

MEMORANDUM

TO: Admin & Reg Subcommittee
FROM: Stephen Larson, Administrator
DATE: January 29, 2015
RE: FY2016 and FY2017 Budget Request

FY2014 Results

In fiscal year 2014, the Iowa Alcoholic Beverages Division experienced modest revenue growth. Total spirit sales were \$263 million, a 3% increase over the previous year. In addition to income from spirits profits, funds generated by excise taxes on wine and beer, and license fees translated into a general fund transfer of \$119 million.

FY2015 Results

The trend in sales growth has been static for fiscal year 2015. Gross liquor sales are \$114.1 million for the first five months which equates to a .7% increase over last year.

- Net profit for the first five months is \$40.8 million which is comparable to last year. These figures are derived from gross sales less the cost of goods sold.

The Division processed 20,121 orders and picked 8.6 million bottles in first five months of fiscal year 2015.

- Revenue per order is trending at \$5,670

FY2016 and FY2017 Budget Request

The Division requests a **status quo General Fund appropriation of \$1,220,391** for fiscal years 2016 and 2017.

ABD AT A GLANCE

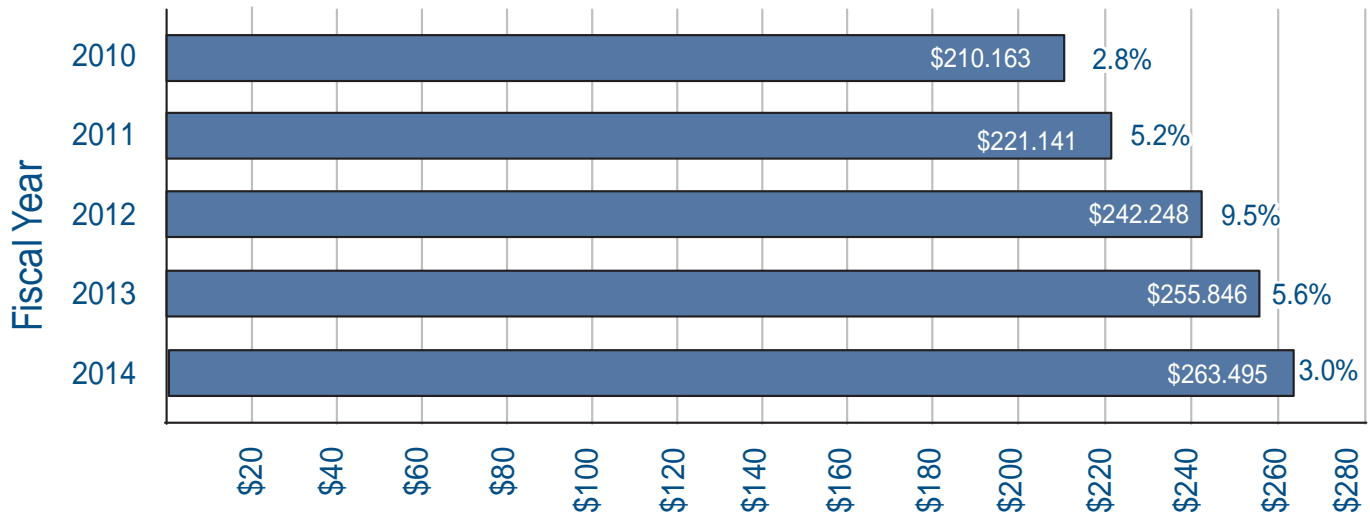
Our Mission:

