

# Annual Report

Fiscal Year  
2019



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# Iowa Alcoholic Beverages Division

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# Iowa Alcoholic Beverages Division

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## Our Mission

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

## Our Vision

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

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**Maintaining a responsive and effective organization requires state agencies to look at their business processes and operations strategically.**

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## Core Values / Focus

- **Integrity** — Our employees, partners and licensees can count on the Division to be honest and trustworthy.
- **Mission Oriented** — We will keep a constant focus on the Iowans our programs benefit.
- **Purposeful Work Ethic** — We nurture a culture of outstanding work ethic, teamwork, and diligence.
- **Accountability** — Willingness to accept responsibility and honor our commitment.
- **Customer Service Focus** — We are courteous, responsive, and respectful.
- **Trusted Resource** — We are a reliable resource for Iowans.

## Executive Information

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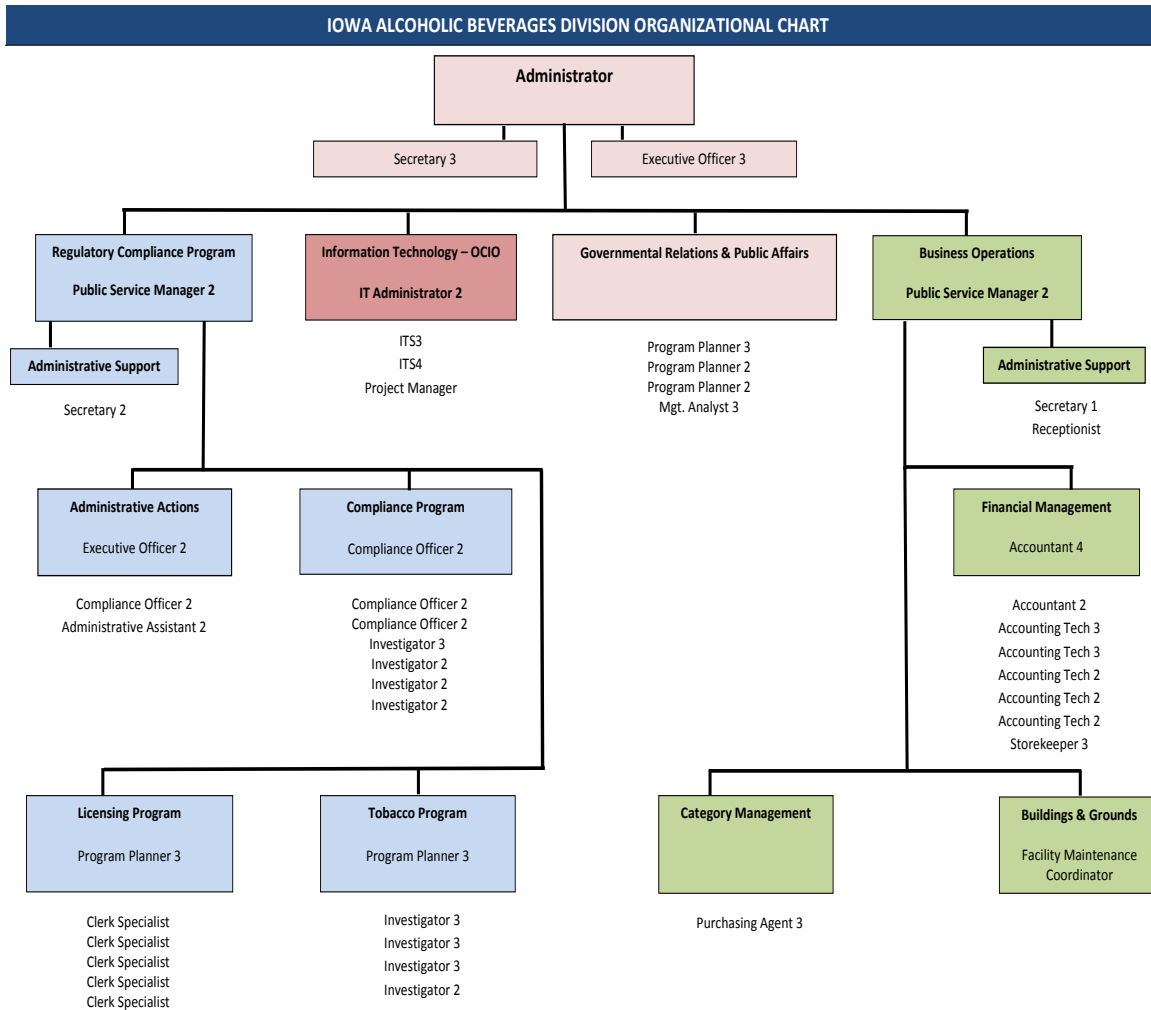
Kim Reynolds . . . . . Governor of Iowa  
Adam Gregg . . . . . Lieutenant Governor

## Division Administration

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Stephen Larson . . . . . Administrator  
Herbert H. Sutton, Jr. . . . . Operations Bureau Chief  
Joshua Happe . . . . . Regulatory Compliance Bureau Chief  
Leisa Bertram . . . . . Controller  
Stephanie Strauss . . . . . Government Relations

# Iowa Alcoholic Beverages Division



# Iowa Alcoholic Beverages Division

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## Key Strategic Initiatives

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### Building a Future-Ready Iowa

- Partner with other agencies and outside stakeholders to share resources and information as a way to better provide services to all Iowans.
- Provide internship opportunities for Iowa college students to help advance their knowledge and/or skills.

### Creating a Competitive Business Environment

- Identify ways to streamline the alcohol licensing process by collaborating with other State and local licensing authorities.
- Revise trade practice rules to create regulatory clarity and better synchronize with an evolving industry and marketplace.
- Identify ways to increase service to Iowa businesses by demonstrating ongoing improvement in the distribution of spirits.
- Create e-commerce platforms that allow businesses and consumers to place and track products ordered through delivery.

### Empowering Rural Iowa

- Provide educational opportunities for rural stakeholders regarding alcohol licensing in manufacturing, retailing, and regulatory governance.

### Offering Redemption through Second Chances

- Ensure administrative actions taken for first-time violations properly fit the severity of the offense. When appropriate, provide education to licensees, allowing for a second chance to comply.

" This distribution model is owned by the citizens of Iowa and continues to provide a significant return on investment, generating over \$126.1 million in FY19 that will be used by the legislature for programs that benefit all Iowans, regardless of whether they choose to consume alcohol. "

— Stephen Larson, Administrator



## Our Progress — Year in Review

Pursuant to the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123), the Iowa Alcoholic Beverages Division (Division) is responsible for the administration and enforcement of alcoholic beverages laws in the state of Iowa. Furthermore, the law provides the legal authority for the Division to assume direct control of the distribution at wholesale of alcoholic liquor to off-premises retail licensees.

Iowa's economic vitality is supported by the work performed by the Division. As the regulatory authority on alcohol in Iowa, the Division ensures fair and effective administration and governance in the Iowa marketplace. The Division's role, as outlined in Iowa Code chapter 123, ensures a level playing field in the marketplace and enhanced business opportunities in the alcoholic beverages arena.

During Fiscal Year 2019, the Division continued to make improvements to meet industry and consumer demands for alcoholic beverages brand diversity, adapt our processes to meet the needs of our licensees, and increase our regulatory and educational efforts.

### BUSINESS OPERATIONS

Once again the Division experienced vigorous revenue growth. Total liquor sales were \$339.5 million, a 6.1% increase over the previous fiscal year. Income from liquor profits, funds generated by excise taxes on wine and beer, and revenue from licensing and regulatory efforts translated into a total transfer of \$144.7 million.

The Business Operations Bureau completed a successful procurement process resulting in

a public-private partnership with Ruan, a Des Moines-based trucking company with a long and successful history in warehousing and delivery. The partnership will provide opportunities in the future to optimize the delivery of liquor, provide increased efficiency and delivery consistency for our customers, and ensure the continued profitability of this highly successful citizen-owned model.

### REGULATORY COMPLIANCE

The Division is responsible for licensing, inspecting, and controlling the manufacture of alcoholic beverages and regulating the alcoholic beverages industry in the state. The Regulatory Compliance Bureau focuses on protecting public health and safety and ensuring a fair and level playing field. During Fiscal Year 2019, the bureau processed over 18,450 licenses, permits, and certificates, plus opened 234 investigations for alleged alcohol or Smoke-free Air Act violations, and collected \$152,438 in civil penalties and audit funds.

### LOOKING AHEAD

The Division's strategic initiatives (see page 3) will be to continue working toward improving our operations, policies, and processes to align with Governor Reynolds' vision of "Unleashing Opportunities". This report reaffirms our commitment to strive for continual improvement to better serve our customers, the citizens of Iowa, and meet the demands of an ever-evolving alcoholic beverages marketplace while balancing public safety. ■

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Larson".

Stephen Larson, Administrator



# Iowa Alcoholic Beverages Commission

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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 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.

## About Us

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### John Pauli – Chairperson

John Pauli began his first term on the Iowa Alcoholic Beverages Commission on May 1, 2016. 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. Commissioner Pauli's current term will expire on April 30, 2021. He will be eligible for a second five-year term.



### Christine Spratt – Vice Chairperson

Christine Spratt began her first term on the Iowa Alcoholic Beverages Commission on May 1, 2017. She is the General Manager and Vice-President of Golden Eagle Distributing in Mt. Pleasant. She resides in Burlington, Iowa. Commissioner Spratt's current term will expire on April 30, 2022. She will be eligible for a second five-year term.

# Iowa Alcoholic Beverages Commission

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## **Jay Wilson – Secretary**

Jay Wilson began his first term on the Iowa Alcoholic Beverages Commission on May 1, 2013. He was reappointed to a second term by Governor Kim Reynolds that began May 1, 2018. 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, 2023.



## **Gary Nystrom – Commissioner**

Gary Nystrom began his first term on the Iowa Alcoholic Beverages Commission on May 1, 2014. He was reappointed to a second term by Governor Kim Reynolds that began May 1, 2019. Commissioner Nystrom was a partner in Pritchard Bros. Inc. Plumbing and Heating in Boone for over 45 years before retiring in December 2017. He also served on the Boone City Council for eight years. Nystrom continues to be active in the community through volunteering, as well as serving on other committees and boards locally and statewide. He is a lifelong resident of Boone where he is joined by his wife, two grown children, and five grandchildren.



## **Rachel Eubank – Commissioner**

Rachel Eubank began her first term on the Iowa Alcoholic Beverages Commission on May 1, 2015. Currently the President of Sticks, Inc., she has served as a volunteer with many organizations, including Chrysalis, the 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. Commissioner Eubank's current term will expire on April 30, 2020. She will be eligible for a second five-year term.



# Regulatory Compliance Bureau



"Public health, safety, and welfare will be at the forefront of the work we do."

— Joshua Happe,  
Bureau Chief

## Our Progress — Year in Review

The Bureau is comprised of six units:

- Alcohol Compliance
- Tobacco
- Education and Outreach
- Alcohol Licensing
- Administrative Actions
- Administrative Support

Each unit is playing a vital role in executing the public policy mission of protecting the health, safety, and welfare of the citizens of Iowa. (Iowa Code section 123.1).

The Bureau continues to be effective and efficient in the licensing, education, and regulation of alcohol and tobacco in the

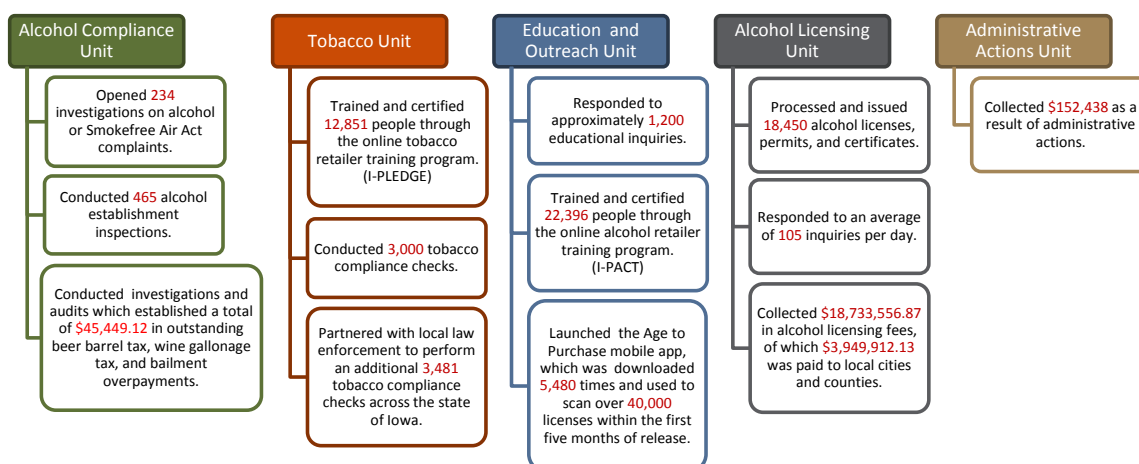
state of Iowa. Its experienced staff continues to have much success in this regard.

The Bureau is building upon an existing foundation to develop additional capabilities in licensing, education, investigation, auditing, and inspection. This is being done through training of personnel and improving existing technology, with the goal of conducting more complex licensing and regulatory work in the future.

The Bureau is working to increase its regulatory footprint and provide more education on alcohol and tobacco to stakeholders within the state. This includes increased collaboration with local, state, and federal regulatory agencies. ■

Each unit is playing a vital role in executing the public policy mission of protecting the health, safety, and welfare of the citizens of Iowa.

The Bureau's results are particularly significant in light of the fact that its total operating expenses were **\$1,303,648**.



## Alcohol Compliance Unit

Pursuant to the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123), the Division is responsible for the administration and enforcement of alcoholic beverage laws in the state of Iowa. Furthermore, the law provides the legal authority for the Division to inspect and control the manufacture of beer, wine, and alcoholic liquors and regulate the entire alcoholic beverages industry in the state. The Division serves as a supplementary aid to the Iowa Department of Public Safety in enforcement of alcoholic beverage laws.

In FY19, the Alcohol Compliance Unit focused its enforcement efforts on violations of alcohol laws that affect public health, safety, and welfare and ensuring a fair and level playing field in the alcoholic beverages industry. Investigations were generated from complaints reported to the Division and violations discovered during inspections of alcohol licensed establishments.

The unit opened **234** cases for alleged alcohol or Smokefree Air Act violations in FY19, and continued investigating **43** cases from FY18. Additionally, the unit conducted **465** inspections of alcohol licensed establishments. The unit did not receive any voluntary disclosures in FY19.

A data sharing agreement with the Iowa Department of Revenue and Iowa Lottery was finalized during FY19 and resulted in many investigative leads into the good moral character of license/permit holders. Through these investigations a total of **\$11,092,346** of unreported sales were discovered which equates to **\$788,572** sales tax due to the State of Iowa.

Investigations conducted by the unit in FY19 identified **\$14,180** in outstanding beer barrel and wine gallonage tax owed to the State. Audits conducted by the unit in FY19 identified an additional **\$31,268** in outstanding beer barrel tax, wine gallonage tax, and bailment overpayments.

The unit strengthened partnerships with law enforcement agencies by providing training and assistance in alcohol-related investigations. The Division provided training and education to **1** law enforcement agency and conducted **4** presentations at the Iowa Law Enforcement Academy, educating and training **185** law enforcement recruits.

