



IOWA

Alcoholic Beverages Division

80th Annual Report

2014 Annual Report



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About the Division

Mission Statement

To serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.

Achieve the Mission by:

- Breaking down the barriers that Iowans face when dealing with government.
- Fostering a fair and level playing field.
- Achieving results to show Iowans a return on investment of public funds.

Vision Statement

The Iowa Alcoholic Beverages Division provides comprehensive services for the alcoholic beverages industry. The Division works towards overall operational efficiency while maintaining a business-oriented operation model.



Executive Information

Governor : Terry E. Branstad
Lt. Governor : Kim Reynolds

Commission

Chairperson : Rick Hunsaker
Vice-Chair : Tami Doll
Secretary : Jay Wilson
Commissioner : Gary Nystrom
Commissioner : Claire Celsi

Division Administration

Administrator : Stephen Larson
Chief Operating Officer : Tim Iversen
Financial & Asset Management Bureau Chief : Tammy Plowman



Alcoholic Beverages Commission

The Iowa Alcoholic Beverages Commission is created under Iowa Code section 123.5 and is comprised of five members appointed by the governor and subject to confirmation by the senate. The commission acts as a public policy-making body and serves in an advisory capacity to the Administrator of the Iowa Alcoholic Beverages Division.

Rick Hunsaker – Chairperson



Rick Hunsaker was re-appointed by Governor Branstad to a second five year term, which began on May 1, 2011. He is the Executive Director of Region XII Council of Governments in Carroll, a regional agency serving 6 counties and 61 cities in west central Iowa. He also serves on the Boards of Directors for the Iowa Association of Regional Councils, National Association of Regional Councils, Carroll Area Development Corporation, Midwest Assistance Program, Inc. (current vice-chair), and Western Iowa Advantage, an eight county cooperative marketing group. Mr. Hunsaker is a member of the Iowa Historic Preservation Alliance and a member of Depot Center, Ltd., a local non-profit historic preservation organization. Mr. Hunsaker is a graduate of Drake University, receiving a Bachelor of Arts in 1988 and a Masters of Public Administration in 1990, and resides in Carroll, Iowa. His current term will expire on April 30, 2016.

Tami Doll – Vice-Chair



Tami Doll was appointed by Governor Branstad to the Alcoholic Beverages Commission, and began her first term on May 1, 2012. Tami is Vice President and co-owner of Doll Distributing, LLC, in Council Bluffs, Iowa. In addition to her responsibilities at Doll Distributing, she serves on the Board of Directors of the Loess Hills Chapter of the American Red Cross, Iowa Beer Wholesalers, and Heartland Family Services Ways to Work Committee. Commissioner Doll's term will expire on April 30, 2017, however she is eligible for a second five year appointment.



Alcoholic Beverages Commission (continued)

Jay Wilson - Secretary



Jay Wilson was appointed by Governor Branstad to the Alcoholic Beverages Commission and began his first term on May 1, 2013. Commissioner Wilson is the Assistant Vice President of Wine and Spirits for Hy-Vee. He was selected as one of six Market Watch Leaders in 2009 by Market Watch magazine. He also started an online wine study program in 2006, intended for employees to increase their wine knowledge and improve performance. Once completing the online program, the employee is a Certified Hy-Vee Wine Specialist. Commissioner Wilson's current term will expire on April 30, 2018, however he is eligible for a second five year appointment.

Gary Nystrom



Gary Nystrom was appointed by Governor Branstad to the Alcoholic Beverages Commission and began his first term on May 1, 2014. Commissioner Nystrom became a partner in Pritchard Brothers Plumbing, Heating and Cooling in 1974 and is currently President of the company. He is a lifelong resident of Boone where he is starting his second four-year term as a City Councilman. He currently serves as Chairman of the Utility Committee and member of the Economic Committee. Commissioner Nystrom's current term will expire on April 30, 2019, however he is eligible for a second five year appointment.

Claire Celsi



Claire Celsi was appointed by Governor Culver to the Alcoholic Beverages Commission and began her term on May 1, 2010. She has served as Secretary, Vice-Chair and Chairperson. Commissioner Celsi is a graduate of Drake University and a frequent lecturer at the Business School and School of Journalism and Mass Communications. Commissioner Celsi also serves on Drake's School of Journalism and Mass Communication National Advisory Board and is employed as Director of Public Relations at Spindustry Digital in Des Moines. She resides in Des Moines with her husband Jim. Commissioner Celsi's current term will expire on April 30, 2015, however she is eligible for a second five year appointment.

During fiscal year 2014, Jim Clayton served out his current term that ended on April 30, 2014.



Year in Review

Revenue

In fiscal year 2014, the Alcoholic Beverages Division (Division) saw continued growth in sales however, as forecasted, the pace of sales growth leveled off. The year ended with sales around \$263.5 million from the wholesale of spirits. This figure exceeded fiscal year 2013 by \$7.7 million, which is a 3.0 percent increase.

In addition to revenue from spirits profits, funds generated by excise taxes on wine and beer, license fees and civil penalties translated into a general fund transfer of over \$119 million. Most of these funds are appropriated to a variety of state programs by the Iowa General Assembly.

Master Plan Implementation

In fiscal year 2012 an independent assessment of the Division was done to provide a snapshot of current operations. The study evaluated the Division's facility design, inventory management system, distribution process, and contained recommendations that were known as the master plan.

The master plan was divided into three phases and, in the summer of 2013, phase one began with a focus on reinvestment into the Division's warehouse facility. Upgrades included; a new sprinkler system to make the building compliant with current fire codes, the lighting system was upgraded to current technology, aligning with the Governor's green initiative, and a racking system which maximized space utilization, leading to additional product offerings and

higher efficiency in fulfillment of orders.

In February, 2014, phase two began; this included replacement of the HVAC system throughout the administration offices, installation of a fiber optic network, a new parking lot and truck turn-around on the west end of the building and improvements to the facility grounds.

