

# AGENDA

## IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

### Boardroom

Iowa Alcoholic Beverages Division

1918 Hulsizer Road

Ankeny, Iowa 50021

November 17, 2016 – 1:00 PM

Dial in Number: 1.866.685.1580

Conference Code Number: 0009991572

**Call to Order** ..... **Chairperson Wilson**

- I. Introductions/Opening Remarks
- II. Approval of Agenda – **ACTION ITEM**
- III. Approval of September 22, 2016, Minutes – **ACTION ITEM**

**Administrator’s Report** ..... **Administrator Larson**

- IV. Financial Update
  - a. FY16 Annual Report Status
  - b. Quarter 1 FY17
- V. Legislative Update
  - a. 2017 Legislative Session
  - b. Agency Bill Status
- VI. Comprehensive Review of Iowa Code Chapter 123 Update
- VII. Regulation/Licensing Update
- VIII. Distribution Update
- IX. Attorney General’s Report

**Public Comment**... ..... **Chairperson Wilson**

**Old Business**..... **Chairperson Wilson**

**New Business** ..... **Chairperson Wilson**

**Adjournment**..... **Chairperson Wilson**

**Next Meeting Date: January 25, 2017**

NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above. If you require accommodations to participate in this public meeting, call 515.281.7407 or TTY at (toll-free) 866.IowaABD to make your request. Please notify ABD at least 48 hours in advance.

# *IOWA ALCOHOLIC BEVERAGES COMMISSION*

## *MINUTES*

Old Supreme Court Chamber (Room 103)  
Iowa State Capitol  
September 22, 2016 – 1:00 p.m.  
Dial In Number: 1.866.685.1580  
Conference Code Number: 0009991572

### **Commission Members Present**

Jay Wilson: Chair  
Gary Nystrom: Vice Chair  
Rachel Eubank: Secretary  
Tami Doll: Member (via phone)  
John Pauli: Member

### **Division Staff Present**

Stephen Larson: Administrator  
Tyler Ackerson: Assistant to the Administrator  
Robert Bailey: Public Information Officer  
Leisa Bertram: Accountant 2  
Karen Freund: Deputy Administrator of Regulatory Affairs  
Todd Halbur: Comptroller  
Jake Holmes: Education and Outreach Program Planner  
Pam Koehn-Miller: Secretary  
Heather Schaffer: Compliance Officer 2  
Stephanie Strauss: Executive Officer 2

### **Guests Present**

Alex Brewington: Iowa Beverage Systems  
Nathan Cooper: Iowa Wholesale Beer Distributors Association  
Eric Goranson: Iowa Restaurant Association  
Brian Guillaume: Iowa House Democrats Staff  
Jake Heard: Senate Republicans  
Stacy Kluesner: Iowa Restaurant Association  
Christin Mechler: Legislative Services Agency  
Brittany Telk: Iowa House Republicans Staff  
Jeremy Thompson: Sazerac  
Kate Walton: Eide & Heisinger  
Jewell Young: Johnson Brothers

**Guests Present via Phone**

None

**CALL TO ORDER**

Chairperson Jay Wilson called the meeting to order at 1:00 p.m. and roll was taken. There was a quorum.

**APPROVAL OF AGENDA**

**MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Eubank to approve the agenda for the September 22, 2016, Commission meeting.**

**Motion approved.**

**APPROVAL OF MINUTES**

**MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Eubank to approve the minutes for the in-person June 23, 2016, Commission meeting and for the telephonic July 7, 2016, Commission meeting.**

**Motion approved.**

Chairperson Wilson recognized Administrator Stephen Larson for the Administrator's Report.

**ADMINISTRATOR'S REPORT**

Administrator Larson recognized Division Executive Officer Stephanie Strauss for an overview of the growler rules amendment being presented for adoption by the Commission. On July 22, 2016, the Commission directed the Division to begin the formal rulemaking process to amend 185 – 4.6(123) Filling and selling of beer in a container other than the original container by class "C" beer permit holders. Notice of Intended Action was published in the Iowa Administrative Bulletin as ARC 2679C on August 17, 2016. The period for public comment ended on September 6, 2016, and no written or oral comments were received. The Division appeared before the Administrative Rules Review Committee on September 13, 2016. The first possible adoption date for the Noticed rule was September 21, 2016. The Adopted Filing deadline is September 23, 2016 to publish on October 12, 2016. The Effective date would be November 16, 2016.

**MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Pauli that the rules published under Notice of Intended Action ARC 2679C be adopted.**

**A roll call vote was taken with the following results:**

**Commissioner Wilson: Aye**

**Commissioner Nystrom: Aye**

**Commissioner Eubank: Aye**

**Commissioner Pauli: Aye**

**Commissioner Doll: Aye**

**The motion passed and the rules were adopted.**

Administrator Larson recognized Comptroller Todd Halbur for a financial report. Mr. Halbur reported that there was a 4.03 percent growth in sales FY2016 over FY2015. In comparing FY2016 over FY2015, Total General Fund Reversion increased 2.34 percent and Average Monthly Order Volume increased 10.78 percent. Total Freight Cost per case decreased 6 percent and Driver Cost per case decreased 2.78 percent, year over year.

Mr. Halbur also reported that the FY2015 audit of the Division was completed with no major findings. The audit will be released as a part of the full audit of the Department of Commerce.

Mr. Halbur provided a timeline for the release of the 2016 Annual Report. Tentatively, the report will be submitted to the Commission for review on November 23, 2016, with a telephonic Commission meeting being held sometime after Thanksgiving to formally approve the report.

Administrator Larson reported that on August 22, 2016, the Microsoft Dynamics AX single platform system went live. On September 13, 2016, the Division, in partnership with OCIO, began development of a new e-Licensing system, BasicGov. BasicGov, AX, and the I-3 state accounting system will all interact. The goal is to become more user-friendly and have mobile capabilities as services for licensees are upgraded.

Administrator Larson also reported that the Division is beginning the formal RFP process to explore the feasibility of a public-private partnership for the delivery of spirits to over 1,340 class "E" licensees as recommended by the Johnson-Stephens Consulting report.

Debi Durham, Director of the Iowa Economic Development Authority, and Administrator Larson co-chaired the Comprehensive Review of Iowa Code Chapter 123 working group kick-off session on September 9, 2016. The purpose of the working group is to begin determining which laws are still relevant, and to put forth to the governor, the public and policy makers why the laws are, or are not, relevant. Future working group meetings will be at the FFA Enrichment Center on the DMACC campus, 1055 SW Prairie Trail Parkway, in Ankeny.. The website Basecamp will be used to exchange information and maintain transparency throughout the review. The September 28 agenda will include a visual historical overview presentation on Iowa's alcohol law since 1934 and the key legal cases at the state and national level that policy makers may have used to make decisions at key points in time. The regulatory framework of the three-tier system will be defined as it exists under Iowa Code, and a glossary of terms will be defined. There will also be an overview of Iowa's alcohol licensing structure, including the types of licenses and associated privileges.

Administrator Larson reported on behalf of Assistant Attorney General John Lundquist who was unable to attend this Commission meeting. On September 16, 2016, Mr. Lundquist presented oral arguments regarding the Valero appeal to District Court Judge May. A decision is expected over the next 60-90 days regarding the agency's decision to deny a retail beer permit to an owner of a winery in California based upon a prohibited ownership interest as laid out in Iowa Code § 123.45.

**OLD BUSINESS**

None

**NEW BUSINESS**

None

**NEXT MEETING DATES**

**Thursday, November 17, 2016, at 1:00 p.m.**

**Thursday, January 25, 2017, at 1:00 p.m.**

**ADJOURNMENT**

**MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Pauli to adjourn the meeting.**

**Motion approved.**

The meeting adjourned at 1:56 p.m.

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Commissioner Eubank, Secretary

**123.16 Annual report.**

The commission shall cause to be prepared an annual report to the governor of the state, ending with June 30 of each fiscal year, on the operation and financial position of the division for the preceding fiscal year. The report shall include but is not limited to the following information:

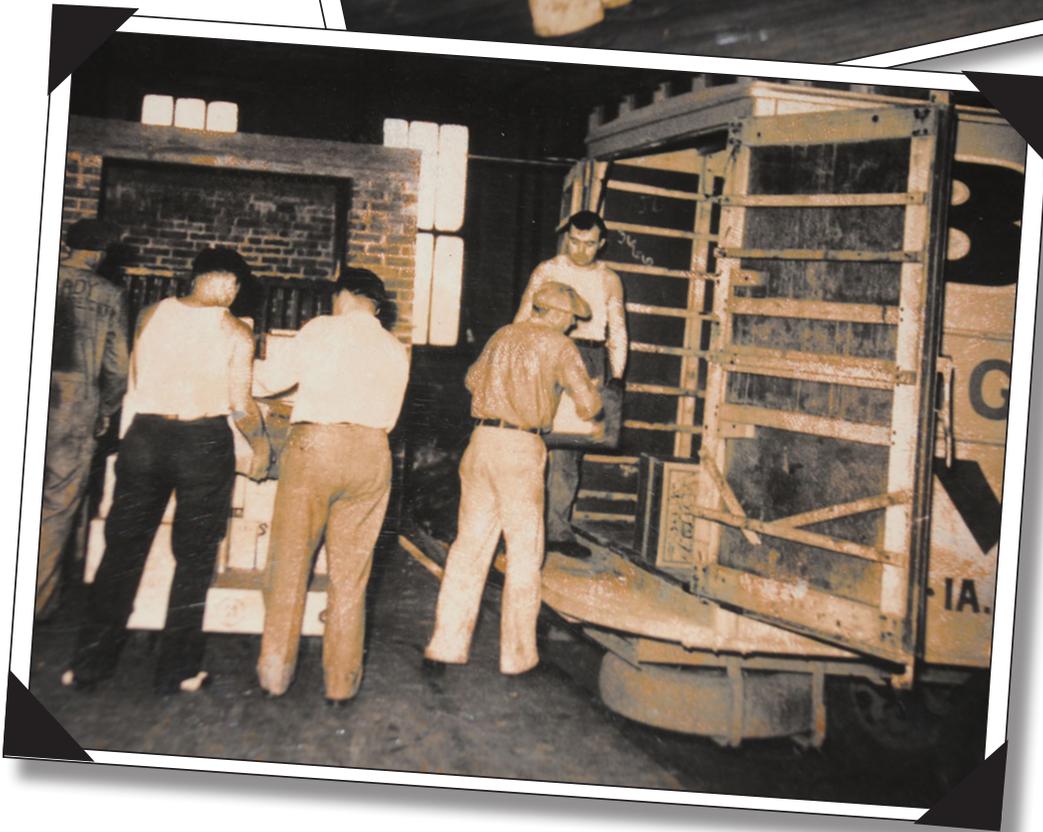
1. Amount of profit or loss from division operations.
2. The current balance of the beer and liquor control fund, and the amount transferred from the fund to the treasurer of state during the period covered by the report.
3. All other funds on hand and the source from which derived.
4. The total quantity and particular kind of alcoholic liquor sold.
5. The increase or decrease of liquor sales from the previous reporting period.
6. The number of liquor control licenses, wine permits, and beer permits issued, by class, the number in effect on the last day included in the report, and the number which have been suspended or revoked during the period covered by the report.
7. Amount of fees paid to the division from liquor control licenses, wine permits, and beer permits, in gross, and the amount of liquor control license fees returned to local subdivisions of government as provided under [this chapter](#).

[C35, §1921-f53; C39, §1921.053; C46, 50, 54, 58, 62, 66, 71, §123.53; C73, 75, 77, 79, 81, §123.55]

[85 Acts, ch 32, §48](#); [86 Acts, ch 1246, §748](#); [2013 Acts, ch 35, §22](#); [2015 Acts, ch 30, §204](#)  
C2016, §123.16

Former §123.16 transferred to §123.8; 2015 Acts, ch 30, §204

Section transferred from §123.55 in Code 2016 pursuant to directive in 2015 Acts, ch 30, §204



**Iowa  
Alcoholic Beverages  
Division  
2016 Annual Report #82**



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## About the Division

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### MISSION STATEMENT

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

### VISION STATEMENT

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

### EXECUTIVE INFORMATION

#### Governor

Terry E. Branstad

#### Lt. Governor

Kim Reynolds

#### Commission Members

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

#### Division Administration

##### Administrator

Stephen Larson

##### Comptroller

Todd Halbur



## Year in Review

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**“The alcoholic beverages industry is anything but static.”**

— Stephen Larson, Administrator

**M**ergers and acquisitions on a global scale along with a craft industry growing at a pace never seen before are intertwined with changes in customer demand and expectations.

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

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

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

### Improving Business Practices

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

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

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



## Executive Information

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

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

performing financial audits as well as ensuring license holders are educated on operating within the rules.

Building a more comprehensive compliance program is a key part of the Division's future – a future that will surely involve further change. Will the local craft movement continue to expand? Will consumers have a more direct effect on where alcohol is sold or delivered? What new products are on the horizon?