Finally, a new temporary case management program was launched in October 2018. The new case management program still serves the same function of assigning and tracking cases, but is more user-friendly for retrieving statistical data. ■

## Tobacco Unit

I-pledge Enforcement Program		
	FY18	FY19
Total Compliance Checks	3,575	3,519
Total Compliance Checks Completed	3,516	3,481
Compliant Checks	3,215	3,180
Non-compliant Checks	301	301
Checks Unable to be Completed	59	38
Statewide Compliance Rate	91%	91%

I-pledge Retailer Training Program		
	FY18	FY19
Total Persons Trained	12,391	13,246
Total Persons Certified	12,038	12,851
Total Persons Not Certified	353	395
Persons Decertified Resulting from Selling a Tobacco/Alternative Nicotine/Vapor Product to a Minor	47	63
Passage Rate	97%	97%

Inspections		
	FY18	FY19
Smokefree Air Act complaints received from the Iowa Department of Public Health.	29	32
Smokefree Air Act Investigations Conducted	35	22
Regulatory decisions made by the federal Food & Drug Administration regarding tobacco compliance check inspections conducted on tobacco retailers in Iowa. This information is available to the public at <a href="https://www.accessdata.fda.gov/scripts/oce/inspections/oce_insp_searching.cfm">https://www.accessdata.fda.gov/scripts/oce/inspections/oce_insp_searching.cfm</a>	2,475	3,000

## Education and Outreach Unit

The Education and Outreach Unit uses a variety of programs to implement the educational objectives of the Division. One of the most widely used programs is the Iowa Program for Alcohol Compliance Training (I-PACT). The goal of I-PACT is increased voluntary compliance with Iowa's alcohol laws through education and enforcement. In FY19, **23,374** people were trained in the responsible selling and serving of alcoholic beverages through the I-PACT program. Of those trained, **22,396** were certified while **978** failed the certification, leading to a **96%** passage rate. In FY19, **9** people were decertified due to selling alcohol to a minor.

Another method used to educate a large number of stakeholders is the Division's RAGBRAI program. This program utilizes the RAGBRAI route to educate relevant parties on Iowa's alcohol laws, increase compliance, and strengthen relationships with local authorities, industry members, and license/permit holders. The program for the 2019 RAGBRAI provided education to over **300** local authorities, wholesalers, manufacturers, and on-premises license/permit holders.

The unit also offers formalized training and informational opportunities. Over **500** stakeholders received education through these opportunities. These stakeholders included beer wholesalers, law enforcement agencies, local authorities, the Association of Iowa Fairs, the Iowa Municipal Finance Officers Association, the Iowa Chamber of Commerce Executives, and external stakeholders/members of the public during various public forums.

Iowa Spirits Magazine entered into its second year of production. This bi-annual publication showcases the spirits environment in Iowa and highlights the Division's initiatives. It is available free-of-charge to consumers at class "E" liquor licensed establishments. The Division distributes **30,000** copies of each issue of Iowa Spirits Magazine throughout the state.

The Iowa ABD Age to Purchase mobile app launched on February 1, 2019. The app allows a user to scan a driver's license with their smartphone. The built-in scanning function uses the camera feature on the device to scan the barcode on the driver's license to quickly help determine age and validity. No personal information of the customer is stored on the device. The app also gives a user access to a view similar to the desktop calendar previously issued by the Division. The Age to Purchase mobile app was downloaded **5,480** times and used to scan over **40,000** licenses within the first five months of release.

The unit also fielded over **100** questions each month from stakeholders on topics ranging from compliance/legal inquiries to special event outlines. Along with providing education via phone or email, the unit also utilizes the Division's website as an educational resource. The Division's website features bulletins, licensing information, compliance, regulation, and educational material. Advisory, educational, and regulatory bulletins provide guidance to a target audience on specific alcohol related matters. The unit published **1** Advisory Bulletin and **1** Regulatory Bulletin during FY19. The website saw more than **123,000** unique visitors in FY19. ■

## Alcohol Licensing Unit

The Alcohol Licensing Unit processed over 18,450 licenses in FY19 for a total of \$18,733,557 in revenue for the Division. This was a 12.8% increase in revenue and a 9.4% increase in the number of licenses over the previous fiscal year. The total number of licenses issued encompasses all license types that do business involving alcoholic beverages.

Top Five Class "C" Liquor Licensees by Number Issued		
	FY18	FY19
1	Hy-Vee, Inc. (Hy-Vee)	Hy-Vee, Inc. (Hy-Vee)
2	Apple Corps L.P. (Applebee's Neighborhood Grill & Bar)	Apple Corps L.P. (Applebee's Neighborhood Grill & Bar)
3	Blazin Wings, Inc. (Buffalo Wild Wings)	Blazin Wings, Inc. (Buffalo Wild Wings)
4	Chipotle Mexican Grill of Colorado, LLC (Chipotle Mexican Grill)	Chipotle Mexican Grill of Colorado, LLC (Chipotle Mexican Grill)
5	GMRI Inc. (Olive Garden Italian Restaurant)	GMRI Inc. (Olive Garden Italian Restaurant)

Top Five Class "E" Liquor Licensees by Number Issued		
	FY18	FY19
1	Casey's Marketing Company (Casey's)	Casey's Marketing Company (Casey's)
2	Hy-Vee, Inc. (Hy-Vee)	Hy-Vee, Inc. (Hy-Vee)
3	Fareway Stores, Inc. (Fareway)	Fareway Stores, Inc. (Fareway)
4	Kum & Go, LC (Kum & Go)	Kum & Go, LC (Kum & Go)
5	Walgreen Co. (Walgreens)	Walgreen Co. (Walgreens)



# Regulatory Compliance Bureau

## Alcohol Licensing Unit

RETAIL LICENSES / PERMITS	12-Month		8-Month		6-Month		Total		
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	%Change
<b>On-Premises</b>									
Class "B" Beer Permit (BB)	454	448	14	19	83	71	551	538	-2.4%
Class "A" Liquor License (LA)	129	127					129	127	-1.6%
Class "B" Liquor License (LB)	138	142			1		139	142	2.2%
Class "C" Liquor License (LC)	4,071	4,296	43	45	59	56	4,173	4,397	5.4%
Class "C" Native Distilled Spirits Liquor License (LCN)	5	5					5	5	0.0%
Class "D" Liquor License (LD)	22	21			1	1	23	22	-4.3%
Special Class "C" Liquor License (BW)	555	569	7	6	33	25	595	600	0.8%
Class "C" Native Wine Permit (WCN)	74	96			1		75	96	28.0%
<b>Total</b>	<b>5,448</b>	<b>5,704</b>	<b>64</b>	<b>70</b>	<b>178</b>	<b>153</b>	<b>5,690</b>	<b>5,927</b>	<b>4.2%</b>
<b>Off-Premises</b>									
Class "C" Beer Permit (BC)	1,684	1,658					1,684	1,658	-1.5%
Class "E" Liquor License (LE)	1,473	1,797					1,473	1,797	22.0%
Class "B" Wine Permit (WB)	27	29	1		1		29	29	0.0%
Class "B" Native Wine Permit (WBN)	309	346		1	9	1	318	348	9.4%
<b>Total</b>	<b>3,493</b>	<b>3,830</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>1</b>	<b>3,504</b>	<b>3,832</b>	<b>9.4%</b>
Special Class "A" Beer Permit (Brewpub)									
Class "B" Beer Permit (BB)	3	4					3	4	33.3%
Class "C" Liquor License (LC)		44					42	44	4.8%
<b>Total</b>	<b>45</b>	<b>48</b>					<b>45</b>	<b>48</b>	<b>6.7%</b>
Charity Beer, Spirits, and Wine Auction Permit (CP)	89	86					89	86	-3.4%
<b>TOTAL of 12-month, 8-month, and 6-month Licenses</b>	<b>9,075</b>	<b>9,668</b>	<b>68</b>	<b>71</b>	<b>188</b>	<b>154</b>	<b>9,328</b>	<b>9,893</b>	<b>6.1%</b>

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# Regulatory Compliance Bureau

## Alcohol Licensing Unit

Continued from page 12

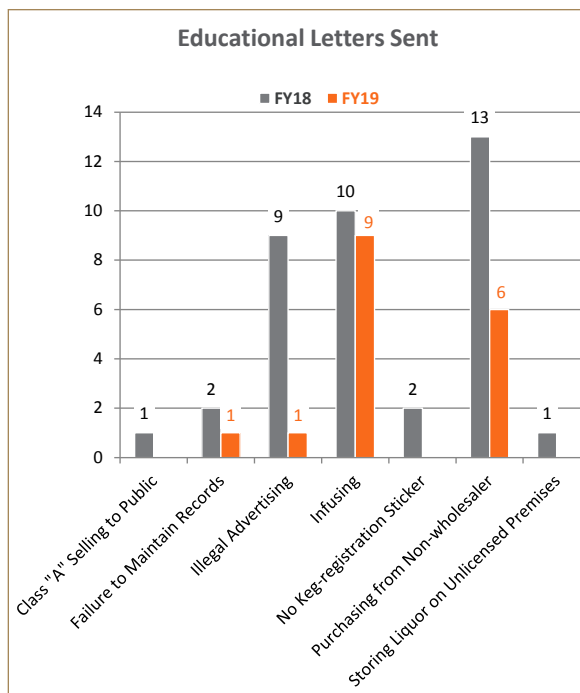
RETAIL LICENSES / PERMITS	14-Day		5-Day		Sub-Permit		Total		
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	%Change
<b>On-Premises</b>									
Class "B" Beer Permit (BB)	24	23	412	467			436	490	12.4%
Class "A" Liquor License (LA)			9	9			9	9	0.0%
Class "B" Liquor License (LB)			1				1	0	-100.0%
Class "C" Liquor License (LC)	14	15	352	399			366	414	13.1%
Class "C" Native Distilled Spirits Liquor License (LCN)									
Class "D" Liquor License (LD)									
Special Class "C" Liquor License (BW)	6	5	195	242			201	247	22.9%
Class "C" Native Wine Permit (WCN)		1	9	27	43	64	52	92	76.9%
<b>Total</b>	<b>44</b>	<b>44</b>	<b>978</b>	<b>1,144</b>	<b>43</b>	<b>64</b>	<b>1,065</b>	<b>1,252</b>	<b>17.6%</b>
<b>Off-Premises</b>									
Class "C" Beer Permit (BC)					1,373	1,696	1,373	1,696	23.5%
Class "E" Liquor License (LE)									
Class "B" Wine Permit (WB)					1,885	2,385	1,885	2,385	26.5%
Class "B" Native Wine Permit (WBN)	3	1	22	3	905	879	930	883	-5.1%
<b>Total</b>	<b>3</b>	<b>1</b>	<b>22</b>	<b>3</b>	<b>4,163</b>	<b>4,960</b>	<b>4,188</b>	<b>4,964</b>	<b>18.5%</b>
<b>TOTAL of 14-Day, 5-Day Licenses, and Sub-permits</b>	<b>47</b>	<b>45</b>	<b>1,000</b>	<b>1,147</b>	<b>4,206</b>	<b>5,024</b>	<b>5,253</b>	<b>6,216</b>	<b>18.3%</b>
							<b>FY18</b>	<b>FY19</b>	<b>%Change</b>
<b>Grand Total of All Retail Licenses</b>							<b>14,581</b>	<b>16,109</b>	<b>10.5%</b>

# Regulatory Compliance Bureau

## Alcohol Licensing Unit

NON-RETAIL ANNUAL LICENSES/PERMITS/ CERTIFICATES		FY18	FY19	FY19 vs. FY18 % Chg
<b>Importer/Manufacturer</b>				
Brewer's Certificate of Compliance (CB)		181	181	0.0%
Distiller's Certificate of Compliance (CD)		214	225	5.1%
Vintner's Certificate of Compliance (CV)		627	604	-3.7%
<b>Total</b>		<b>1,022</b>	<b>1,010</b>	<b>-1.2%</b>
<b>Wholesaler</b>				
Class "A" Beer Permit (BA)		40	43	7.5%
Class "A" Wine Permit (WA)		33	33	0.0%
<b>Total</b>		<b>73</b>	<b>76</b>	<b>4.1%</b>
<b>In-State Manufacturer</b>				
Class "A" Beer Permit (BAN)		63	66	4.8%
Class "A" Wine Permit (WAN)		112	119	6.3%
Class "A" Native Distilled Spirits License (ND)		16	16	0.0%
Manufacturer's License (CM)		16	10	-37.5%
<b>Total</b>		<b>207</b>	<b>211</b>	<b>1.9%</b>
<b>Broker's Permit (SP)</b>		<b>35</b>	<b>37</b>	<b>5.7%</b>
<b>Wine Direct Shipper Permit (DS)</b>		<b>942</b>	<b>1,007</b>	<b>6.9%</b>
<b>Wine Carrier Permit (AC) *</b>		<b>4</b>	<b>4</b>	<b>0.0%</b>
* All AC's were issued a one-time permit in 2010.				
<b>Total of all Non-retail Licenses</b>		<b>2,283</b>	<b>2,345</b>	<b>2.7%</b>
<b>Total of all Retail and Non-retail Licenses</b>		<b>16,864</b>	<b>18,454</b>	<b>9.4%</b>

## Administrative Actions Unit

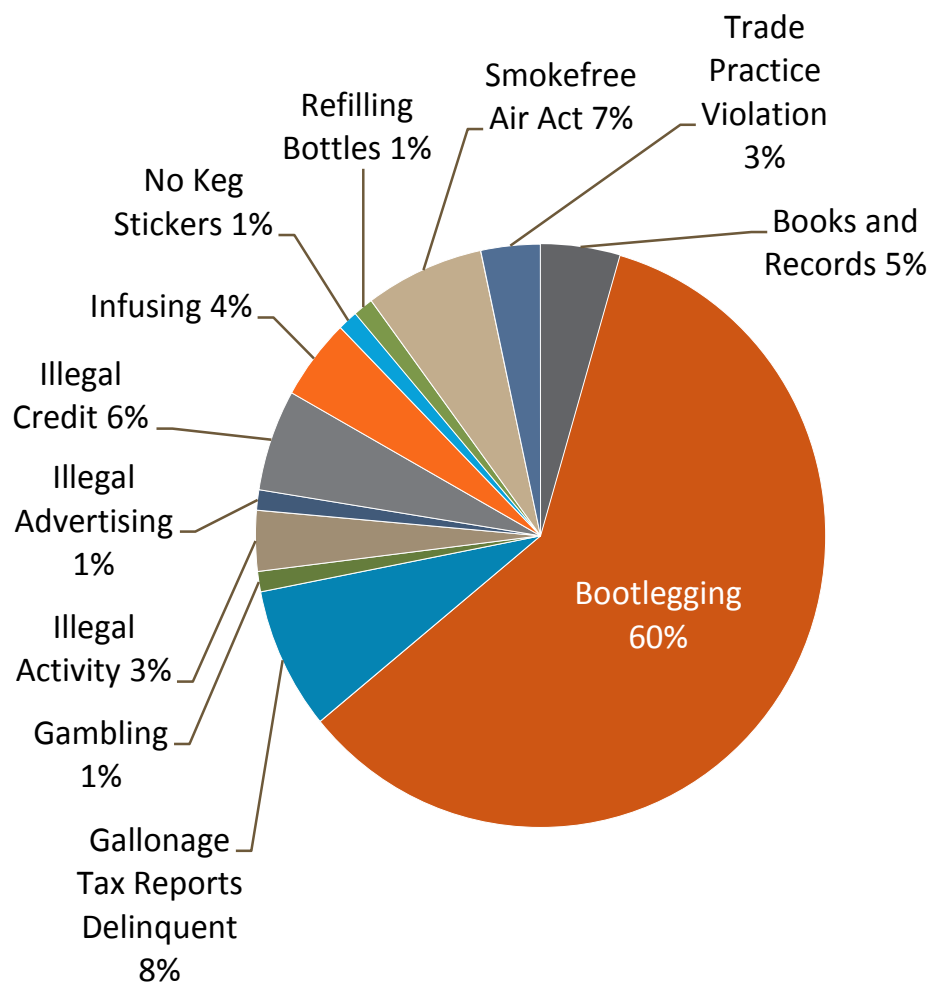


### Hearing Complaints

	FY18	FY19
<b>ABD INVESTIGATIONS / INSPECTIONS</b>		
After Hours	2	0
Books and Records	7	4
Bootlegging	40	53
Gallonage Tax Reports Delinquent	0	7
Gambling	0	1
Illegal Activity	6	3
Illegal Advertising	7	1
Illegal Credit	3	5
Infusing	7	4
No Keg Stickers	0	1
Refilling Bottles	1	1
Smokefree Air Act	12	6
Trade Practice Violation	0	3
Total ABD Investigations/Inspections	85	89
<b>INVESTIGATIONS REFERED BY LAW ENFORCEMENT</b>		
1st Sale of Alcohol to Minor	58	51
2nd Sale of Alcohol to Minor	5	2
Sale of Alcohol After Hours	5	4
Total Referred Investigations	68	57
Total ABD Investigations/Inspections	85	89
Total Referred by Law Enforcement	68	57
<b>Total Complaints Processed</b>	<b>153</b>	<b>146</b>

## Administrative Actions Unit

### Hearing Complaints from ABD Investigations / Inspections FY19





## Administrative Actions Unit

Summary Suspensions						
	Non-Payment of Taxes		Failure to Maintain Dramshop Insurance		Health	
	FY18	FY19	FY18	FY19	FY18	FY19
Intent to Suspend Notices sent	116	98				
Suspension served and dismissed	8	18	51	28		
Emergency suspensions issued					0	1
<b>Total</b>	<b>124</b>	<b>116</b>	<b>51</b>	<b>28</b>	<b>0</b>	<b>1</b>

Renewal Applications Denied by ABD		
	FY18	FY19
Deleted Corporation	103	69
Personal Taxes Owed	1	4
<b>Total</b>	<b>104</b>	<b>73</b>

Administrative Appeals Hearings Held by ALJ		
	FY18	FY19
Local Authority Cases	6	7
ABD Hearing Complaints	1	1
<b>Total</b>	<b>7</b>	<b>8</b>

Civil Penalties and Audit Funds Collected		
	FY18	FY19
Civil penalties from violations	\$154,470	\$139,250
Audit funds recovered	\$3,037	\$13,188
<b>Total</b>	<b>\$157,507</b>	<b>\$152,438</b>

Violations - New Applications		
	FY18	FY19
<b>Misrepresentation on Application</b>	<b>105</b>	<b>90</b>

# Business Operations Bureau

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"In 2020, data analytics will be a key factor in the decisions that are made."

