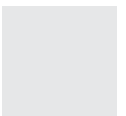
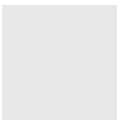


VIRGINIA DEPARTMENT OF
ALCOHOLIC BEVERAGE CONTROL

ANNUAL REPORT 2017



ACCOUNTABILITY · SERVICE · INTEGRITY · PERFORMANCE EXCELLENCE

LETTER FROM THE CHAIRMAN

During the four years I've served as chairman of Virginia ABC, two things have stood out—our commitment to excellent customer service and our reliability as a major source of revenue for the Commonwealth. It is clear that neither of these could happen without the continued dedication and hard work of the 3,794 employees who staff our stores across the state and those who provide enforcement, support services and leadership from our regional offices and Richmond headquarters.

Virginia ABC marked its 19th consecutive record-breaking year for sales in fiscal year 2017, which ended June 30. Gross sales increased to \$940.1 million, up \$42.5 million over the previous year, while profits rose to \$171 million, a jump of \$6 million. Retail sales grew 4.6 percent and licensee sales (sales to restaurants) climbed 4.1 percent during the same time frame.

These profits combined with state and general sales taxes, as well as wine and beer taxes resulted in an all-time high of \$449 million transferred to Virginia's general fund, \$15 million above last year's contribution. ABC has contributed more than \$9.9 billion to the general fund since 1934 to support state services, including substance abuse prevention and treatment.

This robust growth in sales and service is directly attributable to our concentrated effort to respond to the needs of the 21st century marketplace. Our newly minted online retail operations, innovative marketing campaigns, locally driven product mix and modernized store designs all demonstrate our strategic approach to reinvestment and advancement of the business to ensure continued success.

Our financial performance during the fiscal year can be attributed in part to the opening of nine new stores across the state which generated \$7.5 million in sales. Our strategy to continue to grow our store portfolio is a major component of this consistent revenue growth. We also oversaw six store remodels and 13 store relocations to improved market areas, enhancing customer service and accessibility. Sunday sales also continue to play a role in the rising revenue, increasing by \$6.9 million or 13.2 percent in fiscal 2017 to \$59 million with an additional hour of operation.

The agency continued with preparations for its transition from an agency to an authority structure that will begin in January 2018 by developing and embracing new corporate principles—a mission, vision and four core values of accountability, service, integrity and performance excellence. Dozens of policies and procedure were rewritten in laying the foundation for the agency's transition.

Other notable milestones included the launch of the monthly Mini Monday program where customers receive a complimentary 50ml bottle of a new product with a purchase of \$25 or more of spirits or wine. ABC also offered its first in-store redeemable coupons on Repeal Day (Dec. 5) and Father's Day to drive incremental purchases. We enhanced the functionality of our website by adding a dedicated search platform and unique store pages for every location. We expanded online ordering to include almost every product.

The excellent fiscal 2017 results reflect the solid commitment of Virginia ABC's employees and our industry partners. During the past four years, ABC's annual gross sales have grown from \$800 million to \$940 million, more than a 17.5 percent increase. In this same time period we opened 27 new retail stores, relocated 31 and remodeled 25. Our future growth and success will continue to recognize our many strengths as we devote our time and attention to the advancement of Virginia ABC.



ABC Board Chairman Jeffrey L. Painter

Fiscal 2017 was a year
of partnerships for
Virginia ABC. We joined with the
Virginia Wine Board and the
Virginia Tourism Corporation
to offer discounts,
lotteries and sweepstakes, and our
four premier stores were
the first to carry
Virginia is for Lovers
branded merchandise.

2017 KEY AGENCY HIGHLIGHTS

Number of Stores	366
Total Employees	3,794
ABC Retail Licenses	19,190
ABC Profit Transfers	\$171,154,888
Active Items on Price List	2,659
Total Gross Sales	\$940,095,513
Total Transfer to the Commonwealth	\$448,564,614

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VIRGINIA DEPARTMENT OF
ALCOHOLIC BEVERAGE CONTROL

MISSION

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

VISION

To bring good spirits and excellent service to Virginia.

VALUES

Accountability • Service
Integrity • Performance Excellence

Cover photos (clockwise from top left): ABC's Human Resources and Bureau of Law Enforcement team up to attend job fairs across the Commonwealth to inform job seekers about the value of a career with Virginia ABC; Students arrive for the Youth Alcohol and Drug Abuse Awareness Program (YADAAP) conference at Longwood University in Farmville; Special Agent Nam Nguyen helps ABC enforce alcohol-related laws and prevent alcohol abuse in Virginia Beach; Regional Manager Sheila Brown and the staff of Store 032 in Deltaville celebrate winning a contest to generate the largest number of customer sign-ups for an ABC promotional program.

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

WWW.ABC.VIRGINIA.GOV

VirginiaABC SpiritedVirginia

VirginiaABC



ABC BOARD

Board Chairman Jeffrey L. Painter
 Commissioner Judy G. Napier
 Commissioner Henry L. Marsh III

EXECUTIVE STAFF

Chief Operating Officer, Secretary to the Board Travis G. Hill
 Special Policy Advisor for Law Enforcement Ryant L. Washington
 Legislative and Fiscal Policy Officer Paul Van Lenten Jr.*
 Deputy Secretary to the Board S. Christopher Curtis
 Chief Communications and Research Officer W. Eddie Wirt
 Chief Information Officer Paul Williams*

DIVISION DIRECTORS

Communications Rebecca V. Gettings
 Financial Management Services Barry M. Wenzig
 Hearings, Appeals and Judicial Services John Patrick Griffin
 Human Resources Crystal W. Stephenson*
 Internal Audit Nannette Williams
 Logistics Mark Dunham*
 Marketing John L. Shiffer
 Procurement and Support Services Debra C. Corley
 Real Estate and Facilities Management Susan W. Johnson
 Retail Operations C. Wilson Jones

* All Board members, executive staff and division directors served throughout the fiscal year with the exception of the following: Crystal Stephenson resigned in June 2017. Mark Dunham became Logistics Director in October 2016 after Ron Dew's retirement in September 2016. Paul Williams served as interim Chief Information Officer until his hire in December 2016. Paul Van Lenten became Legislative and Fiscal Policy Officer in February 2017.



Governor Terry McAuliffe



Secretary of Public Safety and Homeland Security Brian J. Moran

LEGISLATIVE SYNOPSIS

NEW ALCOHOL-RELATED LAWS—Effective July 1, 2017

AUTHORITY TRANSITION

Two pieces of legislation proposed by Virginia ABC, effective January 15, 2018, were House bill (HB) 2359 and Senate bill (SB) 1287. Changes provided in the legislation will enable Virginia ABC to meet the intent of the Virginia Alcoholic Beverage Control Authority Act of 2015 by allowing the Authority greater freedom to operate. The Authority will seek to function more like a business by achieving efficiency in its operations in all arenas, particularly as it relates to the hearings, human resources and procurement functions.

AUTHORITY OMNIBUS

HB 2359. This law changes the effective date for creation of the Authority to January 15, 2018, and creates a transition period ending December 31, 2018, in order to facilitate an orderly and efficient transition and ensure the continuation of operations during the transition. The current Virginia ABC board will be three of the five members of the directors of the Authority. Additionally, the law grants the ABC Authority the ability to implement and maintain independent payroll and non-payroll disbursement systems and streamline the suspension and revocation process. It also exempts the Authority from mandatory procurement provisions and authorizes the board of directors to delegate or assign to any officer or employee of the Authority any duties or tasks required to be performed by the Authority. Finally, the law permits employees in the Traditional Sick Leave plan to convert to the Virginia Sickness and Disability Program (VSDP) and be immediately eligible for benefits under VSDP.

SB 1287. In addition to the stipulations captured in HB 2359, SB 1287 was modified by the legislature to include changes in Workforce Transition Act (WTA) eligibility for Virginia ABC employees by limiting eligibility to employees who are not offered a position with the Authority, are offered a position for which the employee is not qualified or are offered a position that would require relocation or a reduction in salary.

Other passed legislation that impacts Virginia ABC and its stakeholders included:

ABC WORKFORCE TRANSITION ACT

HB 2247. This law changes Workforce Transition Act eligibility for Virginia ABC employees by limiting eligibility to employees who are not offered a position with the Authority, are offered a position for which the employee is not qualified or are offered a position that would require relocation or a reduction in salary. This law clarifies that Authority employees will be eligible for WTA if terminated without cause.

CENTRAL OFFICE AND WAREHOUSE

HB 1500. As part of the final budget, Virginia ABC is to work with the Department of General Services to perform detailed planning for a new central office and warehouse location. A report is due to the General Assembly in November 2017.

DISTILLERY REMOTE PRIVILEGES

HB 2029 & SB 1448. This law lets distillery stores participate in events or festivals throughout the state conducted for the purpose of featuring and educating the consuming public about spirits products without having to obtain a banquet license.

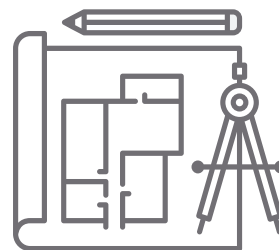
GRAIN ALCOHOL

HB 1842. This law raises the maximum proof of neutral grain spirits that may be sold through Virginia ABC retail stores without a permit. The previous limit was 101 proof. The new limit is 151 proof. These provisions will expire on July 1, 2022 unless reenacted by the General Assembly.

(continued)



**BECOMING AN
AUTHORITY**



BAR BYSTANDER TRAINING

SB 1150. This law requires Virginia ABC to provide training for all retail licensees and employees who sell or serve alcoholic beverages for on-premise consumption on how to recognize situations that may lead to sexual assault and utilize intervention strategies. This training is meant to help prevent situations from culminating in sexual assault.

BEER CANS

HB 1744 & SB 1469. The law permits the sale of beer in cans at licensed stadiums, amphitheaters, exhibition halls and convention centers.

ADDITIONAL MIXED BEVERAGE LICENSES

HB 1987 & SB 1391. These laws create a new commercial lifestyle center license for mixed use commercial developments. They authorize consumption throughout the premises of the development, including plazas, seating areas, concourses, walkways and such other similar areas. It also includes non-retail licensee tenant premises, upon approval of such tenant. It excludes any parking areas. HB 1926. This law creates a new municipal golf course license for the Holston Hills community golf course in Marion and waives any applicable monthly food sales requirements for the months when the weather reduces patronage.

BED AND BREAKFAST REGULATIONS

SB 1578. This law requires individuals operating short-term rentals who wish to offer alcoholic beverages to their guests to obtain a bed and breakfast license.

ADDITIONAL WINE AND BEER LICENSES

HB 1743. This law creates a new historic cinema house license which authorizes the licensee to sell wine and beer for on-premise consumption, either with or without meals, during any showing of a motion picture to patrons to whom alcoholic beverages may lawfully be sold. SB 1587. This law adds Alleghany County to the list of permissible localities who may qualify for a retail on-premise beer and wine amphitheater license.

RETAILER DELIVERY TO VEHICLES

HB 1801. This law permits off-premise wine and beer licensees to deliver closed containers of alcoholic beverages to a customer's vehicle when: 1) that vehicle is parked in a designated space and 2) the online order of that wine or beer was placed in advance of the delivery.

HEALTH INSPECTION

SB 1382. This law streamlines the license and delivery process by allowing Virginia ABC to issue an alcoholic beverage license to the establishment when the applicant provides proof of a pending food establishment license or health permit. The licensee may not sell alcoholic beverages until the food establishment license or health permit has been issued.

WINE FUNDRAISER

HB 1694. This law expands the banquet license privilege to permit licensees who are non-profit corporations or associations to sell closed containers of wine as part of any fundraising activity to persons whom wine may be lawfully sold for off-premise consumption.

FOOD AVAILABILITY

SB 1216. This law clarifies that all mixed beverage licensees are required to have food, cooked or prepared on the licensed premises, available for on-premises consumption in all areas of the licensed premises in which spirits are sold or served until at least 30 minutes prior to an establishment's closing.





2018 BECOMING AN AUTHORITY

MISSION

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

VISION

To bring good spirits and excellent service to Virginia.

VALUES

Accountability

We build trust by delivering on our promises.

Service

We take pride in our role as public servants and put customers, both internal and external, first in all we do.

Integrity

We are fair, consistent, transparent and treat everyone with respect.

Performance Excellence

We are innovative, collaborative and strive to improve every day.

Chief Operating Officer Travis Hill speaks to employees about the agency's adoption of new corporate principals. These principals were developed as the key focus points the agency will use to guide itself as it transitions into an authority structure in 2018.

NOTES FROM THE TOP SHELF



Agency Moves Forward with New Corporate Principals

In fall 2016, COO Travis Hill invited employees to participate in conversations during a series of statewide meetings held in Roanoke, Dulles, Richmond and Norfolk. He led face-to-face discussions regarding Virginia ABC's strategic planning efforts and the steps being taken to prepare the agency to become an authority in 2018.

The ABC Authority Act unanimously passed by the General Assembly in 2015 and amended during fiscal year 2017, will provide the agency greater freedom to function more like a business by achieving efficiency in its operation in all areas, particularly as it relates to the hearings, human resources and procurement functions.

Hill also introduced proposed mission, vision and values statements for the agency.

More than 500 employees representing all areas of the agency offered their feedback at the regional meetings. Many employees indicated this was the first time in their memory that such discussions had been held between senior management and employees. There were lengthy discussions on the proposed mission, vision and values with retail staff, special agents and central office employees. Employees embraced some verbiage and offered suggested word changes for others. They were receptive and glad their opinions were sought.

The leadership team announced the rollout of the agency's new mission and vision statements as well as its four key values in March 2017 at a special event held at the Virginia Museum of Fine Arts for more than a hundred employees that would serve on one or more of 14 committees tasked with projects related to Phase 3 of the transition plan. These committees addressed issues ranging from organizational transformation, workforce conversion and change management to policies and procedures for HR and procurement, documentation and compensation.

Communications launched an Authority Transition page on Mixer, the agency's internal SharePoint site, and in collaboration with others posted one or more stories a month related to the transition. The site also featured the Rumor Mill which addressed nearly a hundred employee concerns and provided accurate answers in a Q&A format.

Signage with the new principles was posted in every store, regional enforcement office and throughout the central office and warehouse.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

BUREAU OF LAW ENFORCEMENT

The Bureau of Law Enforcement is charged with enforcing the alcoholic beverage control laws and regulations governing the manufacture, distribution, sale and consumption of alcoholic beverages and tobacco while utilizing innovative educational and community partnerships. More than a hundred sworn agents supported by 30 civilian staff conducted field operations out of nine regional offices situated throughout the Commonwealth and one satellite office in Abingdon.

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

Staff from the Bureau's licensing, compliance and administrative units served as liaisons to breweries, distilleries and wineries; informed and interacted with manufacturers, importers and distributors; collected Virginia state taxes; processed invoices and renewals; conducted alcohol-related training about state ABC laws; and maintained records for businesses with ABC licenses and individuals seeking licenses related to alcohol sale and consumption at private special events.

The Bureau of Law Enforcement remained committed to providing the highest standard of training to sworn employees, community stakeholders and its law enforcement partners throughout the Commonwealth. Under the auspices of its Department of Criminal Justice Services (DCJS) certified training academy, the Bureau conducted or directed a total of 1,178 hours of training on a wide variety of subjects to include community policing, cultural diversity, de-escalation, defensive tactics, firearms, first aid/CPR/AED, as well as alcohol laws and regulations.

Additionally, in concert with the FBI, the Bureau hosted the Law Enforcement Executive Development Association (FBI LEEDA) training for all levels of the Bureau's command staff as well as law enforcement managers from our surrounding jurisdictions. Finally, the agency was awarded a 21st Century Policing Grant from DCJS which will be used to showcase Virginia ABC, promote diversity and encourage qualified female and minority agents to consider a career with the Bureau of Law Enforcement.

Virginia ABC was named the 2017 "Liquor Law Enforcement Agency of the Year" by the National Liquor Law Enforcement Association. The award reflected Virginia ABC's response to

Sworn Enforcement Personnel Demographics

White / Caucasian (%)	82 (78.8)
Black / African American (%)	15 (14.4)
Hispanic (%)	4 (3.8)
Asian / Pacific Islander (%)	2 (1.9)
American Indian / Alaskan native (%)	1
Total filled sworn positions	104
Non-minority (%)	78.8
Minority (%)	21.1

Professional Standards Summary

Internal Affairs Investigations conducted	11
Citizen Complaints	2
Agency initiated	9
Findings	
Justified	0
No further Action, citizen request	1
Not Substantiated	1
Substantiated	7
Unfounded	1
Pending	1

Law Enforcement Activity

Criminal Incidents	2,907
Arrests	599
Illegal still investigations	36
Inspections of licensed establishments	12,446
Observations of licensed establishments	752
Underage Buyer (UAB) compliance checks	3,829
Written warning reports	1,940
Written violation reports	552
Wine, beer and mixed-beverage application and state license fees collected	\$13,818,348.55

Tobacco Compliance

Synar compliance rate, May 1–September 30, 2016 (%) (1)	90.52
Total tobacco checks by ABC agents (2)	414
FDA retail compliance check inspections (3)	3,743

- (1) FY 15: 85.81 percent. Virginia ABC special agents conducted random, unannounced Synar inspections on behalf of the Virginia Department of Behavioral Health and Development Services (DBHDS).
- (2) FY 15: 756 checks. This includes attempted visits found not suitable for an underage buyer check.
- (3) FY 15: 3,985. The Bureau of Law Enforcement's 30 FDA-commissioned tobacco inspectors conducted tobacco retail inspections on behalf of the Food and Drug Administration (FDA), Center for Tobacco Products (CTP).

violent crime incidents at licensed establishments as well as its commitment to training and community outreach serving stakeholders, law enforcement partners and the community at large.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

COMMUNICATIONS

The Communications Division serves as an advisor to leadership in maintaining the agency's image and reputation. The division is responsible for internal and external communications, media relations, photography and graphic design. Key functions include producing the annual report, Spirited Virginia Magazine and licensee e-newsletter and maintaining the internal SharePoint news page with daily content. Creative services include developing posters, brochures, booklets and direct mail pieces that support agency initiatives.

Utilizing tools such as news releases, e-newsletters, printed collateral, social media, website content, SharePoint Mixer postings and more, the division is committed to providing accurate and timely communications to the agency's 3,794 employees, its customers, the media and other stakeholders.

In the area of media relations, Communications wrote and distributed 75 news releases, responded to 567 media inquiries and provided talking points for numerous interviews.

Social Media Statistics

Virginia ABC Twitter Account

New Twitter followers	3,125
Tweet impressions	1,723,248
Retweets	2,498
Likes	2,565

Virginia ABC Facebook Account

New Facebook likes	1,214
New Facebook followers	1,240

Spirited Virginia Facebook Account

New Facebook likes	2,562
New Facebook followers	2,750

The division also drafted speeches for nine board appearances, planned and executed eight store grand opening events and wrote, edited and designed collateral pieces including posters, brochures, booklets and direct mail pieces. The division supported the agency's Mixer intranet platform by developing and posting more than 253 articles on ABC Now (the agency's internal newsletter) and managed the agency's social media by posting regularly on Facebook and Twitter.

The division's e-newsletter for licensees grew by 1,943 subscribers and had an open rate of 60.4 percent and a click rate of 11.6 percent, surpassing the industry standard rates of 15.8 and 2 percent respectively.

Communications published four issues of Spirited Virginia, the agency's flagship magazine. The 64-page color publication included feature stories and beautiful photography on distilled spirits, cocktail recipes and the agency's quarterly price list. Communications provided photography support for the agency by producing hundreds of images for printed and digital use. More than 612 color images were published in a variety of media including posters, the Spirited Virginia magazine, social media and throughout the agency's redesigned website. The division also generated content for the website.

(Below) Regional Manager Patrick Campbell speaks to local television media during the grand opening of Virginia ABC's second store in Blacksburg. Communications frequently fields requests for interviews from media and arranges for ABC subject-matter experts to be available for interviews.



1,723,248
TWITTER IMPRESSIONS

567 MEDIA
INQUIRIES

168,000
COPIES OF SPIRITED
VIRGINIA MAGAZINE
DISTRIBUTED



DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

EDUCATION & PREVENTION SECTION

The mission of the Education and Prevention Section (EPS) is to eliminate underage and high-risk drinking by building the capacity for communities to educate individuals and prevent alcohol misuse. The section works to accomplish this by providing alcohol education and prevention information, trainings, conferences and grants as well as publications.

EPS understands that communities can be formed in a variety of settings and that community leaders can regularly and more effectively impact their community. Therefore, the section offers

prevention education, strategic planning knowledge, leadership skill building, publications, subject matter experts and partnerships. Virginia ABC also believes that a multi-faceted approach to alcohol education and prevention is more effective and should include individuals, families, licensees and communities. The agency offers education and prevention across the lifespan and is proud to provide programming for elementary schools, middle schools, high schools, college students and professionals, parents, those 21 and older, older adults and licensees. Please see explanations of all Education and Prevention programs on page 11.

Youth Prevention Programming

Miss Virginia School Tour stops	41
Miss Virginia School Tour participants	18,473
Being Outstanding Leaders Together Against Drugs and Alcohol (BOLT):	
BOLT events (1)	3
BOLT participants	221
BOLT social media individuals reached	1,812
Youth Alcohol and Drug Abuse Prevention Project (YADAPP) 2016:	
YADAPP participants (2)	357
YADAPP 2016 individuals reached	13,053

Adult Education and Prevention Programming

Project Sticker Shock events	16
Project Sticker Shock individuals reached	13,465

- (1) BOLT events were hosted by partners: Botetourt County Public Schools, Region 10 Community Service Board, and Peninsula area schools (Heritage High School, Lafayette High School, Surry County Office on Youth and New Kent High School).
- (2) YADAPP annual kick off conference held at Longwood University, July 18-22, 2016. Seventy four teams of students and adult sponsors represented schools and communities across Virginia.
- (3) These include both YADAPP mini-grants (\$250 each) and Wheeler Award (\$500). 2016 Wheeler Award recipient was Lafayette High School.
- (4) Alcohol Education and Prevention grantees: Boys and Girls Club of Southeast Virginia, CHILL/Piedmont Community Services, Eastern Shore Community Services Board, Friends of Prevention Coalition of Richmond, Futuro Latino at James Madison University, Hanover Cares Coalition, Henrico Too Smart 2 Start, Longwood University, Newport News Department of Human Services, Substance Abuse Free Environment, University of Virginia's College at Wise and Washington County Prevention Coalition.



Alcohol Seller, Server and Manager Training

Responsible Sellers & Servers: Virginia's Program (RSVP):	
RSVP classroom trainings	107
RSVP classroom participants	1,566
RSVP online training participants	531
Managers' Alcohol Responsibility Training (MART):	
MART classroom trainings	29
MART classroom participants	345
MART online training participants	150

Capacity Building Resources

Education and Prevention publications distributed	58,150
Education and Prevention publications downloaded	6,477
YADAPP 2016 grants presented (3)	20
YADAPP 2016 grants disbursements	\$5,250
Alcohol Education and Prevention grants (4)	12
Alcohol Education and Prevention grants disbursements	\$70,923
Alcohol Education and Prevention grants individuals reached	149,906



(ABOVE) YADAPP participants take part in a creative sketch during the opening day of the 2016 conference at Longwood University in Farmville. Twenty grants were given out at the end of the week-long program giving more than \$5,000 to combat underage alcohol abuse across Virginia.

(LEFT) Miss Virginia 2016 Michaela Sigmon visits ABC's headquarters ahead of starting her tour, which would eventually total 41 stops and 18,473 participants that would hear her message of resistance to alcohol abuse.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

EDUCATION & PREVENTION SECTION (continued)

The following is a list of the Education and Prevention Section programs offered. For more information, please visit www.abc.virginia.gov/education or www.facebook.com/VirginiaABCEducationandPrevention, call (804) 977-7440 or email Education@abc.virginia.gov

MISS VIRGINIA SCHOOL TOUR

Miss Virginia travels across Virginia to elementary schools spreading a message of health, wellness and prevention with students and teachers.

BEING OUTSTANDING LEADERS TOGETHER AGAINST DRUGS AND ALCOHOL

Provides drug and alcohol prevention knowledge to middle school students and their parents through regional community collaboration and high school peer leadership.

YOUTH ALCOHOL AND DRUG ABUSE PREVENTION PROJECT

A high school peer-led leadership conference equipping teens with a strategic plan and empowering them to keep their schools and communities alcohol and drug free.

HIGHER EDUCATION ALCOHOL AND DRUG STRATEGIC UNIFIED PREVENTION

HEADS UP provides resources to help strengthen and support the mission of healthy and safe campus-communities, and offers strategic planning materials to define clear and identifiable measures.

PROJECT STICKER SHOCK

Supplies are provided to community groups in an effort to decrease social providing. The project includes stickers being placed on alcohol packaging reminding buyers to not provide to minors and is done in conjunction with a press event to help raise awareness.

RESPONSIBLE SELLERS AND SERVERS: VIRGINIA'S PROGRAM / MANAGERS' ALCOHOL RESPONSIBILITY TRAINING

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

ALCOHOL AND AGING AWARENESS GROUP

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

VIRGINIA OFFICE FOR SUBSTANCE ABUSE PREVENTION

An organization that promotes collaboration among state and local agencies, organizations, coalitions and faith communities that address substance abuse prevention.

SELLER/SERVER TRAINING APPROVAL PROGRAM (STAP)

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

GRANT PROGRAM

Alcohol Education and Prevention Grants assist community partners to develop and enhance initiatives related to alcohol education and prevention. Grant cycle is July–June with applications due in the spring.

PUBLICATION SERIES

Alcohol education and prevention publications for a variety of age ranges including elementary school, middle school, high school, college, 21 years old and over, parents, older adults and licensees.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

FINANCIAL MANAGEMENT SERVICES

The Financial Management Services Division is comprised of Accounting, Accounts Payable, Sales Audit, Financial Analysis & Budgeting, Payroll, Tax Management, and Processes & Controls. Accounting records accrual basis transactions including cost of goods sold and depreciation, and ensures the general ledger is in compliance with generally accepted accounting principles. Accounts Payable handles disbursements to vendors and employee reimbursements. Sales Audit balances all receipts of revenue collected at retail stores, regional offices and the central office. Financial Analysis & Budgeting prepares annual financial statements, budgets and forecasts. Payroll processes salary and wage payments to ABC employees and ensures correct payment of healthcare and other fringe benefits. Tax Management collects wine and beer taxes and approves labels for malt beverage, wine

and low alcohol products. Processes & Controls ensures financial compliance with Agency Risk Management and Internal Controls Standards (ARMICS), the Commonwealth Accounting Policies and Procedures Manual and ABC policies.

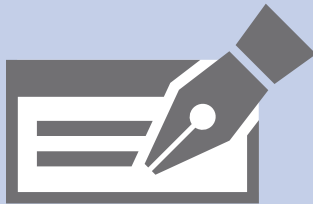
During fiscal year 2017, FMS added personnel to fill key positions in preparation for the upcoming implementation of a new financial system and improvements to internal controls and processes. The division restructured its organization to include separate teams for accounting and financial reporting in an effort to improve financial planning and analysis and provide earlier monthly financial reports. The tax management team continued to improve the wine tax electronic submission process. Accounting also worked to improve the distillery store reporting and accounting process by making the worksheets more user friendly and reducing submissions to once per month.