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

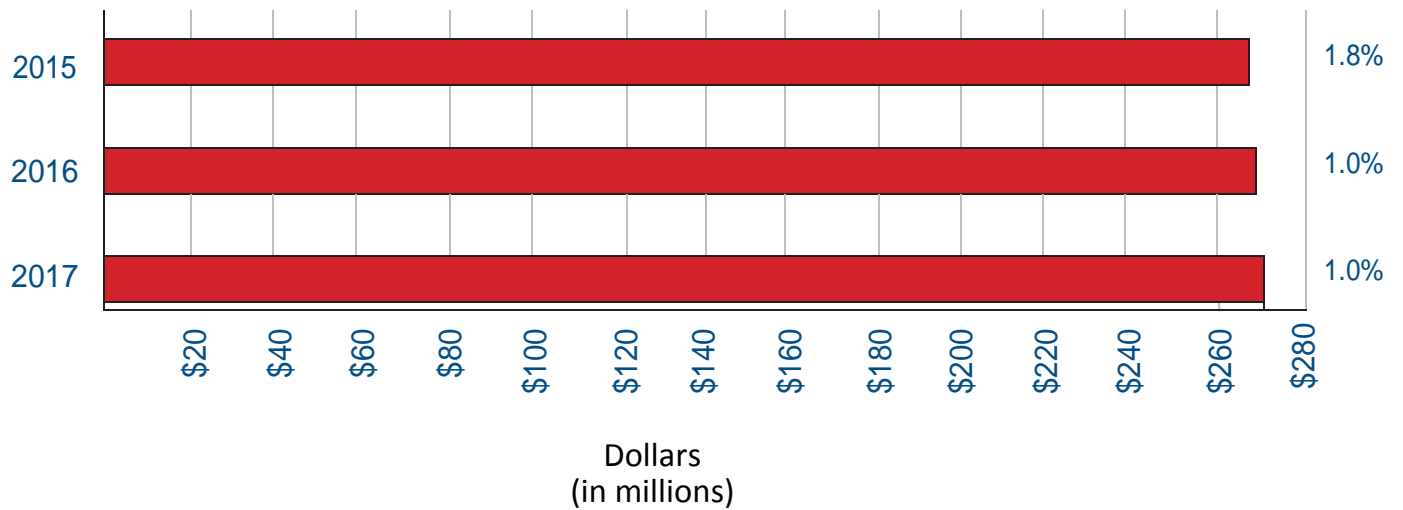
Did You Know?

- There are approximately 15,000 holders of licenses and permits to manufacture, transport and/or sell beer, wine, and spirits.
- Of these, approximately 13,000 are retailers that sell alcohol for consumption on premises (bars and restaurants) and off premises (convenience, grocery, liquor, and other retail stores).
- ABD distributes spirits to 1,251 class E license holders across the State of Iowa.
- 106 native wineries, 35 native breweries, and 11 micro-distillers are licensed.
- Beer tax is 19 cents per gallon and wine tax is \$1.75 per gallon.
- \$263 million in liquor sales during fiscal year 2014.
- \$119 million in total funds reverted to support city, county, and State of Iowa programs.
 - \$115 million in profits and revenue was transferred to the State of Iowa General Fund. These funds help pay for programs that benefit all Iowans including education, natural resources, health and family services, and public safety.
 - City and county authorities received \$3.6 million in license revenues.
 - ABD transferred \$291,732 in excise tax on native beer and wine to the Iowa Beer and Wine Board to use in conjunction with the economic promotion of Iowa wineries and breweries.

Annual Liquor Sales (Actual)



Annual Liquor Sales (Projected)



Financial Highlights:

- Accrued liquor revenues are up 3.68% compared to FY14. This increase represents \$5,075,868 in revenue.
- Accrued gross profit (revenue-cost of goods) increased \$1,006,427 compared to FY14.
- The Division processed 24,874 orders in FY15; this is 558 more orders compared to FY14.
- Total bottles picked increased by 2.77% compared to FY14. This represents 292,025 additional bottles year over year.
- Operating expenses are down 10.37%. Primarily attributed to:
 - Net Warehouse and Fleet expenses-decrease of \$75,266
 - Other expenses related to distribution/Capitals-decrease year over year of \$378,597
- Collected other revenues (i.e. split case fees and bottle deposits) are up 4.94%.
- Reversion dollars are currently 51.59% of the obligated amount (96M) for the fiscal year.
 - General Fund \$39,500,000
 - Substance Abuse \$10,024,126 ~ 7% of revenues are earmarked to this obligation
- Unbudgeted operating expenses for this fiscal year as follows:
 - \$50,000 taxable meal settlement pay out
 - \$70,000 increased benefits cost beyond the initial projection
 - \$38,000 cost to remove trailer wraps
 - \$20,000 increased Workers Comp premium
- Bankruptcy/bad debt exposure of \$28,524.69

Figure 4, shows the slight shift in revenue per order processed for FY 2013, FY 2014 and FY 2015. This analysis **excludes** split case fees and bottle deposits. FY 2015 is trending at 1.34% increase year over year.

