

**WEST VIRGINIA ALCOHOL BEVERAGE CONTROL
ADMINISTRATION**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
West Virginia Alcohol Beverage Control Administration
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Alcohol Beverage Control Administration (the Administration), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Administration'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Alcohol Beverage Control Administration as of June 30, 2021 and 2020, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Administration and do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, cash flows for the years then ended in accordance 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, and the schedules of proportionate share of the net pension liability, the schedules of proportionate share of the net OPEB liability, the schedules of contributions to the PERS, the schedules of contributions to the RHBT, and the notes to required supplementary information 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 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 Administration's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of the Administration'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's 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 Administration's internal control over financial reporting and compliance.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 5, 2021

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The West Virginia Alcohol Beverage Control Administration (the Administration) was created by the West Virginia Legislature in 1935 to give effect to the mandate of the people expressed in the repeal of the state prohibition amendment, and to assure the greatest degree of personal freedom that is consistent with the health, safety, and good morals of the people of West Virginia.

During the first fifty-six (56) years of its existence, the Administration functioned as the exclusive wholesaler and retailer of liquor in West Virginia. On February 27, 1990, with the passage of senate bill 337, legislative action was taken to discontinue the retail sale of alcoholic beverages by the State of West Virginia. During the fiscal year ended 1991, public bids were held in August 1990, January 1991, and May 1991. The bids resulted in the sale of all 98 zones offered and the possibility of 214 privately owned liquor stores being opened in West Virginia. The sale of State owned liquor stores and the conversion of State owned liquor inventories enabled the Administration to transfer profits of \$26,500,000 to the West Virginia General Revenue Fund.

On March 13, 1999, House Bill 3023 was passed. All Licenses within the 98 zones were re-bid starting on March 3, 2000. The Administration sold licenses to 164 stores providing revenues to the state of \$22,227,651. An additional eighteen (18) Class B retail licenses were bid on April 17, 2002. The Retail Liquor Licensing Board ("RLLB") directed the bid, which offered the remaining licenses for eight years ending on June 30, 2010. Five (5) of the remaining licenses were sold, providing revenues of \$215,903.

On June 2, 2009, House Bill 105 was passed. House Bill 105 mandated that the RLLB re-bid all class A and class B liquor licenses for an additional ten (10) years beginning July 1, 2010. All licensees within the 98 zones were given the opportunity to elect the purchase option on their existing retail outlet(s) provided they met the requirements to operate a class A freestanding liquor retail outlet pursuant to the Rules and the Code. During phase I, 46 stores took the purchase option. An additional 129 licenses were sold during phase II and phase III, the license bidding process. The three phases provided revenues totaling \$37,660,998 for 175 retail outlets. During fiscal year 2011, three (3) additional licenses were sold during a continuation of extended phase III license bidding process. The three (3) additional retail outlets provided revenues totaling \$244,681. Three (3) additional retail outlets remained inactive.

During the 2017 fiscal year, the Administration changed the mark-up on alcoholic liquors from 28% to 32% effective May 1, 2017. 2017 fiscal year sales dollars increased 0.32% and case volume sales decreased 0.94% from the prior year. The Administration made an additional transfer to the General Revenue Fund in the amount of \$7,000,000.

During the 2018 fiscal year, sales dollars increased 4.71% and case volume sales increased 1.75% from the prior year.

During the 2019 fiscal year, sales dollars increased 6.23% and case volume sales increase 4.05% from the prior year. During the 2019 Legislative session, Senate Bill 529 created the Beer License Operations Fund to collect a \$100 annual operational fee for all brewers, resident brewers, Class A retail dealers, Class B retail dealers, and distributors. Also, Senate Bill 561 created the Wine and Liquor Operations Fund to collect a \$100 annual operational fee for all distilleries, mini-distilleries, wineries, farm wineries, Class A retail licensees, Class B retail licensees, private clubs, private wine retailers, wine specialty shops, wine restaurants, private wine spas, private wine bed and breakfasts, wine suppliers, and wine distributors.

Also, during fiscal year 2019, the RLLB approved hiring a consultant to assist with the 2020 retail outlet rebid process pursuant to WV Code 60-3A-1 et seq, and 175 CSR 5 of the legislative rules.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Phase I of the 2020 rebid process began in July 2019. All licensees within the 98 zones were given the opportunity to elect the purchase option on their existing retail outlets provided they met the requirements to operate a class A freestanding liquor retail outlet pursuant to the Rules and the Code. During phase I, 49 stores took the purchase option which ended August 2019. An additional 128 licenses were sold during phase II, the license bidding process, which ended January 2020. An additional two (2) licenses were sold during phase III, the subsequent license bidding process, which ended in March 2020. The three (3) phases provided revenue totaling \$48,643,715 (including \$373,062 in interest income on the deferred payment options of \$3,507,943) for 179 retail outlets. Two (2) additional outlets were sold, during the phase IV bidding process, in March 2021 for \$1,165,000.

During the 2020 fiscal year, sales dollars increased 12.84% and case volume sales increase 11.90% from the prior year. The Administration started a new water line project (cost of \$356,115) at the distribution center that will allow the fire suppression system to be updated.

During the 2021 fiscal year sales dollars increased 9.46% and case volume sales increased 6.41%. The Administration completed the water line project; incurring an additional \$85,692, (total project cost was \$441,807).

With the passage of HB 2025, the Governor provided COVID-19 relief for private club licenses effective May 10, 2020, for the 2021-2022 license period with licensee fees reduced to 1/3 of the regular fee, for the 2022-2023 license period with license fees reduced to 2/3 of the regular fee and for the 2023-2024 license period the fees return to normal. HB 2025 also provided liquor, wine and beer licensees with some new concepts developed during the State of Emergency utilizing new technology to provide greater freedom to operate in a safe and responsible manner.

As management of the Administration, we offer readers of the Administration's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the Administration's financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Fund Net Position, and the Statements of Cash Flows. These statements provide information about the activities of the Administration. Following is an additional discussion of the significant financial statement items and the changes in those items from the prior year due to recent events and activities of the Administration, current economic factors, and other factors affecting the Administration's financial activities.