PAYROLL PRODUCED

26,292

SALARIED AND

61,429 WAGE PAYCHECKS



\$84,148,628.08

IN EXCISE TAXES FOR THE COMMONWEALTH



ABC HOSTS FAIR TRADE PRACTICE SUMMIT

In a collaborative summit hosted by Virginia ABC Law Enforcement in July, more than 75 representatives from state and national alcohol manufacturers, wholesalers and retailers discussed the marketplace and fair trade practices.

Six prominent industry groups partnered with Virginia ABC to organize the trade practice summit, including the Craft Brewers Guild; Virginia Beer Wholesalers; Virginia Petroleum, Convenience and Grocery Association; Virginia Restaurant, Lodging & Travel Association; Virginia Wine Wholesalers Association; and the Virginia Wineries Association.

A number of speakers gave insight into tied-house laws, including Paul Pisano, senior vice president for the National Beer Wholesalers Association (NBWA) whose explanation covered what led to today's three-tier system for the sale of alcohol. Virginia's alcohol regulations state that manufacturers must sell to distributors who in turn sell to retailers.

"We want to ensure that as an agency, we're doing everything we can to educate each party in Virginia's three-tier system—manufacturers, distributors and retailers—of the importance of these fair trade practices," Virginia ABC COO Travis Hill said during the event.



**VIRGINIA ABC
AT A GLANCE**

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

HEARINGS, APPEALS AND JUDICIAL SERVICES

The Hearings, Appeals and Judicial Services Division strives to provide fair, unbiased hearings and other dispute resolution options to Virginia ABC stakeholders, including applicants, licensees, local law enforcement personnel and citizens throughout the Commonwealth. The division conducts four types of hearings: application hearings that resolve contested requests for ABC licenses; disciplinary hearings that determine if a licensee has violated an ABC law or regulation; summary suspension hearings that consider measures to protect the public safety; and franchise hearings that resolve disputes arising under distribution agreements between wine and beer manufacturers and their wholesalers. Three alternate dispute resolution procedures are available. For disciplinary cases many licensees may initially accept a consent settlement rather than go to a hearing. Later in the process, most licensees can submit offers in compromise for the ABC Board's consideration. Finally, the division's hearing officers are in the process of becoming certified mediators

to make mediation a more attractive option in franchise cases. All procedures are conducted openly and impartially to ensure that hearing officers reach reasoned decisions based on all relevant and material evidence. Initial disciplinary hearings take place at the ABC regional office that serves the licensee. Contested applications and summary suspension proceedings are held in the regional office or a nearby state or local facility that can accommodate the number of interested parties. Administrative appeals and franchise cases are heard at the agency's central office in Richmond.

Cases Referred for Hearings

Case Activity	Count
Violation/disciplinary reports	425
Contested applications	37
• Approved	13
• Denied	6
• Withdrawn before hearing	18
Contested banquet applications	7
• Approved	4
• Denied	2
• Withdrawn before hearing	1
Wine and beer franchise cases	12
Total hearings requested	481

Hearings Dispositions

Case Activity	Count	Percentage of Total Cases Received (%)
Settled by consent settlement offer	214	43.23
Heard by ABC Hearing Officer (1)	166	33.54
Settled by offer in compromise	66	13.33
Heard by ABC Board on appeal	28	5.66
Withdrawn or dismissed prior to hearing (2)	21	4.24
Total hearings dispositions (3)	495	100

- (1) 166 hearings were held on 158 charges/objections filed. Single cases with multiple charges are heard in one hearing. 28 of these were appealed to the Board for a second hearing.
- (2) Cases may be withdrawn or dismissed prior to a hearing, but after docketing for a variety of reasons, e.g., license surrendered; application withdrawn; settlement through mediation.
- (3) 124 cases were in process at the end of FY 16 and completed during fiscal 2017.

Average Case Turnaround Time (in Days)

Activity	FY 13	FY 14	FY 14*	FY 15	FY 15*	FY 16*	FY 16	FY 17*	FY 17
Violations	58.73	83	108.9	89	115	102.9	89.2	89.7	84.1
Applications	109.66	40.73	123	137	146	164.3	135.8	121.6	120.8

Unless otherwise noted, turnaround times do not include continuances.

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

Case Decisions Appealed

Activity	Count	Percentage of Total (%)
Initial decision of hearing officer to ABC Board (1)	28	5.66
Final decision of ABC Board to circuit court (2)	6	21.42

(1) Percentage of all cases referred
(2) Percentage of all cases appealed to the Board

Civil Penalties Collected

Activity	
Civil penalties collected (dollars)	645,412.90
Average civil penalty per case (dollars)	2,472.85
Average suspension period per case (days) (1)	12.38

- (1) Most ABC cases result in the imposition of a civil penalty and/or suspension period. This average reflects the results of all civil penalties or suspension periods from all case decisions, consent settlement offers, and offers-in-compromise for fiscal 2017. The Board may allow licensees to choose between a civil penalty or suspension period. Some penalties, however, contain civil penalties and mandatory suspension periods.



\$645,412.90
CIVIL PENALTIES COLLECTED

\$2,472.85
AVERAGE CIVIL PENALTY
COLLECTED PER CASE



DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

HUMAN RESOURCES

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

The division's training and development team lent its resources and knowledge to strengthen partnerships within divisions, including a custom eight-month learning experience for the warehouse managers. The department assisted the Bureau of Enforcement's Field Training Officer School with courses centered on adult learning and communication. Finally, the fifth Leadership And Management Program (LAMP) cohort completed one year of leadership training around the following five competencies: leading others, delivering results, thinking strategically, organizing and planning work, and demonstrating personal effectiveness.

Human Resources continues to develop and implement long-term strategies and best practices in recruiting, hiring and retaining veterans, including participating in five job fairs in partnership with Fort Lee. (See photo on the cover.)

Employees and Hiring

Total employees (as of June 30, 2016)	3,794
Total classified employees	1,110
Total part-time employees	2,684
Classified employees hired in FY 16	180
Part-time employees hired in FY 16	864

ABC employs a diverse workforce, with approximately 1,110 classified (full-time) employees, 2,684 wage (part-time) employees, and 31 contractual workers supplement ABC's workforce. These 3,794 agency employees work throughout the Commonwealth operating 366 retail stores and nine regional offices. Approximately 442 ABC employees and 31 contractual workers are physically located in Richmond at the central office and warehouse facility.

Employee Demographics

Average age (years) (1)	46.1
Average years of service, classified employees (2)	10.46
Gender: male (%) (3)	55.6
Gender: female (%) (3)	44.4
Minority (%) (4)	33.1

The demographics of ABC's workforce are generally consistent with the overall state workforce. The average age of an ABC classified employee is 46.1 years, with an average length of service of 10.46 years. Approximately 12% of employees are eligible for an unreduced retirement as of June 30, 2017 and 21% will be eligible in 5 years.

(1) Average age (all state employees): 46.6 years

(2) Average years of service (all state employees): 11.8 years

(3) Gender (all state employees): male, 46.4 percent; female, 53.6 percent

(4) Minority (all state employees): 34.6 percent

Overall, Human Resources processed 21,315 applications, facilitated interviews with 4,239 applicants, conducted 1,907 criminal record checks and extended employment offers to approximately 1,710 candidates in fiscal 2017.

Human Resources will play a critical role in cultivating and encouraging an environment that supports, develops, and sustains a high-performing and engaged workforce as Virginia ABC moves into its next chapter as an authority. In fiscal 2017, the division led several authority transition committees and collaborated with an outside recruitment firm to draft position descriptions, as well as source, recruit, and eventually hire ABC's new executive leadership team.



The number of people Virginia ABC employs statewide on a part-time or full-time basis (as of June 30, 2017).

Tuition and Training Assistance

Description of Training	Course Types	Units* (1)
Tuition Assistance Program (TAP)	26	26
Instructor-led (Agency) (1)	33	631
New hire orientation	13	175
Agency/state mandates (online)		
Retail/warehouse employees	17	15,758
Non-retail/warehouse employees	10	9,685
Emergency management	NA	NA
HPM supervisor (online)	14	636
Safety	7	5,726
Safety (ASHI-CPR) Instructor-Led	NA	NA

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

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

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

INFORMATION TECHNOLOGY

The Information Technology (IT) Services division supports the agency's mission through the delivery of IT technical services.

In 2017, IT continued its momentum of streamlining operations to better align with the agency's strategic goals and focus on fiscal responsibility. With a better organized internal structure, IT is able to help ABC deliver product, services and support to individual and business customers. IT supports the agency by providing a more updated technology infrastructure and a greater capacity to deliver on customer needs and expectations.

Virginia ABC continued to make progress towards the goals of the ABC Modernization and the IT Reinvestment program which kicked off in 2016. This program's focus is updating the ABC's core legacy systems to improve customer service, return on investment, reliability, compliance and flexibility of the enterprise. Over the next four years, several major projects will replace the outdated systems of the agency's technology portfolio with new updated technology. These new systems and upgrades will create a more sustainable and fiscally responsible agency while reducing long-term cost and risk.

Projects delivered include:

- Upgrading Enterprise databases to Oracle 12—resolving audit points on compliance
- Deploying a new printer fleet and print management solution, reducing print costs by around 30 percent
- Updating the current ERP to a supported version—resolving audit points on compliance
- Retiring multiple systems that were end of life and out of support
- Fixing a web issue within 48 hours of discovery that could have compromised all of ABC's web systems—and was identified as the culprit in the recent compromise of Equifax

- Upgraded several components for warehouse management
- Started to deploy Chip and PIN (EMV) card processing to the store fleet
- Deployed store inventory on-line ordering via the web site
- Successfully transitioned Sitecore support from CapTech to in-house support cutting costs by approximately 40 percent for the first time in three years
- Passed full website PCI compliance for the second year in a row

The talented and dedicated IT staff also worked diligently to produce myriad other cost-saving and risk-reducing projects that helped ABC better serve its customers and constituents. With its reorganizational efforts, technology update projects and dedicated public servants, the division is primed to help the agency deliver value to the Commonwealth, its citizens and visitors to Virginia as the agency transitions to an authority.



(ABOVE) Tatiana Morales, left, and Poonam Saini are part of ABC's .NET group within Information Technology. They are critical to maintaining and expanding the capabilities of the agency's website.

INTERNAL AUDIT

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

Internal Audit is responsible for maintaining a robust store audit program, which also includes distillery audits; compliance with Virginia Information Technologies Agency (VITA) SEC 502

information security audits and the information security audit program; investigation of state fraud, waste and abuse hotline complaints; investigation of internal complaints related to internal activities; investigation of possible fraudulent activities and risk-based operational or ad hoc audits.

Information security is responsible for developing and maintaining a robust information security program to ensure compliance with VITA SEC 501, information security policies and procedures and providing expertise to the agency to implement and maintain the IT Security Program.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

LICENSE RECORDS MANAGEMENT

The Bureau of Law Enforcement manages License Records Management (LRM) which consists of 20 employees in two sections—License and Records. These sections interact with all aspects of the life of an ABC license from application submission through possible approval, suspension, revocation and surrender.

In fiscal year 2017, the Records section served more than 4,131 walk-in customers and handled more than 11,782 telephone calls. Transactions totaling more than \$5.5 million were cashiered including banquet and retail applications, license renewals and beer/wine tax payments. The section processed

18,475 renewal bills, 3,961 underage buyer investigation forms and 5,008 mixed beverage annual review packets. The Records section also responded to 136 Freedom of Information Act requests. The License section processed 1,804 new retail applications during the fiscal year. For each application, the section initiated first contact with the applicant within one business day of receiving the application from the Records section. The License section assisted all applicants with the collection of required documents based on the application type and forwarded 1,799 completed applications to the appropriate regional office for investigation by an ABC special agent.

Licenses and Licensing

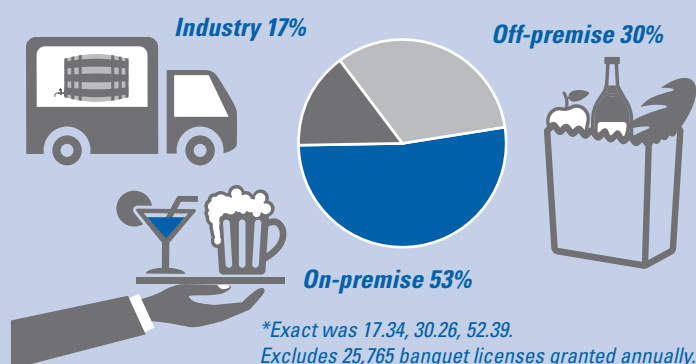
ABC retail licenses (1)	19,190
New retail, wholesale and special-permit licenses	1,880
Licensed retail establishments	17,772
Private or corporate owners	13,859
Alcohol compliance rates for retail licensees (%) (2)	90.20
Average processing time for new retail applications (in days) (3)	72
One-day banquet and special-event licenses	25,765

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

(2) FY 2016 rate: 91.04 percent

(3) FY 2016: 72 days. ABC targets a 60-day average.

Licenses Granted in 2017 by Type*



LOGISTICS

Fiscal 2017 saw dramatic improvements to an already efficient Logistics Division. With responsibility for the distribution of products to all Virginia ABC stores, the division includes warehouse operations, inventory control and transportation, special orders, store stocking and business/system support.

Implementation of measures designed to improve employee morale and function, including an “employee of the month” rewards and recognition program to honor outstanding employees, were credited with the increased productivity.

The division met its newly set goal to consistently ship 22,000 cases in an eight-hour shift and was able to increase warehouse storage capacity by 10 percent. In fiscal 2017, the division’s 112 employees shipped 4,866,666 cases to stores across the Commonwealth and filled special orders that produced a revenue of \$7,455,514, an 11 percent increase over fiscal 2016.

4,866,666
CASES SHIPPED TO STORES



(ABOVE) Warehouse Specialist Peter Alexander, left, shakes hands with Director of Logistics Mark Dunham after being announced as the January Employee of the Month. The Employee of the Month program is just one way the Logistics Division ensures that employees feel valued and respected while performing their critical jobs at Virginia ABC.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

MARKETING

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

The division's expanded consumer engagement and merchandising efforts yielded great results in fiscal 2017.

Noteworthy consumer engagement activities included successful partnerships with Virginia Tourism and the Virginia Wine Board to support Virginia Wine Month in October and Virginia Vineyard Month in April. ABC won a Best Consumer Education Award from the spirits industry publication, StateWays. Fiscal 2017 also saw the launch of the monthly Mini Monday program in which Virginia ABC store customers receive a complimentary 50ml bottle of a selected new product with a purchase of \$25 or more of spirits or wine. The agency offered its first in-store redeemable coupons during Repeal Day (December 5) and Father's Day (June 18) to drive incremental purchases.

Consumer engagement initiatives leverage traditional media, social media, email, promotional programs and other vehicles to connect with, inform and educate customers about Virginia ABC products and services. Retail merchandising extends the conversation to the in-store environment with a focus on product knowledge, product usage and consumer occasions. Product management insures that ABC carries the right products in the right stores to meet customers' varying needs. Product management includes selecting new products, monitoring product performance and eliminating underperforming products.

The division dramatically expanded the reach of the Spirited Virginia email newsletter and Spirited Virginia Facebook page.

(RIGHT) In collaboration with Retail Operations, Marketing conducted a 30-store pilot of programming four-sided display kiosks using recipe and product knowledge themes.

The newsletter reached over 30,000 customers and the Facebook page had 4,485 followers. ABC uses these vehicles to connect directly with customers to showcase new products, cocktail recipes, entertaining tips, product information, in-store promotions, in-store tastings and the many fine spirits made in the Commonwealth.

Marketing extended the successful in-store merchandising program. In collaboration with Retail Operations, Marketing conducted a 30-store pilot of programming four-sided display kiosks using recipe and product knowledge themes. Based on the exceptional sales results, the program will be expanded to an additional 100 stores in fiscal 2018.

Marketing reviewed more than 500 new items and selected 146 to be added to ABC store shelves.



POLICY, PLANNING AND ANALYSIS

The Policy, Planning and Analysis section (PPA) provides program and decision support services to internal and external customers of the agency. PPA manages and coordinates the analysis, development and maintenance of agency policies; leads the agency in developing, updating and reviewing its strategic plan; spearheads internal and external customer satisfaction research; and conducts process improvement efforts.

In fiscal 2017, PPA also supported the accomplishment of the agency's mission and objectives by tracking 155 bills during the General Assembly session, producing reports on sales, product and store performance. PPA evaluated 89 store locations for either a new store location or lease renewal in fiscal 2017. The unit assisted with the coordination or tracking of more than 106 Freedom of Information requests and 46 employee suggestions.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

PROCUREMENT

The Procurement and Support Services Division's mission is to support Virginia ABC's business units by ethically, prudently, competitively and strategically ensuring that agency funds are used to acquire quality goods and services. The division assists internal customers with achieving their goals and maximizing value for the taxpayer's dollar while improving response time when and where applicable and ensuring compliance with laws and regulations.

Virginia ABC contracted and procured goods and services with an estimated value of \$20 million in fiscal 2017. As the agency's administrator of the state's Small Purchase Charge Card Program, the division monitored the activities of 116 cardholders with additional expenditures totaling \$3.6 million, representing about 10,000 transactions. ABC continued its efforts to locate and provide contracting opportunities for small businesses by participating in outreach events as an active supporter of the Governor's Executive Order 20, Advancing Equity for Small, Women and Minority Owned Businesses.

The division provides key support services such as the agency's supply and equipment warehouse, as well as high-volume copy and mail services. The supply and equipment warehouse houses and accounts for supplies frequently used by Virginia ABC retail stores and agency offices. The warehouse team processed 13,238 supply orders equating to 241,882 items picked in fiscal 2017. This represents an increase of 29 percent in supply orders and 21 percent in items picked over the last four years. The mail center processed approximately 145,000 pieces of inbound and outbound mail during the fiscal year.

241,882
SUPPLY ITEMS
PICKED IN THE SUPPLY AND
EQUIPMENT WAREHOUSE FOR
RETAIL STORES AND AGENCY OFFICES



REAL ESTATE AND FACILITIES MANAGEMENT

The Real Estate and Facilities Management Division is responsible for management of the agency's central office, warehouse and its 366 retail stores. The division consists of three major concentrations: initial site selection, negotiation, leasing and lease administration; facility management and maintenance of the central office, retail stores and regional offices; and construction/fixture installation for new stores, relocations and modernizations. These tasks are accomplished by a staff of 28 individuals, who have approximately 300 combined years of ABC service and experience. During fiscal 2017, the division was responsible for 18 owned properties, 348 leased retail outlets and 11 offices for the agency's Bureau of Law Enforcement.

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

It was a busy year for Real Estate and Facilities Management as the division diligently worked to find new store locations, modernize and maintain the agency's current retail locations and create office space and parking for new central office employees.

The agency opened nine new stores in a variety of localities throughout the Commonwealth. While several were in heavily populated areas, there was a lot of focus on rural locations such as the Moneta, Grottoes and Zion Crossroads. The agency also modernized six locations and installed new flooring in an additional four stores. Virginia ABC relocated 13 stores in an effort to enhance convenience and the shopping experience for our customers. The agency has 12 new stores already planned for opening in fiscal 2018.



(ABOVE) Commissioner Judy Napier speaks during the grand opening of Store 392 in Charlottesville. The Real Estate and Facilities Management Division was responsible for relocating 13 stores and opening nine stores with a focus on expanding access in rural areas.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

RETAIL

The Retail Operations Division is responsible for the operation of 366 stores across the Commonwealth, which include 357 self-service stores, four premier locations and five conventional stores. Twenty-three regional managers, 647 store managers and assistant managers and a part-time work force of 2,488 employees oversee the efficient management of the retail stores. Open 362 days of the year—including for the first time on New Year's Day—these stores served more than 31 million customers and generated more than \$930 million in sales in fiscal 2017. Operational support and guidance for the stores is provided by a staff of eight in the central office who also manage the staffing program, design and configure the point-of-sale system and provide analysis, performance tracking, and expense management for the entire division.

Job descriptions and roles for assistant managers, managers and regional managers were revised this fiscal year to coincide with the agency's revenue-driven mission. Store managers saw their roles shift from largely administrative duties to a more customer-centric presence on the sales floor. This afforded managers more time for hands-on training, while allowing them to be more accessible to customers. The agency hopes to have as a result better trained associates who are responsive to customer needs and managers who are more adept at resolving customer inquiries at the store level to further expand Virginia ABC's service. To gauge the success of these changes, new store performance measures were implemented to track the average bottle price and average items sold per transaction, and increased measures were added to track customer response times from average days to average hours for regional managers to make initial contact following a complaint. This fiscal year, regional managers contacted customers with complaints within an average of less than four hours, versus an average of one day in fiscal 2016.

In addition to the more individualized training provided by store management, 665 retail managers and regional managers had the opportunity to attend several product knowledge training sessions which were held during fiscal 2017 in Richmond, Norfolk, Roanoke and the Northern Virginia area. Support staff coordinated these trainings, which were provided by our distributor vendors at Edrington, Beam Suntory, Gallo and Moët Hennessey. Topics included distillation, fermentation, taste testing, Scotch, rum and general spirits knowledge. Sessions for fiscal 2018 are being planned with Gallo and Edrington and are expected to be held in the spring. Regional managers also scheduled their regular manager meetings this fiscal year at local distilleries, which provided valuable learning experiences for brand specific training, tastings and demonstrations of actual working distilleries.

ABC Stores

Alcohol compliance rate for ABC stores (%) (1)	99.12
Average delivery cost to ABC stores (dollars per case)	\$.89
Total shipments to ABC stores (cases)	4,840,855.87
Total shipments to ABC stores (weight, in lbs)	150,495,117.36

(1) FY 16 rate: 97.91 percent

ABC Products

Price list

Active items on price list	2,684
Virginia wines on price list	88
Vermouths on price list	12
Non-Alcoholic on price list	64
Items de-listed from price list (1)	115

Special orders

Active items on special order catalog	222
Active items on special order noncatalog	1,135
Total special order purchases (cases) (2)	32,791.8
Total special order revenue (dollars) (2)	\$7,413,792
• Catalog purchases (cases)	5,966
• Catalog revenue (dollars)	\$2,061,333
• Noncatalog purchases (cases) (3)	26,825.8
• Noncatalog revenue (dollars)	\$5,352,459
Total special order revenue increased (%)	10.18

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

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

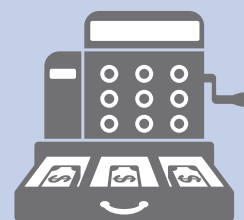
(3) Noncatalog special orders are for those items not included in the special order catalog.



31 MILLION
RETAIL CUSTOMERS

TOTAL SALES FOR
FY 2017 EXCEEDED

\$937 MILLION



DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

RETAIL, continued

Top 50 Brands Sold in Fiscal Year 2017

Rank		BRAND	PRODUCT CATEGORY	Gross Dollars		CHANGE (%)	Actual
FY 17	FY 16			FY 17 (\$)	FY 16 (\$)		CHANGE (\$)
		Statewide Total		937,694,402	895,462,056	4.7	42,232,346
		Top 50 Brands		459,943,233	437,255,166	5.2	22,688,067
		All Others		477,751,169	458,206,890	4.3	19,544,279
1	2	Hennessy VS	cognac\armagnac	33,941,737	25,269,088	34.3	8,672,649
2	1	Jack Daniel's 7 Black	Tennessee whiskey	28,702,100	27,599,164	4.0	1,102,936
3	6	Tito's Handmade	domestic vodka	25,018,702	17,382,920	43.9	7,635,782
4	3	Jim Beam	straight bourbon	20,421,335	19,805,216	3.1	616,119
5	4	Smirnoff 80	domestic vodka	18,807,951	19,294,602	(2.5)	(486,651)
6	5	Fireball Cinnamon	cordials	18,662,785	19,110,580	(2.3)	(447,795)
7	8	Crown Royal	Canadian whisky	16,651,947	16,459,672	1.2	192,275
8	7	Grey Goose	imported vodka	16,238,080	16,810,992	(3.4)	(572,911)
9	10	Patron Silver	tequila	15,061,885	13,362,494	12.7	1,699,392
10	9	Absolut	imported vodka	14,256,863	14,166,466	0.6	90,397
11	14	Jameson Irish	Irish whiskey	13,701,120	11,870,434	15.4	1,830,686
12	11	Maker's Mark	straight bourbon	13,588,959	12,949,034	4.9	639,925
13	13	Bacardi Superior	rum	12,108,245	12,118,378	(0.1)	(10,132)
14	12	Aristocrat	domestic vodka	11,703,331	12,367,297	(5.4)	(663,966)
15	15	Captain Morgan's Spiced	rum	11,203,189	11,254,930	(0.5)	(51,741)
16	16	Pinnacle	imported vodka	9,905,455	10,022,830	(1.2)	(117,375)
17	17	Jose Cuervo Especial Gold	tequila	9,560,573	9,880,767	(3.2)	(320,194)
18	20	Evan Williams Black	straight bourbon	7,733,085	7,183,339	7.7	549,746
19	18	Jagermeister	cordials	7,636,944	8,324,481	(8.3)	(687,537)
20	19	Crown Royal Regal Apple	Canadian whisky	7,057,864	7,538,021	(6.4)	(480,157)
21	21	Ketel One	imported vodka	6,915,453	6,964,416	(0.7)	(48,963)
22	22	Tanqueray	imported gin	6,817,000	6,564,622	3.8	252,378
23	27	Woodford Reserve	straight bourbon	6,370,497	5,582,318	14.1	788,180
24	23	Bowman's Virginia	domestic vodka	6,341,682	6,456,272	(1.8)	(114,590)
25	25	Burnett's	domestic vodka	6,270,577	6,349,317	(1.2)	(78,740)
26	26	Skyy	domestic vodka	6,213,565	6,236,031	(0.4)	(22,466)
27	24	Seagram's Extra Dry	domestic gin	6,062,433	6,370,675	(4.8)	(308,242)
28	29	Bailey's Original Irish Cream	cordials	5,519,518	5,321,807	3.7	197,711
29	32	Malibu Coconut	rum	5,487,212	5,143,111	6.7	344,101
30	28	Johnnie Walker Black	Scotch	5,465,023	5,360,236	2.0	104,787
31	30	Paul Masson Grande Amber VS	brandy	5,435,612	5,269,555	3.2	166,057
32	33	Bombay Sapphire	imported gin	5,138,177	5,107,686	0.6	30,490
33	36	Evan Williams Green	straight bourbon	5,121,588	4,893,023	4.7	228,565
34	37	Svedka	imported vodka	5,105,630	4,873,514	4.8	232,116
35	31	Grand Marnier Cordon Rouge	cordials	5,065,667	5,186,902	(2.3)	(121,235)
36	34	Wild Turkey 101	straight bourbon	4,952,092	5,014,784	(1.3)	(62,692)
37	39	1800 Silver	tequila	4,865,218	4,301,650	13.1	563,568
38	38	Dewar's White Label	Scotch	4,731,912	4,868,173	(2.8)	(136,261)
39	35	New Amsterdam	domestic vodka	4,657,194	4,946,267	(5.8)	(289,072)
40	—	Canadian Mist	Canadian whisky	4,340,687	2,694,382	61.1	1,646,306
41	41	Bacardi Gold	rum	4,130,700	4,025,196	2.6	105,504
42	40	Early Times	domestic whiskey	4,011,715	4,180,529	(4.0)	(168,815)
43	43	E & J VS	brandy	3,869,408	3,924,198	(1.4)	(54,790)
44	50	Bulleit	straight bourbon	3,790,854	3,073,959	23.3	716,896
45	42	Stolichnaya	imported vodka	3,750,801	4,010,798	(6.5)	(259,997)
46	46	Kahlua Coffee	cordials	3,582,303	3,528,639	1.5	53,664
47	49	Knob Creek	straight bourbon	3,581,334	3,463,596	3.4	117,737
48	47	Gentleman Jack	Tennessee whiskey	3,573,229	3,498,767	2.1	74,462
49	—	Courvoisier VS	cognac\armagnac	3,411,989	3,658,739	(6.7)	(246,750)
50	45	Belvedere	imported vodka	3,402,014	3,615,298	(5.9)	(213,284)

This table is based on FY2017 dollars and previous years' sales for these items. A dash (--) indicates items not included in the Top 50 last year. A dash (—) indicates items not included in the "Top 50 Brands" last year.