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

*Steve's Signature*



## 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 State Senate. The commission acts as a public policy-making body and serves in an advisory capacity to the Administrator of the Iowa Alcoholic Beverages Division.**



### Jay Wilson – Chairperson

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



### Gary Nystrom – Vice Chairperson

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



## Alcoholic Beverages Commission

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### Rachel Eubank – Secretary

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



### John Pauli – Commissioner

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



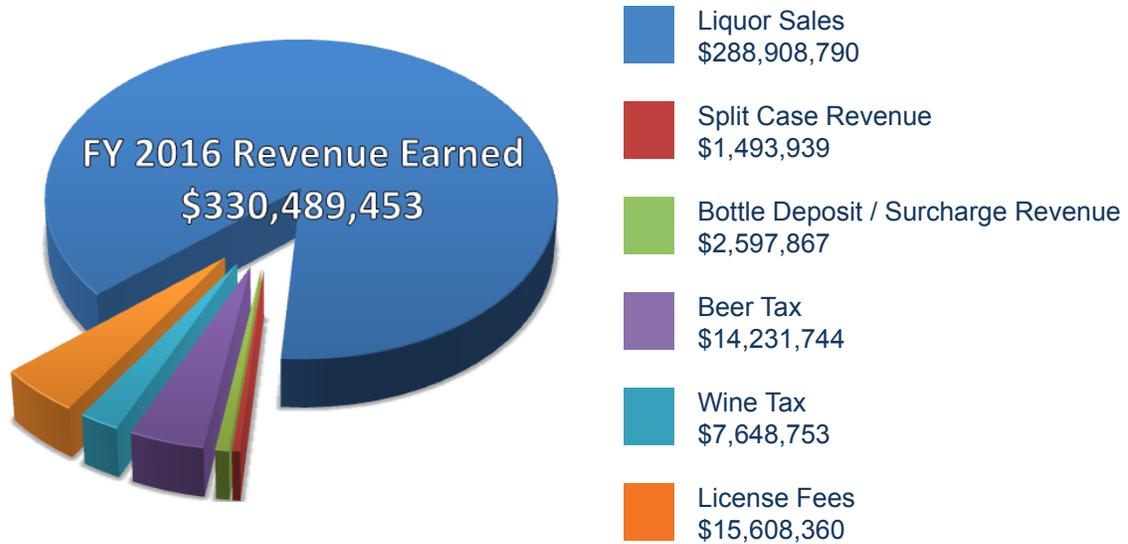
### Tami Doll – Commissioner

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



## Revenue Earned

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

The Division is the sole wholesaler for all alcoholic liquor (spirits) sold in Iowa and delivers product to nearly 1,400 retail locations across the state. Iowa Code requires the Division to markup product by 50 percent. Iowa Code §123.24(4).

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

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

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

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

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

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

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

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

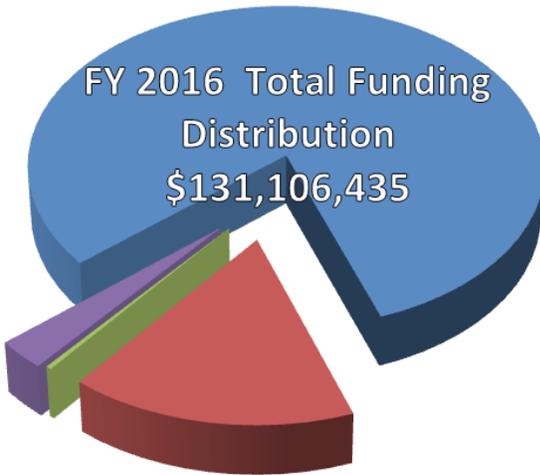
### **License Fees:** **\$15,608,360**

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



## Where the Profits Go

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### General Fund Reversion: \$105,691,821

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

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

The Division transfers seven percent of gross sales of liquor to the State of Iowa General Fund for specific appropriation to the Iowa Department of Public Health for administering of substance abuse and prevention education programs. prevention, referral or post-treatment services.

### Iowa Economic Development Authority: \$429,404

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

### Cities & Counties: \$3,712,762

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



## Comparative Statement of Gallons Sold

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### Comparative Statement of Liquor Gallons Sold

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

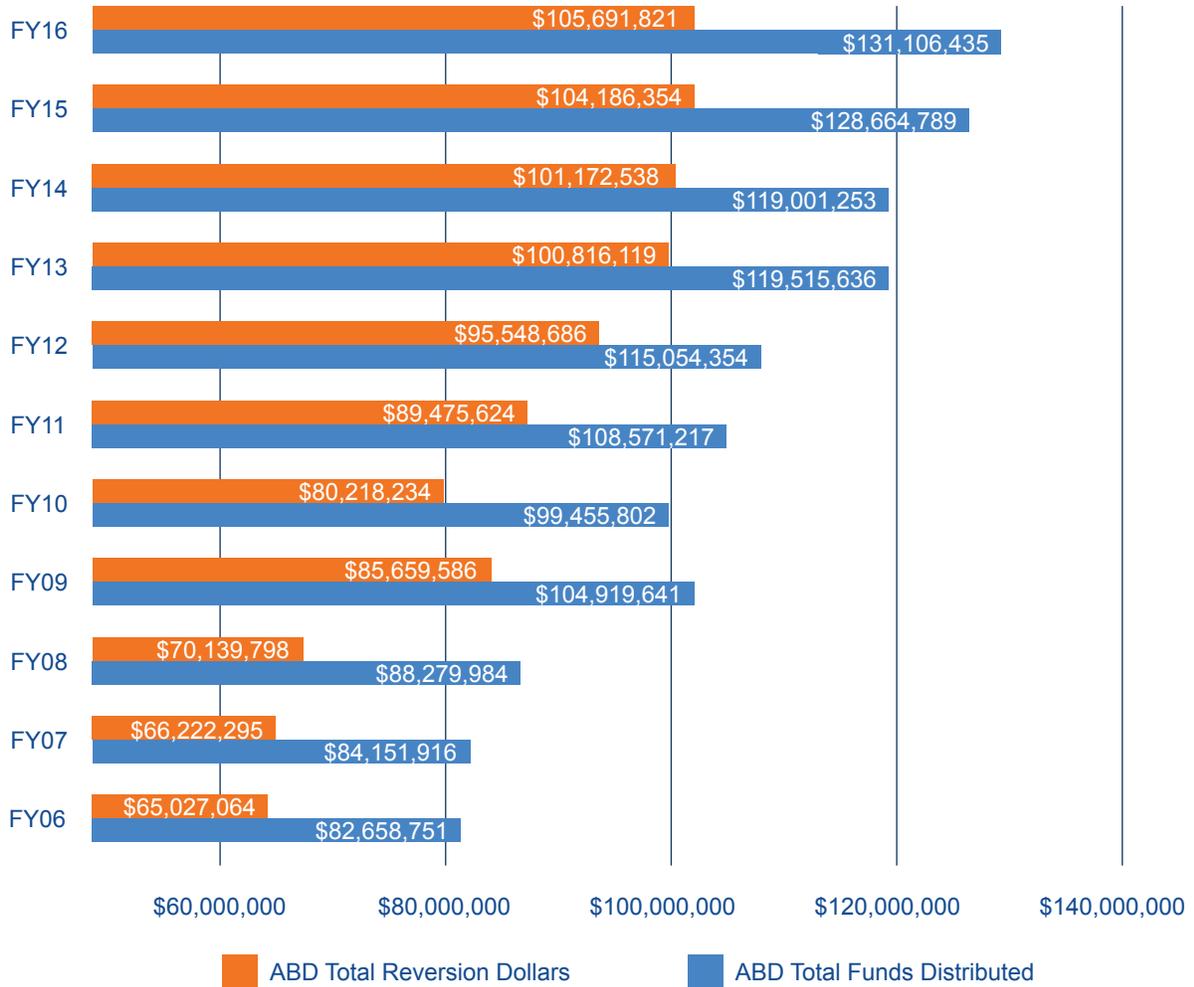
### Comparative Statement of Beer and Wine Gallons Sold

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



# Reversion Growth

ABD Distributed / Reverted Funds



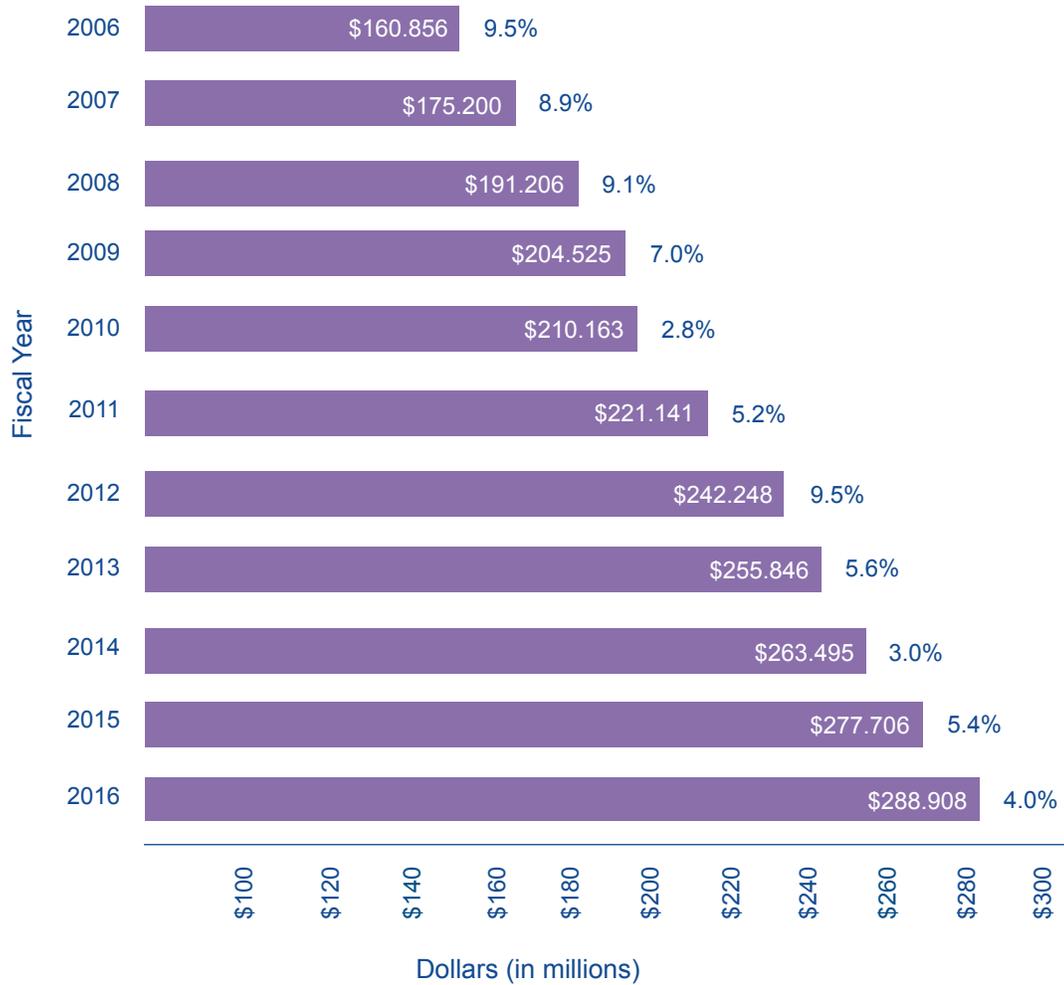
Total Funds Reverted is the amount returned to the General Fund for appropriation by the Legislature.

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



## Annual Liquor Sales

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## Purchasing

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(Year ended 6-30-16)

Total Cases of Liquor Purchased .....2,091,996  
Total Cost of Liquor Sales .....\$189,335,883  
Number of Vendors .....174

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



## Top 50 Brands

Rank / Brand	Case Sales	Rank / Brand	Case Sales
1 BLACK VELVET	157,190	29 SOUTHERN COMFORT 70 (WAS 76 PROOF)	16,979
2 HAWKEYE VODKA	101,837	30 NEW AMSTERDAM VODKA	16,532
3 CAPTAIN MORGAN ORIGINAL SPICED	86,487	31 CUERVO AUTHENTIC LIME MARGARITAS	16,061
4 FIREBALL CINNAMON WHISKEY	74,881	32 SKOL	15,845
5 FIVE O'CLOCK	60,937	33 WINDSOR CANADIAN BLENDED CANADIAN WHISKY	15,655
6 BARTON	54,261	34 JAMESON	15,262
7 SMIRNOFF	46,629	35 KESSLER	15,032
8 MCCORMICK	45,909	36 GREY GOOSE IMPORTED VODKA	14,651
9 JACK DANIELS BLACK LABEL	44,387	37 DR MCGILLICUDDYS CHERRY SCHNAPPS	14,254
10 SEAGRAM'S CROWN ROYAL	40,288	38 UV VODKA	13,800
11 PHILLIPS	37,230	39 TEN HIGH	13,778
12 TITO HANDMADE TEXAS VODKA	31,964	40 FLEISCHMANN ROYAL	12,530
13 BACARDI LIGHT-DRY RUM	31,903	41 HENNESSY V S	12,401
14 ABSOLUT	30,913	42 CROWN ROYAL REGAL APPLE FLAVORED WHISKEY	12,286
15 SEAGRAM'S SEVEN CROWN	28,964	43 PINNACLE VODKA (FRANCE)	12,151
16 ADMIRAL NELSON'S SPICED RUM	28,889	44 SVEDKA SWEDISH VODKA	11,912
17 PARAMOUNT WHITE	24,445	45 BLACK VELVET TOASTED CARMEL FLV WHISKEY	11,423
18 PARAMOUNT	23,660	46 E & J	10,724
19 CANADIAN LTD	23,643	47 CANADIAN CLUB ORIGINAL 1858	10,701
20 G & W FIVE STAR	22,709	48 SEAGRAM'S EXTRA DRY	10,268
21 JIM BEAM	22,466	49 DEKUYPER PEACHTREE SCHNAPPS	10,177
22 CAPTAIN MORGAN ORG SPICED BARREL SHAPE	21,173	50 BAILEYS ORIGINAL IRISH CREAM LIQUEUR	9,812
23 MALIBU RUM NATURAL COCONUT*	20,474		
24 CUERVO ESPECIAL	20,040		
25 JUAREZ	19,540		
26 JAGERMEISTER	18,925		
27 NIKOLAI 80 PROOF VODKA	18,338		
28 UV BLUE RASPBERRY FLAVORED VODKA	17,581		

<b>Total 9 Liter Cases FY 16</b>	<b>2,219,162</b>
<b>9 Liter Cases Top 50</b>	<b>1,447,896</b>
<b>% all Cases</b>	<b>65.25%</b>
<b>+ or (-) % FY 16 vs FY15</b>	<b>2.31%</b>

<b>Total 9 Liter Cases FY 15</b>	<b>2,169,018</b>
<b>+ or (-) % FY 15 vs FY14</b>	<b>2.54%</b>

<b>Total 9 Liter Cases FY 14</b>	<b>2,115,198</b>
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\* Data from the National Alcoholic Beverage Control Association's "Case Sales Report of Alcoholic Beverages," based on 9-liter cases.



