 | 375,636 | 34.10 |
| 354 | 795 Richmond Hwy. | 21,413 | 1,583,425 | 262,707 | 1,320,717 | 756,795 | 563,922 | 255,335 | 308,587 | 77,432 | 231,155 | 31.19 |
| 399 | 1051 Village Hwy. | 16,815 | 1,277,132 | 211,684 | 1,065,448 | 611,729 | 453,718 | 226,447 | 227,271 | 62,571 | 164,700 | 29.47 |
| 400 | 14521 Forest Rd. | 20,381 | 1,740,889 | 287,411 | 1,453,478 | 838,087 | 615,391 | 248,440 | 366,951 | 84,799 | 282,152 | 32.72 |
| 410 | 14807 Moneta Rd. | 20,893 | 1,729,084 | 284,779 | 1,444,305 | 830,629 | 613,676 | 247,545 | 366,131 | 83,050 | 283,081 | 32.84 |
| | Lynchburg | 403,810 | 33,815,938 | 5,601,754 | 28,214,183 | 16,222,905 | 11,991,278 | 4,395,708 | 7,595,571 | 1,654,855 | 5,940,716 | 34.13 |
| 132 | 2777 Greensboro Rd. | 34,145 | 3,000,051 | 500,260 | 2,499,791 | 1,442,584 | 1,057,208 | 318,896 | 738,312 | 146,629 | 591,683 | 36.40 |
| 146 | 639 W. Main St. | 20,649 | 1,863,589 | 309,891 | 1,553,698 | 892,063 | 661,635 | 305,060 | 356,575 | 93,473 | 263,102 | 30.75 |
| 154 | 235 N. Union St. | 15,329 | 1,340,080 | 222,891 | 1,117,190 | 639,577 | 477,612 | 209,648 | 267,964 | 65,297 | 202,667 | 31.76 |
| 191 | 400 Old Franklin Tnpk. | 45,115 | 3,588,424 | 594,620 | 2,993,805 | 1,721,766 | 1,272,039 | 379,316 | 892,723 | 175,597 | 717,126 | 36.55 |
| 213 | 12990 B. T. Washington Hwy. | 36,060 | 3,056,252 | 504,584 | 2,551,668 | 1,477,731 | 1,073,937 | 368,933 | 705,004 | 146,745 | 558,259 | 34.78 |
| 276 | 221 Nor-Dan Dr. | 40,420 | 3,988,648 | 664,254 | 3,324,394 | 1,913,877 | 1,410,517 | 418,474 | 992,043 | 195,391 | 796,652 | 36.63 |
| 277 | 985 Fairystone Park Hwy. | 25,776 | 1,940,680 | 323,740 | 1,616,940 | 932,425 | 684,515 | 281,107 | 403,408 | 95,662 | 307,746 | 32.54 |
| 283 | Hwy.s 29 & 703, Rt. 2 | 17,102 | 1,400,669 | 232,446 | 1,168,223 | 670,944 | 497,279 | 211,546 | 285,732 | 68,561 | 217,171 | 32.10 |
| 291 | 786 Commonwealth Blvd. | 39,536 | 3,489,039 | 578,959 | 2,910,081 | 1,673,091 | 1,236,990 | 365,434 | 871,555 | 170,431 | 701,124 | 36.69 |
| 324 | 301 S. Main St. | 14,337 | 1,111,630 | 186,262 | 925,367 | 536,215 | 389,152 | 205,872 | 183,280 | 54,571 | 128,709 | 28.33 |
| 373 | 3282 Riverside Dr. | 48,967 | 4,540,165 | 753,146 | 3,787,019 | 2,187,273 | 1,599,746 | 381,815 | 1,217,931 | 221,921 | 996,010 | 38.53 |
| | Danville/Martinsville | 337,434 | 29,319,228 | 4,871,053 | 24,448,175 | 14,087,546 | 10,360,629 | 3,446,101 | 6,914,528 | 1,434,279 | 5,480,249 | 35.31 |
| 59 | 3136 Halifax Rd. | 48,662 | 4,063,928 | 675,159 | 3,388,769 | 1,946,329 | 1,442,440 | 420,174 | 1,022,266 | 199,359 | 822,907 | 36.86 |
| 143 | 812 E. Atlantic St. | 46,810 | 4,020,292 | 667,597 | 3,352,695 | 1,933,729 | 1,418,966 | 332,136 | 1,086,830 | 195,780 | 891,051 | 38.77 |
| 157 | 93 Brunswick Sq. Ct. | 14,850 | 1,240,867 | 206,080 | 1,034,787 | 593,082 | 441,705 | 258,001 | 183,705 | 60,986 | 122,719 | 26.50 |
| 172 | 112 N. Main St. | 12,390 | 962,244 | 159,923 | 802,321 | 460,691 | 341,629 | 221,342 | 120,287 | 47,225 | 73,062 | 24.21 |
| 214 | 608 Virginia Ave. | 20,785 | 1,665,549 | 276,284 | 1,389,266 | 802,180 | 587,086 | 223,342 | 363,743 | 81,529 | 282,214 | 33.53 |
| | South Boston | 143,496 | 11,952,881 | 1,985,043 | 9,967,838 | 5,736,012 | 4,231,826 | 1,454,994 | 2,776,832 | 584,879 | 2,191,953 | 34.95 |
| 152 | 1506 S. Main St. | 47,365 | 3,952,416 | 656,252 | 3,296,164 | 1,906,164 | 1,390,000 | 386,477 | 1,003,523 | 193,652 | 809,871 | 37.09 |
| 161 | 501F Main St. | 9,592 | 748,902 | 124,502 | 624,400 | 357,621 | 266,779 | 204,078 | 62,702 | 36,841 | 25,861 | 20.08 |
| 164 | 1618 W. Virginia Ave. | 13,161 | 1,032,476 | 171,077 | 861,399 | 493,856 | 367,543 | 251,880 | 115,663 | 50,693 | 64,970 | 22.86 |
| 178 | 974 Main St. | 11,831 | 967,487 | 160,547 | 806,940 | 464,132 | 342,808 | 232,777 | 110,031 | 47,631 | 62,400 | 23.04 |
| 196 | 110 King St. | 12,506 | 946,467 | 156,770 | 789,697 | 451,160 | 338,537 | 216,793 | 121,744 | 46,654 | 75,090 | 24.50 |
| 204 | 1592 Anderson Hwy. | 9,022 | 703,476 | 116,127 | 587,349 | 337,202 | 250,147 | 233,883 | 16,265 | 34,595 | (18,330) | 13.90 |
| 275 | 1423 S. Main St. | 19,071 | 1,642,187 | 272,727 | 1,369,461 | 785,413 | 584,048 | 286,183 | 297,864 | 80,411 | 217,453 | 29.85 |
| 351 | 15127 Patrick Henry Hwy. | 15,424 | 1,296,181 | 215,051 | 1,081,130 | 622,038 | 459,092 | 269,055 | 190,037 | 63,577 | 126,460 | 26.35 |
| | Farmville | 137,972 | 11,289,592 | 1,873,051 | 9,416,540 | 5,417,586 | 3,998,954 | 2,081,125 | 1,917,829 | 554,054 | 1,363,775 | 28.67 |
| 38 | 2501 New Kent Hwy. | 44,072 | 3,762,845 | 623,568 | 3,139,277 | 1,814,681 | 1,324,596 | 378,034 | 946,562 | 183,708 | 762,855 | 36.85 |
| 77 | 1800 S. Creek One | 26,028 | 2,137,129 | 355,273 | 1,781,856 | 1,039,027 | 742,829 | 298,569 | 444,260 | 104,024 | 340,237 | 32.54 |
| 86 | 2610 Buford Rd. | 38,744 | 3,944,725 | 652,968 | 3,291,757 | 1,936,161 | 1,355,596 | 450,817 | 904,780 | 192,627 | 712,153 | 34.61 |
| 89 | 34-A Broad St. Rd. | 26,836 | 2,498,859 | 414,242 | 2,084,617 | 1,209,799 | 874,818 | 308,371 | 566,447 | 122,490 | 443,957 | 34.34 |
| 97 | 6504 Hull St. | 43,774 | 4,775,236 | 791,948 | 3,983,288 | 2,309,754 | 1,673,535 | 414,336 | 1,259,199 | 233,478 | 1,025,721 | 38.06 |

(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 2022 | | | | | | | | | | | | |
|--|-----------------------------|-------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|---|----------------------|--------------------------------|
| 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) |
| 258 | 3831 Kecoughtan Rd. | 40,572 | 3,938,754 | 654,191 | 3,284,563 | 1,906,614 | 1,377,949 | 356,892 | 1,021,057 | 191,745 | 829,312 | 37.66 |
| 265 | 19 Towne Ctr. Way | 30,424 | 2,990,036 | 495,668 | 2,494,368 | 1,440,462 | 1,053,906 | 383,077 | 670,829 | 146,719 | 524,110 | 34.11 |
| 272 | 55 Hidenwood Shp. Ctr. | 34,345 | 3,038,146 | 503,731 | 2,534,414 | 1,464,182 | 1,070,232 | 355,736 | 714,496 | 149,084 | 565,412 | 35.19 |
| 282 | 2400 Cunningham Dr. | 74,226 | 7,821,853 | 1,298,932 | 6,522,921 | 3,764,663 | 2,758,258 | 859,615 | 1,898,643 | 384,636 | 1,514,007 | 35.96 |
| 290 | 5226 Geo. Washington Hwy. | 32,917 | 2,859,290 | 472,871 | 2,386,419 | 1,388,416 | 998,002 | 376,556 | 621,447 | 139,760 | 481,687 | 33.38 |
| 320 | 1244 Richmond Rd. | 57,467 | 5,519,453 | 909,599 | 4,609,855 | 2,665,752 | 1,944,103 | 568,733 | 1,375,370 | 269,692 | 1,105,678 | 36.51 |
| 335 | 801-F Merrimac Trail | 37,175 | 3,454,013 | 570,253 | 2,883,760 | 1,664,376 | 1,219,384 | 417,395 | 801,989 | 167,192 | 634,797 | 34.89 |
| 340 | 309-A Oyster Point Rd. | 35,996 | 3,489,558 | 578,195 | 2,911,362 | 1,674,312 | 1,237,050 | 418,909 | 818,141 | 169,968 | 648,173 | 35.14 |
| 341 | 621 Stoney Creek Lane | 54,163 | 5,351,325 | 888,124 | 4,463,201 | 2,583,147 | 1,880,054 | 586,287 | 1,293,766 | 262,055 | 1,031,711 | 35.88 |
| 342 | 10872 Warwick Blvd. | 27,993 | 2,617,645 | 434,616 | 2,183,028 | 1,261,670 | 921,358 | 333,042 | 588,316 | 128,787 | 459,530 | 34.16 |
| 381 | 1480-3C Quarterpath Rd. | 22,674 | 2,205,094 | 364,187 | 1,840,907 | 1,071,816 | 769,091 | 342,453 | 426,639 | 107,836 | 318,803 | 30.97 |
| 382 | 475 Wythe Creek Rd. | 28,173 | 2,452,352 | 404,956 | 2,047,396 | 1,183,861 | 863,535 | 297,521 | 566,014 | 119,559 | 446,455 | 34.72 |
| 417 | 201 Tradesman Way | 28,775 | 2,501,739 | 414,438 | 2,087,301 | 1,204,605 | 882,696 | 348,932 | 533,764 | 122,522 | 411,242 | 33.00 |
| 420 | 980 J Clyde Morris Blvd. | 24,410 | 2,372,216 | 393,503 | 1,978,713 | 1,142,724 | 835,989 | 321,162 | 514,827 | 116,741 | 398,086 | 33.37 |
| 422 | 14272 Warwick Blvd. | 49,390 | 4,834,223 | 801,198 | 4,033,025 | 2,333,837 | 1,699,188 | 438,523 | 1,260,665 | 237,618 | 1,023,047 | 37.74 |
| | Newport News/Hampton | 1,011,671 | 96,955,063 | 16,067,753 | 80,887,310 | 46,805,752 | 34,081,558 | 10,753,416 | 23,328,142 | 4,742,070 | 18,586,072 | 35.74 |
| 156 | 22485 Lankford Hwy. | 25,163 | 2,128,970 | 350,842 | 1,778,128 | 1,024,203 | 753,925 | 263,693 | 490,232 | 101,599 | 388,633 | 34.73 |
| 162 | 7017 Lankford Hwy. | 15,071 | 1,212,452 | 202,538 | 1,009,914 | 585,783 | 424,131 | 245,926 | 178,205 | 58,769 | 119,435 | 26.56 |
| 177 | 4371 Pension St. | 17,528 | 1,332,657 | 218,199 | 1,114,458 | 638,099 | 476,358 | 194,831 | 281,527 | 63,125 | 218,402 | 32.76 |
| 223 | 4090-B Lankford Hwy. | 16,409 | 1,214,983 | 201,383 | 1,013,600 | 581,439 | 432,161 | 287,756 | 144,405 | 59,250 | 85,154 | 23.58 |
| 344 | 25234 Lankford Hwy. | 30,363 | 2,383,925 | 394,653 | 1,989,272 | 1,141,698 | 847,574 | 309,704 | 537,870 | 116,377 | 421,493 | 34.24 |
| | Eastern Shore | 104,535 | 8,272,986 | 1,367,615 | 6,905,371 | 3,971,222 | 2,934,149 | 1,301,911 | 1,632,238 | 399,121 | 1,233,117 | 31.44 |
| | Statewide Totals | 14,225,673 | \$1,355,050,202 | \$224,379,590 | \$1,130,670,612 | \$654,116,920 | \$476,553,692 | \$165,213,541 | \$311,340,152 | \$65,984,728 | \$245,355,424 | 34.67% |

(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

| Analysis of Distillery Store Performance — Fiscal Year 2022 | | | | | | | | | | |
|--|---------------------|--------------------------|---------------------|--------------------|--------------------|--------------------|-------------------|---|---------------------|--------------------------------|
| ABC Distillery Stores | Gross Sales (1) | Spirits & Wine Taxes (2) | Net Sales | Cost of Goods Sold | Gross Profit | Commission | Case Handling Fee | Allocation of General & Admin. Expenses | Adjusted Net Profit | Rate of Return to Virginia (3) |
| Statewide Distillery Totals | \$13,562,173 | \$2,243,893 | \$11,318,280 | \$6,421,127 | \$4,897,152 | \$2,726,847 | \$96,184 | \$1,100,298 | \$973,823 | 23.73% |
| 10 Three Brothers' Distillery, Inc. | 1,061 | 177 | 884 | 516 | 368 | 212 | 4 | 74 | 78 | 24.06 |
| 12 Belle Isle Craft Spirits, Inc. | 679,137 | 98,744 | 580,393 | 322,355 | 258,038 | 137,629 | 12,234 | 53,350 | 54,825 | 22.61 |
| 13 Vitae Spirits Distillery, LLC | 26,477 | 4,414 | 22,063 | 12,637 | 9,426 | 5,295 | 10 | 2,300 | 1,821 | 23.55 |
| 14 Dark Hollow Hooch LLC (dba Five Mile Mountain Distillery) | 62,626 | 10,440 | 52,186 | 29,660 | 22,526 | 12,525 | 286 | 4,538 | 5,177 | 24.94 |
| 15 Copper Fox Distillery Enterprises, LLC | 456,133 | 76,037 | 380,096 | 216,049 | 164,047 | 100,856 | 2,690 | 37,974 | 22,527 | 21.61 |
| 16 The Virginia Distillery Company, LLC | 109,099 | 18,197 | 90,902 | 54,038 | 36,865 | 21,832 | 532 | 8,934 | 5,567 | 21.78 |
| 17 James River Distillery, LLC | 4,657 | 776 | 3,881 | 2,214 | 1,667 | 931 | - | 373 | 362 | 24.45 |
| 18 Chesapeake Bay Distillery LLC | 282,907 | 47,161 | 235,746 | 135,316 | 100,430 | 56,581 | 1,958 | 20,435 | 21,455 | 24.25 |
| 19 Williamsburg Distillery, Inc. | 144,981 | 24,132 | 120,849 | 67,749 | 53,100 | 28,953 | 596 | 13,212 | 10,359 | 23.78 |
| 20 Karlson & O'Mara Distilleries, LLC | 421,631 | 70,759 | 350,872 | 206,991 | 143,881 | 84,894 | 1,452 | 35,050 | 22,485 | 22.12 |
| 21 Old House Vineyards, LLC | 193,153 | 32,199 | 160,954 | 91,016 | 69,938 | 38,631 | 806 | 13,611 | 16,891 | 25.41 |
| 22 Reservoir Distillery, LLC | 282,584 | 47,107 | 235,477 | 134,341 | 101,137 | 56,517 | 1,032 | 25,690 | 17,898 | 23.00 |
| 23 Murrarkey Distilled Spirits, LLC | 601,079 | 97,926 | 503,153 | 292,688 | 210,465 | 120,310 | 4,240 | 48,423 | 37,491 | 22.53 |
| 24 Mount Defiance Cider & Distillery, LLC | 168,257 | 28,049 | 140,209 | 77,672 | 62,537 | 33,651 | 1,160 | 13,557 | 14,168 | 25.09 |
| 25 River Hill Wine and Spirits, LLC | 87,360 | 14,563 | 72,797 | 40,041 | 32,756 | 17,472 | 684 | 7,036 | 7,564 | 25.33 |

(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 - Allocation of General & Administrative Expenses