The Statements of Net Position represent the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Administration and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. Over time, increases or decreases in the Administration's net position are one indicator of whether its financial health is improving, stable or deteriorating. The Statements of Revenues, Expenses, and Changes in Fund Net Position reflect the Administration's revenues, such as proceeds from the sales of alcoholic beverages as the exclusive wholesaler of liquor in the State, and related fees from licenses, permits and administrative hearing fines, and its expenses, such as costs of sales, general and administrative costs and depreciation. The notes to the financial statements provide information that is essential to the full understanding of the data provided in the financial statements. The financial statements of the Administration are prepared in conformity with accounting principles generally accepted in the United States of America.

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WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

STATUS OF COVID-19

Since January 30, 2020, the announcement by the World Health Organization (“WHO”) regarding coronavirus (the “COVID-19 pandemic”) and the risks to the international community as the virus spreads globally beyond its point of origin have been significant. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Administration’s future financial condition, liquidity, and results of operations. Management is actively monitoring the impact of the pandemic on its financial condition, liquidity, operations, suppliers, industry, and workforce.

FINANCIAL HIGHLIGHTS

The following is a condensed summary of financial information as of and for the years ended June 30, 2021, 2020 and 2019, respectively.

	2021	2020	2019
<u>Statements of Net Position:</u>			
Current assets (less current portion of notes and accrued interest receivable)	\$ 23,079,351	\$ 19,209,975	\$ 17,281,174
Notes and accrued interest receivable	3,166,370	3,881,005	-
Capital assets, net	1,898,760	1,899,703	1,675,302
Total assets	\$ 28,144,481	\$ 24,990,683	\$ 18,956,476
Deferred outflows of resources	\$ 918,852	\$ 483,688	\$ 473,363
Current liabilities	\$ 5,144,598	\$ 5,235,991	\$ 3,836,082
Noncurrent liabilities	1,584,157	2,033,489	2,473,674
Total liabilities	\$ 6,728,755	\$ 7,269,480	\$ 6,309,756
Deferred inflows of resources	\$ 1,238,421	\$ 919,599	\$ 794,504
Net position, net investment in capital assets	\$ 1,898,760	\$ 1,899,703	\$ 1,675,302
Net position, restricted by enabling legislation	3,166,370	3,881,005	-
Net position, unrestricted net position	16,031,027	11,504,584	10,650,277
Total net position	\$ 21,096,157	\$ 17,285,292	\$ 12,325,579

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL HIGHLIGHTS (Continued)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Statements of Revenues, Expenses, and Changes in Fund Net Position</u>			
Sales	\$ 127,796,199	\$ 116,751,249	\$ 103,465,864
Licenses, permits and fees	4,443,237	3,435,887	4,364,849
Administrative hearing fines	<u>86,050</u>	<u>119,251</u>	<u>98,296</u>
Total operating revenues	<u>132,325,486</u>	<u>120,306,387</u>	<u>107,929,009</u>
Cost of sales	97,082,727	88,261,613	78,191,668
General and administrative	4,986,354	5,307,492	4,981,334
Depreciation	<u>175,974</u>	<u>182,132</u>	<u>168,964</u>
Total operating expenses	<u>102,245,055</u>	<u>93,751,237</u>	<u>83,341,966</u>
Operating income	30,080,431	26,555,150	24,587,043
Nonoperating revenues (expenses):			
Other	31,423	82,327	110,609
Grants	71,236	93,463	135,455
Retail liquor license renewal fee	1,165,000	48,270,653	-
Interest income	-	373,062	-
Statutory distributions	<u>(27,537,225)</u>	<u>(70,414,942)</u>	<u>(23,039,469)</u>
	<u>(26,269,566)</u>	<u>(21,595,437)</u>	<u>(22,793,405)</u>
Change in net position	<u>\$ 3,810,865</u>	<u>\$ 4,959,713</u>	<u>\$ 1,793,638</u>

STATEMENTS OF NET POSITION

Total assets increased \$3,153,798 from \$24,990,683 at June 30, 2020, to \$28,144,481 at June 30, 2021 as a result of operating income. Total assets increased \$6,034,207 from \$18,956,476 at June 30, 2019, to \$24,990,683 at June 30, 2020, as a result of operating income. Total liabilities decreased \$540,725 from \$7,269,480 at June 30, 2020, to \$6,728,755 at June 30, 2021 due to the timing of cash payments and a decrease in noncurrent liabilities. Total liabilities increased \$959,724 from \$6,309,756 at June 30, 2019, to \$7,269,480 at June 30, 2020, due to the timing of cash payments and a decrease in noncurrent liabilities.

Deferred outflows of resources from pension and OPEB amounts are \$918,852, \$483,688, and \$473,363 and deferred inflows of resources from pension and OPEB amounts are \$1,238,421, \$919,599 and \$794,504 for the years ended June 30, 2021, 2020 and 2019, respectively. The changes in those amounts are in part determined by information provided by the West Virginia Public Employees Retirement System (PERS) annually for the change in the net pension liability and by the West Virginia Retiree Health Benefit Trust (RHBT) annually for the change in the net OPEB liability.

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WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

STATEMENTS OF NET POSITION (Continued)

The Administration's net position totaled \$21,096,157, \$17,285,292 and \$12,325,579, at June 30, 2021, 2020, and 2019, respectively. Net position represented 75%, 69% and 65%, of the Administration's total assets for each of the years ended June 30, 2021, 2020, and 2019, respectively.

OPERATING RESULTS

The Administration had operating income for the year ended June 30, 2021 of \$30,080,431, which was an increase of 13.3% from the year ended June 30, 2020, which was \$26,555,150. The Administration had operating income for the year ended June 30, 2020 of \$26,555,150, which was an increase of 8.0% from the year ended June 30, 2019, which was \$24,587,043. Additionally, unit quantities of sales measured in cases were 870,433, 818,000 and 731,033, for the years ended June 30, 2021, 2020, and 2019, respectively. Operating income fluctuates in response to sales dollars and quantities on an annual basis.