Information Technology

Leveraging technology to increase access to the electronic highway continues to be vital to the success of the Division. In fiscal year 2014, the following projects were identified as priorities.

- Fiber optic installation
- Implementation of Electronic Data Interchange (EDI)
- Web ordering portal

EDI is a proven and reliable method of communication between business systems. Benefits of EDI include increased accuracy, reduction in data entry time and facilitates a paperless transaction process. EDI transactions began production in May 2014 and adoption of this service has been incrementally increasing. Growth is expected throughout fiscal year 2015.



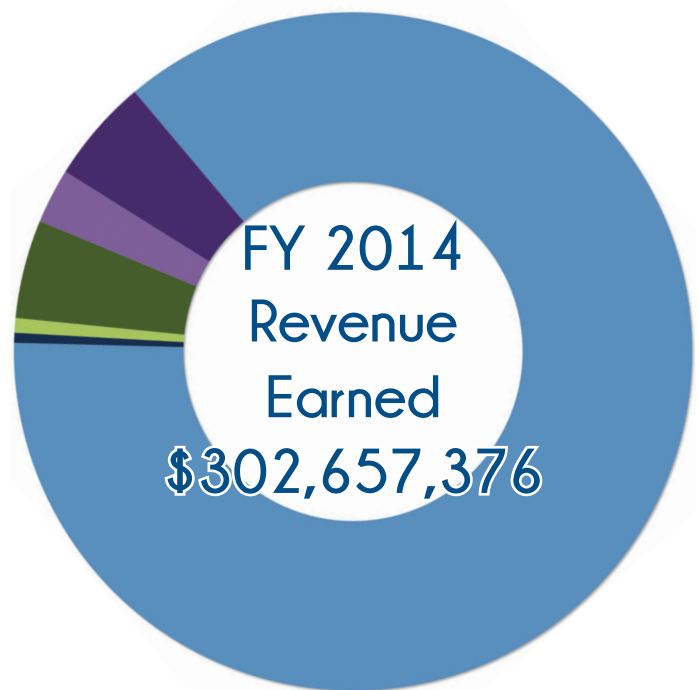
Stephen Larson,
Administrator





Revenue Earned

Liquor Sales	\$263,495,212 87.1%	
Split Case Revenue	\$1,348,292 0.4%	
Bottle Deposit/Surcharge Revenue	\$2,194,476 0.7%	
Beer Tax	\$13,056,193 4.3%	
Wine Tax	\$7,527,049 2.4%	
License Fees	\$15,036,154 5.0%	



Liquor Sales: \$263,495,212

The Division is vested with the authority as the sole purchaser of alcoholic liquor sold in or imported into the state. The Division has the authority under statute to mark-up each liquor brand's wholesale price 50 percent pursuant to Iowa Code section 123.22 and 123.22(4).

Split Case Revenue: \$1,348,292

The split case fee charge is when liquor is sold as a single bottle. The authority to apply this fee is pursuant to Iowa Code section 123.24(1).

Bottle Deposit/Surcharge Revenue: \$2,194,476

Pursuant to Iowa Code section 455C.2, Iowa Code section 123.24(5), the Division will charge a bottle deposit and a surcharge to be included in the wholesale purchase price. The charge assessed by the Division is nine cents per unit sold; this amount includes the five cent bottle deposit.

Beer Tax: \$13,056,193

Beer manufactured or sold in the state at wholesale and beer imported into the state and sold at wholesale shall be taxed at a rate of nineteen cents per gallon.

Wine Tax: \$7,527,049

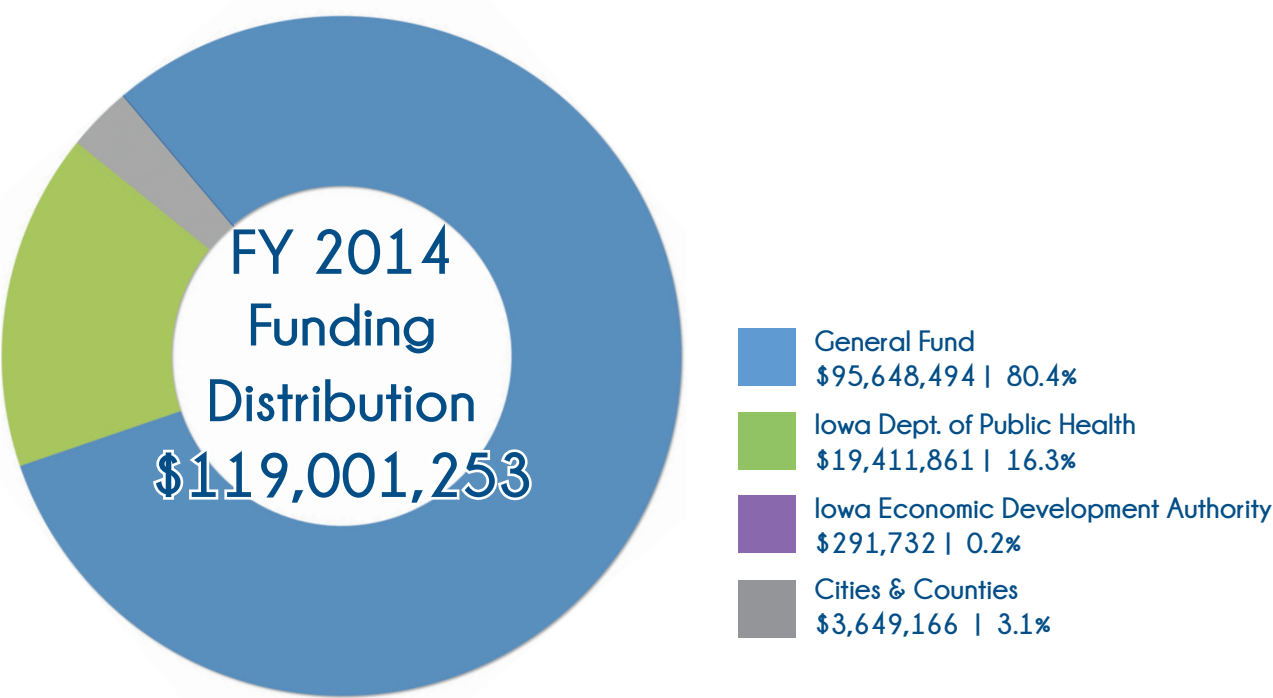
All wine manufactured for sale and sold in the state at wholesale, all wine imported and sold in the state at wholesale and wine directly shipped to consumers shall be assessed a tax at the rate of one dollar and seventy-five cents for each wine gallon.

