

IOWA

Alcoholic Beverages
Division

Annual Report 2016

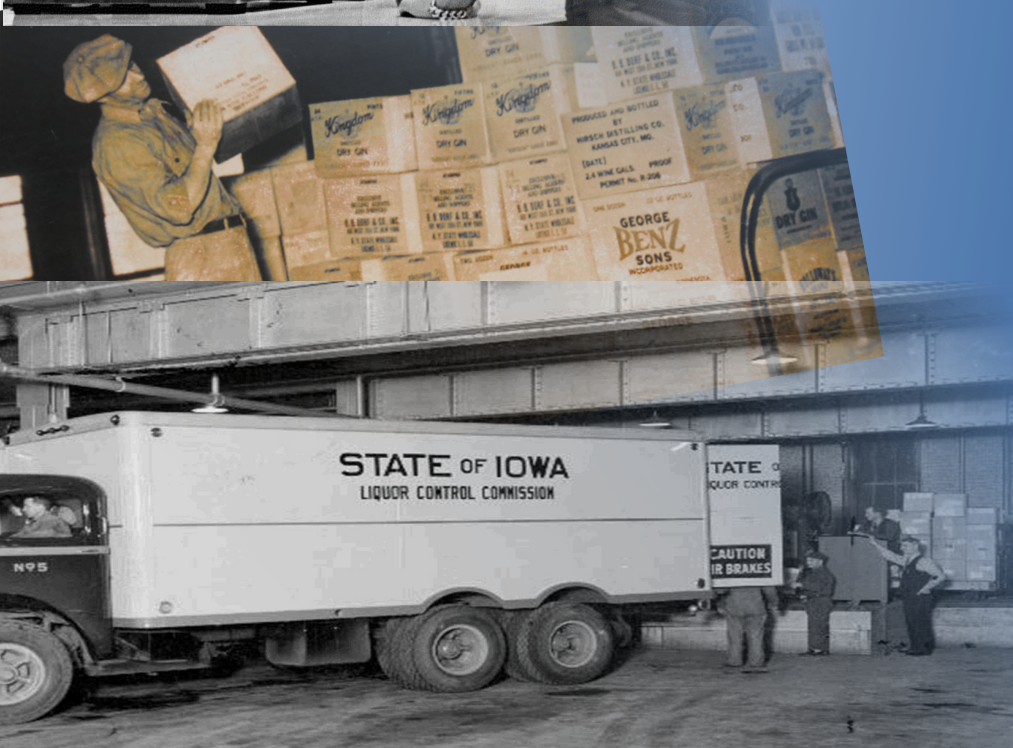




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About the Division

MISSION STATEMENT

To serve Iowans through responsible and efficient licensing, regulation and distribution of alcohol.

VISION STATEMENT

The Iowa Alcoholic Beverages Division provides clarity, consistency and equity to all stakeholders within the beverage alcohol industry.

EXECUTIVE INFORMATION

Governor

Terry E. Branstad

Lt. Governor

Kim Reynolds

Commission Members

- Chairperson: Jay Wilson
- Vice-Chairperson: Gary Nystrom
- Secretary: Rachel Eubank
- Commissioner: Tami Doll
- Commissioner: John Pauli

Division Administration

Administrator

Stephen Larson

Comptroller

Todd Halbur



Year in Review



“The Division continues to produce a robust return on investment.”

— Stephen Larson, Administrator

The alcoholic beverages industry is anything but static. Mergers and acquisitions on a global scale along with a craft industry growing at a pace never seen before are intertwined with changes in customer demand and expectations.

Clearly, these are exciting times at the Iowa Alcoholic Beverages Division (Division) as we continue to adapt our operations to enable us to work effectively with this evolving industry.

In Fiscal Year 2016, the Division saw another increase in liquor sales to more than \$288.9 million. Total revenue, which includes fees for licensing as well as collecting beer and wine taxes, topped \$330.4 million and the Division was able to distribute more than \$131.1 million to the General Fund, the Iowa Department of Public Health, the Iowa Economic Development Authority and city and county governments across the state.

Combined with continued operational improvements and efficiencies, the Division continues to produce a robust return on investment and is in a position of being a significant source of state revenue at a time of subdued economic growth in the state.

Improving Business Practices

As a state agency operating alongside various private sector businesses on a daily basis, it is critical that the Division utilizes technology and practices that optimize efficiency and effectiveness. During Fiscal Year 2016, we completed certain steps toward these goals while committing to other projects that will clearly improve and enhance our productivity and ability to work dynamically with customers, vendors and other regulators.

During the fiscal year, adoption of the Division's web-based portals by customers and vendors was completed, leading to significant savings of time and human resources as the older 'phone and/or fax' ordering system became a thing of the past.

In Fiscal 2016, the Division began a migration from several distinct computer operating systems to a single platform (Microsoft Dynamics AX) that is capable of managing all business and fulfillment processes more effectively. While any such transition can lead to temporary challenges, our staff and the consultants advising this transition have been able to navigate these few 'bumps' very effectively.



Year in Review (continued)

Another significant step in ensuring the Division is operating as efficiently as possible was the conclusion of a study by Johnson Stephens Consulting, a transportation and warehousing consulting company. The Johnson Stephens report confirmed that the Division is taking the necessary steps to continue to improve upon the entire fulfillment process, from receiving product into the warehouse to delivering orders directly to our customers.

The Division took great strides in areas other than technology and the fulfillment process in Fiscal Year 2016. In past years, compliance efforts regarding the Register's Annual Great Bike Ride Across Iowa (RAGBRAI) were somewhat ad hoc and less-than-effective. In 2016, the approach to this massive event changed and the Division was able to provide education to more than 400 license holders and every local authority on the route before RAGBRAI started rolling across the state. Compliance personnel followed up by physically checking each community and various events involving liquor licenses along the ride. This effort was due in large part to the decision to create a more robust and effective compliance team after nearly two decades of insufficient resources and personnel. The Division's compliance team is now capable of performing financial audits as well as ensuring license holders are educated on operating within the rules.

Building a more comprehensive compliance program is a key part of the Division's future – a future that will surely involve further change. Will the local craft movement continue to

expand? Will consumers have a more direct effect on where alcohol is sold or delivered? What new products are on the horizon?

Clearly, the Division needs to be prepared for further growth in the number of customers we serve and continue to build upon a tradition and commitment that fosters a contemporary and successful alcoholic beverages industry while ensuring the safety and well-being of Iowans and the communities in which they live.





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 Iowa State 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.



Jay Wilson – Chairperson

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 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. He will be eligible for a second five year appointment.



