



VERMONT

DEPARTMENT OF LIQUOR CONTROL



2015 ANNUAL REPORT



VISION

The Vermont Department of Liquor Control will continue to emerge as a valuable and efficient business partner with the State of Vermont by contributing to the State's economy through an expanding network of well-aligned agency stores which carry a wide selection of products from Vermont and around the world. The Department will continue to strive to offer an enhanced experience for consumers, ease of licensing and a consistent regulatory process where the main focus is improving public safety.

MISSION STATEMENT

The mission of the Vermont Department of Liquor Control is to serve the public by preventing the misuse of alcohol and tobacco through controlled distribution, enforcement, education; and provide excellent customer service by operating efficient, convenient, liquor agency stores.

State of Vermont
Department of Liquor Control
13 Green Mountain Drive
Montpelier, VT 05620-4501

[phone] 802-828-2345
[fax] 802-828-2803

James Giffin, Interim Commissioner

January 1, 2016

Honorable Peter Shumlin
Governor of Vermont
Montpelier, Vermont

Dear Governor Shumlin:

In Compliance with the provisions of Section 109, Title 7, Vermont Statutes Annotated Revision of 1959, we have the honor to submit herewith the Eighty-First Annual Report of the Liquor Control Board for the fiscal year July 1, 2014 through June 30, 2015.

On behalf of the Board, we thank you and your Administration for your support during this year of significant change at the Department. We also wish to thank Jim Giffin for his service and leadership as Interim Commissioner. In his short tenure, he has helped move the Department in a positive direction. Together, we ensured the continuity of DLC's operations and its mission, strengthened our relationship with government, our Agents and the industry while continuing to increase revenue and promote public safety.

As you will note, we have expanded the scope of the Annual Report and detail, for the first time, all of DLC's activities, not just the selling of spirits, to better inform the Administration, legislature and Vermont citizens about what we do at DLC.

We are proud of what we do and look forward to a successful 2016.

Respectfully,



Stephanie M. O'Brien, Chair
John P. Cassarino, Member
Thomas Lauzon, Member
Melissa Mazza-Paquette, Member
Julian Sbardella, Member



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Commissioner Giffin's Remarks

It has been a very busy and active year for the Department. I came on as Interim Commissioner in June at the request of the Board and Administration. We also had David Jackson, a well-respected manager in the liquor business, assisting the Department for two months during the summer.

We have expanded the annual report to cover all the activities of the Department, not just the required reporting elements in Section 109 of Title 7. You will find information on the various Department activities throughout these pages.

You will read in the warehouse section that we have had two evaluations of its operation. We have corrected all the identified items in the "Worksafe" evaluation and are actively working on the items identified in the Chet Wiley report.

We have included in our operating budget some funds to plan for the replacement of the warehouse in the next three to five years. The Department will need to change some of its operations (e.g. limiting product diversity) if we do not find more space. We also plan to start, in conjunction with the State's Department of Information and Innovation (DII), the work necessary to start the process of automating the over 12,000 licenses and permits issued annually by the Department.

The Board and DLC staff have been engaged since July with the Legislature's summer Modernization Study Committee. They have issued their report and recommendations on the Department operations.

You will see throughout the annual report that our sales and the licensees continue to increase.

There are many things David and I have accomplished the past six months along with the Department staff's support. One such example is improving communications with our Agents and brokers. We now send monthly email updates to all our stores keeping them informed of the activities within and outside the Department. The Board, Agents, and Department staff met as a group in November for the first time in many, many, years. We will take what we heard from them into consideration as we move forward with the various recommendations on how to operate our business as efficiently as possible within a government structure.

Finally, by the time you read this, the Board and Administration should have selected a candidate for a permanent Commissioner. It has been an honor to serve the board and the people of Vermont the past six months in assisting in the stabilization of the Department operations while positioning it for improvement going forward.

A handwritten signature in black ink, reading "James C. Giffin". The signature is fluid and cursive, with a large initial "J" and "G".

James Giffin, Interim Commissioner

Vision and Mission Statements	Inside Front Cover
Letter of Transmittal	3
Commissioner's Comments	5
Table of Contents	
Liquor Control Staffing	7
Department Descriptions	8
Remarks from our Technology Unit	10
Licensing, Education, & Enforcement Division	
Education Statistics	11
Licensing Statistics & Fees compared 2015–2014	12
Enforcement—Top Ten Activities FY15	13
What's new? Break-open Ticket Reporting	14
Warehouse Operations	15
Study & Plans for FY17	15
SKU Growth	15
Case Sales & Comparisons 2015–2014	16
Items listed FY15–FY14	16
Special Orders requested vs filled 2015–2014	16
Special items carried 2015–2014	16
Retail Operations Annual Comparisons	17
FY 2015—Where do the Revenues go?	18
FY 2014—Where do the Revenues go?	19
Agency Addresses & FY15 Sales	20
Financial Statements	
Statement of Net Assets 2015–2014	23
Statement of Revenue & Expense 2015–2014	24
Statement of Cash Flows 2015–2014	25
Tax Rates 1934–2015	26
Tax Revenue 1996–2015	
The end of Prohibition and “Dry Towns”	27
Agency Location Map	Back Cover