continued on next page

| Analysis of Distillery Store Performance — Fiscal Year 2022 | | | | | | | | | | | | |
|---|---------------------|--------------------------|---------------------|--------------------|--------------------|--------------------|-------------------|---|---------------------|--------------------------------|--|--|
| ABC Distillery Stores | Gross Sales (1) | Spirits & Wine Taxes (2) | Net Sales | Cost of Goods Sold | Gross Profit | Commission | Case Handling Fee | Allocation of General & Admin. Expenses | Adjusted Net Profit | Rate of Return to Virginia (3) | | |
| 28 Silverback Spirits, LLC | 750,333 | 125,081 | 625,252 | 349,411 | 275,842 | 150,067 | 4,872 | 62,549 | 58,354 | 24.45 | | |
| 29 Davis Valley Winery and Vineyard, Inc. | 76,362 | 12,730 | 63,632 | 36,044 | 27,588 | 15,272 | 268 | 5,765 | 6,283 | 24.90 | | |
| 30 Copper Fox Distillery Enterprises, LLC | 447,627 | 74,619 | 373,008 | 212,228 | 160,780 | 89,525 | 2,536 | 35,151 | 33,568 | 24.17 | | |
| 31 The Mount Vernon Ladies' Association of the Union | 902,675 | 150,476 | 752,199 | 409,791 | 342,408 | 180,535 | 12,850 | 63,581 | 85,442 | 26.14 | | |
| 34 Belmont Farms of Virginia, Inc. | 251,261 | 41,885 | 209,376 | 120,657 | 88,719 | 50,252 | 1,964 | 14,737 | 21,766 | 25.33 | | |
| 65 Catoctin Creek Distilling Company, LLC | 632,301 | 105,405 | 526,896 | 299,499 | 227,397 | 126,460 | 3,520 | 51,782 | 45,636 | 23.89 | | |
| 91 Sazerac Distillers, LLC | 931,000 | 155,198 | 775,803 | 447,396 | 328,407 | 186,200 | 7,982 | 76,122 | 58,103 | 22.91 | | |
| 430 Springfield Distillery, LLC | 119,087 | 18,482 | 100,605 | 57,156 | 43,449 | 23,884 | 642 | 8,916 | 10,007 | 23.92 | | |
| 431 Bondurant Brothers Distillery, LLC | 6,888 | 1,148 | 5,740 | 3,230 | 6,888 | 1,378 | 48 | 499 | 584 | 25.15 | | |
| 432 Parched Group, LLC | 268,119 | 44,973 | 223,146 | 128,310 | 94,836 | 53,957 | 1,982 | 23,234 | 15,663 | 22.62 | | |
| 433 Ragged Mountain Farm, LLC | 543,758 | 90,644 | 453,114 | 256,562 | 196,551 | 108,752 | 3,366 | 44,192 | 40,242 | 24.07 | | |
| 434 Fibuster Barrels, LLC | 55,872 | 9,314 | 46,558 | 26,382 | 20,176 | 11,174 | 422 | 3,351 | 5,228 | 26.03 | | |
| 435 AASS Distillery, LLC | 7,658 | 1,277 | 6,382 | 3,532 | 2,850 | 1,532 | 12 | 542 | 764 | 26.65 | | |
| 450 Falls Church Distillers LLC | 95,946 | 16,003 | 79,943 | 45,208 | 34,735 | 19,199 | 602 | 7,257 | 7,677 | 24.68 | | |
| 451 Ironclad Distillery, Inc. | 534,603 | 89,132 | 445,471 | 247,806 | 197,664 | 106,937 | 2,286 | 47,951 | 40,490 | 24.25 | | |
| 452 Twin Creeks Distillery, Inc. | 65,543 | 10,926 | 54,617 | 30,600 | 24,017 | 13,109 | 424 | 5,294 | 5,190 | 24.59 | | |
| 453 Blue Sky Distillery, LLC | 91,848 | 14,646 | 77,202 | 44,782 | 32,420 | 18,370 | 542 | 8,138 | 5,371 | 21.79 | | |
| 454 Glenway Farms, Inc. | 100,501 | 16,754 | 83,748 | 47,054 | 36,694 | 20,100 | 492 | 7,919 | 8,182 | 24.81 | | |
| 455 Buffalo Brands Inc. | 43,563 | 7,146 | 36,416 | 20,094 | 16,322 | 8,713 | 292 | 4,244 | 3,074 | 23.46 | | |
| 456 Franklin County Distilleries, L.L.C. | 114,948 | 19,162 | 95,786 | 53,167 | 42,619 | 22,990 | 510 | 9,120 | 9,999 | 25.37 | | |
| 460 Cavalier Ventures, LLC | 1,198,723 | 200,878 | 997,844 | 572,602 | 425,243 | 240,189 | 8,902 | 101,773 | 74,379 | 22.96 | | |
| 461 Mountain View Brewery, LLC | 20,014 | 2,536 | 17,478 | 9,750 | 7,727 | 4,024 | 274 | 1,653 | 1,776 | 21.55 | | |
| 462 Bombolini LLC | 68,283 | 11,383 | 56,900 | 31,899 | 25,001 | 13,657 | 386 | 5,754 | 5,204 | 24.29 | | |
| 463 The Vanguard Brewpub & Distillery LLC | 143,943 | 23,995 | 119,948 | 67,694 | 52,254 | 28,789 | 524 | 13,632 | 9,309 | 23.14 | | |
| 464 Dry Fork Fruit Distillery, LLC | 14,217 | 2,370 | 11,847 | 6,663 | 5,184 | 2,843 | 24 | 1,137 | 1,180 | 24.97 | | |
| 465 Virago Spirits, LLC | 181,771 | 30,416 | 151,355 | 86,564 | 64,791 | 36,491 | 1,688 | 16,045 | 10,567 | 22.55 | | |
| 466 Cape Charles Distillery LLC | 239,695 | 39,957 | 199,738 | 113,231 | 86,507 | 47,939 | 882 | 17,161 | 20,525 | 25.23 | | |
| 467 Three Crosses Distilling Company, LLC | 364,297 | 60,728 | 303,569 | 174,132 | 129,437 | 72,859 | 1,664 | 30,715 | 24,198 | 23.31 | | |
| 468 Greenspur, Inc. | 21,873 | 3,646 | 18,227 | 10,256 | 7,971 | 4,375 | 102 | 1,712 | 1,782 | 24.82 | | |
| 469 Hill Top Distillery, LLC | 151,816 | 25,308 | 126,508 | 71,220 | 55,288 | 30,363 | 610 | 12,660 | 11,655 | 24.35 | | |
| 470 Buffalo Brands, Inc. | 40,537 | 6,758 | 33,780 | 18,589 | 15,190 | 8,107 | 256 | 3,063 | 3,764 | 25.95 | | |
| 471 R.D. Wilhelm, LLC | 147,212 | 24,537 | 122,675 | 69,743 | 52,932 | 29,439 | 726 | 12,522 | 10,245 | 23.63 | | |
| 473 Down Home Spirits | 39,961 | 6,661 | 33,299 | 19,657 | 13,643 | 7,992 | 178 | 3,240 | 2,233 | 22.26 | | |
| 474 Vitae Spirits Distillery, LLC | 122,362 | 20,407 | 101,955 | 58,404 | 43,551 | 24,472 | 272 | 9,669 | 9,138 | 24.15 | | |
| 475 Old Virginia Hand Hewn Log Homes, Inc. | 131,241 | 21,878 | 109,363 | 62,405 | 46,958 | 26,248 | 602 | 10,757 | 9,351 | 23.79 | | |
| 476 Flying Ace Distillery, LLC | 362,801 | 60,479 | 302,322 | 172,473 | 129,849 | 72,560 | 1,280 | 30,205 | 25,804 | 23.78 | | |
| 477 7 Hollows Farm, LLC | 31,256 | 5,210 | 26,046 | 14,590 | 11,456 | 6,251 | 110 | 3,032 | 2,062 | 23.27 | | |
| 478 Smith River Spirits, LLC | 38,129 | 6,356 | 31,772 | 17,941 | 13,831 | 7,626 | 162 | 2,219 | 3,825 | 26.70 | | |
| 479 J.H. BARDS Spirit Co., LLC | 206,857 | 34,480 | 172,377 | 97,012 | 75,365 | 41,367 | 864 | 17,056 | 16,077 | 24.44 | | |
| 480 Vincent's Vineyard, Inc. | 10,656 | 1,776 | 8,880 | 4,952 | 3,927 | 2,131 | 66 | 785 | 945 | 25.54 | | |
| 481 Highlands Distilling Company, LLC | 27,446 | 4,575 | 22,871 | 12,846 | 10,025 | 5,489 | 108 | 1,644 | 2,784 | 26.81 | | |
| 482 Roosters Rise -n- Shine Distillery, LLC | 47,209 | 8,058 | 39,151 | 22,835 | 16,316 | 9,668 | 222 | 3,396 | 3,031 | 23.49 | | |
| 483 Deep Creek Distilling Company, LLC | 19,987 | 3,308 | 16,679 | 9,295 | 7,384 | 3,969 | 90 | 1,477 | 1,848 | 25.80 | | |
| 484 Dogged State Distilling Company | 17,429 | 2,905 | 14,523 | 8,168 | 6,355 | 3,788 | 138 | 700 | 1,729 | 26.59 | | |
| 485 Bold Rock Partners LP | 128,965 | 21,495 | 107,470 | 58,708 | 48,762 | 25,789 | 1,522 | 13,329 | 8,121 | 22.96 | | |
| 486 Appalachian Heritage Distillery, LLC | 162,636 | 27,111 | 135,524 | 76,807 | 58,717 | 32,527 | 656 | 14,675 | 10,859 | 23.35 | | |
| 488 Brady Distilling, LLC | 56,613 | 9,437 | 47,175 | 26,144 | 21,031 | 11,323 | 494 | 4,980 | 4,235 | 24.15 | | |
| 489 Sandy River Distillery, Inc. | 4,653 | 1,472 | 3,181 | 4,089 | (907) | 1,766 | 86 | 354 | (3,113) | -35.28 | | |
| 493 Glenn Distillery, LLC | 558 | 93 | 465 | 264 | 201 | 112 | - | 52 | 38 | 23.44 | | |
| Statewide Distillery Totals | \$13,562,173 | \$2,243,893 | \$11,318,280 | \$6,421,127 | \$4,897,152 | \$2,726,847 | \$96,184 | \$1,100,298 | \$973,823 | 23.73% | | |

(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-Allocation of General & Administrative Expenses

LICENSED ESTABLISHMENTS' STATISTICS

2022 Establishments by License Category — By Cities

| Cities | All Others (1) | 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) (2) | Restaurants (Beer and Wine) | Wineries | Grand Total |
|------------------|----------------|--------------------|---------------------|-----------------------|-----------|-------------------|------------------------|-------|--------------------|---------------|--------------|-------------|------------------------------|----------------------------------|----------------|----------------------------------|-----------------------------|----------|-------------|
| Alexandria | 16 | 0 | 4 | 3 | 2 | 1 | 6 | 5 | 48 | 4 | 0 | 14 | 23 | 3 | 0 | 55 | 188 | 3 | 375 |
| Bedford | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 8 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 4 | 0 | 17 |
| Bristol | 2 | 0 | 0 | 2 | 3 | 0 | 1 | 0 | 30 | 1 | 0 | 2 | 4 | 0 | 0 | 10 | 25 | 0 | 80 |
| Buena Vista | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 1 | 0 | 0 | 0 | 4 | 1 | 0 | 13 |
| Charlottesville | 25 | 0 | 6 | 7 | 11 | 0 | 14 | 5 | 33 | 0 | 4 | 5 | 20 | 6 | 1 | 48 | 122 | 3 | 310 |
| Chesapeake | 3 | 0 | 7 | 7 | 3 | 0 | 1 | 8 | 125 | 0 | 1 | 19 | 32 | 4 | 3 | 54 | 142 | 0 | 409 |
| Colonial Heights | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 17 | 0 | 0 | 4 | 5 | 0 | 0 | 7 | 24 | 0 | 61 |
| Covington | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 9 | 0 | 0 | 1 | 1 | 0 | 0 | 3 | 0 | 0 | 15 |
| Danville | 3 | 0 | 2 | 2 | 2 | 0 | 1 | 5 | 72 | 0 | 1 | 7 | 8 | 0 | 0 | 14 | 26 | 1 | 144 |
| Emporia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 17 | 0 | 0 | 1 | 2 | 0 | 0 | 1 | 3 | 0 | 25 |
| Fairfax | 0 | 0 | 1 | 2 | 2 | 0 | 3 | 3 | 15 | 0 | 0 | 4 | 11 | 1 | 0 | 28 | 47 | 0 | 117 |
| Falls Church | 2 | 0 | 0 | 0 | 2 | 0 | 1 | 1 | 7 | 0 | 0 | 2 | 3 | 0 | 0 | 23 | 33 | 0 | 74 |
| Franklin | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 8 | 0 | 26 |
| Fredericksburg | 4 | 1 | 0 | 0 | 4 | 0 | 3 | 1 | 25 | 0 | 0 | 2 | 9 | 1 | 1 | 29 | 71 | 1 | 152 |
| Galax | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 10 | 0 | 0 | 2 | 3 | 1 | 0 | 3 | 6 | 0 | 27 |
| Hampton | 16 | 1 | 4 | 5 | 6 | 0 | 2 | 11 | 95 | 0 | 1 | 11 | 15 | 3 | 0 | 29 | 82 | 1 | 282 |
| Harrisonburg | 7 | 2 | 0 | 2 | 5 | 0 | 2 | 6 | 40 | 0 | 0 | 4 | 11 | 5 | 0 | 28 | 52 | 1 | 165 |
| Hopewell | 3 | 0 | 0 | 1 | 0 | 0 | 1 | 5 | 25 | 0 | 0 | 3 | 2 | 0 | 0 | 4 | 12 | 1 | 57 |
| Lexington | 1 | 2 | 0 | 0 | 0 | 0 | 5 | 0 | 3 | 0 | 0 | 1 | 3 | 1 | 0 | 8 | 12 | 0 | 36 |
| Lynchburg | 5 | 0 | 1 | 6 | 3 | 0 | 5 | 6 | 61 | 0 | 0 | 7 | 15 | 2 | 0 | 37 | 64 | 0 | 212 |
| Manassas | 3 | 0 | 1 | 1 | 4 | 0 | 1 | 4 | 33 | 0 | 1 | 4 | 4 | 0 | 0 | 24 | 33 | 0 | 113 |
| Manassas Park | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 5 | 0 | 17 |
| Martinsville | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 17 | 0 | 0 | 1 | 2 | 0 | 0 | 4 | 10 | 0 | 39 |
| Newport News | 10 | 0 | 2 | 2 | 3 | 0 | 3 | 9 | 134 | 0 | 1 | 12 | 20 | 1 | 0 | 55 | 114 | 0 | 366 |
| Norfolk | 17 | 1 | 0 | 1 | 10 | 6 | 10 | 22 | 121 | 0 | 1 | 15 | 31 | 1 | 0 | 67 | 211 | 2 | 516 |
| Norton | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 1 | 0 | 0 | 1 | 0 | 0 | 3 | 6 | 1 | 18 |
| Petersburg | 3 | 0 | 1 | 1 | 1 | 0 | 0 | 4 | 53 | 0 | 0 | 2 | 2 | 0 | 0 | 13 | 21 | 0 | 101 |
| Poquoson | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 6 | 0 | 0 | 2 | 3 | 0 | 0 | 5 | 7 | 0 | 24 |
| Portsmouth | 5 | 0 | 0 | 0 | 3 | 2 | 0 | 9 | 83 | 0 | 0 | 8 | 9 | 0 | 0 | 13 | 48 | 0 | 180 |
| Radford | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 13 | 1 | 0 | 1 | 0 | 0 | 0 | 6 | 9 | 0 | 32 |
| Richmond | 51 | 1 | 12 | 16 | 26 | 0 | 14 | 12 | 234 | 2 | 6 | 14 | 34 | 2 | 3 | 86 | 346 | 10 | 869 |
| Roanoke | 13 | 1 | 0 | 1 | 8 | 0 | 4 | 8 | 112 | 0 | 1 | 8 | 11 | 2 | 0 | 44 | 102 | 1 | 316 |
| Salem | 2 | 0 | 2 | 2 | 2 | 0 | 3 | 4 | 22 | 0 | 0 | 3 | 4 | 2 | 0 | 11 | 19 | 0 | 76 |
| Staunton | 2 | 1 | 0 | 0 | 3 | 0 | 3 | 3 | 24 | 1 | 0 | 4 | 6 | 4 | 0 | 18 | 22 | 2 | 93 |
| Suffolk | 6 | 1 | 0 | 1 | 1 | 0 | 0 | 3 | 55 | 0 | 0 | 7 | 13 | 0 | 2 | 16 | 53 | 0 | 158 |
| Virginia Beach | 49 | 0 | 6 | 9 | 12 | 6 | 10 | 12 | 211 | 1 | 8 | 39 | 62 | 1 | 7 | 139 | 473 | 5 | 1,050 |
| Waynesboro | 4 | 0 | 1 | 2 | 0 | 0 | 1 | 3 | 22 | 0 | 1 | 2 | 5 | 1 | 0 | 12 | 17 | 2 | 73 |
| Williamsburg | 12 | 6 | 0 | 1 | 3 | 0 | 3 | 0 | 9 | 0 | 1 | 3 | 4 | 3 | 0 | 11 | 59 | 1 | 116 |
| Winchester | 9 | 0 | 2 | 3 | 5 | 0 | 4 | 4 | 23 | 0 | 0 | 5 | 5 | 1 | 0 | 20 | 50 | 1 | 132 |
| Grand Total | 279 | 17 | 52 | 77 | 127 | 15 | 103 | 160 | 1,848 | 11 | 27 | 221 | 385 | 45 | 17 | 939 | 2,528 | 36 | 6,887 |

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

(2) "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

2022 Establishments by License Category—By Counties

| Counties | All Others (1) | 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) (2) | Restaurants (Beer and Wine) | Wineries | Grand Total |
|----------------------|----------------|--------------------|---------------------|-----------------------|-----------|-------------------|------------------------|-------|--------------------|---------------|--------------|-------------|------------------------------|----------------------------------|----------------|----------------------------------|-----------------------------|----------|-------------|
| Accomack County | 6 | 3 | 2 | 2 | 1 | 0 | 1 | 3 | 44 | 0 | 0 | 2 | 8 | 1 | 0 | 10 | 26 | 0 | 109 |
| Albemarle County | 44 | 2 | 2 | 31 | 11 | 0 | 7 | 5 | 48 | 0 | 4 | 4 | 27 | 2 | 0 | 43 | 60 | 45 | 335 |
| Alleghany County | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 4 | 15 | 0 | 0 | 1 | 1 | 0 | 0 | 5 | 6 | 1 | 36 |
| Amelia County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 14 | 0 | 1 | 1 | 0 | 0 | 0 | 2 | 3 | 0 | 22 |
| Amherst County | 3 | 0 | 0 | 4 | 2 | 0 | 1 | 1 | 29 | 0 | 0 | 2 | 2 | 0 | 0 | 5 | 9 | 3 | 61 |
| Appomattox County | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 16 | 0 | 0 | 1 | 2 | 1 | 0 | 2 | 6 | 0 | 34 |
| Arlington County | 15 | 0 | 0 | 2 | 3 | 4 | 8 | 6 | 72 | 1 | 0 | 20 | 32 | 5 | 1 | 87 | 267 | 0 | 523 |
| Augusta County | 4 | 1 | 3 | 11 | 4 | 0 | 2 | 3 | 56 | 0 | 1 | 2 | 6 | 0 | 0 | 18 | 11 | 6 | 128 |
| Bath County | 3 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 1 | 1 | 0 | 4 | 7 | 2 | 31 |
| Bedford County | 11 | 1 | 0 | 5 | 4 | 1 | 1 | 6 | 46 | 0 | 0 | 3 | 5 | 0 | 0 | 15 | 24 | 7 | 129 |
| Bland County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 10 |
| Botetourt County | 5 | 0 | 2 | 4 | 1 | 0 | 0 | 1 | 30 | 1 | 1 | 1 | 3 | 0 | 0 | 11 | 13 | 3 | 76 |
| Brunswick County | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 4 | 0 | 34 |
| Buchanan County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 1 | 0 | 2 | 2 | 0 | 0 | 2 | 1 | 0 | 34 |
| Buckingham County | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 3 | 0 | 0 | 2 | 1 | 1 | 26 |
| Campbell County | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 3 | 61 | 0 | 1 | 4 | 5 | 1 | 0 | 6 | 15 | 5 | 105 |
| Caroline County | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 33 | 0 | 0 | 1 | 2 | 1 | 0 | 7 | 9 | 1 | 58 |
| Carroll County | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 27 | 0 | 0 | 1 | 1 | 2 | 0 | 4 | 5 | 2 | 46 |
| Charles City County | 2 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 4 | 1 | 18 |
| Charlotte County | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 24 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 3 | 0 | 32 |
| Chesterfield County | 20 | 1 | 3 | 3 | 6 | 0 | 3 | 7 | 160 | 0 | 1 | 26 | 39 | 3 | 2 | 83 | 193 | 6 | 556 |
| Clarke County | 7 | 2 | 1 | 3 | 0 | 0 | 0 | 2 | 12 | 1 | 1 | 0 | 1 | 0 | 0 | 9 | 6 | 4 | 49 |
| Craig County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 10 |
| Culpeper County | 4 | 0 | 1 | 5 | 6 | 0 | 1 | 3 | 33 | 0 | 2 | 3 | 8 | 1 | 0 | 12 | 24 | 5 | 108 |
| Cumberland County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 0 | 1 | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 15 |
| Dickenson County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 2 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 18 |
| Dinwiddie County | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 32 | 0 | 0 | 2 | 1 | 0 | 0 | 2 | 5 | 0 | 45 |
| Essex County | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 13 | 0 | 0 | 0 | 2 | 1 | 0 | 2 | 9 | 2 | 34 |
| Fairfax County | 57 | 0 | 64 | 66 | 18 | 0 | 34 | 23 | 223 | 0 | 4 | 57 | 130 | 24 | 2 | 306 | 722 | 6 | 1736 |
| Fauquier County | 23 | 0 | 4 | 24 | 8 | 0 | 3 | 3 | 46 | 2 | 0 | 4 | 13 | 1 | 0 | 25 | 39 | 32 | 227 |
| Floyd County | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 2 | 12 | 0 | 1 | 0 | 2 | 1 | 0 | 5 | 5 | 3 | 34 |
| Fluvanna County | 4 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 1 | 4 | 0 | 0 | 4 | 7 | 4 | 37 |
| Franklin County | 7 | 0 | 2 | 3 | 3 | 0 | 2 | 1 | 47 | 0 | 5 | 3 | 3 | 0 | 0 | 10 | 27 | 3 | 116 |
| Frederick County | 7 | 2 | 3 | 8 | 0 | 0 | 1 | 5 | 53 | 1 | 0 | 5 | 17 | 4 | 0 | 19 | 32 | 6 | 163 |
| Giles County | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 24 | 2 | 0 | 2 | 1 | 0 | 0 | 1 | 5 | 1 | 39 |
| Gloucester County | 5 | 0 | 0 | 1 | 2 | 0 | 0 | 3 | 28 | 1 | 0 | 3 | 5 | 0 | 0 | 12 | 18 | 1 | 79 |
| Goochland County | 6 | 1 | 0 | 2 | 5 | 0 | 1 | 3 | 16 | 1 | 1 | 0 | 2 | 0 | 0 | 6 | 16 | 5 | 65 |
| Grayson County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 2 | 0 | 16 |
| Greene County | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 12 | 0 | 0 | 1 | 2 | 1 | 0 | 7 | 5 | 2 | 35 |
| Greensville County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 13 |
| Halifax County | 5 | 1 | 0 | 2 | 1 | 0 | 0 | 4 | 45 | 0 | 0 | 2 | 1 | 1 | 0 | 7 | 11 | 1 | 81 |
| Hanover County | 12 | 0 | 10 | 12 | 2 | 0 | 4 | 4 | 70 | 2 | 1 | 6 | 17 | 2 | 1 | 29 | 60 | 3 | 235 |
| Henrico County | 37 | 0 | 16 | 17 | 6 | 0 | 12 | 13 | 189 | 2 | 0 | 29 | 49 | 14 | 5 | 99 | 237 | 4 | 729 |
| Henry County | 4 | 0 | 0 | 1 | 2 | 0 | 1 | 4 | 74 | 0 | 1 | 6 | 1 | 1 | 0 | 12 | 8 | 2 | 117 |
| Highland County | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 1 | 9 |
| Isle of Wight County | 2 | 0 | 0 | 1 | 2 | 0 | 0 | 4 | 30 | 0 | 1 | 3 | 6 | 1 | 0 | 10 | 13 | 5 | 78 |
| James City County | 4 | 0 | 1 | 1 | 3 | 0 | 1 | 3 | 28 | 0 | 2 | 3 | 13 | 0 | 0 | 14 | 56 | 5 | 134 |
| King & Queen County | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 11 |
| King George County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19 | 0 | 0 | 1 | 3 | 0 | 0 | 1 | 8 | 3 | 35 |
| King William County | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 0 | 0 | 1 | 2 | 0 | 0 | 5 | 8 | 0 | 31 |
| Lancaster County | 2 | 0 | 0 | 2 | 1 | 0 | 0 | 4 | 16 | 0 | 0 | 2 | 3 | 0 | 1 | 9 | 21 | 1 | 62 |
| Lee County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 30 | 1 | 1 | 1 | 2 | 0 | 0 | 1 | 4 | 0 | 41 |
| Loudoun County | 58 | 5 | 14 | 59 | 34 | 14 | 18 | 7 | 114 | 2 | 5 | 18 | 52 | 13 | 4 | 137 | 277 | 69 | 900 |
| Louisa County | 4 | 0 | 0 | 5 | 3 | 0 | 0 | 2 | 38 | 0 | 0 | 2 | 3 | 0 | 0 | 8 | 18 | 6 | 89 |
| Lunenburg County | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 14 | 0 | 0 | 0 | 1 | 0 | 0 | 4 | 1 | 0 | 26 |
| Madison County | 5 | 2 | 0 | 6 | 3 | 0 | 1 | 1 | 12 | 0 | 0 | 0 | 2 | 0 | 0 | 3 | 5 | 9 | 49 |
| Mathews County | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 9 | 0 | 0 | 0 | 1 | 0 | 0 | 4 | 4 | 0 | 22 |
| Mecklenburg County | 5 | 0 | 0 | 3 | 1 | 0 | 0 | 7 | 60 | 0 | 1 | 3 | 1 | 2 | 0 | 7 | 12 | 5 | 107 |
| Middlesex County | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 14 | 0 | 0 | 0 | 5 | 0 | 0 | 3 | 12 | 0 | 41 |
| Montgomery County | 8 | 0 | 0 | 4 | 8 | 0 | 6 | 0 | 55 | 0 | 1 | 4 | 10 | 5 | 0 | 25 | 62 | 2 | 190 |