— Herbert H. Sutton, Jr.,  
Chief of Operations

## Our Progress — Year in Review

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The Business Operations Bureau is responsible for all day-to-day functions, which incorporate:

- Accounting
- Data Analytics
- Product Management
- Capital Improvements
- Contract Management and Oversight

In Fiscal Year 2019, the number of class "E" licenses increased from **1,529** to **1,673**. This increase equates to **61,465** orders being timely processed by our accounting unit. Moreover, this unit is tasked with processing and paying the Division's invoices and providing data analytics to our internal and external stakeholders.

As consumer product preferences evolve, the Division has worked to ensure a more diverse portfolio of products are available in the State's warehouse. A robust product management program is critical to ensuring our licensees are provided the opportunity to maintain a variety of choices for their customers.

The Division has experienced major growth in Fiscal Year 2019, with sales increasing **6.1%** from **\$320 million** to **\$339 million** and an increase in bottles sold from **24.5 million** to **25.9 million**. These increases have remained consistent for the past several

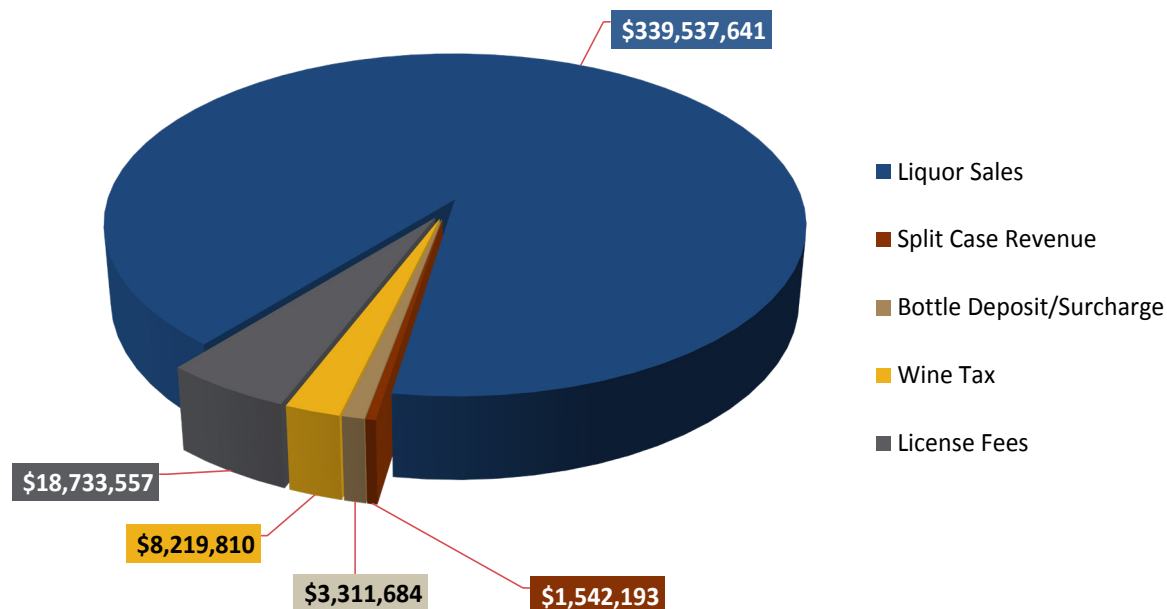
fiscal years, which has required more inventory to be stored at the Division's only warehouse located in Ankeny, Iowa. As a result, the Division embarked on a capital improvement project that involved expanding the warehouse to efficiently house its inventory by adding 20,000 sq. ft. of space.

In addition to the aforementioned responsibilities within the Division's Business Operations Bureau, contract management and oversight is critical. These contracts must be created, managed, updated, validation of invoices submitted, and/or re-bid upon expiration.

The Business Operations Bureau aims to work toward its goal of improving the distribution of spirits by integrating data analytics, best practices, and other innovations into Division processes. ■

## Revenue Earned

Total Revenue \$371,344,885



### Liquor Sales \$339,537,641

The Division is the sole wholesaler of alcoholic liquor sold in Iowa and delivers product to over **1,673** off-premises retail location across the state. Iowa Code requires the Division to markup product by 50 percent of the manufacturer's price.

### Bottle Deposit / Surcharge \$3,311,684

The Division charges a bottle deposit and surcharge to be included in the wholesale purchase price. The charge assessed by the Division is \$0.09 per unit sold and includes the \$0.05 bottle deposit.

### Split Case \$1,542,193

The split case fee is applied when alcoholic liquor is sold to a retailer as a single bottle. The split case fee is \$0.50 per bottle. This fee is applied to offset the cost of splitting, picking, and shipping single bottles.

### Wine Tax \$8,219,810

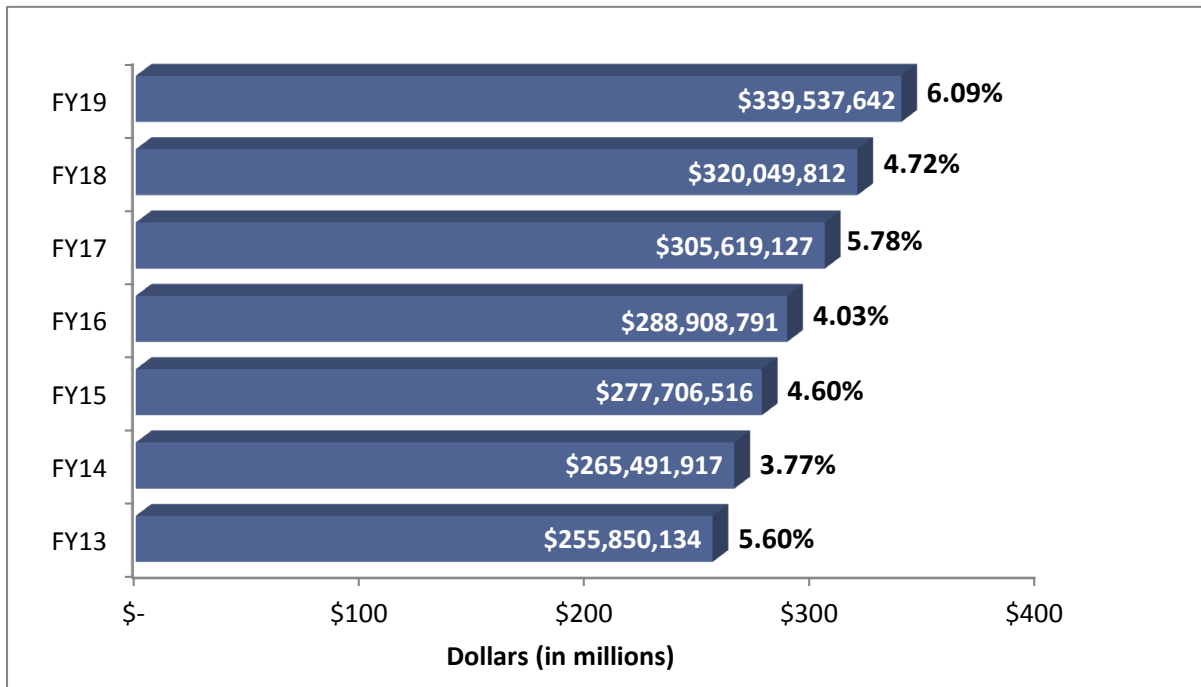
All wine sold at wholesale in the state as well as wine directly shipped to consumers within Iowa is assessed a tax at the rate of \$1.75 per gallon.

### License Fees \$18,733,557

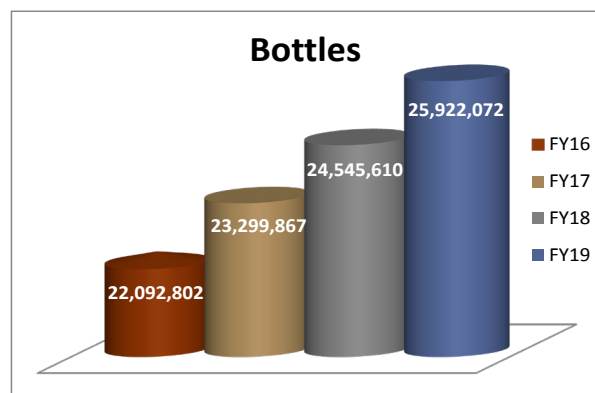
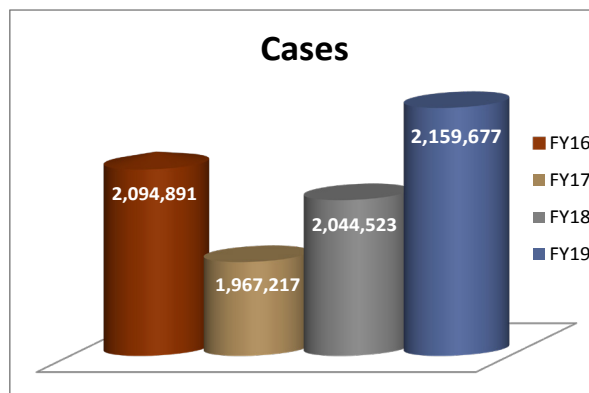
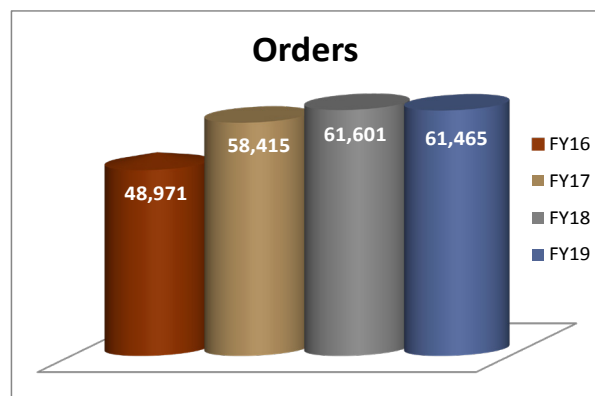
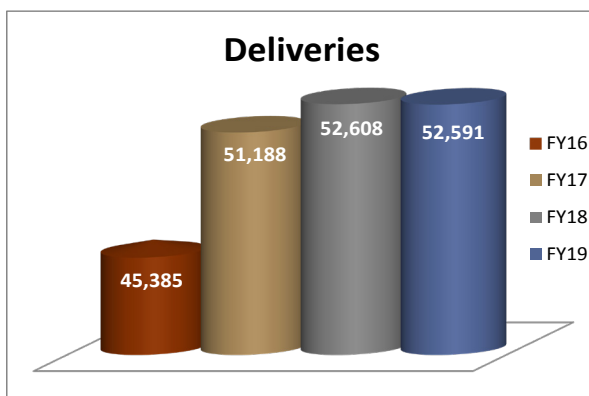
Fees collected are for the licenses, permits, and certificates required for the manufacture, importation, and sale of liquor, beer, and wine in the State of Iowa.

# Business Operations Bureau

## Annual Liquor Sales Comparison



## Annual Delivery Comparison



## Where the Profits Go

### Revenues Transferred

#### General Fund Reversion

**\$102,180,835**

Payments made to the State of Iowa General Fund from liquor sales, license revenues, and other sources. The funds are appropriated by the legislature to various state departments and programs.

#### State Aid to Cities and Counties

**\$3,949,912**

The amount of revenue collected from the sale of licenses remitted back to local authorities (cities and counties) who are directly involved in the approval of licenses and permits within their jurisdictions.

#### Iowa Department of Public Health:

##### Substance Abuse

**\$23,875,596**

The Division transfers 7% of gross sales of alcoholic liquor to the State General Fund for specific appropriation to the Iowa Department of Public Health for the administration of substance abuse and prevention education programs.

##### Sunday Sales

**\$920,979**

The Department of Public Health receives Sunday Sales license fees, of which 50% are to be earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral, or post-treatment services.

### Revenues Processed

#### General Fund

##### Beer Tax

**\$13,438,680**

All beer sold at wholesale in the state of Iowa is assessed a tax at the rate of \$0.19 per gallon. Beer tax is processed and deposited into the State General Fund to be appropriated by the legislature to various state departments and programs.