LIQUOR CONTROL POSITIONS

	June 30, 2016	June 30, 2015
Administrative & General		
Commissioner	1	1
Deputy Commissioner	1	0
Director of Retail Operations	1	1
Financial Administrator II	1	1
Information Technology Specialist III	1	1
Principal Assistant	1	1
Liquor Purchasing Coordinator	1	1
Systems Developer II	1	1
Network Administrator II	1	1
District Retail Coordinators	3	2
Information Technology Specialist I	1	1
Executive Staff Assistant	1	1
Financial Specialist III	1	1
Financial Specialist I	1	1
Administrative Assistant	1	1
	<hr/> 17	<hr/> 15
Education, Licensing & Enforcement		
Director of Enforcement	1	1
Investigator Supervisor	5	5
Liquor Investigators	9	10
Liquor Control Training Specialist	1	1
Administrative Services Coordinator	1	1
Administrative Secretary	2	1
Program Technician I	1	1
Administrative Assistant A	1	1
FDA Program Coordinator	1	1
	<hr/> 22	<hr/> 22
WAREHOUSE		
Warehouse Mgt. System Coordinator	1	1
Warehouse Supervisor	1	1
Program Services Clerk	1	1
Warehouse Workers I & II	13	11
	<hr/> 16	<hr/> 14
Total Liquor Control Positions	<hr/> 55	<hr/> 51

LIQUOR CONTROL DIVISIONS

GENERAL ADMINISTRATION

Technology

The four employees in the Liquor Control Department's Technology Unit support the technology functions of DLC departments as well as the remote Agent cash registers, Agent linkages to DLC software, and wireless connections for our mobile enforcement investigators. The DLC technology team ensures a stable, secure operating environment for the department, maintains software licenses and hardware assets, writes and maintains custom software as needed to support operations.

Financial Unit

A three-person team is responsible for accurately and efficiently conducting all department financial affairs. This includes weekly deposits of all receipts from Agency stores and payments to Agents and others. The unit oversees the financial reporting and accuracy of all payrolls and expense reimbursement requests. They support, review and bill for all grant expenses. Accounting shares responsibility for tracking all department assets (except liquor) with IT. The unit manages all non-liquor related contracts. Other duties include producing monthly financial statements and annual report, ordering all department supplies, and working with the Auditor's office to complete the annual independent audit and ensuring compliance with state-wide record retention policies.

Retail Operations

There are 80 Vermont Liquor Agents contracted with Liquor Control to sell spirits for a commission using department owned registers and software to track sales and inventory. Liquor Control provides agent IT support and inventory, as well as shelf management layouts and sales materials. Our retail website, <http://802spirits.com>, provides public access to our current listings, ability to directly request special orders, and has a link to an electronic version of our Spirits Quarterly Magazine.

802Spirits

In 2013, the Department rebranded itself into 802Spirits, after a months' long process that included DLC board members, staff and agency stores. During the process, the concepts of community, buy local and stores as a hub of their town's activity were recurring themes. Most of our stores are active members of the communities around them and can greet the majority of their customers on a first name basis. With 802 being the only area code for the entire state, 802 Spirits reflects this sense of community; and, the tag line "Your Vermont State liquor store" reinforces the concept. Currently, all retail marketing materials are designed under the 802Spirits logo, including the price guide magazine, sales flyers, interior signage and any external print advertising. The Department also created 802Spirits.com, a Twitter handle under 802Spirits@VTLiquor and a direct phone line into the department with 802spirits as the dial (802-774-7487). Looking to the future, the Department is considering how to expand and strengthen the 802Spirits brand using signage and increasing its on-line and social media presence.

Spirits Purchasing

Our Purchasing unit oversees the purchase of over 3,000 (1,626 currently with inventory) different spirits in the warehouse. They process special orders and web orders on over 1,300 items, handle all product pricing, and coordinate new listings and delisting of spirits. They work in conjunction with vendors to manage promotional and monthly sale items and closeouts and manage relations with 135 different national wholesalers and 15 Vermont suppliers.

LIQUOR CONTROL DIVISIONS

WAREHOUSE OPERATIONS

Warehouse operations are responsible for the receiving of incoming goods and the storage of spirits for distribution to Agent stores. Products are placed in pick locations and readied for orders which are generated from agency stores. The orders are “picked” using a warehouse inventory management system. Product is loaded according to predetermined routes onto state owned delivery trucks and delivered to our 80 liquor agencies. Each Agent store receives a delivery weekly or every other week. Inventory in the warehouse is valued at \$7.5M representing approximately 60,000 cases. The inventory turns over eighteen times per year. The warehouse receives on average 12 deliveries a week. The spirits in the warehouse are owned by the wholesalers with the exception of the Vermont products.

EDUCATION, LICENSING AND ENFORCEMENT

Education Unit

The Education section is responsible for in-person and on-line training aimed at industry members and members of the general public with regards to the Statutes and Regulations contained in Title 7 of the Vermont Statutes Annotated. Over 9,000 people were trained this year through in-person classes and on-line classes.