Gary Nystrom – Vice Chairperson

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. He will be eligible for a second five year appointment.



Alcoholic Beverages Commission (continued)



Rachel Eubank – Secretary

Rachel Eubank was appointed to the Commission on May 1, 2015 by Governor Branstad. Currently the President of Sticks, Inc., she has served as a volunteer with many organizations, including Chrysalis, I Have a Dream Foundation, the Des Moines Art Center and the 20/30 Society. She is a graduate of the University of Iowa and the University Lueneburg in Germany. She is a native of Des Moines and currently resides there with her husband and three young children. Her term will expire in April, 2020 and she will be eligible for a second, five year term.



John Pauli – Commissioner

John Pauli was appointed to the Commission on May 1, 2016 by Governor Branstad. Commissioner Pauli is an engineer with Pella Windows Corporation in Carroll. He is a graduate of the University of Wisconsin, Platteville (Industrial Engineering) and Drake University (MBA). He is a past member and Chairman of the Carroll County Conservation Board and has served in a number of volunteer positions in the community, including serving as the coach for the local trap shooting team. His term will expire in April, 2021 and he will be eligible for a second, five year term.

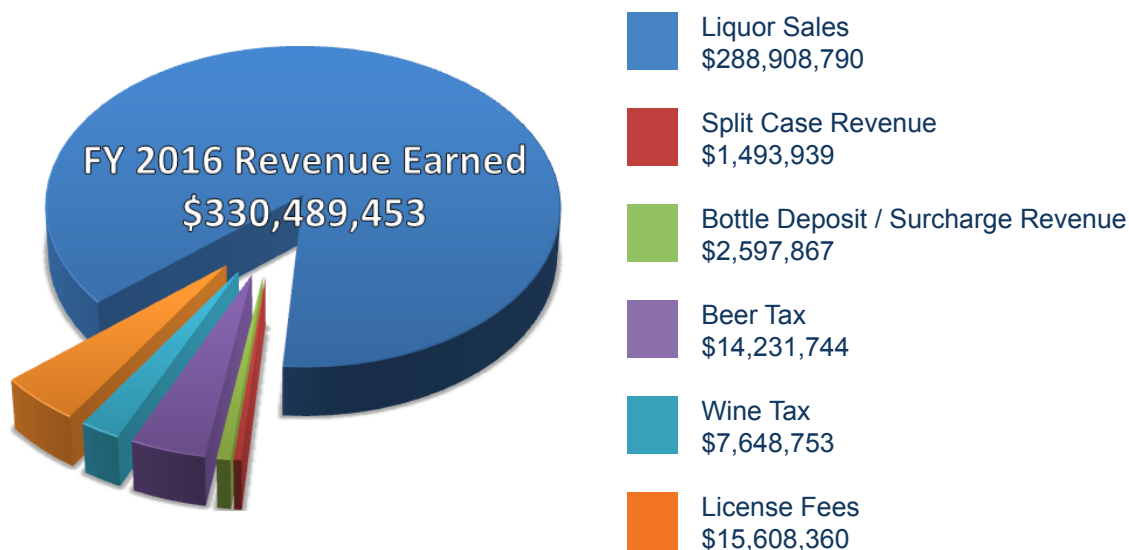


Tami Doll – Commissioner

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. She will be eligible for a second five year appointment.



Revenue Earned



Liquor Sales: **\$288,908,790**

The Division is the sole wholesaler for all alcoholic liquor (spirits) sold in Iowa and delivers product to over 1,300 retail locations across the state. Iowa Code requires the Division to markup product by 50 percent. Iowa Code §123.24(4).

Split Case Revenue: **\$1,493,939**

A 'split case' fee is applied when liquor is sold to a retailer as a single bottle. The split case fee is fifty cents a bottle and is required by Iowa Code §123.24(1).

Bottle Deposit / Surcharge Revenue: **\$2,597,867**

Pursuant to Iowa Code §455 (C) (2) and Iowa Code §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 and includes the five cent bottle deposit.

Beer Tax: **\$14,231,744**

The Division collects all taxes for beer manufactured or sold in the state at wholesale and beer imported into the state and sold at wholesale at a rate of nineteen cents per gallon.

Wine Tax: **\$7,648,753**

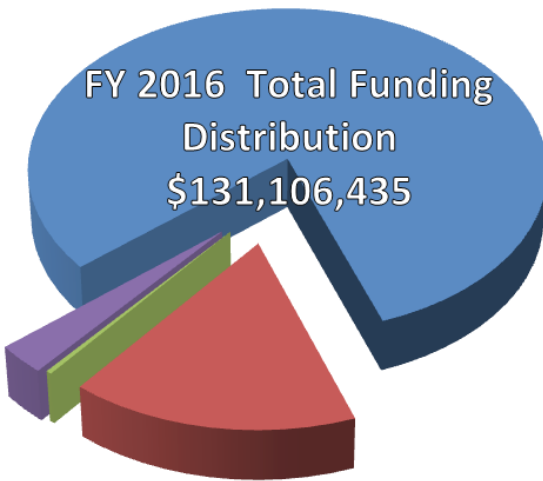
All wine manufactured for sale and sold in the state at wholesale, all wine imported and sold in the state at wholesale and wine directly shipped to consumers in the state shall be assessed a tax at the rate of one dollar and seventy-five cents per gallon.

License Fees: **\$15,608,360**

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



Where the Profits Go



General Fund	\$105,691,821
Iowa Department of Public Health	\$21,272,448
Iowa Economic Development Authority	\$429,404
Cities & Counties	\$3,712,762

General Fund Reversion: \$105,691,821

Payments made to the State of Iowa General Fund are appropriated by the General Assembly to areas in need, including education, natural resources, public safety and health and family services.

Iowa Department of Public Health: \$21,272,448

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

Iowa Economic Development Authority: \$429,404

Tax revenues collected from native Iowa wine producers and native breweries are directed to the Iowa Economic Development Authority's Beer and Wine Promotion Board. Funds collected are used for research and development of training programs within the native wine, beer and spirits industries.

Cities & Counties: \$3,712,762

A percentage of revenue collected from sales of licenses are remitted to the local authorities (cities and counties) issuing the licenses.