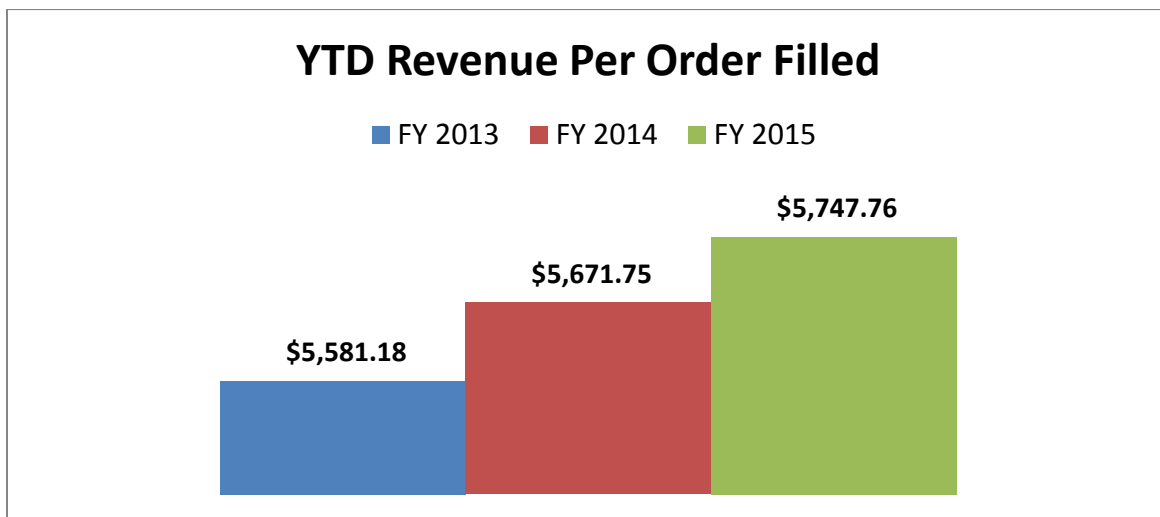


Figure 4-1st Half FY 2013-FY 2015 Excluding Fees

IOWA ALCOHOLIC
BEVERAGE DIVISION

BY THE NUMBERS

Marking **80** Years
of Alcohol Regulation in Iowa

179,000

FACILITY SQUARE FOOTAGE

150K ft²
WAREHOUSE

25K ft²
OFFICE

14.5 ACRES

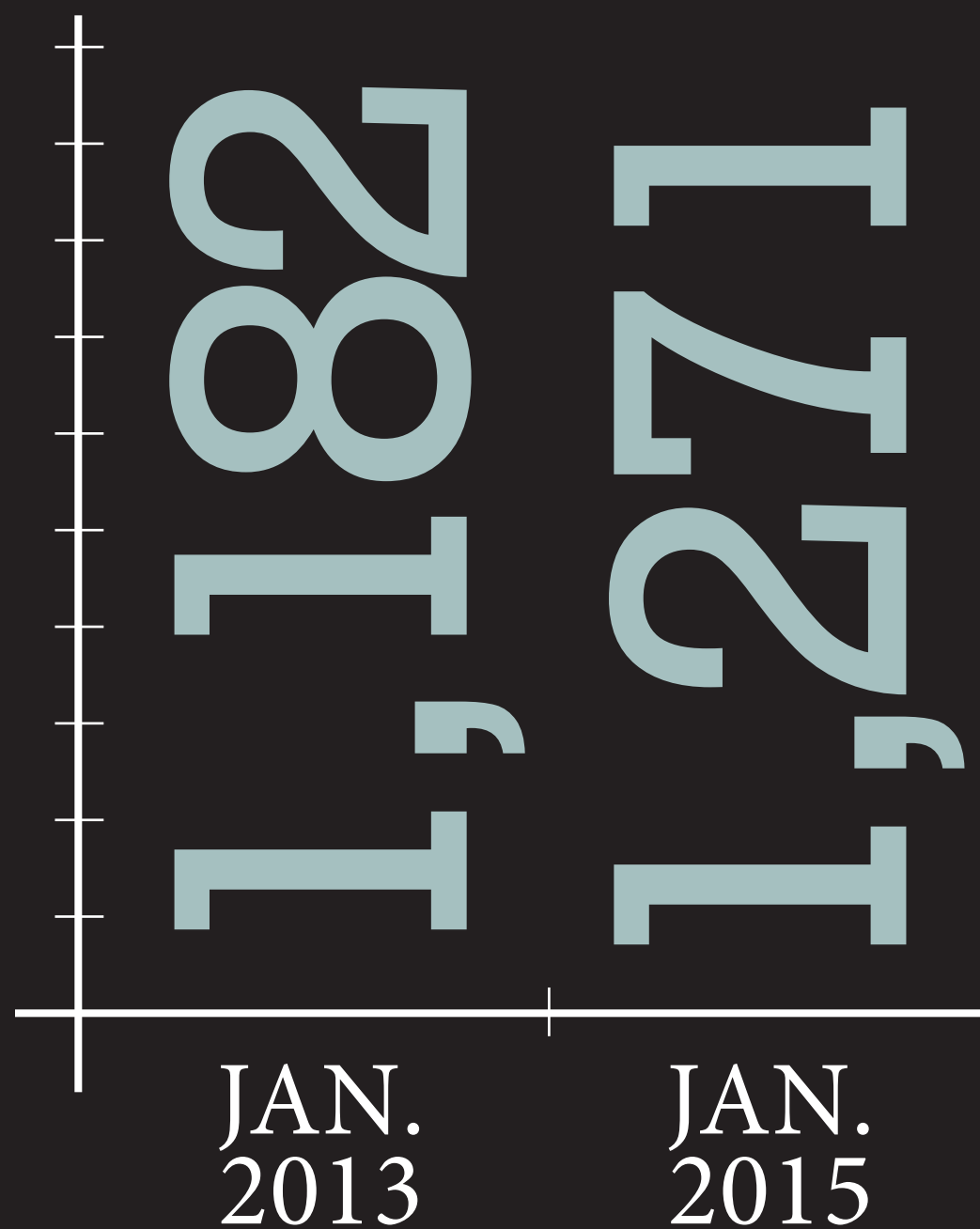
Facility
Constructed
1981

73 employees

695,477

ANNUAL MILES DRIVEN

DELIVERY
•POINTS•



47,161 Orders Processed Annually

average
CASES/ORDER
48

average
CASES PICKED/DAY
8,538

1,802,018 *CASES*
20,276,897 *BOTTLES*
5,019,618 *GALLONS*

Annual Shipments

1,910
ITEMS IN ACTIVE
INVENTORY

3,035
ITEMS AVAILABLE
FOR ORDER



IOWA

Alcoholic Beverages Division

80th Annual Report

2014

Annual Report



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About the Division

Mission Statement

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

Achieve the Mission by:

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

Vision Statement

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



Executive Information

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

Commission

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

Division Administration

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



Alcoholic Beverages Commission

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

Rick Hunsaker – Chairperson



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

Tami Doll – Vice-Chair



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



Alcoholic Beverages Commission (continued)

Jay Wilson - Secretary



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

Gary Nystrom



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

Claire Celsi



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

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



Year in Review

Revenue

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

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

Master Plan Implementation

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

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

higher efficiency in fulfillment of orders.