NONOPERATING RESULTS

The Administration's non-operating expense, net for the years ended June 30, 2021, 2020, and 2019 were \$26,269,566, \$21,595,437 and \$22,793,405, respectively. The fluctuations noted in non-operating expense are predominately due to the amount of statutory distributions. Statutory distributions related to ongoing liquor sales are transferred each year to the extent that funds are available. For fiscal year 2020, the statutory transfers were much higher due to retail liquor license renewals. The statutory distributions are paid to the State of West Virginia's General Revenue Fund.

CHANGES IN OPERATIONS

During the years ended June 30, 2021, 2020, and 2019, no major changes were made in the Administration's operations.

CONTACTING THE ADMINISTRATION'S FINANCIAL MANAGEMENT

The above financial highlights are designed to provide a general overview of the Administration's operations and insight into the following financial statements. Questions about this report or requests for additional information should be directed to the Administration's central office located at 900 Pennsylvania Avenue, 4th Floor, Charleston, West Virginia, 25302, (304) 356-5500.

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 22,799,388	\$ 18,460,423
Inventory	52,678	42,530
Accounts receivable	227,285	707,022
Notes receivable - current, restricted	660,943	560,126
Accrued interest - current, restricted	105,333	113,982
Total current assets	23,845,627	19,884,083
NONCURRENT ASSETS		
Notes receivable - noncurrent, restricted	2,249,548	2,947,817
Accrued interest - noncurrent, restricted	150,546	259,080
Capital assets, net (Note 3)	1,898,760	1,899,703
Total noncurrent assets	4,298,854	5,106,600
Total assets	28,144,481	24,990,683
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from OPEB and pension (Notes 5 and 6)	918,852	483,688
LIABILITIES		
CURRENT LIABILITIES		
Accrued expenses	284,108	284,545
Accounts payable	4,860,490	4,951,446
Total current liabilities	5,144,598	5,235,991
NONCURRENT LIABILITIES		
Accrued annual leave	286,288	282,218
Net OPEB liability (Note 5)	330,873	1,357,943
Net pension liability (Note 6)	966,996	393,328
Total noncurrent liabilities	1,584,157	2,033,489
Total liabilities	6,728,755	7,269,480
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from OPEB and pension (Notes 5 and 6)	1,238,421	919,599
NET POSITION		
Net investment in capital assets	1,898,760	1,899,703
Restricted by enabling legislation	3,166,370	3,881,005
Unrestricted	16,031,027	11,504,584
Total net position	\$ 21,096,157	\$ 17,285,292

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

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Sales	\$ 127,796,199	\$ 116,751,249
Licenses, permits and fees	4,443,237	3,435,887
Administrative hearing fines	86,050	119,251
	132,325,486	120,306,387
OPERATING EXPENSES:		
Cost of sales	97,082,727	88,261,613
General and administrative	4,986,354	5,307,492
Depreciation	175,974	182,132
	102,245,055	93,751,237
Operating income	30,080,431	26,555,150
NONOPERATING REVENUES (EXPENSES):		
Grants	71,236	93,463
Statutory distributions	(27,537,225)	(70,414,942)
Retail liquor license renewal - financing option	-	3,507,943
Retail liquor license renewal	1,165,000	44,762,710
Interest income	-	373,062
Other (Note 5)	31,423	82,327
	(26,269,566)	(21,595,437)
Change in net position	3,810,865	4,959,713
NET POSITION, beginning of year	17,285,292	12,325,579
NET POSITION, end of year	\$ 21,096,157	\$ 17,285,292

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

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Cash received from customers and users	\$ 132,805,223	\$ 120,209,180
Cash paid to employees	(4,306,342)	(4,216,771)
Cash paid to suppliers	(98,398,531)	(88,214,150)
Net cash provided by operating activities	30,100,350	27,778,259
NONCAPITAL FINANCING ACTIVITIES		
Receipts from nonoperating grants	71,236	93,463
Receipts from notes receivable and accrued interest receivable	714,635	-
Proceeds from liquor license renewals	1,165,000	44,762,710
Distributions to primary government	(27,537,225)	(70,414,942)
Net cash used in noncapital financing activities	(25,586,354)	(25,558,769)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(175,031)	(406,533)
Increase in cash and cash equivalents	4,338,965	1,812,957
CASH AND CASH EQUIVALENTS, beginning	18,460,423	16,647,466
CASH AND CASH EQUIVALENTS, ending	\$ 22,799,388	\$ 18,460,423
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 30,080,431	\$ 26,555,150
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	175,974	182,132
Special funding contribution related to OPEB	31,423	82,327
Changes in operating accounts:		
(Increase) decrease in accounts receivable	479,737	(97,207)
Increase in deferred outflows of resources	(435,164)	(10,325)
Increase in inventory	(10,148)	(18,637)
Decrease in net pension and net OPEB liabilities	(453,402)	(453,396)
Increase (decrease) in accounts payable and accrued expense	(91,393)	1,399,909
Increase in deferred inflows of resources	318,822	125,095
Increase in accrued annual leave	4,070	13,211
Net cash provided by operating activities	\$ 30,100,350	\$ 27,778,259

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

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Financial Reporting Entity

The West Virginia Alcohol Beverage Control Administration (the Administration) is a proprietary fund and governmental instrumentality of the State of West Virginia (the State), created under the provisions of Chapter 60, Article 1 of the West Virginia Code, as amended.

The Administration's mission is to give effect to the mandate of the people expressed in the repeal of the state prohibition amendment, and to assure the greatest degree of personal freedom that is consistent with the health, safety, and good morals of the people of West Virginia. This is accomplished by issuing licenses in accordance with Senate Bill 337 and acting as the wholesaler of liquor to retailers in the State.