Comparative Statement of Gallons Sold

Comparative Statement of Liquor Gallons Sold

DISTILLED SPIRITS	FY15 Gallons	FY16 Gallons	Increase (Decrease) + / (-)
Whiskey	1,641,237.88	1,670,224.43	1.77%
Vodka	1,545,989.05	1,636,045.56	5.83%
Cordials and Liqueurs	557,224.44	487,803.94	-12.46%
Brandy	152,940.62	163,769.66	7.08%
Rum	697,850.14	703,933.95	0.87%
Tequila	194,467.46	204,095.46	4.95%
Gin	150,598.74	151,207.22	0.40%
Cocktails	166,882.28	182,234.23	9.20%
Distilled Spirits Specialty	49,962.87	84,216.75	68.56%
TOTAL DISTILLED GALLONS	5,157,153.49	5,283,531.18	2.45%

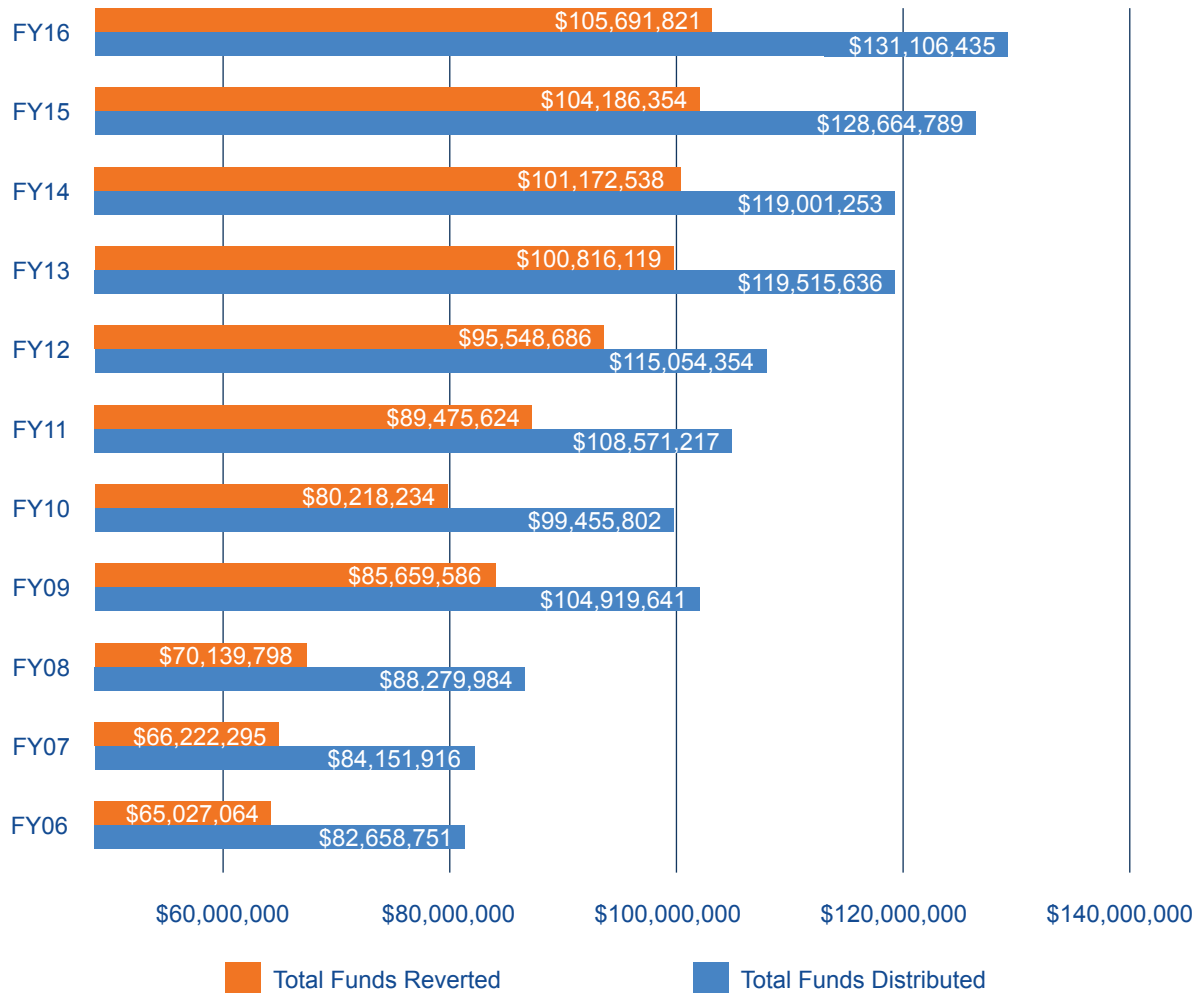
Comparative Statement of Beer and Wine Gallons Sold

	FY15 Gallons	FY16 Gallons	Increase (Decrease) + / (-)
Beer Gallons	73,835,128	74,746,570	1.23%
Native Beer Gallons	560,570	560,944	-
TOTAL BEER GALLONS	74,395,698	75,307,514	1.22%
Wine Gallons	4,521,250	4,369,835	-3.35%
Native Wine Gallons	153,665	182,261	18.60%
TOTAL WINE GALLONS	4,674,915	4,552,096	-2.63%