## Comparative Total Gallons Sold per County

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

(continued next page)



## Comparative Total Gallons Sold per County (continued)

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

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## Comparative Total Gallons Sold per County (continued)

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



## Tax & Licensing Statistics

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### TAXES COLLECTED

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

(year ended 6-30-16)

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

### LICENSE REVENUE

(year ended 6-30-16)

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

\*For gallons reported, see page 10

\*\*Native wine tax Iowa code section 123.183

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



## Licenses & Permits Processed

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### RETAIL

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

### Licenses Suspended

In Fiscal Year 2016, 48 licenses were suspended by the Division. The most common reasons leading to suspension include serving alcohol to minors, delinquent tax payments or failure to maintain corporate status with the Iowa Secretary of State.

(continued next page)



## Licenses & Permits Processed (continued)

### WHOLESALE / MANUFACTURER / IMPORTER

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

# Profit & Loss Statement

Year ended June 30, 2016

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

# Net Income Statement

Year ended June 30, 2016

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



## Statement of Cash Flow

On June 30, 2016

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



# Balance Sheet

On June 30, 2016

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



# Financial Statements

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The following summary of the Division financial performance provides a brief overview of financial activities for fiscal year 2016. The financial data is extracted from the State of Iowa accounting system. Except as noted, all financial information

presented reflects financial transactions for the reported fiscal year, including the State of Iowa's hold open period (July 1, 2016 – August 31, 2016). While the Division's operation is audited, the following pages are internally audited only.

Revenue Earned .....	Page 8
Funding Distribution .....	Page 9
Annual Liquor Sales .....	Page 10
Profit & Loss Statement .....	Page 20
Net Income Statement .....	Page 21
Statement of Cash Flows .....	Page 22
Balance Sheet .....	Page 23
Financial Highlights .....	Page 25
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, 2016, with comparison to the Division's financial position as of June 30, 2015. The Profit and Loss Statement reflects the Division's financial performance with respect to wholesale operations. The Net Income Statement outlines a fiscal year 2016 and fiscal

year 2015 comparison of the Division's operation and performance relating to Iowa Code Chapter 123, including distribution. The Statement of Cash Flows represents cash flow for fiscal years 2016 and 2015 to the Liquor Control Trust Fund. Also presented in this report are 'Notes to Financial Statements' that provide additional information that facilitate a better understanding of the data provided within each statement.



# Financial Highlights

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## FINANCIAL ANALYSIS

### Revenue Analysis

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

### Expense Analysis

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

## NOTES TO FINANCIAL STATEMENTS

1. Cost of goods sold is the total cost to procure liquor. Per Iowa Code 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 large software purchases and capital improvements.
5. General and administrative expenditures are the combined total of each supporting unit's cost which is directly involved with the distribution of spirits. Salaries and wages reported are for warehouse management, product management, accounting, IT and human resource functions. Utilities, software, IT infrastructure and development, office equipment and supplies are included in this category.
6. Non-operating expenses are the Division's costs that are not associated with the physical distribution of spirits. This category includes salaries and costs of the administrative segment, licensing, compliance, as well as the portion of accounting, information technology, and maintenance not allocated to the operational segment supporting spirits distribution.



ALCOHOLIC  
BEVERAGES  
DIVISION  
**State of Iowa**

1918 SE Hulsizer Road  
Ankeny, Iowa 50021-3941



**Financial Overview YTD through October FY17**



## ABD Metrics July 1, 2016 - October 31, 2016

### FY 17 Current YTD Financial Analysis

Metric	FY2016	FY2017	Trend	5 Year Average	4 Year Average
Total Liquor Sales YTD	\$89,249,042.00	\$93,943,954.00	5.26%	5.50%	4.50%
12 Month Moving Average October	\$23,356,181.00	\$24,466,975.00	4.76%	5.50%	4.50%
Split Case Fee	\$453,237.00	\$478,612.00	5.60%		
Bottle Deposit Revenue	\$791,960.00	\$862,095.00	8.86%		
Substance Abuse Reversion	\$6,279,159.00	\$6,609,579.00	5.26%		
Liquor Profits Reversion	\$29,200,000	\$29,200,000	0.00%		
Total General Fund Reversion	\$35,479,159	\$35,809,579	0.93%		
Average Monthly Order Volume	4,133	4,932	19.33%		
Average Monthly Case Volume	173,471	166,131	-4.23%		
Average Monthly Bottle Volume	1,826,665	1,896,900	3.84%		
Total Freight Cost per Case	\$1.22	\$1.33	9.02%		
Driver Cost per Case	\$0.61	\$0.69	13.11%		
Total Warehouse Operation Cost Per Case	\$0.76	\$0.97	27.63%		
Warehouse Worker Cost per Case	\$0.68	\$0.93	36.76%		

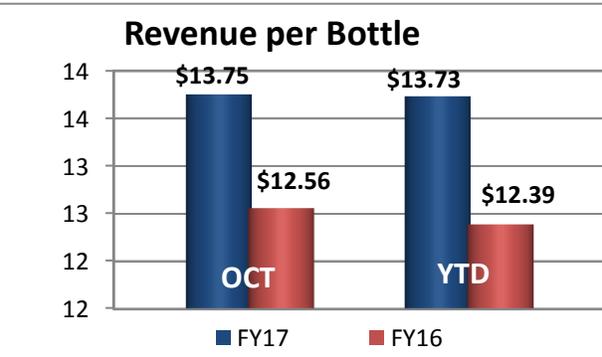
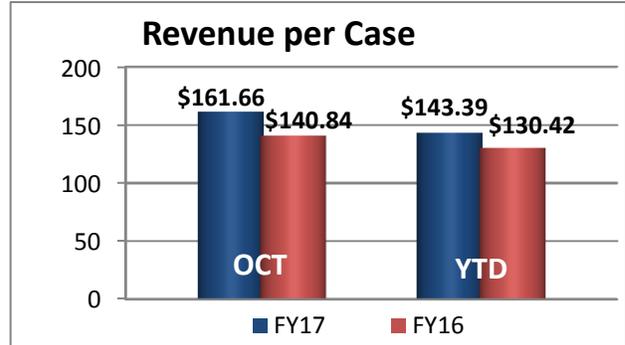
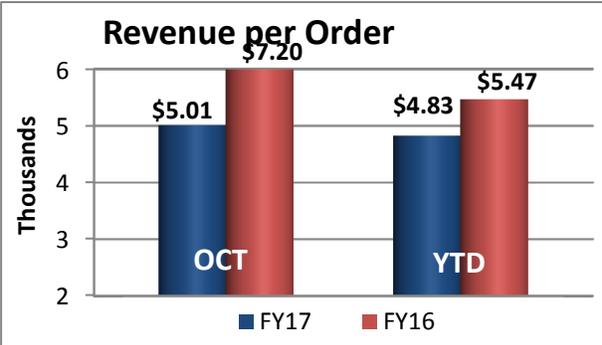
### Key Performance Indicators (KPIs) Benchmarks

Metric	ABD FY2016 Actual	ABD FY2017 Actual	Best in Class Benchmark	Median Industry Benchmark	
Distribution Cost as a % of Sales	3.38%	3.58%	2.04%	5.00%	
Distribution Cost as a % of Cost of Goods Sold	5.61%	5.91%	<1.6%	6.05%	
Distribution Cost Per Unit Shipped	\$0.410	\$0.440	\$0.30	\$1.04	

Iowa ABD  
Monthly Financial Meeting

**FY 2017 OCTOBER SALES COMPARISON - YEAR OVER YEAR- CASH BASIS**

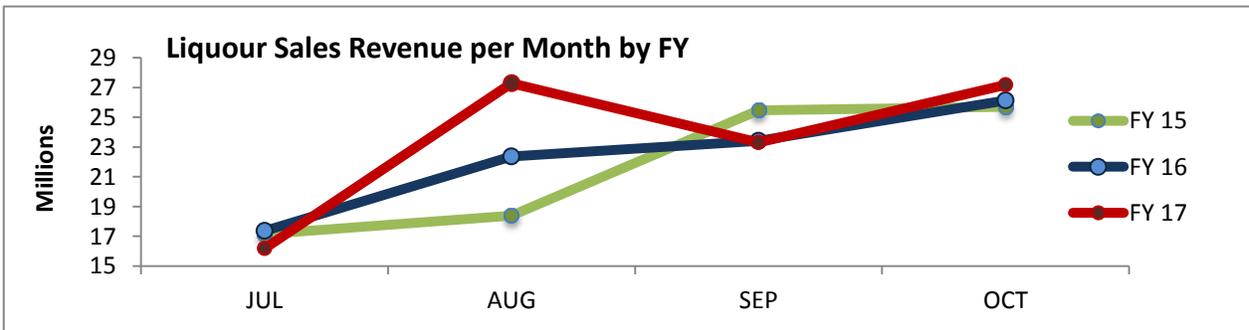
Category	FY 2017	FY 2016	% Change
Liquor Sales	27,172,377	26,121,616	4.02%
Split Case Fee	127,099	113,501	11.98%
Bottle Dep and Sur	242,063	221,834	9.12%
<b>Total Revenue</b>	<b>27,541,539</b>	<b>26,456,951</b>	<b>4.10%</b>
Orders	5,493	3,677	49.39%
Cases	170,369	187,856	-9.31%
Bottles	2,002,800	1,926,825	3.94%



JUL-DEC Average Sale Days Comparison	
JUL	-2
AUG	2
SEP	-2
OCT	-1
NOV	1
DEC	-1
<b>Total For FY through DEC</b>	<b>-3</b>

**JULY - OCTOBER SALES COMPARISON - YEAR TO DATE**

Category	FY 2017	FY 2016	% Change
Liquor Sales	93,943,954	89,249,042	5.26%
Split Case Fee	478,611	453,237	5.60%
Bottle Dep and Sur	862,095	791,960	8.86%
<b>Total Revenue</b>	<b>95,284,661</b>	<b>90,494,239</b>	<b>5.29%</b>
Orders	19,728	16,532	19.33%
Cases	664,525	693,883	-4.23%
Bottles	7,587,603	7,306,659	3.85%

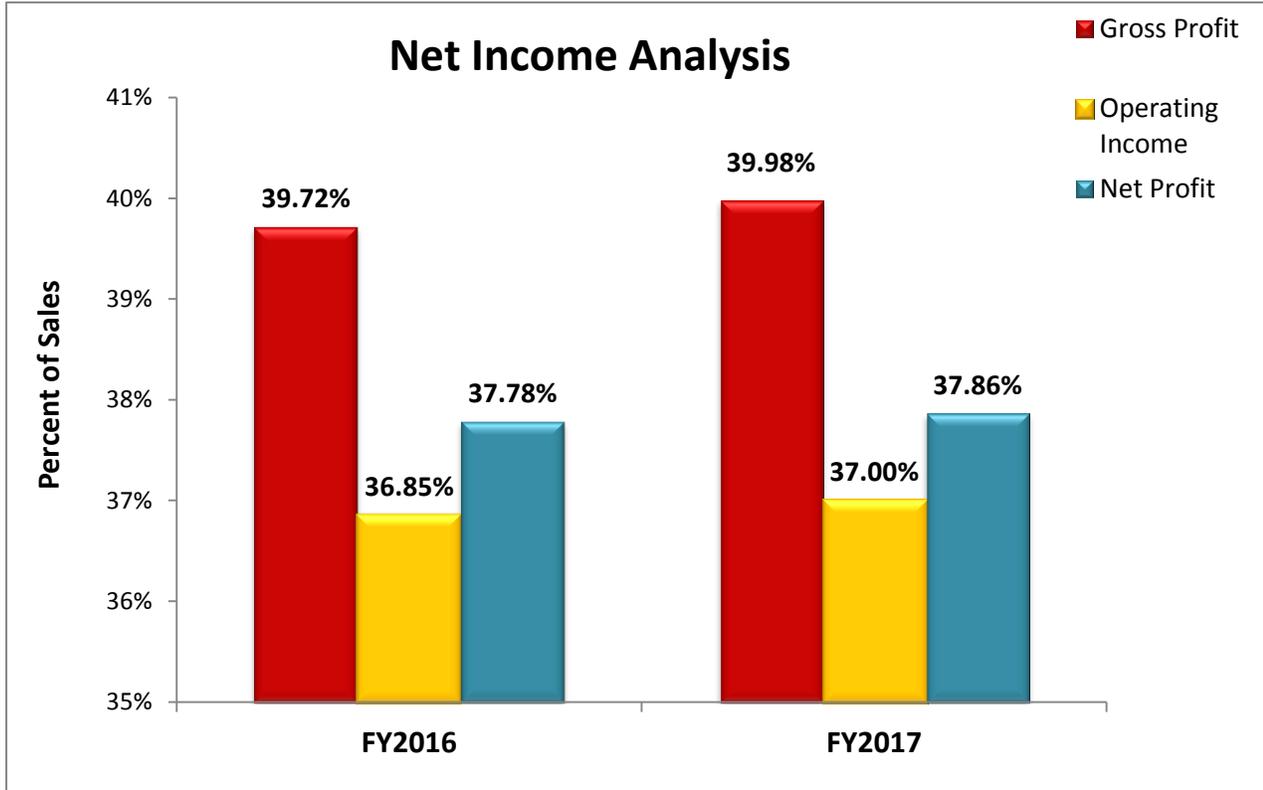


## Net Income Analysis YTD October 2017\*

\* Total amounts have been adjusted to exclude one time expenses

Category	FY2016	FY2017	% Change	Amount Change
Gross Profit	35,445,680	37,559,244	5.96%	\$ 2,113,564.00
Operating Income	32,892,138	34,758,305	5.67%	\$ 1,866,167.00
Net Profit	33,716,807	35,568,669	5.49%	\$ 1,851,862.00
Net Sales	89,249,042	93,943,954	5.26%	\$ 4,694,912.00