#### Iowa Economic Development Authority

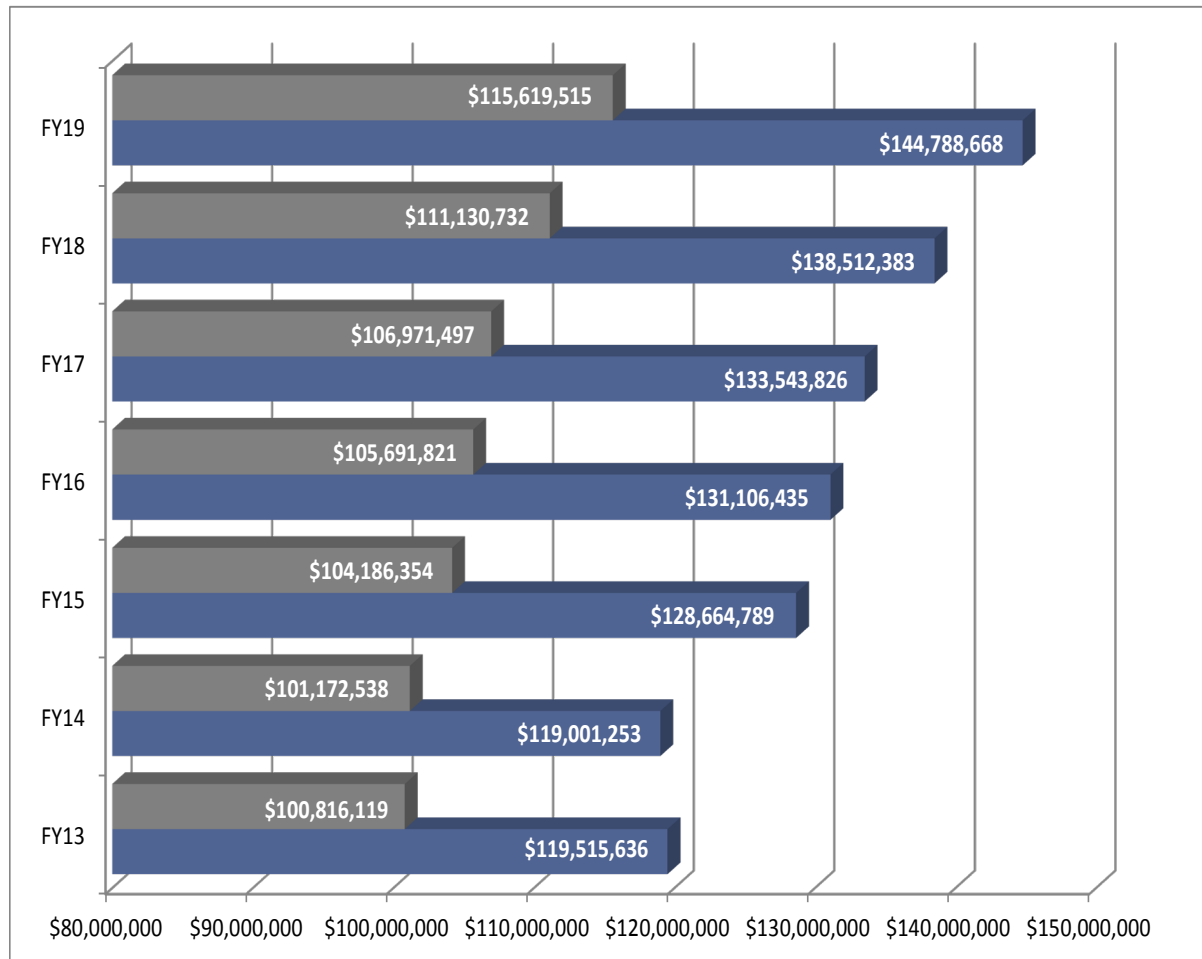
**\$422,666**

Tax revenues collected from Iowa native wineries (\$271,568) and native breweries (\$151,098) are directed to the Iowa Economic Development Authority's Wine and Beer Promotion Board. Funds collected are used for research and development within the native wine and beer industries.



# Business Operations Bureau

## Distributed / Reverted Funds



### Total Funds Reverted

This is the total amount of revenues transferred to the State General Fund for appropriation by the legislature. This total is the combination of liquor sales profits and beer tax revenues.

### Total Funds Distributed

This total refers to the total amounts of funds sent to all recipients, including the Iowa Economic Development Authority, Iowa Department of Public Health, and local authorities.

# Business Operations Bureau

## Beer and Wine Gallons Sold

	<b>FY19 Gallons</b>	<b>FY18 Gallons</b>	<b>Increase/ Decrease</b>
Beer Gallons	70,729,897	71,541,643	-1.13%
Native Beer Gallons	795,254	683,858	16.29%
<b>Total Beer Gallons</b>	<b>71,525,151</b>	<b>72,225,501</b>	<b>-0.97%</b>
Wine Gallons	4,697,034	4,666,602	0.65%
Native Wine Gallons	155,182	165,666	-6.33%
<b>Total Wine Gallons</b>	<b>4,852,216</b>	<b>4,832,268</b>	<b>0.41%</b>

### Taxes Processed

(year ended 6-30-19) (Includes penalties and adjusted for fiscal year collection and refunds)

	<b>FY19</b>	<b>FY18</b>	<b>Increase/ Decrease</b>
Beer Tax	\$13,438,680	\$13,592,912	-1.13%
Native Beer Tax	\$151,098	\$129,933	16.29%
Wine Tax	\$8,219,810	\$8,166,553	0.65%
Native Wine Tax	\$271,568	\$289,916	-6.33%
<b>Total Taxes Processed</b>	<b>\$22,081,156</b>	<b>\$22,179,314</b>	<b>-0.44%</b>

### Licensing Revenue

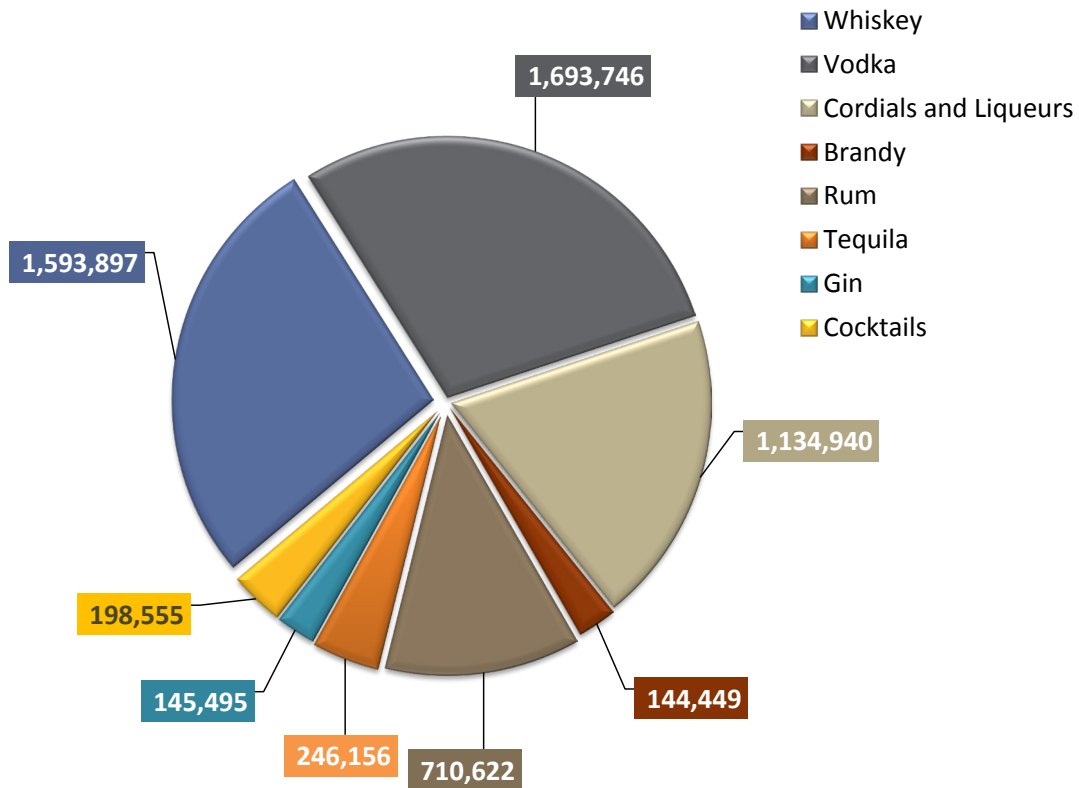
(year ended 6-30-19)

	<b>FY19</b>	<b>FY18</b>	<b>Increase/ Decrease</b>
Liquor Permits	\$17,202,279	\$15,111,660	13.83%
Wine Permits	\$79,250	\$72,727	8.97%
Beer Permits	\$1,294,109	\$1,238,395	4.50%
Special Licenses *	\$9,505	\$9,900	-3.99%
Certificates of Compliance **	\$148,414	\$181,000	-18.00%
<b>Total Licensing Revenue</b>	<b>\$18,733,557</b>	<b>\$16,613,682</b>	<b>12.76%</b>

\* Charity Auction Permit, Broker's Permit

\*\* Vintner's Certificate of Compliance, Brewer's Certificate of Compliance, Distiller's Certificate of Compliance

## Comparative Statement of Liquor Gallons Sold

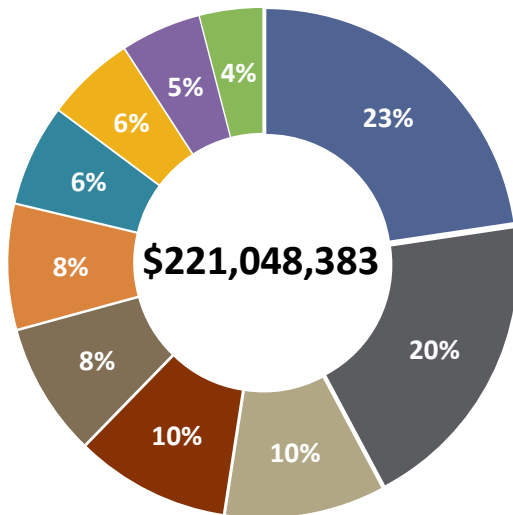


## Liquor Gallons Sold

DISTILLED SPIRITS	FY19 Gallons	FY18 Gallons	Increase/ Decrease
Whiskey	1,593,897	1,544,506	3.20%
Vodka	1,693,746	1,604,105	5.59%
Cordials and Liqueurs	1,134,940	1,095,431	3.61%
Brandy	144,449	139,284	3.71%
Rum	710,622	715,950	-0.74%
Tequila	246,156	222,151	10.81%
Gin	145,495	143,859	1.14%
Cocktails	198,555	201,558	-1.49%
<b>TOTAL DISTILLED GALLONS</b>	<b>5,867,860</b>	<b>5,666,844</b>	<b>3.55%</b>

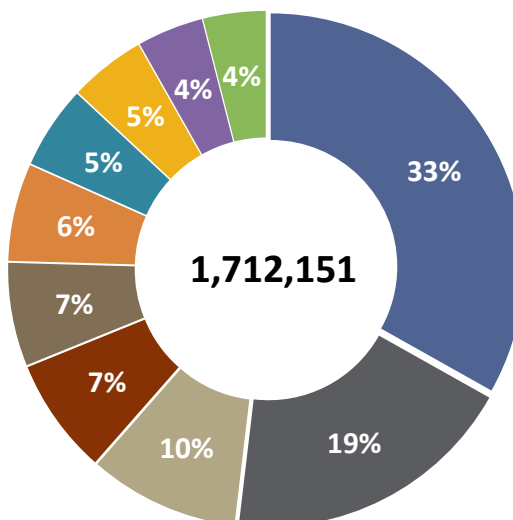
# Business Operations Bureau

## Top 10 Product Categories



### By Sales

	Category	Sales
1	American Vodkas	\$50,067,721
2	Canadian Whiskies	\$43,210,990
3	Spiced Rum	\$22,616,250
4	Straight Bourbon Whiskies	\$21,794,722
5	Whiskey Liqueur	\$18,692,415
6	Imported Vodka	\$17,658,543
7	Tennessee Whiskies	\$14,292,883
8	100% Agave Tequila	\$12,501,182
9	Imported Brandies	\$11,309,867
10	American Flavored Vodka	\$8,903,809
Total		\$221,048,383

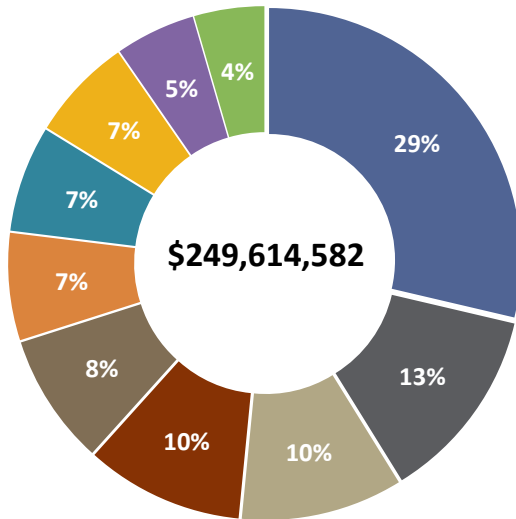


### By Cases

	Category	9L Cases
1	American Vodkas	567,480
2	Canadian Whiskies	320,768
3	Spiced Rum	164,153
4	Whiskey Liqueur	126,724
5	Straight Bourbon Whiskies	112,772
6	Imported Vodka	106,222
7	Blended Whiskies	90,565
8	Cocktails / RTD	83,119
9	American Flavored Vodka	72,230
10	White Rum	68,118
Total		1,712,151

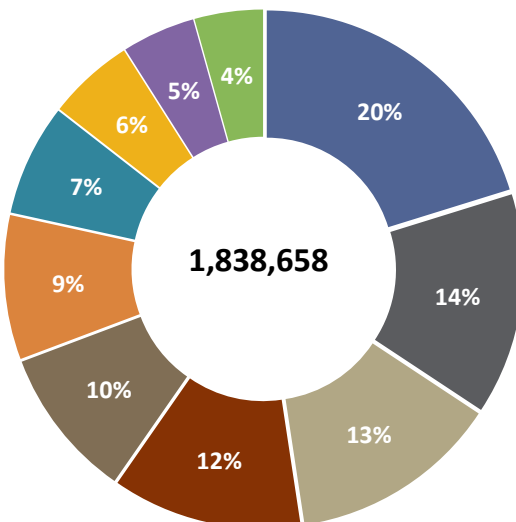
# Business Operations Bureau

## Top 10 Suppliers



### By Sales

	Supplier	Sales
1	Diageo Americas	\$71,551,760
2	Sazerac Company Inc.	\$31,226,554
3	Pernod Ricard USA	\$25,904,033
4	Jim Beam Brands	\$25,263,414
5	Constellation Brands Inc.	\$20,985,878
6	Luxco Inc.	\$17,160,230
7	Brown Forman Corp.	\$17,013,155
8	Fifth Generation Inc.	\$16,469,875
9	Bacardi USA Inc.	\$12,811,532
10	Proximo	\$11,228,151
<b>Total</b>		<b>\$249,614,582</b>



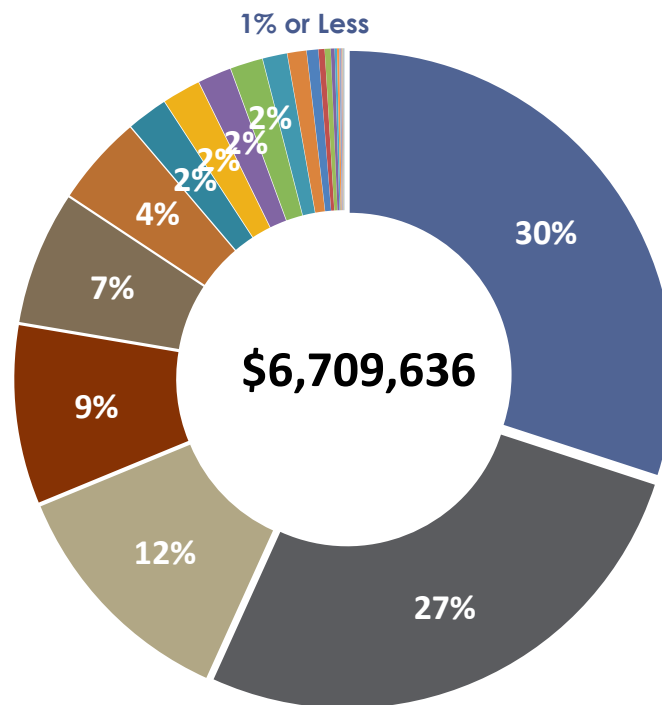
### By Cases

	Supplier	9L Cases
1	Diageo Americas	371,579
2	Sazerac Company Inc	258,938
3	Luxco Inc	244,803
4	Constellation Brands	221,765
5	Jim Beam Brands	176,555
6	Sazerac North America	168,360
7	Pernod Ricard USA	130,383
8	Fifth Generation	100,752
9	Proximo	85,594
10	Laird & Company	79,929
<b>Total</b>		<b>1,838,658</b>