License-holders and all staff involved with selling of alcohol must have current training and certification every 24 months. Training is offered by Liquor Control via In-Person Seminars or Online Educational programs. Additionally, Liquor Control offers a training packet containing a department-produced DVD and instructional materials which can be purchased and off-site group training can be given by a DLC-certified company trainer.

Licensing

Responsibilities for licensing include issuing approximately 50 different licenses and permits which allow for the manufacturing, possession, sale, storage, distribution and consumption of alcohol and tobacco products. Liquor Control offers licenses that are full-year, half year or seasonal, and per-event, so the statistics that are shown on page 6 have been annualized to coincide with our fiscal year reporting. This year, DLC issued and renewed more than 12,000 licenses and permits during our licensing year which starts May 1 and continues through April 30th the following calendar year.

Enforcement

The Enforcement Division is responsible for State-wide enforcement of Vermont Statutes with particular emphasis on Title 7 at Licensed and Permitted locations. Enforcement of Title 7 can also be undertaken at non-licensed or permitted locations when such locations are found to be allowing activities that do not comply with Title 7. On the Enforcement side of our webpage, <http://liquorcontrol.vermont.gov>, there are links to the most current legislation relating to Liquor Control statutes, upcoming board meetings and agendas, as well as most current press releases, and links to current licenses and fees.



TECHNOLOGY UNIT

Liquor Control's Technology Support Unit (DLC IT) has been focused on modernizing the technology used by the department in all its functions. In Fiscal Year 2015 most of the department's servers were migrated to the Department of Innovation and Information's (DII) virtual environment which provides a centralized source for backup and recovery. New asset management software was implemented that allows automatic remote updates to laptops and smart phones which makes it possible for IT to ensure that all devices are up to date without requiring our investigators in the field to bring their equipment into the office.

The department has been working diligently to get the right solution for upgrading its Point of Sale system. In the interim we are working with TD Bank to offer a stand-alone credit card swipe device that will improve connectivity and reduce the time it takes to process credit cards at the agency.

Looking forward, we are considering options to upgrade the Enforcement licensing system. Once these two systems, retail and licensing, are complete, the department will be able to decommission the last of its stand-alone servers and provide the department with the best backup and recovery platform.

CURRENT

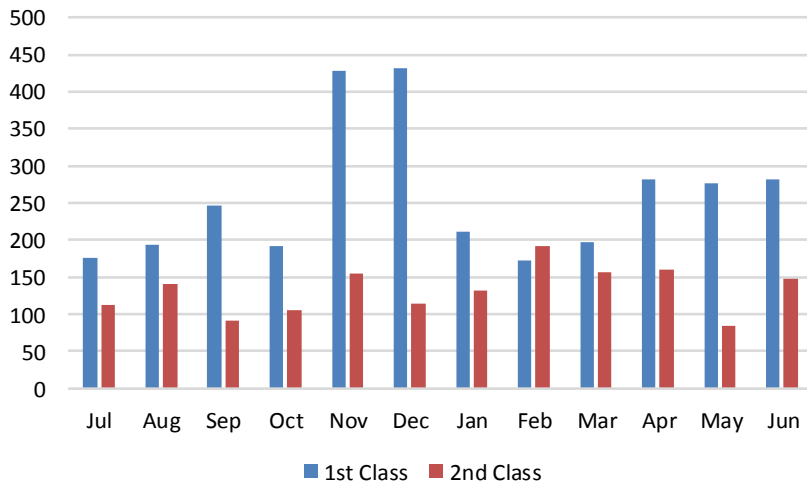


FUTURE



EDUCATION UNIT

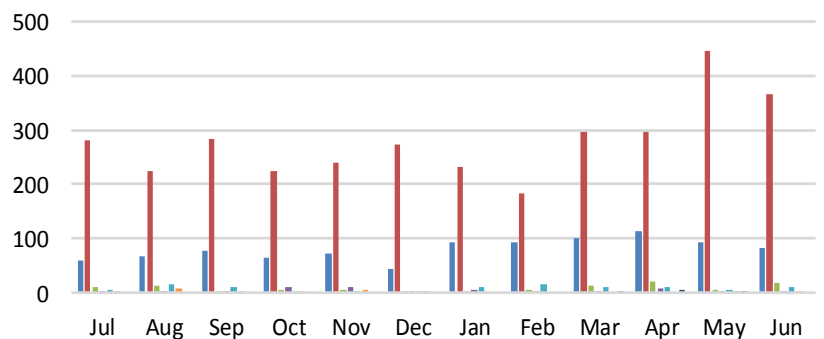
Licensees Trained at In-Person Seminars



In fiscal year 2015, Liquor Control Education instructors trained 4,677 licensees at 263 seminars all over the state. After-seminar testing scores was at 97%. State-wide Compliance testing during FY15 was an average of 90%.

Between July 2014 and June 2015, 4,575 licensees were re-certified through the DLC Online Classroom training program. The program has become popular with licensees who would otherwise be required to travel a great distance and/or take time off from their job in order to attend an in-person seminar .