Percent Of Sales	FY2016	FY2017	% Change	Amount Change
Gross Profit	39.72%	39.98%	0.67%	0.26
Operating Income	36.85%	37.00%	0.39%	0.15
Net Profit	37.78%	37.86%	0.22%	0.08



Iowa ABD  
FY 17 Profit and Loss Statement  
Through October 31, 2016

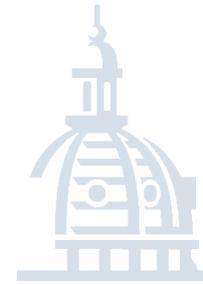
	October FY 2016	October FY 2017	October FY17 vs. FY16 % Chg.	October FY17 vs. FY16 Amount Chg.	YTD FY 2016	YTD FY 2017	FY17 vs. FY16 % Chg.	FY17 vs. FY16 Amount Chg.
<b>Liquor Sales Revenue</b>	<b>26,121,616</b>	<b>27,172,377</b>	<b>4.02%</b>	<b>1,050,761</b>	<b>89,249,042</b>	<b>93,943,954</b>	<b>5.26%</b>	<b>4,694,912</b>
<b>Cost of Sales</b>								
Bailment	17,133,264	16,365,646	-4.48%	(767,618)	54,522,398	<b>57,061,242</b>	4.66%	2,538,844
Less: Bailment Fees	(187,577)	(174,651)	-6.89%	12,926	(599,585)	<b>(617,940)</b>	3.06%	(18,355)
Less: Special Handling Fees	(25,855)	(6,086)	-76.46%	19,769	(103,003)	<b>(47,070)</b>	-54.30%	55,933
Less: Defective Products	(3,719)	(1,124)	-69.78%	2,595	(16,448)	<b>(11,521)</b>	-29.96%	4,927
<b>Total Cost of Sales</b>	<b>16,916,113</b>	<b>16,183,785</b>	<b>-4.33%</b>	<b>(732,328)</b>	<b>53,803,362</b>	<b>56,384,711</b>	<b>4.80%</b>	<b>2,581,349</b>
<b>Gross Profit</b>	<b>9,205,503</b>	<b>10,988,592</b>	<b>19.37%</b>	<b>1,783,089</b>	<b>35,445,680</b>	<b>37,559,244</b>	<b>5.96%</b>	<b>2,113,564</b>
<b>Gross Profit %</b>	<b>35.2%</b>	<b>40.4%</b>	<b>14.75%</b>	<b>5.20%</b>	<b>39.7%</b>	<b>40.0%</b>	<b>0.67%</b>	<b>0.27%</b>
<b>Operating Expenses</b>								
Freight Expenses	272,526	283,039	3.86%	10,513	849,392	<b>888,772</b>	4.64%	39,380
Warehouse Expenses	131,531	184,655	40.39%	53,124	530,888	<b>650,022</b>	22.44%	119,134
Other Expenses Related To Distribution	-	-	0.00%	-	-	-	0.00%	-
<b>Total Operating Expenses</b>	<b>404,057</b>	<b>467,694</b>	<b>15.75%</b>	<b>63,637</b>	<b>1,380,280</b>	<b>1,538,794</b>	<b>11.48%</b>	<b>158,514</b>
<b>General and Administrative Expenses</b>								
Warehouse Administration	30,317	25,020	-17.47%	(5,297)	303,760	<b>338,145</b>	11.32%	34,385
Product Administration	34,046	70,823	108.02%	36,777	144,955	<b>155,358</b>	7.18%	10,403
Accounting	25,764	36,719	42.52%	10,955	115,031	<b>140,360</b>	22.02%	25,329
Information Technology	187,454	265,662	41.72%	78,208	472,881	<b>497,997</b>	5.31%	25,116
Buildings and Grounds	30,516	37,656	23.40%	7,140	136,635	<b>130,286</b>	-4.65%	(6,349)
<b>General and Administrative Expense Total</b>	<b>308,097</b>	<b>435,880</b>	<b>41.47%</b>	<b>127,783</b>	<b>1,173,262</b>	<b>1,262,145</b>	<b>7.58%</b>	<b>88,883</b>
<b>Income from Operations</b>	<b>8,493,349</b>	<b>10,085,018</b>	<b>18.74%</b>	<b>1,591,669</b>	<b>32,892,138</b>	<b>34,758,305</b>	<b>5.67%</b>	<b>1,866,167</b>
<b>Other Revenues</b>								
Split Case Fee	113,501	127,099	11.98%	13,598	453,237	<b>478,612</b>	5.60%	25,375
Bottle Deposit/Surcharge	221,834	242,063	9.12%	20,229	791,960	<b>862,095</b>	8.86%	70,135
Recycling	1,936	1,009	-47.88%	(927)	6,992	<b>5,677</b>	-18.81%	(1,315)
Fuel and Lease Reimbursement	1,177		0.00%	(1,177)	20,771	-	-100.00%	(20,771)
Lease Revenue	19,988	19,988	0.00%	-	19,988	<b>19,988</b>	0.00%	-
<b>Total Other Revenues</b>	<b>358,436</b>	<b>390,159</b>	<b>8.85%</b>	<b>31,723</b>	<b>1,292,948</b>	<b>1,346,383</b>	<b>4.13%</b>	<b>53,435</b>
<b>Other Expenses</b>								
Bottle Deposit Fee	45,849	57,585	25.60%	11,736	144,394	<b>165,457</b>	14.59%	21,063
Recycle Surcharge Fee	103,436	128,760	24.48%	25,324	325,754	<b>369,962</b>	13.57%	44,208
Liquor Refunds	14	82	0.00%	68	(1,869)	<b>600</b>	0.00%	2,469
Substance Abuse Transfer	1,647,969	1,639,859	-0.49%	(8,110)	4,442,701	<b>4,698,615</b>	5.76%	255,914
<b>Total Other Expense</b>	<b>1,797,268</b>	<b>1,826,286</b>	<b>1.61%</b>	<b>29,018</b>	<b>4,910,980</b>	<b>5,234,634</b>	<b>6.59%</b>	<b>323,654</b>
<b>Net Profit</b>	<b>7,054,517</b>	<b>8,648,891</b>	<b>22.60%</b>	<b>1,594,374</b>	<b>29,274,106</b>	<b>30,870,054</b>	<b>5.45%</b>	<b>1,595,948</b>
<b>Return on Sales</b>	<b>27.0%</b>	<b>31.8%</b>	<b>17.86%</b>	<b>4.82%</b>	<b>32.8%</b>	<b>32.9%</b>	<b>0.18%</b>	<b>0.06%</b>

Iowa ABD  
FY 17 Net Income Statement  
Through October 31, 2016

	October FY 2016	October FY 2017	October FY17 vs. FY16 % Chg.	October FY17 vs. FY16 Amount Chg.	YTD FY 2016	YTD FY 2017	YTD FY17 vs. FY16 % Chg.	YTD FY17 vs. FY16 Amount Chg.
<b>Revenues</b>								
<b>Operating Revenues</b>								
Liquor Sales	26,121,616	27,172,377	4.02%	1,050,761	89,249,042	93,943,954	5.26%	4,694,912
Split Case Revenue	113,501	127,099	11.98%	13,598	453,237	478,612	5.60%	25,375
Bottle Deposit/Surcharge	221,834	242,063	9.12%	20,229	791,960	862,095	8.86%	70,135
Recycling Revenue	2,151	1,121	-47.88%	(1,030)	8,775	6,309	-28.10%	(2,466)
Fuel and Lease Reimbursement	1,177	817	0.00%	(360)	1,177	817	-30.59%	(360)
<b>Total Operating Revenues</b>	<b>26,460,279</b>	<b>27,543,477</b>	<b>4.09%</b>	<b>1,083,198</b>	<b>90,504,191</b>	<b>95,291,787</b>	<b>5.29%</b>	<b>4,787,596</b>
<b>Non-Operating Revenues</b>								
Lease Revenue	19,988	19,988	0.00%	-	19,988	19,988	-	-
License Fees	1,289,605	1,168,210	-9.41%	(121,395)	4,404,958	4,817,490	9.37%	412,532
Wine Tax	164,480	535,178	225.38%	370,698	1,311,152	1,716,946	30.95%	405,794
Fines/Penalties	418	1,040	148.80%	622	2,340	35,825	1430.98%	33,485
Misc. Funding Sources	588	20,265	3346.43%	19,677	56,789	21,564	-62.03%	(35,225)
State Appropriations	-	-	0.00%	-	1,220,391	1,214,106	(0.01)	(6,285)
Inter Department Transfers	-	25,936	0.00%	25,936	453,067	25,936	-94.28%	(427,131)
Prior Year Fund Carry forward(Liquor & Gen)	-	-	0.00%	-	1,035,004	-	-100.00%	(1,035,004)
<b>Total Non-Operating Revenues</b>	<b>1,475,079</b>	<b>1,770,617</b>	<b>20.04%</b>	<b>295,538</b>	<b>8,503,689</b>	<b>7,851,855</b>	<b>-7.67%</b>	<b>(651,834)</b>
<b>Total Revenues</b>	<b>27,935,358</b>	<b>29,314,094</b>	<b>4.94%</b>	<b>1,378,736</b>	<b>99,007,880</b>	<b>103,143,642</b>	<b>4.18%</b>	<b>4,135,762</b>
<b>Expenses</b>								
<b>Operating Expenses</b>								
Purchase of Spirits	16,916,113	16,183,785	-4.33%	(732,328)	53,803,362	56,384,711	4.80%	2,581,349
Freight Expenses	272,526	283,039	3.86%	10,513	849,392	888,772	4.64%	39,380
Warehouse Expenses	131,531	184,655	40.39%	53,124	530,888	650,022	22.44%	119,134
Other Expenses Related To Distribution	-	-	0.00%	-	-	-	0.00%	-
Warehouse Administration	30,317	25,020	-17.47%	(5,297)	303,760	338,146	11.32%	34,386
Product Administration	34,046	70,823	108.02%	36,777	144,955	155,358	7.18%	10,403
Accounting	25,764	36,719	42.52%	10,955	115,031	140,360	22.02%	25,329
Information Technology	187,454	265,662	41.72%	78,208	472,881	497,997	5.31%	25,116
Buildings and Grounds	30,516	37,656	23.40%	7,140	136,635	130,286	-4.65%	(6,349)
Bottle Deposit Fee	45,849	57,585	25.60%	11,736	144,394	165,457	14.59%	21,063
Recycle Surcharge Fee	103,436	128,760	24.48%	25,324	325,754	369,962	13.57%	44,208
Liquor Refunds	14	82	0.00%	68	1,869	600	0.00%	(1,269)
Substance Abuse Transfer	1,647,969	1,639,859	-0.49%	(8,110)	4,442,701	4,698,615	5.76%	255,914
Liquor Profits Transfer	7,500,000	7,500,000	0.00%	-	20,500,000	20,500,000	0.00%	-
<b>Total Operating Expenses</b>	<b>26,925,535</b>	<b>26,413,645</b>	<b>-1.90%</b>	<b>(511,890)</b>	<b>81,771,622</b>	<b>84,920,286</b>	<b>3.85%</b>	<b>3,148,664</b>
<b>Non-Operating Expenses</b>								
Sunday Sales Transfer	-	-	0.00%	-	944,257	927,378	-1.79%	(16,879)
Payments to City and Counties	317,871	355,231	0.00%	37,360	906,937	946,604	4.37%	39,667
Non-Operating Expenditures	176,230	295,422	67.63%	119,192	723,205	824,833	14.05%	101,628
Inter-Department Transfers	-	-	0.00%	-	-	-	0.00%	-
<b>Non-Operating Expenses Total</b>	<b>494,101</b>	<b>650,653</b>	<b>31.68%</b>	<b>156,552</b>	<b>2,574,399</b>	<b>2,698,815</b>	<b>4.83%</b>	<b>124,416</b>
<b>Total Expenses</b>	<b>27,419,636</b>	<b>27,064,298</b>	<b>-1.30%</b>	<b>(355,338)</b>	<b>84,346,021</b>	<b>87,619,101</b>	<b>3.88%</b>	<b>3,273,080</b>
<b>Net Income</b>	<b>515,722</b>	<b>2,249,796</b>	<b>336.24%</b>	<b>1,734,074</b>	<b>14,661,859</b>	<b>15,524,541</b>	<b>5.88%</b>	<b>862,682</b>