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

RETAIL, continued

Store Activities: July 1, 2016–June 30, 2017

Store	Location	Activity	Closed	Opened	Total
198	Tappahannock	relocation	7-9-16	7-13-16	359
157	Lawrenceville	relocation	7-17-16	7-22-16	359
415	Virginia Beach	new store	N/A	8-2-16	360
203	Fairfax	modernization	3-26-16	8-11-16	360
267	McLean	relocation	8-28-16	8-30-16	360
353	Dale City	modernization	8-6-16	8-22-16	360
408	Zion Crossroads	new store	N/A	8-25-16	361
045	Springfield	closed	8-31-16	N/A	360
366	Henrico	modernization	8-20-16	9-14-16	360
351	Amelia	expansion	8-7-16	9-24-16	360
414	Blacksburg	new store	N/A	10-14-16	361
261	Winchester	relocation	10-22-16	10-26-16	361
416	Alexandria	new store	N/A	10-28-16	362
257	Central Garage	relocation	11-1-16	11-2-16	362
411	Grottoes	new store	N/A	11-9-16	363
288	Portsmouth	relocation	11-5-16	11-11-16	363
410	Moneta	new store	N/A	12-2-16	364
119	Alexandria	closed	1-1-17		363
392	Charlottesville	new store	N/A	1-12-17	364
326	Powhatan	relocation	1-22-17	1-25-17	364
311	Portsmouth	modernization	1-20-17	2-7-17	364
347	Altavista	relocation	2-4-17	2-10-17	364
158	Newport News	relocation	2-18-17	2-22-17	364
048	Lightfoot	relocation	2-18-17	2-24-17	364
173	Elkton	relocation	2-25-17	3-2-17	364
075	Stephens City	relocation	3-11-17	3-16-17	364

Store	Location	Activity	Closed	Opened	Total
054	Loudoun	flooring	3-19-17	3-23-17	364
168	Arlington	flooring	3-19-17	3-24-17	364
051	Fluvanna	flooring	3-26-17	3-30-17	364
338	Waynesboro	flooring	3-26-17	3-31-17	364
367	Ashburn	modernization	4-1-17	4-17-17	364
420	Newport News	new store	N/A	4-26-17	365
148	Williamsburg	relocation	5-20-17	5-25-17	365
422	Newport News	new store	N/A	6-2-17	366

150,495,117 lbs



IN TOTAL SHIPMENTS TO ABC STORES

ABC KICKS OFF TAILGATING SWEEPSTAKES

ABC employees donned the jerseys of their favorite sports teams and joined Secretary of Public Safety and Homeland Security Brian Moran, Virginia ABC Chairman Jeffrey Painter and members of the public on September 24, 2016, at the Richmond premier store in Short Pump to kick off the agency's "Total Tailgate" sweepstakes and raise awareness for expanded Sunday hours. The sweepstakes featured three prize packages that included a 10'x10' pop-up tent, two portable grills, a cooler, a \$100 ABC gift card, \$100 cash card for food items and Virginia is for Lovers tumblers. Customers could enter the contest from September 24 to October 9. The kick-off event also highlighted new Sunday store hours from noon to 6 p.m., a change of one additional hour from the previous 1-6 p.m. Sunday retail schedule.



(ABOVE) Secretary of Public Safety and Homeland Security Brian Moran joined Virginia ABC Chairman Jeffrey Painter to kick off the "Total Tailgate" sweepstakes at the Richmond Premier Store in Short Pump. In addition to giveaways, the sweepstakes also highlighted ABC's expanded store hours on Sunday.

VIRGINIA ABC AT A GLANCE

DEPARTMENTAL HIGHLIGHTS

(alphabetical order)

WEB AND DIGITAL UNIT

In fiscal 2017, the Web and Digital Unit oversaw the completion of a second phase of website redevelopment, which included an expansion of online ordering, introduction of store pages, refinements to the search function, development of customer accounts and a basic licensee portal and general optimization of website functionality.

In the first phase of website redesign, completed in fiscal 2016, online ordering was launched, fulfilled from the warehouse for select products. In fiscal 2017, online ordering was expanded to include orders fulfilled directly from store shelves with real-time inventory. This greatly expanded e-commerce, and enabled the online availability of almost every product.

The unit launched individual store pages, creating a unique online presence for every store location. Stores are central to Virginia ABC's mission of revenue and service, and store pages provide a convenient way for customers to find location and contact information, as well as tastings, jobs and promotions at their local stores.

Even more than browsing for products and finding stores, the search function is the most trafficked aspect of the Virginia ABC website. Over 60 percent of sessions on the website use search to locate information. In fiscal 2017, a dedicated search platform was added to the site, enabling better search tuning, personalization and analytics.

Customer accounts and the licensee portal are both authenticated areas of the website that provide services for consumers and mixed-beverage licensees, respectively. Customers are now able to keep a record of their favorite products and their order history. Licensees are able to access Mixed Beverage Annual Review (MBAR) history and also have a record of licensee orders from the point-of-sale. More important than these features, however, the account and portal system provides a basis for future expansion of e-commerce and personalized content.

Overall, fiscal 2017 resulted in a significant maturation of the website. Phase two of redesign optimized content presentation and other content areas such as tastings, web forms and recipes. Working with key business divisions, the Digital and Web Unit continued to develop the product catalog and a responsive, accessible design. Importantly, the unit developed policies and procedures to improve search engine optimization, content flow and timeliness, the continued accuracy of information that the agency publishes from its databases and maintained its continuous development of the website and other digital channels in the future.

In fiscal 2017, the website saw 1,255,658 unique visitors and 8,709,402 page views. Of these, 54.5 percent used a mobile device, and 74.1 percent were acquired organically, from search engines.



54.5% WERE
USING A MOBILE DEVICE

1,255,658
UNIQUE VISITORS TO
WWW.ABC.VIRGINIA.GOV



FIRST REPEAL DAY CELEBRATION MEANS BIG SAVINGS FOR CUSTOMERS

In the alcoholic beverage industry, Repeal of Prohibition Day is a holiday to express gratitude for the repeal of the 18th Amendment banning the sale and manufacture of alcohol. For the first time, Virginia ABC celebrated Repeal of Prohibition Day in 2016 on December 5 with a special deal for customers. On the night before the 83rd anniversary of the passage of the 21st Amendment, about 13,500 subscribers to the Spirited Virginia e-newsletter were sent a surprise coupon for 20 percent off any one item, in-store only on Repeal Day. The promotion attracted hundreds of customers and was the first online coupon redeemable in stores distributed by Virginia ABC.



**VIRGINIA ABC
AT A GLANCE**



The Guide for Lovers of Virginia Spirits

Virginia is for spirits lovers, and Virginia ABC's partnerships with the Virginia Tourism Corporation (VTC) showcased that through multiple promotions this year.

In July 2016, Virginia ABC's four premier stores in Williamsburg, Leesburg, Virginia Beach and Short Pump began sharing shelf space with Virginia is for Lovers merchandise, including baseball hats, shot glasses, shooter glasses, pint glasses and travel tumblers.

September 2016 marked Virginia Wine Month and, through a partnership with VTC and the Virginia Wine Board, ABC stores were able to offer a 15 percent discount on wines produced in the Commonwealth.

The Virginia Vacation Sweepstakes was held in late 2016 and offered a grand prize winner the chance to choose from one of three Virginia vacation packages for three days and two nights for up to four people. Vacation packages, valued at \$2,000 each, included the following destinations: Virginia is for Mountain Lovers (Primland Resort in Patrick County), Virginia is for Wine Lovers (Salamander Resort in Middleburg) and Virginia is for Food Lovers (Richmond's Quirk Hotel).

In fall 2016, Virginia ABC's Total Tailgate Sweepstakes offered customers the opportunity to win one of three tailgating packages, all of which included gear for tailgating and grilling as well as Virginia is for Lovers merchandise.

During the busy holiday season, Virginia Tourism Corporation provided an exclusively designed "Virginia is for Lovers" bumper sticker that ABC offered customers with any in-store purchase of a Virginia-made product.

In April 2017, during Virginia Vineyard Month, ABC teamed up with the Virginia Wine Board and VTC to shine a light on Virginia's celebrated wine industry with a special lottery offering of award-winning Virginia wines and a sweepstakes for a vineyard getaway. Through an online lottery, Virginians entered for the chance to buy one of 60, six-pack assortments of 2017 Governor's Cup Gold Medal wines. In addition, they entered to win a Virginia Vineyard Vacation package for two adults (over 21 years old) for three days and two nights to Barboursville Vineyards. This promotion won the Best Consumer Education award from StateWays magazine.



(TOP) From left, Virginia Tourism Corporation's (VTC) VP of Marketing Diane Bechamps, Secretary of Commerce Todd Haymore, Secretary of Agriculture Basil Gooden, Chairman Jeffrey Painter, Secretary of Public Safety and Homeland Security Brian Moran and Annette Boyd with the Virginia Wine Board welcome the arrive of Virginia Wine Month

(ABOVE) VTC's VP of Marketing Diane Bechamps and Rita McClenny, president and CEO, with Virginia ABC COO Travis Hill and Chairman Jeffrey Painter cheer the installation of Virginia is for Lovers products in Richmond's Premier Store at Short Pump. The installation offers ABC customers the chance to purchase a wide variety of Lovers-branded gear to accompany spirits purchases.

A Message from the Chairman and Chief Operating Officer



(From left) ABC Board Chairman Jeffrey L. Painter and Chief Operating Officer Travis G. Hill hold Virginia is for Lovers merchandise in the Short Pump premier store.

It is our pleasure to present the 2017 fiscal year annual report for the Virginia Department of Alcoholic Beverage Control. These facts and figures represent the agency's 19th consecutive record-breaking year for retail sales.

Virginia ABC operations earned a record \$171 million in profits. These profits combined with state and general sales taxes as well as wine and beer taxes resulted in an all-time high of \$449 million transferred to Virginia's general fund, \$15 million above last year's contribution. A major source of revenue for the Commonwealth, ABC has contributed more than \$9.9 billion to the general fund since 1934.

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

Financial Results in Brief, Fiscal Year 2017

REVENUE SOURCE	FY 17	FY 16	FY 15	FY 14	FY 13
ABC profit transfers (1)	\$171,154,888	\$164,888,413	\$152,037,837	\$139,987,344	\$134,576,751
State taxes (2)	154,446,630	147,812,928	139,832,186	132,043,584	126,802,220
General sales tax (3)	43,343,103	41,343,208	39,199,161	36,879,111	31,263,867
Wine liter tax (4)	36,801,248	36,208,113	35,249,206	34,608,741	34,400,161
Malt beverage tax (5)	42,818,745	43,181,973	42,948,462	43,341,595	42,846,308
Total	\$448,564,614	\$433,434,635	\$409,266,851	\$386,860,375	\$369,889,307

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

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

Sales of All Beverages, Fiscal Year 2017

PRODUCT	GALLONS*	LITERS	TOTAL GALLONS (%)	GROSS DOLLARS	GROSS SALES (%)
STATE STORE SALES					
Distilled Spirits	11,324,771	42,868,903	96.8%	\$928,327,683	96.8%
Virginia Wine	34,021	128,783	0.3%	\$2,145,176	0.3%
Vermouth	39,020	147,707	0.3%	\$1,653,239	0.3%
Alcohol	146	552	0.0%	\$12,094	0.0%
Non-Alcoholic Mixers	295,713	1,119,395	2.5%	\$5,454,830	2.5%
TOTAL	11,693,671	44,265,339	100.0%	\$937,593,022	100.0%
DIRECT SALES FROM WHOLESALERS					
Wines (\$0.40 Liter) (1)	26,377,050	99,847,949	14.7%	\$39,943,874	14.7%
Beer (\$7.95 Barrell)	153,452,174	580,879,394	85.3%	\$42,816,586	85.3%
TOTAL	179,829,224	680,727,343	100.0%	\$82,760,460	100.0%

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

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

Source: Policy, Planning and Education

Comparison of Products Sold / Market Share, Fiscal Year 2017 vs. Fiscal Year 2016



PRODUCTS	CASES SOLD		CHANGE	MARKET SHARE (%)	
	FY 17	FY 16	(%)	FY 17	FY 16
Vodka	1,471,413	1,448,850	1.6	30.3	30.9
Domestic	795,487	774,794	2.7		
Imported	351,388	350,341	0.3		
Flavored	324,538	323,716	0.3		
Straight Bourbon Whiskey	535,671	515,177	4.0	11.0	11.0
Cordials -Liqueurs-Specialties	474,718	478,332	(0.8)	9.8	10.2
Imported	298,289	295,955	0.8		
Domestic	176,429	182,377	(3.3)		
Rum	455,635	446,425	2.1	9.4	9.5
Domestic	21,549	16,497	30.6		
Imported	434,086	429,928	1.0		
Tequila	324,504	291,677	11.3	6.7	6.2
Gin	236,821	236,615	0.1	4.9	5.0
Domestic	142,038	145,141	(2.1)		
Imported	81,542	78,884	3.4		
Flavored	12,780	12,116	5.5		
Sloe	461	475	(3.0)		
Canadian Whisky	183,177	160,584	14.1	3.8	3.4
Brandy	160,640	157,516	2.0	3.3	3.4
Grape	116,997	116,670	0.3		
Imported	7,315	7,312	0.0		
Flavored	36,328	33,534	8.3		
Cognac\Armagnac	149,837	124,684	20.2	3.1	2.7
Scotch Whiskey	149,545	150,531	(0.7)	3.1	3.2
Tennessee Whiskey	110,261	107,528	2.5	2.3	2.3
Blended Whiskey	103,626	104,110	(0.5)	2.1	2.2
Cocktails	76,613	67,963	12.7	1.6	1.4
Domestic	42,006	33,107	26.9		
Imported	34,608	34,856	(0.7)		
Specialty Bottles	53,320	73,124	(27.1)	1.1	1.6
Imported	26,861	47,717	(43.7)		
Domestic	26,459	25,407	4.1		
Irish Whiskey	53,596	46,944	14.2	1.1	1.0
Domestic Whiskey	53,194	47,235	12.6	1.1	1.0
Moonshine	31,709	33,249	(4.6)	0.7	0.7
Straight Rye Whiskey	26,609	21,271	25.1	0.5	0.5
Egg Nog	18,653	13,101	42.4	0.4	0.3
Rock & Rye	1,813	1,610	12.6	0.0	0.0
Bottled in Bond Whiskey	601	606	(0.8)	0.0	0.0
Corn Whiskey	325	441	(26.3)	0.0	0.0
Alcohol	53	57	(7.4)	0.0	0.0
Vermouth	17,848	16,561	7.8	0.4	0.4
Virginia Wine	14,624	13,131	11.4	0.3	0.3
Non-Alcoholic Mixers	123,882	114,393	8.3	2.6	2.4
Non Beverage Item	28,399	24,387	16.5	0.6	0.5
Statewide totals*	4,857,088	4,696,103	3.4	100.0	100.0

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

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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		11,691,494	\$937,077,292	\$153,808,565	\$783,268,727	\$448,509,127	\$334,759,600	\$107,644,419	\$227,115,181	\$2,582,240	\$174,532,941	35.03%
137 674 Hwy. 58 E.	Norton City	21,509	1,477,095	243,421	1,233,674	703,808	529,866	228,397	301,469	82,819	218,650	31.28
194 16427-E Wise St.	Wise Co.	8,233	537,271	88,931	448,340	256,080	192,261	159,505	32,756	30,098	2,658	17.05
206 18 E. 4th St. S.	Wise Co.	11,670	735,205	121,376	613,829	349,802	264,027	127,280	136,747	41,207	95,540	29.50
218 3982 Hwy. 23 N.	Scott Co.	9,387	569,089	93,753	475,335	270,696	204,639	111,427	93,212	31,910	61,302	27.25
Far SouthWest		50,798	3,318,660	547,481	2,771,179	1,580,386	1,190,793	626,609	564,184	186,034	378,150	27.89
87 4027 College Ave.	Tazewell Co.	22,284	1,591,042	262,505	1,328,537	760,257	568,280	236,511	331,769	89,187	242,582	31.75
174 One Plz. Dr.	Buchanan Co.	9,110	626,901	103,637	523,264	299,951	223,313	102,692	120,621	35,128	85,493	30.17
197 149 Clay Dr.	Tazewell Co.	20,036	1,373,261	226,184	1,147,078	655,506	491,572	201,445	290,127	77,005	213,122	31.99
230 722 E. Riverside Dr.	Tazewell Co.	7,733	520,002	85,918	434,084	247,895	186,188	95,794	90,394	29,141	61,253	28.30
365 340 Chase St.	Dickenson Co.	6,549	444,078	73,387	370,692	211,455	159,237	110,914	48,323	24,885	23,438	21.80
SouthWest		65,712	4,555,284	751,630	3,803,654	2,175,064	1,628,590	747,355	881,235	255,346	625,889	30.24
58 3002 Lee Hwy.	Bristol City	28,261	2,067,545	340,526	1,727,019	984,383	742,636	243,153	499,483	115,938	383,545	35.02
96 974 E. Stuart Dr.	Galax City	24,914	1,563,878	257,128	1,306,750	745,917	560,834	204,957	355,877	87,724	268,152	33.59
135 1173-1177 N. Main St.	Smyth Co.	24,121	1,594,120	262,827	1,331,293	759,405	571,889	180,200	391,688	89,372	302,316	35.45
141 441 W. Stuart Dr.	Carroll Co.	16,819	1,075,709	176,910	898,799	513,642	385,156	192,788	192,369	60,338	132,031	28.72
153 323 W. Main St.	Wythe Co.	25,822	1,789,358	293,110	1,496,247	855,264	640,984	201,024	439,960	100,446	339,514	35.35
201 545 W. Main St.	Washington Co.	43,834	3,182,114	522,759	2,659,355	1,520,590	1,138,765	224,030	914,736	178,527	736,208	39.56
343 2123 Euclid Ave.	Bristol City	24,255	1,569,185	258,699	1,310,486	750,481	560,005	201,373	358,632	87,975	270,657	33.73
Wytheville/Hillsville		188,025	12,841,909	2,111,960	10,729,950	6,129,681	4,600,268	1,447,524	3,152,744	720,321	2,432,423	35.39
67 290 Peppers Ferry Rd.	Montgomery Co.	32,568	2,416,614	397,726	2,018,888	1,155,707	863,181	322,230	540,951	135,532	405,420	33.23
195 100 N. Franklin St.	Montgomery Co.	26,455	1,750,313	289,105	1,461,208	835,241	625,967	220,813	405,154	98,094	307,060	34.06
199 140 Kinter Way	Giles Co.	15,682	947,642	156,449	791,193	451,546	339,647	138,598	201,049	53,114	147,935	32.12
327 1332 S. Main St.	Montgomery Co.	81,407	5,447,667	898,732	4,548,935	2,605,675	1,943,260	433,370	1,509,891	305,378	1,204,513	38.61
345 5423 Alexander Rd.	Pulaski Co.	27,941	1,926,069	314,220	1,611,849	925,576	686,272	270,088	416,184	108,206	307,978	32.30
356 97 Walker St.	Radford City	42,498	2,703,140	447,124	2,256,016	1,289,736	966,281	298,493	667,788	151,450	516,337	35.64
395 117 Parkview Rd. N.E.	Floyd Co.	12,048	804,613	132,525	672,088	385,074	287,015	103,353	183,662	45,118	138,543	33.69
414 765 University City Blvd.	Montgomery Co.	19,121	1,320,234	218,062	1,102,172	628,879	473,294	212,618	260,676	73,991	186,685	30.66
Radford/Blacksburg		257,720	17,316,293	2,853,944	14,462,349	8,277,433	6,184,917	1,999,562	4,185,354	970,884	3,214,471	35.04
115 1423 Williamson Rd., N.E.	Roanoke City	57,091	4,644,059	763,999	3,880,060	2,217,980	1,662,080	357,428	1,304,652	260,475	1,044,176	38.94
123 531 Main St.	Alleghany Co.	7,211	470,888	77,795	393,093	224,820	168,272	99,263	69,009	26,389	42,620	25.57
124 339 Thacker Ave.	Covington City	17,381	1,248,657	206,022	1,042,635	598,244	444,392	263,802	180,590	69,994	110,596	25.36
186 1483 W. Main St.	Salem City	47,314	3,267,029	538,403	2,728,626	1,557,391	1,171,235	296,768	874,467	183,178	691,289	37.64
229 3940 Valley Gateway Blvd.	Roanoke Co.	24,182	1,716,003	282,224	1,433,778	817,990	615,788	236,589	379,199	96,252	282,947	32.94
259 5050-C Rutgers St.	Roanoke City	56,546	4,100,581	674,785	3,425,796	1,955,776	1,470,020	402,555	1,067,465	229,980	837,485	36.88
269 646 Brandon Ave.	Roanoke City	67,011	5,247,077	858,605	4,388,472	2,513,772	1,874,701	491,485	1,383,215	294,606	1,088,609	37.11
289 3341 Melrose Ave., N.W.	Roanoke City	34,772	2,843,439	471,600	2,371,839	1,350,814	1,021,025	289,361	731,664	159,226	572,438	36.72
309 3901 Brambleton Ave., S.W.	Roanoke Co.	63,029	4,564,606	749,930	3,814,676	2,183,197	1,631,479	378,731	1,252,748	256,086	996,662	38.26
337 1113 Vinyard Rd.	Roanoke Co.	34,392	2,289,728	377,670	1,912,057	1,092,319	819,738	217,634	602,104	128,360	473,744	37.18
364 56 Kingston Dr.	Botetourt Co.	26,603	1,913,797	314,297	1,599,501	914,259	685,241	263,318	421,924	107,377	314,546	32.86
Roanoke		435,533	32,305,863	5,315,330	26,990,533	15,426,562	11,563,971	3,296,935	8,267,036	1,811,923	6,455,113	36.43
57 1028 Richmond Ave.	Staunton City	21,962	1,605,454	262,928	1,342,526	768,264	574,263	283,947	290,316	90,126	200,189	28.85
68 2196 John Wayland Hwy.	Rockingham Co.	29,577	2,017,135	332,170	1,684,965	965,351	719,615	241,973	477,641	113,115	364,527	34.54
113 2827 Main St.	Bath Co.	8,543	824,108	132,541	691,566	396,637	294,929	153,473	141,456	46,426	95,030	27.61
122 201 State St.	Staunton City	32,910	2,451,093	403,264	2,047,829	1,173,432	874,396	249,693	624,703	137,474	487,229	36.33