Reversion Growth

DISTRIBUTED / REVERTED FUNDS BY THE DIVISION

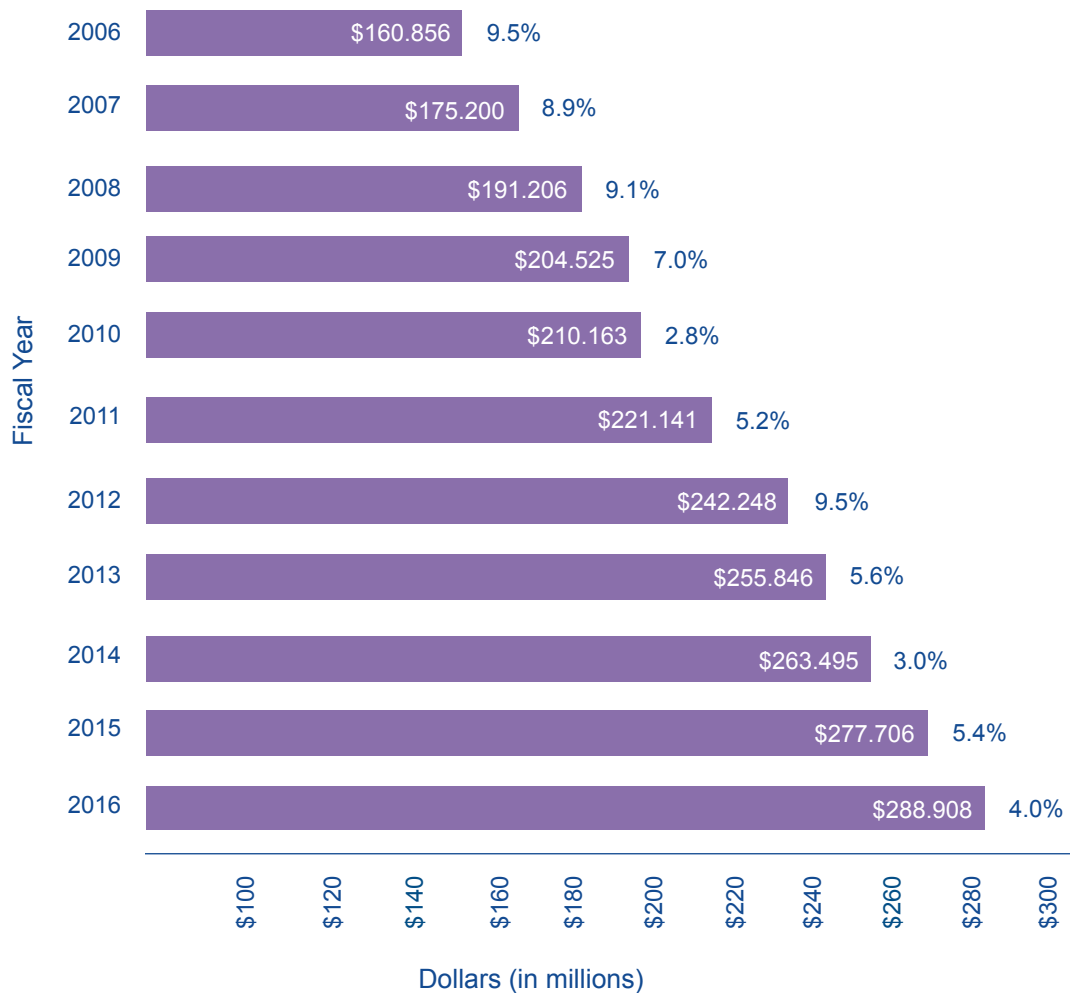


Total Funds Reverted is the amount returned to the General Fund for appropriation by the Legislature.

Total Funds Distributed refers to funds sent to all recipients, including the Iowa Economic Development Authority, Iowa Department of Public Health and local authorities.



Annual Liquor Sales



Purchasing

(Year ended 6-30-16)

Total Cases of Liquor Purchased2,091,996
Total Cost of Liquor Sales\$189,335,883
Number of Vendors174

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



Top 50 Brands *

Rank / Brand	Case Sales	Rank / Brand	Case Sales
1 Black Velvet Canadian Whiskey	157,190	26 Jagermeister Liqueur	18,925
2 Hawkeye Vodka	101,837	27 Nikolai 80 Proof Vodka	18,338
3 Captain Morgan Original Spiced Rum	86,487	28 Uv Blue Raspberry Flavored Vodka	17,581
4 Fireball Cinnamon Whiskey	74,881	29 Southern Comfort Whiskey Liqueur	16,979
5 Five O'Clock Vodka	60,937	30 New Amsterdam Vodka	16,532
6 Barton Vodka	54,261	31 Jose Cuervo Authentic Lime Margarita	16,061
7 Smirnoff Vodka	46,629	32 Skol Vodka	15,845
8 McCormick Vodka	45,909	33 Windsor Canadian Blended Canadian Whiskey	15,655
9 Jack Daniels Old #7 Black Label Tennessee Whiskey	44,387	34 Jameson Irish Whiskey	15,262
10 Seagram's Crown Royal Canadian Whiskey	40,288	35 Kessler Blended Whiskey	15,032
11 Phillips Vodka	37,230	36 Grey Goose Imported Vodka	14,651
12 Tito Handmade Texas Vodka	31,964	37 Dr McGillicuddys Cherry Schnapps	14,254
13 Bacardi Light-Dry Rum	31,903	38 Uv Vodka	13,800
14 Absolut Imported Vodka	30,913	39 Ten High Sour Mash Kentucky Bourbon Whiskey Blend	13,778
15 Seagram's Seven Crown Blended Whiskey	28,964	40 Fleischmann's Royal Vodka	12,530
16 Admiral Nelson's Spiced Rum	28,889	41 Hennessy VS Imported Brandy	12,401
17 Paramount White Rum	24,445	42 Crown Royal Regal Apple Flavored Canadian Whiskey	12,286
18 Paramount Peppermint Schnapps	23,660	43 Pinnacle Imported Vodka (France)	12,151
19 Canadian LTD Whiskey	23,643	44 Svedka Imported Vodka (Swedish)	11,912
20 G & W Five Star Blended Whiskey	22,709	45 Black Velvet Toasted Caramel Canadian Whiskey	11,423
21 Jim Beam Kentucky Straight Bourbon Whiskey	22,466	46 E & J VS Brandy	10,724
22 Captain Morgan Original Spiced Rum Barrel Shape	21,173	47 Canadian Club Original 1858 Canadian Whiskey	10,701
23 Malibu Rum Natural Coconut	20,474	48 Seagram's Extra Dry Gin	10,268
24 Jose Cuervo Especial Reposado Tequila	20,040	49 DeKuyper Peachtree Schnapps	10,177
25 Juarez Gold Tequila	19,540	50 Baileys Original Irish Cream Liqueur	9,812