License Fees: \$15,036,154

Fees collected are for licenses and permits regarding the sale, importing and manufacturing of spirits, wine and beer.



Where the Money Goes



General Fund Reversion: \$95,648,494

Payments made to the State of Iowa General Fund help pay for programs that benefit all Iowans - including education, natural resources, health and family services and public safety.

Iowa Department of Public Health: \$19,411,861

The Division transfers seven percent of gross sales of liquor to the State of Iowa General Fund to be appropriated to the Iowa Department of Public Health to administer substance abuse programs. The department of Public Health receives Sunday Sales license fees, of which fifty percent is to be earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral or post-treatment services.

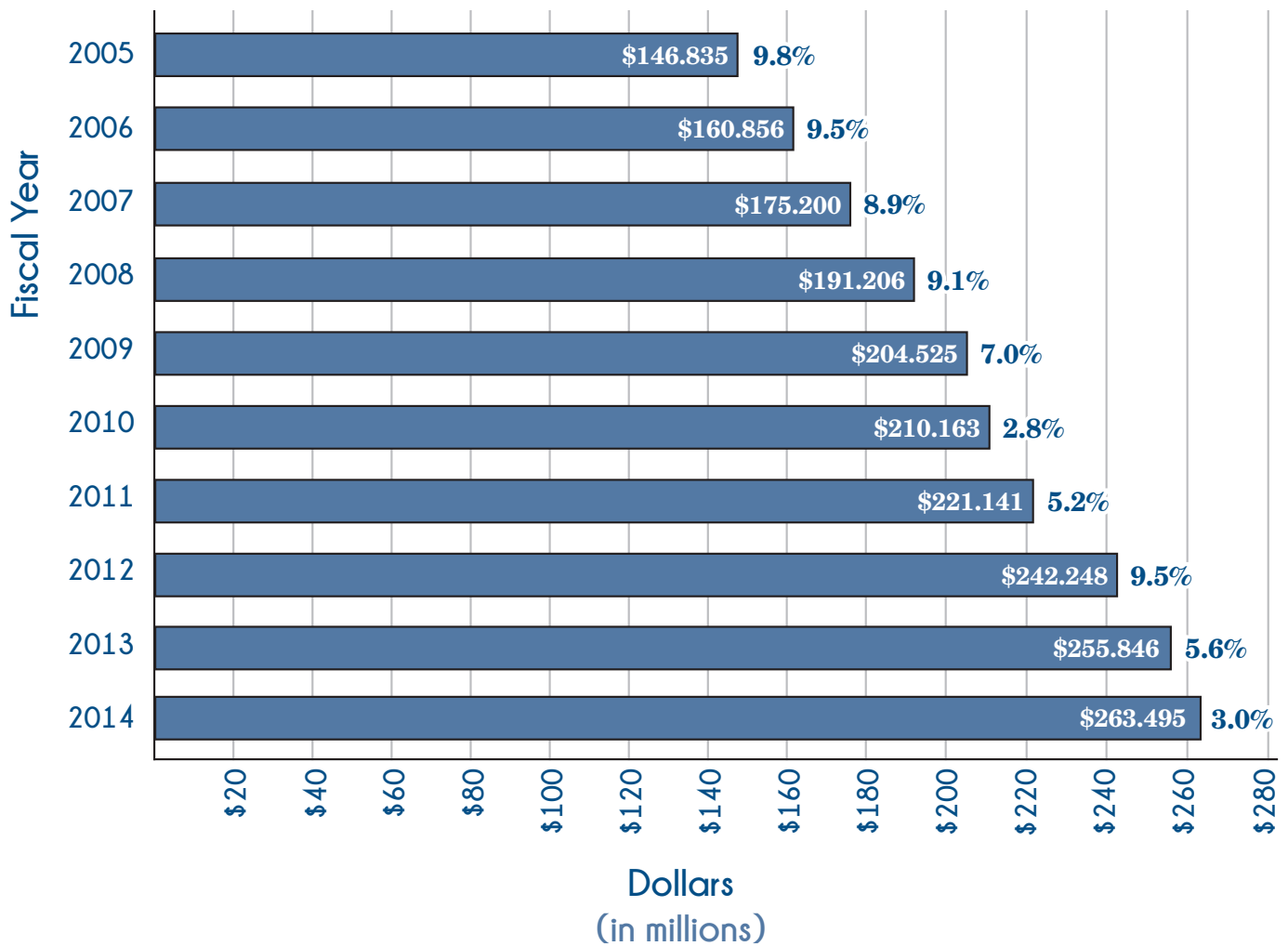
Iowa Economic Development Authority: \$291,732

Revenues collected from native Iowa wine producers and from native breweries are deposited with the Iowa Economic Development Authority's Beer and Wine Promotion Board. Revenues collected are used for: research, enology (science of wine and wine making), development of job training programs specific for wine making and promotion of native breweries and native wineries.

Cities & Counties: \$3,649,166

A percentage of revenues collected from sales of licenses are remitted to the city or county issuing the licenses.