# Business Operations Bureau

## Iowa Distillers and Manufacturers

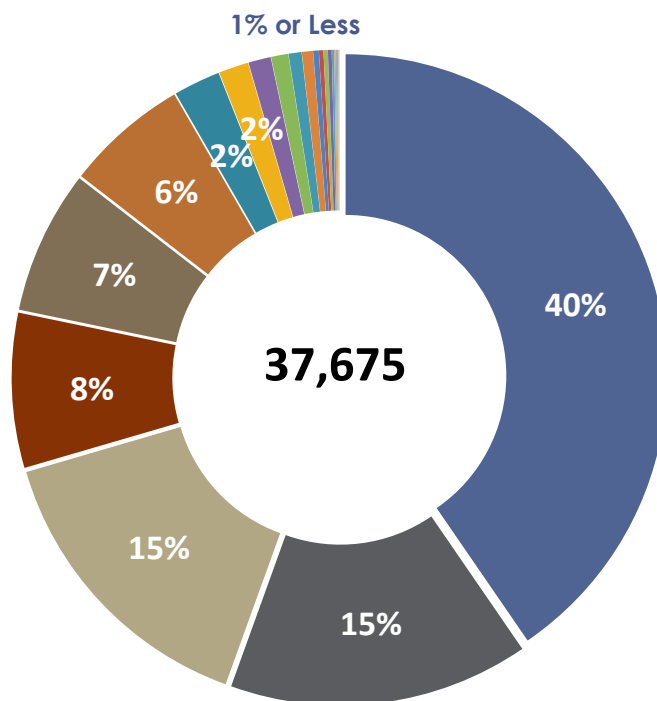


### By Sales

Supplier	Sales	Supplier	Sales
1 Templeton Distilling	\$2,013,959	13 Cats Eye Distillery	\$38,372
2 Cedar Ridge Vineyards	\$1,794,822	14 Broadbent Ventures	\$20,434
3 Dehner Distillery	\$805,839	15 VBJ Beverages	\$19,734
4 Mississippi River Distilling	\$597,021	16 Rumcoqui and Co	\$12,720
5 Iowa Distilling Company	\$445,235	17 O&R Ventures	\$7,484
6 Swell Liquor	\$301,011	18 3-Oaks Distillery	\$7,131
7 Foundry Distilling Company	\$135,998	19 American Heritage Distillers	\$6,547
8 Oz Spirits	\$127,755	20 Paradise Distilling Company	\$3,949
9 Lonely Oak Distillery	\$111,602	21 John Ernest Distillery	\$3,135
10 Bad Bear Enterprises	\$108,399	22 Madikwe USA	\$1,861
11 S&B Farmstead Distillery	\$81,423	23 Sippin'	\$1,503
12 Green Frog Distillery	\$63,495	24 Artisan Grain Distillery	\$207
		<b>Total</b>	<b>\$6,709,636</b>

# Business Operations Bureau

## Iowa Distillers and Manufacturers



### By 9L Cases

Supplier		9L Cases	Supplier		9L Cases
1	Dehner Distillery	15,227	13	Cats Eye Distillery	106
2	Templeton Distilling	5,688	14	VBJ Beverages	84
3	Cedar Ridge Vineyards	5,638	15	Broadbent Ventures	81
4	Swell Liquor	2,930	16	Rumcoqui and Co	71
5	Iowa Distilling Company	2,722	17	American Heritage Distillers	45
6	Mississippi River Distilling	2,327	18	O&R Ventures	28
7	Foundry Distilling Company	888	19	3-Oaks Distillery	22
8	Oz Spirits	565	20	John Ernest Distillery	18
9	Lonely Oak Distillery	426	21	Paradise Distilling Company	15
10	S&B Farmstead Distillery	325	22	Madikwe USA	9
11	Bad Bear Enterprises	246	23	Sippin'	4
12	Green Frog Distillery, LLC	209	24	Artisan Grain Distillery	1
Total					37,675

# Business Operations Bureau

## Top 50 Brands of 2,990 Total Brands

Rank / Brand	9L Case Sales	Rank / Brand	9L Case Sales
1 Black Velvet Canadian Whiskey	160,791	25 Canadian LTD Whiskey	18,645
2 Captain Morgan Original Spiced Rum	108,693	26 Hennessy VS Imported Brandy	18,121
3 Fireball Cinnamon Whiskey	105,297	27 Jagermeister	16,522
4 Tito's Handmade Texas Vodka	100,752	28 Jose Cuervo Authentic Lime Margarita	14,965
5 Hawkeye Vodka	98,879	29 Southern Comfort Whiskey	14,867
6 Five O'Clock Vodka	55,479	30 UV Blue Raspberry Flavored Vodka	14,828
7 McCormick Vodka	49,294	31 New Amsterdam Vodka	14,676
8 Barton Vodka	48,347	32 Dr McGillicuddys Cherry Schnapps	14,557
9 Crown Royal Canadian Whiskey	44,078	33 Nikolai 80 Proof Vodka	13,687
10 Jack Daniels Old #7 Black Label Tenn Whiskey	42,791	34 Black Velvet Toasted Caramel Can. Whiskey	13,660
11 Smirnoff Vodka (Glass & Plastic)	42,222	35 Windsor Canadian Blended Whiskey	13,351
12 Absolut Imported Vodka	32,096	36 Kessler Blended Whiskey	12,917
13 Admiral Nelson's Spiced Rum	31,577	37 Skol Vodka	12,906
14 Bacardi Light-Dry Rum	28,994	38 Juarez Gold Tequila	12,626
15 Seagram's Seven Crown Blended Whiskey	27,702	39 Ten High Kentucky Bourbon Whiskey	12,625
16 Phillips Vodka	25,599	40 Blue Ox Vodka	12,618
17 Jim Beam Kentucky Straight Bourbon Whiskey	25,154	41 Platinum 7x Vodka	11,732
18 Malibu Rum Natural Coconut	25,064	42 Grey Goose Imported Vodka	11,500
19 Crown Royal Regal Apple Whiskey	24,162	43 Bailey's Original Irish Cream	11,436
20 Svedka Imported Vodka (Swedish)	22,566	44 UV Silver Vodka	11,075
21 Jameson Irish Whiskey	22,380	45 E & J VS Brandy	10,890
22 Jose Cuervo Especial Gold Tequila	21,448	46 Fris 80 Vodka	10,842
23 G & W Five Star Blended Whiskey	20,771	47 Tortilla Gold Tequilla	10,704
24 Paramount White Rum	19,499	48 Fleischmann's Royal Vodka	10,580
		49 Seagram's Extra Dry Gin	10,522
		50 Tanqueray Gin	10,193

All 9L Cases Sold FY19	2,428,353
Total 9L Cases Top 50 Sold	1,524,684
Top 50 as Percent of Total 9L Cases Sold	62.8%

Total 9L Cases Top 50 Sold FY18	1,421,322
Difference in 9L Case Total Year over Year	7.3%

# Business Operations Bureau

## Top 50 Iowa Brands

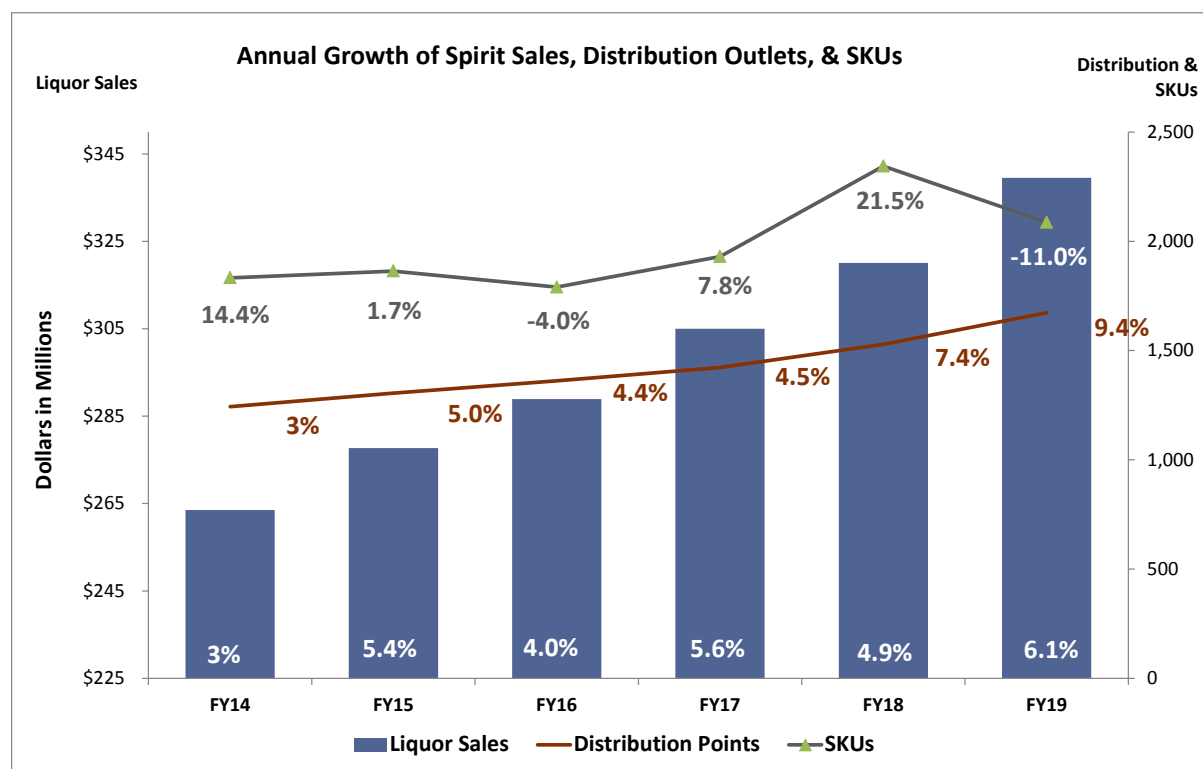
Rank / Brand	9L Case Sales	Rank / Brand	9L Case Sales
1 Blue Ox Vodka	12,618	26 Cedar Ridge Barrel Proof Bourbon	149
2 Templeton The Good Stuff 4yr Rye Whiskey	4,259	27 Blue Ox American Spirit Whiskey	146
3 Cedar Ridge Blended Bourbon	3,279	28 Howdy's Apple Pie Liqueur	143
4 Swell Zone Vodka	2,930	29 Blue Ox Spiced Rum	142
5 Prairie Fire Hot Cinnamon Flavored Whiskey	1,364	30 Dehner Distillery 151 Grain Neutral Spirit	137
6 Blue Ox Silver Rum	1,032	31 Dehner Distillery Vodka	129
7 Templeton The Good Stuff 6yr Rye Whiskey	781	32 Okobji Vodka	126
8 Iowish Cream Liqueur	739	33 River Rose Gin	125
9 Foundry Vodka	720	34 Bagger Vodka	122
10 Blue Ox Gin	651	35 Cedar Ridge American Whiskey Sampler	121
11 Ingenioz Vodka	565	36 Green Frog Caramel Flavored Corn Whiskey	119
12 Saints'n Sinners Apple Pie	449	37 North 40 Vodka	117
13 Rocket Fuel Natural Spirits	376	38 Cody Road Honey	113
14 Templeton Rye Special Reserve 6yr	340	39 Cedar Ridge Cask Finish Bourbon Whiskey	112
15 Cody Road Bourbon	325	40 Cedar Ridge Wheat Whiskey	108
16 Cedar Ridge Malted Rye Whiskey	320	41 North 40 Peach Flavored Vodka	107
17 Templeton Rye Rare Cask Strength	308	42 Clearheart Vodka	104
18 Swell Zone Vodka	290	43 Iowa Legendary Bonded Rye Whiskey	102
19 Blue Ox Cinnamon Whiskey	238	44 Cedar Ridge Dark Rum	100
20 River Pilot Vodka	233	45 Steel Drum Dark Rum	100
21 Cedar Ridge Short's Whiskey	207	46 Cedar Ridge Apple Brandy	95
22 Cedar Ridge Single Malt Whiskey	204	47 Iowa Distilling Straight Bourbon Whiskey	95
23 Cedar Ridge Private Cask Iowa Bourbon	180	48 Cody Road Maple	88
24 Private First Class	164	49 Cody Road Barrel Old Fashioned	88
25 Cody Road Rye	156	50 Iowa Legendary Bonded Rye Unaged	79

All 9L Cases Sold FY19	2,428,353
Total 9L Cases Iowa Top 50 Sold	35,596
Top 50 as Percent of Total 9L Cases Sold	1.5%

## Class "E" License and SKU Growth

The Division has experienced growth in many aspects of the business model including class "E" license holders and SKUs. The class "E" license holders increase the number of distribution points delivered to on a weekly basis. The number of SKUs refers

to the diverse catalog of products offered for distribution to class "E" license holders. The following graph depicts the growth of spirit sales as well as the distribution and SKU growth over the last 6 fiscal years.

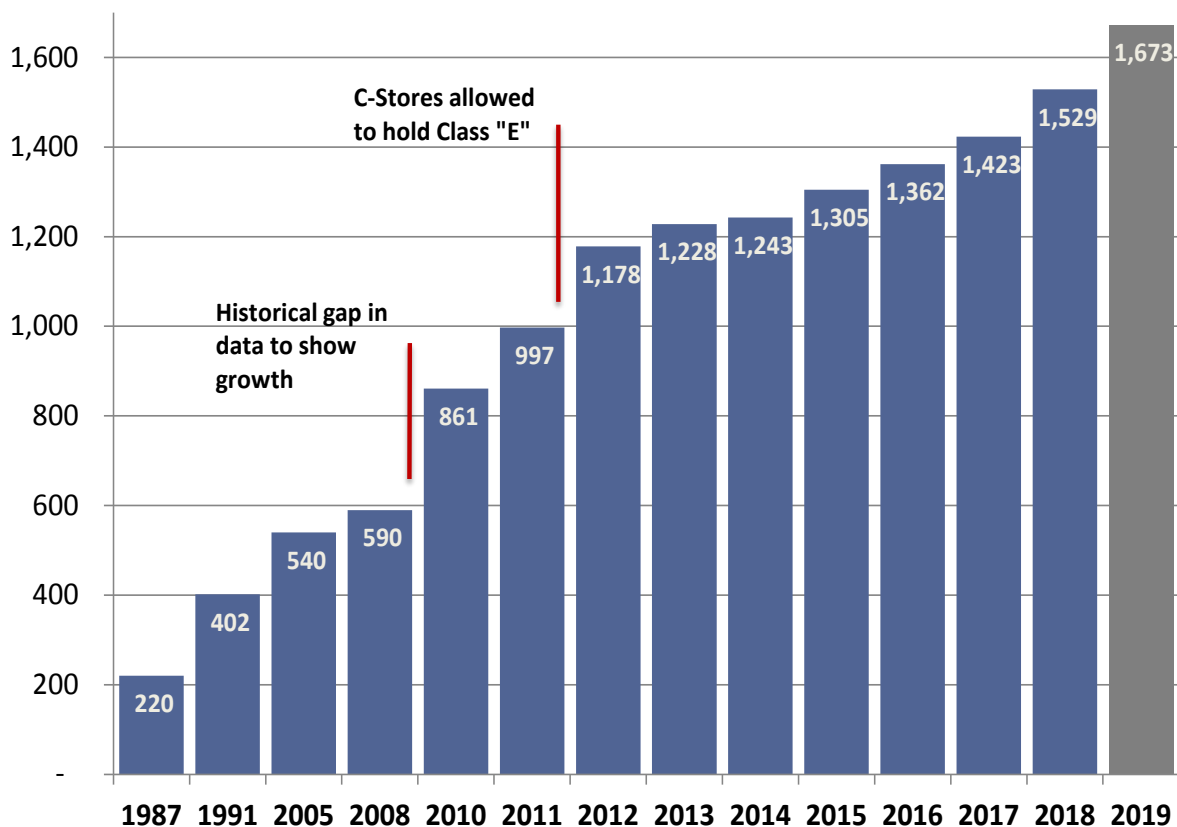


Fiscal Year	Liquor Sales	Distribution Points	SKUs
FY14	\$270,251,517	1,243	1,833
FY15	\$277,706,516	1,305	1,864
FY16	\$288,908,791	1,362	1,790
FY17	\$305,619,127	1,423	1,930
FY18	\$320,049,812	1,529	2,344
FY19	\$339,537,641	1,673	2,087

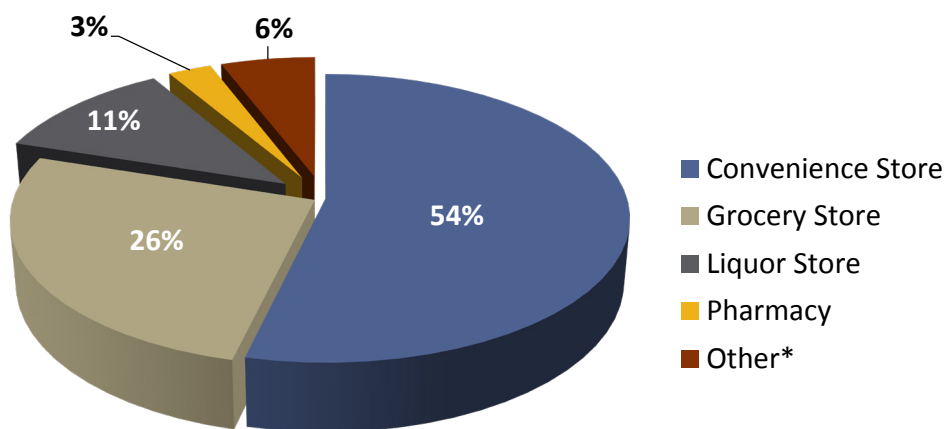
## Class "E" License Growth

In 2012, there was an increase in the number of class "E" license holders due to a law change that allowed convenience stores selling gas to be licensed to sell liquor. Since that time, the number of class "E" license holders continues to grow and increases the

number of distribution points for the Division across the state of Iowa. The Division is committed to serving our class "E" customers through the responsible and efficient distribution of alcohol.