The Administration's financial statements are included in the State of West Virginia's Comprehensive Annual Financial Report as a proprietary fund. The Administration has considered all potential component units to be included in the Administration's reporting entity by applying the criteria set forth in GAAP. These criteria include consideration of organizations for which the Administration is financially accountable, or organizations for which the nature and significance of their relationship with the Administration are such that exclusion would cause the Administration's financial statements to be misleading or incomplete. Since no organizations meet these criteria, the Administration has no component units.

Note 2. Significant Accounting Policies

Basis of accounting

The Administration is accounted for as a special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit with the State Treasurer's Office and cash on hand. The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions in accordance with West Virginia Code. Cash and cash equivalents are carried at amortized cost. All deposits are available with overnight notice.

Notes Receivable

Notes receivable consists of amounts due from licensees that elected to finance up to 50% of the ten-year license fee as permitted by West Virginia Code. The principal and interest on these notes are due in either monthly or quarterly installments as elected by the licensee over 60 months and bear interest at an annual rate of 4.00%. The notes are secured by potential revocation of the licensee's Class A retail license.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 2. Significant Accounting Policies (Continued)

Inventories

Inventories are presented at the lower of cost (first-in, first-out method) or market.

Reclassifications

Certain amounts previously presented in 2020 have been reclassified to conform with the 2021 presentation.

Capital assets

Capital assets are reported at historical cost. Capital assets are defined by the Administration as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the following estimated economic useful lives of the assets; buildings (31- 40 years) and equipment (3-10 years).

Employee benefits

Employees fully vest in all earned but unused vacation and the Administration accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay.

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHBT and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by The West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of the PERS are reported at fair value.

Deferred outflows of resources / deferred inflows of resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Administration reports certain OPEB and pension related amounts as deferred outflows of resources on the statement of net position.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 2. Significant Accounting Policies (Continued)

Deferred outflows of resources / deferred inflows of resources (continued)

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Administration reports certain OPEB and pension related amounts as deferred inflows of resources on the statement of net position.

Net position

Net position is presented as restricted, unrestricted, or as the net investment in capital assets. Net investment in capital assets consists of all capital assets, less accumulated depreciation. Net position restricted by enabling legislation consists of notes and interest receivable from the Retail Liquor License Board (RLLB) re-bid which are required by state code to be distributed to the State of West Virginia. All remaining net position is considered unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Operating revenues and expenses

Operating revenues and expenses for the Administration are revenues and expenses that result from providing services and producing and delivering goods and/or services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. Capital Assets

A summary of capital assets as of and for the year ended June 30, 2021 and 2020, follows:

<u>June 30, 2021</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 611,381	\$ -	\$ -	\$ 611,381
Capital assets, being depreciated:				
Buildings	2,400,385	148,558	(6,482)	2,542,461
Equipment	<u>1,857,327</u>	<u>26,475</u>	<u>(13,176)</u>	<u>1,870,626</u>
Total capital assets, being depreciated	<u>4,257,712</u>	<u>175,033</u>	<u>(19,658)</u>	<u>4,413,087</u>
Less accumulated depreciation for:				
Buildings	(1,464,401)	(86,109)	6,481	(1,544,029)
Equipment	<u>(1,504,989)</u>	<u>(89,865)</u>	<u>13,175</u>	<u>(1,581,679)</u>
Total accumulated depreciation	<u>(2,969,390)</u>	<u>(175,974)</u>	<u>19,656</u>	<u>(3,125,708)</u>

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 3. Capital Assets (Continued)

<u>June 30, 2021 (continued)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	<u>1,288,322</u>	<u>(941)</u>	<u>(2)</u>	<u>1,287,379</u>
Total capital assets, net	<u>\$ 1,899,703</u>	<u>\$ (941)</u>	<u>\$ (2)</u>	<u>\$ 1,898,760</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>June 30, 2020</u>				
Capital assets, not depreciated:				
Land	<u>\$ 611,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 611,381</u>
Capital assets, being depreciated:				
Buildings	2,044,270	356,115	-	2,400,385
Equipment	<u>1,829,745</u>	<u>50,416</u>	<u>(22,834)</u>	<u>1,857,327</u>
Total capital assets, being depreciated	<u>3,874,015</u>	<u>406,531</u>	<u>(22,834)</u>	<u>4,257,712</u>
Less accumulated depreciation for:				
Buildings	(1,383,536)	(80,865)	-	(1,464,401)
Equipment	<u>(1,426,558)</u>	<u>(101,265)</u>	<u>22,834</u>	<u>(1,504,989)</u>
Total accumulated depreciation	<u>(2,810,094)</u>	<u>(182,130)</u>	<u>22,834</u>	<u>(2,969,390)</u>
Total capital assets, being depreciated, net	<u>1,063,921</u>	<u>224,401</u>	<u>-</u>	<u>1,288,322</u>
Total capital assets, net	<u>\$ 1,675,302</u>	<u>\$ 224,401</u>	<u>\$ -</u>	<u>\$ 1,899,703</u>

Note 4. Lease

The Administration has entered into an operating lease with the West Virginia Lottery Commission (Lessor) for its headquarters, which expires in June 2023. Rent expense for the years ended June 30, 2021 and 2020 was \$202,200 and \$207,135, respectively. The Administration's future minimum lease payments under the current terms of the lease are \$202,200 per year through the year ending June 30, 2023.