continued on next page

LICENSED ESTABLISHMENTS' STATISTICS

2022 Establishments by License Category — By Counties

| Counties | All Others (1) | 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) (2) | Restaurants (Beer and Wine) | Wineries | Grand Total |
|-----------------------|----------------|--------------------|---------------------|-----------------------|------------|-------------------|------------------------|------------|--------------------|---------------|--------------|-------------|------------------------------|----------------------------------|----------------|----------------------------------|-----------------------------|------------|---------------|
| Nelson County | 11 | 5 | 1 | 9 | 9 | 0 | 1 | 1 | 24 | 0 | 5 | 0 | 0 | 0 | 0 | 7 | 6 | 18 | 97 |
| New Kent County | 5 | 3 | 0 | 3 | 1 | 0 | 0 | 0 | 21 | 0 | 0 | 2 | 4 | 0 | 0 | 6 | 16 | 4 | 65 |
| Northampton County | 2 | 2 | 2 | 3 | 3 | 0 | 1 | 1 | 24 | 0 | 0 | 1 | 1 | 1 | 0 | 8 | 17 | 1 | 67 |
| Northumberland County | 3 | 0 | 0 | 2 | 1 | 0 | 0 | 3 | 12 | 0 | 0 | 1 | 1 | 0 | 0 | 4 | 9 | 4 | 40 |
| Nottoway County | 0 | 1 | 2 | 2 | 0 | 0 | 0 | 3 | 22 | 0 | 1 | 0 | 2 | 0 | 0 | 5 | 7 | 0 | 45 |
| Orange County | 6 | 0 | 0 | 6 | 4 | 0 | 2 | 0 | 25 | 0 | 0 | 2 | 5 | 0 | 0 | 11 | 17 | 12 | 90 |
| Page County | 5 | 3 | 0 | 1 | 1 | 0 | 0 | 3 | 24 | 0 | 3 | 1 | 2 | 0 | 0 | 14 | 9 | 4 | 70 |
| Patrick County | 1 | 0 | 0 | 2 | 0 | 0 | 0 | 1 | 24 | 0 | 0 | 2 | 2 | 0 | 0 | 5 | 5 | 2 | 44 |
| Pittsylvania County | 3 | 0 | 2 | 4 | 0 | 0 | 1 | 3 | 71 | 0 | 0 | 1 | 0 | 0 | 0 | 7 | 13 | 3 | 108 |
| Powhatan County | 2 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 17 | 0 | 1 | 1 | 1 | 0 | 0 | 6 | 16 | 1 | 48 |
| Prince Edward County | 1 | 0 | 0 | 0 | 1 | 0 | 2 | 1 | 25 | 0 | 1 | 2 | 2 | 1 | 0 | 7 | 15 | 0 | 58 |
| Prince George County | 2 | 1 | 0 | 0 | 1 | 0 | 0 | 2 | 25 | 0 | 0 | 1 | 1 | 0 | 0 | 4 | 10 | 0 | 47 |
| Prince William County | 20 | 0 | 14 | 16 | 13 | 0 | 5 | 9 | 158 | 1 | 1 | 20 | 48 | 6 | 6 | 91 | 210 | 8 | 626 |
| Pulaski County | 3 | 0 | 0 | 4 | 2 | 0 | 0 | 3 | 34 | 0 | 1 | 5 | 4 | 0 | 0 | 7 | 12 | 4 | 79 |
| Rappahannock County | 10 | 4 | 0 | 7 | 3 | 0 | 0 | 0 | 6 | 0 | 2 | 0 | 0 | 0 | 0 | 1 | 10 | 12 | 55 |
| Richmond County | 0 | 0 | 1 | 3 | 0 | 0 | 2 | 0 | 11 | 0 | 0 | 1 | 1 | 0 | 0 | 3 | 2 | 0 | 24 |
| Roanoke County | 4 | 1 | 4 | 4 | 3 | 0 | 4 | 3 | 50 | 0 | 0 | 4 | 10 | 1 | 2 | 26 | 44 | 2 | 162 |
| Rockbridge County | 3 | 6 | 0 | 4 | 4 | 0 | 4 | 2 | 32 | 0 | 2 | 0 | 2 | 1 | 0 | 6 | 9 | 7 | 82 |
| Rockingham County | 6 | 0 | 1 | 6 | 4 | 0 | 2 | 3 | 47 | 0 | 0 | 2 | 7 | 0 | 0 | 14 | 22 | 6 | 120 |
| Russell County | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 23 | 0 | 1 | 0 | 2 | 0 | 0 | 2 | 4 | 1 | 37 |
| Scott County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33 | 0 | 0 | 1 | 2 | 0 | 0 | 2 | 1 | 0 | 39 |
| Shenandoah County | 9 | 1 | 1 | 9 | 3 | 0 | 0 | 8 | 43 | 0 | 2 | 3 | 7 | 1 | 0 | 23 | 13 | 11 | 134 |
| Smyth County | 1 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 34 | 0 | 3 | 2 | 3 | 0 | 0 | 5 | 9 | 2 | 62 |
| Southampton County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 18 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 2 | 0 | 25 |
| Spotsylvania County | 8 | 1 | 0 | 6 | 2 | 0 | 2 | 7 | 71 | 0 | 1 | 11 | 16 | 2 | 0 | 30 | 61 | 5 | 223 |
| Stafford County | 10 | 0 | 1 | 4 | 4 | 0 | 2 | 6 | 52 | 1 | 0 | 6 | 16 | 2 | 0 | 24 | 44 | 3 | 175 |
| Surry County | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 12 |
| Sussex County | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 26 | 0 | 0 | 0 | 2 | 0 | 0 | 5 | 1 | 0 | 36 |
| Tazewell County | 3 | 0 | 0 | 1 | 1 | 0 | 1 | 2 | 50 | 3 | 0 | 2 | 8 | 0 | 0 | 6 | 13 | 1 | 91 |
| Warren County | 7 | 1 | 0 | 3 | 2 | 0 | 0 | 3 | 34 | 0 | 0 | 1 | 5 | 2 | 0 | 18 | 21 | 7 | 104 |
| Washington County | 5 | 2 | 2 | 5 | 3 | 0 | 0 | 2 | 53 | 0 | 1 | 2 | 8 | 1 | 0 | 11 | 25 | 3 | 123 |
| Westmoreland County | 5 | 1 | 0 | 3 | 3 | 0 | 0 | 6 | 19 | 0 | 0 | 2 | 2 | 0 | 0 | 9 | 12 | 3 | 65 |
| Wise County | 2 | 0 | 0 | 1 | 2 | 0 | 0 | 1 | 36 | 0 | 0 | 4 | 4 | 1 | 0 | 4 | 11 | 1 | 67 |
| Wythe County | 2 | 0 | 0 | 1 | 3 | 0 | 0 | 2 | 43 | 0 | 0 | 2 | 3 | 2 | 0 | 3 | 14 | 1 | 76 |
| York County | 6 | 1 | 0 | 0 | 3 | 1 | 1 | 3 | 34 | 1 | 1 | 7 | 8 | 2 | 1 | 23 | 45 | 1 | 138 |
| Grand Total | 562 | 59 | 159 | 408 | 227 | 20 | 140 | 242 | 3,453 | 26 | 63 | 325 | 684 | 113 | 25 | 1,519 | 3,136 | 402 | 11,563 |

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

(2) "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



A Message from the Chair and Chief Executive Officer



ABOVE: CEO Travis Hill and Board Chair Maria Everett

It is our pleasure to present the 2022 fiscal year annual report for the Virginia Alcoholic Beverage Control Authority. These facts and figures represent ABC's 24th consecutive record-breaking year for retail sales for a fourth time generating more than \$1 billion in alcohol sales. Virginia ABC operations contributed a record \$243.6 million in profits from retail sales. These profits combined with \$294.8 million in retail taxes as well as \$84.3 million collected in wine and beer taxes resulted in an all-time high of \$622.8 million transferred to the Commonwealth for designated state programs and services, Virginia's general fund, which is \$6.4 million above last year's contribution. A major source of revenue for the Commonwealth, ABC has contributed nearly \$12.7 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 ABC operations during the fiscal year. Virginia ABC's financial statements are audited annually by the Auditor of Public Accounts as required by the *Code of Virginia*.

Financial Results in Brief, Fiscal Year 2022

| SOURCE | FY 22 | FY 21 | FY 20 | FY 19 | FY 18 | FY 17 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ABC profit disbursements (1) | \$243,607,393 | \$237,299,273 | \$212,090,014 | \$196,657,876 | \$179,190,609 | \$171,154,888 |
| State Taxes (2) | 227,552,086 | 220,077,922 | 193,674,997 | 174,144,519 | 160,909,741 | 154,446,630 |
| General Sales tax (3) | 67,253,281 | 73,866,526 | 57,644,636 | 48,846,783 | 45,357,513 | 43,343,103 |
| Wine Liter Tax (4) | 42,262,276 | 41,986,750 | 39,628,720 | 38,465,862 | 37,649,424 | 36,801,248 |
| Malt beverage tax (5) | 42,080,957 | 43,128,431 | 42,219,288 | 41,383,922 | 41,633,945 | 42,818,745 |
| Total | \$622,755,993 | \$616,358,902 | \$545,257,655 | \$499,498,962 | \$464,741,232 | \$448,564,614 |

(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 2022

| | Gallons* | Liters | Total Gallons (%) | Gross Dollars (\$) | Gross Sales (%) |
|--------------------------------------|--------------------|--------------------|-------------------|------------------------|-----------------|
| State Store Sales | | | | | |
| Distilled Spirits | 13,794,873 | 52,219,251 | 97.0 | \$1,350,450,685 | 97.0 |
| Virginia Wine | 37,231 | 140,933 | 0.3 | 2,813,294 | 0.3 |
| Vermouth | 37,375 | 141,480 | 0.3 | 2,040,656 | 0.3 |
| Alcohol | 4,584 | 17,352 | 0.0 | 641,286 | 0.0 |
| Non-Alcoholic Mixers | 347,122 | 1,313,999 | 2.4 | 7,706,654 | 2.4 |
| Total | 14,221,185 | 53,833,014 | 100.0 | \$1,363,652,575 | 100.0 |
| Direct Sales from Wholesalers | | | | | |
| Wines (\$0.40 Liter) (1) | 28,882,353 | 109,331,550 | 16.3 | \$43,733,506 | 16.3 |
| Beer (\$7.95 Barrel) | 148,538,932 | 562,280,759 | 83.7 | 42,080,957 | 83.7 |
| Total | 177,421,285 | 671,612,308 | 100.0 | \$85,814,464 | 100.0% |

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

Source: Policy and Planning

2022



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Transition To Authority Enactment Clause 14

Six-Year Financial Forecast

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 7450 Freight Way Mechanicsville, Virginia 23116 or visit us at www.abc.virginia.gov.

INDEPENDENT AUDITOR'S REPORT



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 17, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Alcoholic Beverage Control Board
Virginia Alcoholic Beverage Control Authority

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Virginia Alcoholic Beverage Control Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1, 3, and 5 of the accompanying financial statements, the Authority implemented the Governmental Accounting Standards Board's Statement No. 87, Leases. Net capital assets and lease liabilities have been restated in Notes 3 and 5 of the accompanying financial statements, respectively, to reflect the provisions of this standard. Our opinion is not modified with respect to this matter.

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continued on next page

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

continued on next page

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 54 through 58; 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 106 through 107; 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 109 through 112; 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 108. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Introduction, Division Highlights, Division Statistics, Licensed Establishments' Statistics, Fiscal Year Highlights, Financial Statistical Section, Transition to Authority Enactment Clause, and Six-Year Financial Forecast but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JMR/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, 2022. 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, 2022. 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 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 utilizes a cloud-based financial system as its Enterprise Resource Planning (ERP) system.

FINANCIAL HIGHLIGHTS

The Authority's operating revenues increased 3.4% in fiscal year 2022. This increase in revenue is primarily due to a \$40.2 million incremental increase in the number of bottles/units sold and \$14.6 million due to premiumization where customers selected higher quality premium brands.

The Authority's Cost of Goods Sold (COGS) for alcohol increased by \$17.8 million from 2021 due to the increased sales volume and the addition of 2 new stores. Historically, COGS is about 48.0% of gross sales. In fiscal year 2022, COGS was 48.2% of gross sales. Cost of Goods Sold trends are available in the Statistical Section on page 118.

The Authority's operating expenses increased 2.8% in fiscal year 2022. Historically, depreciation and amortization has not been a main driver of operating expenses fluctuations for the Authority, but with the implementation of new GASB 87-Accounting for Leases (GASB 87) during the fiscal year and the move to its new \$90.5 million central office and distribution center that will allow increased efficiencies and make way for future planned revenue growth, there was an overall depreciation and amortization increase of \$30.8 million from fiscal year 2021, a 764.5% increase. \$23.8 million of the increase is due to the amortization of right to use intangible assets – building, stemming from the new accounting treatment of leases, which was effective July 1, 2021. The GASB pronouncement required lease agreements entered into by the Authority to be recognized as lease liabilities, with corresponding right to use intangible assets in the Statement of Net Position (SNP). In addition, this is the first full year that depreciation and amortization expense were recorded on the Authority's new central office and distribution center. Continuous charges decreased by \$22.4 million from fiscal year 2021, a 57.9% decrease, also primarily due to the implementation of GASB 87. The related accounting for leases required lease liabilities to be recorded in the SNP, instead of recognizing building rental expense in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). Rental payments were accounted for as a reduction to the lease liabilities as payments were made and recognized as an outflow of resources for the interest on the liability.

The Authority's operations earned profits, before recognition of Pension and Other Postemployment Benefits (OPEB) adjustments, of \$243.6 million and disbursed \$243.6 million to the Commonwealth. In addition, the Authority collected state excise tax on sales of \$227.7 million. Operations earned total profits of \$253.0 million, after the recognition of \$9.4 million of net Pension and OPEB adjustments. The sale of the Authority's old corporate headquarters and warehouse for a net gain of \$15.1 million added considerably to the Authority's profits.

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, 2022. 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.

continued on next page

MANAGEMENT’S DISCUSSION AND ANALYSIS, continued

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, 2022. 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 clients of the Authority. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenue. Salaries and benefits for staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided and the same 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 2022 with a total of \$483.9 million in total assets and deferred outflows of resources, a 70.2% increase over the prior fiscal year. \$145.7 million of total assets is attributed to current assets. Included in the \$145.7 million is \$100.2 million in inventory of alcohol merchandise for resale, a \$19.4 million increase over fiscal year 2021. The Authority does not purchase the alcohol in its distribution center until it is being shipped to one of its stores. At periodic times throughout the year, the Authority purchases the inventory in its distribution center, 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 2022, compared to fiscal year 2021 and the addition of two new stores during the year.

| Net Position | FY 2022 | FY 2021 | Change (\$) | Change (%) |
|--|---------------------|-----------------------|----------------------|--------------|
| Current and other assets | \$ 145,707,524 | \$ 130,229,609 | \$ 15,477,915 | 11.9% |
| Capital assets, net | 304,781,247 | 121,818,144 | 182,963,103 | 150.2% |
| Other assets - OPEB | 4,864,281 | 2,955,302 | 1,908,979 | 64.6% |
| Total assets | 455,353,052 | 255,003,055 | 200,349,997 | 78.6% |
| Deferred outflows of resources, Pension | 21,781,962 | 23,571,080 | (1,789,118) | -7.6% |
| Deferred outflows of resources, OPEB | 6,730,464 | 5,757,984 | 972,480 | 16.9% |
| Total assets and deferred outflows of resources | 483,865,478 | 284,332,119 | 199,533,359 | 70.2% |
| Current liabilities | 187,140,071 | 160,339,188 | 26,800,883 | 16.7% |
| Noncurrent liabilities | 241,524,978 | 119,879,875 | 121,645,103 | 101.5% |
| Total liabilities | 428,665,049 | 280,219,063 | 148,445,986 | 53.0% |
| Deferred inflows of resources, Pension | 37,230,865 | 1,206,161 | 36,024,704 | NM |
| Deferred inflows of resources, OPEB | 13,134,406 | 11,144,075 | 1,990,331 | 17.9% |
| Total liabilities and deferred inflows of resources | 479,030,320 | 292,569,299 | 186,461,021 | 63.7% |
| Net position: | | | | |
| Investment in capital assets | 113,822,702 | 121,818,144 | (7,995,442) | -6.6% |
| Restricted | 4,864,281 | 2,955,302 | 1,908,979 | 64.6% |
| Unrestricted | (113,851,825) | (133,010,626) | 19,158,801 | -14.4% |
| Total net position | \$ 4,835,158 | \$ (8,237,180) | \$ 13,072,338 | NM |

continued on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

Total Assets and Deferred Outflows of Resources

Current assets - increased \$15.5 million from the 2021 fiscal year, primarily due to a \$19.4 million increase in inventory, offset by a \$5.7 million decrease in cash and cash equivalents. This decrease is due to net cash used by operating activities. No accelerated payments of vouchers were necessary in 2022. Receivables increased by \$1.6 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. The increase in receivable balance follows the increase in the sale of alcohol and the calendar timing of the year end cutoff.

Capital assets, net - capital assets saw a \$183.0 million increase to \$304.8 million in fiscal year 2022 primarily due to \$186.6 million increase in right to use intangible asset – building, net. The Authority adopted GASB 87 in fiscal year 2022 which required lessees to recognize a right to use intangible asset – building on the Statement of Net Position.

Deferred outflows of resources - combined deferred outflows of resources for both pension and OPEB decreased by \$0.8 million in fiscal year 2022.

Total Liabilities and Deferred Inflows of Resources

Current liabilities - increased \$26.8 million or 16.7% from fiscal year 2021. The increase is primarily due to \$20.9 million increase in short-term lease liabilities from adopting GASB 87 in fiscal year 2022.

Noncurrent liabilities - increased \$121.6 million primarily due to \$170.1 million of long-term lease liabilities from adopting GASB 87 in fiscal year 2022. The net increase in noncurrent liabilities was partially offset by a decrease in the net pension liability of \$43.7 million over the prior fiscal year.

Deferred inflows of resources - increased \$38.0 million primarily due to the deferred inflows of resources for pension.

Total Net Position

Investment in capital assets represents the Authority's total investment in non-depreciable capital assets, depreciable capital assets, construction-in-progress and right to use intangible assets reduced by outstanding lease liabilities. This decreased by \$8.0 million in fiscal year 2022.

The restricted component of net position is the \$4.9 million Virginia Retirement System Disability Insurance Program (VSDP OPEB) that can only be used to pay for VSDP OPEB benefits. The unrestricted component of net position increased by \$19.2 million from the prior year while total net position increased \$13.1 million in fiscal year 2022.