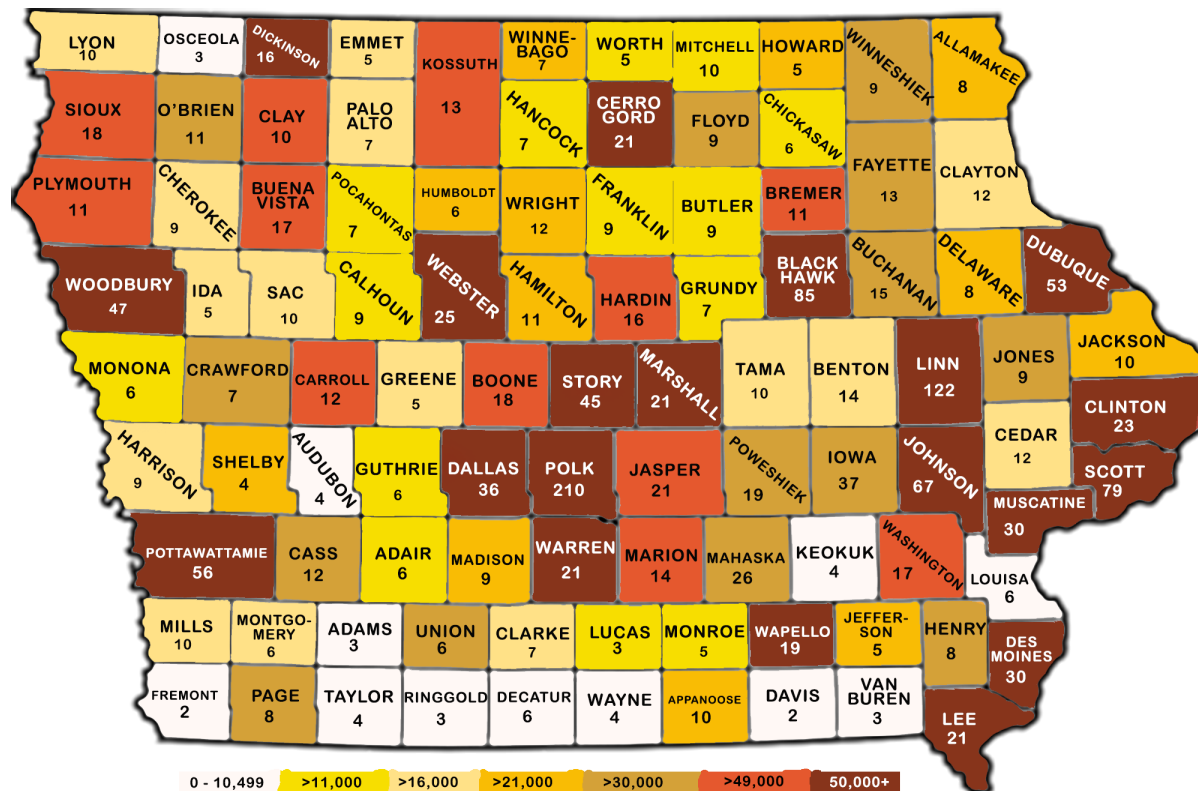
Class "E" Premises Types as of June 30, 2019



\* Other category represents Discount Store, Casino, Hotel, Redemption Center, Specialty Shop.



## Gallons Sold and Total Distribution Points by County



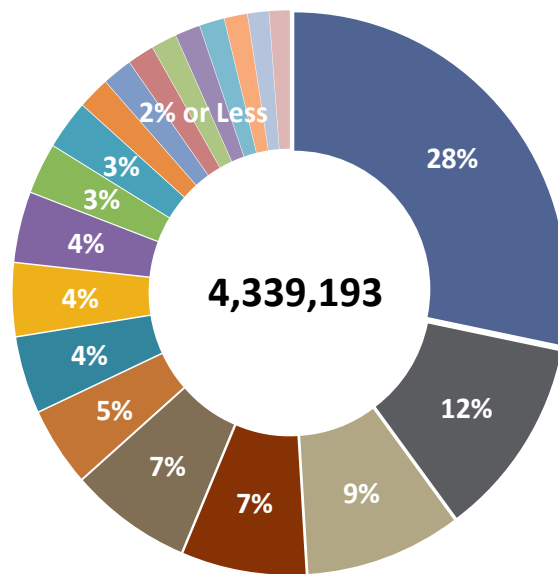
\* Iowa Alcoholic Beverages Division distributed to 1,673 retailers in the state of Iowa

The above heat map shows the total number of class "E" licensees per county. The Division distributes to all of these license holders from one central warehouse located in Ankeny. The color of the county corresponds to the total amount of liquor sales sold from the Division to the class "E"

licensees within that county. The darker the county, the greater amount of liquor sales. Class "E" license holders sell directly to the public via retail sales or to on-premises liquor license holders. To sell to on-premises license holders, a class "E" must hold a federal wholesale permit.

# Business Operations Bureau

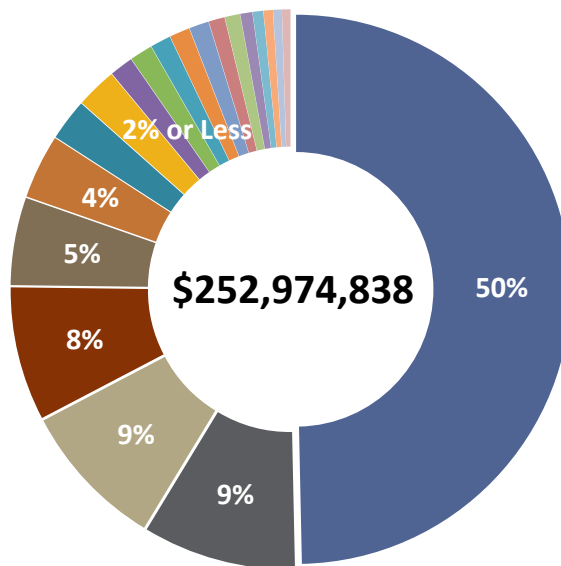
## Top 20 Counties for Liquor Sales by Gallons



County		Gallons	County		Gallons
1	Polk	1,225,318	11	Cerro Gordo	123,649
2	Linn	503,659	12	Dickinson	80,887
3	Scott	398,591	13	Clinton	75,896
4	Johnson	317,692	14	Webster	68,027
5	Black Hawk	309,848	15	Lee	65,017
6	Pottawattamie	197,585	16	Muscatine	63,936
7	Woodbury	192,755	17	Des Moines	63,697
8	Dubuque	183,038	18	Marshall	58,906
9	Story	176,853	19	Wapello	54,231
10	Dallas	126,982	20	Warren	52,627
Total					4,339,193

# Business Operations Bureau

## Top 20 Class "E" Licensee Sales by Licensee Group



Licensee		Sales	Licensee		Sales
1	Hy-Vee	\$125,635,967	11	Lot-A-Spirits	\$3,046,693
2	Fareway Stores	\$22,821,722	12	Walgreens	\$3,027,502
3	Wal-Mart	\$21,854,066	13	Benz Distributing	\$2,942,473
4	Sam's Club	\$19,907,372	14	Smokin Joe's	\$2,377,949
5	Central City	\$13,039,094	15	I-80 Liquor / Council Bluffs	\$2,276,545.
6	Casey's General Store	\$9,564,768	16	Iowa Street Market, Inc.	\$1,795,921
7	Kum & Go	\$6,204,912	17	Price Chopper	\$1,580,217
8	Costco	\$6,061,782	18	New Star	\$1,390,710
9	Wilkie Liquors	\$3,504,644	19	Hillstreet News and Tobacco	\$1,285,211
10	Target	\$3,398,889	20	Happy's Wine & Spirits	\$1,258,401

**Total \$252,974,838**

# Business Operations Bureau

## Total Gallons Sold per County

Rank	County	Fiscal Year Gallons				Retailers Selling Spirits			
		FY18	FY19	+ / -	% + / -	FY18	FY19	+ / -	% + / -
1	Polk	1,287,132	1,225,318	(61,814)	-5%	215	210	(5)	-2%
2	Linn	497,385	503,659	6,274	1%	115	122	7	6%
3	Scott	379,673	398,591	18,918	5%	78	79	1	1%
4	Johnson	318,077	317,692	(385)	0%	61	67	6	10%
5	Black Hawk	304,219	309,848	5,629	2%	75	85	10	13%
6	Pottawattamie	194,876	197,585	2,709	1%	56	56	0	0%
7	Woodbury	190,063	192,755	2,692	1%	41	47	6	15%
8	Dubuque	181,955	183,038	1,083	1%	49	53	4	8%
9	Story	175,349	176,853	1,504	1%	46	45	(1)	-2%
10	Dallas	64,287	126,982	62,695	98%	25	36	11	44%
11	Cerro Gordo	126,163	123,649	(2,514)	-2%	21	21	0	0%
12	Dickinson	77,608	80,887	3,279	4%	13	16	3	23%
13	Clinton	71,895	75,895	4,000	6%	22	23	1	5%
14	Webster	74,134	68,027	(6,107)	-8%	25	25	0	0%
15	Lee	64,609	65,017	408	1%	17	21	4	24%
16	Muscatine	66,437	63,936	(2,501)	-4%	22	30	8	36%
17	Des Moines	63,186	63,697	511	1%	24	30	6	25%
18	Marshall	58,421	58,906	485	1%	22	21	(1)	-5%
19	Wapello	52,011	54,231	2,220	4%	14	19	5	36%
20	Warren	52,629	52,627	(2)	0%	20	21	1	5%
21	Carroll	46,855	46,899	44	0%	13	12	(1)	-8%
22	Marion	43,145	43,238	93	0%	15	14	(1)	-7%
23	Bremer	46,447	40,927	(5,520)	-12%	11	11	0	0%
24	Hardin	28,238	39,531	11,293	40%	14	16	2	14%
25	Sioux	36,800	37,380	580	2%	14	18	4	29%
26	Jasper	34,287	36,140	1,853	5%	15	21	6	40%
27	Buena Vista	35,565	35,969	404	1%	14	17	3	21%
28	Kossuth	32,342	35,574	3,232	10%	9	13	4	44%
29	Boone	34,737	35,234	497	1%	15	18	3	20%
30	Clay	33,149	33,940	791	2%	9	10	1	11%
31	Washington	31,823	33,724	1,901	6%	9	17	8	89%
32	Plymouth	33,623	32,042	(1,581)	-5%	13	11	(2)	-15%
33	Poweshiek	29,208	30,179	971	3%	14	19	5	36%
34	Crawford	25,230	28,374	3,144	12%	5	7	2	40%
35	Jones	28,052	28,006	(46)	0%	9	9	0	0%
36	O'Brien	29,203	27,136	(2,067)	-7%	11	11	0	0%
37	Page	25,832	26,545	713	3%	8	8	0	0%
38	Winneshiek	26,595	26,038	(557)	-2%	9	9	0	0%
39	Mahaska	24,457	26,014	1,557	6%	9	11	2	22%
40	Cass	26,530	25,388	(1,142)	-4%	11	12	1	9%

Continued on page 37

# Business Operations Bureau

## Total Gallons Sold per County

Continued from page 36

Rank	County	Fiscal Year Gallons				Retailers Selling Spirits			
		FY18	FY19	+ / -	% + / -	FY18	FY19	+ / -	% + / -
41	Fayette	26,432	25,268	(1,164)	-4%	16	13	(3)	-19%
42	Henry	22,616	24,297	1,681	7%	6	8	2	33%
43	Floyd	24,541	23,044	(1,497)	-6%	9	9	0	0%
44	Iowa	15,369	22,962	7,593	49%	12	37	25	208%
45	Buchanan	22,004	22,417	413	2%	12	15	3	25%
46	Union	19,377	21,323	1,946	10%	6	6	0	0%
47	Delaware	12,770	20,931	8,161	64%	5	8	3	60%
48	Jackson	25,295	20,883	(4,412)	-17%	8	10	2	25%
49	Benton	20,058	19,512	(546)	-3%	13	14	1	8%
50	Appanoose	17,226	18,612	1,386	8%	7	10	3	43%
51	Allamakee	18,617	18,034	(583)	-3%	7	8	1	14%
52	Shelby	18,986	17,884	(1,102)	-6%	7	4	(3)	-43%
53	Jefferson	17,402	17,761	359	2%	4	5	1	25%
54	Madison	17,933	17,669	(264)	-1%	9	9	0	0%
55	Hamilton	18,879	17,637	(1,242)	-7%	10	11	1	10%
56	Humboldt	16,966	17,229	263	2%	5	6	1	20%
57	Howard	16,476	16,815	339	2%	6	5	(1)	-17%
58	Wright	16,133	16,276	143	1%	12	12	0	0%
59	Winnebago	17,220	16,264	(956)	-6%	7	7	0	0%
60	Tama	15,394	15,648	254	2%	9	10	1	11%
61	Emmet	15,456	15,235	(221)	-1%	4	5	1	25%
62	Lyon	14,521	14,609	88	1%	11	10	(1)	-9%
63	Clarke	12,045	14,403	2,358	20%	7	7	0	0%
64	Montgomery	14,280	14,177	(103)	-1%	7	6	(1)	-14%
65	Cherokee	15,223	14,174	(1,049)	-7%	7	9	2	29%
66	Palo Alto	16,141	13,452	(2,689)	-17%	8	7	(1)	-13%
67	Clayton	12,916	12,531	(385)	-3%	13	12	(1)	-8%
68	Cedar	12,646	12,286	(360)	-3%	9	12	3	33%
69	Sac	11,738	11,981	243	2%	8	10	2	25%
70	Ida	12,362	11,721	(641)	-5%	4	5	1	25%
71	Greene	19,046	11,524	(7,522)	-39%	6	5	(1)	-17%
72	Harrison	11,408	11,120	(288)	-3%	8	9	1	13%
73	Mills	11,060	11,094	34	0%	7	10	3	43%
74	Guthrie	11,447	10,182	(1,265)	-11%	8	6	(2)	-25%
75	Chickasaw	8,482	9,872	1,390	16%	6	6	0	0%
76	Monona	10,527	9,757	(770)	-7%	5	6	1	20%
77	Franklin	10,580	9,686	(894)	-8%	8	9	1	13%
78	Mitchell	10,208	9,388	(820)	-8%	6	10	4	67%
79	Hancock	8,203	9,357	1,154	14%	5	7	2	40%
80	Lucas	9,751	9,162	(589)	-6%	3	3	0	0%