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

Information Technology

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

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

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



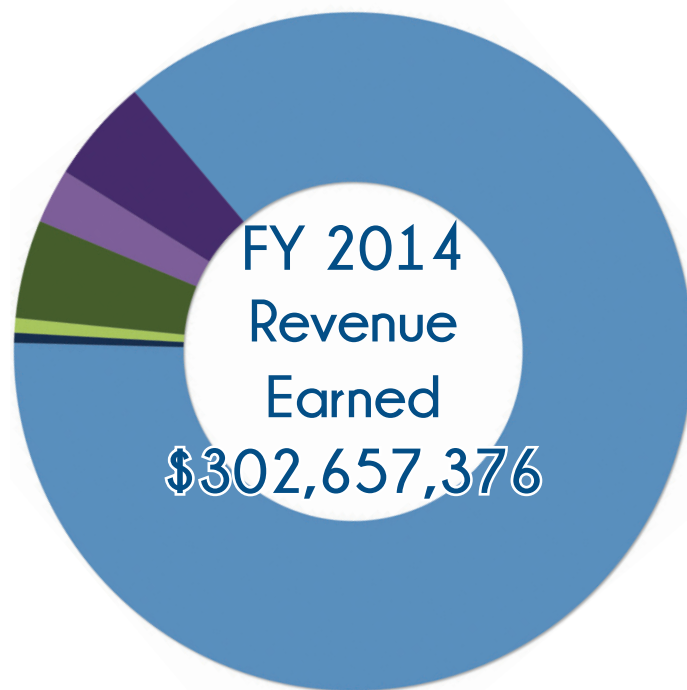
Stephen Larson,
Administrator





Revenue Earned

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



Liquor Sales: \$263,495,212

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

Split Case Revenue: \$1,348,292

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

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

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

Beer Tax: \$13,056,193

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

Wine Tax: \$7,527,049

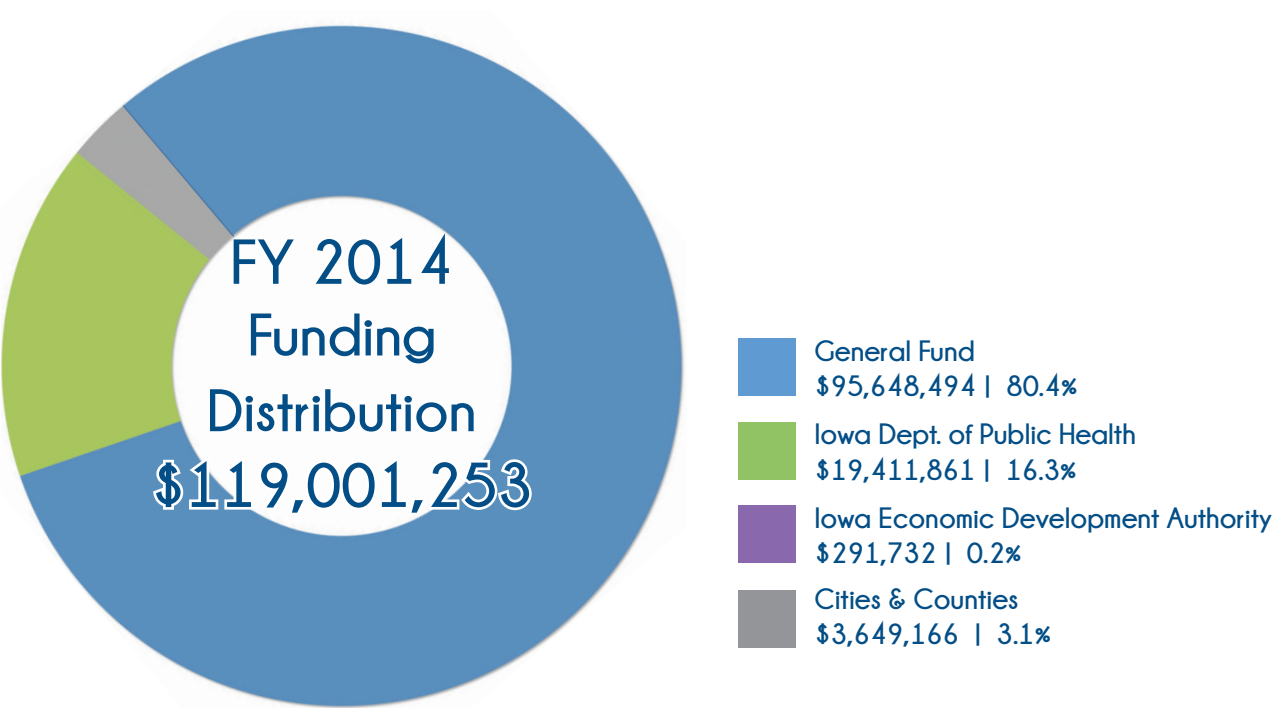
All wine manufactured for sale and sold in the state at wholesale, all wine imported and sold in the state at wholesale and wine directly shipped to consumers shall be assessed a tax at the rate of one dollar and seventy-five cents for each wine gallon.