The Authority lacks working capital (current assets in excess of current liabilities) to fund all 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 \$80.0 million line of credit with the State Comptroller to meet day-to-day operations. At June 30, 2022, the amount borrowed was \$43.7 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 395 state-run stores located throughout the Commonwealth. During fiscal year 2022, gross alcohol sales, including state tax on sales, reached an all-time high of \$1,369.7 million, up \$39.8 million over fiscal year 2021. The net revenue without state tax on sales of alcohol increased from \$1,109.5 million in fiscal year 2021 to \$1,142.0 million in fiscal year 2022 or a 2.9% increase. License and permit fees increased from \$14.9 million to \$17.1 million, a 15.3% increase. Merchandise sales makes up a significant portion of the Miscellaneous increase from \$6.0 million to \$9.2 million, a 54.1% increase.

| Operating Revenue | FY 2022 | FY 2021 | Change Amount | Change Percent |
|---------------------------------------|-------------------------|-------------------------|----------------------|----------------|
| Sales of alcohol | \$ 1,141,950,801 | \$ 1,109,481,996 | \$ 32,468,805 | 2.9% |
| License and permit fees | 17,147,748 | 14,869,126 | 2,278,622 | 15.3% |
| Wine wholesalers tax | 4,517,027 | 4,478,961 | 38,066 | 0.8% |
| Penalties | 253,980 | 156,967 | 97,013 | 61.8% |
| Mixed beverage tax on common carriers | 97,133 | 22,097 | 75,036 | 339.6% |
| Miscellaneous | 9,169,936 | 5,950,800 | 3,219,136 | 54.1% |
| Net operating revenues | \$ 1,173,136,625 | \$ 1,134,959,947 | \$ 38,176,678 | 3.4% |

continued on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

EXPENSES

In fiscal year 2022, operating expenses (not including cost of sales for alcohol) increased from \$263.1 million to \$270.8 million, an increase of 2.9%. Approximately 70.9% of the Authority's total operating expenses are for the cost of sales of alcohol sold through the Authority's stores. Personal services (cost of personnel and benefits) accounts for 16.2% of the Authority's total operating expenses. The remaining 12.9% are made up of contractual charges (e.g., credit card fees, computer software development & maintenance), continuous charges (e.g., short-term store rental leases) and other miscellaneous charges. Continuous charges decreased by \$22.4 million over the prior year primarily due to the implementation of GASB 87, wherein store rental expenses were accounted for as a reduction to lease liabilities and interest expense on long-term leases instead. Depreciation and amortization increased by \$30.8 million also primarily due to GASB 87 implementation, \$23.8 million of the increase is due to the amortization of right to use intangible assets - building. In addition, this is the first full year that depreciation and amortization expenses were recorded for the Authority's new central office and distribution center.

| Operating Expenses | FY2022 | FY 2022 % Expenses | FY 2021 | Change (\$) | Change (%) |
|---------------------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| Cost of goods - Alcohol | \$ 660,689,814 | 70.9% | \$ 642,888,983 | \$ 17,800,831 | 2.8% |
| Personal services | 150,455,712 | 16.2% | 151,766,426 | (1,310,714) | -0.9% |
| Continuous charges | 16,251,275 | 1.7% | 38,644,856 | (22,393,581) | -57.9% |
| Contractual charges | 55,652,151 | 6.0% | 56,862,610 | (1,210,459) | -2.1% |
| Supplies and materials | 6,930,860 | 0.7% | 6,056,788 | 874,072 | 14.4% |
| Depreciation & amortization | 34,809,666 | 3.7% | 4,026,437 | 30,783,229 | 764.5% |
| Expendable equipment | 6,321,406 | 0.7% | 5,084,688 | 1,236,718 | 24.3% |
| Other | 397,266 | 0.1% | 677,665 | (280,399) | -41.4% |
| | 270,818,336 | 29.1% | 263,119,470 | 7,698,866 | 2.9% |
| Total operating expenses | \$ 931,508,150 | 100.0% | \$ 906,008,453 | \$ 25,499,697 | 2.8% |

The Authority's operating expenses are driven by sales. In fiscal year 2022, the Authority's operating expenses increased by 2.8 % over fiscal year 2021; but as a percentage of sales, the Authority had three decreases, one increase, and one with no change in the five main cost drivers. Personal services and Continuous charges saw percentage of sales decrease of 0.5% and 2.1%, respectively. The decrease in personal services is primarily due to a decrease in employer pension expenses. Continuous charges decreased as a percentage of sales is attributed to the implementation of GASB 87. Depreciation and amortization increase as a percentage of sales is also attributed to the implementation of GASB 87.

| Operating Expenses as a Percentage of Sales | FY 2022 | % of Sales | FY 2021 | % of Sales | % Change |
|---|------------------|------------|------------------|------------|----------|
| Sales - Alcohol | \$ 1,141,950,801 | | \$ 1,109,481,996 | | |
| Cost of goods - Alcohol | 660,689,814 | 57.9% | 642,888,983 | 57.9% | 0.0% |
| Personal services | 150,455,712 | 13.2% | 151,766,426 | 13.7% | -0.5% |
| Continuous charges | 16,251,275 | 1.4% | 38,644,856 | 3.5% | -2.1% |
| Contractual charges | 55,652,151 | 4.9% | 56,862,610 | 5.1% | -0.2% |
| Depreciation and amortization | 34,809,666 | 3.0% | 4,026,437 | 0.4% | 2.6% |

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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 2022, approximately \$69.4 million was disbursed to other state agencies. The remaining \$174.2 million was disbursed to the General Fund in accordance with the *Code of Virginia*.

| Revenues, Expenses and Change in Net Position | FY 2022 | FY 2021 | Change |
|---|---------------------|-----------------------|----------------------|
| Net operating revenues | \$ 1,173,136,625 | \$ 1,134,959,947 | \$ 38,176,678 |
| Total operating expenses | 931,508,150 | 906,008,453 | 25,499,697 |
| Non-operating revenues / (expenses) | 11,338,714 | 4,051,749 | 7,286,965 |
| Net profit before contributions and disbursements | 252,967,189 | 233,003,243 | 19,963,946 |
| Capital asset contribution | 3,712,542 | 76,940,783 | (73,228,241) |
| Disbursements of profit to the General Fund of the Commonwealth | (174,179,283) | (167,871,163) | (6,308,120) |
| Appropriation Act disbursements | (69,428,110) | (69,428,110) | - |
| Total disbursements | (243,607,393) | (237,299,273) | (6,308,120) |
| Change in net position | 13,072,338 | 72,644,753 | (59,572,415) |
| Total net position - beginning | (8,237,180) | (80,881,933) | 72,644,753 |
| Total net position - ending | \$ 4,835,158 | \$ (8,237,180) | \$ 13,072,338 |

Economic Factors and Next Year's Budget

Premiumization - During fiscal year 2022, \$14.6 million of the increase in stores sales was driven by consumers selecting higher quality premium brands.

Incremental units – During fiscal year 2022 \$40.2 million of the increase in store sales was driven by an increase in the number of bottles/units sold.

In fiscal year 2023, 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 \$1,421.0 million, or 3.7% increase over fiscal year 2022 year-end gross sales of \$1,369.7 million. The Authority expects sales to grow in the retail segment but at a lower rate due to ongoing and anticipated recession, supply chain related issues and continued economic uncertainty. Like other industries, the spirits industry is challenged with materials needed for the production, bottling, and transportation of spirits. It, however, expects to see continued growth in the store network and the purchasing of premium products by retail customers.

Risks include continued product shortages resulting from continued global supply chain disruptions, and weather fluctuations, particularly during the holiday season, inflation impact on consumer spending, projected increases in expenses due to higher prices, and increasing likelihood of an economic recession.

ABC expects expenses to continue to increase in fiscal year 2023. 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 driver shortages, continued expansion of stores and increasing sales volume, and the volatility of gas prices. 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 projects 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 capital projects to upgrade the Authority's infrastructure to further solidify the Authority as a continued source of significant revenue for the Commonwealth. These investments will provide technology enhancements to improve the customer experience by creating online ordering capability for limited availability products; modernize the procurement systems; and provide enforcement officers with body worn cameras.

FINANCIAL STATEMENTS

Statement of Net Position - As of June 30, 2022

Assets

Current assets:

| | |
|------------------------------------|--------------------|
| Cash and cash equivalents (Note 2) | \$ 33,787,749 |
| Petty cash | 423,550 |
| Receivables (Note 1D) | 8,652,346 |
| Inventory - Alcohol (Note 1E, 12) | 100,185,210 |
| Prepaid other expenses (Note 1M) | 2,658,669 |
| Total current assets | 145,707,524 |

Noncurrent assets:

| | |
|---|--------------------|
| Nondepreciable capital assets - Land (Note 3) | 10,882,996 |
| Depreciable capital assets, net (Note 3) | 107,324,374 |
| Right to use intangible assets - Building, net (Note 3) | 186,560,977 |
| Nondepreciable construction in progress (Note 3) | 12,900 |
| Total noncurrent assets (capital assets, net) | 304,781,247 |

| | |
|-------------------------------|-----------|
| Other Assets - OPEB (Note 10) | 4,864,281 |
|-------------------------------|-----------|

| | |
|--|--------------------|
| Total noncurrent & other assets | 309,645,528 |
|--|--------------------|

| | |
|--|-------------------|
| Deferred Outflows of Resources (Pension) (Note 1H, 9) | 21,781,962 |
|--|-------------------|

| | |
|--|------------------|
| Deferred Outflows of Resources (OPEB) (Note 1H, 10) | 6,730,464 |
|--|------------------|

| | |
|--|--------------------|
| Total assets and deferred outflows of resources | 483,865,478 |
|--|--------------------|

Liabilities

Current liabilities:

| | |
|--|--------------------|
| Accounts payable (Note 7) | 89,018,345 |
| Unearned revenue (Note 1C) | 762,725 |
| Short-term lease liabilities (Note 5) | 20,880,714 |
| Due to Commonwealth of Virginia (Note 4) | 64,646,250 |
| Obligations under securities lending (Note 1F) | 3,394,636 |
| Compensated absences payable (Note 6) | 7,988,192 |
| OPEB liability (Note 10) | 449,209 |
| Total current liabilities | 187,140,071 |

Noncurrent liabilities:

| | |
|--------------------------------------|--------------------|
| Long-term lease liabilities (Note 5) | 170,077,831 |
| Net pension liability (Note 9) | 53,358,888 |
| OPEB liability (Note 10) | 18,088,259 |
| Total noncurrent liabilities | 241,524,978 |

| | |
|---|-------------------|
| Deferred Inflows of Resources (Pension) (Note 1I, 9) | 37,230,865 |
|---|-------------------|

| | |
|---|-------------------|
| Deferred Inflows of Resources (OPEB) (Note 1I, 10) | 13,134,406 |
|---|-------------------|

| | |
|--|--------------------|
| Total liabilities and deferred inflows of resources | 479,030,320 |
|--|--------------------|

Net Position

| | |
|-----------------------------------|---------------------|
| Investment in capital assets | 113,822,702 |
| Restricted net position (Note 1J) | 4,864,281 |
| Unrestricted net position | (113,851,825) |
| Total net position | \$ 4,835,158 |

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

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FINANCIAL STATEMENTS

Statement of Revenues, Expenses, and Changes in Net Position - For the Period Ended June 30, 2022

Operating revenues:

| | |
|---------------------------------------|------------------|
| Sales of alcohol | \$ 1,141,950,801 |
| License and permit fees | 17,147,748 |
| Wine wholesalers tax | 4,517,027 |
| Penalties | 253,980 |
| Mixed beverage tax on common carriers | 97,133 |
| Miscellaneous | 9,169,936 |
| | <hr/> |
| Total operating revenues | 1,173,136,625 |

Operating expenses:

| | |
|-------------------------------|-------------|
| Cost of sales of alcohol | 660,689,814 |
| Personal services | 150,455,712 |
| Continuous charges | 16,251,275 |
| Contractual charges | 55,652,151 |
| Supplies and materials | 6,930,860 |
| Depreciation and amortization | 34,809,666 |
| Expendable equipment | 6,321,406 |
| Other | 397,266 |
| | <hr/> |
| Total operating expenses | 931,508,150 |
| | <hr/> |
| Operating income | 241,628,475 |

Nonoperating revenues (expenses):

| | |
|---|-------------|
| Rents | 33,017 |
| Gain on disposal of capital assets | 15,117,759 |
| Income from security lending transactions (Note 1F) | 26,058 |
| Expenses from security lending transactions | (26,058) |
| Income from Public Assistance grant | 1,693,645 |
| Interest income (expense) | 143,617 |
| Seized assets | 6,318 |
| Interest expense on long-term leases | (5,858,442) |
| Other - Games of Skill | 202,800 |
| | <hr/> |
| Total nonoperating revenues before disbursements | 11,338,714 |
| | <hr/> |
| Net profit before contributions & disbursements | 252,967,189 |

Capital asset contribution

3,712,542

Disbursements:

| | |
|--|---------------|
| Disbursements of profits to the General Fund of the Commonwealth | (174,179,283) |
| Appropriation Act disbursements | (69,428,110) |
| | <hr/> |
| Total disbursements | (243,607,393) |

Total nonoperating revenues (expenses) after disbursements 13,072,338

Total net position - July 1, 2021 (8,237,180)

Total net position - June 30, 2022 \$ 4,835,158

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

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FINANCIAL STATEMENTS

Statement of Cash Flows - For the Period Ended June 30, 2022

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Cash received from sales | \$ 1,141,683,414 |
| Cash received from licenses and fees | 17,387,274 |
| Cash received from other revenues | 12,706,045 |
| Cash payments for cost of sales | (670,664,910) |
| Cash payments for personal services | (198,754,744) |
| Cash payments for other expenses | (46,921,866) |
| | <hr/> |
| Net cash provided by operating activities | 255,435,213 |
| Cash flows from noncapital financing activities: | |
| Note payable to the Commonwealth | 43,688,626 |
| Due to the Commonwealth repayments | (65,750,783) |
| Cash received from Public Assistance Program, seized assets, rental income & games of skill | 1,935,779 |
| Cash received from taxes | 337,067,644 |
| Transfers of tax collections to the General Fund of the Commonwealth | (269,305,626) |
| Transfers of tax collections to the Commonwealth's Department of Taxation | (62,489,560) |
| Transfers of profit to the General Fund of the Commonwealth | (162,898,884) |
| Appropriation Act Transfers | (69,428,110) |
| | <hr/> |
| Net cash used for noncapital financing activities | (247,180,914) |
| Cash flows from capital and related financing activities: | |
| Construction in-progress | (3,580,673) |
| Acquisition of capital assets | (1,197,218) |
| Proceeds from sale of depreciable assets | 16,158,818 |
| Principal paid on long-term leases | (19,364,850) |
| Interest paid on long-term leases | (5,858,442) |
| Interest Income | 143,617 |
| | <hr/> |
| Net cash used by capital financing activities | (13,698,748) |
| Net decrease in cash and cash equivalents | (5,444,449) |
| Cash and cash equivalents - July 1, 2021 | <hr/> 36,261,112 |
| Cash and cash equivalents - June 30, 2022 | <hr/> \$ 30,816,663 |
| Reconciliation of cash and cash equivalents | |
| Cash and cash equivalents | \$ 33,787,749 |
| Petty cash | 423,550 |
| Securities lending cash equivalents | (3,394,636) |
| | <hr/> |
| | \$ 30,816,663 |
| Reconciliation of net profit to net cash provided by operating activities: | |
| Operating income | \$ 241,628,475 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 34,809,666 |
| Change in assets, deferred outflows, liabilities, and deferred inflows: | |
| Increase in accounts receivable | (1,599,417) |
| Increase in inventory | (19,394,592) |
| Decrease in compensated absences | (881,148) |
| Increase in accounts payable | 10,168,756 |
| Increase in prepaid items | (182,577) |
| Increase in unearned revenues | 239,526 |
| Decrease in pension liabilities | (43,722,276) |
| Decrease in pension deferred outflows | 1,789,118 |
| Increase in pension deferred inflows | 36,024,704 |
| Increase in OPEB deferred outflows | (972,480) |
| Decrease in OPEB liabilities | (2,553,894) |
| Increase in OPEB deferred inflows | 1,990,331 |
| Increase in OPEB assets | (1,908,979) |
| | <hr/> |
| Net cash provided by operating activities | \$ 255,435,213 |
| Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions | |
| Donation of Hanover facility | \$ 3,712,542 |
| Lease liabilities assumed related to right to use intangible assets | \$ 43,643,650 |

The accompanying notes to financial statements are an integral part of this statement.

FINANCIAL STATEMENTS

Notes to Financial Statements: Appendix – As of June 30, 2022

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 Annual Comprehensive Financial Report (the "ACFR"). 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 2022 primarily due to opening of two stores and the expansion of four existing stores and advance buy for \$9,188,711 made in June 2022 before purchase price increases took effect on July 1, 2022.

F. Securities Lending

Investments held by the Treasurer of Virginia represent the Authority's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the ACFR. 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 Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS)

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's fiduciary net 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.

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 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 fiduciary net 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 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 fiduciary net 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 fiduciary net 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) 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 Notes 9 and 10 for general information about Pension and the other post-employment benefits (OPEB) plans and calculation of the OPEB liability.

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

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. When both restricted and unrestricted resources are available for use, the Authority's policy is to use the restricted resources first.

K. Net Position

The Net Position at year-end includes results of recording the Authority's other assets – OPEB and 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.

N. Right to Use Intangible Assets and Lease Liabilities

The Authority adopted *GASB 87 - Leases* on July 1, 2021, which required lessees to disclose key information about leasing arrangements and recognize lease liabilities and corresponding right to use intangible assets on its Statement of Net Position, for leases that were previously accounted for as operating lease at the commencement date, that were under the provisions of GASB Statement 87. Leases were recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. The lease liability was measured using the remaining lease term and discount rate as of the beginning of implementation. The right-to-use asset was measured based on the lease liability at that date and therefore, there is no net effect to beginning net position because the lease asset and the lease liability amounts are the same.

2. CASH WITH THE TREASURER OF VIRGINIA

All State funds of the Authority are held by the Treasurer of Virginia, pursuant to Section 2.2-1800, et. seq., *Code of Virginia*, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled State funds is reported as "Cash and Cash Equivalents" on the Statement of Net Position and is not subject to custodial credit risk. Cash equivalents are investments with an original maturity of 90 days or less.

The Authority participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$3,394,636 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 ACFR.

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

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

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). Right to use intangible asset – Buildings are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and amortized straight-line over the shorter of the lease term or the useful life of the underlying asset. Amortization expense on right to use intangible assets amounted to \$23,762,419 in fiscal year 2022. An intangible right to use lease asset and lease liability are calculated for contracts with \$50,000 or more in total future lease payments from July 1, 2021, or the date the lease begins if after July 1, 2021, to the end of the lease term.

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

| | Balance at July 1, 2021 * | Acquired | Deleted | Transferred | Balance at June 30, 2022 |
|--|------------------------------|----------------------|------------------------|-------------|-----------------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 11,608,114 | \$ - | \$ (725,118.00) | \$ - | \$ 10,882,996 |
| Construction in-progress | 9,985,088 | 3,580,673 | (13,552,861) | - | 12,900 |
| Total non-depreciable capital assets | 21,593,202 | 3,580,673 | (14,277,979) | - | 10,895,896 |
| Depreciable capital assets: | | | | | |
| Buildings | 61,144,038 | 1,099,647 | (6,239,607) | - | 56,004,078 |
| Office equipment | 9,510,042 | 236,968 | (4,880,172) | (3,062,462) | 1,804,376 |
| Motor vehicle equipment | 5,667,907 | 786,954 | (590,737) | - | 5,864,124 |
| Stores equipment | 7,291,755 | 518,822 | - | 6,602,450 | 14,413,027 |
| Warehouse equipment | 36,129,284 | 73,705 | (13,404,792) | (2,172,576) | 20,625,621 |
| Intangibles | 25,578,037 | 15,684,397 | (528,919) | (4,429,874) | 36,303,641 |
| Furnitures and fixtures | - | 62,129 | - | 3,062,462 | 3,124,591 |
| Total depreciable capital assets | 145,321,063 | 18,462,622 | (25,644,227) | - | 138,139,458 |
| Right to use intangible assets: | | | | | |
| Buildings | 166,679,745 | 43,643,651 | - | - | 210,323,396 |
| Total depreciable capital assets and right to use intangible assets | 312,000,808 | 62,106,273 | (25,644,227) | - | 348,462,854 |
| Less accumulated depreciation: | | | | | |
| Buildings | 9,067,728 | 1,779,271 | (6,239,606) | - | 4,607,393 |
| Office equipment | 6,067,908 | 196,374 | (4,833,138) | - | 1,431,144 |
| Motor vehicle equipment | 4,050,018 | 563,977 | (581,036) | (12,364) | 4,020,595 |
| Stores Equipment | 5,879,102 | 1,646,110 | - | - | 7,525,212 |
| Warehouse equipment | 13,522,547 | 1,341,996 | (13,145,586) | 672,609 | 2,391,566 |
| Intangibles | 6,508,818 | 5,207,060 | (528,918) | (660,245) | 10,526,715 |
| Furnitures and fixtures | - | 312,459 | - | - | 312,459 |
| Total accumulated depreciation | 45,096,121 | 11,047,247 | (25,328,284) | - | 30,815,084 |
| Less accumulated amortization: | | | | | |
| Right to use intangible assets - Buildings | - | 23,762,419 | - | - | 23,762,419 |
| Total accumulated amortization | - | 23,762,419 | - | - | 23,762,419 |
| Depreciable capital assets and right to use intangible assets, net | 266,904,687 | 27,296,607 | (315,943) | - | 293,885,351 |
| Total capital assets, net | \$ 288,497,889 | \$ 30,877,280 | \$ (14,593,922) | \$ - | \$ 304,781,247 |

* Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

As a result of adopting GASB 87, the Authority recognized right to use intangible assets – building and lease liabilities at the lease commencement date and adjusted opening balance as of July 1, 2021 by \$166,679,745. The most significant changes to the financial statement relates to the recognition of right to use intangible assets – Building and lease liabilities that were previously accounted for as operating leases.

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

Depreciation and amortization 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 and amortization is reported in the Statement of Net Position.

Depreciable capital asset costs for the Authority's new headquarters and distribution center were transferred to the Authority at the end of fiscal year 2021 and 2022 with the transactions paid for by the Commonwealth and contributed to the Authority in a non-monetary transaction. The assets were transferred at their actual cost in fiscal year 2021 and fiscal year 2022, totaling \$77,026,041 and \$3,712,542, respectively, and were accounted for as a capital contribution with no gain or loss recognized on the transfer.

4. DUE TO THE COMMONWEALTH

A. Line of Credit

The Authority has a line of credit 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. As of June 30, 2022, the Authority had outstanding \$43,688,626 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, 2021 | Acquired | Deleted | Balance at June 30, 2022 |
|-----------------------------|---------------|-----------------|-----------------------------|
| \$ 65,750,783 | \$ 43,688,626 | \$ (65,750,783) | \$ 43,688,626 |

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 2022 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 Developmental 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, 2022, is summarized below.

| | Excise Tax | Liter Tax on Wine | Total |
|---|---------------------|----------------------|---------------------|
| Balance due to the General Fund, July 1, 2021 | \$ 1,635,311 | \$ 1,058,653 | \$ 2,693,964 |
| Receipts for fiscal year | 227,552,086 | 42,262,276 | 269,814,362 |
| Disbursements to the General Fund | (228,153,211) | (41,152,415) | (269,305,626) |
| Balance due to the General Fund, June 30, 2022 | \$ 1,034,186 | \$ 2,168,514 | \$ 3,202,700 |

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, 2022, is summarized below.

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

| | | |
|--|-----------|-------------------------|
| Balance due to the Department Taxation, July 1, 2021 | \$ | 624,966 |
| Sales Tax Collections | | 67,253,281 |
| Disbursements to the Department of Taxation | | <u>(62,489,560)</u> |
| Balance due to the Department Taxation, June 30, 2022 | \$ | <u>5,388,687</u> |

D. Earned Surplus

The Appropriation Act, Chapter 1283 of the 2021 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 \$12,366,237 due to the General Fund at June 30, 2022.