Annual Liquor Sales



PURCHASING

(year ended 6-30-14)

Total Cases of Liquor Purchased	:	1,960,928
Total Cost of Liquor Sales	:	\$171,429,626
Number of Vendors	:	138

For more information regarding computation of costs of sales see footnote 1

Comparative Statement of Liquor Gallons Sold

DISTILLED SPIRITS		FY14	FY13	Increase (Decrease) + / (-)
Vodka	:	1,484,834	1,441,448	3.0%
Whiskey	:	1,371,960	1,347,723	1.8%
Rum	:	707,649	708,617	(0.1%)
Cordials & Liqueurs	:	533,791	499,704	6.8%
Schnapps	:	213,688	237,211	(9.9%)
Cocktails	:	164,676	182,377	(9.7%)
Tequila	:	186,216	178,303	4.4%
Gin	:	155,478	155,954	(0.3%)
Brandy	:	147,505	146,318	0.8%
Decanters & Splty Packaging	:	43,047	27,437	56.9%
Other Alcohol	:	10,774	26,301	(59.0%)
GRAND TOTAL	:	5,019,618	4,951,393	1.4%
BEER GALLONS*	:	74,910,545	73,099,412	2.5%
WINE GALLONS*	:	4,382,755	4,415,792	(0.7%)
MICRO DISTILLERIES**	:	43,142	56,740	(24%)
NATIVE WINE GALLONS**	:	146,382	151,187	(3.2%)
NATIVE BEER GALLONS**	:	231,407	126,905	82.3%

*Wine, beer & low proof wine/cooler sales are based on sales by wholesalers to retailers.

** Included in the grand total of beer, spirits, or wine.

Top 50 Brands

Rank	Brand	Case Sales
1	Black Velvet	130,938
2	Hawkeye Vodka	96,765
3	Captain Morgan Original Spiced Rum	91,208
4	Five O'Clock Vodka	56,170
5	Smirnoff Vodka	40,370
6	Jack Daniel Black Label	38,560
7	Fireball Cinnamon Whiskey	38,337
8	Seagram Crown Royal	34,897
9	McCormick Vodka	34,161
10	Barton Vodka	32,581
11	Phillips Vodka	32,398
12	Bacardi Light Dry Rum	29,007
13	Seagram 7 Crown Whiskey	25,641
14	Admiral Nelson Spiced Rum	25,517
15	Absolut Vodka	23,786
16	Paramount White Rum	23,254
17	Canadian Ltd	22,667
18	Jim Beam Whiskey	19,673
19	G W Five Star Whiskey	19,408
20	Jägermeister	18,262
21	Cuervo Especial Tequila	17,083
22	UV Blue Raspberry Vodka	16,952
23	Southern Comfort 70 Whiskey	16,708
24	UV Vodka	15,274
25	Malibu Natural Rum	15,250

Rank	Brand	Case Sales
26	Dr. McGillicuddy Cherry	14,193
27	Windsor Canadian	13,750
28	Rum Chata	13,665
29	Grey Goose Vodka	13,368
30	Skol Vodka	13,208
31	Kessler Whiskey	13,138
32	Ten High Whiskey	12,216
33	Juarez Tequila	12,013
34	Cuervo Lime Margarita	11,131
35	Svedka Vodka	10,704
36	Paramount Peppermint Schnapps	10,665
37	Seagram Extra Dry Gin	10,648
38	Nikolai 80 Proof Vodka	10,592
39	E & J Brandy	10,304
40	Bailey's Original Irish Cream Liquor	10,129
41	Jameson	9,934
42	Popov Vodka	9,628
43	Tito's Vodka	9,519
44	Hennessy V S Brandy	9,116
45	Pinnacle Vodka	9,023
46	Fleischmann's Vodka	9,003
47	Black Velvet Toasted Caramel	8,920
48	Canadian Club 1858 Whiskey	8,821
49	Paramount Gold Rum	8,351
50	Beam 8 Star	8,331

TOTAL 9 LITER CASES TOP 50 BRANDS 1,185,237

TOTAL 9 LITER CASES FY14 1,886,339

TOP 50 BRANDS % OF TOTAL 62.8%

TOTAL 9 LITER CASES FY13 1,848,767

+ OR (-) % FY14 VS FY13 2.0%

*Data from National Alcoholic Beverage Control Association's
"Case Sales Report of Alcoholic Beverages," based on 9 liter cases.

Per Capita Gallons Sold by County

Rank	County	Adult 21+ Population	Per Capita Gallon Sales			
			FY13	FY14	+ / (-)	% + / (-)
1	Dickinson	11,917	6.11	6.39	0.28	4.58%
2	Cerro Gordo	31,568	3.31	3.50	0.19	5.74%
3	Polk	307,908	3.25	3.31	0.06	1.85%
4	Iowa	11,694	3.20	2.83	(0.37)	(11.56%)
5	Black Hawk	93,729	3.13	3.06	(0.07)	(2.24%)
6	Kossuth	11,113	3.05	3.12	0.07	2.30%
7	Carroll	14,883	3.03	3.07	0.04	1.32%
8	Linn	151,027	2.94	2.95	0.01	0.34%
9	Scott	118,135	2.85	2.83	(0.02)	(0.70%)
10	Johnson	93,581	2.83	2.94	0.11	3.89%
11	Hardin	12,537	2.80	2.91	0.11	3.93%
12	Des Moines	28,832	2.71	2.22	(0.49)	(18.08%)
13	Clay	11,917	2.69	2.79	0.10	3.72%
14	O'Brien	10,295	2.58	2.56	(0.02)	(0.78%)
15	Pottawattamie	66,608	2.57	2.61	0.04	1.56%
16	Lee	25,641	2.39	2.44	0.05	2.09%
17	Buena Vista	14,486	2.39	2.24	(0.15)	(6.28%)
18	Story	64,023	2.39	2.42	0.03	1.26%
19	Howard	6,840	2.38	2.49	0.11	4.62%
20	Cass	9,979	2.31	2.23	(0.08)	(3.46%)
21	Dubuque	66,962	2.30	2.34	0.04	1.74%
22	Woodbury	73,053	2.24	2.25	0.01	0.45%
23	Webster	27,179	2.24	2.20	(0.04)	(1.79%)
24	Bremer	17,357	2.16	2.16	0.00	0.00%
25	Crawford	12,224	2.15	2.16	0.01	0.47%
26	Union	8,962	2.10	2.18	0.08	3.81%
27	Page	11,391	2.07	1.96	(0.11)	(5.31%)
28	Emmet	7,366	2.05	1.77	(0.28)	(13.66%)
29	Palo Alto	6,736	1.96	2.11	0.15	7.65%
30	Humboldt	7,018	1.96	1.96	0.00	0.00%
31	Wapello	25,472	1.92	1.85	(0.07)	(3.65%)
32	Clinton	35,118	1.90	1.91	0.01	0.53%
33	Poweshiek	13,524	1.89	1.98	0.09	4.76%
34	Floyd	11,657	1.88	1.96	0.08	4.26%
35	Cherokee	8,631	1.86	1.79	(0.07)	(3.76%)
36	Marshall	29,063	1.84	1.89	0.05	2.72%
37	Winnebago	7,769	1.83	1.96	0.13	7.10%
38	Winneshiek	15,055	1.82	1.80	(0.02)	(1.10%)