On-Line Classroom Licensee Training

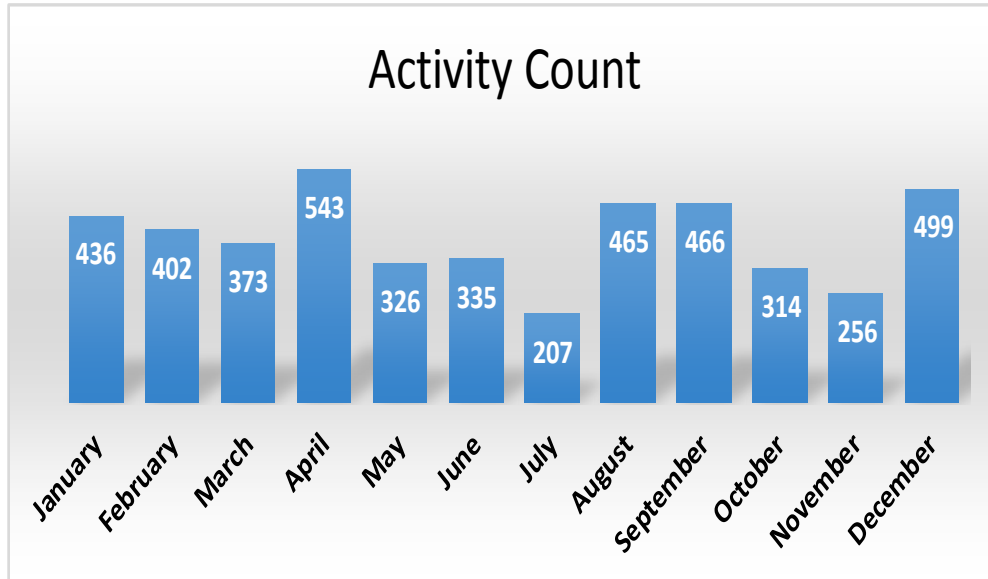


More than 9,000 licensees were certified by Liquor Control's 3 Education Instructors during the last fiscal year. Use of the Online Classroom Program enabled the team to reach more licensees in a time when staff and resources are shrinking.

LICENSING STATISTICS 2014-2015

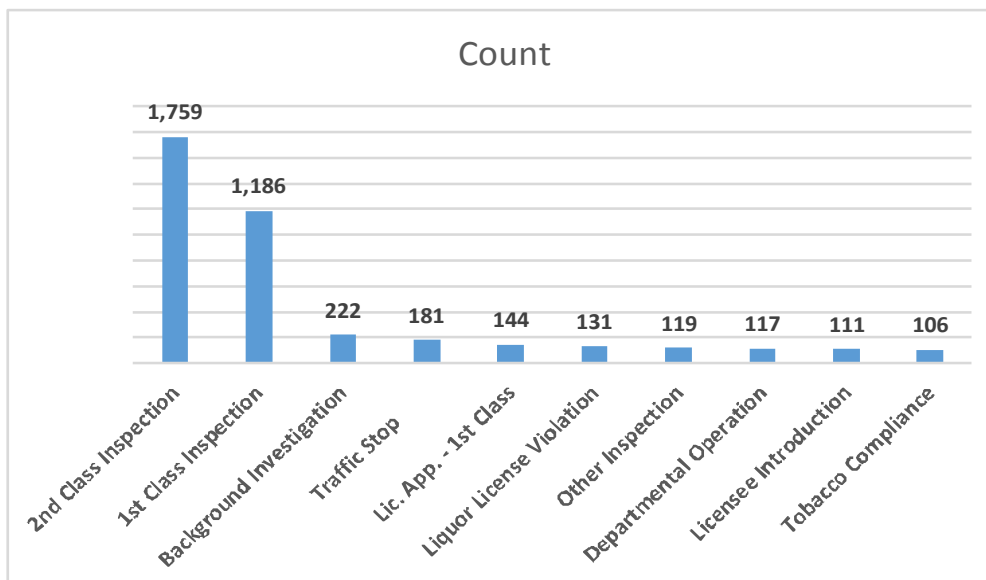
<u>Fee Name/Description</u>	FY15		FY14	
	Licenses & Permits Issued	Total Amount Collected	Licenses & Permits Issued	Total Amount Collected
Art/Book/Museum/Gallery Serving	247	\$ 4,900	194	\$ 3,880
Bottler's License	1	1,705	2	3,410
Caterer's License	270	62,100	268	61,640
Certificate for Malt Beverages	67	152,425	65	147,875
Certificate for Vinous Beverages	325	294,930	326	293,400
Commercial Caterer's License	8	1,600	9	1,800
Direct Ship Malt to Consumer			1	300
Direct Ship Vinous to Consumer	385	115,500	335	100,500
Direct Ship Vinous to Retailer	33	7,590	35	8,080
Education Sampling Permit	18	4,140	19	4,370
Farmer's Market Malt License	7	455	7	455
Farmer's Market Spirits License	17	1,105	19	1,235
Farmer's Market Vinous License	40	2,600	53	3,445
Festival Permit	30	3,450	28	3,220
First Class Boat License	3	1,610	7	1,610
First Class Club License	103	11,845	105	12,075
First Class Commercial Kitchen	98	920	9	1,035
First Class Dining Car License	1	230	1	230
First Class Hotel License	131	15,065	130	14,950
First Class Restaurant License	1,121	130,915	1,123	129,145
Fourth Class Malt License	31	2,015	28	1,820
Fourth Class Spirits License	19	1,235	11	715
Fourth Class Vinous License	43	2,795	40	2,600
Industrial Alcohol Distributor	19	3,800	19	3,800
Manufacturer Malt	54	15,390	54	15,390
Manufacturer Spirituous Liquor	20	5,700	20	5,700
Manufacturer Malt Tasting Permit	71	1,775	53	1,325
Manufacturer Vinous	44	12,540	49	13,965
Manufacturer Wine Tasting Permit	210	5,250	167	4,175
Outside Consumption Permit	1014	20,280	751	15,020
Railroad Tasting Permit			11	220
Request to Cater Permit	2,855	57,100	2468	49,360
Second Class License	1,025	76,370	1,117	78,210
Second Class Malt Tasting Permit	281	7,025	212	5,300
Second Class Wine Tasting Permit	663	16,575	577	15,100
Solicitor's Permit	558	36,270	572	37,180
Special Events Permit	717	25,095	406	14,230
Third Class Boat License	3	2,500	3	2,500
Third Class Club License	99	99,000	100	100,000
Third Class Commercial Kitchen	6	6,000	3	2,500
Third Class Dining Car License	1	1,000	1	1,000
Third Class Hotel License	101	100,500	102	102,000
Third Class Restaurant License	764	764,000	748	747,400
Tobacco Seller License	1,019	11,400	1,102	12,400
Wholesale Dealer	29	33,060	27	30,780
Wholesale Dealer Wine Tasting	5	125	14	350
	12,569	\$ 2,123,885	11391	\$ 2,055,695
TSF to General Fund		\$ (437,890)		\$ (429,790)
		\$ 1,685,995		\$ 1,625,905