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

ABC Stores by Planning District	Locality	Gallons Sold	Gross Sales (1)	Spirits & Wine Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Store Expenses (3)	Net Store Profit	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return to Virginia (4)
140 445 E. Nelson St.	Lexington City	43,639	3,083,404	505,815	2,577,589	1,478,258	1,099,331	303,365	795,966	173,038	622,928	36.61
145 398 N. Main St.	Harrisonburg City	40,003	2,914,958	478,771	2,436,187	1,393,781	1,042,407	242,523	799,884	163,546	636,338	38.25
147 58 Water St.	Highland Co.	2,339	157,077	25,200	131,877	75,918	55,959	66,014	(10,055)	8,853	(18,909)	4.01
173 14817 Spotswood Trail	Rockingham Co.	15,392	1,088,332	178,724	909,608	520,361	389,247	186,035	203,212	61,064	142,148	29.48
184 2035 E. Market St.	Harrisonburg City	55,039	4,290,253	704,888	3,585,365	2,054,039	1,531,326	458,333	1,072,994	240,692	832,302	35.83
296 32 Windward Dr.	Augusta Co.	10,315	723,375	119,079	604,296	347,162	257,134	170,416	86,718	40,567	46,151	22.84
338 125 Lucy Lane	Waynesboro City	43,442	3,123,381	515,045	2,608,336	1,494,577	1,113,759	340,222	773,537	175,102	598,435	35.65
339 208 Laurel Hill Rd.	Augusta Co.	17,021	1,153,768	189,690	964,078	552,417	411,661	148,337	263,324	64,720	198,604	33.65
383 1021 Port Republic Rd	Harrisonburg City	31,917	2,062,227	341,477	1,720,750	985,451	735,299	235,616	499,683	115,517	384,166	35.19
386 2576 Stuarts Draft Hwy.	Augusta Co.	14,791	1,002,968	165,373	837,595	478,813	358,782	159,393	199,389	56,229	143,160	30.76
411 85 Augusta Ave.	Augusta Co.	4,992	357,022	58,857	298,166	169,915	128,250	108,102	20,148	20,016	131	16.52
Staunton/Waynesboro		371,881	26,854,555	4,413,821	22,440,734	12,854,375	9,586,359	3,347,443	6,238,916	1,506,487	4,732,429	34.06
47 380 Gateway Dr.	Frederick Co.	31,749	2,433,174	400,344	2,032,830	1,163,171	869,660	277,678	591,982	136,468	455,514	35.17
52 786 Shopping Ctr. Rd.	Shenandoah Co.	14,961	1,014,913	167,267	847,646	484,109	363,537	150,861	212,676	56,904	155,772	31.83
56 182 Delco Plz.	Frederick Co.	28,980	2,181,179	357,845	1,823,334	1,043,586	779,748	253,613	526,135	122,404	403,732	34.92
75 226 Elizabeth Dr.	Frederick Co.	24,954	1,872,130	307,562	1,564,569	894,709	669,860	240,576	429,284	105,032	324,251	33.75
139 160 Rivendell Ct.	Frederick Co.	43,867	3,281,176	539,683	2,741,493	1,573,010	1,168,483	292,293	876,190	184,041	692,149	37.54
142 411-F South St.	Warren Co.	39,236	2,892,244	473,878	2,418,366	1,384,949	1,033,417	293,051	740,366	162,349	578,016	36.37
167 21 Crow St.	Clarke Co.	16,528	1,243,928	204,513	1,039,415	597,150	442,265	173,973	268,292	69,778	198,514	32.40
193 1412 U.S. Hwy. 211 W.	Page Co.	20,400	1,408,246	230,290	1,177,955	673,521	504,434	169,228	335,206	79,078	256,128	34.54
261 3 W. Jubal Early Dr	Winchester City	38,222	2,867,302	471,576	2,395,726	1,372,579	1,023,146	311,149	711,997	160,829	551,168	35.67
293 5814 Main St.	Shenandoah Co.	13,367	888,067	146,264	741,803	425,435	316,368	129,818	186,550	49,799	136,752	31.87
318 1015 S. Main St.	Shenandoah Co.	21,456	1,494,861	246,276	1,248,585	715,138	533,447	179,482	353,966	83,820	270,146	34.55
387 135 Crooked Run Plz.	Warren Co.	22,946	1,726,618	281,989	1,444,628	826,384	618,245	235,506	382,739	96,981	285,759	32.88
Winchester/Front Royal		316,666	23,303,839	3,827,488	19,476,351	11,153,741	8,322,610	2,707,227	5,615,383	1,307,483	4,307,900	34.91
33 12631 Galveston Ct.	Prince William Co.	26,247	2,356,548	387,798	1,968,751	1,129,043	839,708	394,544	445,164	132,166	312,998	29.74
36 8038 Crescent Park Dr.	Prince William Co.	26,458	2,325,608	381,485	1,944,123	1,115,472	828,651	319,343	509,307	130,512	378,795	32.69
39 10410 Bristow Ctr. Dr.	Prince William Co.	30,950	2,652,629	436,386	2,216,244	1,271,603	944,641	366,582	578,059	148,780	429,278	32.63
40 22000 Dulles Retail Plz.	Loudoun Co.	22,646	2,373,889	389,286	1,984,603	1,139,753	844,850	343,686	501,164	133,230	367,934	31.90
41 12950 Highland Crossing Dr.	Fairfax Co.	17,314	1,808,522	298,453	1,510,069	868,633	641,436	328,623	312,813	101,374	211,439	28.19
42 7469 Richmond Hwy.	Fairfax Co.	29,050	2,479,184	409,209	2,069,974	1,186,325	883,650	331,849	551,800	138,961	412,839	33.16
45 8428 Old Keene Mill Rd.	Fairfax Co.	3,221	277,692	45,796	231,896	133,346	98,550	98,392	157	15,568	(15,410)	10.94
49 881 N. Quincy St.	Arlington Co.	43,786	4,193,502	683,118	3,510,384	2,018,041	1,492,343	510,291	982,052	235,658	746,393	34.09
54 42015 Village Ctr. Plz.	Loudoun Co.	39,467	3,876,598	631,663	3,244,934	1,855,791	1,389,143	418,766	970,377	217,838	752,539	35.71
55 9934 Liberia Ave.	Manassas City	43,104	3,712,323	606,811	3,105,511	1,777,276	1,328,235	379,789	948,446	208,479	739,968	36.28
61 22330 S. Sterling Blvd.	Loudoun Co.	25,705	2,238,251	370,054	1,868,197	1,072,769	795,428	354,282	441,146	125,415	315,730	30.64
63 8951 Ox Rd.	Fairfax Co.	18,389	1,647,490	270,205	1,377,285	790,546	586,739	221,346	365,393	92,460	272,934	32.97
73 43150 Broadlands Ctr. Plz.	Loudoun Co.	30,977	2,899,187	476,012	2,423,175	1,394,516	1,028,658	386,709	641,949	162,672	479,277	32.95
76 7121 Leesburg Pike	Falls Church City	26,278	2,491,029	404,766	2,086,262	1,194,327	891,936	445,510	446,426	140,055	306,371	28.55
78 5331 Merchants View Sq.	Prince William Co.	24,722	2,190,892	360,260	1,830,631	1,054,092	776,539	302,007	474,532	122,894	351,638	32.49
80 6206 Little River Tnkp.	Fairfax Co.	29,490	2,712,981	447,647	2,265,334	1,296,074	969,260	402,477	566,783	152,076	414,707	31.79
82 46930 Cedar Lakes Plz.	Loudoun Co.	49,539	4,743,007	776,093	3,966,914	2,283,158	1,683,756	478,186	1,205,570	266,306	939,264	36.17
83 7263-B Arlington Blvd.	Fairfax Co.	18,253	1,729,046	284,283	1,444,763	827,784	616,979	310,728	306,250	96,990	209,261	28.54
84 3903 Fair Ridge Dr.	Fairfax Co.	19,523	1,907,673	310,207	1,597,465	915,472	681,994	303,086	378,907	107,241	271,667	30.50
85 2930 Chain Bridge Rd.	Fairfax Co.	28,487	2,598,604	425,071	2,173,533	1,246,584	926,949	416,109	510,840	145,913	364,927	30.40
90 12965 Fair Lakes Shp. Ctr.	Fairfax Co.	39,120	3,588,728	584,404	3,004,325	1,720,903	1,283,421	442,963	840,458	201,686	638,772	34.08
93 6124 Rose Hill Dr.	Fairfax Co.	24,210	2,133,263	351,041	1,782,221	1,021,252	760,969	288,631	472,338	119,644	352,694	32.99
94 42385 Ryan Rd.	Loudoun Co.	22,864	2,444,420	401,995	2,042,425	1,173,890	868,535	318,213	550,322	137,112	413,211	33.35
99 601 Post Dr.	Fairfax Co.	40,937	3,891,865	640,474	3,251,390	1,867,908	1,383,483	443,431	940,052	218,272	721,780	35.00

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
109 1922 Wilson Blvd	Arlington Co.	32,706	3,201,465	514,560	2,686,905	1,537,272	1,149,633	429,411	720,222	180,377	539,845	32.94
111 5722 Union Mill Rd.	Fairfax Co.	34,837	3,014,072	488,653	2,525,420	1,437,519	1,087,901	405,988	681,913	169,536	512,377	33.21
119 901 N. St. Asaph St.	Alexandria City	28,834	2,880,587	473,079	2,407,508	1,387,637	1,019,872	327,304	692,568	161,620	530,947	34.85
120 5926 Kingstowne Ctr.	Fairfax Co.	38,599	3,789,569	616,195	3,173,374	1,818,088	1,355,285	432,404	922,881	213,034	709,847	34.99
127 13300-C Franklin Farm Rd.	Fairfax Co.	17,262	1,589,246	261,343	1,327,903	761,280	566,623	255,929	310,695	89,145	221,550	30.39
131 6920-E Bradlick Shp. Ctr.	Fairfax Co.	24,468	2,209,719	362,756	1,846,963	1,058,575	788,388	343,218	445,170	123,990	321,180	30.95
133 9130 Mathis Ave.	Manassas City	39,836	3,421,884	562,467	2,859,417	1,639,903	1,219,513	401,350	818,164	191,958	626,206	34.74
136 18 Fairfax St. S.E.	Loudoun Co.	44,581	3,836,664	630,542	3,206,122	1,840,823	1,365,299	363,258	1,002,042	215,233	786,809	36.94
166 506A Fort Evans Rd. NE	Loudoun Co.	54,299	5,214,582	851,406	4,363,177	2,503,716	1,859,461	479,374	1,380,086	292,908	1,087,178	37.18
168 1001 N. Fillmore St.	Arlington Co.	25,609	2,542,124	411,609	2,130,515	1,216,046	914,469	364,858	549,611	143,025	406,585	32.19
170 1238 Elden St.	Fairfax Co.	38,332	3,751,886	617,466	3,134,420	1,799,756	1,334,664	409,075	925,589	210,419	715,170	35.52
181 106 Washington St.	Loudoun Co.	8,466	986,936	161,805	825,131	475,547	349,584	100,888	248,696	55,393	193,303	35.98
203 3678 King St.	Alexandria City	30,281	3,074,516	503,204	2,571,312	1,474,741	1,096,571	409,933	686,638	172,617	514,021	33.09
208 44110 Ashburn Village Blvd.	Loudoun Co.	30,131	2,801,593	461,216	2,340,378	1,344,912	995,465	329,343	666,123	157,114	509,009	34.63
210 11160-A S. Lakes Dr.	Fairfax Co.	26,504	2,571,964	422,706	2,149,258	1,233,701	915,557	365,773	549,784	144,284	405,500	32.20
212 167 Hillwood Ave.	Falls Church City	19,101	1,718,585	280,305	1,438,280	823,452	614,828	271,233	343,595	96,554	247,040	30.68
215 320 23rd St. S.	Arlington Co.	36,386	3,649,010	594,163	3,054,847	1,753,811	1,301,036	395,974	905,062	205,077	699,985	35.47
219 8413 Old Courthouse Rd.	Fairfax Co.	72,105	7,754,878	1,245,686	6,509,192	3,731,357	2,777,834	779,627	1,998,207	436,974	1,561,234	36.20
224 13944 Lee Jackson Hwy.	Fairfax Co.	39,113	3,468,700	561,162	2,907,538	1,664,051	1,243,487	419,919	823,567	195,188	628,379	34.29
228 1524 Belle View Blvd.	Fairfax Co.	51,597	4,818,165	786,763	4,031,402	2,313,746	1,717,656	485,200	1,232,456	270,635	961,821	36.29
231 436 E. Maple Ave.	Fairfax Co.	40,113	4,143,390	665,758	3,477,631	1,984,100	1,493,532	546,405	947,126	233,460	713,667	33.29
234 9574-76 Old Keene Mill Rd.	Fairfax Co.	36,834	3,243,395	534,719	2,708,676	1,553,973	1,154,703	398,485	756,219	181,838	574,380	34.20
235 8628-B Richmond Hwy.	Fairfax Co.	33,270	2,853,428	469,944	2,383,484	1,366,847	1,016,637	388,424	628,213	160,008	468,206	32.88
236 7200 Little River Tnpk.	Fairfax Co.	39,169	3,503,445	574,029	2,929,415	1,670,460	1,258,956	349,663	909,293	196,657	712,636	36.73
241 11260 James Swart Cir.	Fairfax Co.	42,257	3,966,650	645,209	3,321,441	1,904,472	1,416,969	431,457	985,511	222,974	762,537	35.49
248 4709-B Lee Hwy.	Arlington Co.	37,722	3,390,216	555,324	2,834,891	1,628,644	1,206,247	508,596	697,651	190,311	507,340	31.35
260 6284 Arlington Blvd.	Fairfax Co.	22,897	2,208,830	360,728	1,848,102	1,059,278	788,824	303,918	484,905	124,066	360,839	32.67
264 16661 River Ridge Blvd.	Prince William Co.	40,643	3,738,224	616,365	3,121,859	1,787,778	1,334,081	404,843	929,238	209,576	719,662	35.74
267 1445 Chain Bridge Rd.	Fairfax Co.	49,362	5,304,209	851,280	4,452,929	2,546,750	1,906,179	922,602	983,577	298,933	684,643	28.96
268 6400 Springfield Plz.	Fairfax Co.	66,946	6,152,623	1,009,264	5,143,359	2,921,125	2,222,234	590,030	1,632,204	345,283	1,286,921	37.32
271 13991 Jefferson Davis Hwy.	Prince William Co.	47,257	4,387,497	724,716	3,662,780	2,102,695	1,560,085	468,080	1,092,005	245,889	846,116	35.80
273 9421 Lorton Market St.	Fairfax Co.	30,226	2,657,209	437,537	2,219,671	1,271,402	948,269	339,729	608,540	149,011	459,530	33.76
286 7555 Linton Hall Rd.	Prince William Co.	50,269	4,605,370	756,983	3,848,387	2,212,438	1,635,950	459,014	1,176,936	258,349	918,587	36.38
294 3556E S. Jefferson St.	Fairfax Co.	53,358	5,117,825	840,441	4,277,383	2,458,245	1,819,138	620,302	1,198,836	287,148	911,688	34.24
295 8095 Sudley Rd.	Prince William Co.	58,361	5,124,547	843,911	4,280,637	2,456,770	1,823,867	643,414	1,180,453	287,367	893,086	33.90
301 4292 Merchants Plz.	Prince William Co.	41,627	3,728,037	611,659	3,116,378	1,788,629	1,327,749	421,166	906,584	209,208	697,375	35.11
316 4108 Fortuna Ctr. Plz.	Prince William Co.	36,160	3,185,497	522,779	2,662,718	1,524,270	1,138,448	386,176	752,272	178,753	573,519	34.42
317 9600 E. Main St.	Fairfax City	28,224	2,485,961	408,133	2,077,828	1,191,874	885,954	400,750	485,203	139,488	345,715	30.32
319 2435 N. Harrison St.	Arlington Co.	23,092	2,261,608	369,343	1,892,265	1,087,248	805,016	326,619	478,397	127,031	351,366	31.87
322 14151 St. Germain Dr.	Fairfax Co.	46,760	4,013,417	644,874	3,368,542	1,915,922	1,452,621	433,398	1,019,223	226,136	793,087	35.83
323 201 N. Maple St	Loudoun Co.	39,327	3,461,179	565,700	2,895,479	1,662,586	1,232,894	360,975	871,918	194,379	677,540	35.92
346 8105 Lee Hwy.	Fairfax Co.	44,709	4,290,747	702,519	3,588,229	2,054,297	1,533,932	500,383	1,033,548	240,884	792,664	34.85
352 2555 John Milton Dr.	Fairfax Co.	23,268	2,168,148	356,034	1,812,114	1,039,917	772,197	332,445	439,751	121,650	318,101	31.09
353 4255 Cheshire Plz.	Prince William Co.	59,559	5,209,568	851,629	4,357,939	2,496,344	1,861,595	668,096	1,193,499	292,556	900,943	33.64
357 1454 N. Point Village Shp. Ctr.	Fairfax Co.	41,954	4,214,934	687,613	3,527,321	2,021,986	1,505,335	451,813	1,053,522	236,795	816,727	35.69
358 4312 Wheeler Ave.	Alexandria City	75,101	7,296,621	1,162,196	6,134,425	3,503,711	2,630,714	510,971	2,119,743	411,815	1,707,928	39.33
362 100 Edds Ln.	Loudoun Co.	43,791	3,797,179	620,875	3,176,304	1,824,031	1,352,273	414,153	938,121	213,231	724,890	35.44
367 20070 Ashbrook Commons Plz.	Loudoun Co.	32,976	3,372,120	554,279	2,817,841	1,615,737	1,202,104	373,226	828,878	189,167	639,711	35.41
368 10308 Willard Way	City of Fairfax	21,960	1,786,022	293,743	1,492,279	857,214	635,065	321,704	313,361	100,179	213,182	28.38
369 6343A Columbia Pike	Fairfax Co.	25,103	2,154,245	354,228	1,800,017	1,029,213	770,804	303,326	467,478	120,838	346,639	32.53
371 5739 Burke Centre Pkwy.	Fairfax Co.	27,837	2,483,053	407,459	2,075,594	1,190,428	885,166	289,702	595,464	139,338	456,125	34.78

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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	30,189	2,864,470	471,828	2,392,642	1,374,788	1,017,854	386,268	631,585	160,622	470,963	32.91
374 2955A S. Glebe Rd.	Arlington Co.	63,022	5,882,419	966,017	4,916,402	2,822,773	2,093,629	532,604	1,561,025	330,047	1,230,978	37.35
375 2225 Old Bridge Rd.	Prince William Co.	26,696	2,283,354	375,132	1,908,221	1,094,241	813,980	256,283	557,698	128,102	429,595	35.24
378 2940 Columbia Pike	Arlington Co.	24,788	2,361,622	386,261	1,975,361	1,131,894	843,467	420,926	422,541	132,610	289,932	28.63
384 5109 Westfields Blvd.	Fairfax Co.	27,659	2,450,631	392,400	2,058,231	1,178,513	879,718	407,512	472,206	138,173	334,033	29.64
385 9575 Braddock Rd.	Fairfax Co.	19,896	1,620,210	265,094	1,355,116	774,967	580,149	284,913	295,236	90,971	204,264	28.97
388 8150 Leesburg Pike	Fairfax Co.	8,403	1,310,531	203,657	1,106,874	622,825	484,049	260,110	223,940	74,306	149,633	26.96
393 10653 Braddock Rd.	Fairfax Co.	16,971	1,354,621	222,906	1,131,716	648,472	483,244	293,950	189,294	75,974	113,319	24.82
397 4349 Duke St.	Alexandria City	34,014	3,269,342	534,799	2,734,543	1,574,001	1,160,542	524,365	636,177	183,575	452,602	30.20
416 686 N. St. Asaph St.	Alexandria City	14,008	1,361,827	223,729	1,138,098	650,055	488,043	245,701	242,343	76,403	165,940	28.61
Northern Virginia		2,899,558	270,633,294	44,220,699	226,412,595	129,771,407	96,641,188	33,858,098	62,783,090	15,199,485	47,583,605	33.92
37 15149 Montanus Dr.	Culpeper Co.	30,247	2,358,414	387,389	1,971,025	1,128,890	842,135	254,133	588,002	132,318	455,683	35.75
51 265 Turkey Sag Trail	Fluvanna Co.	18,098	1,318,564	215,703	1,102,860	632,237	470,623	180,451	290,172	74,037	216,135	32.75
66 11083-E Marsh Rd.	Fauquier Co.	21,576	1,629,348	267,492	1,361,856	780,582	581,274	179,865	401,409	91,424	309,985	35.44
72 5390-A Lyndon Dr.	Orange Co.	30,131	2,196,914	360,413	1,836,502	1,053,390	783,112	249,971	533,141	123,288	409,853	35.06
88 4199-B Winchester Rd.	Fauquier Co.	18,072	1,497,590	246,192	1,251,398	718,041	533,357	163,459	369,898	84,009	285,889	35.53
163 583 N. Madison Rd.	Orange Co.	17,466	1,237,376	203,915	1,033,462	589,675	443,787	173,717	270,069	69,378	200,691	32.70
227 200 S. Main St.	Orange Co.	8,815	615,339	100,385	514,954	292,263	222,691	88,747	133,944	34,570	99,374	32.46
274 28 Madison Plz. Dr.	Madison Co.	10,966	772,180	126,794	645,386	369,561	275,825	124,510	151,315	43,326	107,989	30.41
303 175 Lee Hwy.	Fauquier Co.	61,719	4,991,343	816,052	4,175,291	2,394,510	1,780,781	485,540	1,295,240	280,295	1,014,946	36.68
329 185 Southgate Shp. Ctr.	Culpeper Co.	26,053	1,953,704	321,536	1,632,168	935,242	696,926	241,496	455,429	109,570	345,859	34.16
Warrenton/Culpeper		243,143	18,570,772	3,045,871	15,524,901	8,894,390	6,630,510	2,141,891	4,488,619	1,042,215	3,446,405	34.96
46 183 Community St.	Albemarle Co.	22,539	1,902,342	311,941	1,590,401	912,694	677,707	239,582	438,125	106,766	331,358	33.82
50 325 Four Leaf Ln.	Albemarle Co.	19,597	1,677,924	275,026	1,402,898	804,769	598,128	237,814	360,314	94,179	266,135	32.25
70 98 Stoneridge Dr. N.	Greene Co.	22,508	1,622,408	265,762	1,356,646	777,402	579,244	183,845	395,400	91,074	304,326	35.14
125 304 Pantops Ctr.	Albemarle Co.	39,807	3,177,007	520,321	2,656,686	1,523,123	1,133,562	292,565	840,998	178,348	662,650	37.24
126 2819 Rock Fish Valley Hwy.	Nelson Co.	9,407	738,084	118,884	619,200	355,968	263,232	110,946	152,286	41,568	110,717	31.11
138 502 E. Main St.	Louisa Co.	20,365	1,302,554	214,877	1,087,677	621,105	466,572	182,448	284,124	73,018	211,107	32.70
185 502 W. Main St.	Charlottesville City	42,266	3,551,269	582,499	2,968,770	1,699,647	1,269,123	295,932	973,191	199,299	773,892	38.19
189 138 Scottsville Village Sq.	Albemarle Co.	9,946	685,719	113,245	572,474	327,124	245,351	110,729	134,622	38,431	96,191	30.54
202 1902 Emmett St.	Charlottesville City	74,370	6,635,581	1,077,652	5,557,930	3,179,822	2,378,108	557,239	1,820,869	373,114	1,447,755	38.06
253 1169 Emmet St.	Charlottesville City	54,079	4,304,035	706,754	3,597,280	2,061,872	1,535,409	440,475	1,094,934	241,492	853,442	36.25
321 77 Callohill Dr.	Nelson Co.	11,874	810,711	133,919	676,792	387,033	289,759	166,708	123,051	45,434	77,617	26.09
359 1872 Rio Hill Ctr.	Albemarle Co.	26,752	2,099,322	345,176	1,754,146	1,004,622	749,523	229,878	519,645	117,759	401,886	35.59
376 11016 Kentucky Springs Rd.	Louisa Co.	23,108	1,673,068	273,525	1,399,542	802,330	597,212	185,990	411,222	93,954	317,268	35.31
392 415 Merchant Walk Sq.	Albemarle Co.	8,818	734,562	120,705	613,857	350,585	263,272	130,582	132,690	41,209	91,480	28.89
408 45 Market St.	Louisa Co.	16,009	1,225,881	199,832	1,026,049	586,248	439,801	239,654	200,147	68,881	131,266	27.01
Charlottesville		401,446	32,140,468	5,260,120	26,880,348	15,394,344	11,486,004	3,604,387	7,881,617	1,804,526	6,077,090	35.27
117 309 Twelfth St.	Lynchburg City	38,930	2,961,083	489,721	2,471,361	1,410,549	1,060,813	266,716	794,097	165,907	628,190	37.75
160 1128 E. Lynchburg Salem Tnpk.	Bedford Co.	24,912	1,657,991	273,679	1,384,313	791,246	593,066	227,167	365,899	92,931	272,968	32.97
176 416 Lusardi Dr.	Campbell Co.	8,736	552,454	91,362	461,091	263,401	197,690	121,364	76,327	30,954	45,373	24.75
262 20401 Timberlake Rd.	Campbell Co.	41,066	2,857,575	472,214	2,385,361	1,363,732	1,021,629	270,581	751,048	160,134	590,915	37.20
266 2118 Wards Rd.	Lynchburg City	41,167	2,871,162	474,448	2,396,714	1,370,162	1,026,552	343,655	682,897	160,896	522,001	34.71
279 18013 Forest Rd.	Bedford Co.	30,298	2,194,293	361,360	1,832,933	1,048,799	784,135	255,728	528,407	123,048	405,359	34.94
281 216 Amelon Square Plz.	Amherst Co.	27,485	1,860,406	306,835	1,553,571	886,443	667,128	208,102	459,026	104,294	354,732	35.56
285 199 Ambriar Shp. Ctr.	Amherst Co.	13,018	882,305	144,611	737,694	422,445	315,249	162,821	152,428	49,523	102,905	28.05
287 4925 Boonsboro Rd.	Lynchburg City	27,981	2,212,824	363,522	1,849,302	1,061,280	788,022	238,679	549,343	124,147	425,196	35.64

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
347 105 Clarion Rd.	Campbell Co.	20,105	1,355,997	224,392	1,131,605	645,606	485,999	202,386	283,614	75,967	207,647	31.86
354 7795 Richmond Hwy.	Appomattox Co.	17,571	1,134,114	187,606	946,508	539,949	406,559	181,424	225,135	63,541	161,594	30.79
399 1051 Village Hwy.	Campbell Co.	15,393	978,417	162,032	816,385	467,165	349,219	160,610	188,609	54,805	133,804	30.24
400 14521 Forest Rd.	Bedford Co.	14,572	1,052,000	173,159	878,842	503,220	375,621	147,361	228,261	58,998	169,262	32.55
410 14807 Moneta Rd.	Bedford Co.	8,012	541,362	88,817	452,546	258,634	193,912	102,355	91,557	30,380	61,177	27.71
Lynchburg		329,245	23,111,983	3,813,758	19,298,225	11,032,630	8,265,594	2,888,947	5,376,647	1,295,525	4,081,122	34.16
132 2777 Greensboro Rd.	Henry Co.	26,607	1,840,058	304,344	1,535,714	875,310	660,404	221,939	438,464	103,095	335,369	34.77
146 649 W. Main St.	Danville City	20,293	1,431,399	237,145	1,194,253	681,549	512,704	220,710	291,994	80,172	211,822	31.37
154 235 N. Union St.	Danville City	10,472	637,384	105,908	531,477	302,394	229,083	103,061	126,022	35,679	90,343	30.79
191 400 Old Franklin Tnpk.	Franklin Co.	35,935	2,378,241	392,212	1,986,029	1,137,047	848,982	262,994	585,988	133,326	452,662	35.53
213 12990 B. T. Washington Hwy.	Franklin Co.	34,560	2,469,930	405,911	2,064,019	1,186,778	877,241	280,956	596,285	138,561	457,724	34.97
276 221 Nor-Dan Dr.	Danville City	32,309	2,419,108	400,061	2,019,047	1,153,744	865,303	348,741	516,562	135,542	381,020	32.29
277 985 Fairystone Park Hwy.	Henry Co.	20,141	1,222,078	202,336	1,019,742	582,576	437,165	166,739	270,426	68,457	201,969	33.08
283 Hwy. 29 & Hwy. 703	Pittsylvania Co.	14,706	1,033,788	170,108	863,679	491,560	372,120	169,184	202,935	57,980	144,955	30.48
291 786 Commonwealth Blvd.	Henry Co.	33,948	2,409,820	398,281	2,011,539	1,149,581	861,958	263,499	598,459	135,038	463,421	35.76
324 301 S. Main St.	Patrick Co.	10,963	745,263	123,210	622,053	356,789	265,264	103,229	162,035	41,760	120,276	32.67
373 3282 Riverside Dr.	Danville City	33,441	2,490,803	411,703	2,079,101	1,186,677	892,424	283,191	609,233	139,574	469,659	35.38
Danville/Martinsville		273,375	19,077,872	3,151,220	15,926,652	9,104,005	6,822,648	2,424,243	4,398,405	1,069,185	3,329,220	33.97
59 3136 Halifax Rd.	Halifax Co.	40,857	2,777,550	459,421	2,318,129	1,326,159	991,970	320,609	671,361	155,620	515,741	35.11
143 812 E. Atlantic St.	Mecklenburg Co.	39,927	2,762,657	457,157	2,305,500	1,318,424	987,076	256,596	730,479	154,772	575,707	37.39
157 93 Brunswick Sq. Ct.	Brunswick Co.	11,452	750,892	124,504	626,389	357,996	268,393	131,522	136,871	42,051	94,821	29.21
172 112 N. Main St.	Mecklenburg Co.	10,187	624,448	103,694	520,753	296,515	224,239	144,066	80,173	34,959	45,214	23.85
214 608 Virginia Ave.	Mecklenburg Co.	16,877	1,147,465	189,579	957,886	547,840	410,047	135,725	274,321	64,305	210,017	34.82
South Boston		119,300	8,063,012	1,334,355	6,728,657	3,846,933	2,881,724	988,518	1,893,207	451,707	1,441,500	34.43
152 1506 S. Main St.	Prince Edward Co.	43,606	2,923,060	483,421	2,439,640	1,396,944	1,042,696	282,611	760,085	163,777	596,308	36.94
161 501F Main St.	Lunenburg Co.	8,668	509,788	84,683	425,105	242,856	182,248	101,320	80,928	28,538	52,390	26.89
164 1618 W. Virginia Ave.	Nottoway Co.	10,820	673,840	111,600	562,240	320,547	241,693	154,701	86,992	37,744	49,248	23.87
178 974 Main St.	Buckingham Co.	9,873	643,090	106,323	536,767	306,204	230,563	143,602	86,960	36,034	50,926	24.45
196 110 King St.	Charlotte Co.	11,285	719,957	119,119	600,838	343,766	257,072	123,148	133,924	40,335	93,588	29.54
204 1592 Anderson Hwy.	Cumberland Co.	6,216	396,518	65,178	331,339	189,414	141,925	99,885	42,040	22,243	19,796	21.43
275 1423 S. Main St.	Nottoway Co.	17,358	1,156,167	191,752	964,415	551,010	413,404	177,685	235,719	64,743	170,976	31.37
351 15127 Patrick Henry Hwy.	Amelia Co.	10,537	705,693	116,853	588,839	336,497	252,342	114,609	137,733	39,530	98,204	30.47
Farmville		118,364	7,728,112	1,278,930	6,449,182	3,687,239	2,761,944	1,197,562	1,564,381	432,945	1,131,436	31.19
38 2501 New Kent Hwy.	New Kent Co.	32,963	2,341,527	385,425	1,956,102	1,122,472	833,631	234,969	598,662	131,317	467,345	36.42
77 1800 S. Creek One	Powhatan Co.	20,432	1,437,217	236,942	1,200,275	688,324	511,951	167,993	343,958	80,577	263,382	34.81
86 2610 Buford Rd.	Chesterfield Co.	32,598	2,745,545	445,632	2,299,912	1,315,873	984,039	284,963	699,076	154,397	544,679	36.07
89 34-A Broad St. Rd.	Goochland Co.	24,463	1,941,154	319,423	1,621,730	932,393	689,337	201,588	487,749	108,870	378,879	35.97
97 504 Hull St.	Richmond City	34,656	2,956,149	489,357	2,466,793	1,413,034	1,053,758	349,521	704,237	165,600	538,637	34.77
101 3100-A W. Broad St.	Richmond City	34,270	2,842,547	468,213	2,374,334	1,358,982	1,015,351	465,059	550,293	159,393	390,899	30.22
102 1901 W. Main St.	Richmond City	39,276	3,047,483	491,012	2,556,471	1,453,857	1,102,614	287,401	815,212	171,621	643,592	37.23
104 7028 Woodlake Commons	Chesterfield Co.	42,717	3,204,914	523,103	2,681,810	1,538,367	1,143,444	340,601	802,842	180,035	622,808	35.75
108 10242 Staples Mills Rd.	Henrico Co.	24,407	1,910,133	312,716	1,597,417	916,822	680,595	216,185	464,409	107,237	357,172	35.07
116 12635 Jefferson Davis Hwy.	Chesterfield Co.	55,586	4,365,391	718,067	3,647,324	2,125,432	1,521,892	474,915	1,046,977	244,851	802,126	34.82
150 6030 Brook Rd.	Henrico Co.	33,318	2,483,909	409,819	2,074,091	1,182,329	891,762	280,473	611,289	139,237	472,052	35.50
159 201 Stonebridge Plz. Ave.	Chesterfield Co.	37,916	3,050,892	504,646	2,546,247	1,454,336	1,091,910	361,455	730,455	170,934	559,521	34.88
169 10 N. Thompson St.	Richmond City	85,453	7,652,272	1,232,786	6,419,486	3,660,548	2,758,938	418,611	2,340,326	430,952	1,909,375	41.06
171 8700 W. Broad St.	Henrico Co.	34,229	2,924,711	482,267	2,442,444	1,401,107	1,041,336	306,485	734,852	163,966	570,886	36.01