# Business Operations Bureau

## Total Gallons Sold per County

Continued from page 37

Rank	County	Fiscal Year Gallons				Retailers Selling Spirits			
		FY18	FY19	+ / -	% + / -	FY18	FY19	+ / -	% + / -
81	Pocahontas	7,744	8,422	678	9%	6	7	1	17%
82	Calhoun	8,102	8,257	155	2%	12	9	(3)	-25%
83	Butler	7,633	7,964	331	4%	8	9	1	13%
84	Monroe	7,194	7,513	319	4%	3	5	2	67%
85	Grundy	8,165	7,393	(772)	-9%	7	7	0	0%
86	Worth	6,085	6,058	(27)	0%	5	5	0	0%
87	Adair	4,532	5,885	1,353	30%	4	6	2	50%
88	Osceola	5,350	5,501	151	3%	2	3	1	50%
89	Louisa	5,199	4,341	(858)	-17%	7	6	(1)	-14%
90	Audubon	3,360	3,977	617	18%	3	4	1	33%
91	Keokuk	3,909	3,790	(119)	-3%	3	4	1	33%
92	Van Buren	3,539	3,655	116	3%	3	3	0	0%
93	Adams	1,393	3,431	2,038	146%	2	3	1	50%
94	Decatur	3,357	3,011	(346)	-10%	6	6	0	0%
95	Ringgold	3,224	2,984	(240)	-7%	3	3	0	0%
96	Wayne	2,430	2,847	417	17%	4	4	0	0%
97	Davis	2,267	2,553	286	13%	1	2	1	100%
98	Taylor	2,277	2,393	116	5%	4	4	0	0%
99	Fremont	1,125	1,123	(2)	0%	2	2	0	0%
TOTALS		5,666,846	5,724,750	57,904	1.02%	1,583	1,744	161	10.17%



"As a leading contributor to the State of Iowa General fund, the Division has a responsibility to be accurate, efficient, and responsible in regards to financial management and the citizen's-owned business model that drives our success."

— Leisa Bertram,  
Comptroller

## Our Progress — Year in Review

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### FINANCIAL HIGHLIGHTS

#### Revenue Analysis

The Division experienced healthy growth in relation to overall revenues from several different key areas within the citizens-owned business model. Gross liquor sales increased by over **6%** compared to Fiscal Year 2018, equating to a sales amount of close to **\$340 million**. The increase in liquor sales has been continually growing and is a major source of funding for the State General fund. The liquor sales total was the greatest portion of the **\$371 million** brought in as total revenue from the operations fund, a **4.4%** growth over the previous fiscal year.

Along with the increase in sales, there was growth in the license revenue, a total of over **\$18 million**, and an increase in the total number of licenses sold to various business models across the state of Iowa, and to suppliers and manufacturers across the country. The Division also saw growth in the wine tax of almost **1%** for **\$8.2 million**, and the native beer tax by **16%** for **\$151,000**.

Growth in revenues allowed the Division to transfer over **\$115.6 million** directly to the State General Fund. As the Division continues to see growth in revenues, so too will the State General Fund see growth in direct transfers and distributions.

#### Expense Analysis

Total expenses for the Division were **\$371 million** as all revenues collected that were not used for the daily operations of the Division were transferred back to the State General Fund or other agencies. The total of transferred funds was **\$144.7 million**. The transfer of the Substance Abuse, **7%** of the liquor sales collected, and Liquor Sales totals reached a record high of **\$126.1 million**, a **5%** increase over the previous fiscal year.

The Division expended over **\$3.9 million** to local authorities throughout Iowa for their partnership in the licensing-approval process. These funds are collected by the Division as a portion of the license fee and paid back to the authorities on a monthly basis.

Inventory purchases of spirits were **\$223.8 million** equating to over **2.4 million** 9-liter cases purchased from our suppliers. The Division also expanded the warehouse with a **\$3.5 million** capital project for more warehouse and product space.

As the Division expands SKU selection and grows the diversity of items, the number of suppliers and product selection is assured continued growth. This will allow greater selection and product availability to all consumers.■

## Introduction

The following summary of the Division's financial performance provides a brief overview of financial activities for Fiscal Year 2019. 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, 2019 – September 30, 2019). While the Division's operations are audited, the following pages are audited internally only.

	Page
Liquor Sales by Month .....	41
Liquor Control Trust Fund Summary ....	42
Reversion Analysis .....	43
Profit & Loss Statement .....	44
Net Income Statement .....	45
Statement of Cash Flow .....	46
Balance Sheet .....	47
Notes to Financial Statements .....	48

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## OVERVIEW OF FINANCIAL STATEMENTS

The Fiscal Year 2019 Annual Report consists of a series of proprietary financial statements. The Division operates out of the State of Iowa General Fund and the Liquor Control Trust Fund. The Net Income Statement provides financial information as of June 30, 2019, in comparison to the Division's financial position as of June 30, 2018. The Balance Sheet provides information about the Division's assets and liabilities.

The Profit and Loss Statement reflects the Division's financial performance with respect to wholesale operations and revenues and expenditures directly related to the Liquor Control Trust Fund. The Net Income Statement outlines a Fiscal Year 2019 and Fiscal Year 2018 comparison of the Division's

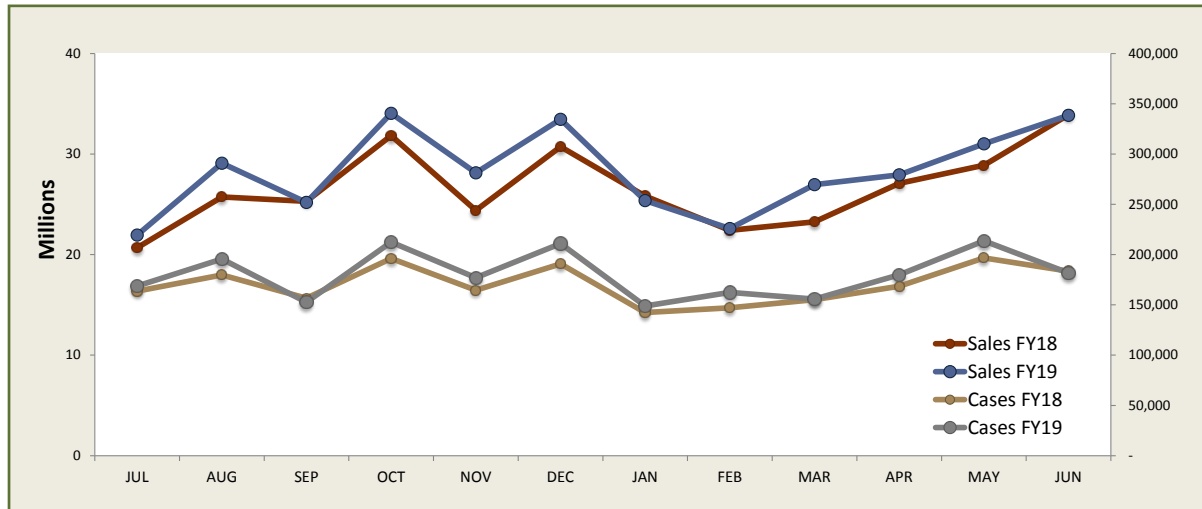
operations and performance relating to Iowa Code chapter 123, including distribution and administrative revenues and expenditures from the Liquor Control Trust Fund and the General Fund.

The Statement of Cash Flow represents cash flow for Fiscal Years 2019 and 2018 to the Liquor Control Trust Fund. The Balance Sheet includes revenues and expenditures in the fiscal year hold-open period, July 1, 2019 through September 30, 2019.

Also presented in this report are Notes to Financial Statements that provide additional information to facilitate a better understanding of the data within each statement. ■



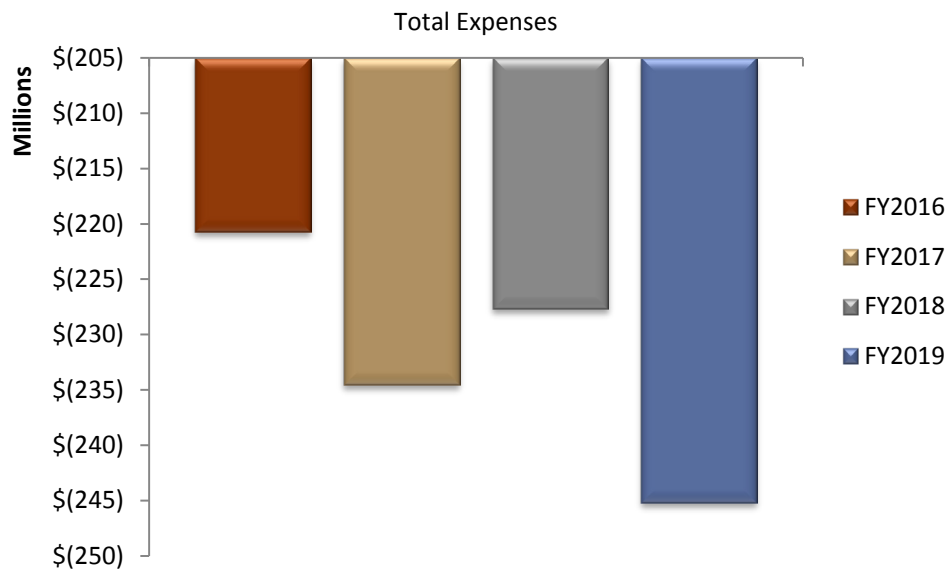
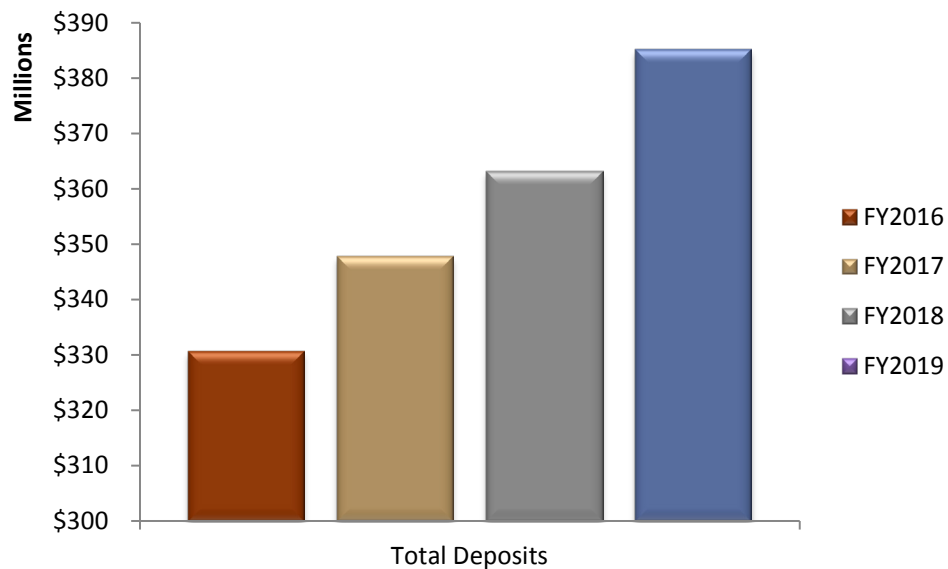
## Liquor Sales by Month for Fiscal Year 2019



	Sales FY19	Sales FY18	Cases FY19	Cases FY18	Class "E"s FY19
JUL	\$21,941,950	\$20,683,447	168,707	163,627	1,533
AUG	\$29,079,661	\$25,737,770	195,609	179,689	1,540
SEP	\$25,187,655	\$25,306,777	152,672	156,621	1,546
OCT	\$34,040,647	\$31,832,047	212,476	196,188	1,555
NOV	\$28,138,662	\$24,401,342	177,046	164,586	1,559
DEC	\$33,450,487	\$30,720,457	210,881	190,820	1,566
JAN	\$25,368,632	\$25,828,473	148,885	142,300	1,569
FEB	\$22,588,927	\$22,403,643	162,364	146,986	1,571
MAR	\$26,952,007	\$23,260,973	155,691	155,109	1,572
APR	\$27,928,735	\$27,087,806	179,991	168,512	1,580
MAY	\$31,010,524	\$28,885,362	213,707	196,603	1,644
JUN	\$33,849,754	\$33,901,715	181,650	183,482	1,673
<b>TOTAL</b>	<b>\$339,537,641</b>	<b>\$320,049,812</b>	<b>2,159,679</b>	<b>2,044,523</b>	

## Liquor Control Trust Fund Summary

	FY16	FY17	FY18	FY19
Sale of Liquor	\$288,908,790	\$305,619,126	\$320,049,812	\$339,537,641
Sale of Licenses	\$15,608,360	\$15,664,468	\$16,613,682	\$18,733,557
Beer Tax Collected	\$14,231,744	\$13,904,082	\$13,592,912	\$13,438,680
Wine Tax Collected	\$7,648,753	\$8,078,043	\$8,166,553	\$8,219,810
Micellaneous Revenue	\$4,226,128	\$4,503,333	\$4,731,204	\$5,290,473
<b>Total Deposits</b>	<b>\$330,623,775</b>	<b>\$347,769,052</b>	<b>\$363,154,163</b>	<b>\$385,220,162</b>
Total Expenses	\$(220,699,907)	\$(234,511,967)	\$(227,665,459)	\$(245,151,122)
<b>Net Revenues</b>	<b>\$109,923,868</b>	<b>\$113,257,085</b>	<b>\$135,488,704</b>	<b>\$140,069,040</b>



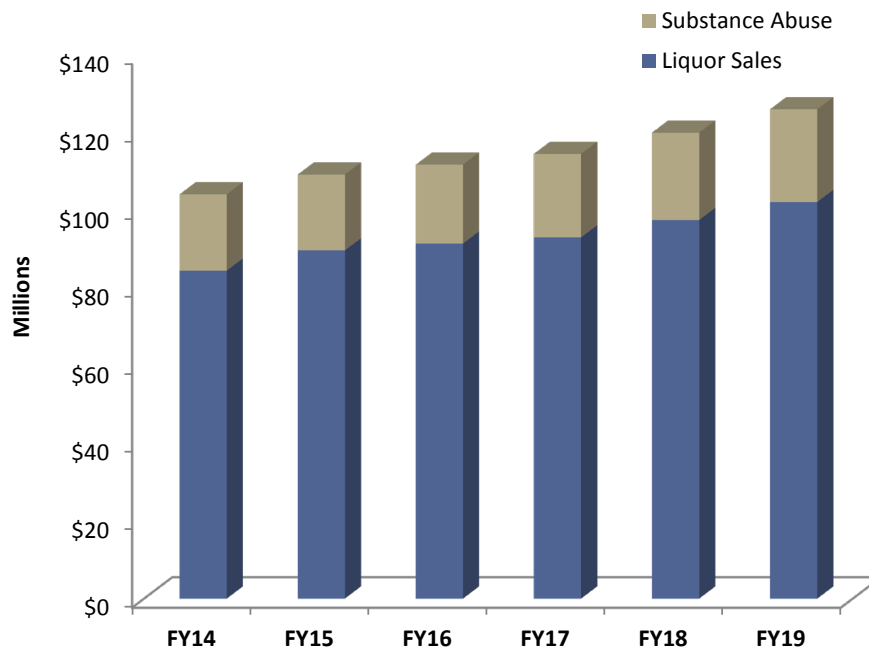
### Reversion Analysis

Each year, the Division transfers a monthly reversion amount of all revenues from liquor sales, license fees, and other sources back to the State General Fund.