ENFORCEMENT ACTIVITY FOR JANUARY 2014 - DECEMBER 2015



The 14 investigators in the Liquor Control Division spend the majority of their time making sure that the Vermont license holders are current in their certifications and are selling alcohol and tobacco products responsibly. Before a license can be issued, or re-issued, the licensee must meet with an investigator to certify they are compliant with State statutes and regulations pertaining to Title 7. Investigators do surprise inspections and issue Administrative tickets which are similar to a traffic fine in that the licensee can pay it immediately or contest it before the Liquor Control Board; they investigate complaints from the public, and complete background investigations as requested.

In addition to their assigned duties, DLC investigators are joined with other departments in shared grant tasks such as SHARP (State Highway Accident Reduction Program) DUI and seatbelt use check points, border patrol duty, and County START (Stop Teen Alcohol Risk Team).



Lastly, the Federal Department of Agriculture (FDA) has contracted Liquor Control to do compliance work in the areas of Tobacco Advertising and youth access to tobacco products.

REPORTING ON BREAK OPEN TICKETS

Historically, the Department of Taxes maintained records from Vermont Distributors of break open tickets manually by retaining copies of invoices submitted. This information was self-reported to them on a paper form and the Tax Department did not have the information available in any summary or automated format.

The Legislature, with support of the Governor, required the Department of Liquor Control (DLC) to create regulations on the reporting of break open ticket sales effective January 1, 2015. This was in section 34 of Act 72 of the 2013/2014 session. Subsequently, the Department of Liquor Control partnered with the Vermont Information Consortium (VIC) to build an online database where Manufacturers of break open tickets were required to report their sales to Vermont Distributors, and Vermont Distributors were required report the sales to Vermont non-profit organizations. After the database was designed and tweaked, it went live on January 1, 2015. Reporting of sales is required quarterly.

During October 2015, after two quarters of data were reported, Liquor Control identified information that seemed improbable and started investigating the data with VIC. DLC identified data with incorrect dates and incorrect units of sales. VIC agreed to fix the date field so manufacturers/suppliers could not enter a date prior to January 1, 2015 or a date that had not yet occurred. DLC staff met with VIC and VIC staff agreed to create some restrictions on the data entry (e.g. must be a current date not 2018). However, there are still major discrepancies between what the wholesalers have reported having sold and distributors report having purchased from the wholesalers and sold to customers.

In November a letter was sent to all Manufactures and Distributors requesting they review their data and verify it. The response from this letter has resulted in the need to further refine the capabilities of the VIC database. Some users have reported they are unable to correct their entered data. There is no way for users to export their own data to identify errors for correction among thousands of lines of data.

We are working with VIC on solutions to these issues.

WAREHOUSE OPERATIONS

The warehouse has been a busy place this summer. The prime purpose of the warehouse is to hold broker's spirits and fortified wine while they await delivery to Agency stores. At any given time the warehouse holds 50,000 to 60,000 cases.