License Fees: \$15,036,154

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



Where the Money Goes



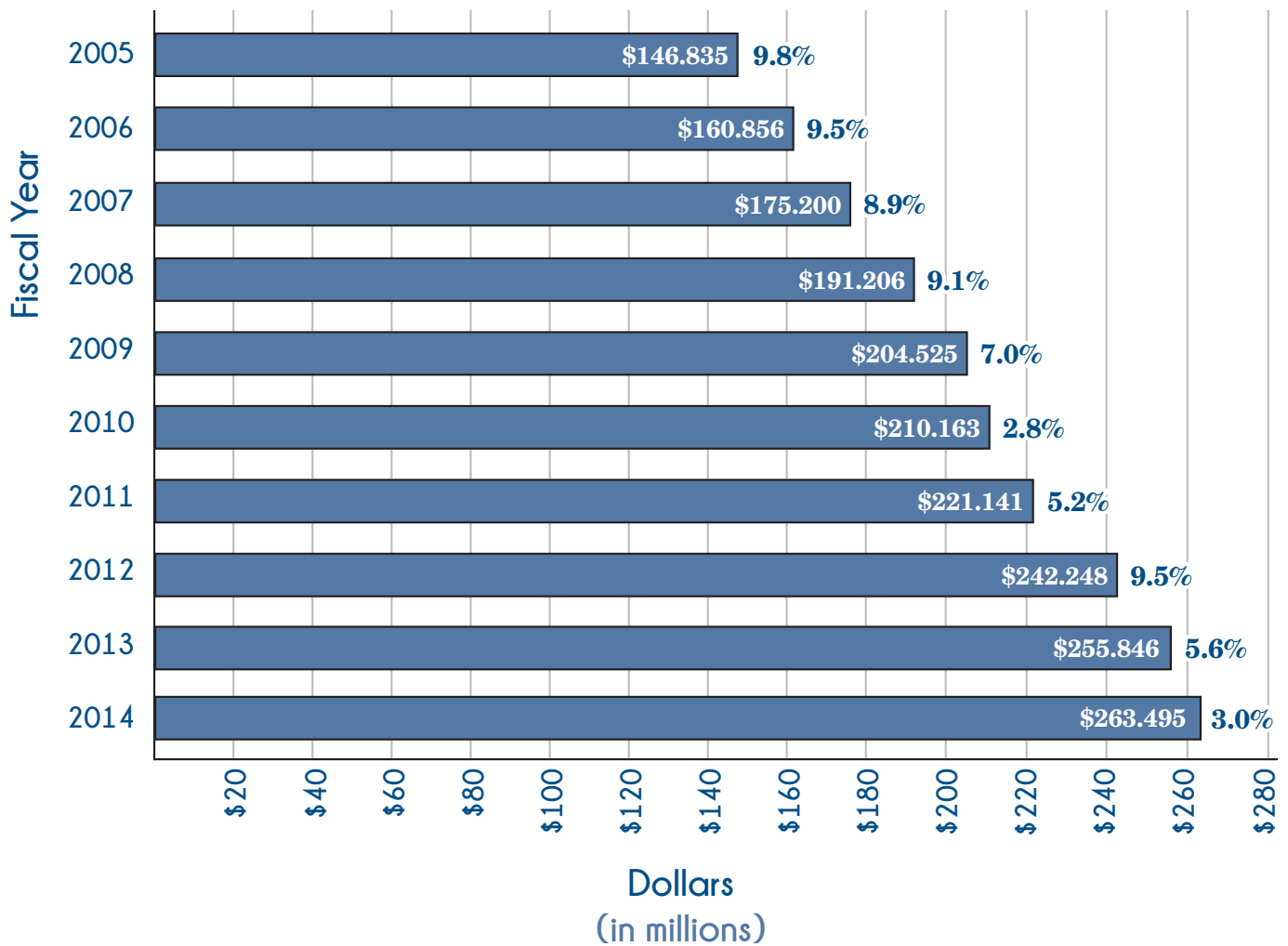
General Fund Reversion: \$95,648,494
Payments made to the State of Iowa General Fund help pay for programs that benefit all Iowans - including education, natural resources, health and family services and public safety.