Note 5. Other Postemployment Benefits

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Plan description (continued)

Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Administration employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2021, 2020, and 2019, respectively, were:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Paygo Premium	\$ 160	\$ 168	\$ 183

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Contributions (continued)

Contributions to the OPEB plan from the Administration were \$129,069, \$128,390, and \$158,850 for the years ended June 30, 2021, 2020, and 2019, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by nonemployer contributing entities in special funding situations

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020, which is the measurement date of the liability reported as of June 30, 2021. This funding is to the advantage of all RHBT contributing employers.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Contributions by nonemployer contributing entities in special funding situations (continued)

The State is a nonemployer contributing entity that provides funding through SB 469, which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2021 and 2020, the Administration reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Administration. The amount recognized by the Administration as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Administration was as follows:

	2021	2020
The Administration's proportionate share of the net OPEB liability.	\$ 330,873	\$ 1,357,943
State's special funding proportionate share of the net OPEB liability associated with the Administration	73,161	277,896
Total portion of net OPEB liability associated with the Administration.	\$ 404,034	\$ 1,635,839

The net OPEB liability reported at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Administration's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2020, the Administration's proportion was 0.074910%, which is a decrease of 0.006937 from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, respectively, the Administration recognized OPEB expense of (\$360,995) and \$12,099 and for support provided by the State under special funding situations revenue of \$31,423 and \$82,327. At June 30, 2021 and 2020, the Administration reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 214,532
Net difference between projected and actual earnings on OPEB plan investments	25,115	-
Changes in assumptions	-	746,850
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,713	178,338
Reallocation of Opt-Out employer change in proportionate share	-	21,900
The Administration's contributions subsequent to the measurement date of June 30, 2020	129,069	-
Total	\$ 156,897	\$ 1,161,620

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 158,375
Net difference between projected and actual earnings on OPEB plan investments	7,720	22,369
Changes in assumptions	-	275,401
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,892	146,798
Reallocation of Opt-Out employer change in proportionate share	335	36,534
The Administration's contributions subsequent to the measurement date of June 30, 2019	128,390	-
Total	\$ 140,337	\$ 639,477

Deferred outflows of resources related to OPEB of \$129,069 resulting from the Administration's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	\$ (469,655)
2023	(378,927)
2024	(280,174)
2025	(5,036)

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2021, was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of (31.11%) for plan year end 2022. 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2019 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019 for Troopers A and B.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015- June 30, 2020.

The total OPEB liability, reported as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010- June 30, 2015.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

Certain assumptions have been changed since the prior actuarial valuation as of June 30, 2018 and a measurement date of June 30, 2020. The net effect of the assumption changes on the plan, in total, was approximately \$1,147 million.

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.5% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan 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. Target asset allocations, capital market assumptions, and forecast returns were provided by the plan's investment advisors, including the WVIMB. The projected return for the Money Market Pool held with the WVBTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	52.25%	6.8%
Core Plus Fixed Income	14.25%	4.1%
Hedge Fund	9.5%	4.4%
Private Equity	9.5%	8.8%
Core Real Estate	9.5%	6.1%
Cash and cash equivalents	5.0%	0.25%

Discount rate

A single discount rate of 6.65% was used to measure the total OPEB liability. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of the global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2020, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations.

Sensitivity of the Administration's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Administration's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Administration's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Other Postemployment Benefits (Continued)

Sensitivity of the Administration's proportionate share of the net OPEB liability to changes in the discount rate (continued)

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
The Administration's proportionate share of the net OPEB liability	\$ 471,869	\$ 330,873	\$ 212,841

Sensitivity of the Administration's proportionate share of net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Administration's proportionate share of the net OPEB liability, as well as what the Administration's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
The Administration's proportionate share of the net OPEB liability	\$ 199,089	\$ 330,873	\$ 490,041

Note 6. Pension Plan

Plan description

The Administration contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64 with 10 years of service.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 6. Pension Plan (Continued)

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Current funding policy requires contributions, consisting of member contributions of 4.5% of annual earnings and employer contributions of 10% of covered payroll for the years ended June 30, 2021, 2020 and 2019, respectively. All members hired after July 1, 2015, will contribute 6% of annual earnings.

During the years ended June 30, 2021, 2020, and 2019, the Administration's contributions to PERS required and made were \$300,775, \$295,600, and \$268,086, respectively.

Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2021 and 2020, respectively, the Administration reported a liability of \$966,996 and \$393,328 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to the measurement date of June 30, 2020. The Administration's proportion of the net pension liability was based on the Administration's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2020. At June 30, 2020, the Administration's proportion was 0.182911%, which was a decrease of 0.000021% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 and 2020, the Administration recognized pension expense of \$252,518 and \$155,592, respectively. At June 30, 2021 and 2020, the Administration reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 306,489	\$ -
Difference between expected and actual experience	142,303	19,935
Changes in assumptions	-	42,607
Changes in proportion and differences between Administration contributions and proportionate share of contributions	12,388	14,259
The Administration's contributions made subsequent to the measurement date of June 30, 2020	300,775	-
Total	\$ 761,955	\$ 76,801

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 6. Pension Plan (Continued)

Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 142,169
Difference between expected and actual experience	15,224	34,353
Changes in assumptions	-	72,207
Changes in proportion and differences between Administration contributions and proportionate share of contributions	32,527	31,393
The Administration's contributions made subsequent to the measurement date of June 30, 2019	295,600	-
Total	\$ 343,351	\$ 280,122

The amount of \$300,775 was reported as deferred outflows of resources related to pensions resulting from Administration contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2022	\$ (46,061)
2023	144,653
2024	175,470
2025	110,317

Actuarial assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary increases	3.1-6.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General / Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018 for disabled females.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 6. Pension Plan (Continued)

Actuarial assumptions (continued)

An experience study, which was based on the years 2013 through 2018, was used for the 2020 actuarial valuation

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0 percent
Salary increases	3.1 - 6.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy males, 122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 for disabled males, and 117% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 for disabled females.

An experience study, which was based on the years 2013 through 2018, was used for the 2019 actuarial valuation.

The long-term rates of return on pension plan investments was determined using the building block method in which estimates of expected future real rates of return (expected returns, net of pension plan 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. Best estimates of long-term geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long- term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.00%		5.68%
Inflation (CPI)			1.90%
			<u>7.58%</u>

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 6. Pension Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. 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 plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Administration's proportionate share of the net pension liability to changes in the discount rate

The following presents the Administration's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Administration's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Administration's proportionate share of the net pension liability (asset) \$	2,463,781	\$ 966,996	\$ (298,563)

Note 7. Risk Management

The Administration is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Administration participates in several risk management programs administered by the State of West Virginia and other providers. In exchange for the payment of premiums, the Administration has transferred its risks for these identified risks to the following entities. There were no changes in coverage or claims in excess of coverage for the years ended June 30, 2021 and 2020, respectively.