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Per Capita Gallons Sold by County (continued)

Rank	County	Adult 21+ Population	Per Capita Gallon Sales			
			FY13	FY14	+ / (-)	% + / (-)
39	Buchanan	14,985	1.82	1.82	0.00	0.00%
40	Muscatine	30,563	1.81	1.88	0.07	3.87%
41	Boone	18,809	1.79	1.93	0.14	7.82%
42	Ida	5,069	1.76	1.70	(0.06)	(3.41%)
43	Jones	14,756	1.75	1.76	0.01	0.57%
44	Jackson	14,191	1.74	1.76	0.02	1.15%
45	Shelby	8,699	1.71	1.73	0.02	1.17%
46	Plymouth	17,865	1.70	1.77	0.07	4.12%
47	Clarke	6,639	1.70	1.76	0.06	3.53%
48	Appanoose	9,214	1.70	1.63	(0.07)	(4.12%)
49	Allamakee	10,246	1.67	1.72	0.05	2.99%
50	Hamilton	11,206	1.66	1.70	0.04	2.41%
51	Fayette	14,929	1.65	1.67	0.02	1.21%
52	Wright	9,459	1.62	1.65	0.03	1.85%
53	Monona	6,609	1.61	1.56	(0.05)	(3.11%)
54	Sac	7,400	1.55	1.55	0.00	0.00%
55	Adair	5,493	1.54	1.59	0.05	3.25%
56	Montgomery	7,679	1.51	1.54	0.03	1.99%
57	Washington	15,518	1.51	1.61	0.10	6.62%
58	Pocahontas	5,227	1.51	1.54	0.03	1.99%
59	Marion	23,816	1.47	1.56	0.09	6.12%
60	Delaware	12,701	1.47	1.48	0.01	0.68%
61	Dallas	47,287	1.43	1.80	0.37	25.87%
62	Jasper	26,342	1.38	1.39	0.01	0.72%
63	Franklin	7,636	1.36	1.34	(0.02)	(1.47%)
64	Lyon	8,280	1.36	1.63	0.27	19.85%
65	Henry	14,404	1.35	1.42	0.07	5.19%
66	Mitchell	7,705	1.28	1.26	(0.02)	(1.56%)
67	Sioux	24,098	1.24	1.25	0.01	0.81%
68	Jefferson	12,043	1.22	1.35	0.13	10.66%
69	Warren	33,051	1.21	1.24	0.03	2.48%
70	Calhoun	6,914	1.17	1.09	(0.08)	(6.84%)
71	Mahaska	16,002	1.15	1.19	0.04	3.48%
72	Monroe	5,699	1.10	0.99	(0.11)	(10.00%)
73	Madison	11,210	1.07	1.10	0.03	2.80%
74	Lucas	6,362	1.03	1.17	0.14	13.59%
75	Clayton	12,962	0.96	1.07	0.11	11.46%
76	Chickasaw	8,894	0.96	1.03	0.07	7.29%

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Per Capita Gallons Sold by County (continued)

Rank	County	Adult 21+ Population	Per Capita Gallon Sales			
			FY13	FY14	+ / (-)	% + / (-)
77	Greene	6,675	0.95	1.07	0.12	12.63%
78	Osceola	4,620	0.95	1.11	0.16	16.84%
79	Tama	12,703	0.91	1.00	0.09	9.89%
80	Audubon	4,375	0.88	0.89	0.01	1.14%
81	Mills	10,767	0.87	0.91	0.04	4.60%
82	Harrison	10,674	0.82	0.88	0.06	7.32%
83	Hancock	8,109	0.80	0.82	0.02	2.50%
84	Worth	5,433	0.79	0.90	0.11	13.92%
85	Benton	18,644	0.79	0.81	0.02	2.53%
86	Guthrie	7,832	0.75	0.75	0.00	0.00%
87	Cedar	13,227	0.74	0.84	0.10	13.51%
88	Ringgold	3,669	0.74	0.87	0.13	17.57%
89	Grundy	8,904	0.71	0.72	0.01	1.41%
90	Van Buren	5,413	0.67	0.67	0.00	0.00%
91	Adams	2,881	0.63	0.62	(0.01)	(1.59%)
92	Wayne	4,578	0.62	0.32	(0.30)	(48.39%)
93	Louisa	8,142	0.61	0.57	(0.04)	(6.56%)
94	Butler	10,630	0.54	0.59	0.05	9.26%
95	Decatur	6,047	0.52	0.56	0.04	7.69%
96	Taylor	4,517	0.48	0.49	0.01	2.08%
97	Keokuk	7,515	0.38	0.44	0.06	15.79%
98	Davis	6,258	0.34	0.36	0.02	5.88%
99	Fremont	5,320	0.08	0.05	(0.03)	(37.50%)
TOTAL		2,178,145	2.27	2.30	0.03	1.32%

IOWA PER CAPITA GALLONS SOLD | 2014

(based on adult population* | 21 & over)

DISTILLED SPIRITS | 2.30 Gallons

WINE | 2.01 Gallons**

BEER | 34.39 Gallons

*United States Census Bureau. 2010 Census. Web. 1 January 2013.