Iowa Department of Public Health: \$19,411,861
The Division transfers seven percent of gross sales of liquor to the State of Iowa General Fund to be appropriated to the Iowa Department of Public Health to administer substance abuse programs. The department of Public Health receives Sunday Sales license fees, of which fifty percent is to be earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral or post-treatment services.

Iowa Economic Development Authority: \$291,732
Revenues collected from native Iowa wine producers and from native breweries are deposited with the Iowa Economic Development Authority's Beer and Wine Promotion Board. Revenues collected are used for: research, enology (science of wine and wine making), development of job training programs specific for wine making and promotion of native breweries and native wineries.

Cities & Counties: \$3,649,166
A percentage of revenues collected from sales of licenses are remitted to the city or county issuing the licenses.

Annual Liquor Sales



PURCHASING

(year ended 6-30-14)

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

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

Comparative Statement of Liquor Gallons Sold

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

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

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

Top 50 Brands

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

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

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

TOTAL 9 LITER CASES FY14 1,886,339

TOP 50 BRANDS % OF TOTAL 62.8%

TOTAL 9 LITER CASES FY13 1,848,767

+ OR (-) % FY14 VS FY13 2.0%

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

Per Capita Gallons Sold by County

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

(continued next page)

Per Capita Gallons Sold by County (continued)

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

(continued next page)

Per Capita Gallons Sold by County (continued)

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

IOWA PER CAPITA GALLONS SOLD | 2014

(based on adult population* | 21 & over)

DISTILLED SPIRITS | 2.30 Gallons

WINE | 2.01 Gallons**

BEER | 34.39 Gallons

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

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

Tax & Licensing Statistics

TAXES COLLECTED

(year ended 6-30-14)

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

LICENSE REVENUE

(year ended 6-30-14)

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

*For gallons reported, see page 11

** Native wine tax Iowa code section 123.183

Licenses & Permits Processed

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

(continued next page)

Licenses & Permits Processed (continued)

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

FINANCIAL STATEMENTS

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

| | | |
|-------------------------------|---|---------|
| Revenue Earned | : | Page 8 |
| Funding Distribution | : | Page 9 |
| Annual Liquor Sales | : | Page 10 |
| Financial Highlights | : | Page 20 |
| Profit & Loss Statement | : | Page 21 |
| Net Income Statement | : | Page 22 |
| Statement of Cash Flows | : | Page 23 |
| Balance Sheet | : | Page 24 |
| Notes to Financial Statements | : | Page 25 |

OVERVIEW OF FINANCIAL STATEMENTS

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

FINANCIAL HIGHLIGHTS

FINANCIAL ANALYSIS

Revenue Analysis

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

Expense Analysis

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

PROFIT & LOSS STATEMENT

YEAR ENDED JUNE 30, 2014

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

NET INCOME STATEMENT

YEAR ENDED JUNE 30, 2014

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

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

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

BALANCE SHEET

YEAR ENDED JUNE 30, 2014

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

NOTES TO FINANCIAL STATEMENTS

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