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
180 2026 E. Main St.	Richmond City	54,924	4,881,078	802,122	4,078,956	2,342,283	1,736,674	382,091	1,354,582	273,828	1,080,755	38.58
182 1217-19 W. Broad St.	Richmond City	32,553	2,479,908	409,448	2,070,459	1,186,074	884,385	276,650	607,735	138,994	468,742	35.41
187 2421 Venable St.	Richmond City	19,709	1,334,315	221,692	1,112,623	628,640	483,983	156,717	327,266	74,692	252,574	35.54
190 13113 Rittenhouse Dr.	Chesterfield Co.	54,840	4,421,751	722,233	3,699,518	2,120,274	1,579,244	423,113	1,156,132	248,355	907,776	36.86
205 2288 John Rolfe Pkwy.	Henrico Co.	18,324	1,389,134	227,901	1,161,233	665,768	495,465	201,356	294,109	77,956	216,153	31.97
207 10106 Brook Rd.	Henrico Co.	32,946	2,691,554	442,252	2,249,303	1,287,039	962,264	317,467	644,797	151,000	493,797	34.78
242 1601 Willow Lawn Dr.	Henrico Co.	42,369	3,505,507	575,537	2,929,970	1,676,128	1,253,842	357,725	896,117	196,694	699,423	36.37
243 209 N. Washington Hwy.	Hanover Co.	37,211	2,692,251	443,559	2,248,692	1,287,000	961,692	284,379	677,313	150,959	526,354	36.03
247 9685 W. Broad St.	Henrico Co.	31,952	2,564,138	421,223	2,142,915	1,226,772	916,144	322,291	593,852	143,858	449,994	33.98
251 2924 N. Ave.	Richmond City	14,139	966,578	160,793	805,784	455,344	350,441	164,519	185,922	54,094	131,828	30.27
252 618 W. Southside Plz.	Richmond City	41,528	3,144,517	522,030	2,622,487	1,495,033	1,127,454	355,061	772,393	176,052	596,341	35.57
254 7015 Three Chopt Rd.	Richmond City	26,826	2,252,300	370,710	1,881,590	1,079,449	802,142	295,674	506,468	126,315	380,153	33.34
270 809 E. Parham Rd.	Henrico Co.	35,312	2,624,375	432,984	2,191,390	1,252,056	939,334	359,722	579,612	147,112	432,500	32.98
284 14229 Midlothian Tnpk.	Chesterfield Co.	46,229	3,621,871	595,483	3,026,389	1,738,289	1,288,100	416,664	871,436	203,167	668,269	34.89
292 1521 Parham Rd.	Henrico Co.	30,902	2,491,630	410,493	2,081,138	1,193,746	887,392	291,930	595,461	139,711	455,751	34.77
300 9502 Chamberlayne Rd.	Hanover Co.	34,655	2,574,028	423,367	2,150,661	1,232,482	918,180	267,716	650,464	144,378	506,086	36.11
304 2734 Fairground Rd.	Goochland Co.	15,398	1,098,339	181,129	917,210	527,510	389,700	172,640	217,060	61,574	155,486	30.65
305 3816 Mechanicsville Tnpk.	Henrico Co.	36,336	2,765,297	457,941	2,307,355	1,315,927	991,428	385,305	606,123	154,897	451,226	32.88
308 11252 Patterson Ave.	Henrico Co.	15,383	1,229,344	202,378	1,026,966	590,197	436,769	180,206	256,562	68,942	187,620	31.72
314 4320-D S. Laburnum Ave.	Henrico Co.	79,311	6,397,201	1,048,675	5,348,525	3,060,256	2,288,269	488,603	1,799,666	359,056	1,440,610	38.91
315 7048 Commons Plz.	Chesterfield Co.	40,565	3,026,201	498,036	2,528,165	1,447,012	1,081,153	328,888	752,265	169,720	582,544	35.71
326 2105 Academy Rd.	Powhatan Co.	18,961	1,347,127	221,982	1,125,144	643,943	481,201	212,204	268,997	75,533	193,464	30.84
330 5722 Hopkins Rd.	Chesterfield Co.	38,705	3,033,503	501,703	2,531,800	1,449,158	1,082,642	317,377	765,264	169,964	595,300	36.16
331 3450 Pump Rd.	Henrico Co.	62,769	5,839,154	946,237	4,892,916	2,801,876	2,091,040	491,163	1,599,877	328,470	1,271,407	37.98
332 4018 Glenside Dr.	Henrico Co.	26,680	1,929,733	317,611	1,612,123	919,392	692,731	231,119	461,612	108,225	353,387	34.77
334 7057 Mechanicsville Tnpk.	Hanover Co.	49,620	3,639,761	599,330	3,040,431	1,740,570	1,299,861	305,448	994,413	204,110	790,303	38.18
348 7036 Forest Hill Ave.	Richmond City	40,166	3,167,738	518,738	2,649,000	1,518,135	1,130,865	350,916	779,948	177,832	602,116	35.38
350 11108 Midlothian Tnpk.	Chesterfield Co.	71,152	5,764,373	942,397	4,821,977	2,765,860	2,056,117	394,399	1,661,718	323,708	1,338,010	39.56
360 2901 Hermitage Rd.	Richmond City	61,488	5,158,347	845,049	4,313,297	2,475,925	1,837,372	268,727	1,568,645	289,559	1,279,086	41.18
363 9949 Hull St.	Chesterfield Co.	39,441	2,847,763	470,893	2,376,870	1,358,829	1,018,041	313,096	704,945	159,564	545,381	35.69
366 1370 Gaskins Rd.	Henrico Co.	29,308	2,510,285	405,919	2,104,366	1,203,680	900,686	330,486	570,200	141,270	428,930	33.26
389 11367 Nuckols Rd.	Henrico Co.	21,242	1,799,476	295,982	1,503,494	870,423	633,071	197,352	435,719	100,932	334,787	35.05
390 16605 Mountain Rd	Hanover Co.	14,051	973,622	160,026	813,597	466,683	346,914	172,182	174,731	54,618	120,113	28.77
407 13113 River's Bend Blvd.	Chesterfield Co.	15,191	1,258,865	207,735	1,051,130	602,295	448,835	172,247	276,588	70,564	206,024	32.87
Richmond		1,762,474	140,324,906	23,022,995	117,301,911	67,187,924	50,113,987	14,575,655	35,538,331	7,874,689	27,663,643	36.12
35 2757 Jefferson Davis Hwy.	Stafford Co.	36,354	3,003,143	492,948	2,510,196	1,436,770	1,073,426	315,337	758,089	168,514	589,575	36.05
44 18035 Jefferson Davis Hwy.	Caroline Co.	18,016	1,295,674	213,457	1,082,217	600,075	482,142	185,882	296,260	72,651	223,609	33.73
62 1416 Carl D. Silver Pkwy.	Fredericksburg City	41,148	3,635,126	592,998	3,042,128	1,738,662	1,303,466	378,932	924,534	204,224	720,311	36.13
64 43 Town & Country Dr.	Stafford Co.	28,022	2,126,225	350,219	1,776,006	1,017,048	758,958	257,365	501,594	119,227	382,367	34.45
74 10857 Tidewater Trail	Spotsylvania Co.	15,583	1,183,274	194,767	988,508	567,121	421,387	218,110	203,277	66,360	136,917	28.03
95 10025 Jefferson Davis Hwy.	Spotsylvania Co.	34,150	2,720,136	447,225	2,272,911	1,301,046	971,865	293,436	678,429	152,585	525,845	35.77
103 6348 Jefferson Davis Hwy.	Spotsylvania Co.	17,017	1,205,152	198,634	1,006,518	574,395	432,123	187,722	244,402	67,569	176,832	31.16
121 507 William St.	Fredericksburg City	29,217	2,493,413	403,194	2,090,219	1,196,685	893,535	209,289	684,246	140,320	543,926	37.98
183 560 Celebrate Virginia Pkwy.	Stafford Co.	29,393	2,368,585	390,542	1,978,043	1,133,010	845,033	272,653	572,380	132,790	439,591	35.05
200 356 Garrisonville Rd.	Stafford Co.	51,172	4,450,096	732,875	3,717,221	2,129,810	1,587,411	389,206	1,198,205	249,544	948,661	37.79
209 5055 Jefferson Davis Hwy.	Spotsylvania Co.	37,391	2,833,723	465,771	2,367,952	1,354,518	1,013,434	340,343	673,091	158,965	514,126	34.58
221 16424 Consumer Row	King George Co.	16,706	1,312,263	215,729	1,096,535	626,381	470,153	181,573	288,580	73,612	214,968	32.82
239 320 W. Broadus St.	Caroline Co.	8,495	568,627	93,862	474,764	271,421	203,343	116,952	86,391	31,872	54,519	26.09
245 1249 Jefferson Davis Hwy.	Fredericksburg City	25,369	1,944,040	319,788	1,624,252	930,405	693,847	266,057	427,790	109,039	318,751	32.85
313 4185 Plank Rd.	Spotsylvania Co.	47,084	3,604,751	592,745	3,012,006	1,725,078	1,286,928	370,551	916,377	202,201	714,176	36.26
Fredericksburg		435,117	34,744,229	5,704,752	29,039,476	16,602,423	12,437,054	3,983,409	8,453,645	1,949,472	6,504,172	35.14

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

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

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

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

(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
130 700 McKinney Blvd.	Westmoreland Co.	14,335	953,826	157,395	796,430	455,810	340,620	141,066	199,554	53,466	146,088	31.82
149 4699 Richmond Rd.	Richmond Co.	11,306	783,308	129,069	654,239	375,396	278,842	137,527	141,316	43,920	97,396	28.91
192 101 S. Main St.	Lancaster Co.	41,361	2,864,186	471,439	2,392,746	1,376,040	1,016,706	349,705	667,001	160,629	506,372	34.14
220 17272 King's Hwy.	Westmoreland Co.	8,585	578,943	95,300	483,644	276,386	207,257	97,287	109,970	32,468	77,502	29.85
238 142 Northumberland Hwy.	Northumberland Co.	15,898	1,011,359	166,754	844,605	484,203	360,402	150,602	209,800	56,700	153,100	31.63
Northern Neck		91,485	6,191,622	1,019,958	5,171,664	2,967,836	2,203,828	876,186	1,327,641	347,183	980,458	32.31
32 16273 General Puller Hwy.	Middlesex Co.	14,948	1,001,931	164,127	837,804	481,263	356,540	141,915	214,625	56,243	158,382	32.19
155 2334 York Crossing Dr.	Gloucester Co.	31,413	2,239,614	367,354	1,872,260	1,071,322	800,938	269,272	531,666	125,688	405,978	34.53
175 416 14th St.	West Point	20,934	1,407,869	231,711	1,176,159	674,024	502,135	221,898	280,237	78,958	201,280	30.76
179 231 Virginia St.	Middlesex Co.	12,219	848,017	139,039	708,977	407,657	301,320	99,672	201,648	47,595	154,053	34.56
198 1628 Tappahannock Blvd.	Essex Co.	21,334	1,449,384	236,862	1,212,522	693,889	518,633	253,659	264,975	81,399	183,576	29.01
233 6736 Main St.	Gloucester Co.	28,710	1,992,495	328,675	1,663,820	951,018	712,802	221,422	491,380	111,695	379,684	35.55
257 4917 Tappahannock Hwy.	King William Co.	19,101	1,304,893	215,808	1,089,085	623,674	465,411	206,115	259,296	73,112	186,184	30.81
333 10972 Buckley Hall	Mathews Co.	15,634	1,009,897	165,102	844,795	484,062	360,733	160,675	200,058	56,713	143,346	30.54
West Point/Mathews		164,293	11,254,100	1,848,679	9,405,421	5,386,909	4,018,512	1,574,627	2,443,886	631,403	1,812,483	32.53
60 4330 Westgate Dr.	Dinwiddie Co.	43,057	2,910,856	482,928	2,427,928	1,389,716	1,038,212	288,685	749,527	162,991	586,535	36.74
114 4575 Whitehill Blvd.	Prince George Co.	34,230	2,753,779	449,474	2,304,304	1,320,906	983,399	299,921	683,477	154,692	528,785	35.52
118 18 Washington St., W.	Petersburg City	18,443	1,303,423	216,665	1,086,758	618,102	468,657	202,773	265,884	72,956	192,928	31.42
144 301 Market Dr.	Emporia City	30,974	2,195,563	364,307	1,831,256	1,048,352	782,904	274,882	508,022	122,936	385,086	34.13
151 210 N. Main St.	Hopewell City	19,756	1,294,169	214,030	1,080,138	619,610	460,528	139,892	320,636	72,512	248,124	35.71
232 3107-3 Blvd.	Colonial Heights City	36,123	2,557,451	422,691	2,134,761	1,220,134	914,627	343,555	571,072	143,310	427,762	33.25
240 201 S. Country Dr.	Sussex Co.	11,405	737,439	122,217	615,223	353,267	261,956	107,270	154,686	41,301	113,385	31.95
255 3330 S. Crater Rd.	Petersburg City	43,509	3,185,574	526,592	2,658,981	1,522,106	1,136,876	358,556	778,320	178,502	599,818	35.36
310 5232 Oaklawn Blvd.	Prince George Co.	32,581	2,457,376	406,881	2,050,495	1,172,242	878,254	257,422	620,832	137,653	483,179	36.22
Petersburg/Hopewell		270,077	19,395,629	3,205,784	16,189,845	9,264,434	6,925,411	2,272,956	4,652,456	1,086,853	3,565,602	34.91
43 236 Carmichael Way	Chesapeake City	24,955	1,837,795	301,542	1,536,253	879,918	656,335	222,551	433,785	103,131	330,653	34.40
53 11409 Windsor Blvd.	Isle of Wight Co.	13,516	912,484	150,993	761,492	435,338	326,154	201,232	124,922	51,120	73,801	24.64
69 648 Grassfield Pkwy.	Chesapeake City	27,682	2,081,260	343,106	1,738,154	996,080	742,074	261,287	480,787	116,685	364,102	33.98
79 1437 Sam's Dr.	Chesapeake City	45,590	3,533,556	584,585	2,948,971	1,687,790	1,261,181	381,567	879,615	197,970	681,645	35.83
98 3312 Princess Anne Rd.	Virginia Beach City	35,387	2,820,748	462,702	2,358,045	1,349,410	1,008,635	324,473	684,162	158,300	525,863	35.05
105 869 Lynnhaven Pkwy.	Virginia Beach City	37,565	2,974,991	487,720	2,487,271	1,421,730	1,065,541	276,820	788,721	166,975	621,746	37.29
106 2973 Shore Dr.	Virginia Beach City	52,711	4,073,868	666,963	3,406,905	1,957,888	1,449,016	392,318	1,056,698	228,712	827,987	36.70
107 141 W. Virginia Beach Blvd.	Norfolk City	74,078	6,340,049	1,045,833	5,294,215	3,029,004	2,265,212	519,344	1,745,867	355,410	1,390,457	38.43
110 1136 London Blvd.	Portsmouth City	28,974	2,315,799	380,469	1,935,330	1,104,657	830,673	225,533	605,140	129,922	475,218	36.95
128 159 W. Ocean View Ave.	Norfolk City	46,600	3,281,311	542,844	2,738,466	1,563,422	1,175,045	328,008	847,037	183,838	663,199	36.75
129 1615 General Booth Blvd.	Virginia Beach City	37,049	2,774,115	454,641	2,319,474	1,327,657	991,817	354,554	637,263	155,710	481,553	33.75
134 2301 Colley Ave.	Norfolk City	60,678	4,872,507	804,797	4,067,710	2,331,428	1,736,282	435,336	1,300,946	273,073	1,027,874	37.61
165 550 E. Liberty St.	Chesapeake City	32,834	2,453,570	408,092	2,045,479	1,166,456	879,023	245,921	633,102	137,317	495,785	36.84
188 4334 Holland Rd.	Virginia Beach City	52,502	4,092,660	675,267	3,417,393	1,955,393	1,462,000	354,779	1,107,221	229,416	877,805	37.95
211 5199 Harbour View Blvd.	Suffolk City	27,370	2,369,078	389,343	1,979,735	1,132,554	847,181	276,915	570,265	132,903	437,362	34.90
216 1100 Armory Dr.	Franklin City	33,717	2,279,918	377,424	1,902,494	1,088,505	813,989	222,180	591,809	127,718	464,091	36.91
225 405 30th St.	Virginia Beach City	113,848	8,292,157	1,335,844	6,956,313	3,968,742	2,987,571	524,904	2,462,668	466,990	1,995,678	40.18
226 7862 Tidewater Dr.	Norfolk City	65,919	4,982,683	825,785	4,156,899	2,375,272	1,781,627	479,364	1,302,263	279,060	1,023,203	37.11
237 3812 Geo. Washington Hwy.	Portsmouth City	30,882	2,487,058	412,534	2,074,524	1,186,232	888,292	266,794	621,498	139,267	482,232	35.98
246 5020 Ferrell Pkwy.	Virginia Beach City	31,271	2,439,170	403,703	2,035,467	1,164,631	870,837	272,518	598,318	136,645	461,674	35.48
249 2350 E. Little Creek Rd.	Norfolk City	45,391	3,198,069	528,488	2,669,581	1,528,205	1,141,376	340,453	800,924	179,214	621,710	35.97
256 1612 Laskin Rd.	Virginia Beach City	118,488	9,356,735	1,533,672	7,823,063	4,487,487	3,335,576	649,626	2,685,950	525,176	2,160,773	39.48
263 5900 Virginia Beach Blvd.	Norfolk City	66,208	5,492,378	909,069	4,583,309	2,619,497	1,963,811	533,847	1,429,965	307,686	1,122,279	36.98

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(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
278 3333 Virginia Beach Blvd.	Virginia Beach City	95,220	7,773,909	1,262,963	6,510,946	3,730,547	2,780,400	489,560	2,290,840	437,092	1,853,748	40.09
280 1103 S. Military Hwy.	Chesapeake City	72,754	5,583,999	921,348	4,662,651	2,667,958	1,994,692	384,143	1,610,549	313,012	1,297,537	39.74
288 5909 High St. W.	Portsmouth City	35,316	2,657,872	438,406	2,219,466	1,268,126	951,340	372,395	578,945	148,997	429,948	32.67
298 821 W. Constance Rd.	Suffolk City	41,127	2,908,891	483,021	2,425,870	1,387,565	1,038,305	270,223	768,082	162,853	605,229	37.41
299 1917 S. Church St.	Smithfield	32,541	2,321,711	382,691	1,939,020	1,111,716	827,304	284,726	542,578	130,170	412,408	34.25
306 2085 Lynnhaven Pkwy.	Virginia Beach City	49,119	3,836,715	631,786	3,204,929	1,833,481	1,371,448	378,371	993,077	215,153	777,924	36.74
307 957/959 Providence Sq. Ctr.	Virginia Beach City	44,384	3,329,068	548,263	2,780,805	1,594,654	1,186,151	334,883	851,268	186,680	664,587	36.43
311 4020 Victory Blvd.	Portsmouth City	38,446	3,061,713	507,848	2,553,865	1,462,001	1,091,864	338,435	753,429	171,446	581,983	35.60
312 2815 G. Godwin Blvd.	Suffolk City	31,528	2,429,958	401,158	2,028,801	1,179,782	849,019	278,233	570,785	136,197	434,588	34.39
325 22718 Main St.	Southampton Co.	8,133	497,867	82,694	415,173	237,835	177,338	86,093	91,245	27,871	63,374	29.34
328 836 Eden Way N.	Chesapeake City	47,329	3,943,130	648,047	3,295,083	1,884,597	1,410,487	340,105	1,070,382	221,205	849,177	37.97
336 1067 Independence Blvd.	Virginia Beach City	67,005	5,091,801	830,481	4,261,320	2,432,656	1,828,664	507,719	1,320,945	286,070	1,034,875	36.63
349 237 S. Battlefield Blvd.	Chesapeake City	45,458	3,373,455	556,022	2,817,434	1,613,659	1,203,775	365,333	838,442	189,139	649,302	35.73
355 4300 Portsmouth Blvd.	Chesapeake City	43,099	3,307,809	545,475	2,762,334	1,582,831	1,179,503	347,082	832,422	185,440	646,981	36.05
361 3014 Turnpike Rd.	Portsmouth City	48,992	3,879,256	642,408	3,236,848	1,853,193	1,383,655	352,811	1,030,844	217,295	813,548	37.53
370 2181 Upton Dr.	Virginia Beach City	61,426	4,648,286	761,834	3,886,452	2,231,887	1,654,564	378,270	1,276,294	260,904	1,015,390	38.23
377 3575 Bridge Rd.	Suffolk City	24,081	1,950,775	321,661	1,629,114	934,826	694,288	263,797	430,490	109,365	321,125	32.95
379 5832 Northampton Blvd.	Virginia Beach City	45,332	3,658,651	600,903	3,057,748	1,747,054	1,310,695	351,314	959,380	205,272	754,108	37.04
391 13478 Carrollton Blvd.	Isle of Wight Co.	18,149	1,372,985	226,204	1,146,781	656,941	489,840	172,702	317,138	76,985	240,152	33.97
409 7550 Granby St.	Norfolk City	29,198	2,260,147	373,496	1,886,651	1,078,887	807,763	242,644	565,120	126,654	438,465	35.93
415 1340 N. Great Neck Rd.	Virginia Beach City	21,923	1,699,864	278,782	1,421,082	816,675	604,407	207,498	396,909	95,400	301,509	34.14
Norfolk/Virginia Beach		2,003,776	154,849,822	25,470,905	129,378,917	74,064,168	55,314,749	14,836,661	40,478,088	8,685,440	31,792,648	36.98
48 6610-I Mooretown Rd.	York Co.	43,118	3,095,049	509,198	2,585,851	1,480,996	1,104,855	314,690	790,166	173,593	616,573	36.37
92 227 Fox Hill Rd.	Hampton City	24,179	1,793,817	296,214	1,497,604	853,803	643,801	258,361	385,441	100,537	284,904	32.40
112 61 N. Mallory St.	Hampton City	30,164	2,383,814	394,215	1,989,599	1,136,671	852,928	300,498	552,430	133,565	418,865	34.11
148 4640-3 Monticello Ave.	James City Co.	58,013	4,779,581	777,430	4,002,151	2,299,565	1,702,587	516,694	1,185,893	268,672	917,221	35.46
158 3214 Jefferson Ave.	Newport News City	27,185	2,085,678	346,761	1,738,917	987,438	751,479	356,143	395,336	116,737	278,599	29.98
217 619 Pilot House Dr.	Newport News City	50,477	4,267,935	704,464	3,563,471	2,043,111	1,520,360	392,144	1,128,217	239,222	888,995	37.34
222 5005 Victory Blvd.	York Co.	33,075	2,706,675	445,246	2,261,429	1,296,320	965,109	305,983	659,125	151,814	507,312	35.19
244 4909 W. Mercury Blvd.	Hampton City	58,491	4,855,467	803,275	4,052,192	2,320,936	1,731,255	336,931	1,394,324	272,031	1,122,293	39.66
250 2078 Nickerson Blvd.	Hampton City	24,645	1,792,706	296,853	1,495,854	854,259	641,594	227,978	413,616	100,419	313,197	34.03
258 3831 Kecoughtan Rd.	Hampton City	34,156	2,601,276	430,199	2,171,077	1,239,075	932,003	291,954	640,048	145,748	494,300	35.54
265 20 Towne Ctr. Way	Hampton City	27,065	2,192,171	362,881	1,829,290	1,048,147	781,143	295,890	485,253	122,804	362,450	33.09
272 55 Hidenwood Shp. Ctr.	Newport News City	31,799	2,424,107	400,781	2,023,326	1,157,776	865,550	253,663	611,887	135,830	476,058	36.17
282 2400 Cunningham Dr.	Hampton City	74,683	6,800,137	1,124,081	5,676,056	3,251,293	2,424,763	532,512	1,892,251	381,044	1,511,207	38.75
290 5226 Geo. Washington Hwy.	York Co.	24,877	1,816,429	298,813	1,517,615	870,164	647,451	254,991	392,459	101,880	290,579	32.45
320 1246 Richmond Rd.	Williamsburg City	47,106	3,795,521	612,290	3,183,232	1,817,477	1,365,755	402,771	962,984	213,696	749,288	35.87
335 801-F Merrimac Trail	York Co.	29,951	2,359,741	389,677	1,970,063	1,127,508	842,555	285,966	556,590	132,254	424,336	34.50
340 309-A Oyster Point Rd.	Newport News City	40,369	3,263,610	537,876	2,725,734	1,560,792	1,164,942	400,194	764,748	182,983	581,765	34.31
341 621 Stoney Creek Ln.	Newport News City	68,416	5,631,637	927,446	4,704,192	2,690,129	2,014,063	499,824	1,514,238	315,801	1,198,438	37.75
342 10872 Warwick Blvd.	Newport News City	21,837	1,660,890	274,346	1,386,544	792,704	593,840	247,535	346,305	93,081	253,224	31.76
381 1480-3C Quarterpath Rd.	Williamsburg City	17,413	1,437,348	236,214	1,201,134	691,012	510,122	205,540	304,582	80,634	223,948	32.01
382 475 Wythe Creek Rd.	Poquoson City	20,882	1,466,628	241,042	1,225,586	700,280	525,306	185,034	340,273	82,276	257,997	34.03
417 201 Tradesman Way	York Co.	17,131	1,274,551	209,366	1,065,185	609,726	455,459	249,271	206,188	71,508	134,681	26.99
420 980 J. Clyde Morris Blvd.	Newport News	2,078	164,684	27,241	137,444	78,173	59,271	59,981	(710)	9,227	(9,937)	10.51
422 14272 Warwick Blvd.	Newport News	1,347	107,751	17,818	89,932	51,219	38,713	100,754	(62,040)	6,037	(68,078)	(46.64)
Newport News/Hampton		808,458	64,757,205	10,663,728	54,093,477	30,958,572	23,134,904	7,275,300	15,859,605	3,631,393	12,228,212	35.35