# 87th Iowa General Assembly 2017 IOWA LEGISLATIVE SESSION TIMETABLE\*



**Note: This Session Timetable is subject to change**

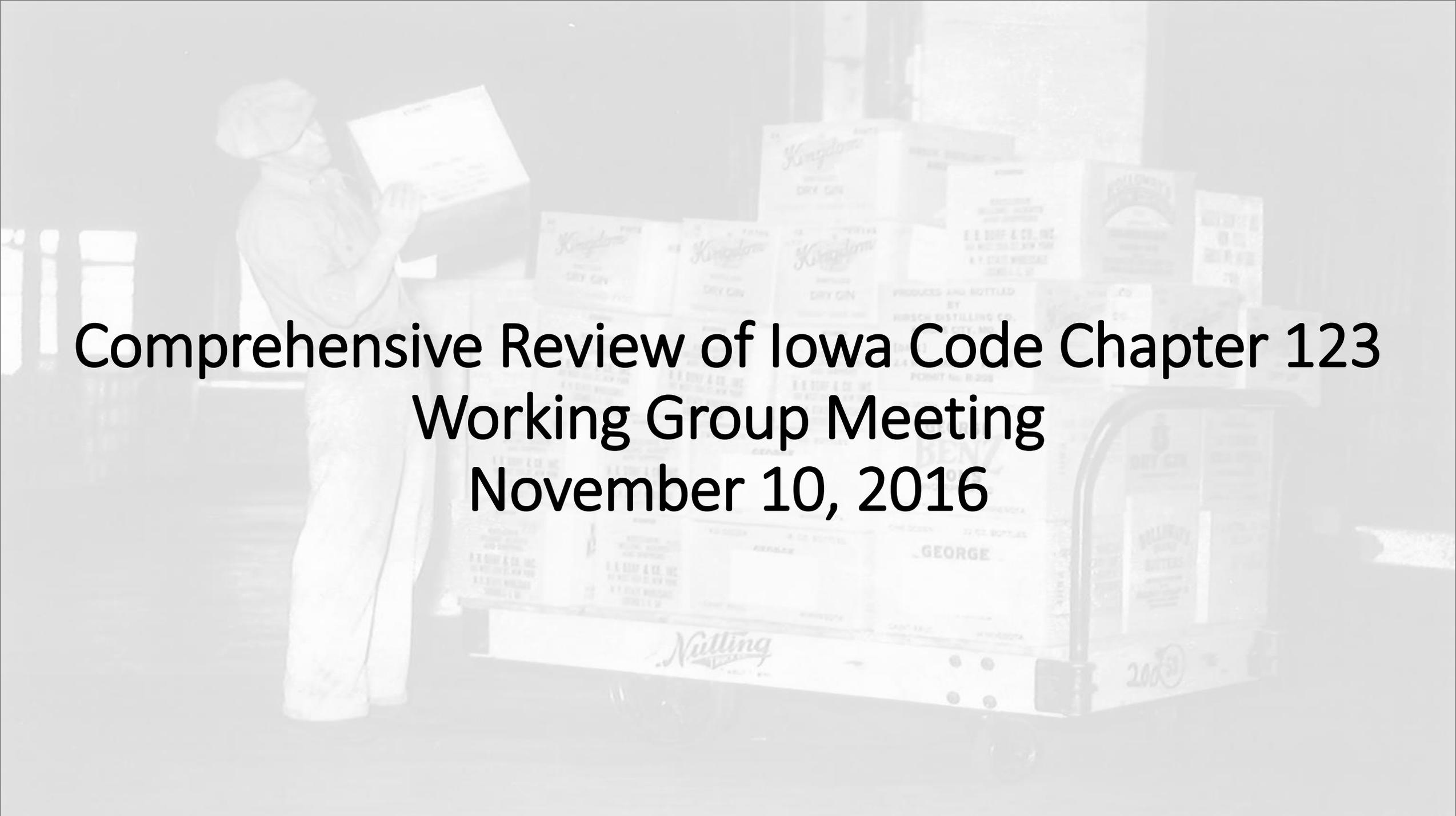
**\*See HCR 6, HR 4, and SR1 (2015)**

<b>JANUARY 9</b>	First day of session (Iowa Code Sec. 2.1)
<b>FEBRUARY 10</b> (Friday of the 5 <sup>th</sup> week)	Final day for individual Senator and Representative requests for bill drafts to the Legislative Services Agency (Senate Rule 27 and House Rule 29)
<b>MARCH 3</b> (Friday of the 8 <sup>th</sup> week)**	Final date for Senate bills to be reported out of Senate committees and House bills out of House committees (Joint Rule 20)
<b>MARCH 13 - 17</b> (10 <sup>th</sup> week)	Senate only considers Senate bills and unfinished business House considers only House bills and unfinished business (Joint Rule 20)
<b>MARCH 20 - 31</b> (11 <sup>th</sup> and 12 <sup>th</sup> weeks)	Debate not limited by rule
<b>MARCH 31</b> (Friday of the 12 <sup>th</sup> week)**	Final date for Senate bills to be reported out of House committees and House bills out of Senate committees (Joint Rule 20)
<b>APRIL 3 - 7</b> (13 <sup>th</sup> week)	Senate considers only House bills and unfinished business House considers only Senate bills and unfinished business (Joint Rule 20)
<b>APRIL 10</b> (Beginning of the 14 <sup>th</sup> week)	Amendments need not be filed on the day preceding floor debate (House Rule 31.8)
<b>APRIL 10</b> (Beginning of the 14 <sup>th</sup> week)	<p>Only the following bills are eligible for consideration: (Joint Rule 20)</p> <ul style="list-style-type: none"> <li>▪ Bills passed by both Houses</li> <li>▪ Appropriations Bills</li> <li>▪ Ways and Means Bills</li> <li>▪ Government Oversight Bills</li> <li>▪ Legalizing Acts</li> <li>▪ Administrative Rules Review Committee Bills</li> <li>▪ Committee Bills related to delayed or suspended Administrative Rules [Iowa Code Sec. 17A.8 (9)]</li> <li>▪ Bills co-sponsored by Majority and Minority Leaders of one House</li> <li>▪ Conference Committee Reports</li> <li>▪ Companion Bills sponsored by Senate and House Majority Leaders</li> <li>▪ Concurrent or Simple Resolutions</li> <li>▪ Joint Resolutions nullifying Administrative Rules</li> <li>▪ Bills on the Veto Calendar (Joint Rule 23)</li> <li>▪ Unfinished Business</li> </ul>
<b>APRIL 28</b>	110 <sup>th</sup> calendar day of the session [Per diem expenses end - Iowa Code Sec. 2.10(1)]

\*\*The March 3 and March 31 committee deadlines do not apply to Appropriations Bills, Ways and Means Bills, Government Oversight Bills, Legalizing Acts, Administrative Rules Review Committee Bills, Committee Bills related to delayed or suspended Administrative Rules [Iowa Code Sec. 17A.8(9)], Bills co-sponsored by Majority and Minority Leaders of one House, Conference Committee Reports, Companion Bills sponsored by the Majority Leaders of both Houses after consultation with the respective Minority Leaders, Concurrent or Simple Resolutions, and Joint Resolutions nullifying Administrative Rules.  
Legislative Information Office: 08/05/2016

## Newly Elected Legislators For The Eighty-Seventh Iowa General Assembly

<b>Name</b>	<b>District</b>	<b>Party</b>
Senator-Elect Nate Boulton	<a href="#"><u>16</u></a>	Democrat
Senator-Elect Waylon Brown	<a href="#"><u>26</u></a>	Republican
Senator-Elect Dan Dawson	<a href="#"><u>8</u></a>	Republican
Senator-Elect Jeff Edler	<a href="#"><u>36</u></a>	Republican
Senator-Elect Thomas Greene	<a href="#"><u>44</u></a>	Republican
Senator-Elect Craig Johnson	<a href="#"><u>32</u></a>	Republican
Senator-Elect Mark Lofgren	<a href="#"><u>46</u></a>	Republican
Representative-Elect Michael Bergen	<a href="#"><u>55</u></a>	Republican
Representative-Elect Jane Bloomingdale	<a href="#"><u>51</u></a>	Republican
Representative-Elect Wesley Breckenridge	<a href="#"><u>29</u></a>	Democrat
Representative-Elect Jim Carlin	<a href="#"><u>6</u></a>	Republican
Representative-Elect Kristi Hager	<a href="#"><u>56</u></a>	Republican
Representative-Elect Ashley Hinson	<a href="#"><u>67</u></a>	Republican
Representative-Elect Timothy Kacena	<a href="#"><u>14</u></a>	Democrat
Representative-Elect David Kerr	<a href="#"><u>88</u></a>	Republican
Representative-Elect Shannon Lundgren	<a href="#"><u>57</u></a>	Republican
Representative-Elect Andy McKean	<a href="#"><u>58</u></a>	Republican
Representative-Elect Gary Mohr	<a href="#"><u>94</u></a>	Republican
Representative-Elect Amy Nielsen	<a href="#"><u>77</u></a>	Democrat
Representative-Elect Ras Smith	<a href="#"><u>62</u></a>	Democrat
Representative-Elect Skyler Wheeler	<a href="#"><u>4</u></a>	Republican
Representative-Elect Louis Zumbach	<a href="#"><u>95</u></a>	Republican



**Comprehensive Review of Iowa Code Chapter 123  
Working Group Meeting  
November 10, 2016**



State of Iowa  
Executive Department

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF IOWA

EXECUTIVE ORDER NUMBER EIGHTY

**WHEREAS,** when adopting regulations to protect the health, safety and welfare of the people of the State of Iowa, state agencies should seek to achieve statutory goals as effectively and efficiently as possible without imposing unnecessary burdens; and

**WHEREAS,** the bureaucracy must be accountable to the citizens of Iowa, and is best served by increased stakeholder involvement and public input; and

**WHEREAS,** public participation in the formulation of administrative rules will help our state to reform burdensome rules and prevent overregulation or red tape, encouraging efficiency, economic growth and job creation; and

**WHEREAS,** stakeholder groups are an effective way for government to interact with those who are affected by regulations and encourage public involvement.

**NOW, THEREFORE, I,** Terry E. Branstad, Governor of the State of Iowa, declare that the best interests of our state would be well served by greater public participation and stakeholder input for administrative rules. I hereby order and direct that:

# Comprehensive Review of Iowa Code Chapter 123

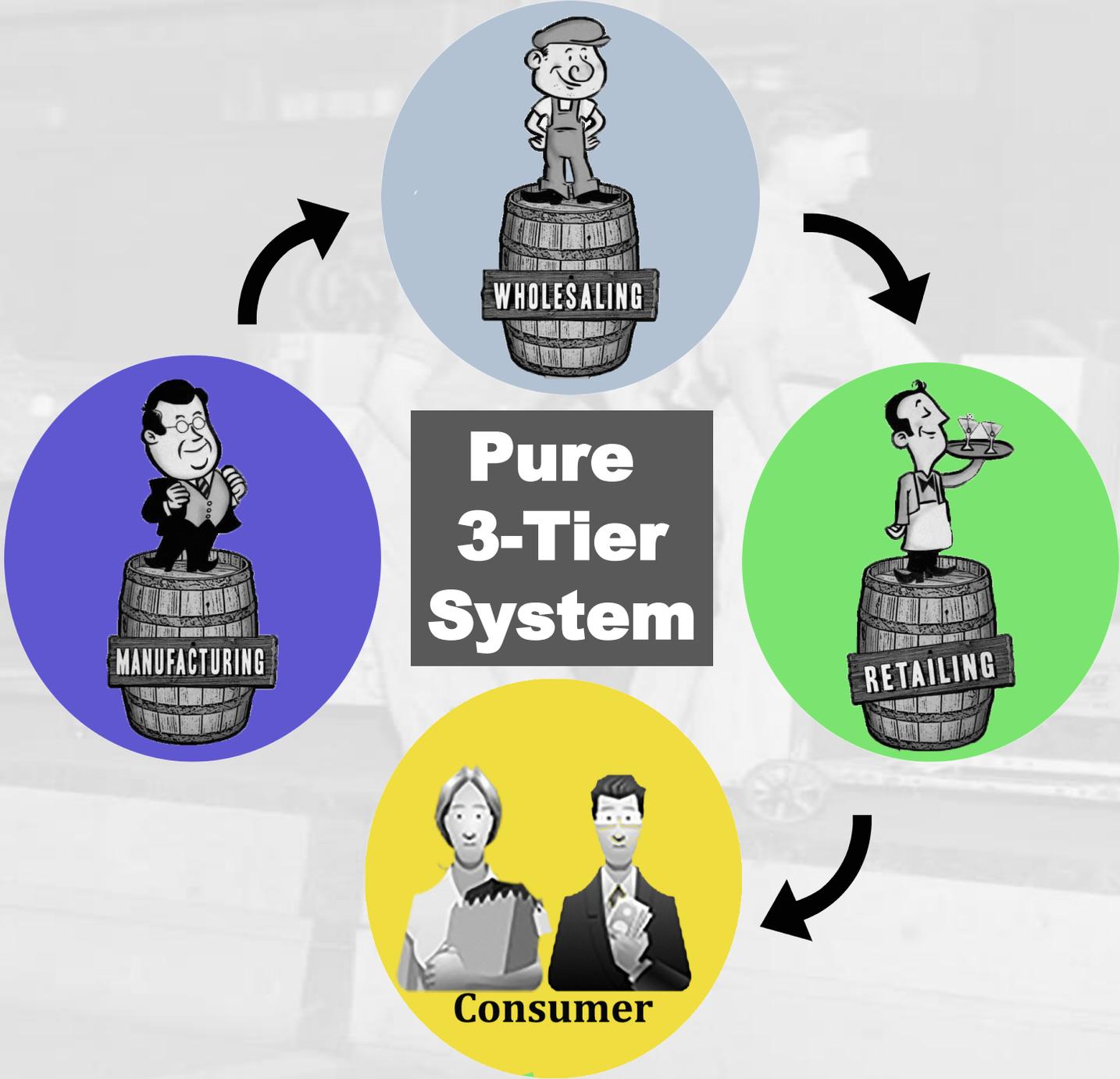
## Recap of September 9, 2016, Meeting

### **The objective and goals of the working group were identified:**

The *objective* is to bring all stakeholders to the table to openly discuss ways to modernize Iowa's alcohol laws while maintaining focus on public safety and public health concerns.