Total 9 Liter Cases FY 16 2,219,162

9 Liter Cases Top 50 1,447,896

% all Cases 65.25%

+ or (-) % FY 16 vs FY15 2.31%

Total 9 Liter Cases FY 15 2,169,018

+ or (-) % FY 15 vs FY14 2.54%

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

Total 9 Liter Cases FY 14 2,115,198



Total Gallons Sold per County

RANK	COUNTY	FISCAL YEAR GALLONS				Retailers Selling Spirits			
		FY 2015	FY 2016	+ / -	% + / -	FY 2015	FY 2016	+ / -	% + / -
1	Polk	1,065,884.54	1,108,697.55	42,813.01	4.02%	216	205	-11	-5.09%
2	Linn	458,179.08	461,813.04	3,633.96	0.79%	96	100	4	4.17%
3	Scott	351,470.83	355,458.53	3,987.70	1.13%	66	71	5	7.58%
4	Johnson	289,042.91	298,784.38	9,741.47	3.37%	51	55	4	7.84%
5	Black Hawk	292,266.30	292,454.12	187.82	0.06%	78	69	-9	-11.54%
6	Woodbury	173,126.62	182,651.50	9,524.88	5.50%	40	39	-1	-2.50%
7	Pottawattamie	178,204.43	178,690.18	485.75	0.27%	51	52	1	1.96%
8	Dubuque	158,606.42	163,807.01	5,200.59	3.28%	38	41	3	7.89%
9	Story	160,068.47	162,567.71	2,499.24	1.56%	36	38	2	5.56%
10	Cerro Gordo	114,610.22	120,372.80	5,762.58	5.03%	19	23	4	21.05%
11	Dallas	83,086.07	92,797.95	9,711.88	11.69%	17	18	1	5.88%
12	Dickinson	75,379.25	78,272.52	2,893.27	3.84%	17	13	-4	-23.53%
13	Clinton	67,020.69	68,064.13	1,043.44	1.56%	17	17	0	0.00%
14	Des Moines	65,464.00	67,953.23	2,489.23	3.80%	20	21	1	5.00%
15	Lee	67,538.65	67,352.34	(186.31)	-0.28%	17	18	1	5.88%
16	Webster	58,239.38	65,690.46	7,451.08	12.79%	19	23	4	21.05%
17	Muscatine	57,623.69	59,019.68	1,395.99	2.42%	20	21	1	5.00%
18	Marshall	52,523.01	57,176.22	4,653.21	8.86%	14	15	1	7.14%
19	Wapello	50,152.05	50,179.79	27.74	0.06%	13	14	1	7.69%
20	Warren	42,476.98	47,452.20	4,975.22	11.71%	20	21	1	5.00%
21	Carroll	46,761.64	46,331.67	(429.97)	-0.92%	11	12	1	9.09%
22	Marion	37,809.86	39,703.91	1,894.05	5.01%	11	13	2	18.18%
23	Hardin	37,364.75	38,115.27	750.52	2.01%	13	13	0	0.00%
24	Bremer	38,442.11	37,489.29	(952.82)	-2.48%	9	9	0	0.00%
25	Boone	36,320.88	36,316.14	(4.74)	-0.01%	15	15	0	0.00%
26	Kossuth	37,572.28	35,208.67	(2,363.61)	-6.29%	8	7	-1	-12.50%
27	Jasper	36,677.11	34,457.83	(2,219.28)	-6.05%	15	15	0	0.00%
28	Buena Vista	34,512.31	33,674.40	(837.91)	-2.43%	13	14	1	7.69%
29	Clay	34,007.46	32,275.28	(1,732.18)	-5.09%	9	8	-1	-11.11%
30	Plymouth	34,720.25	29,968.49	(4,751.76)	-13.69%	8	8	0	0.00%
31	Sioux	28,722.13	29,548.58	826.45	2.88%	10	9	-1	-10.00%
32	Fayette	24,842.01	27,743.94	2,901.93	11.68%	8	10	2	25.00%
33	Buchanan	27,491.42	27,366.68	(124.74)	-0.45%	11	11	0	0.00%
34	Washington	25,082.56	27,213.83	2,131.27	8.50%	8	7	-1	-12.50%
35	O'Brien	26,516.45	27,056.60	540.15	2.04%	10	10	0	0.00%
36	Poweshiek	25,749.20	26,886.76	1,137.56	4.42%	13	14	1	7.69%
37	Winnebago	26,470.91	26,256.10	(214.81)	-0.81%	6	5	-1	-16.67%
38	Iowa	28,317.19	25,229.16	(3,088.03)	-10.91%	11	13	2	18.18%
39	Jackson	25,430.46	25,208.13	(222.33)	-0.87%	8	8	0	0.00%
40	Crawford	24,253.97	24,970.61	716.64	2.95%	6	5	-1	-16.67%

(continued on page 15)



Total Gallons Sold per County (continued)

RANK	COUNTY	FISCAL YEAR GALLONS				Retailers Selling Spirits			
		FY 2015	FY 2016	+ / -	% + / -	FY 2015	FY 2016	+ / -	% + / -
41	Floyd	23,275.19	24,262.17	986.98	4.24%	7	6	-1	-14.29%
42	Cass	22,772.00	23,537.40	765.40	3.36%	9	9	0	0.00%
43	Jones	23,300.34	21,990.80	(1,309.54)	-5.62%	4	5	1	25.00%
44	Page	22,605.38	21,963.22	(642.16)	-2.84%	8	8	0	0.00%
45	Henry	20,896.34	20,472.27	(424.07)	-2.03%	5	5	0	0.00%
46	Union	19,729.02	19,247.74	(481.28)	-2.44%	6	6	0	0.00%
47	Mahaska	19,867.22	18,967.66	(899.56)	-4.53%	6	6	0	0.00%
48	Delaware	17,260.66	18,884.08	1,623.42	9.41%	4	5	1	25.00%
49	Hamilton	17,669.17	18,153.71	484.54	2.74%	8	8	0	0.00%
50	Allamakee	17,718.55	17,481.97	(236.58)	-1.34%	6	6	0	0.00%
51	Appanoose	16,378.50	16,454.96	76.46	0.47%	6	8	2	33.33%
52	Benton	15,804.84	16,257.23	452.39	2.86%	6	6	0	0.00%
53	Shelby	16,382.10	16,138.07	(244.03)	-1.49%	4	4	0	0.00%
54	Winnebago	16,058.34	16,134.63	76.29	0.48%	6	7	1	16.67%
55	Jefferson	15,688.14	15,748.60	60.46	0.39%	4	4	0	0.00%
56	Madison	14,673.13	15,722.19	1,049.06	7.15%	8	8	0	0.00%
57	Cherokee	14,863.22	15,569.25	706.03	4.75%	7	6	-1	-14.29%
58	Lyon	14,470.07	15,437.80	967.73	6.69%	10	9	-1	-10.00%
59	Howard	16,527.06	15,356.57	(1,170.49)	-7.08%	3	4	1	33.33%
60	Wright	15,250.61	15,264.19	13.58	0.09%	10	10	0	0.00%
61	Tama	13,384.11	14,222.88	838.77	6.27%	5	5	0	0.00%
62	Humboldt	14,003.70	14,199.67	195.97	1.40%	4	4	0	0.00%
63	Clayton	14,589.63	13,869.19	(720.44)	-4.94%	12	12	0	0.00%
64	Emmet	12,660.32	13,154.55	494.23	3.90%	4	4	0	0.00%
65	Palo Alto	12,847.76	12,930.77	83.01	0.65%	8	7	-1	-12.50%
66	Montgomery	12,481.01	12,839.38	358.37	2.87%	5	5	0	0.00%
67	Clarke	12,098.47	12,304.47	206.00	1.70%	6	6	0	0.00%
68	Sac	11,647.94	12,237.54	589.60	5.06%	7	8	1	14.29%
69	Cedar	11,224.83	11,291.10	66.27	0.59%	9	9	0	0.00%
70	Greene	9,096.68	11,281.01	2,184.33	24.01%	7	6	-1	-14.29%
71	Franklin	10,570.29	11,278.75	708.46	6.70%	6	6	0	0.00%
72	Ida	9,445.84	11,185.86	1,740.02	18.42%	5	4	-1	-20.00%
73	Monona	10,354.74	10,311.07	(43.67)	-0.42%	3	4	1	33.33%
74	Mitchell	9,836.93	9,978.04	141.11	1.43%	5	5	0	0.00%
75	Mills	8,826.69	9,871.01	1,044.32	11.83%	6	7	1	16.67%
76	Harrison	9,759.63	9,850.45	90.82	0.93%	6	7	1	16.67%
77	Adair	8,807.76	9,225.98	418.22	4.75%	8	7	-1	-12.50%
78	Chickasaw	8,698.34	8,437.14	(261.20)	-3.00%	6	5	-1	-16.67%
79	Lucas	8,414.06	8,284.12	(129.94)	-1.54%	2	3	1	50.00%
80	Pocahontas	7,899.47	8,112.82	213.35	2.70%	6	5	-1	-16.67%