During the summer DLC had the brokers remove over 2,000 cases of spirits that were delisted, never listed, or not needed from the warehouse. Some of the cases had been in storage for several years. This drastically improved the operation and space within the warehouse.

Next we had a "Worksafe" evaluation performed by the Department of Labor and Industry. The good news was the vast majority of the operation was fine. They identified several items that needed improvement and were subsequently rectified within ninety days.

The summary of his recommendations are:

1. Implement layout 1 to extend warehouse life by 4 to 5 years.
 - a. Replace 32 - 3"x1.5"x14' undersized uprights in old addition with 3"x3"x16' uprights from the center row.
 - b. Purchase and install 32 - 3"x3"x18' uprights in the center row to increase pallet storage from 3 to 4 high gaining 60 pallet positions.
 - c. Move mezzanine pick area to office area over warehouse entrance to increase pallet storage by 296 pallet positions and bottle pick slots from 960 to 1,075 for an increase of 115 slots. Eliminates safety concern.
 - d. Both changes increase rack positions by 356 or 31%.
2. Install at least 2 security cameras to monitor receiving, shipping and entrances to the warehouse.
3. Install card access readers to control both personnel entrances. Camera and card readers locations shown on Option 1 layout drawing.
4. Implement improved Over, Short & Damage procedures and establish goals with monthly tracking reports to monitor progress.
5. Replace all damaged rack uprights to eliminate potential rack collapse.
6. Perform a detailed study of delivery operations to change to 5 day deliveries and establish minimum delivery guidelines.
7. Planning should begin immediately to locate land and initiate design of a new warehouse. The warehouse size should be a minimum of 60,000 SF plus any office space required.

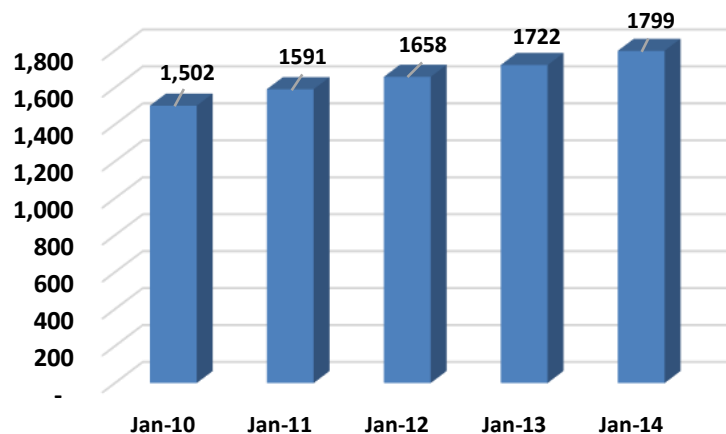


We are in the process of implementing the various recommendations.

	<u>FY2015</u>	<u>FY2014</u>
New items listed	101	110
Items delisted	83	56
Special Orders Requested	15,764	13,806
Special Orders Filled	10,263	9,312
Special Order items carried in stores	1381	1366



SKU Growth – Avg 74/year - 4.4%

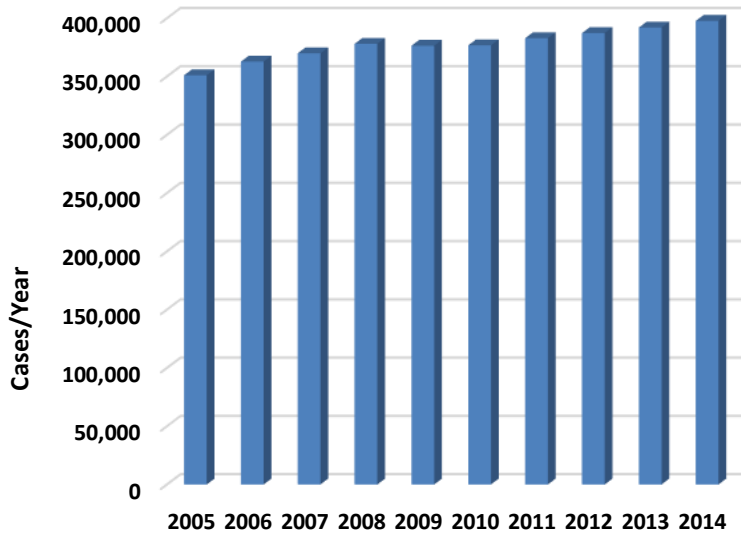


This chart from Chet Willey's presentation to the Board 9/29/15

ANNUAL COMPARISONS



Sales Growth @ 5,200 CS/YR - 1.2%



TOTAL MONTHLY SALES FISCAL YEAR 2015

<u>2014</u>	<u>\$ VALUE</u>	<u>CASES</u>
JULY	6,301,152	35,785
AUGUST	6,394,995	35,681
SEPTEMBER	5,375,816	30,169
OCTOBER	5,962,234	33,937
NOVEMBER	5,737,836	32,152
DECEMBER	8,559,968	45,660
<u>2015</u>		
JANUARY	5,825,519	32,550
FEBRUARY	5,750,719	31,321
MARCH	5,738,391	31,744
APRIL	5,120,572	28,884
MAY	5,985,434	33,736
JUNE	5,817,457	32,363

NOTES FROM PURCHASING

As a service to customers, Vermont DLC offers products not listed through a special order process. These are typically products for which there is some demand, however not significant enough to warrant a listing. Special orders can be placed either by web, by calling the Liquor Control Central Office, or at the store.