This reversion is then appropriated by the Legislature to other departments and agencies throughout the state. The Division provides an estimate of this total

number to be used in budgeting and is required to fulfill this estimated amount.

The estimate is derived using past and current sales and reflects the overall growth of the Division as it continues to serve lowans through the responsible regulation, sale and distribution of spirits. ■



	Liquor Sales	Substance Abuse	Total Reversion
FY14	\$85,682,634	\$19,635,954	\$105,318,588
FY15	\$89,697,323	\$19,539,339	\$109,236,662
FY16	\$91,460,077	\$20,328,191	\$111,788,268
FY17	\$93,067,415	\$21,502,071	\$114,569,486
FY18	\$97,534,820	\$22,513,750	\$120,048,570
FY19	\$102,180,835	\$23,875,595	\$126,056,430

## Financials — Profit & Loss Statement, Liquor Control Trust Fund

For the period ended June 30, 2019 including hold open	FY 2019	FY 2018	FY19 vs. FY18 Amount Chg.	FY19 vs. FY18 % Chg.
<b>Liquor Sales Revenue</b>	<b>339,537,641</b>	<b>320,049,812</b>	<b>19,487,829</b>	<b>6.09%</b>
<b>Cost of Sales</b>				
Bailment	226,559,568	213,295,646	13,263,922	6.22%
Less: Bailment Fees	(2,404,252)	(2,292,151)	(112,101)	4.89%
Less: Special Handling Fees	(273,789)	(202,462)	(71,327)	35.23%
Less: Defective Products	(3,552)	(7,306)	3,754	-51.38%
<b>Total Cost of Sales</b>	<b>223,877,975</b>	<b>210,793,727</b>	<b>13,084,248</b>	<b>6.21%</b>
<b>Gross Profit</b>	<b>115,659,666</b>	<b>109,256,085</b>	<b>6,403,581</b>	<b>5.86%</b>
<b>Gross Profit %</b>	<b>34.06%</b>	<b>34.14%</b>	<b>-0.08%</b>	<b>-0.23%</b>
<b>Operating Expenses</b>				
Freight Expenses	3,253,633	2,713,888	539,745	19.89%
Warehouse Expenses	2,442,419	2,200,035	242,384	11.02%
Other Expenses Related To Distribution	3,566,038	830,346	2,735,692	329.46%
<b>Total Operating Expenses</b>	<b>9,262,090</b>	<b>5,744,269</b>	<b>3,517,821</b>	<b>61.24%</b>
<b>General and Administrative Expenses</b>				
Warehouse Administration	734,151	630,490	103,661	16.44%
Product Administration	154,516	312,780	(158,264)	-50.60%
Accounting	623,938	613,814	10,124	1.65%
Information Technology	1,625,953	2,094,223	(468,270)	-22.36%
Buildings and Grounds	536,276	409,964	126,312	30.81%
<b>General and Administrative Expenses Total</b>	<b>3,674,834</b>	<b>4,061,271</b>	<b>(386,437)</b>	<b>-9.52%</b>
<b>Income from Operations</b>	<b>102,722,742</b>	<b>99,450,545</b>	<b>3,272,197</b>	<b>3.29%</b>
<b>Other Revenues</b>				
Split Case Fee	1,542,193	1,575,192	(32,999)	-2.09%
Bottle Deposit/Surcharge	3,311,684	3,048,268	263,416	8.64%
Recycling	42,761	25,183	17,578	69.80%
Fuel and Lease Reimbursement	83,640	81,795	1,845	2.26%
Other Revenues and Reimbursements	309,905	74,688	235,217	314.93%
Wine Tax and License Fees	26,953,367	24,780,235	2,173,132	8.77%
<b>Total Other Revenues</b>	<b>32,243,550</b>	<b>29,585,361</b>	<b>2,658,189</b>	<b>8.98%</b>
<b>Other Expenses</b>				
Bottle Deposit Fee	692,408	636,123	56,285	8.85%
Recycle Surcharge Fee	1,717,178	1,577,580	139,598	8.85%
License & Liquor Refunds	145,626	162,972	(17,346)	-10.64%
Substance Abuse Transfer	23,875,596	22,513,750	1,361,846	6.05%
Sunday Sales Transfer	920,979	911,293	9,686	1.06%
City and County Payments	3,949,912	3,775,619	174,293	4.62%
<b>Total Other Expenses</b>	<b>31,301,699</b>	<b>29,577,337</b>	<b>1,724,362</b>	<b>5.83%</b>
<b>Net Profit</b>	<b>103,664,593</b>	<b>99,458,569</b>	<b>4,206,024</b>	<b>4.23%</b>
<b>Return on Sales</b>	<b>30.53%</b>	<b>31.08%</b>	<b>-0.55%</b>	<b>-1.77%</b>

## Financials — Net Income Statement, Includes General Fund

For the period ended June 30, 2019 including hold open	FY 2019	FY 2018	FY19 vs. FY18 Amount Chg.	FY19 vs. FY18 % Chg.
<b>REVENUES</b>				
<b>Operating Revenues</b>				
Liquor Sales	339,537,641	320,049,812	19,487,829	6.09%
Split Case Revenue	1,542,193	1,575,192	(32,999)	-2.09%
Bottle Deposit/Surcharge	3,311,684	3,048,358	263,326	8.64%
<b>Total Operating Revenues</b>	<b>344,391,518</b>	<b>324,673,362</b>	<b>19,718,156</b>	<b>6.07%</b>
<b>Non-Operating Revenues</b>				
Lease Revenue	83,640	81,795	1,845	2.26%
License Fees	18,733,557	16,613,682	2,119,875	12.76%
Wine Tax	8,219,810	8,166,553	53,257	0.65%
Fines/Penalties	6,275	7,574	(1,299)	-17.15%
Recycling Revenues	42,808	27,981	14,827	52.99%
Misc. Funding Sources	382,580	116,131	266,449	229.44%
State Appropriations	1,019,556	996,391	23,165	2.32%
Prior Year Liquor Control Fund Carry Forward	500,000	2,413	497,587	20621.09%
Inter-Department Transfers	1,475,000	1,425,000	50,000	3.51%
<b>Total Non-Operating Revenues</b>	<b>30,463,226</b>	<b>27,437,520</b>	<b>3,025,706</b>	<b>11.03%</b>
<b>Total Revenues</b>	<b>374,854,744</b>	<b>352,110,882</b>	<b>22,743,862</b>	<b>6.46%</b>
<b>EXPENSES</b>				
<b>Operating Expenses</b>				
Purchase of Liquor	223,877,975	210,793,728	13,084,247	6.21%
Freight Expenses	2,613,711	2,713,888	(100,177)	-3.69%
Warehouse Expenses	1,857,289	2,200,035	(342,746)	-15.58%
Ruan Fleet Expenses	639,922	-	639,922	-
Ruan Warehouse Expenses	585,130	-	585,130	-
Other Expenses Related to Distribution	3,566,038	830,346	2,735,692	329.46%
Warehouse Administration	397,337	319,317	78,020	24.43%
Product Administration	154,516	312,780	(158,264)	-50.60%
Accounting	757,325	748,713	8,612	1.15%
Information Technology	1,625,954	2,094,223	(468,269)	-22.36%
Buildings and Grounds	558,779	429,672	129,107	30.05%
Safety and Security	433,567	404,934	28,633	7.07%
Bottle Deposit Fee	692,409	636,123	56,286	8.85%
Recycle Surcharge Fee	1,717,176	1,577,580	139,596	8.85%
Liquor Refunds	145,629	163,083	(17,454)	-10.70%
Substance Abuse Transfer	23,875,596	22,513,750	1,361,846	6.05%
Liquor Profits Transfer	102,180,835	97,534,820	4,646,015	4.76%
<b>Total Operating Expenses</b>	<b>365,679,188</b>	<b>343,272,992</b>	<b>22,406,196</b>	<b>6.53%</b>
<b>Non-Operating Expenses</b>				
Sunday Sales Transfer	920,979	911,293	9,686	1.06%
Payments to Cities and Counties	3,949,912	3,775,618	174,294	4.62%
Non-Operating Expenditures	2,320,618	2,222,856	97,762	4.40%
Inter-Department Transfers	1,475,000	1,425,000	50,000	3.51%
<b>Non-Operating Expenses Total</b>	<b>8,666,509</b>	<b>8,334,767</b>	<b>331,742</b>	<b>3.98%</b>
<b>Total Expenses</b>	<b>374,345,697</b>	<b>351,607,759</b>	<b>22,737,938</b>	<b>6.47%</b>
<b>Net Income</b>	<b>509,047</b>	<b>503,123</b>	<b>5,924</b>	<b>1.18%</b>

## Financials — Statement of Cash Flow

For fiscal year ending June 30, 2019

	FY2019	FY2018
<b>CASH IN</b>		
Liquor Sales	333,954,585	314,464,537
Wine Tax	7,346,553	7,433,269
License Fees	18,587,039	16,437,221
Split Case Fee	1,510,482	1,544,836
Bottle Deposit Fee	3,245,487	2,989,238
Other- Misc. Income	222,049	66,333
Other - Fees,NSF	6,230	7,174
Lottery Lease	62,730	61,346
Other Sales/Service-Recycling	35,000	21,960
<b>TOTAL CASH IN</b>	<b>364,970,155</b>	<b>343,025,914</b>
<b>CASH OUT</b>		
Cities - Liquor Sales Dist	3,138,892	3,196,031
Counties - Liquor Sales Dist	218,898	225,058
Transfer to Liq Gen Fund (0001)	1,250,000	1,325,000
Sunday Sales	920,979	911,293
Substance Abuse	21,495,322	20,129,363
General Fund Transfer	92,500,000	88,300,000
Personal Expenses	3,670,748	4,399,695
Liquor Purchases	214,130,900	201,523,937
Bottle Deposit / Surcharge	2,198,768	2,032,521
Capitals	3,566,038	830,346
Miscellaneous Trust Fund Expenses	5,319,236	4,006,533
<b>TOTAL CASH OUT</b>	<b>348,409,781</b>	<b>326,879,777</b>
<b>TOTAL CHANGE IN CASH</b>	<b>16,560,374</b>	<b>16,146,137</b>

## Financials — Balance Sheet, Hold Open only July 1 - Sept. 30, 2019

	FY2019	FY2018	% Change
<b>CURRENT ASSETS</b>			
<b>Cash</b>	17,054,688	16,146,137	5.6%
<b>Accounts Receivable</b>			
Liquor	5,583,056	5,585,275	0.0%
Split Case Fees	31,711	30,356	4.5%
Recycle Fee / Surcharge	66,197	59,120	12.0%
Wine Tax	873,257	733,285	19.1%
Licenses	146,518	176,460	-17.0%
Fines and Penalties	45	300	-85.0%
Refunds and Reimbursements	89,633	881	10073.4%
Other Agency Billings	20,910	20,449	2.3%
<b>Prepaid</b>			
Funding to DAS for Project 9053.00	3,111,943	-	
Insurance	45,278	27,580	64.2%
<b>Inventory</b>			
Liquor	12,605	13,294	-5.2%
Gasoline / Fuel	23,926	2,295	942.5%
<b>Total Current Assets</b>	<b>27,059,767</b>	<b>22,795,432</b>	<b>18.7%</b>
<b>Property, Warehouse, and Equipment</b>			
Machinery, Equipment and Vehicles	1,910,342	1,910,342	0.0%
Buildings and Building Improvements	7,399,863	4,232,598	74.8%
Land Improvements	1,729,581	-	
Less: Accumulated Depreciation	(5,253,509)	(5,072,172)	3.6%
Construction In Progress	712,049	4,826,658	-85.2%
Land	210,000	210,000	0.0%
<b>Total Assets</b>	<b>33,768,093</b>	<b>28,902,858</b>	<b>16.8%</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Wages and Benefits	53,678	233,150	-77.0%
Liquor Purchases	9,747,075	9,272,287	5.1%
Bottle Deposit Refund	60,580	52,064	16.4%
Recycle Surcharge Fee	150,238	129,118	16.4%
Substance Abuse Obligation	2,380,274	2,384,388	-0.2%
General Fund Obligation	9,680,835	9,234,820	4.8%
License Fees to Cities/Counties	592,122	354,530	67.0%
License Refunds	9,581	1,162	724.5%
Transfer to Liq Gen Fund(0001)	225,000	-	
Misc. Obligations	463,269	597,734	-22.5%
<b>TOTAL LIABILITIES</b>	<b>23,362,652</b>	<b>22,259,253</b>	<b>5.0%</b>
<b>TOTAL NET ASSETS</b>	<b>10,405,441</b>	<b>6,643,605</b>	<b>56.6%</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>33,768,093</b>	<b>28,902,858</b>	<b>16.8%</b>

# Financials- Notes to Financial Statements

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## Profit and Loss Notes Totals (page 44)

1. Total cost of sales is the total cost to purchase 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. Special handling fees were up in FY19 due to greater oversight on incoming inventory. The defective products are down due to the way the Division is reporting defectives through the operating systems compared to previous years.
2. Freight and warehouse costs are comprised of the direct expense associated with delivering spirits to class "E" licensees throughout the state of Iowa. On April 15, 2019, the Division entered a public-private partnership that changed the way the freight and warehouse costs are expended.
3. 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. The large increase in expenditures is due to the Division's warehouse expansion project, adding 20,000 square feet to the existing warehouse space.
4. Other Revenues comprises all the other revenues collected into the Liquor Control Trust Fund. The increase in the Refunds and Reimbursements total is due to a substantial refund paid back to the Division on a previous expenditure related to the operating system, Microsoft Dynamics, AX, voice pick solution.
5. Other 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.

## Net Income Statement Totals (page 45)

1. The Net Income Statement is the total of both the Liquor Control Trust Fund as well as the Division's General Fund. Net Income increased more than 22% over the previous fiscal year and is the calculation of the total Revenues minus the total Expenditures.
2. Non-Operating Revenues are those revenues not directly related to the sale of liquor. The Miscellaneous Funding total increased due the refund referenced above. The Carry Forward increase is money that was brought forward from FY18 to put toward the capital warehouse expansion project referenced above.
3. Liquor Refunds increased due to more business types with COD status needing refunds for liquor orders. While ACH customers are given a credit to their electronic payment, COD customers are issued a check for their credit.

## Statement of Cash Flow Totals (page 46)

1. The Statement of Cash Flow refers to expenditures and revenues recorded within the fiscal year not including the hold open period. The fiscal year reported is July 1, 2018 through June 30, 2019. The hold open period continued through September 30, 2019 and is reflected in the balance sheet.
2. Major increases in revenue to note on the Cash Flow are Liquor Sales, License Fees, and Other Miscellaneous income.
3. Major increases in expenditures to note include the General Fund Transfer, which is the total amount of money not expended by the Division that is transferred to the State General Fund (see page 21); License Fees, which increased due to the total number of "E" licenses increasing statewide (see page 32); and Liquor Purchases which increased due to the increase in liquor sales (see note 1 above in the Profit and Loss section.)

## Balance Sheet Totals (page 47)

1. Refunds and Reimbursements increased due to refunds referenced in the Profit and Loss section.
2. Gasoline and Fuel increased due to the recovery of fuel expenses by the Iowa Lottery. The fuel reimbursement back to the Division was reduced in FY18 due to issues with the internal operating fuel computer and reporting system. Improvements to this system are ongoing but have substantially improved over previous fiscal years.
3. The Construction in Progress (CIP) reflects the expansion project in the warehouse. The total amount of the project was transferred to the Department of Administrative Services, and the CIP is the actual amount that has been expended on the project at the end of the fiscal year.
4. Wages and Benefits decreased due to a reduction in force that was completed after the Division finalized a successful public-private partnership for the warehouse and fleet services.
5. License Refunds increased due to some beer and wine permits converting to Class "E" liquor licenses.



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