5. LEASE LIABILITIES

The Authority adopted *GASB 87 – Leases* on July 1, 2021, which required lessees to recognize leases on the Statement of Net Position and disclose key information about leasing arrangements. The Authority is committed under various lease agreements for retail store buildings.

Key estimates and judgments include how the Authority determines the: 1) discount rate it uses to discount the unpaid lease payments to present value; 2) lease term and 3) lease payments. GASB 87 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Authority cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, the Authority generally uses its incremental borrowing rate as the discount rate for the lease. The Authority’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Authority does not generally borrow on a collateralized basis, it uses the interest rate it pays on its line of credit agreement with the Commonwealth as an input to deriving an appropriate incremental borrowing rate, which is reasonably similar to prime rate. The lease term for all the Authority’s leases includes the noncancellable period of the lease plus any additional periods covered by either an Authority option to extend (or not to terminate) the lease that the Authority is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. Authority’s lease maturities range from 2023-2044. Lease payments included in the measurement of the lease liability comprise of fixed payments owed over the lease term.

The Authority recognized lease liabilities of \$166,679,745 with corresponding right to use intangible assets - building of the same amount as of July 1, 2021. As of June 30, 2022, lease liabilities was \$190,958,545, of which \$20,880,714 is current and \$170,077,831 is noncurrent.

Amortization of right to use intangible assets – building were recognized and presented separately from interest expense on the lease liability. Interest on lease liabilities in fiscal year 2022 was \$5,858,442.

The following schedule presents the changes in lease liabilities activity:

| Balance at July 01, 2021 | Issuances and Other Increases | Retirements and Other Decreases | Balance at June 30, 2022 | Amounts due within one year |
|-----------------------------|----------------------------------|------------------------------------|-----------------------------|--------------------------------|
| \$ 166,679,745 | \$ 43,643,650 | \$ (19,364,850) | \$ 190,958,545 | \$ 20,880,714 |

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Notes to Financial Statements — As of June 30, 2022

Maturities of lease liabilities and interest expense are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|----------------------|-----------------------|
| 2023 | \$ 20,880,714 | \$ 5,915,216 | \$ 26,795,930 |
| 2024 | 19,827,920 | 5,250,137 | 25,078,057 |
| 2025 | 18,683,778 | 4,623,834 | 23,307,612 |
| 2026 | 17,175,098 | 4,034,826 | 21,209,924 |
| 2027 | 14,645,997 | 3,510,849 | 18,156,846 |
| 2028-2032 | 55,008,491 | 11,524,627 | 66,533,118 |
| 2033-2037 | 33,141,127 | 4,347,823 | 37,488,950 |
| 2038-2042 | 11,190,030 | 780,327 | 11,970,357 |
| 2043-2047 | 405,390 | 15,458 | 420,848 |
| Total lease liabilities | \$ 190,958,545 | \$ 40,003,097 | \$ 230,961,642 |

The Authority monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right to use intangible assets – building, unless doing so would reduce the carrying amount of the right to use intangible assets – building to an amount less than zero. In that case, the amount of the adjustment that would result in a negative right to use intangible assets – building balance is recorded in the profit or loss.

The Authority also has committed under various lease agreements for retail store buildings that represented short term lease of less than a year. Rent expense under short-term lease agreements amounted to \$8,939,964 for the year.

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Position represent the amounts of Paid Time Off, annual leave and compensatory leave earned by employees of the Authority, but not taken as of June 30, 2022. 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, 2021</u> | <u>Short-Term Increase</u> | <u>Long-Term Decrease</u> | <u>Balance at June 30, 2022</u> | <u>Amounts due within one year</u> |
|-------------------------------------|--------------------------------|-------------------------------|-------------------------------------|--|
| \$ 8,869,340 | \$ 1,313,087 | \$ (2,194,235) | \$ 7,988,192 | \$ 7,988,192 |

7. ACCOUNTS PAYABLE

The Authority's accounts payable and accrued liabilities consisted of the following as of June 30, 2022:

| | |
|-------------------------------|----------------------|
| Vouchers payable | \$ 47,517,675 |
| Payroll payables | 10,392,947 |
| Disbursements pending | 31,107,723 |
| Total Accounts Payable | \$ 89,018,345 |

Vouchers payable and payroll 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, 2022, the Authority collected \$42,080,957 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, service credit and average final compensation at retirement using a formula. | Same as Plan 1. | 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 to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. | 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"> • Full-time permanent salaried 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. <p>*Non-Eligible Members 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) |

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Notes to Financial Statements — As of June 30, 2022

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---------------------------------|--|
| | | 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. |
| Hybrid Opt-In Election | Hybrid Opt-In Election | |
| <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. 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> | Same as Plan 1. | |
| Retirement Contributions | Retirement Contributions | Retirement Contributions |
| <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 payments.</p> | Same as Plan 1. | <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> |
| Service Credit | Service Credit | Service Credit |
| <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 credit.</p> | Same as Plan 1. | <p><u>Defined Benefit Component:</u> 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> |

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Notes to Financial Statements — As of June 30, 2022

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|-------------------------------------|--|
| | | <p><u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p> |
| Vesting | Vesting | Vesting |
| <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. 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>Same as Plan 1.</p> | <p><u>Defined Benefit Component:</u> 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><u>Defined Contributions Component:</u> 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> |
| Calculating the Benefit | Calculating the Benefit | Calculating the Benefit |
| <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,</p> | <p>See definition under Plan 1.</p> | <p><u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus</p> |

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Notes to Financial Statements — As of June 30, 2022

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|---|--|
| an option factor specific to the option chosen is then applied. | | net investment earnings on those contributions. |
| Average Final Compensation | Average Final Compensation | Average Final Compensation |
| A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| Service Retirement Multiplier | Service Retirement Multiplier | Service Retirement Multiplier |
| <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>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><u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <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> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable</p> |
| Normal Retirement Age | Normal Retirement Age | Normal Retirement Age |
| <p>VRS: Age 65.</p> <p>VaLORS: Age 60.</p> | <p>VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1</p> | <p><u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| Earliest Unreduced Retirement Eligibility | Earliest Unreduced Retirement Eligibility | Earliest Unreduced Retirement Eligibility |
| <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>VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p> | <p><u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| Earliest Reduced Retirement Eligibility | Earliest Reduced Retirement Eligibility | Earliest Reduced Retirement Eligibility |
| <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>VRS: Age 60 with at least five years (60 months) of service credit.</p> | <p><u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> |

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Notes to Financial Statements — As of June 30, 2022

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|--|---|
| <p>VaLORS: Age 50 with at least five years of service credit.</p> | <p>VaLORS: Same as Plan 1.</p> | <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <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>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><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |
| <p><u>Eligibility:</u> 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><u>Exceptions to COLA Effective Dates:</u> 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. • 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. <p>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> | <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

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Notes to Financial Statements — As of June 30, 2022

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|--|---|
| Disability Coverage | Disability Coverage | Disability Coverage |
| Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| Purchase of Prior Service | Purchase of Prior Service | Purchase of Prior Service |
| Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as 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. | Same as Plan 1. | <u>Defined Benefit Component:</u> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable. |

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, 2022 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2019. 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 \$9,422,973 and \$7,459,792 for the years ended June 30, 2022, and June 30, 2021, respectively. Contributions from the Authority to the VaLORS Retirement Plan were \$1,422,127 and \$1,171,738 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Authority reported a liability of \$45,353,066 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$8,005,822 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Authority's proportion of the VRS State Employee Retirement Plan was 1.25% as compared to 1.17% at June 30, 2020. At June 30, 2021, the Authority's proportion of the VaLORS Retirement Plan was 1.53% as compared to 1.54% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension expense of \$4,323,902 for the VRS State Employee Retirement Plan and \$778,244 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2020, and June

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Notes to Financial Statements — As of June 30, 2022

30, 2021, 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, 2022, 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 | \$ 491,781 | \$ 2,824,518 |
| Net differences between projected and actual earnings on pension plan investments | - | 34,293,876 |
| Changes in assumptions | 5,788,184 | - |
| Changes in proportion and differences between: | | |
| Employer contributions and proportionate share of contributions | 4,656,897 | 112,471 |
| Employer contributions subsequent to the measurement date | 10,845,100 | - |
| Total | \$ 21,781,962 | \$ 37,230,865 |

\$10,845,100 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, 2023. 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 2023 | (3,246,475) |
| FY 2024 | (5,644,018) |
| FY 2025 | (6,933,587) |
| FY 2026 | (10,469,923) |
| FY 2027 | - |

E. Actuarial Assumptions

- The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---------------------------------------|--|
| 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 |

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

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Notes to Financial Statements — As of June 30, 2022

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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, postretirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

2. The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% – 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

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Notes to Financial Statements — As of June 30, 2022

| | |
|--|---|
| Mortality Rates (Pre-retirement, postretirement, healthy and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

F. Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

| | <u>State Employee Retirement Plan</u> | <u>VaLORS Retirement Plan</u> |
|--|---|-----------------------------------|
| Total Pension Liability | \$ 26,739,647 | \$ 2,390,609 |
| Plan Fiduciary Net Position | <u>23,112,417</u> | <u>1,868,924</u> |
| Employers' Net Pension Liability (Asset) | <u>\$ 3,627,230</u> | <u>\$ 521,685</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.44% | 78.18% |

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:

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Notes to Financial Statements — As of June 30, 2022

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|-----------------------------------|--|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP -Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.39% |

* The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, the rate contributed by the state agency 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, 2021, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

- The following presents the Authority's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 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%) |
|---|---------------------------|----------------------------------|---------------------------|
| The Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability | \$ 84,952,136 | \$ 45,353,066 | \$ 12,171,046 |

- 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:

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| | <u>1.00% Decrease (5.75%)</u> | <u>Current Discount Rate (6.75%)</u> | <u>1.00% Increase (7.75%)</u> |
|---|-----------------------------------|--|-----------------------------------|
| The Authority's proportionate share of the VaLORS Retirement Plan Net Pension Liability | \$ 12,890,479 | \$ 8,005,822 | \$ 4,003,828 |

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 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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, 2022, the Authority had accrued retirement contributions payable to the pension plan of \$670,223, including \$576,392 payable to the VRS State Employee Retirement Plan and \$93,831 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by Authority employees through June 30, 2022, 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.*

b. Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- 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

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Notes to Financial Statements — As of June 30, 2022

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 4,100 retirees and 88,000 active employees in the program as of June 30, 2021. 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, 2021. 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 6.75 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 percent for dental.

| | |
|-------------------------------|---|
| Valuation Date | Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. |
| Measurement Date | June 30, 2021 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar, Closed |
| Effective Amortization Period | 6.37 years |
| Discount Rate | 2.16% |
| Projected Salary Increases | 5.35% to 3.5% based on years of service from 1 year to 20 years or more |
| Medical Trend Under 65 | Medical & Rx: 6.75% to 4.50% Dental: 4.00% |
| Year of Ultimate Trend | 2033 |
| Mortality | Mortality rates vary by participant status and gender |
| Pre-Retirement: | Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years |
| Post-Retirement | Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females |
| Post-Disablement: | Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years |
| Beneficiaries and Survivors: | Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females |

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, which is June 30, 2021.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index.

There were no plan changes in the valuation since the prior year.

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

At June 30, 2022, the employer reported a liability of \$5,703,784 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$448.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June

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Notes to Financial Statements — As of June 30, 2022

30, 2021, and was determined by an actuarial valuation as of June 30, 2021. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions, to include the December premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 1.27063% as compared to 1.19358% at June 30, 2020. For the year ended June 30, 2022, the participating employer recognized a Pre-Medicare Retiree Healthcare OPEB decrease in expense of \$1,835,870.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|---|------------------------------|-----------------------------|
| Differences between expected and actual experience | \$ - | \$ 2,900,025 |
| Changes in assumptions | - | 5,485,836 |
| Changes in proportion | 1,576,281 | - |
| Subtotal | <u>\$ 1,576,281</u> | <u>\$ 8,385,861</u> |
| Amounts associated with transactions subsequent to the measurement date | <u>417,024</u> | <u>-</u> |
| Total | <u>\$ 1,993,305</u> | <u>\$ 8,385,861</u> |

\$417,024 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, 2023. 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 End June 30:

| | |
|------------------|----------------|
| 2023 | \$ (2,563,695) |
| 2024 | \$ (2,162,466) |
| 2025 | \$ (1,264,095) |
| 2026 | \$ (566,797) |
| 2027 | \$ (208,343) |
| Total Thereafter | \$ (44,185) |

4. Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

| | <u>1% Decrease (1.16%)</u> | <u>Current Rate (2.16%)</u> | <u>1% Decrease (3.16%)</u> |
|----------------|--------------------------------|---------------------------------|--------------------------------|
| OPEB Liability | \$ 5,996,368 | \$ 5,703,784 | \$ 5,407,612 |

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 6.75% decreasing to 4.50%, 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 (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

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Notes to Financial Statements — As of June 30, 2022

| | 1% Decrease (5.75% decreasing to 3.50%) | Trend Rate (6.75% decreasing to 4.50%) | 1% Increase (7.75% decreasing to 5.50%) |
|----------------|--|---|--|
| OPEB Liability | \$ 5,145,310 | \$ 5,703,784 | \$ 6,352,210 |

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's 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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Notes to Financial Statements — As of June 30, 2022

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, 2021, was 1.12% 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, 2019. 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 \$868,767 and \$687,455 for the years ended June 30, 2022, and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$38.7 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included Chapter 552 of the 2021 Appropriation Act.

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, 2022, the Authority reported a liability of \$7,169,391 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, 2021, 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 performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2021, the Authority's proportion of the VRS State Employee Health Insurance Credit Program was 0.84891% as compared to 0.80801% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$747,479. 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, 2022, 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:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 2,218 | \$ 233,457 |
| Net differences between projected and actual earnings on State HIC OPEB plan investments | - | 136,075 |
| Changes in assumptions | 185,676 | 20,226 |
| Changes in proportion | 645,080 | 98,650 |
| Employer contributions subsequent to the measurement date | <u>868,767</u> | <u>-</u> |
| Total | <u>\$ 1,701,741</u> | <u>\$ 488,408</u> |

\$868,767 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, 2023. 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:

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Notes to Financial Statements — As of June 30, 2022

Year ended June 30,

| | |
|------------|-----------|
| FY 2023 | \$ 81,643 |
| FY 2024 | \$ 95,951 |
| FY 2025 | \$ 81,910 |
| FY 2026 | \$ 32,516 |
| FY 2027 | \$ 51,014 |
| Thereafter | \$ 1,532 |

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, 2020, 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, 2021.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| General state employees | 3.50% – 5.35% |
| SPORS employees | 3.50% – 4.75% |
| VaLORS employees | 3.50% – 4.75% |
| JRS employees | 4.50% |
| Investment rate of return | 6.75 percent, net of plan investment expenses, including inflation* |

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

- Mortality rates – General State Employees, page 99.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – JRS Employees, page 101.

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, 2021, 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 | \$ 1,052,400 |
| Plan Fiduciary Net Position | 207,860 |
| State Employee net HIC OPEB Liability (Asset) | <u>\$ 844,540</u> |
| Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability | 19.75% |

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) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|--------------------------------------|--|--|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | Inflation | | 2.50% |
| | Expected arithmetic nominal return* | | 7.39% |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, 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, 2021, 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 HIC OPEB Plan Net OPEB Liability | \$ 8,042,618 | \$ 7,169,391 | \$ 6,421,250 |

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 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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Notes to Financial Statements — As of June 30, 2022

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

At June 30, 2022, the Authority had accrued health insurance credit contributions payable to the OPEB plan of \$53,339. The payable is based on OPEB contributions earned by Authority employees through June 30, 2022, but not yet paid to the plan.

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:
 - o Accidental dismemberment benefit
 - o Safety belt benefit
 - o Repatriation benefit
 - o Felonious assault benefit
 - o 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.

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Notes to Financial Statements — As of June 30, 2022

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 \$8,722 as of June 30, 2022

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$419,487 and \$330,308 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, the participating employer reported a liability of \$3,458,585 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021, 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.29706% as compared to 0.28350% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$216,454. 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, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 394,463 | \$ 26,352 |
| Net differences between projected and actual earnings on GLI OPEB program investments | - | 825,490 |
| Changes in assumptions | 190,671 | 473,208 |
| Changes in proportionate share | 370,881 | 59,919 |
| Employer contributions subsequent to the measurement date | 419,487 | - |
| Total | <u>\$ 1,375,502</u> | <u>\$ 1,384,969</u> |

\$419,487 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, 2023. 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:

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Notes to Financial Statements — As of June 30, 2022

Year ended June 30,

| | |
|------------|--------------|
| FY 2023 | \$ (95,622) |
| FY 2024 | \$ (57,239) |
| FY 2025 | \$ (66,828) |
| FY 2026 | \$ (199,086) |
| FY 2027 | \$ (10,179) |
| Thereafter | \$ - |

5. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|--|
| Inflation | 2.50% |
| Salary increases, including inflation – | |
| General state employees | 3.50% – 5.35% |
| Teachers | 3.50% – 5.95% |
| SPORS employees | 3.50% – 4.75% |
| VaLORS employees | 3.50% – 4.75% |
| JRS employees | 4.50% |
| Locality – General employees | 3.50% – 5.35% |
| Locality – Hazardous Duty employees | 3.50% – 4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

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

- Mortality rates – General State Employees, page 99.
- Mortality rates – Teachers, page 101.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – JRS Employees, page 101.
- Mortality rates – Largest Ten Locality Employers – General Employees, page 102.
- Mortality rates – Non-Largest Ten Locality Employers – General Employees, page 102.
- Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees, page 103.
- Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees, page 104.

6. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

| | Group Life Insurance OPEB Program |
|--|--|
| Total GLI OPEB Liability | \$ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| GLI Net OPEB Liability (Asset) | <u>\$ 1,164,272</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

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.

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Notes to Financial Statements — As of June 30, 2022

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:

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|------------------------------------|--------------------------------------|--|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP-Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 employer contributions 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, 2021, 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, 2021 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 Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 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 | \$ 5,053,117 | \$ 3,458,585 | \$ 2,170,927 |

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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 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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 Group Life Insurance OPEB Plan

At June 30, 2022, the Authority had accrued group life insurance contributions payable to the OPEB plan of \$64,164. The payable is based on OPEB contributions earned by Authority employees through June 30, 2022, but not yet paid to the plan.

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

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.

a. Benefit Amounts

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

- *Leave* – Sick, family, and personal leave. Eligible leave benefits are paid by the employer.
- *Short-Term Disability* – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- *Long-Term Disability (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.

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Notes to Financial Statements — As of June 30, 2022

b. Disability Insurance Program (VSDP) Plan Notes:

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

d. Cost-of-Living Adjustment (COLA)

1. During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
 - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
 - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
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, 2022, was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$471,889 and \$370,361 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, the entity reported an asset of \$4,864,281 for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2021 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Authority's proportion of the Net VSDP OPEB Liability (Asset) was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Authority's proportion was 1.41108% as compared to 1.33913% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized VSDP OPEB revenue of \$129,384. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB revenue was related to deferred amounts from changes in proportion.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 231,170 | \$ 788,723 |
| Net differences between projected and actual earnings on VSDP OPEB plan investments | - | 910,743 |
| Changes in assumptions | 32,770 | 114,627 |
| Changes in proportionate share | 15,776 | 341,724 |
| Employer contributions subsequent to the measurement date | 471,889 | - |
| Total | \$ 751,605 | \$ 2,155,817 |

\$471,889 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2023. 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:

Year ended June 30,

| | |
|------------|--------------|
| FY 2023 | \$ (419,171) |
| FY 2024 | \$ (414,907) |
| FY 2025 | \$ (410,321) |
| FY 2026 | \$ (437,791) |
| FY 2027 | \$ (155,793) |
| Thereafter | \$ (38,118) |

5. Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|--|
| Inflation | 2.50% |
| Salary increases, including Inflation – | |
| General state employees | 3.50% – 5.35% |
| SPORS employees | 3.50% – 4.75% |
| VaLORS employees | 3.50% – 4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

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

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

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, 2021, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

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Notes to Financial Statements — As of June 30, 2022

| | Disability Insurance Program |
|---|---|
| Total VSDP OPEB Liability | \$ 267,198 |
| Plan Fiduciary Net Position | <u>611,919</u> |
| Employers' Net OPEB Liability (Asset) | <u>\$ (344,721)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability | 229.01% |

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:

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|------------------------------------|--|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP-Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | <u>100.00%</u> | | <u>4.89%</u> |
| | Inflation | | <u>2.50%</u> |
| | Expected arithmetic nominal return* | | <u>7.39%</u> |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

8. 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, 2021, 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

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was 100% of the actuarially determined contribution rate. From July 1, 2021, 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.

9. 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:

| | <u>1.00% Decrease (5.75%)</u> | <u>Current Discount Rate (6.75%)</u> | <u>1.00% Increase (7.75%)</u> |
|--|-----------------------------------|--|-----------------------------------|
| The Authority's proportionate share of the VSDP Net OPEB Liability (Asset) | \$ (4,595,644) | \$ (4,864,281) | \$ (5,100,515) |

10. VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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 VSDP OPEB Plan

At June 30, 2022, the Authority had accrued VSDP contributions payable to the OPEB plan of \$28,975. The payable is based on OPEB contributions earned by Authority employees through June 30, 2022, but not yet paid to the plan.

E. Line of Duty Act Program

General Information 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 LODA OPEB, including eligibility, coverage and benefits is set out below.

2. Plan Description

1. 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 as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

2. Benefit Amounts

LODA provides death and health insurance benefits for eligible individuals:

1. **Death** – The LODA 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.

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Notes to Financial Statements — As of June 30, 2022

2. **Health Insurance** – The LODA program provides health insurance benefits.

- 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.