DLC makes every effort to locate and order these items in a timely manner. However, due to the sometimes small quantity of these orders, they may take some time to be shipped and received into the warehouse.



COMPARISON OF SALES REVENUE AND CASES SOLD (Register sales data only)

YEAR	CASES SOLD	AVG. CASE PRICE	SALES DOLLARS
2005	351,018	\$143.17	\$50,256,155
2006	362,760	\$145.81	\$52,895,612
2007	369,863	\$148.06	\$54,760,115
2008	378,037	\$150.54	\$56,907,846
2009	376,344	\$157.30	\$59,198,937
2010	376,704	\$158.34	\$59,645,891
2011	382,872	\$160.61	\$61,492,807
2012	387,256	\$168.95	\$65,428,515
2013	391,978	\$173.42	\$67,975,782
2014	397,705	\$176.62	\$70,242,858
2015	403,982	\$179.64	\$72,541,195

ANNUAL COMPARISONS

	June 30, 2015	June 30, 2014
Total State Tax Collected:		
State Liquor Tax	18,221,133	17,668,328
Sales Tax	3,428,981	3,315,528
VT Manufacturer's Tax Remitted	70,166	64,215
	<u>\$ 21,720,280</u>	<u>\$ 21,048,071</u>
Receipts Credited to State Treasurer		
License fees—General Fund portion	437,890	429,790
Violations	50,115	53,500
Late Fees	200	360
Legislative Transfer to General Fund	1,089,266	1,135,066
	<u>\$ 1,577,471</u>	<u>\$ 1,618,716</u>
Total Receipts to State Treasurer		
Collected by Dept. of Liquor Control	\$ 23,297,751	\$ 22,666,787
Malt & Vinous Beverage Tax		
Collected by Commissioner of Taxes	<u>\$ 6,662,230</u>	<u>\$ 6,396,383</u>
Total Receipts to State Treasurer	\$ 29,959,981	\$ 29,063,170
Receipts to Cities & Towns from Beer and Wine Licenses Issued	<u>\$ 128,238</u>	<u>\$ 108,110</u>
Total Revenue to State and Local Governmental Units	<u>\$ 30,088,219</u>	<u>\$ 29,171,280</u>

SALES COMPARISONS

	<u>2015</u>	<u>2014</u>
Gross Liquor Sales (Includes Taxes)	\$ 79,536,785	\$ 75,960,288
Total Cases Spirituous Liquor Sold	392,180	385,603
Total Cases Fortified Wines Sold	11,638	11,933
Total Cases Alcohol Sold	164	169
Total Cases Sold	403,982	397,705

WHERE DO LIQUOR REVENUES GO?

FY2015 Revenue	Description	To General Fund 10000	Enterprise 50300	All Other Funds	Grand Total
	400200 6%-7% Sales & Use tax	3,428,981			3,428,981
	400340 25% Liquor Excise Tax	18,221,133			18,221,133
	400345 On Premise Direct Sales Tax	70,166			70,166
	422005 DLC Merchant Sales	-	22,415,323		22,415,323
	422015 DLC Credit Card Sales		32,036,924		32,036,924
	460030 Bottle Deposits Collected		590,400		590,400
	460035 Bottle Deposits Refunded		(447,872)		(447,872)
	422025 Special Purchase Incentive		3,221,731		3,221,731
	Directly related to Liquor Sales	21,720,280	57,816,505	-	79,536,785
	MSA Tobacco Settlement funds			218,444	218,444
	405000 License Fees		1,685,995		1,685,995
	405380 GF License Fee portion	437,890			437,890
	415361 Late Fees	200			200
	417755 Conference Funds			25,000	25,000
	424315 Online Classroom			96,552	96,552
	426205 Copies		97		97
	427380 Tobacco Violations	9,295			9,295
	427390 Alcohol Violations	40,820			40,820
	430000 FDA Contract Reimbursements			121,132	121,132
	462500 Other Income			16,289	16,289
	480000 Gain (Loss) on disp. of fixed assets			(5,869)	(5,869)
	480030 Auction Proceeds			17,397	17,397
	480500 Recoveries-General		130		130
	495000 PY Expense Reimbursements			78,546	78,546
	Other Income	488,205	1,686,222	567,491	2,523,474
Gross Income:		22,208,485	59,502,727	567,491	82,060,259
	523100 Commissions		(6,308,021)		(6,308,021)
	523110 Handling Fees		(31,498)		(31,498)
	523130 Liquor Purchase Expense		(44,428,611)		(44,428,611)
	523140 Breakage and other loss		(88,304)		(88,304)
	Cost of Goods Sold	-	(50,856,434)	-	(50,856,434)
	Revenue less Expenses	22,208,485	8,646,293	567,491	31,203,825
	DLC Operating Expenses				
	DLC Administration		(3,784,241)	(21,995)	(3,806,236)
	DLC Education and Enforcement		(2,123,362)	(503,423)	(2,626,785)
	DLC Warehouse		(1,344,224)	(15,885)	(1,360,109)
	Total Operating		(7,251,827)	(541,303)	(7,793,130)
	BAA - Transfers	1,089,266	(1,089,266)		
	Revenue less Expenses	23,297,751	305,200	26,188	23,410,695

WHERE DO LIQUOR REVENUES GO?