Public Employees' Insurance Agency (PEIA)

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 7. Risk Management (Continued)

Board of Risk and Insurance Management (BRIM)

The Administration participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Administration pays an annual premium to BRIM for its general insurance coverage. Underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

Workers compensation insurance

The Administration carries workers compensation insurance coverage through a commercial carrier. The carrier is paid a monthly premium to provide compensation for injuries sustained in the course of employment.

Note 8. Contingencies

The Administration is involved in certain claims and legal actions arising from the ordinary course of conducting business. Although the outcome of these claims and legal actions are presently indeterminable; it is the opinion of the Administration's management, after a review of legal activities, that no adjustments to the financial statements are warranted and that any resolution of outstanding claims or legal actions are not expected to have a material adverse effect on the accompanying financial statements.

Note 9. Effect of New Accounting Pronouncements

The GASB has issued the following accounting pronouncements, which are not yet effective:

The GASB has issued **Statement No. 87, Leases**, which improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

The GASB issued **Statement No. 92, Omnibus 2020** in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 9. Effect of New Accounting Pronouncements (Continued)

The GASB issued **Statement No. 96**, Subscription-Based Information Technology Arrangements in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new accounting pronouncements may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Retiree Health Benefit Trust

	Years Ended June 30			
	2021	2020	2019	2018
The Administration's proportion (percentage) of the net OPEB liability	0.074910%	0.081847%	0.081610%	0.082283%
The Administration's proportionate share of the net OPEB liability	\$ 330,873	\$ 1,357,943	\$ 1,750,895	\$2,023,319
West Virginia special funding proportionate share of the net OPEB liability associated with the Administration	<u>\$ 73,161</u>	<u>\$ 277,896</u>	<u>\$ 361,863</u>	<u>\$ 415,592</u>
Total portion of the net OPEB liability associated with the Administrator	\$ 404,034	\$ 1,635,839	\$ 2,112,758	\$2,438,911
The Administration's covered employee payroll	\$ 1,669,155	\$ 1,592,378	\$ 1,503,555	\$1,530,548
The Administration's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	19.82%	85.28%	116.45%	132.20%
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

THE WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

SCHEDULES OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30				
	2021	2020	2019	2018	2017
Required contribution	\$ 129,069	\$ 128,390	\$ 158,850	\$ 171,450	\$ 169,009
Contributions in relation to the required contribution	129,069	128,390	158,850	171,450	169,009
 Contribution deficiency (excess)	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
 The Administration's covered employee payroll	 \$ 1,544,694	 \$ 1,669,155	 \$ 1,592,378	 \$ 1,503,555	 \$ 1,530,548
Contributions as a percentage of covered employee payroll	8.36%	7.69%	9.98%	11.40%	11.04%

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Public Employees Retirement System

	Years Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
Administration's proportion (percentage) of the net pension liability	0.182911%	0.182932%	0.175709%	0.187315%	0.179381%	0.189669%	0.185831%
Administration's proportionate share of the net pension liability	\$ 966,996	\$ 393,328	\$ 453,772	\$ 808,537	\$ 1,648,721	\$ 1,059,119	\$ 685,838
Administration's covered payroll	\$ 2,956,000	\$ 2,680,860	\$ 2,469,345	\$ 2,581,475	\$ 2,632,593	\$ 2,583,821	\$ 2,551,483
Administration's proportionate share of the net pension liability as a percentage of its covered payroll	32.71%	14.67%	18.38%	31.32%	62.63%	40.99%	26.88%
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

THE WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

SCHEDULES OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 300,775	\$ 295,600	\$ 268,086	\$ 271,628	\$ 309,777	\$ 355,400	\$ 361,735	\$ 369,965	\$ 381,890
Contributions in relation to the statutorily required contribution	300,775	295,600	268,086	271,628	309,777	355,400	361,735	369,965	381,890
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration's covered payroll	\$3,007,750	\$2,956,000	\$2,680,860	\$2,469,345	\$2,581,475	\$2,632,593	\$2,583,821	\$2,551,483	\$2,727,786
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 1. Trend Information Presented

The accompanying schedules of the Administration's proportionate share of the net OPEB and pension liability and contributions to RHBT and the PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2020 and 2018 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$831 million decrease due to updated capped subsidy rates, per capita costs, and trend rates, as well as an approximate \$279 million decrease due to changes in assumptions as a result of an experience study as follows:

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

Below are changes in assumptions between the 2017 and 2016 valuations:

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 2. OPEB Changes in Assumptions (Continued)

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

Note 3. Pension Plan Amendments

The PERS was amended to make changes, which apply, to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between the ages of 57 and 62 with at least twenty years of contributory service, or between the ages 55 and 62 with at least thirty years of contributory service.

(Continued)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 3. Pension Plan Amendments (Continued)

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

Note 4. Pension Related Assumptions

The information in the schedules of the proportionate share of the net pension liability was based on actuarial valuations rolled forward to measurement dates of June 30 of each year presented below using the following actuarial assumptions:

<u>PERS</u>	<u>2019-2020</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP -2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.50-35.88%	2 - 35.8	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – 8%
Experience Study	2013-2018	2009-2014	2004-2009