(continued on page 16)



Total Gallons Sold per County (continued)

RANK	COUNTY	FISCAL YEAR GALLONS				Retailers Selling Spirits			
		FY 2015	FY 2016	+ / -	% + / -	FY 2015	FY 2016	+ / -	% + / -
81	Calhoun	7,622.57	7,847.41	224.84	2.95%	8	6	-2	-25.00%
82	Grundy	6,826.20	7,574.74	748.54	10.97%	7	8	1	14.29%
83	Hancock	7,151.19	7,527.17	375.98	5.26%	4	4	0	0.00%
84	Butler	6,756.61	6,979.55	222.94	3.30%	7	7	0	0.00%
85	Monroe	6,521.76	6,329.06	(192.70)	-2.95%	3	3	0	0.00%
86	Guthrie	6,054.13	6,314.20	260.07	4.30%	4	5	1	25.00%
87	Worth	5,423.34	5,750.40	327.06	6.03%	3	3	0	0.00%
88	Osceola	5,210.08	5,250.49	40.41	0.78%	2	2	0	0.00%
89	Louisa	4,536.79	4,261.24	(275.55)	-6.07%	5	4	-1	-20.00%
90	Audubon	3,892.63	4,020.71	128.08	3.29%	2	4	2	100.00%
91	Keokuk	3,402.32	3,674.96	272.64	8.01%	3	3	0	0.00%
92	Van Buren	3,428.99	3,628.70	199.71	5.82%	3	3	0	0.00%
93	Decatur	3,060.70	3,490.56	429.86	14.04%	5	5	0	0.00%
94	Ringgold	2,895.76	3,258.16	362.40	12.51%	3	3	0	0.00%
95	Taylor	2,149.70	2,477.88	328.18	15.27%	3	2	-1	-33.33%
96	Wayne	1,873.23	2,225.18	351.95	18.79%	3	3	0	0.00%
97	Davis	2,249.45	2,141.21	(108.24)	-4.81%	1	1	0	0.00%
98	Adams	1,841.61	1,916.09	74.48	4.04%	1	1	0	0.00%
99	Fremont	389.79	676.52	286.73	73.56%	1	2	1	100.00%
TOTAL		5,157,153.47	5,283,531.22	126,377.75	2.45%	1,383	1,398*	15	1.08%

*Totals above represent all licenses issued in the fiscal year. This total does not reflect the licenses canceled or refunded during this same period.



Tax & Licensing Statistics

TAXES COLLECTED

(Includes penalties and adjusted for fiscal year collection and refunds)

(year ended 6-30-16)

	FY15	FY16	+ or (-) % FY16 vs FY15
Beer Tax*	\$14,489,027	\$14,231,743	(1.8%)
Native Beer Tax*	\$65,379	\$108,887	66.5%
Wine Tax*	\$7,765,256	\$7,648,753	(1.5%)
Native Wine Tax	\$247,851	\$320,516	29.3%
TOTAL TAXES COLLECTED	\$22,567,513	\$22,309,899	(1.2%)

LICENSE REVENUE

(year ended 6-30-16)

	FY15	FY16	+ or (-) % FY16 vs FY15
Liquor and Wine Permits	\$13,982,232	\$14,257,743	.01%
Beer Permits	\$1,136,313	\$1,179,560	2.9%
Special Licenses	\$7,950	\$9,895	24.0%
Compliance Licenses**	\$157,000	\$161,162	2.5%
TOTAL LICENSE REVENUE	\$15,283,496	\$15,608,360	0.1%

* For gallons reported, see page 10

** Refers to certificates of compliance for brewers, distillers and vintners (Page 19)



Licenses & Permits Processed

RETAIL

		FY15	FY16	+ OR (-) % FY16 VS FY15
License				
BB	Commercial Beer On / Off Premises	1,115	1,092	-2.06%
BC	Retail Store Beer Off Premises	3,058	3,154	3.14%
LA	Private Club Liquor / Wine / Beer On Premises	140	147	5.00%
LB	Hotel / Motel Liquor / Wine / Beer On Premises - Beer Off Premises	122	132	8.20%
LC	Commercial Liquor / Wine / Beer On Premises - Beer Off Premises	4,489	4,483	-0.13%
LD	Common Carrier Liquor / Wine / Beer On Premises	24	25	4.17%
LE	Commercial Liquor Off Premises	1,440	1,375	-4.51%
BW	Special Beer / Wine On Premises - Beer Off Premises	744	779	4.70%
WB	Retail Store Wine Off Premises	1,481	1,872	26.40%
WBN	Retail Store Native Wine Off Premises	918	1,264	37.69%
WCN	Commercial Native Wine On / Off Premises	86	137	59.30%
RETAIL TOTAL		13,617	14,460	6.19%

Licenses Suspended

In Fiscal Year 2016, 48 licenses were suspended by the Division. The most common reasons leading to suspension include serving alcohol to minors, delinquent tax payments or failure to maintain dram shop insurance.