**The wine per capita tabulation represents products legally defined as wine.

Tax & Licensing Statistics

TAXES COLLECTED

(year ended 6-30-14)

		+ or (-) % FY14 vs FY13
Beer Tax*	\$13,015,861	(6.1%)
Native Beer Tax*	\$40,332	67.3%
Wine Tax*	\$7,275,649	(2.5%)
Native Wine Tax**	\$251,400	(5.0%)
TOTAL TAXES COLLECTED	\$20,583,242	(4.8%)

LICENSE REVENUE

(year ended 6-30-14)

		+ or (-) % FY14 vs FY13
Liquor and Wine Permits	\$13,693,518	(0.6%)
Beer Permits	\$1,075,711	35.7%
Special Licenses	\$174,750	4,268.8%
Compliance Licenses	\$92,175	(33.4%)
TOTAL LICENSE REVENUE	\$15,036,154	2.2%

*For gallons reported, see page 11

** Native wine tax Iowa code section 123.183

Licenses & Permits Processed

RETAIL				+ or (-) % FY14 vs FY13
	FY14	FY13		
BB Commercial Beer On/Off Premises	1,018	1,027		(0.9%)
BC Retail Store Beer Off Premises	3,017	3,548		(15.0%)
LA Private Club Liquor/Wine/Beer On Premises	129	143		(9.8%)
LB Hotel/Motel Liquor/Wine/Beer On Premises-Beer Off Premises	120	122		(1.6%)
LC Commercial Liquor/Wine/Beer On Premises-Beer Off Premises	4,155	4,193		(0.9%)
LD Common Carrier Liquor/Wine/Beer On Premises	21	22		(4.5%)
LE Commercial Liquor Off Premises	1,345	1,354		(0.7%)
BW Special Beer/Wine On Premises-Beer Off Premises	683	621		10.0%
WB Retail Store Wine Off Premises	1,386	1,698		(18.4%)
WBN Retail Store Native Wine Off Premises	934	524		78.2%
WCN Commercial Native Wine On/Off Premises	284	53		435.8%
SUBTOTAL	13,092	13,305		(1.6%)

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Licenses & Permits Processed (continued)

WHOLESALE	FY14	FY13	+ or (-) % FY14 vs FY13
BA Beer Wholesaler	48	44	9.1%
BAN Native Wholesale Beer Manufacturer/Distributor	32	21	52.4%
WA Wine Wholesaler	37	43	(14.0%)
WAN Native Wholesale Wine Manufacturer/Distributor	106	93	14.0%
BAA High Alcohol Content Beer Distributor	38	39	(2.6%)
BAAN Native High Alcohol Content Beer Manufacturer/Distributor	26	14	85.7%
MD Micro-Distillery	11	6	83.3%
CM Manufacturers Permit	12	6	100.0%
SUBTOTAL	310	266	16.5%
CB Brewers Certificate of Compliance	171	141	21.3%
CD Distillers Certificate of Compliance	137	118	16.1%
CV Vintners Certificate of Compliance	580	512	13.3%
SP Brokers Permit	25	16	56.3%
AC Alcohol Carrier Permit	-	-	0.0%
CP Charity Beer & Wine Permit	64	47	36.2%
Direct Shippers Permit	695	599	16.0%
SUBTOTAL	1,672	1,433	16.7%
TOTAL	15,074	16,324	(7.7%)

FINANCIAL STATEMENTS

The following summary of the Division financial performance provides a brief overview of financial activities for fiscal year 2014. The financial data is extracted from the State of Iowa accounting system. Except as noted, all financial information presented reflects financial transactions for the reported fiscal year, including the State of Iowa's hold open period (July 1, 2014 – August 31, 2014). While the Division's operation is audited, the following pages are internally audited only.

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OVERVIEW OF FINANCIAL STATEMENTS

The annual report is a series of proprietary financial statements. The Statement of Net Assets provides information about the Division's assets and liabilities as of June 30, 2014, with comparison to the Division's financial position as of June 30, 2013. The Profit and Loss Statement reflects the Division's financial performance with respect to wholesale operations. The Net Income Statement outlines fiscal year 2014 and fiscal year 2013 comparison of the Division's operation and performance relating to Iowa Code Chapter 123, including distribution. The Statement of Cash Flows represents cash flow for fiscal years 2014 and 2013 to the Liquor Control Trust Fund. Also presented in this report are 'Notes to Financial Statements' that provide additional information that lends itself to a better understanding of the data provided within each statement.

FINANCIAL HIGHLIGHTS

FINANCIAL ANALYSIS

Revenue Analysis

- The overall revenue for Fiscal Year 14 generated \$302.6 million, which represents a 2.4 percent increase over Fiscal Year 13.
- The Division transferred \$119 million to the State of Iowa, cities and counties and the Iowa Economic Development Authority.
- Gross liquor sales in Fiscal Year 14 increased by 3 percent compared to Fiscal Year 13.
- Total non-operating revenues increased by 2.3 percent in Fiscal Year 14 compared to Fiscal Year 13.