3. Contributions

The contribution requirements for the LODA Program 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, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019, 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 LODA Program from the entity were \$64,307 and \$68,862 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, the entity reported a liability of \$2,205,708 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was 0.50017% as compared to 0.51413% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$161,547. 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, 2022, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 183,897 | \$ 333,963 |
| Net differences between projected and actual earnings on LODA OPEB plan investments | - | 12,773 |
| Changes in assumptions | 610,393 | 105,509 |
| Changes in proportionate share | 49,714 | 267,106 |
| Employer contributions subsequent to the measurement date | <u>64,307</u> | <u>-</u> |
| Total | <u>\$ 908,311</u> | <u>\$ 719,351</u> |

\$64,307 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, 2023. 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:

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Notes to Financial Statements — As of June 30, 2022

Year ended June 30,

| | |
|------------|-----------|
| FY 2023 | \$ 9,106 |
| FY 2024 | \$ 9,693 |
| FY 2025 | \$ 9,866 |
| FY 2026 | \$ 10,050 |
| FY 2027 | \$ 41,574 |
| Thereafter | \$ 44,364 |

5. Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|-----------------------------|
| 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 | 7.00% – 4.75% |
| Ages 65 and older | 5.375% – 4.75% |
| Year of ultimate trend rate | |
| Under age 65 | Fiscal year ended 2029 |
| Ages 65 and older | Fiscal year ended 2024 |
| Investment rate of return | 2.16%, including inflation* |

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

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

- Mortality rates – General State Employees, page 99.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – Largest Ten Locality Employers with Public Safety Employees, page 104.
- Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees, page 105.

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, 2021, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

| | Line of Duty Act Program | |
|---|-------------------------------------|---------|
| | <u>\$</u> | <u></u> |
| Total LODA OPEB Liability | 448,542 | |
| Plan Fiduciary Net Position | | 7,553 |
| LODA Net OPEB Liability (Asst) | <u>\$ 440,989</u> | |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | | 1.68% |

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FINANCIAL STATEMENTS

Notes to Financial Statements — As of June 30, 2022

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 2.16% 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 2.16% 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, 2021.

8. Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

| | 1.00% Decrease (1.16%) | Current Discount Rate (2.16%) | 1.00% Increase (3.16%) |
|---|-----------------------------------|--|-----------------------------------|
| Covered Employer's Proportionate Share of the LODA Net OPEB Liability | \$ 2,537,373 | \$ 2,205,708 | \$ 1,942,173 |

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 provision 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 7.00% 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 (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

| | 1.00% Decrease (6.00% decreasing to 3.75%) | Current Discount Rate (7.00% decreasing to 4.75%) | 1.00% Increase (8.00% decreasing to 5.75%) |
|---|---|--|---|
| Covered employer's proportionate share of the LODA Net OPEB Liability | \$ 1,809,839 | \$ 2,205,708 | \$ 2,713,293 |

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 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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

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Notes to Financial Statements — As of June 30, 2022

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 ACFR.

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, 2022, the bailment inventory was valued at \$69,099,879.

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Notes to Financial Statements: Appendix – As of June 30, 2022

- **Mortality rates – General State Employees**

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

- **Mortality rates – SPORS Employees**

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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: | |

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Notes to Financial Statements: Appendix – As of June 30, 2022

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

- **Mortality rates – ValORS Employees**

| | |
|--|---|
| Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. | |
| Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. | |
| Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | |
| Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | |
| Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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Notes to Financial Statements: Appendix – As of June 30, 2022

- Mortality rates – Judicial Retirement System (JRS) Employees**

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Decreased rates for ages 60-66 and 70-72 |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | Reduce increases across all ages by 0.50% |
| Discount Rate | No Change |

- Mortality rates – Teachers**

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |

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Notes to Financial Statements: Appendix – As of June 30, 2022

| | |
|------------------|-----------|
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

• Mortality rates – Largest Ten Locality Employers - General Employees

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

• Mortality rates – Non-Largest Ten Locality Employers - General Employees

| | |
|--|--|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. | |

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Notes to Financial Statements: Appendix – As of June 30, 2022

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

- **Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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Notes to Financial Statements: Appendix – As of June 30, 2022

• Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

• Mortality rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows

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Notes to Financial Statements: Appendix – As of June 30, 2022

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

• **Mortality rates – Non- Largest Ten Locality Employers with Public Safety Employees**

| | |
|---|---|
| Pre-Retirement: | |
| Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. | |
| Post-Retirement: | |
| Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. | |
| Post-Disablement: | |
| Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | |
| Beneficiaries and Survivors: | |
| Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | |
| Mortality Improvement Scale: | |
| Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | |
| The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing employer Plans – VRS State Employee Retirement Plan
For the Fiscal Year Ended June 30, 2022

Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan For the Measurement Dates of June 30, 2014 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 1.25% | 1.17% | 1.14% | 1.11% | 1.08% | 1.05% | 1.03% | 1.01% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 45,353,066 | \$ 85,049,558 | \$ 72,237,702 | \$ 60,199,000 | \$ 62,721,000 | \$ 69,227,000 | \$ 63,182,000 | \$ 56,734,000 |
| Employer's Covered Payroll | \$ 55,682,209 | \$ 52,399,644 | \$ 48,154,635 | \$ 46,170,798 | \$ 43,178,236 | \$ 41,564,222 | \$ 39,813,992 | \$ 39,289,362 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 81.45% | 162.31% | 150.01% | 130.38% | 145.26% | 166.55% | 158.69% | 144.41% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.44% | 72.15% | 75.13% | 77.39% | 75.33% | 71.29% | 72.81% | 74.28% |

Schedule is intended to show information for 10 years. Since 2021 is the eight year for this presentation, there are only eight 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 2022

| Date | Contractually Required Contribution * | Contribution in Relation to Contractually Required Contribution * | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|---------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 9,422,973 | \$ 9,422,973 | \$ - | \$ 70,950,460 | 13.28% |
| 2021 | \$ 7,459,792 | \$ 7,459,792 | \$ - | \$ 55,682,209 | 13.40% |
| 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% |

* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. Since 2021 is the eight year for this presentation, there are only eight 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, 2022

Schedule of Employer's Share of Net Pension Liability VaLORS State Employee Retirement Plan For the Measurement Dates of June 30, 2014 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 1.53% | 1.54% | 1.60% | 1.65% | 1.69% | 1.78% | 1.99% | 2.00% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 8,005,822 | \$ 12,031,606 | \$ 11,095,665 | \$ 10,284,000 | \$ 11,067,000 | \$ 13,798,000 | \$ 14,143,000 | \$ 13,470,000 |
| Employer's Covered Payroll | \$ 5,364,106 | \$ 5,450,181 | \$ 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 | 149.25% | 220.76% | 199.21% | 180.40% | 192.31% | 223.56% | 210.01% | 194.75% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.18% | 65.74% | 68.31% | 69.56% | 67.22% | 61.01% | 62.64% | 63.05% |

Schedule is intended to show information for 10 years. Since 2021 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Employer Contributions VaLORS State Employee Retirement Plan For the Years Ended June 30, 2015 through 2022

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 1,415,533 | \$ 1,422,127 | \$ (6,594) | \$ 6,463,623 | 22.00% |
| 2021 | \$ 1,171,738 | \$ 1,171,738 | \$ - | \$ 5,364,106 | 21.84% |
| 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 2021 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

Notes to Required Supplementary Information -- For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action may be viewed on page 99.

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2020, 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 100.

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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, 2022

SCHEDULE OF EMPLOYER'S SHARE OF TOTAL OPEB LIABILITY For the Years ended June 30, 2022, 2021, 2020, 2019 and 2018

| | 2022 | 2021 | 2020* | 2019* | 2018* |
|---|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the collective total OPEB liability | 1.27% | 1.19% | 1.17% | 1.15% | 1.11% |
| Employer's proportionate share of the collective total OPEB liability | \$ 5,703,784 | \$ 6,789,374 | \$ 7,966,474 | \$ 11,535,795 | \$ 14,448,345 |
| Employer's covered-employee payroll | \$ 77,414,083 | \$ 61,046,315 | \$ 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 | 7.37% | 11.12% | 13.53% | 21.11% | 29.42% |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only five years of data are 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 Fiscal Year Ended June 30, 2022

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, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing employer Plans -- Health Insurance Credit Program (HIC)
For the Fiscal Year Ended June 30, 2022

Schedule of Employer's Share of Net OPEB Liability -- Health Insurance Credit Program (HIC) For the Measurement Dates of June 30, 2017 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net HIC OPEB Liability (Asset) | 0.8489% | 0.8080% | 0.7907% | 0.7717% | 0.7591% |
| Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) | 7,169,391 | \$ 7,417,581 | \$ 7,298,540 | \$ 7,040,000 | \$ 6,912,000 |
| Employer's Covered Payroll | \$ 61,231,265 | \$ 58,291,025 | \$ 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 | 11.71% | 12.73% | 13.54% | 13.54% | 14.09% |
| Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability | 19.75% | 12.02% | 10.56% | 9.51% | 8.03% |

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

Schedule of Employer Contributions -- Health Insurance Credit - State For the Years Ended June 30, 2018 through 2022

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 869,308 | \$ 868,767 | \$ 541 | \$ 77,616,798 | 1.12% |
| 2021 | \$ 685,790 | \$ 687,455 | \$ (1,665) | \$ 61,231,265 | 1.12% |
| 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 2021 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

Notes to Required Supplementary Information -- For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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, see "Notes to Financial Statements -- Appendix"

- Mortality rates – General State Employees, page 99.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – JRS Employees, page 101.

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing employer Plans -- Group Life Insurance Program (GLI)
For the Fiscal Year Ended June 30, 2022

Schedule of Employer's Share of Net OPEB Liability -- Group Life Insurance Program (GLI) For the Measurement Dates of June 30, 2017 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.2971% | 0.2835% | 0.2753% | 0.27337% | 0.26635% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 3,458,585 | \$ 4,731,151 | \$ 4,480,351 | \$ 4,153,000 | \$ 4,009,000 |
| Employer's Covered Payroll | \$ 61,429,143 | \$ 58,400,351 | \$ 53,977,296 | \$ 52,040,245 | \$ 49,118,624 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 5.63% | 8.10% | 8.30% | 7.98% | 8.16% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% |

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, there are only five years 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 2022

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 419,863 | \$ 419,487 | \$ 376 | \$ 77,752,337 | 0.54% |
| 2021 | \$ 331,184 | \$ 330,308 | \$ 876 | \$ 61,429,143 | 0.54% |
| 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 2021 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

Notes to Required Supplementary Information -- For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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, see "Notes to Financial Statements -- Appendix"

- Mortality rates – General State Employees, page 99.
- Mortality rates – Teachers, page 101.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – JRS Employees, page 101.
- Mortality rates – Largest Ten Locality Employers – General Employees, page 102.
- Mortality rates – Non-Largest Ten Locality Employers – General Employees, page 102.
- Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees, page 103.
- Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees, page 104.

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing employer Plans -- Disability Insurance Program (VSDP)
For the Fiscal Year Ended June 30, 2022

Schedule of Employer's Share of Net OPEB Liability (Asset) -- Disability Insurance Program (VSDP) For the Measurement Dates of June 30, 2017 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|----------------|----------------|----------------|----------------|----------------|
| Employer's Proportion of the Net VSDP OPEB Liability (Asset) | 1.41108% | 1.33913% | 1.28634% | 1.21104% | 1.11695% |
| Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) | \$ (4,864,281) | \$ (2,955,302) | \$ (2,523,739) | \$ (2,728,000) | \$ (2,395,000) |
| Employer's Covered Payroll | \$ 61,046,315 | \$ 58,106,466 | \$ 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 | -7.97% | -5.09% | -4.87% | -5.71% | -5.47% |
| Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability | 229.01% | 181.88% | 167.18% | 194.74% | 186.63% |

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, there are only five years 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 2022

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 472,226 | \$ 471,889 | \$ 337 | \$ 77,414,083 | 0.61% |
| 2021 | \$ 372,029 | \$ 370,361 | \$ 1,668 | \$ 61,046,315 | 0.61% |
| 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 fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

Notes to Required Supplementary Information -- For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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, see "Notes to Financial Statements -- Appendix"

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

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing employer Plans -- Line of Duty Act Program (LODA)
For the Fiscal Year Ended June 30, 2022

Schedule of Employer's Share of Net OPEB Liability -- Line of Duty Act Program (LODA) For the Measurement Dates of June 30, 2017 through 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| Employer's Proportion of the Net LODA OPEB Liability (Asset) | 0.50017% | 0.51413% | 0.54690% | 0.54331% | 0.51555% |
| Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) | \$ 2,205,708 | \$ 2,153,256 | \$ 1,962,202 | \$ 1,704,000 | \$ 1,355,000 |
| Employer's Covered Payroll | \$ 5,364,106 | \$ 5,606,443 | \$ 5,695,304 | \$ 5,602,849 | \$ 5,998,207 |
| Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll | 41.12% | 38.41% | 34.50% | 30.40% | 22.60% |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.68% | 1.02% | 0.79% | 0.60% | 1.30% |

Schedule is intended to show information for 10 years. Since 2020 is the fifth year for this presentation, there are only five years 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 2022

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|---|----------------------------------|----------------------------|---|
| 2022 | \$ 64,307 | \$ 64,307 | \$ - | \$ 6,463,623 | 0.99% |
| 2021 | \$ 68,862 | \$ 68,862 | \$ - | \$ 5,364,106 | 1.28% |
| 2020 | \$ 69,871 | \$ 69,871 | \$ - | \$ 5,606,443 | 1.25% |
| 2019 | \$ 73,400 | \$ 73,400 | \$ - | \$ 5,695,304 | 1.29% |
| 2018 | \$ 57,872 | \$ 57,872 | \$ - | \$ 5,602,849 | 1.03% |

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, there are only four years 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.

Notes to Required Supplementary Information -- For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the 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 99.
- Mortality rates – SPORS Employees, page 99.
- Mortality rates – VaLORS Employees, page 100.
- Mortality rates – Largest Ten Locality Employers with Public Safety Employees, page 104.
- Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees, page 105.

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

Net Position — Last Ten Fiscal Years

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|---|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total operating revenues | 1,173,136,625 | 1,134,959,947 | 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 |
| Total operating expenses | 931,508,150 | 906,008,453 | 789,818,868 | 701,360,862 | 664,660,269 | 637,017,607 | 606,624,500 | 577,709,566 | 549,746,146 | 528,108,106 |
| Operating income | 241,628,475 | 228,951,494 | 210,472,626 | 201,322,463 | 180,217,023 | 170,545,838 | 165,321,273 | 152,366,210 | 139,764,875 | 134,324,956 |
| Non-operating revenues (expenses) | 11,338,714 | 4,051,749 | 1,488,296 | 682,140 | 601,355 | 2,318,691 | (128,586) | 130,466 | 164,396 | (603,087) |
| Net profit before disbursements | 252,967,189 | 233,003,243 | 211,960,922 | 202,004,603 | 180,818,378 | 172,864,529 | 165,192,687 | 152,496,676 | 139,929,271 | 133,721,869 |
| Capital asset contribution: land and new headquarters and warehouse | 3,712,542 | 76,940,783 | 9,969,000 | - | - | - | - | - | - | - |
| Disbursements: | | | | | | | | | | |
| Disbursements of profits to General Fund of the Commonwealth | (174,179,283) | (167,871,163) | (142,661,735) | (126,727,832) | (109,261,467) | (101,725,746) | (96,860,303) | (84,572,527) | (72,851,385) | (67,437,563) |
| Appropriation Act disbursements | (69,428,110) | (69,428,110) | (69,428,279) | (69,930,044) | (69,929,142) | (69,429,142) | (68,028,110) | (67,465,310) | (67,135,959) | (67,139,188) |
| Total disbursements | (243,607,393) | (237,299,273) | (212,090,014) | (196,657,876) | (179,190,609) | (171,154,888) | (164,888,413) | (152,037,837) | (139,987,344) | (134,576,751) |
| Net increase/(decrease) after disbursements & capital contributions | 13,072,338 | 72,644,753 | 9,839,908 | 5,346,727 | 1,627,769 | 1,709,641 | 304,274 | 458,839 | (58,073) | (854,882) |
| Total Net Position - July 1 | (8,237,180) | (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 |
| Net effect in change in accounting principle | | | | | (26,872,474) | | | (75,042,000) | | |
| Net Position - July 1, as restated | (8,237,180) | (80,881,933) | (90,721,841) | (96,068,568) | (97,696,336) | (72,533,503) | (72,837,777) | (73,296,617) | 1,803,458 | 2,658,340 |
| Total Net Position - June 30 | 4,835,158 | (8,237,180) | (80,881,933) | (90,721,841) | (96,068,567) | (70,823,862) | (72,533,503) | (72,837,778) | 1,745,385 | 1,803,458 |

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, | | | | | | | | | |
|----------------------------------|-----------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Net Investment in Capital Assets | 113,822,702 | 121,818,144 | 33,116,293 | 15,485,332 | 9,110,959 | 9,305,696 | 10,325,665 | 11,623,322 | 10,917,072 | 9,254,140 |
| Restricted Net Position | 4,864,281 | 2,955,302 | 2,523,739 | 2,728,000 | 2,395,000 | - | - | - | - | - |
| Unrestricted Net Position | (113,851,825) | (133,010,626) | (116,521,965) | (108,935,173) | (107,574,527) | (80,129,558) | (82,859,168) | (84,461,099) | (9,171,689) | (7,450,682) |
| Total Net Position | 4,835,158 | (8,237,180) | (80,881,933) | (90,721,841) | (96,068,568) | (70,823,862) | (72,533,503) | (72,837,777) | 1,745,383 | 1,803,458 |

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

continued on next page

STATISTICAL SECTION

Revenues — Last Ten Fiscal Years

ALCOHOL SALES & TAX COLLECTED - Last Ten Fiscal Years (in dollars)

| | Fiscal Years Ended June 30, | | | | | | | | | |
|----------------------------------|-----------------------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Gross alcohol sales | 1,369,654,840 | 1,329,826,387 | 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 |
| Excise tax | 227,704,039 | 220,344,391 | 193,674,997 | 174,144,519 | 160,909,741 | 154,446,630 | 147,812,928 | 139,832,186 | 132,043,584 | 126,802,220 |
| Excise tax as a % of gross sales | 16.62% | 16.57% | 16.50% | 16.52% | 16.36% | 16.43% | 16.47% | 16.48% | 16.49% | 16.49% |
| Net alcohol sales | 1,141,950,801 | 1,109,481,996 | 979,823,691 | 879,997,263 | 822,450,743 | 785,648,883 | 749,874,311 | 708,413,271 | 668,568,655 | 641,997,839 |

Note: 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, | | | | | | | | | |
|---------------------------------------|-----------------------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Sales of alcohol | 1,141,950,801 | 1,109,481,996 | 979,823,691 | 879,997,263 | 822,450,743 | 785,648,883 | 749,874,311 | 708,413,271 | 668,568,655 | 641,997,839 |
| 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 |
| License & permit fees | 17,147,748 | 14,869,126 | 14,105,749 | 14,460,539 | 13,875,412 | 13,514,032 | 13,304,832 | 12,967,544 | 12,606,895 | 12,122,130 |
| Wine wholesalers tax | 4,517,027 | 4,478,961 | 4,079,190 | 4,926,698 | 4,414,271 | 4,484,962 | 4,295,718 | 4,259,463 | 3,958,111 | 3,760,195 |
| Penalties | 253,980 | 156,967 | 842,199 | 1,149,306 | 687,045 | 760,810 | 816,695 | 1,041,342 | 1,020,717 | 1,018,368 |
| Federal grants & contracts | - | - | 89,498 | 153,488 | 651,384 | 269,767 | 280,007 | 239,915 | 306,285 | 361,936 |
| Mixed beverage tax on common carriers | 97,133 | 22,097 | 67,278 | 31,236 | 24,336 | 20,597 | 25,039 | 22,103 | 24,475 | 27,035 |
| Miscellaneous | 9,169,936 | 5,950,799 | 1,283,889 | 956,286 | 1,190,883 | 1,088,729 | 1,144,972 | 795,756 | 549,169 | 541,177 |
| Total operating revenues | 1,173,136,625 | 1,134,959,947 | 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 |

- Notes: 1. In FY15, mark-ups on alcohol were effective December 16, 2014, which included the case handling fee increase from one dollar per case to two dollars per case. The mark-up on miniatures increased from 49% to 69%.
2. In FY16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015.
3. In FY21, merchandise sales were moved from sales of alcohol to miscellaneous to better align products in appropriate categories.