(continued on page 19)



Licenses & Permits Processed (continued)

WHOLESALE / MANUFACTURER / IMPORTER

		FY15	FY16	+ OR (-) % FY16 VS FY15
License				
BA	Beer Wholesaler	48	43	-10.42%
BAA	High Alcohol Content Beer Wholesaler	41	34	-17.07%
WA	Wine Wholesaler	38	31	-18.42%
WHOLESALE SUBTOTAL		127	108	-14.96%
BAN	Native Beer Manufacturer / Distributor	34	46	35.29%
BAAN	High Alcohol Content Native Beer	31	40	29.03%
BB Brew Pub	Commercial Beer On / Off Premises	4	2	-50.00%
LC Brew Pub	Commercial Liquor / Wine / Beer	25	38	52.00%
WAN	Native Wine Manufacturer / Distributor	110	115	4.55%
MD	Micro-Distillery	12	13	8.33%
CM	Liquor Manufacturers Permit	16	21	31.25%
MANUFACTURERS SUBTOTAL		232	275	18.53%
CB	Brewers Certificate of Compliance	178	181	1.69%
CD	Distillers Certificate of Compliance	154	175	13.64%
CV	Vintners Certificate of Compliance	610	637	4.43%
SP	Brokers Permit	28	32	14.29%
CP	Charity Auction Permit	69	76	10.14%
DS	Direct Shippers Permit	837	885	5.73%
IMPORTER AND SPECIAL SUBTOTAL		1,876	1,986	5.86%
WHOLESALE / MANUFACTURER / IMPORTER TOTAL		2,235	2,369	6.00%
TOTAL		15,823	16,789	6.11%

Profit & Loss Statement

Year ended June 30, 2016

	YTD FY 2015	YTD FY 2016	FY16 vs. FY15 % Change	FY16 vs. FY15 Amount Change
Liquor Sales Revenue	277,706,515	288,908,790	4.03%	11,202,275
Cost of Sales ¹				
Bailment	184,001,456	191,821,836	4.25%	7,820,380
Less: Bailment Fees	(2,025,505)	(2,092,003)	3.28%	(66,498)
Less: Special Handling Fees	(405,492)	(324,638)	-19.94%	80,854
Less: Defective Products	(77,730)	(69,312)	-10.83%	8,418
Total Cost of Sales	181,492,729	189,335,883	4.32%	7,843,154
Gross Profit	96,213,786	99,572,907	3.49%	3,359,121
Gross Profit %	34.6%	34.5%	-0.29%	-0.10%
Operating Expenses				
Freight Expenses ²	2,703,541	2,625,272	-2.90%	(78,269)
Warehouse Expenses ³	1,662,697	1,850,231	11.28%	187,534
Other Expenses Related To Distribution ⁴	1,930,246	468,688	-75.72%	(1,461,558)
Total Operating Expenses	6,296,484	4,944,191	-21.48%	(1,352,293)
General and Administrative Expenses ⁵				
Warehouse Administration	552,411	638,630	15.61%	86,219
Product Administration	387,387	471,049	21.60%	83,662
Accounting	438,952	459,861	4.76%	20,909
Information Technology	1,027,739	2,241,770	118.13%	1,214,031
Buildings and Grounds	353,049	451,766	27.96%	98,717
General and Administrative Expense Total	2,759,538	4,263,076	54.49%	1,503,538
Income from Operations	87,157,764	90,365,640	3.68%	3,207,876
Other Revenues				
Split Case Fee	1,426,902	1,493,939	4.70%	67,037
Bottle Deposit/Surcharge	2,385,737	2,597,867	8.89%	212,130
Recycling	18,111	23,409	29.25%	5,298
Fuel and Lease Reimbursement	11,944	29,296	145.28%	17,352
Lease Revenue	79,950	81,617	2.09%	1,667
Total Other Revenues	3,922,644	4,226,128	7.74%	303,484
Other Expenses				
Bottle Deposit Fee	534,945	563,914	5.42%	28,969
Recycle Surcharge Fee	1,203,458	1,266,757	5.26%	63,299
Liquor Refunds	(4,202)	(2,105)	-49.90%	2,097
Substance Abuse Transfer	19,539,339	20,328,191	4.04%	788,852
Sunday Sales Transfer to IDPH	907,891	944,257	4.01%	36,366
Total Other Expense	21,273,540	22,156,757	4.15%	883,217
Net Profit	69,806,868	72,435,011	3.76%	2,628,143
Return on Sales	25.1%	25.1%	0.00%	0.00%

Net Income Statement

Year ended June 30, 2016

	YTD FY 2015	YTD FY 2016	YTD FY16 vs. FY15 % Change	YTD FY16 vs. FY15 Amount Change
REVENUES				
Operating Revenues				
Liquor Sales	277,706,515	288,908,790	4.03%	11,202,275
Split Case Revenue	1,426,902	1,493,939	4.70%	67,037
Bottle Deposit/Surcharge	2,385,737	2,597,867	8.89%	212,130
Recycling Revenue	20,122	26,009	29.26%	5,887
Fuel and Lease Reimbursement	3,546	3,266	-7.90%	(280)
Total Operating Revenues	281,542,822	293,029,871	4.08%	11,487,049
Non-Operating Revenues				
Lease Revenue	99,937	81,617	-18.33%	(18,320)
License Fees	15,511,139	15,608,360	0.63%	97,221
Wine Tax	7,765,256	7,648,753	-1.50%	(116,503)
Fines/Penalties	30,725	66,352	115.95%	35,627
Misc. Funding Sources	440,330	357,125	-18.90%	(83,205)
State Appropriations	1,220,391	1,220,391	-	-
Inter Department Transfers	1,053,067	940,067	-10.73%	(113,000)
Prior Year Liquor Control Fund Carry forward	2,975,171	1,302,775	-56.21%	(1,672,396)
Total Non-Operating Revenues	29,096,016	27,225,440	-6.43%	(1,870,576)
Total Revenues	310,638,838	320,255,311	3.10%	9,616,473
EXPENSES				
Operating Expenses				
Purchase of Spirits ¹	181,492,729	189,335,883	4.32%	7,843,154
Freight Expenses ²	2,703,541	2,625,272	-2.90%	(78,269)
Warehouse Expenses ³	1,662,697	1,850,231	11.28%	187,534
Other Expenses Related To Distribution ⁴	1,930,246	468,688	-75.72%	(1,461,558)
Warehouse Administration ⁵	552,411	638,630	15.61%	86,219
Product Administration ⁵	387,387	471,049	21.60%	83,662
Accounting ⁵	438,952	459,861	4.76%	20,909
Information Technology ⁵	1,027,739	2,241,770	118.13%	1,214,031
Buildings and Grounds ⁵	353,049	451,766	27.96%	98,717
Bottle Deposit Fee	534,945	563,914	5.42%	28,969
Recycle Surcharge Fee	1,203,458	1,266,757	5.26%	63,299
Liquor Refunds	(4,202)	(2,105)	-49.90%	2,097
Substance Abuse Transfer	19,539,339	20,328,191	4.04%	788,852
Liquor Profits Transfer	89,697,323	91,460,077	1.97%	1,762,754
Total Operating Expenses	301,519,614	312,159,984	3.53%	10,640,370
Non-Operating Expenses				
Sunday Sales Transfer	907,891	944,257	4.01%	36,366
Payments to City and Counties	3,717,974	3,712,761	-0.14%	(5,213)
Non-Operating Expenditures ⁶	2,831,038	2,572,382	-9.14%	(258,656)
Inter-Department Transfers	600,000	487,000	-18.83%	(113,000)
Non-Operating Expenses Total	8,056,903	7,716,400	-4.23%	(340,503)
Total Expenses	309,576,517	319,876,384	3.33%	10,299,867
Net Income	1,062,321	378,927	-64.33%	(683,394)