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(continued)

ANALYSIS OF STORE PERFORMANCE • FISCAL YEAR 2017

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)
156 22485 Lankford Hwy.	Northampton Co.	18,391	1,291,782	213,066	1,078,715	619,844	458,871	155,976	302,896	72,416	230,480	34.34
162 7017 Lankford Hwy.	Accomack Co.	12,695	887,335	145,979	741,356	424,570	316,785	171,000	145,786	49,769	96,017	27.27
177 4371 Pension St.	Accomack Co.	12,643	870,139	142,544	727,594	418,242	309,352	130,073	179,279	48,845	130,434	31.37
223 4090-B Lankford Hwy.	Northampton Co.	15,368	940,993	155,441	785,552	450,509	335,044	185,495	149,548	52,736	96,813	26.81
344 25234 Lankford Hwy.	Accomack Co.	25,949	1,747,616	288,129	1,459,488	835,506	623,981	202,621	421,361	97,978	323,383	34.99
Eastern Shore		85,046	5,737,864	945,159	4,792,706	2,748,672	2,044,034	845,165	1,198,869	321,743	877,126	31.76
Statewide Totals		11,691,494	\$937,077,292	\$153,808,565	\$783,268,727	\$448,509,127	\$334,759,600	\$107,644,419	\$227,115,181	\$52,582,240	\$174,532,941	35.03%

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

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

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

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

ANALYSIS OF DISTILLERY STORE PERFORMANCE • FISCAL YEAR 2017

ABC Distillery Stores	Gross Sales (1)	Spirits Taxes (2)	Net Sales	Cost of Goods Sold	Gross Profit	Commission	Case Handling Fee	Allocation of General & Administrative Expenses	Adjusted Net Profit	Rate of Return (3)
11 Woods Mill Distillery	12,793	2,559	10,235	6,040	4,195	967	88	622	2,517	39.68
13 Vitae Spirits Distillery	49,627	9,925	39,701	23,933	15,769	3,970	252	2,399	9,148	38.43
14 Five Mile Mtn Distillery	40,241	8,048	32,193	19,345	12,848	3,176	260	1,948	7,464	38.55
15 Copper Fox Wmsbg Distillery	146,278	29,256	117,023	70,759	46,263	11,702	616	7,070	26,875	38.37
16 Virginia Distillery	276,753	51,488	225,266	123,838	101,428	20,593	1,392	13,636	65,807	42.38
17 James River Distillery	33,353	6,208	27,145	14,856	12,290	2,483	144	1,643	8,019	42.66
18 Chesapeake Bay Distillery	103,886	19,862	84,024	44,719	39,305	7,515	750	5,083	25,957	44.11
19 Williamsburg Distillery	34,997	6,972	28,024	15,952	12,073	2,845	186	1,662	7,380	41.01
20 KO Distilling	95,197	19,039	76,158	45,797	30,360	7,616	492	4,562	17,690	38.58
21 Old House Vineyard Distillery	93,287	18,657	74,630	44,103	30,527	7,463	414	4,447	18,203	39.51
22 Reservoir Distillery	111,677	21,643	90,034	50,990	39,044	8,657	440	5,421	24,526	41.34
23 Murlarkey Distillery	177,156	33,310	143,846	80,310	63,536	13,367	760	8,702	40,707	41.78
24 Mount Defiance Distillery	85,456	17,102	68,354	39,561	28,793	6,847	444	4,081	17,421	40.40
25 River Hill Distillery	46,238	9,248	36,990	21,376	15,614	3,187	468	2,254	9,706	40.99
26 Garofalo Artisan Distillery	290	58	232	135	97	23	—	13	61	41.04
27 Appalachian Mtn. Distillery	11,646	2,329	9,317	5,553	3,764	932	30	559	2,243	39.26
28 Silverback Spirits Distiller	380,640	76,128	304,513	182,100	122,413	30,451	2,944	18,182	70,836	38.61
29 Davis Valley Distillery	57,235	11,442	45,794	27,097	18,697	4,577	386	2,743	10,991	39.19
30 Copper Fox Distillery	438,045	87,609	350,436	210,509	139,926	35,044	1,752	20,986	82,145	38.75
31 Mt. Vernon Distillery	697,328	122,669	574,659	283,033	291,626	49,068	12,952	34,833	194,773	45.52
34 Belmont Farms Distiller	176,590	35,318	141,272	85,183	56,090	14,127	1,334	8,389	32,240	38.26
65 Catocin Creek	285,442	57,088	228,353	136,557	91,797	22,849	1,948	13,676	53,324	38.68
91 Bowman Distillery Store	443,822	88,764	355,057	216,908	138,149	35,506	4,066	21,299	77,279	37.41
430 Springfield Distillery	31,985	6,397	25,588	14,962	10,626	2,559	204	1,546	6,317	39.75
431 Bondurant Bros Distillery	3,873	775	3,099	1,855	1,243	310	90	187	656	36.94
432 Cirrus Distillery	15,888	3,178	12,710	7,866	4,844	1,271	132	768	2,673	36.83
433 Ragged Branch Distillery	16,706	3,341	13,364	7,881	5,484	1,336	134	807	3,206	39.19
435 Spirit Lab Distilling	—	—	—	—	—	—	—	—	(2)	—
Statewide Distillery Totals	3,866,430	\$748,412	\$3,118,018	\$1,781,215	\$1,336,803	\$298,441	\$32,680	\$187,517	\$818,166	40.52%

(1) Includes state taxes, but does not include 5 percent sales tax. (2) State taxes on distilled spirits sold in ABC stores (20 percent). (3) "Rate of return" = (adjusted net profit + state taxes) ÷ gross sales

Net Sales=Gross Sales- Spirits Taxes; Gross Profit = Net Sales-COGS; Adjusted Net Profit = Gross Profit-Commission-Case Handling Fee-AG&AE

2017 ESTABLISHMENTS BY LICENSE CATEGORY—CITIES



Cities (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Alexandria	12	0	3	1	2	1	8	6	15	3	0	13	24	29	15	138	200	0	470
Bedford	0	0	0	0	1	0	1	0	7	0	0	0	1	4	0	3	6	0	23
Bristol	3	0	2	2	2	0	1	0	18	1	0	3	4	7	3	16	24	0	86
Buena Vista	0	0	0	0	0	0	0	0	2	0	0	1	0	4	0	1	6	0	14
Charlottesville	10	2	7	7	9	0	12	6	29	1	2	5	15	10	6	106	167	0	394
Chesapeake	11	0	3	9	1	0	1	9	95	0	0	20	30	23	5	122	179	0	508
Colonial Heights	0	0	0	0	0	0	0	2	14	0	0	4	4	4	2	17	24	0	71
Covington	0	0	0	0	0	0	0	0	4	0	0	1	1	4	0	1	5	0	16
Danville	3	0	1	2	2	0	1	6	47	0	0	6	6	28	1	21	34	1	159
Emporia	0	0	0	0	0	0	0	1	13	0	0	1	2	4	0	4	5	0	30
Fairfax	1	0	1	0	0	0	2	3	3	0	0	5	9	10	0	37	73	0	144
Falls Church	1	0	0	0	1	0	1	1	3	0	1	3	5	7	1	24	49	0	97
Franklin	1	0	0	0	0	0	0	0	10	0	0	1	2	3	0	5	7	0	29
Fredericksburg	2	2	0	0	3	0	3	1	17	0	0	2	10	7	5	61	89	0	202
Galax	0	1	0	0	1	0	0	1	5	0	0	2	2	5	1	6	11	1	36
Hampton	12	2	2	2	7	1	2	16	79	0	0	14	16	15	4	68	100	0	340
Harrisonburg	3	2	3	3	5	0	3	7	23	0	0	5	11	13	3	50	84	0	215
Hopewell	3	0	0	0	0	0	0	6	18	0	0	2	2	7	0	11	15	0	64
Lexington	2	2	0	0	0	0	3	0	2	0	0	1	4	1	2	10	18	0	45
Lynchburg	8	1	0	4	0	0	4	6	42	0	0	7	12	18	5	57	93	0	257
Manassas	2	0	1	2	3	0	2	3	4	0	1	6	3	25	0	24	46	0	122
Manassas Park	0	0	0	0	0	0	0	0	2	0	0	0	0	6	0	5	8	0	21
Martinsville	2	0	0	0	0	0	0	2	9	0	0	1	2	7	0	12	17	0	52
Newport News	9	0	2	2	1	1	5	11	94	1	1	13	19	30	4	98	156	0	447
Norfolk	22	2	1	2	8	4	13	26	92	0	1	18	30	31	10	186	254	2	702
Norton	0	0	0	0	0	0	0	0	5	1	0	0	1	1	1	4	6	0	19
Petersburg	3	0	1	3	2	0	0	5	36	0	0	3	3	13	0	22	35	0	126
Poquoson	0	0	0	0	0	0	0	1	3	0	0	1	2	3	0	6	13	0	29
Portsmouth	5	1	0	0	1	2	0	12	60	0	0	9	9	15	2	38	50	0	204
Radford	1	0	0	0	0	0	2	1	6	0	0	1	1	4	0	7	17	0	40
Richmond	30	2	8	10	17	0	23	18	174	3	6	18	25	50	8	295	400	6	1093
Roanoke	8	1	0	2	2	1	4	9	88	0	0	8	16	26	6	88	129	0	388
Salem	4	0	3	4	1	0	2	6	23	0	0	4	4	3	0	15	30	0	99
Staunton	2	2	0	0	4	0	3	3	11	1	0	4	8	10	1	15	36	2	102
Suffolk	9	1	0	0	0	0	0	4	39	1	0	7	13	10	3	37	53	0	177
Virginia Beach	35	2	4	4	9	6	11	12	158	1	1	45	65	43	23	428	576	1	1424
Waynesboro	2	2	0	0	0	0	1	2	12	0	0	3	6	8	0	16	30	0	82
Williamsburg	11	8	0	1	1	0	3	0	9	0	1	3	6	1	4	47	60	3	158
Winchester	4	1	2	2	3	0	3	4	12	0	0	5	8	12	3	45	68	0	172
Grand Total	221	34	44	62	86	16	114	190	1283	13	14	245	381	501	118	2146	3173	16	8657

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

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

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

Source: CORE, July 2017

2017 ESTABLISHMENTS BY LICENSE CATEGORY—COUNTIES



Counties (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Accomack	6	6	2	3	0	0	0	3	29	1	0	2	9	16	2	23	36	0	138
Accomack	4	6	2	3	0	0	0	3	28	1	0	2	8	16	2	21	35	0	131
Albemarle	32	6	2	26	5	0	6	8	38	0	4	4	30	6	10	48	92	37	354
Alleghany	1	0	0	0	0	0	0	4	8	0	0	1	1	8	0	7	16	0	46
Amelia	0	0	0	0	0	0	0	1	11	0	0	1	0	3	0	2	7	0	25
Amherst	1	0	0	4	1	0	1	1	17	0	0	2	3	12	0	9	16	4	71
Appomattox	2	0	0	0	0	0	0	2	9	0	0	1	2	9	1	4	7	0	37
Arlington	7	0	1	2	3	4	7	6	38	0	0	22	28	40	28	221	317	0	724
Augusta	3	2	2	6	3	0	0	3	37	0	0	2	7	17	1	10	23	4	120
Bath	1	1	0	0	0	0	0	0	5	0	0	0	1	5	3	5	7	0	28
Bedford	7	1	0	5	2	1	1	7	25	0	0	4	6	17	1	25	46	6	154
Bland (Dry)	0	0	0	0	0	0	0	0	4	0	0	0	0	5	0	0	1	0	10
Botetourt	3	0	2	5	2	0	0	1	23	2	0	1	3	9	0	9	20	3	83
Brunswick	1	0	0	2	0	0	0	0	16	0	0	1	1	6	0	3	7	0	37
Buchanan (Dry)	0	0	0	0	0	0	0	1	21	1	0	2	2	7	0	1	3	0	38
Buckingham	1	0	0	0	0	0	0	0	13	0	0	0	2	4	0	1	2	0	23
Campbell	3	0	0	3	1	0	1	3	37	0	1	4	5	21	0	15	24	4	122
Caroline	0	1	0	0	1	0	0	2	27	0	0	1	2	5	0	6	15	1	61
Carroll	3	0	0	2	0	0	0	1	16	0	1	1	2	9	1	4	8	2	50
Charles City	1	3	0	1	0	0	0	0	4	0	0	0	0	1	0	2	5	1	18
Charlotte (Dry)	1	0	0	0	0	0	0	1	12	0	0	1	0	12	0	0	3	0	30
Chesterfield	14	0	4	4	2	0	4	6	118	1	0	30	41	44	5	154	231	2	660
Clarke	6	2	0	3	0	0	0	3	8	1	0	0	3	4	0	4	10	4	48
Craig (Dry)	0	0	0	0	0	0	0	0	2	0	0	0	0	3	1	0	0	0	6
Culpeper	3	0	1	5	3	0	1	4	18	1	2	3	8	15	4	21	33	3	125
Cumberland	0	0	0	0	0	0	0	0	7	0	0	0	0	1	0	1	3	0	12
Dickenson	0	0	0	0	0	0	0	1	9	1	0	1	0	7	0	0	1	0	20
Dinwiddie	1	0	0	0	0	0	0	1	23	0	0	2	1	9	0	4	5	0	46
Essex	2	1	0	1	0	0	0	1	10	0	0	1	2	5	0	9	11	1	44
Fairfax	48	0	56	63	11	0	36	28	45	3	2	62	130	173	38	586	956	2	2239
Fauquier	19	1	3	28	4	0	3	4	29	2	0	5	17	14	4	36	57	28	254
Floyd	1	1	0	1	0	0	0	2	3	0	1	0	2	4	0	5	11	3	34
Fluvanna	1	0	0	4	1	0	0	0	9	0	0	1	4	3	0	4	10	4	41
Franklin (Dry)	5	0	1	3	3	0	3	2	25	0	3	4	4	20	1	19	34	2	129
Frederick	7	2	3	6	0	0	2	4	33	1	2	6	20	18	3	29	46	5	187
Giles	0	1	0	1	1	0	1	4	13	2	0	2	1	11	1	2	6	1	47
Gloucester	3	0	0	0	0	0	0	3	21	1	0	3	6	6	0	17	25	0	85
Goochland	5	1	0	3	3	0	1	3	12	0	0	0	2	4	0	13	20	4	71
Grayson (Dry)	0	0	0	0	0	0	0	0	6	1	0	0	0	5	0	0	2	0	14
Greene	3	0	0	1	0	0	1	1	7	0	0	1	2	6	0	5	15	3	45
Greensville	0	0	0	0	0	0	0	1	12	0	0	0	0	1	0	1	1	0	16
Halifax	5	1	0	6	0	0	0	4	24	0	2	2	2	26	1	10	22	3	108
Hanover	14	0	7	14	2	0	2	7	46	1	0	7	16	17	0	51	85	2	271
Henrico	34	1	12	15	6	0	13	16	144	1	0	32	40	40	21	191	303	0	869
Henry	5	0	0	2	1	0	1	5	37	0	0	6	1	31	1	4	17	2	113
Highland (Dry)	1	0	0	1	0	0	0	0	2	0	0	0	0	3	1	0	1	1	10
Isle of Wight	0	0	0	0	1	0	0	4	21	0	1	3	7	6	1	8	16	3	71
James City	3	0	1	1	1	0	1	4	22	0	2	4	13	5	6	50	72	2	187
King & Queen	1	0	0	0	0	0	0	0	3	0	0	0	0	4	0	1	2	0	11
King George	3	0	0	2	0	0	0	0	14	0	0	1	3	3	0	6	11	2	45
King William	0	0	0	0	0	0	0	1	8	0	0	1	2	5	0	7	12	0	36
Lancaster	4	1	0	2	0	1	0	4	10	0	0	2	5	4	3	17	26	2	81
Lee (Dry)	0	0	0	0	0	0	0	2	20	0	0	1	1	8	0	0	4	0	36
Loudoun	44	2	16	43	28	17	12	7	30	3	3	17	48	65	14	232	378	49	1008
Louisa	5	0	0	2	0	0	0	2	21	1	0	2	3	12	2	12	20	3	85
Lunenburg	2	0	0	0	0	0	0	4	8	0	0	0	2	7	0	0	3	0	26
Madison	3	2	0	3	1	0	0	0	7	0	0	0	1	4	1	4	7	8	41
Mathews	1	1	0	0	0	0	0	2	6	0	0	0	1	3	0	2	5	0	21
Mecklenburg	4	0	0	3	1	0	0	10	41	0	1	3	1	17	0	11	19	3	114
Middlesex	4	0	0	0	0	0	0	1	5	0	0	0	3	8	0	10	14	0	45
Montgomery	5	2	0	3	3	0	4	2	43	0	0	5	11	17	5	48	77	3	228
Nelson	11	6	0	9	6	0	1	1	12	1	3	0	1	7	2	6	10	16	92
New Kent	4	2	0	2	0	0	0	0	15	0	0	2	3	4	0	10	18	3	63

(continued)

2017 ESTABLISHMENTS BY LICENSE CATEGORY—COUNTIES

(continued)



Counties (1)	All Others (2)	Bed and Breakfasts	Beer/Wine Importers	Beer/Wine Wholesalers	Breweries	Carrier Licensees	Caterer Establishments	Clubs	Convenience Stores	Delicatessens	Distilleries	Drug Stores	Gourmet / Gourmet Brew Shops	Grocery / Grocery-Gourmet Stores	Hotels/Resorts	Restaurants (Mixed Beverage) (3)	Restaurants (Beer and Wine)	Wineries	Grand Total
Northampton	4	3	1	5	0	0	1	1	16	0	0	1	1	6	1	13	17	1	71
Northumberland	2	0	0	2	0	0	0	3	7	0	0	1	1	6	0	6	11	2	41
Nottoway	0	1	1	3	0	0	0	4	17	0	0	0	2	4	0	7	16	0	55
Orange	5	5	0	3	1	0	3	2	18	1	0	2	4	5	1	15	28	7	100
Page	7	5	1	2	1	0	0	3	17	0	1	1	3	10	1	4	15	3	74
Patrick (Dry)	2	1	0	1	0	0	0	1	11	0	1	1	1	10	0	3	10	2	44
Pittsylvania	4	0	1	8	0	0	0	3	37	0	0	1	0	24	0	7	16	3	104
Powhatan	3	0	0	1	1	0	0	1	15	0	0	0	1	3	0	14	20	2	61
Prince Edward	1	0	0	0	0	0	2	2	18	0	0	3	2	3	0	12	17	0	60
Prince George	1	1	0	0	0	0	0	2	14	0	1	1	1	7	0	7	14	0	49
Prince William	24	0	12	14	9	1	2	9	37	2	1	21	43	116	8	176	290	3	768
Pulaski	3	0	2	4	1	0	0	4	14	1	0	4	4	17	0	7	12	3	76
Rappahannock	7	5	0	6	2	0	0	0	3	0	2	0	0	4	1	6	9	8	53
Richmond	0	0	0	6	0	0	0	0	5	0	0	1	1	3	0	1	5	0	22
Roanoke	6	1	4	5	2	0	4	3	38	0	0	4	10	10	1	37	61	2	188
Rockbridge	4	5	0	2	3	0	4	2	17	0	0	0	2	11	4	4	15	3	76
Rockingham	7	1	0	3	2	0	1	3	33	0	0	2	8	13	0	13	32	5	123
Russell	1	0	0	1	0	0	0	2	14	0	1	1	2	5	0	2	4	1	34
Scott	0	0	0	0	1	0	0	0	17	0	0	1	2	12	0	1	4	0	38
Shenandoah	5	1	1	6	3	0	0	9	24	0	1	3	8	21	2	9	31	9	133
Smyth	1	1	0	1	0	0	0	1	20	1	3	3	1	15	1	4	11	2	65
Southampton	0	0	0	0	0	0	0	2	16	0	0	1	1	5	0	1	3	0	29
Spotsylvania	8	1	5	7	4	0	4	7	54	0	1	13	15	18	0	53	85	6	281
Stafford	12	1	4	6	4	0	3	5	49	1	0	8	13	12	1	43	73	2	237
Surry	0	0	0	1	0	0	0	0	6	0	0	0	0	2	0	2	3	3	17
Sussex	0	0	1	0	0	0	1	1	15	0	0	0	1	10	0	0	6	0	35
Tazewell	2	0	0	1	0	0	0	2	25	1	0	2	6	24	0	8	15	1	87
Warren	3	2	1	5	1	0	0	4	24	0	0	2	3	10	0	21	37	4	117
Washington	2	5	1	4	3	0	1	1	34	0	0	3	8	20	2	14	29	2	129
Westmoreland	6	1	0	4	2	0	0	6	9	0	0	2	2	9	1	13	22	4	81
Wise	1	0	0	1	1	0	0	1	27	0	0	5	4	11	1	5	9	1	67
Wythe	2	0	0	2	0	0	0	3	18	1	0	2	2	15	1	13	14	2	75
York	8	2	0	2	3	1	1	3	28	1	1	7	13	6	3	39	65	4	187
Grand Total	473	89	148	396	140	25	129	278	2035	34	41	355	675	1308	191	2543	4252	311	13423

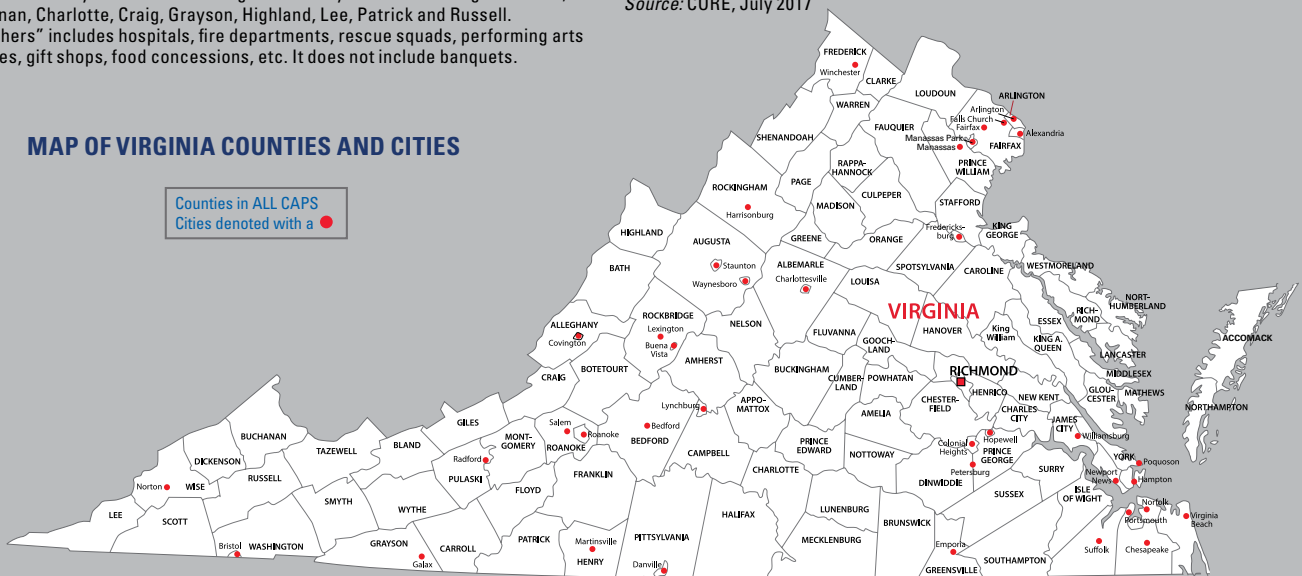
- (1) All counties are "wet" (approved for liquor by the drink) unless indicated as "dry." Nine counties are "dry" (not approved for liquor by the drink); however, beer and wine may be served. Referendums may allow for mixed beverages in certain towns located within dry counties. Following are the "dry" counties in Virginia: Bland, Buchanan, Charlotte, Craig, Grayson, Highland, Lee, Patrick and Russell.
- (2) "All Others" includes hospitals, fire departments, rescue squads, performing arts facilities, gift shops, food concessions, etc. It does not include banquets.

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

Source: CORE, July 2017

MAP OF VIRGINIA COUNTIES AND CITIES

Counties in ALL CAPS
Cities denoted with a ●





Community Policing Enforcement Training Program

Virginia ABC concluded a successful new training program to empower local law enforcement agencies around Virginia to better respond to the most pressing alcohol-related problems in their jurisdictions. Administered by the National Liquor Law Enforcement Association (NLLEA) and funded by the National Highway Traffic Safety Administration (NHTSA), the training program provided instruction on the Commonwealth's ABC laws and regulations and strategies for their enforcement.

Designated agents from Virginia ABC's Enforcement Division delivered a staple curriculum to provide training for 35 in-service law enforcement academies throughout the state from May to October 2016.