Expense Analysis

- Total expenses increased by 2.7 percent in Fiscal Year 14 over Fiscal Year 13.
- The Division exceeded by 6.4 percent its Revenue Estimated Conference obligation.
- Total funds transferred to the State of Iowa General Fund were \$101.2 million.
- The Division in Fiscal Year 14 incurred one-time technology and capital expenses:
 - Information technology: \$196,000.
 - Master plan and building improvements: \$2,164,724

PROFIT & LOSS STATEMENT

YEAR ENDED JUNE 30, 2014

	FY14	FY13	% Change
LIQUOR SALES REVENUE	\$263,495,212	\$255,813,575	3.0%
Cost of Sales ¹			
Bailment	\$174,058,796	\$168,840,058	3.1%
Less: Bailment Fees	(\$1,960,928)	(\$1,947,044)	0.7%
Less: Special Handling Fees	(\$628,134)	(\$134,136)	368.3%
Less: Defective Products	(\$40,108)	(\$85,572)	(53.1%)
TOTAL COST OF SALES	\$171,429,626	\$166,673,306	2.9%
GROSS PROFIT	\$92,065,586	\$89,140,269	3.3%
GROSS PROFIT %	34.9%	34.8%	0.3%
Operating Expenses			
Freight Expenses ²	\$2,576,496	\$2,587,433	(0.4%)
Warehouse Expenses ³	\$1,822,520	\$1,502,976	21.3%
Other Expenses ⁴	\$2,217,102	\$1,782,944	24.4%
TOTAL OPERATING EXPENSES	\$6,616,118	\$5,873,353	12.6%
General and Administrative Expenses ⁵			
Warehouse Administration	\$636,658	\$526,595	20.9%
Product Administration	\$477,536	\$370,564	28.9%
Accounting/HR	\$392,425	\$265,145	48.0%
Information Technology	\$690,775	\$202,549	241.0%
Building and Grounds	\$377,822	-	100.0%
GENERAL AND ADMIN TOTAL	\$2,575,216	\$1,364,853	88.7%
Income from Operations	\$82,874,252	\$81,902,063	1.2%
Other Revenues			
Split Case Fee	\$1,348,292	\$1,411,057	(4.4%)
Bottle Deposit/Surcharge	\$2,194,476	\$2,061,722	6.4%
Recycling	\$15,889	\$21,015	(24.4%)
Fuel and Lease Reimbursement	\$32,819	-	100.0%
TOTAL OTHER REVENUES	\$3,591,476	\$3,493,794	2.8%
Other Expenses			
Bottle Deposit Fee	\$505,084	\$512,770	(1.5%)
Recycle Surcharge Fee	\$1,120,302	\$1,135,275	(1.3%)
Liquor Refunds	(\$1,697)	\$52,727	(103.2%)
Substance Abuse Transfer	\$18,539,905	\$18,005,711	3.0%
TOTAL OTHER EXPENSES	\$20,163,594	\$19,706,483	2.3%
NET PROFIT	\$66,302,134	\$65,689,374	0.9%
RETURN ON SALES	25.2%	25.7%	(1.9%)

NET INCOME STATEMENT

YEAR ENDED JUNE 30, 2014

	FY14	FY13	% Change
REVENUES			
Operating Revenues			
Liquor Sales	\$263,495,212	\$255,813,575	3.0%
Split Case Revenue	\$1,348,292	\$1,411,057	(4.4%)
Bottle Deposit/Surcharge	\$2,194,476	\$2,061,722	6.4%
Recycling Revenue	\$21,290	\$21,015	1.3%
Fuel and Lease Reimbursement	\$32,819	-	100.0%
TOTAL OPERATING REVENUES	\$267,092,089	\$259,307,369	3.0%
Non-Operating Revenues			
Lease Revenue	\$59,964	\$202,065	(70.3%)
License Fees	\$15,036,154	\$14,706,231	2.2%
Wine Tax	\$7,527,050	\$7,463,058	0.9%
Fines/Penalties	\$21,501	\$2,491	763.1%
Misc. Funding Sources	\$390,944	\$287,515	36.0%
State Appropriations	\$1,220,391	\$1,223,391	(0.2%)
Inter Department Transfers	\$654,614	-	100.0%
Prior Year Carryforward	\$1,954,477	\$2,373,283	(17.6%)
TOTAL NON-OPERATING REVENUES	\$26,865,065	\$26,258,034	2.3%
TOTAL REVENUES	\$293,957,154	\$285,565,403	2.9%
EXPENSES			
Operating Expenses			
Purchase of Spirits ¹	\$171,429,626	\$166,673,306	2.9%
Freight Expenses ²	\$2,576,496	\$2,587,433	(0.4%)
Warehouse Expenses ³	\$1,822,520	\$1,502,976	21.3%
Other Expenses Related To Distribution ⁴	\$2,217,102	\$1,782,944	24.4%
Warehouse Administration ⁵	\$636,658	\$526,595	20.9%
Product Administration ⁵	\$477,536	\$370,564	28.9%
Accounting/HR ⁵	\$392,425	\$265,145	48.0%
Information Technology ⁵	\$690,775	\$202,549	241.0%
Building and Grounds ⁵	\$377,822	-	100.0%
Bottle Deposit Fee	\$505,084	\$512,770	(1.5%)
Recycle Surcharge Fee	\$1,120,302	\$1,135,275	(1.3%)
Liquor Refunds	(\$1,697)	\$52,727	(103.2%)
Substance Abuse Transfer	\$18,539,905	\$18,005,711	3.0%
Liquor Profits Transfer	\$82,632,634	\$82,810,408	(0.2%)
TOTAL OPERATING EXPENSES	\$283,417,188	\$276,428,403	2.5%
Non-Operating Expenses			
Sunday Sales Transfer	\$871,957	\$890,000	(2.0%)
Payments to City and Counties	\$3,649,165	\$3,656,050	(0.2%)
General Fund Expenditures ⁶	\$2,797,863	\$2,838,389	(1.4%)
Inter-Department Transfers	\$654,614	-	100.0%
NON-OPERATING EXPENSES TOTAL	\$7,973,599	\$7,384,439	8.0%
TOTAL EXPENSES	\$291,390,787	\$283,812,842	2.7%
NET INCOME	\$2,566,367	\$1,752,561	46.4%