STATISTICAL SECTION

Revenues — Last Ten Fiscal Years

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

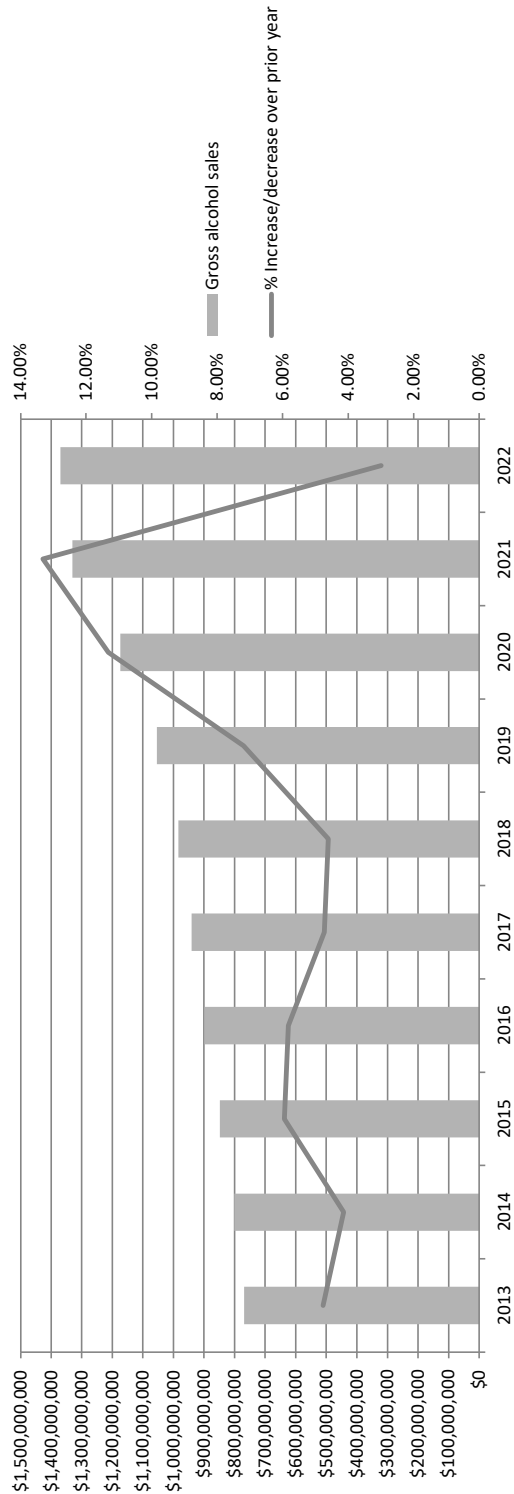
| | Fiscal Years Ended June 30, | | | | | | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Sales of alcohol | 2.93% | 13.23% | 11.34% | 7.00% | 4.68% | 4.77% | 5.85% | 5.96% | 4.14% | 4.75% |
| Sales of lottery tickets | N/A | N/A | (100.00%) | (36.30%) | (10.84%) | (19.44%) | (5.66%) | (5.67%) | (4.90%) | (2.17%) |
| License & permit fees | 15.32% | 5.41% | (2.45%) | 4.22% | 2.67% | 1.57% | 2.60% | 2.86% | 4.00% | 0.97% |
| Wine wholesalers tax | 0.85% | 9.80% | (17.15%) | 11.54% | (1.58%) | 4.41% | 0.85% | 7.61% | 5.26% | 8.45% |
| Penalties | 61.80% | (81.36%) | (26.72%) | 67.28% | (9.70%) | (6.84%) | (21.57%) | 2.02% | 0.23% | 4.63% |
| Federal grants & contracts | N/A | (100.00%) | (41.69%) | (76.44%) | 141.46% | (3.66%) | 16.71% | (21.67%) | (15.38%) | (18.95%) |
| Mixed beverage tax on common carriers | 339.57% | (67.16%) | 115.39% | 28.35% | 18.15% | (17.74%) | 13.28% | (9.69%) | (9.47%) | (12.16%) |
| Miscellaneous | 54.10% | 363.50% | 34.26% | (19.70%) | 9.38% | (4.91%) | 43.88% | 44.90% | 1.48% | 13.52% |
| Total Increase | 3.36% | 13.46% | 10.81% | 6.84% | 4.62% | 4.61% | 5.74% | 5.88% | 4.09% | 4.66% |

Notes: 1. In FY15, mark-ups on alcohol were effective December 16, 2014, which included the case handling fee increase from one dollar per case to two dollars per case. The mark-up on miniatures increased from 49% to 69%.

2. In FY16, the price increased for all products due to rounding up to the nearest nine cents, which took place July 1, 2015.

3. In FY21, merchandise sales were moved from sales of alcohol to miscellaneous, to better align products in appropriate categories.

GROSS ALCOHOL SALES - Last Ten Fiscal Years



continued on next page

STATISTICAL SECTION

Revenues — Last Ten Fiscal Years

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|--|-----------------------------|------------------|------------------|----------------|----------------|------------------|---------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Rents | 33,017 | 24,319 | 27,729 | 24,893 | 24,168 | 27,244 | 31,559 | 210,061 | 225,074 | 195,361 |
| Gain on disposal of capital assets | 15,117,759 | - | - | - | - | - | - | - | - | - |
| Income from security lending transactions | 26,058 | 11,273 | 82,668 | 164,801 | 25,613 | 342 | 3,320 | 113 | 157 | 321 |
| Interest income | 144,931 | 46,873 | 297,522 | 607,387 | 334,667 | 182,039 | 64,013 | - | - | - |
| Seized assets | 6,318 | 9,786 | 31,867 | 49,861 | 242,520 | 109,408 | - | - | - | - |
| Other - Special Employer Contributions (VRS) | - | - | - | - | - | 2,000,000 | - | - | - | - |
| Federal Funding | 1,693,645 | 1,583,027 | 1,131,178 | - | - | - | - | - | - | - |
| Other - Games of Skill | 202,800 | 2,387,744 | - | - | - | - | - | - | - | - |
| Total non-operating revenues (expenses) | 17,224,528 | 4,063,022 | 1,570,964 | 846,941 | 626,968 | 2,319,033 | 98,892 | 210,175 | 225,231 | 195,682 |
| Increase (decrease) | 13,161,506 | 2,492,058 | 724,023 | 219,973 | (1,692,065) | 2,220,141 | (111,283) | (15,056) | 29,549 | (51,974) |
| % Increase (decrease) | 323.93% | 158.63% | 85.49% | 35.09% | (72.96%) | 2245.02% | (52.95%) | (6.68%) | 15.10% | (20.99%) |

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STATISTICAL SECTION

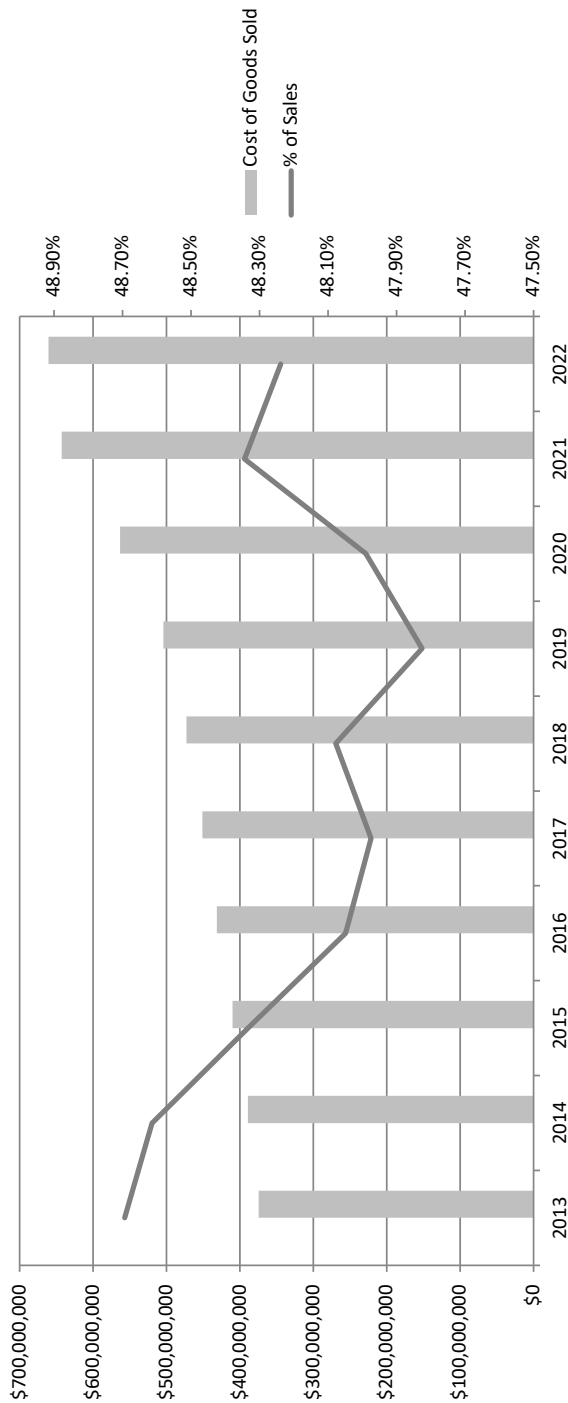
Cost of Goods Sold — Last Ten Fiscal Years

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|--------------------------------|-----------------------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Gross alcohol sales | 1,369,654,840 | 1,329,826,387 | 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 |
| Excise tax | 227,704,039 | 220,344,391 | 193,674,997 | 174,144,519 | 160,909,741 | 154,446,630 | 147,812,928 | 139,832,186 | 132,043,584 | 126,802,220 |
| Net alcohol sales | 1,141,950,801 | 1,109,481,996 | 979,823,691 | 879,997,263 | 822,450,743 | 785,648,883 | 749,874,311 | 708,413,271 | 668,568,655 | 641,997,839 |
| Cost of Goods Sold | 660,689,814 | 642,888,983 | 563,153,604 | 504,150,211 | 472,772,427 | 451,003,488 | 431,328,614 | 409,991,902 | 389,204,362 | 374,356,481 |
| % of Gross Alcohol Sales Sales | 48.24% | 48.34% | 47.99% | 47.83% | 48.08% | 47.97% | 48.05% | 48.33% | 48.61% | 48.69% |

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



continued on next page

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, | | | | | | | | | |
|-----------------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Personal services | 150,455,712 | \$ 151,766,426 | \$ 129,098,812 | \$ 112,085,785 | \$ 113,535,743 | \$ 108,120,748 | \$ 102,977,280 | \$ 99,345,268 | \$ 96,016,888 | \$ 91,151,356 |
| Continuous services | 16,251,275 | 38,644,856 | 35,976,421 | 34,276,756 | 32,134,553 | 31,315,640 | 29,278,603 | 27,954,258 | 26,238,093 | 25,209,421 |
| Contractual services | 55,652,151 | 56,862,610 | 50,090,559 | 40,966,570 | 34,948,390 | 35,181,744 | 31,215,352 | 29,216,426 | 27,263,123 | 26,498,703 |
| Supplies and materials | 6,930,860 | 6,056,788 | 4,783,598 | 3,496,605 | 3,906,161 | 3,429,626 | 3,272,558 | 3,393,215 | 3,401,478 | 3,437,872 |
| Depreciation & amortization | 34,809,666 | 4,026,437 | 2,890,134 | 2,127,490 | 2,580,739 | 2,216,175 | 2,580,090 | 2,664,489 | 2,573,170 | 2,101,808 |
| Expendable equipment | 6,321,406 | 5,084,688 | 3,464,031 | 2,867,828 | 2,539,276 | 3,453,386 | 2,986,732 | 2,258,331 | 2,209,117 | 2,066,725 |
| Other | 397,266 | 677,665 | 361,709 | 372,382 | 347,589 | 611,832 | 856,410 | 661,649 | 500,029 | 860,993 |
| Total operating expenses | 270,818,336 | 263,119,470 | 226,665,264 | 196,193,416 | 189,992,451 | 184,329,151 | 173,167,025 | 165,493,637 | 158,201,899 | 151,326,879 |
| Increase from prior FY | 7,698,866 | 36,454,206 | 30,471,848 | 6,200,965 | 5,663,300 | 11,162,126 | 7,673,388 | 7,291,738 | 6,875,020 | 10,153,094 |
| % Increase | 2.93% | 16.08% | 15.53% | 3.26% | 3.07% | 6.45% | 4.64% | 4.61% | 4.54% | 7.19% |

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|--|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Retail & Distribution Expenses | 202,165,660 | 177,532,993 | 149,241,340 | 133,346,792 | 129,705,731 | 122,428,825 | 115,809,039 | 110,179,547 | 104,958,799 | 99,315,094 |
| Administrative Expenses | 63,804,658 | 61,974,111 | 58,544,041 | 49,874,639 | 44,903,559 | 43,837,955 | 40,354,100 | 37,763,015 | 35,000,633 | 34,665,598 |
| Regulatory Expenses | 20,059,935 | 17,723,154 | 16,900,634 | 17,288,559 | 16,527,661 | 16,885,187 | 17,328,181 | 17,900,232 | 17,936,183 | 16,984,251 |
| GASB 68, GASB 75 and other Adjustments | (15,211,917) | 5,889,212 | 1,979,249 | (4,316,574) | (1,144,500) | 1,177,184 | (324,295) | (349,157) | 306,285 | 361,936 |
| Total Operating Costs | 270,818,336 | 263,119,470 | 226,665,264 | 196,193,416 | 189,992,451 | 184,329,151 | 173,167,025 | 165,493,637 | 158,201,899 | 151,326,879 |

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

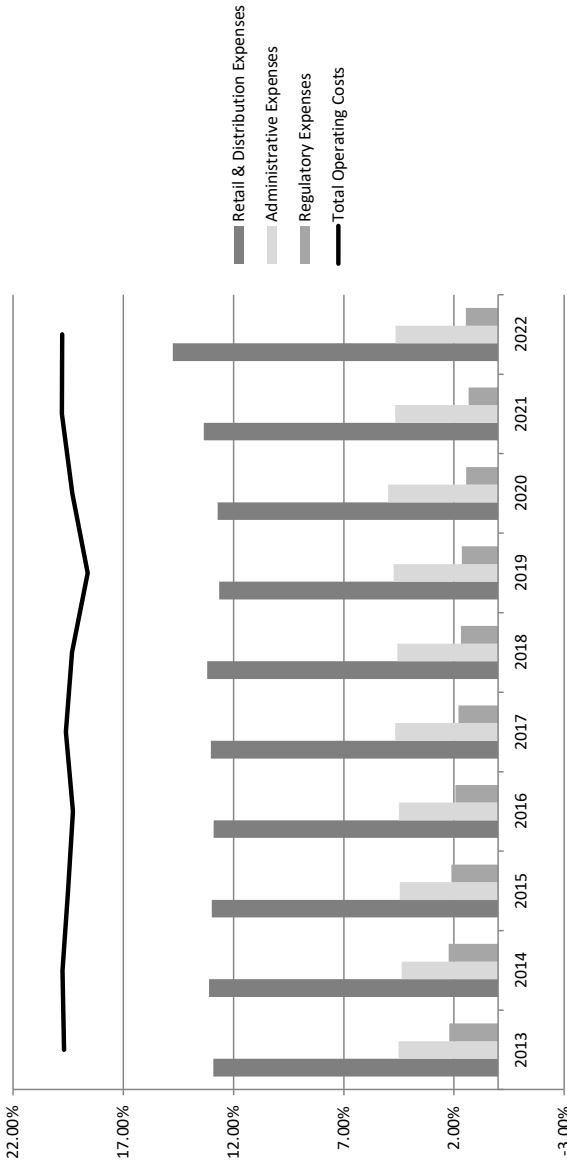
3. Cost of Goods Sold for Virginia is for Lovetts merchandise added back in FY 2017 and FY 2018

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STATISTICAL SECTION

Expenses — Last Ten Fiscal Years

OPERATING EXPENSES AS A PERCENT OF GROSS ALCOHOL SALES - Last Ten Fiscal Years



NON-OPERATING EXPENSES - Last Ten Fiscal Years (in dollars)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|------------------|---------------|---------------|----------------|---------------|------------|----------------|---------------|---------------|----------------|
| Expenses from security lending transactions | 26,058 | 11,273 | 82,668 | 164,801 | 25,613 | 342 | 3,320 | 113 | 157 | 321 |
| Seized assets | - | - | - | - | - | - | 224,158 | 79,596 | 60,678 | 798,449 |
| Interest expense on finance leases | 5,858,442 | - | - | - | - | - | - | - | - | - |
| Interest Expense | 1,314 | - | - | - | - | - | - | - | - | - |
| Total non-operating expenses | 5,885,814 | 11,273 | 82,668 | 164,801 | 25,613 | 342 | 227,478 | 79,709 | 60,835 | 798,770 |
| Increase (decrease) | 5,874,541 | (71,395) | (82,133) | 139,188 | 25,271 | (227,136) | 147,769 | 18,874 | (737,935) | 797,746 |
| % Increase (decrease) | NM | (86.36%) | (49.84%) | 543.43% | 7389.18% | (99.85%) | 185.39% | 31.02% | (92.38%) | NM |

Notes: 1. Interest expense on finance leases is due to implementation of GASB 87

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STATISTICAL SECTION

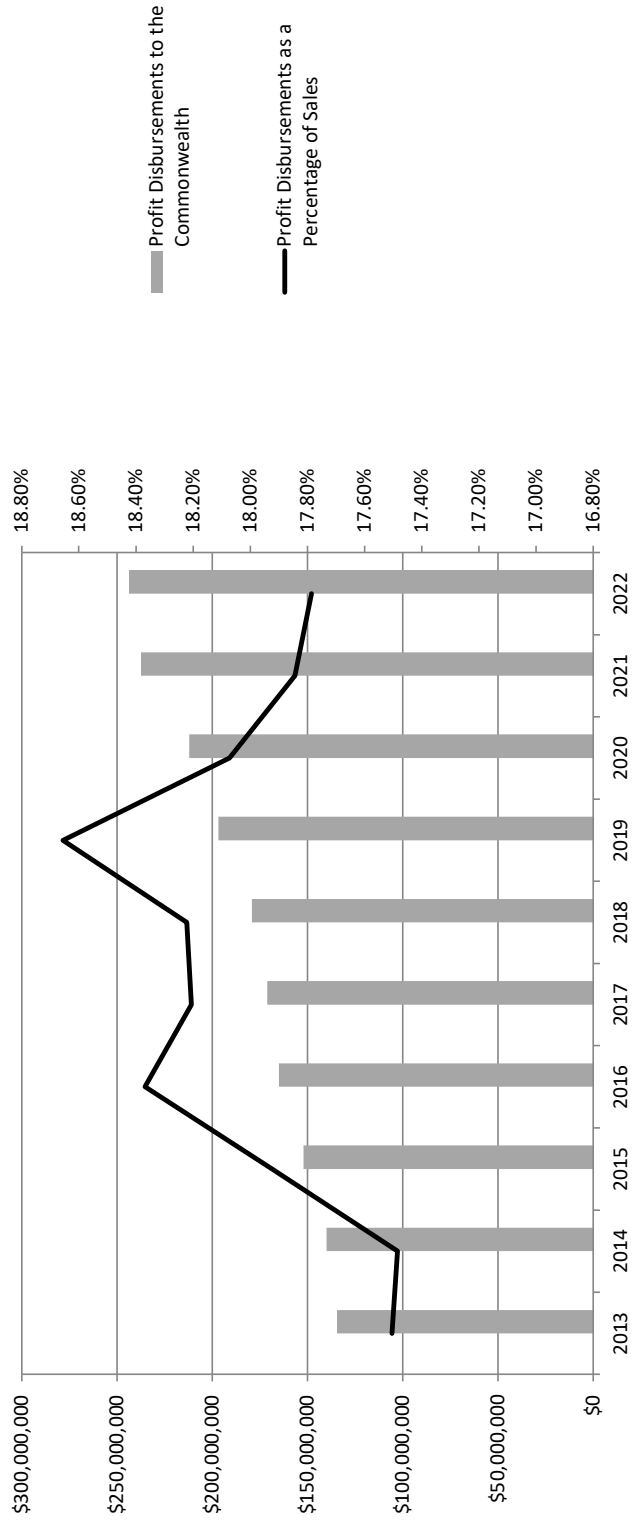
Profits Disbursements — Last Ten Fiscal Years

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|---|-----------------------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Gross alcohol sales | 1,369,654,840 | 1,329,826,387 | 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 |
| Excise tax | 227,704,039 | 220,344,391 | 193,674,997 | 174,144,519 | 160,909,741 | 154,446,630 | 147,812,928 | 139,832,186 | 132,043,584 | 126,802,220 |
| Net alcohol sales | 1,141,950,801 | 1,109,481,996 | 979,823,691 | 879,997,263 | 822,450,743 | 785,648,883 | 749,874,311 | 708,413,271 | 668,568,655 | 641,997,839 |
| Profit Disbursement to the Commonwealth | 243,607,393 | 237,299,273 | 212,090,014 | 196,657,876 | 179,190,609 | 171,154,888 | 164,888,413 | 152,037,837 | 139,987,344 | 134,576,751 |
| % of Gross Sales | 17.79% | 17.84% | 18.07% | 18.66% | 18.22% | 18.21% | 18.37% | 17.92% | 17.49% | 17.50% |

Note: 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



continued on next page

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

STORES BY YEAR - Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | | | | | | | |
|-----------------------|-----------------------------|------|------|------|------|------|------|------|------|----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total Stores, July 1 | 394 | 388 | 377 | 370 | 370 | 366 | 359 | 351 | 342 | 337 |
| New Stores | 2 | 6 | 12 | 7 | 7 | 5 | 9 | 8 | 7 | 6 |
| Closed Store | 1 | - | 1 | - | - | 1 | 2 | - | - | 2 ¹ |
| Total Stores, June 30 | 395 | 394 | 388 | 377 | 370 | 366 | 359 | 350 | 349 | 341 |

Note: 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, | | | | | | | | | |
|-----------------------------------|-----------------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Store square footage ¹ | 1,220,466 | 1,197,485 | 1,191,176 | 1,233,746 | 1,190,407 | 1,158,478 | 1,146,234 | 1,117,425 | 1,112,807 | 1,091,146 |
| Total transactions | 36,114,427 | 36,449,743 | 35,733,748 | 33,652,166 | 32,241,445 | 31,270,307 | 30,398,994 | 29,712,285 | 28,770,720 | 27,846,686 |
| Total bottles sold | 82,995,547 | 80,548,594 | 76,792,597 | 70,985,820 | 65,500,188 | 60,731,956 | 58,058,001 | 57,049,526 | 55,397,422 | 53,516,181 |
| Gross alcohol sales | \$ 1,369,654,840 | \$ 1,329,826,387 | \$ 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 |
| Average bottle price | \$ 16.50 | \$ 16.51 | \$ 15.28 | \$ 14.85 | \$ 15.01 | \$ 15.48 | \$ 15.46 | \$ 14.87 | \$ 14.45 | \$ 14.37 |
| Average sales per transaction | \$ 37.93 | \$ 36.48 | \$ 32.84 | \$ 31.32 | \$ 30.50 | \$ 30.06 | \$ 29.53 | \$ 28.55 | \$ 27.83 | \$ 27.61 |
| Average sales per square foot | \$ 1,122.24 | \$ 1,110.52 | \$ 985.16 | \$ 854.42 | \$ 826.07 | \$ 811.49 | \$ 783.16 | \$ 759.11 | \$ 719.45 | \$ 704.58 |

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 in FY 2020.

continued on next page

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|-----------------------------------|-----------------------------|--------|--------|--------|--------|-------|-------|-------|-------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Store square footage ¹ | 1.92% | 0.53% | -3.45% | 3.64% | 2.76% | 1.07% | 2.58% | 0.41% | 1.99% | 0.63% |
| Total transactions | -0.92% | 2.00% | 6.19% | 4.38% | 3.11% | 2.87% | 2.31% | 3.27% | 3.32% | 4.40% |
| Total bottles sold | 3.04% | 4.89% | 8.18% | 8.37% | 7.85% | 4.61% | 1.77% | 2.98% | 3.52% | 5.22% |
| Average bottle price | -0.06% | 8.04% | 2.90% | -1.09% | -3.01% | 0.11% | 3.99% | 2.88% | 0.60% | 0.68% |
| Average sales per transaction | 3.97% | 11.10% | 4.84% | 2.70% | 1.45% | 1.81% | 3.44% | 2.59% | 0.79% | 1.48% |
| Average sales per square foot | 1.06% | 12.72% | 15.30% | 3.43% | 1.80% | 3.62% | 3.17% | 5.51% | 2.11% | 5.27% |

Note: 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 in FY 2020.