#### **The *goals* of the review:**

- Clarify the law,
- Streamline and remove red tape,
- Consolidate or eliminate some state licenses and permits,
- Identify areas of the law impeding business growth,
- Maintain the three tier system.



# Comprehensive Review of Iowa Code Chapter 123

## Recap of September 28, 2016, Meeting

### **Presentation: The Evolution of Iowa's three-tier system**

Introduction of Native Wineries

Creation of Brewpubs

State's exit as wholesaler of wine

Introduction of Micro-distilleries

Breweries being allowed to open tap rooms

State's exit from the retail tier

### **Presentation: Judicial Influence: The 5 Court Cases that have had a significant impact on alcohol law and regulation.**

- *Stein Distributing Co. Inc., v. Bureau of Alcohol Tobacco and Firearms*, 779 F.2d 1407 (9th Cir. 1986).
- *Auen v. Iowa ABD*, 679 N.W.2d 586 (Iowa 2004)
- *Granholm v. Heald*, 544 U.S. 460 (2005)
- *Wine Country Gift Baskets.com v. Steen*, 612 F.3d 809 (5th Cir. 2010)
- *Southern Wine and Spirits v. Div. of Alcohol and Tobacco Control*, 731 F.3d 799 (8th Cir. 2013)

# Comprehensive Review of Iowa Code Chapter 123

## Recap of October 12, 2016, Meeting

### Overview of the Enforcement of Iowa's Alcohol Laws

- Iowa Department of Public Safety is the primary law enforcement authority with the support and cooperation of local forces
- The Division's Compliance Program Goals:
  - Provide a comprehensive program to enforce existing liquor laws through education, voluntary compliance and administrative sanctions when necessary.
  - Maintain two-way communications with partners to provide training, resources and assistance regarding compliance.

# Comprehensive Review of Iowa Code Chapter 123

## Recap of October 12, 2016, Meeting

### **Brewery and Brewpub Requests:**

- 1. Allow native breweries to sell wine by the glass in their taprooms.**
- 2. Allow beer sales at farmers markets, special events, tasting events.**
- 3. Allow brew pubs to sell their beer for off-premises consumption without first going to a wholesaler.**
- 4. Multiple taprooms for native brewers.**
- 5. Consolidate beer permits.**
- 6. Consolidate definitions of beer and high alcohol content beer.**
- 7. Decide how to treat cider and mead.**
- 8. Address franchise laws under Chapter 123A.**
- 9. Address investors/complex ownerships.**
- 10. Redirect gallonage taxes collected from brew pubs to the Beer and Wine Promotion Board.**

## CHAPTER 123A

## BEER BREWERS AND WHOLESALERS

123A.1	Purposes and scope.	123A.7	Reasonable compensation.
123A.2	Definitions.	123A.8	Right of free association.
123A.3	Termination and notice of cancellation.	123A.9	Judicial remedies.
123A.4	Cancellation.	123A.10	Waiver — prohibited.
123A.5	Prohibited conduct.	123A.11	Indemnification.
123A.6	Transfer of business assets or stock.	123A.12	Application to existing agreements.

**123A.1 Purposes and scope.**

**This chapter** is enacted pursuant to the authority of the state under the provisions of the twenty-first amendment to the Constitution of the United States to promote the public's interest in fair, efficient, and competitive distribution of beer products through regulation and encouragement of brewer and wholesaler vendors to conduct their business relations toward these ends by:

1. Assuring that the beer wholesaler is free to manage its business enterprise.
2. Assuring the brewer and the public of service from wholesalers who will devote reasonable efforts and resources to distribution and sales of all of the brewer's products which the wholesaler has been granted the right to sell and distribute and maintain satisfactory sales levels.
3. Promoting and maintaining a sound, stable, and viable three-tier system of distribution of beer to the public.

# Comprehensive Review of Iowa Code Chapter 123

## Recap of October 12, 2016, Meeting

### Common themes:

- **Allow and/or expand on premises consumption.**
- **Increase the number of locations each manufacturer is allowed to sell at retail.**
- **Continue to allow self distribution.**
- **Allow manufacturers to manufacture other products.**

# Comprehensive Review of Iowa Code Chapter 123

## Recap of October 27, 2016, Meeting

### **Alcohol Prevention Advocates Requests:**

- Mandatory Server Training such as TIPS, IPACT, Responsible Beverage Service Training, in order to obtain a retail license.
- Alcohol Density Laws – incorporating in with other criteria such as good moral character and financial standing.
- Increase Beer Barrel Taxes.
- Increase age of seller for off premises sales from the current age of 16 to at least 18 (on premises age of seller requirement) or 21.

# Comprehensive Review of Iowa Code Chapter 123

## Recap of October 27, 2016, Meeting

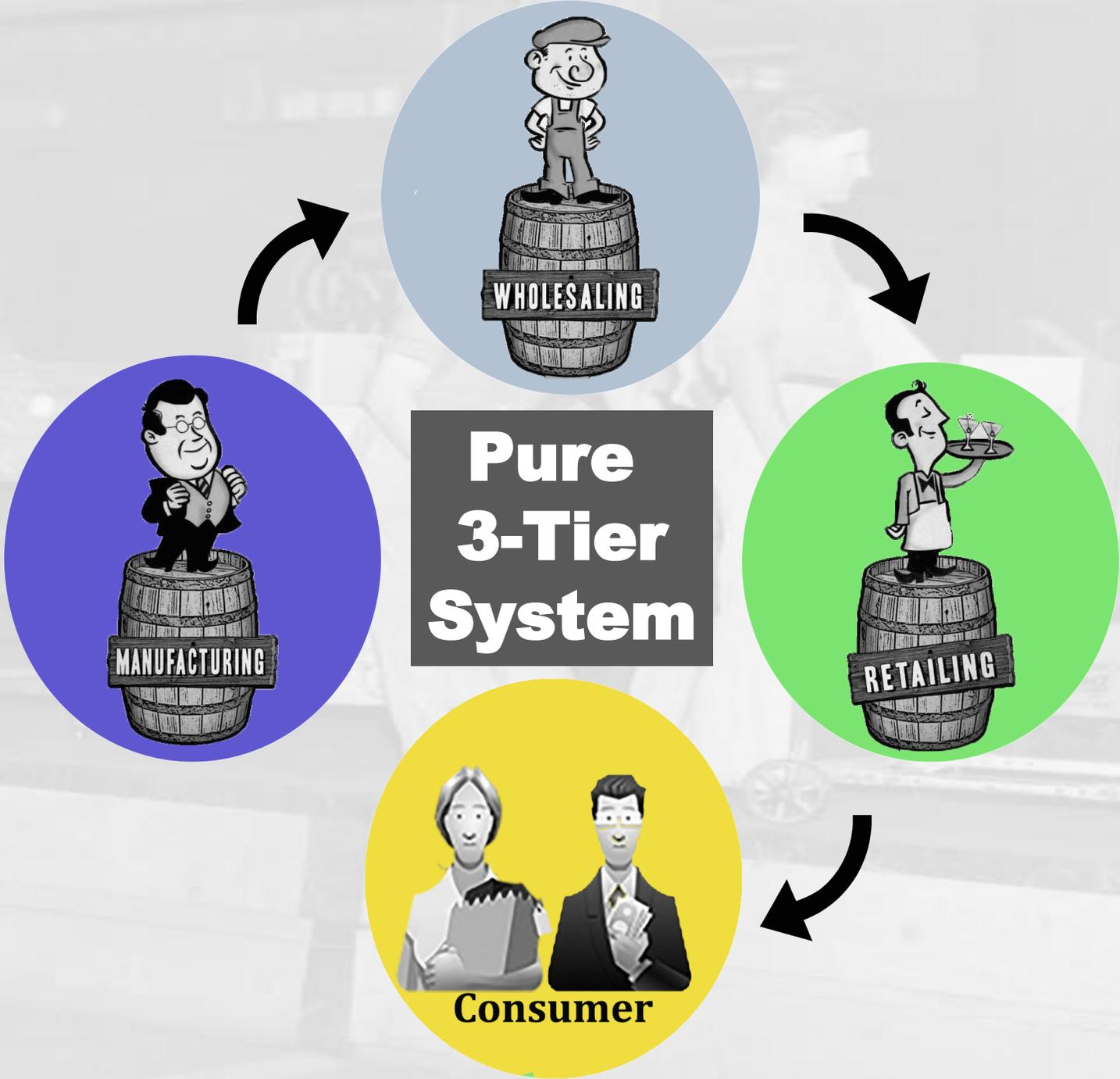
### **Observations provided at the national level by the Brewer's Association:**

- In September 2011, there were 1,843 active U.S. breweries. In September 2016, there were 4,893 active U.S. breweries. Approximately 2 new breweries open every day in the U.S.
- When analyzing the type of alcohol consumed by Iowans, beer still makes up the greatest majority of alcohol consumed in the state.
- Consumers are moving to spirits and away from beer. There is an overall decrease in beer consumption and those still consuming beer are moving toward craft and local beers.
- Native breweries bring manufacturing tier jobs to local communities.
- Growth in on premises sales at breweries increases the gallons sold for the brewery.
- Local breweries promote tourism and tourism dollars.

# Comprehensive Review of Iowa Code Chapter 123 Recap of October 27, 2016, Meeting

## **Common themes expressed by Beer Wholesaler's at the 4<sup>th</sup> Meeting:**

- **Beer sales overall are down.**
- **There is a shift in consumer beer preference toward craft and import beers.**
- **There is an increase in the overall number of breweries making beer and the number of products being distributed.**
- **Beer distribution is a capital intensive business.**
- **Wholesalers support the 3 tier system and do not want changes made to the system.**





State of Iowa  
Executive Department

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF IOWA

EXECUTIVE ORDER NUMBER EIGHTY

**WHEREAS,** when adopting regulations to protect the health, safety and welfare of the people of the State of Iowa, state agencies should seek to achieve statutory goals as effectively and efficiently as possible without imposing unnecessary burdens; and

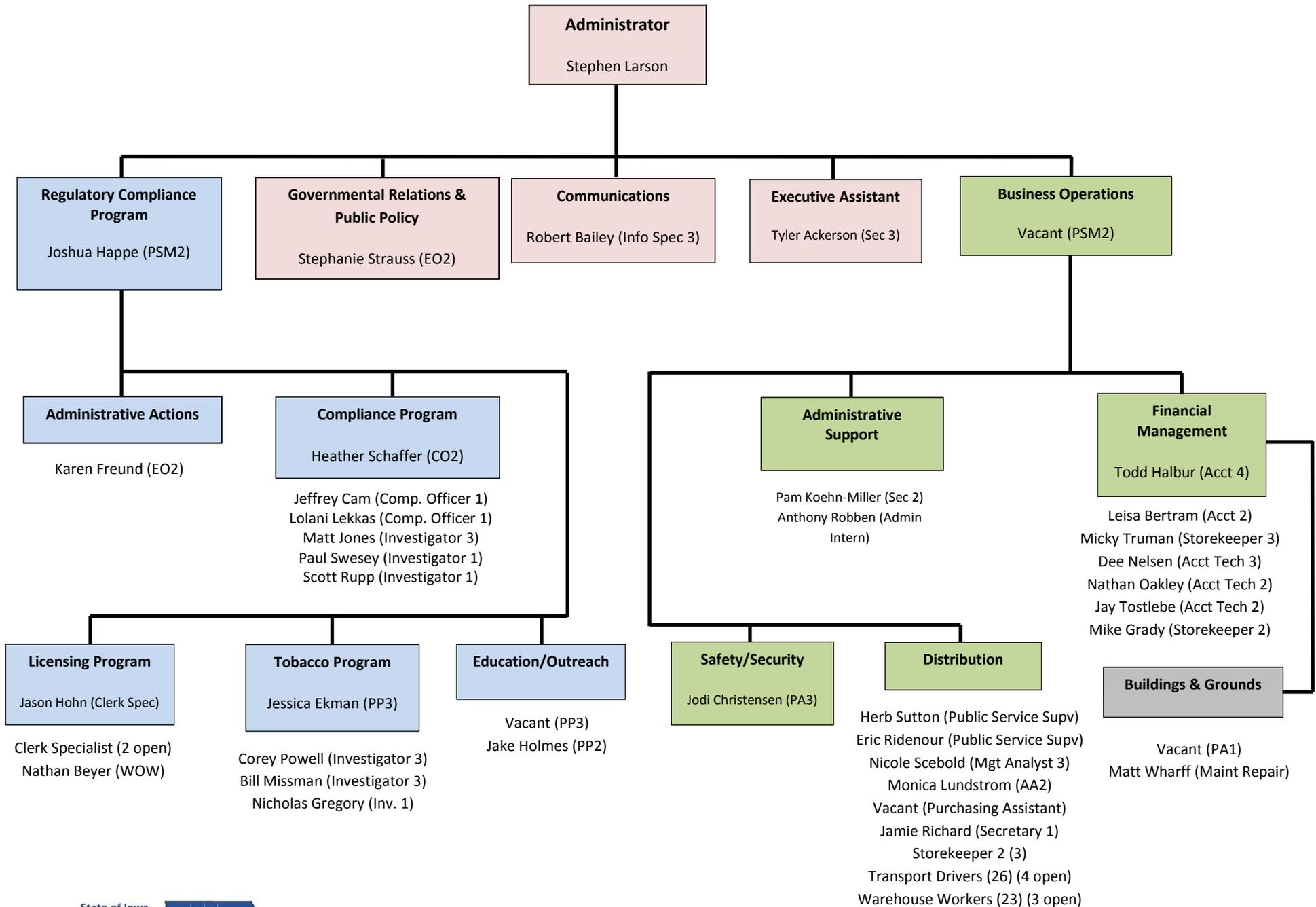
**WHEREAS,** the bureaucracy must be accountable to the citizens of Iowa, and is best served by increased stakeholder involvement and public input; and