Statement of Cash Flow

On June 30, 2016

	FY 16	FY 15
CASH IN		
Liquor Sales	\$282,876,600	\$272,577,792
Wine Tax	\$6,873,529	\$6,628,406
License Fees	\$15,317,454	\$15,070,696
Split Case Fee	\$1,400,694	\$1,459,490
Bottle Deposit Fee	\$2,539,180	\$2,341,325
Other - Miscellaneous Income	\$712	-
Other - Fees, NSF	\$5,307	-
NABCA	-	-
Recycle	-	-
Other Miscellaneous Income	\$37,340	46,828
Lottery Lease	\$61,630	\$79,950
Other Sales / Service - Recycling	\$20,569	\$15,938
TOTAL CASH IN	\$309,133,014	\$298,220,425
CASH OUT		
Cities - Liquor Sales Dist	\$3,144,406	\$3,128,284
Counties - Liquor Sales Dist	\$208,111	\$204,035
Transfer to Liq Gen Fund (0001)	\$415,000	\$500,000
Sunday Sales	\$944,257	\$907,891
Substance Abuse	\$17,974,928	\$17,638,538
General Fund Transfer	\$82,700,000	\$80,000,000
Personal Expenses	\$4,298,636	\$3,991,325
Liquor Purchases	\$180,248,897	\$171,866,674
Bottle Deposit / Surcharge	\$1,680,588	\$1,594,446
Capitals	\$468,688	\$1,812,712
Miscellaneous Trust Fund Expenses	\$4,111,007	\$3,203,845
TOTAL CASH OUT	\$296,194,518	\$284,847,750
TOTAL CHANGE IN CASH	\$12,938,496	\$13,372,675



Balance Sheet

On June 30, 2016

	FY16	FY15	% Change
CURRENT ASSETS			
Cash	\$17,773,522	\$15,561,343	14.22%
Accounts Receivable			
Liquor	\$6,032,191	\$5,128,723	17.62%
Split Case Fees	\$34,449	\$26,208	31.44%
Recycle Fee / Surcharge	\$58,687	\$44,412	32.14%
Wine Tax	\$775,225	\$1,136,850	-31.81%
Licenses	\$290,906	\$440,443	-33.95%
Fines and Penalties	\$34,028	\$8,721	290.18%
Refunds and Reimbursements	\$5,115	\$4,874	4.95%
Other Agency Billings	\$186,337	\$23,735	685.07%
Inventory			
Liquor	195,840	461,315	-57.55%
Gasoline / Fuel	27,498	39,038	-29.56%
TOTAL CURRENT ASSETS	\$25,413,798	\$22,875,662	11.10%
PROPERTY, PLANT & EQUIPMENT			
Machinery, Equipment and Vehicles	\$1,910,342	\$1,910,342	0.00%
Less: Accumulated Depreciation	(\$421,735)	(\$526,195)	-19.85%
Buildings and Improvements	\$4,714,042	\$4,232,598	11.37%
Capitals in Process	\$2,001,056	\$1,519,612	31.68%
Land	\$210,000	\$210,000	0.00%
TOTAL ASSETS	\$33,827,502	\$30,222,019	11.93%
LIABILITIES			
Current Liabilities			
Wages and Benefits	\$211,425	\$155,914	35.60%
Liquor Purchases	\$9,086,986	\$9,626,055	-5.60%
Bottle Deposit Fee	\$58,687	\$44,412	32.14%
Recycle Surcharge Fee	\$103,706	\$99,744	3.97%
Substance Abuse Obligation	\$2,353,265	\$1,900,801	23.80%
General Fund Obligation	\$8,760,077	\$9,100,000	-3.74%
License Fees to Cities/Counties	\$360,244	\$385,656	-6.59%
License Refunds	\$648	\$1,772	-63.41%
Misc. Obligations	\$316,863	\$259,401	22.15%
TOTAL LIABILITIES	\$21,251,902	\$21,573,755	-1.49%
TOTAL NET ASSETS	\$12,575,600	\$8,648,264	45.41%
TOTAL LIABILITIES & NET ASSETS	\$33,827,502	\$30,222,019	11.93%



Financial Statements

The following summary of the Division financial performance provides a brief overview of financial activities for fiscal year 2016. 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, 2016 – August 31, 2016). While the Division's operation is audited, the following pages are internally audited only.

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Net Income Statement	Page 21
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Balance Sheet	Page 23
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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, 2016, with comparison to the Division's financial position as of June 30, 2015. The Profit and Loss Statement reflects the Division's financial performance with respect to wholesale operations. The Net Income Statement outlines a fiscal year 2016 and fiscal

year 2015 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 2016 and 2015 to the Liquor Control Trust Fund. Also presented in this report are 'Notes to Financial Statements' that provide additional information that facilitate a better understanding of the data provided within each statement.



Financial Highlights

FINANCIAL ANALYSIS

Revenue Analysis

- The overall revenue for Fiscal Year 2016 generated \$330.4 million, which represents a 3.5 percent increase over Fiscal Year 2015.
- The Division transferred \$131.1 million to the State of Iowa, cities and counties and the Iowa Economic Development Authority.
- Gross liquor sales in Fiscal Year 2016 increased by 4.0 percent compared to Fiscal Year 2015.
- Total non-operating revenues increased by 7.7 percent in Fiscal Year 2016 compared to Fiscal Year 2015.

Expense Analysis

- Total expenses increased by 3.4 percent in Fiscal Year 2016 over Fiscal Year 2015.
- The Division exceeded by 8.5 percent its Revenue Estimated Conference obligation of \$103 million.
- Total funds transferred to the State of Iowa General Fund were \$105.6 million.
- The Division in Fiscal Year 2016 incurred one-time technology and capital expenses:
 - Information technology: \$1,220,520.
 - Master plan and building improvements: \$468,688.

NOTES TO FINANCIAL STATEMENTS

1. Cost of goods sold is the total cost to procure liquor. Per Iowa Code section 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 large 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 management, product management, accounting, IT and human resource functions. Utilities, software, IT infrastructure and development, office equipment and supplies are included in this category.
6. Non-operating expenses are the Division's costs 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 operational segment supporting spirits distribution.



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

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