STATEMENT OF CASH FLOW: ON JUNE 30 OF THE FISCAL YEAR

CASH IN	FY14	FY13
Sales-Spirits	\$262,849,989	\$255,934,196
Wine Tax	\$7,508,064	\$7,430,736
License Fees	\$15,192,874	\$14,676,294
Split Case Fee	\$1,351,346	\$1,339,224
Bottle Deposit/Surcharge	\$2,189,234	\$2,060,614
Misc. Income	\$165,660	\$256,040
TOTAL CASH IN	\$289,257,167	\$281,697,104
CASH OUT		
To Local Authorities	\$4,026,876	\$3,626,636
Sunday Sales	\$871,957	\$890,000
Substance Abuse	\$16,847,059	\$19,417,243
General Fund Transfer	\$79,782,634	\$76,610,408
Intra State Transfers	\$675,649	\$52,467
Liquor Trust Fund Salaries and Benefits	\$4,233,184	\$4,366,760
Liquor Purchases	\$168,463,313	\$168,927,264
Bottle Deposit Refund	\$452,318	\$592,062
Recycle Surcharge Fee	\$1,003,095	\$1,254,937
Travel	\$78,020	\$64,728
Vehicle Operation	\$521,851	\$584,146
State Vehicle Depreciation	\$2,520	\$2,520
Supplies	\$131,216	\$162,034
Printing and Binding	\$34,770	\$21,414
Uniforms and Related Items	\$9,744	\$10,196
Postage	\$5	\$16,772
Communications	\$147,307	\$76,839
Rental	\$671,122	\$67,383
Utilities	\$125,665	\$97,822
Outside Services	\$584,239	\$188,328
Payments to other Agencies	\$287,477	\$238,442
Equipment	\$126,807	\$755,431
Other Expenses and Obligations	\$655	\$1,858
Refunds-Other	\$209,146	\$265,812
Capitals	\$2,164,724	\$1,331,930
TOTAL CASH OUT	\$281,451,353	\$279,623,432
TOTAL CHANGE IN CASH	\$7,805,814	\$2,073,672

BALANCE SHEET

YEAR ENDED JUNE 30, 2014

	FY14	FY13	% Change
CURRENT ASSETS			
Cash			
Petty Cash	-	\$200	(100.0%)
Cash	\$16,044,995	\$8,239,184	94.7%
Accounts Receivable			
Liquor	\$6,731,381	\$6,086,158	10.6%
Split Case Fees	\$30,379	\$33,433	(9.1%)
Recycle Fee/Surcharge	\$54,518	\$49,275	10.6%
Wine Tax	\$632,527	\$613,542	3.1%
Licenses	\$173,822	\$318,764	(45.5%)
Fines and Penalties	\$100	\$140	(28.6%)
Refunds and Reimbursements	\$4,716	\$36,471	(87.1%)
Other Agency Billings	\$2,322	\$41,332	(94.4%)
Inventory	\$784,292	\$1,285,147	(39.0%)
TOTAL CURRENT ASSETS	\$24,459,052	\$16,703,646	46.4%
PROPERTY, PLANT & EQUIPMENT			
Machinery, Equipment and Vehicles	\$624,822	\$539,554	15.8%
Less: Accumulated Depreciation	(\$425,535)	(\$425,535)	0.0%
Buildings and Improvements	\$5,654,397	\$5,645,397	0.0%
Capital in Process	\$2,143,247	-	100.0%
Land	\$210,000	\$210,000	0.0%
TOTAL ASSETS	\$32,666,043	\$22,682,062	44.0%
LIABILITIES			
Current Liabilities			
Wages and Benefits	\$141,756	\$173,073	(18.1%)
Liquor Purchases	\$8,959,012	\$5,991,360	49.5%
Bottle Deposit Fee	\$95,456	\$42,689	123.6%
Recycle Surcharge Fee	\$211,721	\$94,515	124.0%
Substance Abuse Obligation	\$1,708,964	\$16,119	10502.2%
General Fund Obligation	\$9,050,000	6,200,000	46.0%
Due to Other State Agencies	-	\$63,348	(100.0%)
License Fees to Cities/Counties	\$335,222	\$712,932	(53.0%)
Liquor Refunds	(\$2,082)	17,517	(111.9%)
License Refunds	\$19,723	\$21,411	(7.9%)
Misc. Obligations	\$179,817	\$130,887	37.4%
TOTAL LIABILITIES	\$20,699,589	\$13,463,851	53.7%
TOTAL NET ASSETS	\$11,966,454	\$9,218,211	29.8%
TOTAL LIABILITIES & NET ASSETS	\$32,666,043	\$22,682,062	44.0%

NOTES TO FINANCIAL STATEMENTS

- 1 • Cost of goods sold is the total cost to procure liquor. Per Iowa Code Chapter 123.22, the Division utilizes
• a bailment inventory system. The Division charges a \$1.00 bailment fee per case sold to liquor suppliers
• for warehousing liquor. The bailment fee is deducted from payments to vendors. Bailment fees and special
• handling fees are not actual revenues received; rather they are a reduction in the purchase cost of liquor.
• The amount reported reflects the Division's liquor purchases minus the applicable amount of bailment
• fees and special handling fees.
- 2 • Freight costs are comprised of the direct expense associated with delivering spirits to Class E licensees
• throughout the State of Iowa. Major expenditures included in the freight category are wages and benefits
• of delivery drivers, fuel expense, and leasing of vehicles.
- 3 • Warehouse costs are comprised of the direct expense associated with warehousing and order fulfillment
• of spirits. Major expenditures included in the warehouse category are wages and benefits of warehouse
• employees, shipping supplies such as shrink wrap and corrugated cartons, equipment, and maintenance
• on equipment.
- 4 • Other expenses related to distribution are the indirect costs associated with warehousing and distribution
• of spirits. Major expenditures in this segment are major software purchases and capital improvements.
- 5 • General and administrative expenditures are the combined total of each supporting unit's cost which is
• directly involved with the distribution of spirits. Salaries and wages reported are for warehouse manage-
• ment, product management, accounting, IT and human resource functions. Utilities, software, IT infra-
• structure and development, office equipment and supplies are included in this category.
- 6 • Non-operating expenses are the Division's cost that are not associated with the physical distribution of
• spirits. This category includes salaries and costs of the administrative segment, licensing, compliance, as
• well as the portion of accounting, information technology, and maintenance not allocated to the operation-
• al segment supporting spirits distribution.