While the training program included core instruction in the role of local police in the enforcement of alcohol laws and regulations, it was designed to provide a customized menu of training options based on the needs of each law enforcement agency. The length of time for each training varied to provide tailored information for each agency, with four trainings conducted under an hour, 16 hour-long trainings and 15 training sessions being two hours or longer.

Training topics included: preparing administrative charges against an ABC-licensed establishment; fraudulent identification detection; nuisance abatement strategies; modern policing and alcohol enforcement; community coalitions; licensee training programs; and underage buyer compliance programs.

The trainings engaged local law enforcement from across the Commonwealth, with 15 counties and 14 independent cities receiving the training. Six of the training sessions brought together multiple agencies in a shared session, with a total of 39 different agencies and 489 officers participating. The popularity of the program exceeded the agency's expectations and requests for additional training sessions to local law enforcement continue.

Several local agencies set up additional trainings to encourage attendance by their entire agency or to provide the training for community resource groups the agency works with on alcohol-related issues. The agencies each had their own regional concerns that came to light during the training sessions, such as being in a university setting, having outdoor venues, increases in block parties, and a growing concentration of licensed breweries, wineries and distilleries in their jurisdiction.



(TOP) Special Agent Derrick Kekic conducts a community policing training program with the Norfolk Police Department in Norfolk.

(ABOVE) ABC officials launch the community policing training program at a seminar given to multiple police organizations in Virginia Beach.

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FISCAL YEAR 2017 marked Virginia ABC's 19th consecutive record-setting year in sales and profits. Gross sales increased to \$940.1 million, up \$42.5 million over the previous year, while profits rose to \$171 million, a jump of \$6 million. Retail sales grew 4.6 percent and licensee sales (sales to restaurants) climbed 4.1 percent during the same time frame.

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CONTACTING THE DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

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 Department of Alcoholic Beverage Control at 2901 Hermitage Road, Richmond, Virginia 23220 or visit us at www.abc.virginia.gov.

CHAIRMAN JEFFREY PAINTER VOTED CHAIRMAN-ELECT OF THE NATIONAL ALCOHOL BEVERAGE CONTROL ASSOCIATION (NABCA)

After serving as chairman of many of the National Alcohol Beverage Control Association's (NABCA) numerous committees in the past three years, Virginia ABC Chairman Jeff Painter was voted chairman-elect of the organization at its annual conference on May 22, 2017. Painter has been a member of the NABCA board of directors since 2014.

Headquartered in Alexandria, NABCA represents control state systems—those jurisdictions that directly control the distribution and sale of beverage alcohol within their borders. NABCA serves its members as an information clearinghouse and as liaison to federal, state and local governments, research and advocacy groups, and other organizations impacting alcohol policy. Painter will work with Andrew J. Deloney, administrative commissioner to the Michigan Liquor Control Commission (MLCC), who also assumed his new role as board chairman at the same conference.

(RIGHT) ABC Board Chairman Jeffrey L. Painter holding up entries from the Total Tailgate Sweepstakes.



VIRGINIA ABC
AT A GLANCE



COMMONWEALTH of VIRGINIA

Department of Alcoholic Beverage Control

COMMISSIONERS

JEFFREY L. PAINTER, CHAIRMAN
JUDITH G. NAPIER
HENRY L. MARSH, III

2901 HERMITAGE ROAD
P.O. BOX 27491
RICHMOND, VIRGINIA 23261
(804) 213-4400
FAX: (804) 213-4411
WWW.ABC.VIRGINIA.GOV

This discussion and analysis of the Virginia Department of Alcoholic Beverage Control's (ABC) financial performance provides a brief overview of financial activities for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- ABC's operating revenues increased 4.6% in fiscal 2017.
- ABC operations returned record profits to the Commonwealth in fiscal 2017 of \$171.1 million and excise taxes of \$154.4 million. The increase in profits for fiscal 2017 is primarily due to the opening of nine new stores, earlier openings on Sundays and an overall increase in sales throughout all stores.
- Nine new stores opened in fiscal 2017 generating \$7.5 million in sales. Thirteen stores were relocated to improve market areas; six stores were modernized; one store was expanded; four stores had flooring updates and two stores were closed.
- ABC's operating expenses increased 5.0% in fiscal 2017. The cost of goods sold for alcohol increased \$19.7 million from fiscal 2016 due to the increased sales volume and the addition of nine new stores. Personal Service costs increased by \$5.1 million from fiscal 2016. The increase in Personal Service costs is primarily attributed to the addition of staff for the operation of the nine new stores in fiscal 2017 and back filling vacant positions. Continuous Charges increased by \$2 million primarily due to standard contractual increases in building rentals and the addition of nine new store buildings. In addition, Contractual Services increased by \$4 million primarily due to an increase in VITA Infrastructure cost and an increase in credit card fees due the increase in credit card transactions in fiscal 2017.

OVERVIEW OF FINANCIAL STATEMENTS

The audited annual report consists of a series of proprietary fund financial statements. The Statement of Net Position provides information about the Department's assets and liabilities and reflects the financial position as of June 30, 2017. The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenue activity and the expenses related to such activity for the twelve-month period ended June 30, 2017. The Statement of Cash Flows outlines the cash inflows and outflows relating to the operations for the same twelve-month period. The financial statements also include "notes" that provide additional information that is essential to a full understanding of the data provided in the statements. These statements provide current and noncurrent information about ABC's financial position.

FINANCIAL ANALYSIS

- ABC ended fiscal 2017 with a total of \$105.3 million in current assets including \$69.9 million in inventory of alcohol merchandise for resale; a \$3.3 million increase in inventory over fiscal 2016. The increase in inventory is primarily a result of the addition of nine new stores and ABC's Advance Buy policy. ABC does not purchase the alcohol in its warehouse until it is being shipped to one of its stores. At periodic times throughout the year, vendors offer ABC an opportunity to purchase the inventory that ABC has in its warehouse, prior to the vendor implementing a price increase, called an Advance Buy. At the end of June (fiscal 2017), ABC purchased an additional \$4.9 million of alcohol that was in its warehouse using an Advance Buy. This results in significant savings to the agency, increased profits for the Commonwealth, and a higher inventory value at year-end.
- Current and other assets increased \$11.8 million from last fiscal year, primarily due to the \$3.3 million increase in inventory value (described above), and \$6.4 million increase in cash over fiscal 2016 due to the Commonwealth's modified accrual method of accounting which creates a timing difference of when ABC's payables reduces cash, resulting in higher cash and liability balances for ABC at year-end. Receivables increased by \$1.3 million over fiscal 2016 which was another contributing factor to the increase in current and other assets. ABC's credit card receivables are deposited in our account the following business day and this delay creates credit cards receivables. In fiscal 2017, the last day of the fiscal year (June 30th) fell on a Friday compared to a Thursday in fiscal 2016. Friday is a high-volume sales day for ABC retail stores when compared to Thursday, and this resulted in ABC having a high increase in credit card receivables in fiscal 2017. An increase of \$0.8 million in prepaid expense over fiscal 2016 also factored into the increase in current and other assets. This increase was primarily due to the purchase of eight new vehicles, four new forklifts and an increase in IT maintenance agreements.
- Net Capital Assets decreased by \$1 million over fiscal 2016 primarily due to an \$0.8 million Oracle software maintenance adjustment from Capital to Support/Maintenance Expenditure in fiscal 2017.

Net Position	Fiscal Year 2017	Fiscal Year 2016	Change
Current and other assets	\$ 105,328,963	\$ 93,479,636	\$ 11,849,327
Capital assets, net	9,305,696	10,325,665	(1,019,969)
Deferred Outflows of Resources	13,285,957	8,732,374	4,553,583
Total assets and deferred outflows	127,920,616	112,537,675	15,382,941
Current liabilities	110,453,113	100,260,728	10,192,385
Noncurrent liabilities	85,274,365	79,554,450	5,719,915
Deferred Inflows of Resources	3,017,000	5,256,000	(2,239,000)
Total liabilities and deferred inflows	198,744,478	185,071,178	13,673,300
Net position:			
Investment in capital assets	9,305,696	10,325,665	(1,019,969)
Unrestricted	(80,129,558)	(82,859,168)	2,729,610
Total net position	\$ (70,823,862)	\$ (72,533,503)	\$ 1,709,641

DISCUSSION AND ANALYSIS, *continued*

- Deferred Outflow of Resources increased by \$4.6 million over fiscal 2016. The increase is due to Virginia ABC's portion of the Virginia Retirement System (VRS) unfunded pension liability of the Commonwealth.
- Current Liabilities increased by \$10.2 million over fiscal 2016. ABC's disbursement pending, vouchers payable, and payroll payable accounts increased \$7.3 million in fiscal 2017 compared to fiscal 2016 primarily due to the additional nine new stores and accruals of outstanding payables at year end. ABC's significant increase in notes payable during fiscal 2017 is due to the increase in the agency's Line of Credit amount, which created an increase to the "Due to the Commonwealth" amount and contributed to the significant change in current liabilities.
- Noncurrent Liabilities increased by \$5.7 million primarily due to ABC's portion of the VRS unfunded pension liability of the Commonwealth.
- Deferred Inflow of Resources decreased by \$2.2 million from the prior fiscal year due to the effects of the VRS pension entries in accordance with GASB 68 (see Note 9).
- ABC lacks working capital (current assets in excess of current liabilities) to fund all business needs at year-end including accelerated payments of taxes and profits before June 30. Given this periodic lack of necessary working capital, ABC depends on a \$60 million line of credit with the State Comptroller to meet day-to-day operations. At June 30, 2017, the amount borrowed was \$34.1 million (see Note 4).

Operating Revenues	Fiscal Year 2017	Fiscal Year 2016	Change
Sales of alcohol	\$ 785,648,883	\$ 749,874,311	\$ 35,774,572
Sales of lottery tickets	1,775,666	2,204,199	(428,533)
License and permit fees	13,514,032	13,304,832	209,200
Wine wholesalers tax	4,484,961	4,295,718	189,243
Penalties	760,810	816,695	(55,885)
Federal grants and contracts	269,767	280,007	(10,240)
Mixed beverage tax on common carriers	20,597	25,039	(4,442)
Miscellaneous	1,088,729	1,144,972	(56,243)
Net operating revenues	\$ 807,563,445	\$ 771,945,773	\$ 35,617,672

Revenue: The vast majority of ABC's revenues come from the sale of alcoholic beverages. These revenues are achieved through the 366 state-run stores located throughout the state. Gross sales including state tax on sales in fiscal 2017 reached an all time high of \$940.1 million, up \$42.3 million over fiscal 2016. The gross revenue after state tax on sales of alcohol increased from \$749.9 million in fiscal 2016 to \$785.6 million in fiscal 2017 or a 4.8% increase. Likewise, license and permit fees increased from \$13.3 million to \$13.5 million or 1.6%, wine wholesalers tax increased by 4.4% but mixed beverage taxes on common carriers, federal grants and contracts, sale of lottery tickets and penalty fees collected and miscellaneous revenue decreased this fiscal year compared to the prior year.

Expenses: In fiscal 2017, operating expenses (not including cost of sales for alcohol and lottery) increased from \$173.2 million to \$184.3 million, an increase of 6.4%. Approximately 70.8% of ABC's total expenses are for the cost of sales of distilled spirits and mixers sold through ABC stores and less than 0.3% for lottery cost of sales. Following cost of merchandise is Personal Services (Cost of Personnel and Benefits), which accounts for 17.0% of total expenses. The remaining 11.9% is made up of Contractual Services (e.g. Virginia Information Technology Agency (VITA) Infrastructure Services), Continuous Charges (e.g. Store Rentals) and other miscellaneous charges. Personal Services costs increased primarily due to increased staff directly correlated to the addition of nine new stores and higher sales volumes throughout all stores. Continuous Charges increased by \$2 million over the prior year primarily due to an increase in building rentals due to standard contractual increases in rent as well as the addition of nine new stores. Contractual Services increased by \$4 million primarily due to an increase in VITA Infrastructure costs and an increase in credit card fees due to an increase in credit card transactions in fiscal 2017.

DISCUSSION AND ANALYSIS, *continued*

Operating Expenses	Fiscal Year 2017	% Expenses FY16 to FY17	Fiscal Year 2016	Change
Cost of sales, alcohol	\$ 451,003,488	70.8%	\$ 431,328,614	\$ 19,674,874
Cost of sales, lottery	1,684,968	0.3%	2,128,861	(443,893)
	452,688,456	71.1%	433,457,475	19,230,981
Personal services	108,120,748	17.0%	102,977,281	5,143,467
Continuous charges	31,315,640	4.9%	29,278,603	2,037,037
Contractual services	35,181,744	5.5%	31,215,352	3,966,392
Supplies and materials	3,429,626	0.5%	3,272,558	157,068
Depreciation	2,216,175	0.3%	2,580,090	(363,915)
Expendable equipment	3,453,386	0.5%	2,986,732	466,654
Other	611,832	0.1%	856,410	(244,578)
	184,329,151	28.9%	173,167,026	11,162,125
Total operating expenses	\$ 637,017,607	100.0%	\$ 606,624,501	\$ 30,393,106

- ABC's operating expenses are driven by sales. In fiscal 2017, ABC's operating expenses increased by 5.0% over fiscal 2016; but as a percentage of sales, ABC had a marginal decrease in Cost of Goods Sold and marginal increases in the other three of the four main cost drivers. Cost of Goods Sold for alcohol (as a percentage of sales) decreased by 0.2%; however, Personal Service Cost saw a 0.2% increase primarily due to the newly introduced VRS line item (Special Employer Contributions). This was a reduction in employer expense in fiscal 2016; however, in fiscal 2017, per VRS guidance, this was treated as non-operating revenue creating an increase in Personal Service cost. Also, additional personnel cost for the nine new retail stores, and the increased cost in employer paid benefits contributed to the increase in Personal Services Cost in fiscal 2017. Continuous Charges increased by 2% over fiscal 2016 (as a percentage of sales) primarily due to standard contractual increases in rent contracts and the additional new stores in fiscal 2017. Contractual Services also had an increase (as a percentage of sales) of 7.6% over fiscal 2016. The significant increase in Contractual Services is primarily as a result of increases in the cost of VITA Infrastructure and the increase in credit card fees due to the increased number of over one million more transactions in fiscal 2017 compared to fiscal 2016.

Operating Expenses as a Percentage of Sales	Fiscal Year 2017	% of Sales	Fiscal Year 2016	% of Sales	% Change
Sales - Alcohol	\$ 785,648,883		\$ 749,874,311		
Cost of Goods - Alcohol	451,003,488	57.4%	431,328,614	57.5%	-0.2%
Personal Services Cost	108,120,748	13.8%	102,977,281	13.7%	0.2%
Continuous Services	31,315,640	4.0%	29,278,603	3.9%	2.1%
Continuous Services	35,181,744	4.5%	31,215,352	4.2%	7.6%

FINANCIAL ANALYSIS

Profits: Prior to the statutory distribution of quarterly net profits to the General Fund, transfers required in the Appropriation Act for each fiscal year must be executed. In fiscal 2017, approximately \$69.4 million of the agency's \$171.1 million in net profits were transferred to other state agencies. The majority (\$65.3 million) was transferred to the Department of Behavioral Health and Developmental Services for the care, treatment, study and rehabilitation of Virginians suffering from alcohol abuse. The remaining \$101.7 million was distributed to the General Fund in accordance with the Code of Virginia.

Revenues, Expenses and Change in Net Position	Fiscal Year 2017	Fiscal Year 2016	Change
Net operating revenues	\$ 807,563,445	\$ 771,945,773	\$ 35,617,672
Total operating expenses	637,017,607	606,624,500	30,393,107
Non-operating revenues / (expenses)	2,318,691	(128,586)	2,447,277
Net profit before transfers	172,864,529	165,192,687	7,671,842
Transfers of profit to the General Fund of the Commonwealth	(101,725,746)	(96,860,303)	(4,865,443)
Appropriation Act transfers	(69,429,142)	(68,028,110)	(1,401,032)
Total transfers	(171,154,888)	(164,888,413)	(6,266,475)
Net increase after transfers	1,709,641	304,274	1,405,367
Total net position – beginning	(72,533,503)	(72,837,777)	304,274
Total net position – ending	\$ (70,823,862)	\$ (72,533,503)	\$ 1,709,641

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- **Days of the Week** — During fiscal 2017, sales from Fridays totaled \$242.3 million which made up 25.7 percent of total sales. There were 53 Fridays of operation in fiscal 2017, which was three more than fiscal 2016. Further, two of the three additional Fridays fell in December of last year. This is imperative due to the portion of annual sales that occur in December due to the holiday season. Therefore, this increase in Fridays led to sales growth that will not continue into fiscal 2018, although fiscal 2018 will have 52 Fridays (one less Friday in July). This decrease in the most productive day of the week is a result of the natural shift of the calendar and is one of the reasons why sales growth in fiscal 2018 will not increase at the particularly high rates seen from fiscal 2016 to fiscal 2017.
- **Sunday Sales** — Last year all stores began opening one hour earlier on Sundays with total Sunday Sales amounting to \$60 million. The natural growth rate projected sales to be \$56.5 million without the additional hour. The resulting increase of \$3.5 million in sales led to revenue growth that will be unmatched in future years. Also, sales this fiscal year on Sunday, July 3, 2016, were higher than usual because of the July 4th holiday. Treating July 3rd as an average Sunday sales day, the total sales would be closer to \$58.9 million, up \$5.9 million or 11.2% above last year. With all stores being fully operational on Sundays, ABC does not project as much growth from fiscal 2017 to fiscal 2018 as was seen from fiscal 2016 to fiscal 2017.
- **Holidays** — The day of the week on which a holiday falls has a significant impact on sales. Retail sales, and mixed beverage licensee sales both see increases when a holiday falls on a weekend. Of note, Saint Patrick's Day was on a Thursday during fiscal year 2016 but was on a Friday during fiscal 2017. The difference was \$2 million in sales. St. Patrick's Day will be on a Saturday during fiscal 2018 and is projected to have sales comparable to fiscal 2017; however, from a growth percentage standpoint, there will not be as much growth when compared to Saint Patrick's



FINANCIAL ANALYSIS



Day of fiscal 2017. Cinco De Mayo also shifted from a Thursday in fiscal 2016 to a Friday in fiscal 2017 accounting for an additional \$2.3 million in sales. Again, sales in fiscal 2018 are projected to be strong but not from a purely growth perspective when compared to the previous year. Lastly, fiscal 2017 was the first year ABC stores were open on New Year's Day. While sales on January 1, 2017 were nominal at \$0.7 million, these sales represent incremental sales that may not grow tremendously in fiscal 2018.

- In fiscal 2018, considering the impact of the variables and operational activities described in more detail above, ABC expects to see a slight increase in the retail sales sector and will continue to monitor mixed beverage licensee sales. ABC is currently forecasting gross sales, including state tax on sales, of \$981.6 million, or a 4.4% increase over fiscal 2017 year-end sales of \$940.1 million. This increase surpasses ABC's fiscal 2017 same store sales growth rate of 3.1%, yet considers continued growth in the store network and the purchasing of premium products by retail and licensee customers.
- ABC expects expenses to continue to increase in fiscal 2018. Expenses such as store rents will increase because of contractual escalation clauses and the addition of new stores. The employer portion of health insurance costs will increase by 8.7% over fiscal 2017. ABC also expects an increase in logistics-related expenses, such as additional staff and freight charges, due to the continued expansion of stores and increasing sales volume. The expectation for significant and continued investment in information technology continues as ABC advances existing and future systems and associated infrastructure.
- Appropriation Act profit transfer requirements for fiscal 2018 are \$173.0 million. Risks include economic declines and weather fluctuations, particularly during the holiday season, unforeseen increases in expenses as ABC transitions from a state agency to an Authority, projected increases in expenses in improving information technology infrastructure and related audit points, and the central office and warehouse facility reaching capacity.
- The General Assembly approved multiple projects to upgrade ABC's infrastructure and further invest in business operations. These projects include the implementation of retail and marketing strategies to increase customer service and enhance revenue, increased website capabilities, the procurement of a new financial system, the procurement of a new licensing management system, and the upgrade of electrical circuitry in agency facilities. These projects are a considerable undertaking but are imperative to further solidify ABC as a continued source of significant revenue for the Commonwealth.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 2, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
And Review Commission

Alcoholic Beverage Control Board
Department of Alcoholic Beverage Control

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the Department of Alcoholic Beverage Control as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Department of Alcoholic Beverage Control as of June 30, 2017, and the changes in financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities and the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2017, and the changes in its financial positions and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 40 through 45, the Schedule of Employer's Share of Net Pension Liability on page 71, the Schedule of Employer Contributions on page 72, and the Notes to Required Supplementary Information on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The departmental highlights and financial reports sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2017, on our consideration of the Department of Alcoholic Beverage Control's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

KKH/clj

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL*STATEMENT OF NET POSITION — As of June 30, 2017***ASSETS**

Current assets:

Cash and cash equivalents (Note 2)	\$ 25,804,931
Petty cash	200,000
Receivables	5,741,183
Inventory – Alcohol (Note 1 and 12)	69,963,693
Inventory – Lottery tickets	76,795
Inventory – Merchandise	3,378
Prepaid insurance expenses	2,147,150
Prepaid other expenses	<u>1,391,832</u>

Total current assets 105,328,963

Noncurrent assets:

Nondepreciable capital assets (Note 3)	1,724,372
Depreciable capital assets, net (Note 3)	7,375,108
Construction-in-progress (Note 3)	<u>206,216</u>

Total noncurrent assets 9,305,696

DEFERRED OUTFLOWS OF RESOURCES (Note 9)13,285,957

Total assets and deferred outflows of resources 127,920,616

LIABILITIES

Current liabilities:

Accounts payable (Note 7)	58,667,147
Unearned revenue	432,734
Due to Commonwealth of Virginia (Note 4)	48,346,944
Compensated absences payable (Note 6)	3,006,288

Total current liabilities 110,453,113

Noncurrent liabilities:

Compensated absences payable (Note 6)	2,249,365
Net Pension Liability (Note 9)	<u>83,025,000</u>

Total noncurrent liabilities 85,274,365

DEFERRED INFLOWS OF RESOURCES (Note 9)3,017,000

Total liabilities and deferred inflows of resources 198,744,478

NET POSITION

Net Investment in Capital Assets	9,305,696
Unrestricted net position	<u>(80,129,558)</u>

Total net position \$ (70,823,862)

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

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017



Operating revenues:

Sales of alcohol	\$ 785,648,883
Sales of lottery tickets	1,775,666
License and permit fees	13,514,032
Wine wholesalers tax	4,484,962
Penalties	760,810
Federal grants and contracts	269,767
Mixed beverage tax on common carriers	20,597
Miscellaneous	<u>1,088,729</u>

Total operating revenues	<u>807,563,445</u>
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Operating expenses:

Cost of sales of alcohol	451,003,488
Cost of sales of lottery tickets	1,684,968
Personal services	108,120,748
Continuous charges	31,315,640
Contractual charges	35,181,744
Supplies and materials	3,429,626
Depreciation and amortization	2,216,175
Expendable equipment	3,453,386
Other	<u>611,832</u>

Total operating expenses	<u>637,017,607</u>
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Operating income	<u>170,545,838</u>
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Nonoperating revenues (expenses):

Rents	27,244
Income from security lending transactions (Note 7)	342
Expenses from security lending transactions (Note 7)	(342)
Interest income (expense)	182,039
Seized assets	109,408
Other – Special Employer Contributions (VRS)	<u>2,000,000</u>

Total nonoperating revenues (expenses)	<u>2,318,691</u>
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Net profit before transfers	<u>172,864,529</u>
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Transfers out:

Transfers of profits to the General Fund of the Commonwealth	(101,725,746)
Appropriation Act transfers	<u>(69,429,142)</u>

Total transfers	<u>(171,154,888)</u>
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Net Increase after transfers	1,709,641
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Total net position – July 1, 2016	<u>(72,533,503)</u>
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Total net position – June 30, 2017	<u><u>\$ (70,823,862)</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

STATEMENT OF CASH FLOWS—For the Year Ended June 30, 2017

Cash flows from operating activities:

Cash received from sales	\$ 787,559,993
Cash received from licenses and fees	13,642,774
Cash received from other revenue	5,144,646
Cash payments for cost of sales	(453,175,961)
Cash payments for personal services	(106,344,451)
Cash payments for other expenses	<u>(71,249,883)</u>

Net cash provided by operating activities 175,577,119

Cash flows from noncapital financing activities:

Note payable to the Commonwealth	34,053,657
Due to the Commonwealth repayments	(23,749,170)
Cash received from nonoperating activities	263,345
Cash disbursed from nonoperating activities	(23,363)
Cash received from taxes	234,590,981
Transfers of tax collections to the General Fund of the Commonwealth	(189,929,003)
Transfers of tax collections to the Department of Taxation	(43,234,172)
Transfers of profit to the General Fund of the Commonwealth	(110,487,834)
Appropriation Act transfers	<u>(69,429,142)</u>

Net cash used for noncapital financing activities (167,944,701)

Cash flows from capital and related financing activities:

Construction in-progress	(85,245)
Acquisition of equipment	(1,214,291)
Interest Income	<u>182,039</u>
Net cash used for capital financing activities	<u>(1,117,497)</u>

Net Increase in cash and cash equivalents 6,514,920

Cash and cash equivalents - July 1, 2016 19,490,011

Cash and cash equivalents - June 30, 2017 \$ 26,004,931

Reconciliation of cash and cash equivalents

Cash and cash equivalents	25,804,931
Petty cash	<u>200,000</u>
	<u>\$ 26,004,931</u>

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

Operating income	\$ 170,545,838
Adjustments to reconcile net profit to net cash provided by operating activities:	
Depreciation and amortization	2,216,175
Change in assets, deferred outflows, liabilities, and deferred inflows	
Increase in accounts receivable	(1,344,774)
Increase in inventory	(3,344,603)
Decrease in compensated absences	(83,360)
Increase in accounts payable	7,331,409
Increase in prepaid items	(779,725)
Increase in unearned revenue	128,741
Increase in deferred outflows	(4,553,583)
Increase in pension liabilities	5,700,000
Decrease in deferred inflows	(2,239,000)
Increase in special revenue employer contributions	<u>2,000,000</u>

Net cash provided by operating activities \$ 175,577,119

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

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

The Department of Alcoholic Beverage Control 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.

A separate report is prepared for the Commonwealth of Virginia, 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 Department is an agency of the Commonwealth of Virginia and is included in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

B. Fund Accounting

The activities of the Department 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 Department'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.

Operating revenues and expenses include exchange activities related to the sale of alcohol and licenses, as well as enforcement activities. Nonoperating revenues and expenses include activities that have the characteristics of noncapital financing activities, such as the collection of rent, as defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34.

D. Accounts Receivable

The Department has an account receivable account which mostly comprises of credit card sales and a small portion from wine taxes due to the agency from distributors. The credit card receivables are collected the following business day after sales are made. ABC's total receivables is a very small portion of the agency's assets. In previous years, ABC has had 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.