**WHEREAS,** public participation in the formulation of administrative rules will help our state to reform burdensome rules and prevent overregulation or red tape, encouraging efficiency, economic growth and job creation; and

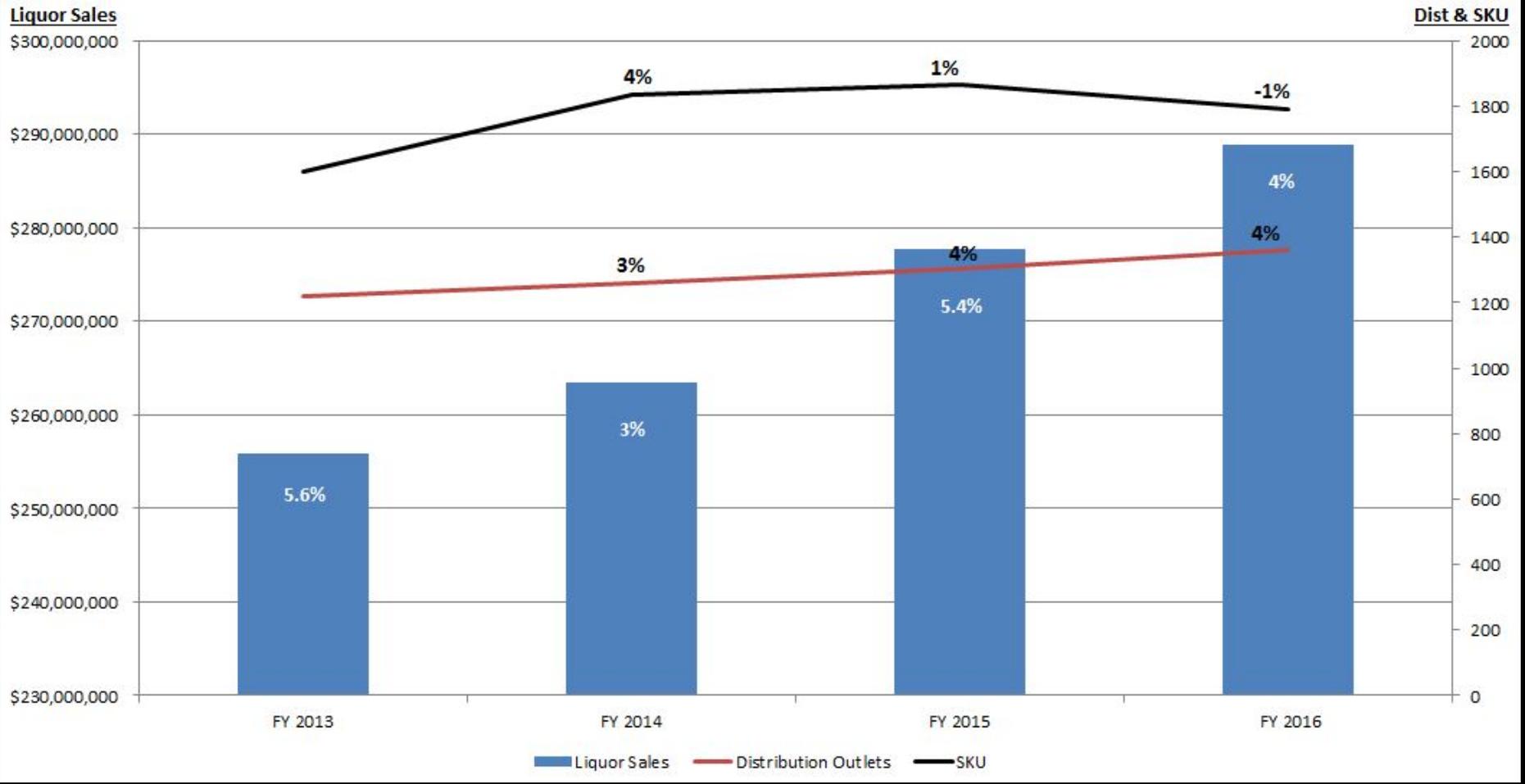
**WHEREAS,** stakeholder groups are an effective way for government to interact with those who are affected by regulations and encourage public involvement.

**NOW, THEREFORE, I,** Terry E. Branstad, Governor of the State of Iowa, declare that the best interests of our state would be well served by greater public participation and stakeholder input for administrative rules. I hereby order and direct that:

# IOWA ALCOHOLIC BEVERAGES DIVISION ORGANIZATIONAL CHART



## Annual Growth of Liquor Sales, Distribution Outlets, & SKU's



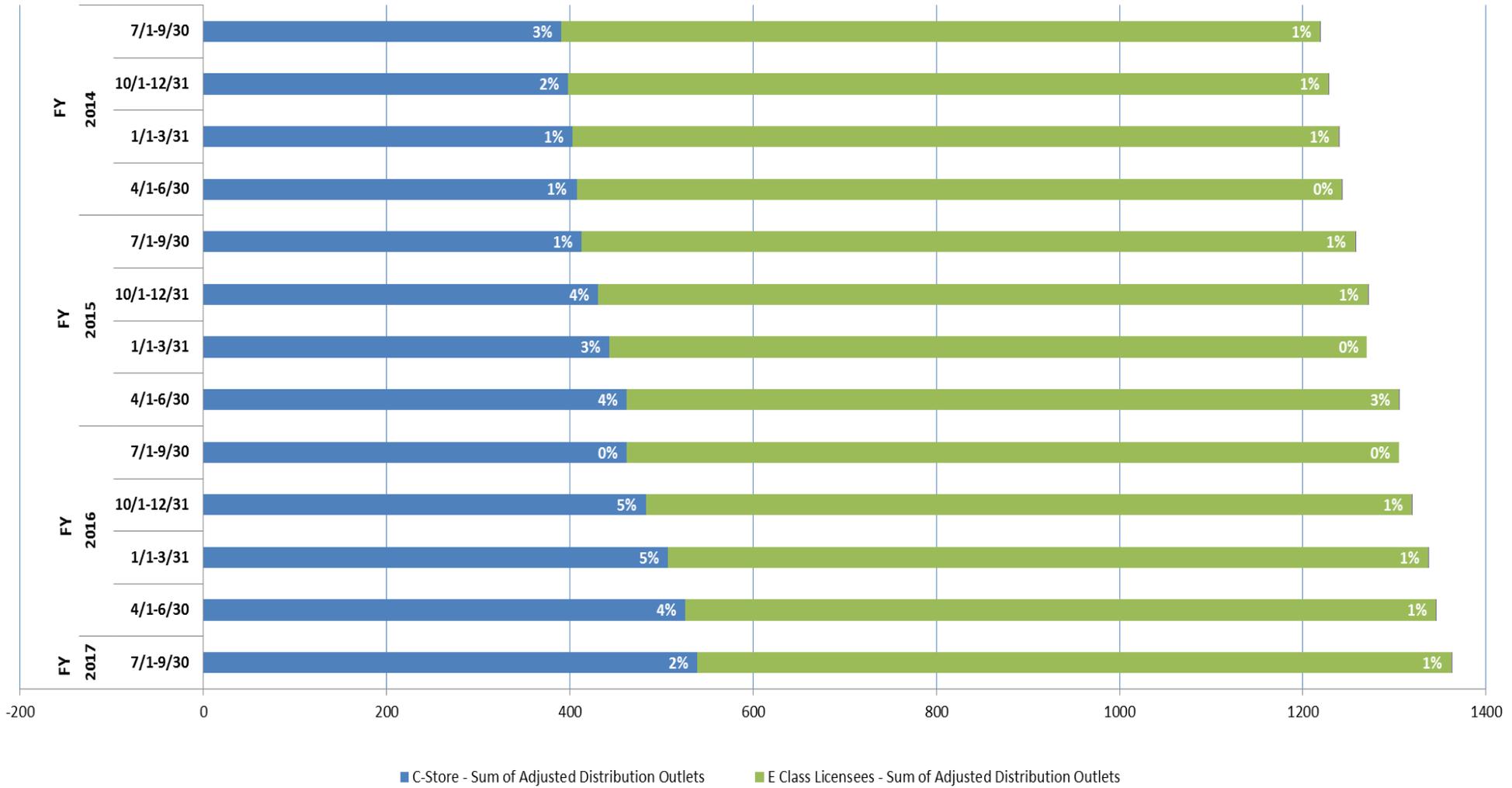
### Fiscal Year

Begins July 1 and ends June 30

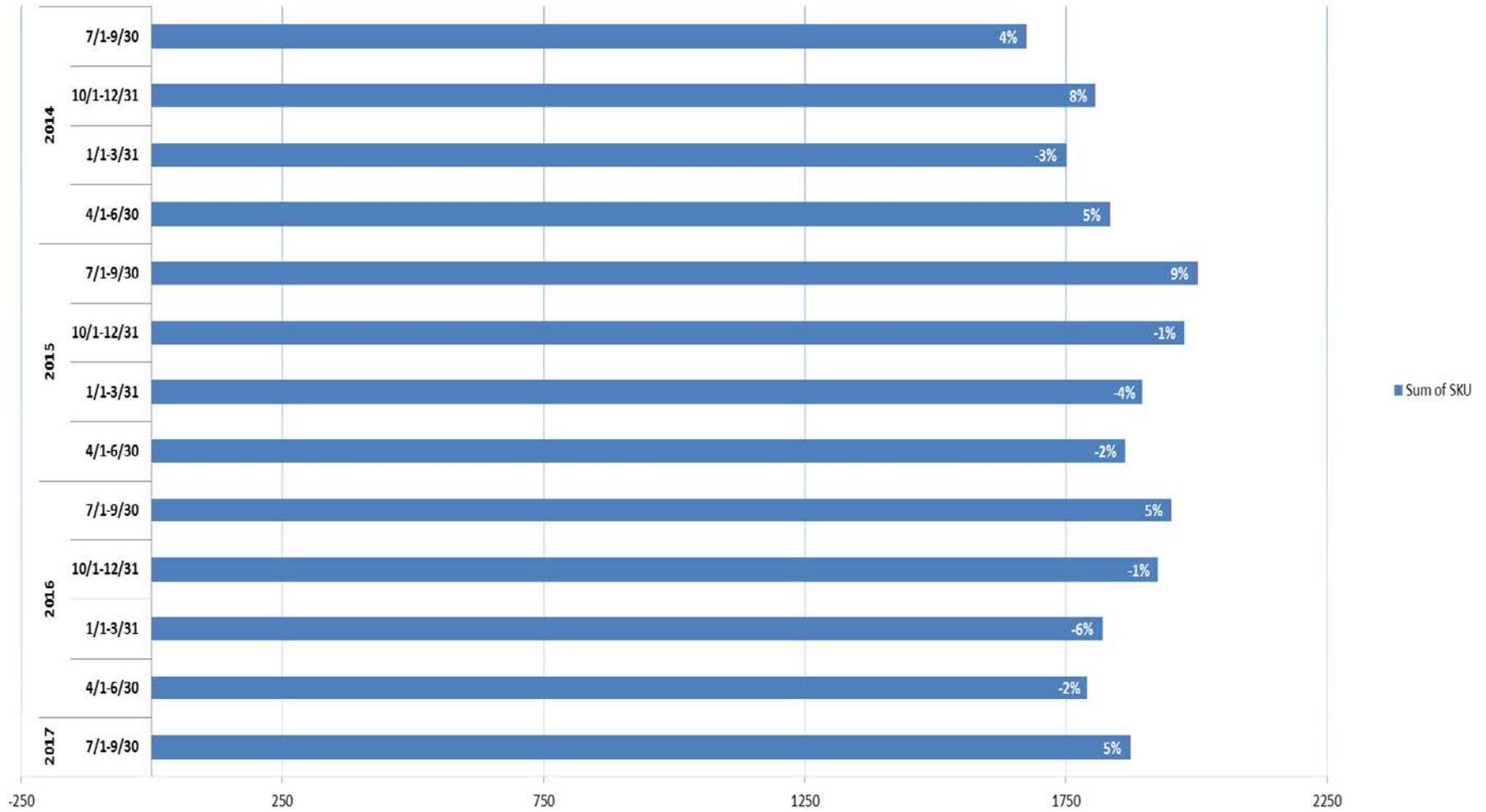
### SKU

A stock keeping unit (SKU) is a product and service identification code for a store or product, often portrayed as a machine-readable barcode that helps track the item for inventory. In short, it is the number of products we have available. SKU growth is measured as an average growth over quarters.