SUPPLEMENTARY INFORMATION

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Administrative / Liquor Fund #7352	Enforcement Fund #7356	Wine Fund #7351	Grants #7355 / Gift #7357	Beer Operations Fund #7358	Wine & Liquor Operations Fund #7359	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 17,436,941	\$ 42,187	\$ 3,915,933	\$ 33,319	\$ 833,079	\$ 537,929	\$ 22,799,388
Inventory	52,678	-	-	-	-	-	52,678
Accounts receivable	227,285	-	-	-	-	-	227,285
Notes receivable - current, restricted	660,943	-	-	-	-	-	660,943
Accrued interest - current, restricted	105,333	-	-	-	-	-	105,333
Total current assets	18,483,180	42,187	3,915,933	33,319	833,079	537,929	23,845,627
NONCURRENT ASSETS							
Notes receivable - noncurrent, restricted	2,249,548	-	-	-	-	-	2,249,548
Accrued interest - noncurrent, restricted	150,546	-	-	-	-	-	150,546
Capital assets, net	1,401,380	23,824	298,996	120,290	-	54,270	1,898,760
Total noncurrent assets	3,801,474	23,824	298,996	120,290	-	54,270	4,298,854
Total assets	22,284,654	66,011	4,214,929	153,609	833,079	592,199	28,144,481
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows of resources from OPEB and pension	896,762	-	14,670	-	7,420	-	918,852
LIABILITIES							
CURRENT LIABILITIES							
Accrued expenses	275,076	-	5,950	-	3,082	-	284,108
Accounts payable	4,689,290	260	45,030	12,118	15	113,777	4,860,490
Total current liabilities	4,964,366	260	50,980	12,118	3,097	113,777	5,144,598
NONCURRENT LIABILITIES							
Accrued annual leave	286,288	-	-	-	-	-	286,288
Net pension liability	939,824	-	19,920	-	7,252	-	966,996
Net OPEB liability	322,469	-	4,831	-	3,573	-	330,873
Total noncurrent liabilities	1,548,581	-	24,751	-	10,825	-	1,584,157
Total liabilities	6,512,947	260	75,731	12,118	13,922	113,777	6,728,755
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources from OPEB and pension	1,207,345	-	17,954	-	13,122	-	1,238,421
NET POSITION							
Net investment in capital assets	1,401,380	23,824	298,996	120,290	-	54,270	1,898,760
Restricted by enabling legislation	3,166,370	-	-	-	-	-	3,166,370
Unrestricted	10,893,374	41,927	3,836,918	21,201	813,455	424,152	16,031,027
Total net position	\$ 15,461,124	\$ 65,751	\$ 4,135,914	\$ 141,491	\$ 813,455	\$ 478,422	\$ 21,096,157

See Independent Auditor's Report.

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL ADMINISTRATION

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2021

	Administrative / Liquor Fund #7352	Enforcement Fund #7356	Wine Fund #7351	Grants #7355/ Gift #7357	Beer Operations Fund #7358	Wine & Liquor Operations Fund #7359	Total
OPERATING REVENUES							
Sales	\$ 127,796,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,796,199
Licenses, permits and fees	3,204,637	-	621,500	-	327,700	289,400	4,443,237
Administrative hearing fines	-	86,050	-	-	-	-	86,050
Total revenues	<u>131,000,836</u>	<u>86,050</u>	<u>621,500</u>	<u>-</u>	<u>327,700</u>	<u>289,400</u>	<u>132,325,486</u>
OPERATING EXPENSES							
Cost of sales	96,923,950	-	45,000	-	-	113,777	97,082,727
General and administrative	4,784,186	36,017	91,825	23,345	48,344	2,637	4,986,354
Depreciation	98,305	3,781	54,024	17,750	-	2,114	175,974
	<u>101,806,441</u>	<u>39,798</u>	<u>190,849</u>	<u>41,095</u>	<u>48,344</u>	<u>118,528</u>	<u>102,245,055</u>
OPERATING INCOME (LOSS)	29,194,395	46,252	430,651	(41,095)	279,356	170,872	30,080,431
NONOPERATING REVENUE (EXPENSE)							
Grants	44,736	-	-	26,500	-	-	71,236
Statutory distributions	(27,510,597)	(23,478)	(3,150)	-	-	-	(27,537,225)
Retail liquor license renewal	1,165,000	-	-	-	-	-	1,165,000
Other	30,625	-	459	-	339	-	31,423
	<u>(26,270,236)</u>	<u>(23,478)</u>	<u>(2,691)</u>	<u>26,500</u>	<u>339</u>	<u>-</u>	<u>(26,269,566)</u>
Change in net position	2,924,159	22,774	427,960	(14,595)	279,695	170,872	3,810,865
NET POSITION, beginning of year	<u>12,536,965</u>	<u>42,977</u>	<u>3,707,954</u>	<u>156,086</u>	<u>533,760</u>	<u>307,550</u>	<u>17,285,292</u>
NET POSITION, end of year	<u>\$ 15,461,124</u>	<u>\$ 65,751</u>	<u>\$ 4,135,914</u>	<u>\$ 141,491</u>	<u>\$ 813,455</u>	<u>\$ 478,422</u>	<u>\$ 21,096,157</u>

Audited Agency West Virginia Alcohol Beverage Control Administration - June 30, 2021

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See Note 2 to the Financial Statements

Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	2	3A	3B	3C	Foreign Currency Risk		
						Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	Amount Uninsured and Uncollateralized	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Currency Type	Maturity	Fair Value
Balances as of June 30, 2021												
Cash with Treasurer												
Per wvOASIS Opening Balance Report	22,742,930	22,742,930										
Cash with Municipal Bond Commission												
Cash on Hand												
Cash in Transit to wvOASIS	56,458	56,458										
Cash with Board of Trustees												
Cash in Outside Bank Accounts												
Cash in Escrow												
Certificates of Deposits (Non-Negotiable)												
Other: Reconciling Item												
Total	22,799,388	22,799,388	-	0	0	0	0	0	0			0

PLEASE SEND COMPLETED FORMS TO:
State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

See Independent Auditor's Report.