F. Securities Lending

In October 2016, the Department of the Treasury suspended participation in the securities lending program for the Commonwealth's General Account. Participation may resume in the future depending upon market conditions. Investments held by the Treasurer of Virginia represent the Department'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 Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

G. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' Retirement System (VaLORS) Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets applicable to a future reporting period and increase net position similar to assets.

I. Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of assets that are applicable to a future reporting period and decrease net position similar to liabilities.

J. Deficit Net Position

The Deficit Net Position at year-end was as a result of recording ABC's pension liability at year-end as required under GASB Statement 68.

2. CASH WITH THE TREASURER OF VIRGINIA

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

3. CAPITAL ASSETS

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

	Balance at July 01, 2016	Acquired	Deleted	Balance at June 30, 2017
Nondepreciable capital assets				
Land	\$ 1,827,702	\$ -	\$ (103,330)	\$ 1,724,372
Construction in-progress	120,970	892,716	(807,471)	206,215
Total nondepreciable capital assets	\$ 1,948,672	\$ 892,716	\$ (910,801)	\$ 1,930,587
Depreciable capital assets				
Buildings	9,571,382	-	(350,807)	9,220,575
Equipment	35,205,256	471,724	(280,042)	35,396,938
Intangibles	6,902,732	742,567	-	7,645,299
Total depreciable capital assets	\$ 51,679,370	\$ 1,214,291	\$ (630,849)	\$ 52,262,812
Less accumulated depreciation				
Buildings	9,355,037	12,573	(350,807)	9,016,803
Equipment	32,317,203	1,096,943	(280,042)	33,134,104
Intangibles	1,630,137	1,106,659	-	2,736,796
Total accumulated depreciation	\$ 43,302,377	\$ 2,216,175	\$ (630,849)	\$ 44,887,703
Depreciable capital assets, net	\$ 8,376,993	\$ (1,001,884)	\$ -	\$ 7,375,109
Total capital assets, net	\$ 10,325,665	\$ (109,168)	\$ (910,801)	\$ 9,305,696

The Department capitalizes all property, plant, and equipment that have a cost or value equal to or greater than \$5,000. The Department capitalizes all intangibles that have a cost or value equal to or greater than \$100,000. Property, plant, equipment, and intangibles are stated at cost and at the time of acquisition are set up in a comprehensive capital asset system. Depreciation of the cost of property, plant, equipment, and intangibles are provided on a straight-line basis over their estimated lives of from ten to thirty years on buildings, from three to eight years on equipment, and from three to five years on intangibles. Intangible assets are defined as assets that lack physical substance, are non-financial in nature and useful lives or benefit period exceed one or more years. Examples of intangible assets are: software, land use rights (right-of-ways) and intellectual property (patents, copyrights and trademarks).

4. DUE TO THE COMMONWEALTH

A. Note Payable

The Department has a line of credit for \$60 million with the Treasurer of Virginia. Repayment is made from revenue collections pursuant to Title 4.1, Chapter 1 of the Code of Virginia. As of June 30, 2017, the Department had outstanding \$34,053,657 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, 2016	Acquired	Deleted	Balance at June 30, 2017
\$23,749,170	\$34,053,657	\$(23,749,170)	\$34,053,657

B. General Fund

The Department collects certain taxes on behalf of the General Fund of the Commonwealth. The state tax on sales is collected from store sales and is paid quarterly to the General Fund of the Commonwealth. The liter tax is collected on wholesalers' direct wine shipments. The 2017 Virginia Acts of Assembly required \$9,141,363 of the gross liter tax to be transferred to the General Fund for expenses incurred for care, treatment, study, and rehabilitation of alcoholics by the Department of Behavioral Health and Development Services and other state agencies. Of the remaining liter tax, twelve percent is retained by the Department and reported as wine wholesalers' tax on the Department's financial statements. The remaining eighty-eight percent is paid to the General Fund of the Commonwealth quarterly. Collections and transfers 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, 2017, is summarized below.

	State Tax on Sales	Liter Tax on Wine	Total
Balance due to the General Fund, July 1, 2016	\$ 2,171,138	\$ 190,282	\$ 2,361,420
Receipts for fiscal year	154,446,630	36,801,248	191,247,878
Transfers to the General Fund	(153,968,741)	(35,960,263)	(189,929,004)
Balance due to the General Fund, June 30, 2017	\$ 2,649,027	\$ 1,031,267	\$ 3,680,294

C. Department of Taxation – Sales Tax

The Department collects sales tax on all sales of alcohol and remits collections monthly to the Department of Taxation. Sales tax collections and transfers are not reported on the Statement of Revenues, Expenses, and Changes in Net Position. Activity relating to the amounts due to the Department of Taxation for the year ended June 30, 2017, is summarized below.

Balance due to the Department	
of Taxation, July 1, 2016	\$ 528,156
Sales Tax Collections	43,343,103
Transfers to the Department	
of Taxation	(43,234,172)
Balance due to the Department	
of Taxation, June 30, 2017	<u>\$ 637,087</u>

D. Earned Surplus

The Appropriation Act, Chapter 836 of the 2017 Acts of Assembly, requires the Department to transfer an estimate of its fourth quarter profits in the month of June. In accordance with the Alcoholic Beverage Control Act, § 4.1-116 of the Code of Virginia, the Department transfers any additional net profit to the General Fund of the Commonwealth 50 days after the last day of the quarter. The Department underestimated profit for the fourth quarter resulting in an additional \$9,975,904 due to the General Fund at June 30, 2017.

5. LEASE COMMITMENTS

The Department is committed under various operating lease agreements for retail store buildings. Rent expense under operating lease agreements amounted to \$26,251,279 for the year. A summary of future obligations under lease agreements as of June 30, 2017, follows.

Year Ending June 30	
2018	\$ 24,716,283
2019	21,670,724
2020	17,909,696
2021	14,285,640
2022	9,919,737
2023–2027	17,906,300
Total Obligations	<u>\$ 106,408,380</u>

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Position represent the amounts of vacation, sick, and compensatory leave earned by employees of the Department, but not taken at June 30, 2017. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave payout policies. Information on the Commonwealth's leave payout policies is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Balance at July 01, 2016	Short Term Decrease	Long Term Increase	Balance at June 30, 2017	Amounts due within one year
\$5,339,013	\$(103,275)	\$19,915	\$5,255,653	\$3,006,288

7. ACCOUNTS PAYABLE

Accounts payable and accrued liabilities consisted of the following as of June 30, 2017:

Vouchers Payable	\$ 27,296,397
Payroll Payables	6,490,258
Disbursements Pending	24,880,492
Total Accounts Payable	\$ 58,667,147

8. COLLECTIONS OF MALT BEVERAGE TAX

During the year ended June 30, 2017, the Department earned \$42,818,745 in malt beverage taxes. These funds are deposited by the Department directly with the Treasurer of Virginia for credit to the General Fund of the Commonwealth and are not available to the Department to meet current operating needs and are not included in the financial statements.

9. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Plan upon employment. These plans are administered by the VRS 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 the Hybrid Plan; and two different benefit structures for covered employees in the VaLORS 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:

9. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS *(continued)***Retirement Plan Provisions By Plan Structure****About Plan 1**

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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.

Hybrid Opt-In Election

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

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

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

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

Retirement Contributions

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

Creditable Service

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

Vesting

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

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

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

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

Retirement Plan Provisions By Plan Structure *(continued)* — **About Plan 1****Service Retirement Multiplier**

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

Normal Retirement Age

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

Earliest Unreduced Retirement Eligibility

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

Earliest Reduced Retirement Eligibility

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

Exceptions to COLA Effective Dates:

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

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

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.

Retirement Plan Provisions By Plan Structure *(continued)* — **About Plan 1****Purchase of Prior Service**

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

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

Retirement Contributions

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

Creditable Service

Same as Plan 1 (page 57).

Vesting

Same as Plan 1 (page 57).

Calculating the Benefit

See definition under Plan 1 (page 57).

Average Final Compensation

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

Service Retirement Multiplier

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

Normal Retirement Age

- **VRS:** Normal Social Security retirement age.
- **VaLORS:** Same as Plan 1 (page 58).

Retirement Plan Provisions By Plan Structure *(continued)* — **About Plan 2****Earliest Unreduced Retirement Eligibility**

- **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.
- **VaLORS:** Same as Plan 1 (page 58).

Earliest Reduced Retirement Eligibility

- **VRS:** Age 60 with at least five years (60 months) of creditable service.
- **VaLORS:** Same as Plan 1 (page 58).

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility: Same as Plan 1 (page 58).

Exceptions to COLA Effective Dates: Same as Plan 1 (page 58).

Disability Coverage

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

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

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

Purchase of Prior Service: Same as Plan 1 (page 59).

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")

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

Eligible Members

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

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

***Non-Eligible Members**

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

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

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

Retirement Plan Provisions By Plan Structure *(continued)* — **About Hybrid Retirement Plan****Retirement Contributions**

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

Creditable Service**Defined Benefit Component:**

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

Defined Contributions Component:

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

Vesting**Defined Benefit Component:**

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

Defined Contributions Component:

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

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

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

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

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Benefit Component: See definition under Plan 1 (page 57).

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

Average Final Compensation

Same as Plan 2 (page 57). It is used in the retirement formula for the defined benefit component of the plan.

Retirement Plan Provisions By Plan Structure *(continued)* — **About Hybrid Retirement Plan****Service Retirement Multiplier****Defined Benefit Component:**

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

Defined Contribution Component: Not applicable.

Normal Retirement Age**Defined Benefit Component:**

- **VRS:** Same as Plan 2.
- **VaLORS:** Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility**Defined Benefit Component:**

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

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility**Defined Benefit Component:**

- **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
- **VaLORS:** Not applicable.

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

Eligibility: Same as Plan 1 and Plan 2 (page 58).

Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2 (page 58).

Disability Coverage

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

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

Retirement Plan Provisions By Plan Structure *(continued)* — **About Hybrid Retirement Plan****Purchase of Prior Service**

Defined Benefit Component: Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component: Not applicable.

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2017 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Plan also reflects the transfer in June 2016 of \$16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Retirement Plan were \$5,140,864 and \$5,753,321 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions from the state agency to the VaLORS Plan were \$1,222,093 and \$1,160,053 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the state agency reported a liability of \$69,227,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$13,798,000 for its proportionate share of the VaLORS Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The state agency's proportion of the Net Pension Liability was based on the state agency's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the state agency's proportion of the VRS State Employee Retirement Plan was 1.05037% as compared to 1.03195% at June 30, 2015. At June 30, 2016, the state agency's proportion of the VaLORS Plan was 1.78234% as compared to 1.99000% at June 30, 2015.

For the year ended June 30, 2017, the state agency recognized pension expense of \$6,293,000 for the VRS State Employee Retirement Plan and \$1,069,000 for the VaLORS Plan. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, 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.

9. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS *(continued)*

At June 30, 2017, the state agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 358,000	\$ 1,922,000
Net difference between projected and actual earnings on pension plan investments	4,979,000	-
Changes in proportion and differences between:		
Employer contributions and proportionate share of contributions	1,586,000	1,095,000
Employer contributions subsequent to the measurement date	6,362,956	-
Total	\$ 13,285,956	\$ 3,017,000

\$ 6,362,956 reported as deferred outflows of resources related to pensions resulting from the state agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. 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

2018	\$ (146,000)
2019	(541,000.00)
2020	2,564,000.00
2021	2,029,000.00
2022	-

Actuarial Assumptions

The total pension liability for the **VRS State Employee Retirement Plan** was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	7%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

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

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 5 years and females were set back 3 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustment to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 22,958,593	\$ 1,985,618
Plan Fiduciary Net Position	16,367,842	1,211,446
Employers' Net Pension Liability (Asset)	<u>\$ 6,590,751</u>	<u>\$ 774,172</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	61.01%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the state agency for the VRS State Employee Retirement Plan and the VaLORS Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$97,425,000	\$69,227,000	\$45,553,000

than the current rate:

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the VaLORS, VaLORS Retirement Plan Net Pension Liability	\$18,467,000	\$13,798,000	\$9,952,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. OTHER POSTEMPLOYMENT BENEFITS

Virginia ABC participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

The Group Life Insurance Program provides members basic group life insurance upon employment. In addition to benefits provided to active members during employment, the Virginia Sickness and Disability Program provides inactive members with long-term disability and long-term care benefits. The Retiree Health Insurance Credit Program provides members health insurance credits to offset the monthly health insurance premiums for retirees who have at least 15 years of service. The Line of Duty Act Program provides death and health insurance reimbursement benefits to eligible state employees, such as enforcement officers, who die or become disabled as a result of the performance of their duties as a public safety officer. ABC is required to contribute to the costs of participating in these programs.

ABC also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. The plan provides the option for retirees who are not yet eligible to participate in Medicare to participate in the Commonwealth's healthcare plan for its active employees. ABC 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, ABC effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of premiums for active employees. Additional information related to all of these plans is available at the state-wide level in the Commonwealth's Comprehensive Annual Financial Report.

11. RISK MANAGEMENT

The Department 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 Department of Alcoholic Beverage Control participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of Alcoholic Beverage Control 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 Comprehensive Annual Financial Report.

12. CONTINGENT LIABILITIES

A. Legal Proceedings

The Department is named as a party in several legal proceedings. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Department in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material, adverse effect on the financial condition of the Department.

B. Bailment Inventory

The Department 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 Department or returned to the supplier. The Department uses the bailment system for payment of merchandise for resale. The Department initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2017, the bailment inventory was valued at \$37,940,137.

The Virginia Department of Alcoholic Beverage Control (ABC) has developed a summary table and a brief narrative as a response to Enactment Clause 14 for the Alcoholic Beverage Control Authority legislation.

Enactment Clause 14 of the legislation requires:

That by October 15 each year, the Department of Alcoholic Beverage Control or its successor shall, for the purposes of identifying the total costs of the operation and administration of the Department or its successors to be funded from the revenues generated by such entity, submit to the General Assembly a report detailing the total percentage of gross revenues required for the operation and administration of the Department, excluding expenditures made for the purchase of distilled spirits, for the prior fiscal year, and a relative comparison to the three prior fiscal years.

	In Millions				As a Percentage of Sales			
	FY2017	FY2016	FY2015	FY2014	FY2017	FY2016	FY2015	FY2014
Sales	\$ 940.1	\$ 897.6	\$ 848.1	\$ 800.5	100.0%	100.0%	100.0%	100.0%
- Excise Tax	154.4	147.9	139.9	132.1	16.4	16.5	16.5	16.5
+ Other Revenue	22.0	22.0	21.9	21.1	2.3	2.5	2.6	2.6
Net Revenue	807.5	771.8	730.0	689.4	85.9	86.0	86.1	86.1
Cost of Goods Sold	452.0	432.8	411.7	391.1	48.1	48.2	48.5	48.8
Operation Costs	123.1	116.5	110.7	105.5	13.1	13.0	13.1	13.2
Administrative Costs	43.8	40.4	38.7	35.0	4.7	4.5	4.6	4.4
Regulatory Costs	16.9	17.3	17.9	17.9	1.8	1.9	2.1	2.2
Profit	\$ 171.7	\$ 164.8	\$ 151.1	\$ 140.0	18.3%	18.4%	17.8%	17.5%

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 operation cost excludes the year-end VRS liability adjusting entries and the federal grant entries because they are non-operational costs. However, they were included in the year-end financials.

ABC has opted to include a more detailed chart than what is required by the legislation. This will permit the General Assembly to be familiar with the magnitude of our business and have the percentage of revenue data that was requested. Inclusion of the cost of goods sold (purchase of distilled spirits) data allows the General Assembly to see the full picture of ABC 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 ABC incurs to purchase the distilled spirits that are sold in the ABC stores. The Operation Costs includes the costs to operate the ABC stores (employees, store rentals, utilities, etc.), the costs to operate the ABC Distribution Center (Warehouse), and the overhead costs of the leadership and support functions that are directly linked to either the store operations or the Distribution Center. The Administrative Costs are the most diverse cost group as it includes all of the administrative functions that are necessary to support the business. These include Information Technology, Internal Audit, Procurement, Policy & Planning, Education, Marketing, Human Resources, Financial Management, Communications, Real Estate and Facilities Management, Agency Leadership and charges for services from other state agencies (i.e. Cardinal fees). The Regulatory Costs category represents the costs to operate the ABC Enforcement division and the Hearings & Appeals function. Enforcement operates under a separate appropriation than the rest of the agency; however, the Enforcement division remains a part of the overall costs that affects the ABC profits. In addition, there are approximately 2,000 new licensees each year that require a full investigation to include a background check of the owners, corporate structure review, complete financial review, and making a determination about the suitability of the applicant to possess an ABC license in Virginia.

Cost of Goods Sold increases are primarily driven by sales volume. In fiscal year 2017, the Cost of Goods Sold represents 48.1% of the sales revenue collected. This is on a slight downward trend due to the effect of a price increase.

Operation Costs, Administrative Costs, and Regulatory Costs are all primarily driven by personnel needs (salary, healthcare, retirement, etc.). In addition, Operation Costs include new stores, store rentals (with rent escalation clauses), utilities, and freight to transport product from the warehouse to the stores. Administrative Costs increases are primarily driven by the cost of Information Technology, support provided by VITA, new store construction costs, an aging central office & warehouse facility (repairs), and the increased focus on Marketing and Communications over the past few years (to communicate information about the agency and its products). Administrative Costs are expected to increase in the future as ABC implements new technologies to replace the aging Information Technology systems throughout the agency. Regulatory Costs are also expected to increase due to the growth in number and the diversity of manufacturing and retail licensees.

COO SPEAKS AT BEER, WINE AND SPIRITS FORUM

In April, COO Travis Hill participated in a forum discussing the spirits, wine and beer industries in Virginia.

The forum, hosted by the Richmond Times-Dispatch and attended by more than 100, was held at the Virginia Historical Society and moderated by RTD columnist Karri Peifer.

Hill was joined on the panel by Alexander Morgan from James River Cellars Winery; Reservoir Distillery co-owner Dave Cuttino; Will Correll, owner of Buskey Cider; An Bui from Mekong Restaurant and Bar and RTD wine, and spirits columnist Jack Berninger. The panel discussed many topics including industry sales trends, state regulations, the local sourcing of materials and the impact of the environment on business.

Hill frequently referenced the agency's ongoing efforts toward modernization and stressed the importance of ABC profits to Commonwealth services.

"We may have higher prices than some other states, but last year we put \$111 million back into Virginia's general fund," he said. "That's money that goes to schools, roads and much more."

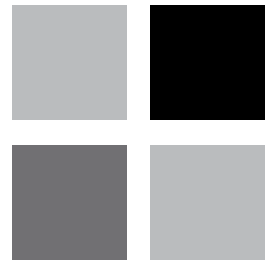
(RIGHT TOP) Chief Operating Officer Travis Hill participates in a panel discussion of Virginia's alcohol industry at the Virginia Historical Society in Richmond. Joined by other speakers from across the industry, Hill spoke about ABC's modernization efforts and the benefits to state services ABC provides through sales.



VIRGINIA ABC
AT A GLANCE

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**Required Supplementary Information (RSI)**

*Cost-Sharing Employer Plans: VRS State Employee Retirement Plan and
VaLORS Plan — For the Fiscal Year Ended June 30, 2017*



**Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan
For the Years Ended June 30, 2017, 2016 and 2015***

	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.05%	1.03%	1.01%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$69,227,000	\$63,182,000	\$56,734,000
Employer's Covered Payroll	\$41,564,222	\$39,813,992	\$39,286,362
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	166.55%	158.69%	144.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional 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.*

**Schedule of Employer's Share of Net Pension Liability VaLORS Plan
For the Year Ended June 30, 2017, 2016 and 2015 ***

	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.78%	1.99%	2.00%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$13,798,000	\$14,143,000	\$13,470,000
Employer's Covered Payroll	\$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	223.56%	210.01%	194.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional 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.*

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**Required Supplementary Information (RSI)**

*Cost-Sharing Employer Plans: VRS State Employee Retirement Plan and
VaLORS Plan — For the Fiscal Year Ended June 30, 2017*

**Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2017**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percentage of Covered Payroll (5)
2017	5,140,864	5,140,864	0	43,178,236	11.91%
2016	5,753,321	5,753,321	0	41,564,222	13.84%
2015	4,863,085	4,863,085	0	39,813,992	12.21%

**Schedule of Employer Contributions
VaLORS Plan
For the Years Ended June 30, 2015 through 2017**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percentage of Covered Payroll (5)
2017	1,222,092	1,222,092	0	5,754,835	21.24%
2016	1,160,053	1,160,053	0	6,172,009	18.80%
2015	1,189,987	1,189,987	0	6,734,463	17.67%

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions

The following changes in actuarial assumptions were made for the VRS – State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The following changes in actuarial assumptions were made for the VaLORS Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

AWARDS SEASON AT VIRGINIA ABC



(ABOVE) Virginia ABC's Business Intelligence Project team receives a Governor's Technology Award in the Innovative Use of Big Data and Analytics category from Secretary of Technology Karen Jackson, far right.

In fiscal 2017, many Virginia ABC employees and divisions were awarded for going above and beyond in their service.

The Bureau of Law Enforcement was honored as the 2017 "Law Enforcement Agency of the Year" by the National Liquor Law Enforcement Association. The award was given in recognition of the agency's work in community policing, online training programs and effective new measures against violent crimes at licensed establishments.

The Communications Division was awarded the Commonwealth Award of Excellence for Multicultural Public Relations from the PRSA Richmond Chapter for their Latino Outreach Campaign. The campaign featured a new page on the website translating alcohol laws in Virginia.

The Business Intelligence Project Team earned a 2016 Governor's Technology Award in the Innovative Use of Big Data and Analytics category. The IT tool designed and launched by the team allows Virginia ABC to save on costs and fully utilize collected data.

VIRGINIA ABC
AT A GLANCE



The library exhibit ran until
December 5, 2017,
and closed **on Repeal Day**
in honor of the end of Prohibition.



(TOP) Deputy Secretary to the Board Chris Curtis, left, speaks on WTVR's "Virginia This Morning" program to raise awareness of the Prohibition exhibit at the Library of Virginia.

(ABOVE) Commissioner Henry Marsh visits the Prohibition exhibit at the Library of Virginia in Richmond.

(ABOVE) Senior Special Agent Brian Edwards speak about an illegal moonshine bust during an exhibit-related presentation at the Library of Virginia.

Teetotalers and Moonshiners: A Library of Virginia exhibit

While national Prohibition was enacted in 1920, Virginians had their last legal drink on Halloween night in 1916, leading to a long Prohibition history with many stories of outlaws and those who pursued them.

Virginia ABC partnered with the Library of Virginia in 2017 to develop a unique exhibit detailing this historic time period. "Teetotalers & Moonshiners: Prohibition in Virginia, Distilled" opened in April and addressed the important and long-lasting effects of Prohibition on the commonwealth and America.

The comprehensive exhibit covered Prohibition as part of a social reform and the economic and social costs of the movement, including the closing of businesses, conflict within communities and the rise of illegal alcohol production and sale as an underground culture and economy.

The role of government in overseeing public health was also addressed as was Prohibition's legacy—from NASCAR to the creation of the Virginia Department of Alcoholic Beverage Control to the rise of the modern brewing and distilling industries.

Although the Library of Virginia oversaw the creation of the exhibit, Virginia ABC lent numerous artifacts for display including jars of confiscated moonshine, a vintage still, an investigator's manual, a retail price list from 1934 and an ABC store jacket from the 1950s. Complementing the display were newsreels of still-busting raids and photos of infamous Virginia moonshiners.

In June, Virginia ABC special agents gave a presentation at the library that addressed the history of distilled spirits, Virginia's alcohol laws and the Bureau of Law Enforcement by highlighting exceptional cases of busted stills and first-hand accounts of those cases.

A traveling component of the exhibit kicked off in the summer of 2017 and traveled in four- to six-week stints at libraries and historical societies across the state. This cross-divisional effort was a huge undertaking and required research, extensive knowledge and excellent teamwork to put together. A grant from the National Alcoholic Beverage Control Association made it possible to take the exhibit on the road and spread its impact across the Commonwealth.

VIRGINIA ABC AT A GLANCE



(FROM THE TOP): Employees collected canned goods for FeedMore, during the Commonwealth of Virginia Campaign, which raised more than \$35,000.

More than 12,000 Virginians entered ABC's lottery to win the chance to purchase a bottle of the rare Old Rip Van Winkle 25-Year bourbon.

A Richmond licensee takes online training on responsible serving thanks to no-cost training now found online in addition to traditional in-person sessions.

Gallo spirits expert Pete Dodd explains the subtle differences between types of tequila.

AGENCY LAUNCHES MINI MONDAY PROGRAM

In an effort to encourage customers to try new and exciting spirits, the Mini Monday program was created by which customers receive a complimentary 50ml (mini) bottle with a purchase of \$25 or more of spirits or wine. This program featured a wide range of spirits giving customers an easy way to try something different from their typical palate. Originally a component of the agency's holiday campaign, its popularity led to its development into a regular monthly event that occurs in select stores on the first Monday of each month.

CVC RAISES MORE THAN \$34K FOR CHARITIES

Virginia ABC continued its tradition of charitable giving by donating more than \$34,500 to various charities during the Commonwealth of Virginia Campaign (CVC). This campaign marked yet another increase in giving from previous years, with this year's total exceeding the previous year's total of \$31,879. This year's campaign included events like an employee fall festival, bake sales, the auctioning of parking lot spaces, a car wash as well as traditional events like a food and coat drive, store bins and direct giving from employees.

ABC LOTTERY FOR RARE BOTTLES FROM VAN WINKLE DISTILLERY

When ABC received an allotment of the rare, one-time bottling Old Rip Van Winkle 25-Year bourbon, it presented an excellent opportunity for the agency's Limited Availability Program. For three days in May, customers could visit the agency's website to enter into a lottery; the winners of which would have the opportunity to buy one of ten Old Rip Van Winkle bottles. Massive interest for the lottery was generated through print and online coverage, generating more than 12,000 lottery entries.

ACCESS TO TRAINING EXPANDED THROUGH ONLINE TOOLS

Virginia licensees now have the option of taking ABC's alcohol responsibility training courses online in addition to the traditional in-person training with a special agent. The online versions of the Responsible Sellers and Servers Virginia's Program (RSVP) and Managers' Alcohol Responsibility Training (MART) were developed as an additional convenience to encourage more people to participate in ABC's no-cost training offerings. This represents ABC's third foray into online training. Previously the agency developed modules for Project Sticker Shock and Alcohol Education and Prevention Grant applications.

EMPLOYEES GAIN PRODUCT KNOWLEDGE THROUGH TRAINING

Hundreds of Virginia ABC employees became even more spirit savvy by attending product training across the Commonwealth. Offered by E. & J. Gallo Winery, these product knowledge training sessions taught employees about the history and process of distillation, differences between spirits in the six major categories (vodka, gin, rum, tequila, whisky and brandy) and tips on providing elite customer service. This training was designed to give employees—especially those in stores—information, tools and resources that will be useful when assisting customers with products. During the course, participants sampled products sold in ABC stores, attended a mixology seminar and completed workbooks that will serve as useful resources when they are assisting customers.



2901 HERMITAGE ROAD
RICHMOND, VA 23220
(804) 213-4400

WWW.ABC.VIRGINIA.GOV