## Distribution Outlets



# Quarterly SKU Trends



IN THE IOWA DISTRICT COURT FOR POLK COUNTY

New Midwest Rentals, LLC  
d/b/a Des Moines Valero #204  
3733 Easton Blvd.  
Des Moines, IA 50317

Petitioner,

v.

Iowa Department of Commerce,  
Alcoholic Beverages Division

Respondent.

**CVCV051733**

**ORDER DISMISSING PETITION FOR  
JUDICIAL REVIEW**

**INTRODUCTION**

Does Iowa Code section 123.45 prohibit “a wine manufacturer in California” from “owning an interest in Iowa stores retailing beer”? (Petitioner’s brief, p. 25). The Alcoholic Beverages Division—or “ABD”—concluded that such relationships are prohibited. Accordingly, the ABD refused to renew Petitioner’s retail beer permit.

In this judicial review action, Petitioner asks the Court to reverse the ABD’s determination. The Court concludes, however, that the ABD’s actions were consistent with the unambiguous language of section 123.45. The Court cannot conclude, therefore, that the ABD’s interpretation was “irrational, illogical, or wholly unjustifiable.” As a result, Iowa Code section 17A.19(10)(I) does not permit reversal. Instead, the ABD’s decision must be affirmed.

**DISCUSSION**

**Background.** Whatever its benefits, alcohol certainly carries risks. Our legislature addressed those risks through Iowa Code Chapter 123. See Iowa Code § 123.1.

Indeed, Chapter 123 generally bans the manufacture, possession, or sale of any “alcoholic liquor, wine, or beer” in Iowa. *Id.* § 123.2. The only exceptions are those expressly stated in Chapter 123. See *id.*; see also *id.* § 123.1.

One of those exceptions involves beer. Section 123.20 authorizes the ABD to issue, suspend or revoke beer permits “for cause under” Chapter 123. See also *id.* § 123.125.

Chapter 123 authorizes six “classes” of beer permits. *Id.* § 123.124. Each class

allows different activities. *Id.* For example, a class “A” beer permit allows the holder to manufacture and sell beer at wholesale. *Id.*

**Facts at bar.** This case involves a class “C” beer permit. Such permits allow their holders “*to sell beer to consumers at retail for consumption off the premises.*” *Id.* (italics added); see also *id.* § 123.132.

Petitioner operates a convenience store. In 2011, the ABD issued a class “C” beer permit to Petitioner. Later, the ABD learned that Petitioner’s owner, Mr. Forysthe, had ownership and managerial relationships with a California winery. Accordingly, in 2013, ABD declined to renew Petitioner’s beer permit. The ABD based its decision on Iowa Code section 123.45 (2013), which states in pertinent part:<sup>1</sup>

A person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages, wine, or beer, or any jobber, representative, broker, employee, or agent of such a person, shall not directly or indirectly supply, furnish, give, or pay for any furnishings, fixtures, or equipment used in the storage, handling, serving, or dispensing of alcoholic beverages, wine, beer, or food within the place of business of a licensee or permittee authorized under this chapter to sell at retail; nor shall the person directly or indirectly extend any credit for alcoholic beverages or beer or pay for any such license or permit, nor directly or indirectly be interested in the ownership, conduct, or operation of the business of another licensee or permittee authorized under this chapter to sell at retail, nor hold a retail liquor control license or retail wine or beer permit.

Petitioner pursued administrative appeals, but they were unsuccessful. On October 3, 2014, the ABD issued a final order affirming its denial of Petitioner’s renewal. The October 3, 2014 order can be found at page 405 of the certified record.

Petitioner then filed a petition for judicial review in this District Court. (Polk County case CVCV048642). On March 12, 2015, this Court entered an order (1.) reversing the ABD’s order of October 3, 2014; and (2.) remanding for interpretation of section 123.45 “in accordance with the use [of] the proper rules of statutory construction....” The March 12, 2015 order can be found at page 423 of the certified

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<sup>1</sup>. Because the denial occurred in 2013, this opinion is based upon the 2013 version of the statute.

In its remand order, the ABD discussed the impact of certain 2015 legislative amendments. In the current action, Petitioner objects strenuously to the ABD’s consideration of those amendments.

Having independently reviewed the relevant amendments, the Court concludes they were non-substantive. See 2015 Ia. Legis. Serv. Ch. 30 (H.F. 536) (WEST). Therefore, the Court believes the same result would be justified under either the pre-amendment statute or the post-amendment statute.

In any event, because this Court has based its analysis on the pre-amendment statute, arguments concerning the amendments are moot.

record.

On March 25, 2016, the ABD responded by issuing its “Final Order on Remand.” Once again, the ABD affirmed its determination that section 123.45 prohibits Petitioner from holding a retail beer permit. The March 25, 2016 order can be found at page 497 of the certified record.

On April 19, 2016, Petitioner filed another petition for judicial review. The case was argued before the undersigned on September 16, 2016. This order follows.

**Standard of review.** The central question is whether the Court should affirm or reverse the ABD’s repeated determination that section 123.45 prohibits renewal of Petitioner’s retail beer permit. When addressing this question, the Court must keep in mind that “the legislature clearly vested the interpretation of section 123.45 with the ABD.” *Auen v. Alcoholic Beverages Div., Iowa Dep’t of Commerce*, 679 N.W.2d 586, 590 (Iowa 2004). Therefore, pursuant to Iowa Code section 17A.19(10)(I), the ABD’s determination can be reversed only if it is based “upon an irrational, illogical, or wholly unjustifiable interpretation of” section 123.45.

**Interpretation.** Like all statutes, section 123.45 is a written document. Therefore, its meaning depends on its words. This is our cardinal rule of interpretation: a statute’s meaning is found in “what the legislature said.” Iowa R. App. P. 6.904(3)(m). It is not found in “what the legislature...should or might have said.” *Id.*

These principles are “so well established that authority need not be cited to support them.” *Id.* It should be noted, however, that our Supreme Court has expressly confirmed the relevance of these principles to section 123.45. In its unanimous *Auen* decision, the Court explained:

We determine legislative intent from the words chosen by the legislature, not what it should or might have said. \*\*\* Absent a statutory definition or an established meaning in the law, words in the statute are given their ordinary and common meaning by considering the context within which they are used. \*\*\* Under the guise of construction, an interpreting body may not extend, enlarge or otherwise change the meaning of a statute. \*\*\*

*Auen*, 679 N.W.2d at 590 (citations omitted).

With these principles in mind, the Court turns again to the text of section 123.45. It states, in pertinent part:

A person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages, wine, or beer, or any jobber, representative, broker, employee, or agent of such a person, shall not directly or indirectly supply, furnish, give, or pay for any furnishings, fixtures, or equipment used in the storage, handling, serving, or dispensing of alcoholic beverages, wine, beer, or food within the place of

business of a licensee or permittee authorized under this chapter to sell at retail; nor shall the person directly or indirectly extend any credit for alcoholic beverages or beer or pay for any such license or permit, nor directly or indirectly be interested in the ownership, conduct, or operation of the business of another licensee or permittee authorized under this chapter to sell at retail, nor hold a retail liquor control license or retail wine or beer permit.

(underline added)

Does this statutory language prohibit Mr. Forsythe from owning and operating a retail beer permittee, such as Petitioner? The Court concludes that it does. There is no dispute that Mr Forsythe is a “person engaged in the business of manufacturing...wine.” Therefore, under the plain language of section 123.45, Mr. Forsythe cannot hold a “retail...beer permit.” Additionally, he is prohibiting from maintaining an “ownership” or “operation[al]” relationship with a “permittee authorized under [Chapter 123] to sell at retail.” Therefore, he cannot own or operate Petitioner, whose class “C” beer permit authorizes Petitioner “*to sell beer to consumers at retail* for consumption off the premises.” Iowa Code § 123.124 (italics added); see *also id.* § 123.132.

In short, the unambiguous language of Chapter 123 prohibits Mr. Forsythe’s involvement with a class “C” beer permittee such as Petitioner. The ABD was correct, therefore, in refusing to renew Petitioner’s permit.

The Court has considered various counter-arguments. For example, the Court acknowledges that the statute does not use the phrase “a person engaged in the business of manufacturing alcoholic beverages *or* a person engaged in the business of manufacturing wine *or* a person engaged in the business of manufacturing beer.” Instead, it uses the less-cumbersome phrase “[a] person engaged in the business of manufacturing...alcoholic beverages, wine, or beer.”

But the meaning is the same. For sake of comparison, consider the phrase “irrational, illogical, or wholly unjustifiable,” which appears in Iowa Code section 17A.19(10)(I). This phrase does not cause confusion or uncertainty. It clearly means “irrational” *or* “illogical” *or* “wholly unjustifiable.” *Any* of the three requires reversal. See, e.g., *Auen*, 679 N.W.2d at 592–93 (reversing because the agency’s rule was an “illogical” interpretation).

Similarly, in section 123.45, the phrase “alcoholic beverages, wine, or beer” is not ambiguous. It means “alcoholic beverages” or “wine” or “beer.” Therefore, if a person manufactures “alcoholic beverages” or “wine” or “beer,” he is subject to the statute’s prohibitions.

It might also be argued that the phrase “a retail liquor control license or retail wine or beer permit” is ambiguous. The Court disagrees. This phrase causes no uncertainty or confusion. It plainly means a “retail liquor control license,” or a “retail

wine...permit,” or a “retail...beer permit.” None of them can be held by a person involved with wine manufacturing, such as Mr. Forsythe.

Additionally, Court has also reviewed its prior order of March 12, 2015. There, the Court concluded the statute was ambiguous because different disjunctive structures were used to describe the persons regulated (manufacturers of “alcoholic beverages, beer, or wine”) and the activities prohibited (holding a “retail liquor license or retail wine or beer permit”). (CR 428). Through its present review, however, the Court has concluded there is no ambiguity. As explained, section 123.45 clearly applies to manufacturers of alcoholic beverages, manufacturers of wine, and manufacturers of beer. All three are subject to the same prohibitions. Among other things, all three are prohibited from holding a “retail liquor control license,” or holding a “retail wine...permit,” or holding a “retail...beer permit.” Therefore, the statute unambiguously prohibits a manufacturer of wine from holding a retail beer permit.

Moreover, as noted, manufacturers of wine are also prohibited from direct or indirect involvement in the operation of “permittee[s] authorized under [Chapter 123] to sell at retail.” This clearly includes Petitioner, whose “C” beer permit authorizes Petitioner “*to sell beer to consumers at retail.*” Iowa Code § 123.124 (italics added); see *also id.* § 123.132. Therefore, even if the phrase “retail liquor license or retail wine or beer permit” were deleted from the statute, the result would be the same: Wine manufacturers would still be prohibited from owning or operating a retail beer permittee such as Petitioner.

Nevertheless, Petitioner maintains *the legislative intent* behind section 123.45 was limited to prohibiting manufacturers of a particular beverage from controlling retailers of *the same* beverage. Therefore, in Petitioner’s view, the legislature’s intent is not advanced by prohibiting a wine manufacturer from owning or operating a convenience store that only sells beer. (Petitioner’s brief, p. 15 (noting Petitioner neither purchases nor sells wine)).

Because the statute is unambiguous, however, its meaning must be found solely in its text. The Court can “look no further.” *In re J.C.*, 857 N.W.2d 495, 500 (Iowa 2014).

As explained, the words of Chapter 123 unambiguously prohibit wine manufacturers from owning or operating retail beer permittees. Iowa Code § 123.45. There is no exception for beer permittees who do not also sell wine. *Id.* If the legislature had intended to create such an exception, “it would have done so by amendment.” *Auen*, 679 N.W.2d at 592.

**Conclusion:** The ABD's order was consistent with the plain language of Iowa Code Chapter 123. Therefore, the ABD's order was not based "upon an irrational, illogical, or wholly unjustifiable interpretation" of Chapter 123. Iowa Code § 17A.19. Accordingly, the ABD's order must be affirmed.<sup>2</sup>

**ORDER**

For the reasons explained, the Court hereby orders as follows:

1. The ABD's Final Order of March 25, 2016 is AFFIRMED.
2. Petitioner's application for judicial review is DISMISSED.
3. Costs are assessed against Petitioner.

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<sup>2</sup>. The Court has considered Petitioner's constitutional arguments. For the reasons noted in Respondent's brief, the Court declines to adopt Petitioner's arguments.



State of Iowa Courts

**Case Number**  
CVCV051733

**Case Title**  
NEW MIDWEST RENTALS LLC VS IA DEPT OF  
COMMERCE  
OTHER ORDER

**Type:**

So Ordered

A handwritten signature in black ink, appearing to read "David May". The signature is written in a cursive style and is positioned above a horizontal line.

David May, District Court Judge,  
Fifth Judicial District of Iowa

Electronically signed on 2016-11-09 11:41:58