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

| | Fiscal Years Ended June 30, | | | | | | | | | |
|-----------------------|-----------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| #256 - Virginia Beach | \$12,829,008 (1) | \$11,696,800 (1) | \$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) |
| #219 - Vienna | 11,665,046 (2) | \$8,811,514 (4) | \$8,672,118 (2) | \$8,607,977 (4) | \$7,966,670 (3) | \$7,652,272 (5) | | \$6,461,490 (5) | \$6,107,183 (5) | |
| #331 - Richmond | 9,515,384 (3) | \$8,941,006 (3) | \$7,750,902 (5) | | | | | | | |
| #225 - Virginia Beach | 8,780,972 (4) | \$9,134,708 (2) | \$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) |
| #107 - Virginia Beach | 8,484,328 (5) | | | | | | | | | |
| #267 - Tysons | | \$8,494,372 (5) | | | | | | | | |
| #397 - Alexandria | | | \$8,597,200 (3) | \$9,870,509 (1) | | | | | | |
| #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) |
| #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) |
| #358 - Alexandria | | | | | | | \$7,133,652 (5) | | | |
| #282 - Hampton | | | | | | | | | | \$5,934,201 (5) |

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STATISTICAL SECTION

Operational — Last Ten Fiscal Years

BOTTLES SOLD - Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | | | | | | | |
|----------------------------|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total bottles sold | 82,995,547 | 80,548,594 | 76,792,597 | 70,985,820 | 65,500,188 | 60,731,956 | 58,058,001 | 57,049,526 | 55,397,422 | 53,516,181 |
| Increase of prior year | 2,446,953 | 3,755,997 | 5,806,777 | 5,485,632 | 4,768,232 | 2,673,955 | 1,008,475 | 1,652,104 | 1,881,241 | 1,798,435 |
| % Increase over prior year | 3.04% | 4.89% | 8.18% | 8.37% | 7.85% | 4.61% | 1.77% | 2.98% | 3.52% | 3.48% |
| 50mL bottles sold | 24,901,283 | 22,794,484 | 22,169,462 | 20,266,659 | 16,640,845 | 13,316,637 | 12,130,465 | 12,546,559 | 12,339,394 | 11,463,831 |
| Change from prior year | 2,106,799 | 625,022 | 1,902,803 | 3,625,814 | 3,324,208 | 1,186,172 | (416,094) | 207,165 | 875,563 | 752,383 |
| % change prior year | 9.24% | 2.82% | 9.39% | 21.79% | 24.96% | 9.78% | -3.32% | 1.68% | 7.64% | 7.02% |
| 50mL bottles as % of total | 30.00% | 28.30% | 28.87% | 28.55% | 25.41% | 21.93% | 20.89% | 21.99% | 22.27% | 21.42% |

Notes: 1. Source: Policy, Planning & Analysis

TOP PERFORMING BRANDS - GROSS DOLLARS - Last Ten Fiscal Years (Rank in parentheses)

| | Fiscal Years Ended June 30, | | | | | | | | | |
|------------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Tito's Handmade | \$66,908,281 (1) | \$57,855,124 (1) | \$52,339,240 (1) | \$42,122,282 (1) | \$33,451,056 (1) | \$25,018,702 (3) | \$25,269,088 (2) | \$18,758,631 (4) | \$25,658,300 (1) | \$25,018,476 (1) |
| Hennessy VS | \$42,524,111 (2) | \$52,767,346 (2) | \$46,879,265 (2) | \$35,309,436 (2) | \$33,157,815 (2) | \$33,941,737 (1) | \$27,599,088 (1) | \$26,925,694 (1) | \$17,802,469 (3) | \$17,593,209 (3) |
| Jack Daniel's #7 Black | \$30,387,548 (3) | \$30,392,412 (3) | \$30,259,503 (3) | \$29,979,450 (3) | \$29,282,762 (3) | \$28,702,100 (2) | \$27,599,088 (1) | \$26,925,694 (1) | \$16,124,716 (5) | \$19,532,760 (2) |
| Patron Silver | \$28,637,480 (4) | \$28,915,618 (4) | \$20,933,661 (5) | \$22,713,241 (4) | \$21,494,889 (4) | \$20,421,335 (4) | \$19,805,216 (3) | \$18,657,478 (5) | \$19,066,109 (2) | \$16,944,481 (4) |
| Jim Beam | \$24,226,098 (5) | \$23,236,012 (5) | \$23,485,631 (4) | \$19,224,053 (5) | \$18,749,122 (5) | \$18,807,951 (5) | \$19,294,602 (4) | \$18,966,572 (2) | \$17,104,944 (4) | \$16,022,401 (5) |
| Fireball Cinnamon | | | | | | | | | | |
| Smirnoff 80 | | | | | | | | | | |
| Grey Goose | | | | | | | | | | |
| Crown Royal | | | | | | | | | | |

continued on next page

STATISTICAL SECTION

Operational — Last Ten Fiscal Years

PRODUCTS SOLD BY CASE - Last Ten Fiscal Years

| | Fiscal Years Ended June 30, | | | | | | | | | |
|--------------------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Vodka | 1,650,203 | 1,666,837 | 1,656,207 | 1,556,616 | 1,505,294 | 1,471,413 | 1,448,851 | 1,423,240 | 1,398,474 | 1,396,567 |
| Domestic | 922,924 | 898,413 | 907,464 | 855,285 | 823,756 | 795,487 | 774,794 | 761,099 | 738,803 | 720,810 |
| Imported | 380,527 | 394,030 | 389,336 | 363,835 | 355,140 | 351,388 | 350,341 | 340,831 | 342,794 | 345,758 |
| Flavored | 346,752 | 374,394 | 359,408 | 337,496 | 326,398 | 324,538 | 323,716 | 321,310 | 316,877 | 329,999 |
| Straight Bourbon Whiskey | 755,521 | 736,207 | 703,214 | 625,562 | 578,328 | 535,671 | 515,177 | 483,441 | 457,349 | 429,988 |
| Rum | 488,348 | 494,499 | 484,048 | 465,274 | 464,810 | 455,635 | 446,425 | 425,817 | 423,243 | 424,539 |
| Domestic | 39,641 | 41,635 | 27,389 | 438,456 | 438,855 | 434,086 | 429,928 | 142,537 | 137,762 | 141,445 |
| Imported | 448,707 | 452,864 | 456,658 | 26,818 | 25,955 | 21,549 | 16,497 | 283,279 | 285,481 | 283,094 |
| Tequila | 748,000 | 615,083 | 461,861 | 398,587 | 353,493 | 324,504 | 291,677 | 242,280 | 227,319 | 219,623 |
| Cordials -Liqueurs-Specialties | 478,956 | 452,504 | 558,782 | 517,338 | 488,640 | 474,718 | 478,332 | 530,603 | 503,019 | - |
| Imported | 295,062 | 281,355 | 361,042 | 331,695 | 314,610 | 298,289 | 295,955 | 303,305 | 285,565 | - |
| Domestic | 183,894 | 171,149 | 197,740 | 185,643 | 174,030 | 176,429 | 182,377 | 227,298 | 217,454 | - |
| Flavored Whiskey** | 336,535 | 366,550 | - | - | - | - | - | - | - | - |
| Cognac(Armagnac) | 201,905 | 251,574 | 203,289 | 194,789 | 187,912 | 183,177 | 160,584 | 173,099 | 165,700 | 173,679 |
| Gin | 238,926 | 247,227 | 246,321 | 237,108 | 234,097 | 236,821 | 236,616 | 234,712 | 237,533 | 244,341 |
| Domestic | 110,564 | 120,931 | 132,294 | 134,651 | 137,315 | 142,038 | 145,141 | 157,721 | 163,085 | 172,552 |
| Imported | 114,982 | 113,592 | 101,292 | 90,512 | 84,557 | 81,542 | 78,884 | 64,857 | 62,515 | 60,108 |
| Flavored | 13,294 | 12,288 | 12,363 | 11,567 | 11,805 | 12,780 | 12,116 | 11,616 | 11,351 | 11,025 |
| Sloe | 86 | 417 | 372 | 378 | 420 | 461 | 475 | 518 | 582 | 656 |
| Canadian Whisky | 146,374 | 149,935 | 201,871 | 161,568 | 161,060 | 160,640 | 157,516 | 151,833 | 136,390 | 134,537 |
| Brandy | 159,752 | 168,741 | 171,495 | 201,729 | 192,563 | 193,188 | 191,377 | 181,654 | 160,685 | 143,184 |
| Grape | 111,251 | 114,374 | 121,000 | 7,254 | 7,035 | 7,315 | 7,312 | 7,218 | 7,269 | - |
| Imported | 20,179 | 21,846 | 14,663 | 35,540 | 35,943 | 36,328 | 33,534 | 28,036 | 10,686 | - |
| Flavored | 28,322 | 32,521 | 35,832 | 158,935 | 149,585 | 149,545 | 150,531 | 146,400 | 142,730 | 143,184 |
| Scotch Whiskey | 178,106 | 181,068 | 171,167 | 168,753 | 121,746 | 149,837 | 124,684 | 102,713 | 91,924 | 86,930 |
| Cocktails | 182,814 | 190,166 | 151,914 | 224,697 | 198,396 | 180,239 | 172,073 | 156,180 | 158,155 | 168,439 |
| Domestic | 108,867 | 107,019 | 90,017 | 111,572 | 101,123 | 103,626 | 104,110 | 100,208 | 98,016 | 96,777 |
| Imported | 73,947 | 83,147 | 61,897 | 113,125 | 97,273 | 76,613 | 67,963 | 55,972 | 60,139 | 71,662 |
| Tennessee Whiskey | 117,345 | 124,981 | 121,693 | 41,690 | 36,217 | 34,608 | 34,856 | 6,165 | 7,068 | - |
| Blended Whiskey | 96,032 | 91,456 | 148,003 | 71,435 | 61,056 | 42,006 | 33,107 | 49,808 | 53,071 | - |
| Irish Whiskey | 86,424 | 89,296 | 80,162 | 71,192 | 62,282 | 53,596 | 46,944 | 39,789 | 34,966 | 32,013 |
| Straight Rye Whiskey | 69,446 | 63,447 | 50,554 | 51,732 | 45,534 | 53,320 | 73,124 | 62,705 | 54,575 | 46,262 |
| Domestic Whiskey | 47,096 | 43,709 | 64,721 | 57,617 | 56,801 | 53,194 | 47,235 | 41,368 | 41,383 | 39,881 |
| Moonshine ⁽²⁾ | 49,735 | 45,288 | 39,141 | 39,986 | 32,505 | 26,609 | 21,271 | 13,534 | 9,366 | 6,647 |
| Specialty Bottles | 34,048 | 35,588 | 43,221 | 59,784 | 50,671 | 58,168 | 58,656 | 61,838 | 25,571 | - |
| Imported | 22,778 | 21,345 | 26,600 | 19,973 | 16,086 | 26,459 | 25,407 | 30,060 | 25,571 | - |
| Domestic | 11,270 | 14,243 | 16,621 | 39,811 | 34,585 | 31,709 | 33,249 | 31,778 | - | - |
| Egg Nog | 26,522 | 24,005 | 25,321 | 22,972 | 20,034 | 18,653 | 13,101 | 13,349 | 14,334 | 12,881 |
| Rock & Rye | 2,347 | 2,200 | 2,398 | 2,368 | 2,236 | 1,813 | 1,610 | 1,271 | 1,288 | 1,419 |
| Grain Alcohol ⁽¹⁾ | 1,922 | 2,097 | 2,091 | 1,250 | 1,227 | 53 | 57 | 56 | 40 | 49 |
| Bottled Bond Whiskey | - | - | 737 | 629 | 561 | 601 | 606 | 1,574 | 1,165 | 584 |
| Corn Whiskey | 1,469 | 1,699 | 691 | 489 | 408 | 325 | 441 | 724 | 32,022 | 24,643 |
| Vermouth | 18,413 | 25,324 | 25,175 | 22,681 | 21,903 | 17,848 | 16,561 | 15,892 | 15,819 | 15,821 |
| Virginia Wine | 15,732 | 17,278 | 15,762 | 14,936 | 14,480 | 14,624 | 13,131 | 12,241 | 11,533 | 12,087 |
| Non-Alcoholic Mixers | 161,316 | 176,008 | 157,705 | 134,259 | 128,533 | 123,882 | 114,393 | 103,893 | 99,270 | 106,037 |
| Non Beverage Item | 30,320 | 22,509 | 24,996 | 27,587 | 29,272 | 28,399 | 24,387 | 20,549 | 17,331 | 20,978 |
| Statewide Totals * | 6,323,607 | 6,285,276 | 5,812,539 | 5,372,628 | 5,050,059 | 4,893,543 | 4,722,793 | 4,550,327 | 4,378,593 | 3,741,129 |
| Increase from prior FY | 38,331 | 472,737 | 439,911 | 322,569 | 156,517 | 170,750 | 172,466 | 171,734 | 637,464 | (480,058) |
| % Increase | 0.61% | 8.13% | 8.19% | 6.39% | 3.20% | 3.62% | 3.79% | 3.92% | 17.04% | -11.37% |

Notes: * Excludes promotional items, miscellaneous records and confiscated items.

**Flavored Whiskey is a new breakout category.

1. Grain alcohol 151 proof available for sale in select ABC stores.

2. Moonshine was reported separate from corn whiskey category beginning in 2015

ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Authority Transition — Enactment Clause 14

The Alcoholic Beverage Control Authority (the “Authority”) has developed a summary table and a brief narrative as a response to Enactment Clause 14 in Chapter 730 of the 2015 Virginia Acts of Assembly for the Alcoholic Beverage Control Authority legislation.

Enactment Clause 14 of Acts of Assembly Chapter 730 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 2022 | FY 2021 | FY 2020 | FY 2019 | FY 2022 | FY 2021 | FY 2020 | FY 2019 |
| Sales | \$ 1,376.6 | \$ 1,333.6 | \$ 1,173.6 | \$ 1,054.1 | 100.0% | 100.0% | 100.0% | 100.0% |
| - Excise tax | 227.7 | 220.4 | 193.8 | 174.3 | 16.5% | 16.5% | 16.5% | 16.5% |
| + Other revenue | 41.5 | 24.2 | 20.8 | 23.3 | 3.0% | 1.8% | 1.8% | 2.2% |
| Net revenue | \$ 1,190.4 | \$ 1,137.4 | \$ 1,000.6 | \$ 903.1 | 86.5% | 85.3% | 85.3% | 85.7% |
| Cost of goods sold | 660.7 | 642.9 | 563.2 | 504.5 | 48.0% | 48.2% | 48.0% | 47.9% |
| Operation costs | 202.2 | 177.5 | 149.9 | 134.0 | 14.7% | 13.3% | 12.8% | 12.7% |
| Administrative costs | 63.8 | 62.0 | 58.5 | 49.9 | 4.6% | 4.6% | 5.0% | 4.7% |
| Regulatory costs | 20.1 | 17.7 | 16.9 | 17.3 | 1.5% | 1.3% | 1.4% | 1.6% |
| Net Profit | \$ 243.6 | \$ 237.3 | \$ 212.1 | \$ 197.4 | 17.7% | 17.8% | 18.1% | 18.7% |

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 detail 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, 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. Administrative costs include activities in information technology, purchasing, analytics, personnel management, employee engagement, education and prevention, marketing, communications, real estate, finance, and digital operations. 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, Enforcement division remains a part of the overall costs that affects the Authority’s profits. In addition, there are approximately 1,900 new licensees each year that require a full investigation to include a background check of the owners, corporate structure review, complete financial review, and deciding about the suitability of the applicant to possess an ABC license in Virginia.

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ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Authority Transition — Enactment Clause

Cost of Goods Sold increases are primarily driven by sales volume. In fiscal year 2022, Cost of Goods Sold represents 48.0% of the sales revenue collected. This percentage is consistent with previous years.

Operation Costs, Administrative Costs, and Regulatory Costs are all primarily driven by personnel needs (salary, healthcare, retirement, etc.). In addition, Operation Costs include new stores, store rentals (with rent escalation clauses), utilities, and freight to transport product from the distribution center to the stores.

Administrative Costs increases are primarily driven by the cost of Information Technology, new store construction costs, 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 fiscal year 2023 Operation Costs, Administrative Costs, and Regulatory Costs are expected to increase mainly due to compensation costs for state mandated and Authority Board approved pay increases. Continued investment in information technology continues to contribute to additional increases in Administrative Costs, as the Authority advances existing and future systems and associated infrastructure will cause.

ALCOHOLIC BEVERAGE CONTROL AUTHORITY

Six-Year Financial Forecast — As of October 28, 2022

Six-Year Financial Forecast Fiscal Year 2022 - Fiscal Year 2028 (in million)

| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Sources: Growth Rate | | 3.22% | 2.90% | 2.25% | 3.25% | 4.00% | 4.50% |
| Alcoholic Beverages (Store Sales) | 1,376.6 | 1,421.0 | 1,462.2 | 1,495.1 | 1,543.7 | 1,605.4 | 1,677.7 |
| Less: State Taxes on Spirits & Wine | 227.7 | 236.6 | 243.4 | 248.9 | 257.0 | 267.3 | 279.3 |
| Net Store Sales | 1,148.9 | 1,184.4 | 1,218.8 | 1,246.2 | 1,286.7 | 1,338.1 | 1,398.4 |
| Other Revenue | 41.5 | 25.3 | 25.3 | 25.7 | 26.1 | 26.6 | 27.1 |
| Total ABC Revenue | 1,190.4 | 1,209.7 | 1,244.1 | 1,271.9 | 1,312.8 | 1,364.7 | 1,425.5 |
| Cost of Goods Sold: | 660.7 | 682.1 | 701.9 | 717.7 | 741.0 | 770.5 | 805.2 |
| Operating Costs: | 286.1 | 339.2 | 355.3 | 365.2 | 373.4 | 380.5 | 387.8 |
| Infrastructure Projects: | - | - | 1.5 | 5.8 | 9.2 | 10.6 | 10.2 |
| ABC Net Profit | 243.6 | 188.4 | 185.4 | 183.2 | 189.2 | 203.1 | 222.3 |

ABC's profit forecast is a factor of two elements: sales performance and trends in expenses. In both cases, forecasts beyond fiscal year 2023 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 2023, ABC expects sales to grow in the retail segment but at a lower rate due to ongoing and anticipated recession and supply chain related issues. Like other industries, the spirits industry is challenged with materials needed for the production, bottling, and transportation of spirits. Manufacturers have indicated that bottles, glass, and plastic are in short support. Further compounding the issue is the shortage in labor, trucking, and congestion at U.S. ports. Many of these trends are expected to continue into 2023 and possibly 2024. Sales in the mixed beverage licensee (restaurant) segment have returned to pre-pandemic levels, reversing the COVID-driven decline, but remain fluid due to restaurant industry staffing concerns and the current state of the economy. Licensee revenue is projected to grow at a very modest rate, and overall other revenue will decline from 2022 due to an accounting change to move merchandise revenue from other revenue to alcohol sales in fiscal year 2023 and beyond. Virginia ABC is forecasting a decline in the growth rate from fiscal year 2023 – fiscal year 2025, which is consistent with prior years trajectory during a recession and inflationary impacts. However, the growth rate will grow post-recession, reflected in the growth rates for fiscal year 2026 – fiscal year 2028, but macroeconomic uncertainty and volatility could result in updates to those growth rates in future forecasts.

On the expense side, ABC is faced with mandated salary and benefit costs, market-based increases in wages cost to \$15 per hour to remain competitive, automatic rent escalation, telecommunication and technology costs, increase in freight volume and rate cost and growth in credit card discount fees that are all very difficult to influence in the short run. One of the challenges that ABC faces is the change in marketplace demand for workers and the increased wages and personnel costs associated with the demand for employees. The forecast represents the state-mandated pay increase for staff and the accompanying benefit increases. Maintaining strong wage structures amid an increasingly competitive landscape, is a priority to both retain and hire the talent to grow the Authorities revenues.

During fiscal year 2022, ABC contributed \$243.6 million (accrual basis) of net profits to the Commonwealth, and collected \$311.9 million of taxes on store sales, wine, and beer and an additional \$67.3 million of general sales tax totaling \$622.8 million. ABC expects to meet transfer requirements in fiscal year 2023 given the projected increase in gross sales. However, risks include the impact of supply chain on inventory, impacts of inflation and recession, consumer spending, and unforeseen increases in expenses.

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