GAAP REPORTING FORM - DEPOSIT AND INVESTMENT RECONCILIATION

Audited Agency **West Virginia Alcohol Beverage Control Administration - June 30, 2021**

Reconciliation of cash, cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$ 22,799,388
Less: cash equivalents disclosed as investments	<u> </u>
Add: restricted assets disclosed as deposits	<u> </u>
Other (describe) _____	<u> </u>
_____	<u> </u>
_____	<u> </u>

Carrying amount of deposits as disclosed on Form 7 \$ 22,799,388

Investments:

Investments as reported on balance sheet	\$ -
Add: restricted assets disclosed as investments	<u> </u>
Add: cash equivalents disclosed as investments	<u> </u>
Other (describe) _____	<u> </u>
_____	<u> </u>
_____	<u> </u>

Reported amount of investments as disclosed on Form 8 \$ -

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Financial Accounting and Reporting Sec
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number (304) 558-4083
Fax Number (304) 558-4084

GAAP REPORTING FORM - TRANSFERS IN/OUT

Audited Agency **West Virginia Alcohol Beverage Control Administration - June 30, 2021**

Indicate amounts transferred from/to your agency as of June 30, 2021

wvOASIS Doc. ID	Agency Transferring From	wvOASIS FUND	Agency Transferring To	wvOASIS FUND	Amount
1	2	3	4	5	6
FNDT210000003	Alcohol Beverage Control Administration	7352	General Fund	490	67,350.00
FNDT2100000135	Alcohol Beverage Control Administration	7352	General Fund	490	1,500,000.00
FNDT2100000136	Alcohol Beverage Control Administration	7352	General Fund	490	75,000.00
FNDT2100000180	Alcohol Beverage Control Administration	7352	General Fund	490	878,450.00
FNDT2100000280	Alcohol Beverage Control Administration	7352	General Fund	490	1,500,000.00
FNDT2100000281	Alcohol Beverage Control Administration	7352	General Fund	490	45,978.56
FNDT2100000383	Alcohol Beverage Control Administration	7352	General Fund	490	84,000.00
FNDT2100000495	Alcohol Beverage Control Administration	7352	General Fund	490	2,000,000.00
FNDT2100000496	Alcohol Beverage Control Administration	7352	General Fund	490	45,978.56
FNDT2100000555	Alcohol Beverage Control Administration	7352	General Fund	490	63,750.00
FNDT2100000671	Alcohol Beverage Control Administration	7352	General Fund	490	1,500,000.00
FNDT2100000672	Alcohol Beverage Control Administration	7352	General Fund	490	102,093.15
FNDT2100000758	Alcohol Beverage Control Administration	7352	General Fund	490	23,500.00
FNDT2100000808	Alcohol Beverage Control Administration	7352	General Fund	490	1,500,000.00
FNDT2100000879	Alcohol Beverage Control Administration	7352	General Fund	490	16,000.00
FNDT2100000908	Alcohol Beverage Control Administration	7352	General Fund	490	45,978.56
FNDT2100000909	Alcohol Beverage Control Administration	7352	General Fund	490	45,151.46
FNDT2100000910	Alcohol Beverage Control Administration	7352	General Fund	490	42,321.85
FNDT2100000919	Alcohol Beverage Control Administration	7352	General Fund	490	1,500,000.00
FNDT2100001049	Alcohol Beverage Control Administration	7352	General Fund	490	13,000.00
FNDT2100001134	Alcohol Beverage Control Administration	7352	General Fund	490	1,900,000.00
FNDT2100001217	Alcohol Beverage Control Administration	7352	General Fund	490	9,425.00
FNDT2100001319	Alcohol Beverage Control Administration	7352	General Fund	490	1,900,000.00
FNDT2100001320	Alcohol Beverage Control Administration	7352	General Fund	490	101,266.05
FNDT2100001321	Alcohol Beverage Control Administration	7352	General Fund	490	45,151.46
FNDT2100001429	Alcohol Beverage Control Administration	7352	General Fund	490	1,000,000.00
FNDT2100001495	Alcohol Beverage Control Administration	7352	General Fund	490	2,900,000.00
FNDT2100001496	Alcohol Beverage Control Administration	7352	General Fund	490	45,151.46
FNDT2100001554	Alcohol Beverage Control Administration	7352	General Fund	490	80,400.00
FNDT2100001815	Alcohol Beverage Control Administration	7352	General Fund	490	2,000,000.00
FNDT2100001816	Alcohol Beverage Control Administration	7352	General Fund	490	101,266.05
FNDT2100001902	Alcohol Beverage Control Administration	7352	General Fund	490	18,250.00
FNDT2100001906	Alcohol Beverage Control Administration	7352	General Fund	490	1,165,000.00
FNDT2100002017	Alcohol Beverage Control Administration	7352	General Fund	490	2,200,000.00
FNDT2100002018	Alcohol Beverage Control Administration	7352	General Fund	490	45,151.46
FNDT2100002049	Alcohol Beverage Control Administration	7352	General Fund	490	105,082.89
FNDT2100002146	Alcohol Beverage Control Administration	7352	General Fund	490	2,800,000.00
FNDT2100002147	Alcohol Beverage Control Administration	7352	General Fund	490	45,151.46
FNDT2100000771	Alcohol Beverage Control Administration	7352	General Fund	490	450.00
FNDT2100002065	Alcohol Beverage Control Administration	7352	General Fund	490	300.00
FNDT2100000181	Alcohol Beverage Control Administration	7351	General Fund	490	750.00
FNDT2100000384	Alcohol Beverage Control Administration	7351	General Fund	490	1,050.00
FNDT2100000556	Alcohol Beverage Control Administration	7351	General Fund	490	600.00
FNDT2100000770	Alcohol Beverage Control Administration	7351	General Fund	490	450.00
FNDT2100000880	Alcohol Beverage Control Administration	7351	General Fund	490	150.00
FNDT2100001377	Alcohol Beverage Control Administration	7351	General Fund	490	150.00
FNDT2100000137	Alcohol Beverage Control Administration	7356	General Fund	490	23,477.04
Total					\$ 27,537,225.01

*Do not include IGT's, Reimbursements or Expense to Expense transactions

Explain Transfers In/Out amounts greater than or equal to \$1,000,000.

* Statutory transfers based on operations and liquor license renewals



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

To the Honorable Members of the West Virginia
Alcohol Beverage Control Administration
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Virginia Alcohol Beverage Control Administration (the Administration), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated October 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Administration's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 5, 2021