FY2014 Revenue	Description	To General Fund 10000	Enterprise 50300	All Other Funds	Grand Total
	400200 6%-7% Sales & Use tax	3,315,528			3,315,528
	400340 25% LQR Excise Tax	17,668,328			17,668,328
	400345 On Prem Direct Sales Tx	64,215			64,215
	422005 DLC Merchant Sales		22,996,249		22,996,249
	422015 DLC Credit Card Sales		29,306,936		29,306,936
	460030 Bottle Deposits Collected		577,506		577,506
	460035 Bottle Deposits Refunded		(459,250)		(459,250)
	422025 Special Purchase Incentive		2,490,776		2,490,776
Directly related to Liquor Sales		21,048,071	54,912,217	-	75,960,288
	MSA Tobacco Settlement fds			218,444	218,444
	405000 License Fees		1,625,905		1,625,905
	405380 GF Lic Fee portion	429,790			429,790
	415361 Late Fees	360			360
	417755 Conference Funds				-
	424315 Online Classroom			77,768	77,768
	426205 Copies		206		206
	427380 Tobacco Violations	20,000			20,000
	427390 Alcohol Violations	33,500			33,500
	430000 FDA Contract Reimbursements			8,718	8,718
	462500 Other Income		265	16,497	16,762
	480000 Gain (Loss) on disp of fx asset		25,117	19,956	45,073
	480030 Auction Proceeds		11,054		11,054
*	480500 Recoveries-General		110,686		110,686
	485000		4,525	2,873	7,398
	495000 PY Exp Reimb			69,506	69,506
Other Income		483,653	1,777,758	413,761	2,675,173
Gross Income:		21,531,724	56,689,975	413,761	78,635,461
	523100 Commissions		(6,055,430)		(6,055,430)
	523110 Handling Fees		(102,401)		(102,401)
	523130 Liquor Purchase Expense		(42,524,807)		(42,524,807)
	523140 Breakage and other loss		(131,705)		(131,705)
Cost of Goods Sold		-	(48,814,342)	-	(48,814,342)
Revenue less Expenses		21,531,724	7,875,633	413,761	29,821,119
DLC Operating Expenses					
	DLC Administraton		(2,256,610)		(2,256,610)
	DLC Education and Enforcement		(1,996,374)	(413,749)	(2,410,123)
	DLC Warehouse		(1,353,652)		(1,353,652)
	Total Operating		(5,606,636)	(413,749)	(6,020,385)
BAA - Transfers		1,135,066	(1,135,066)		
Revenue less Expenses		22,666,790	1,133,930	12	23,800,733
*Insurance payment for Irene Losses					

**DETAIL OF AGENCY OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2015**

<u>Agency</u>	<u>Location</u>	<u>Total Sales</u>
A 1 East Poultney	East Poultney General Store, 11 On the Green	\$ 85,613
A 2 Poultney	Full Belly Deli, 155 Main St.	241,189
A 3 Island Pond	Kingdom Market, 12 Railroad St.	173,070
A 4 Winooski	Beverage Warehouse, 1 East St.	4,057,421
A 5 Londonderry	Jelley's Mobil, Routes 11 & 100	544,212
A 6 Randolph	M & M Beverage of Randolph, 6 Salisbury St.	613,747
A 7 Hardwick	Tops Market, 82 Route 15W	461,882
A 8 Alburgh	Alburgh Beverage Mart, 136 Main St.	278,624
A 9 Arlington	Paulin Inc. of Arlington, 3713 Route 7A	365,162
A10 Jeffersonville	Jeffersonville Country Store, 21 Mill St.	830,626
A11 Canaan	Maurice Motel, 125 Gale Street	57,193
A12 Richford	Wetherby's Quick Stop, 75 Main St.	167,141
A13 Norwich	Norwich Wine & Spirits, Elm St.	345,800
A14 Morrisville	Tomlinson's Store, Inc., 81 Bridge St.	1,492,156
A15 Wilmington	Ratu's Liquor & Market, 34 West Main St.	892,083
A16 Bethel	McCullough's Quik Stop, 2069 Route 107	358,932
A17 Waitsfield	Mehuron's Market, Village Square	1,175,917
A18 Colchester	Dick Mazza's General Store, 777 W. Lake Shore Dr.	992,866
A19 Orleans	Lanoue's General Store, 72 Main St.	425,903
A20 Northfield	Convenience Plus, 438 North Main St.	663,663
A21 Waterbury	Crossroads Beverage & Deli, 52 No. Main St.	1,059,334
A22 Swanton	Johnson's Beverage, 75 First St.	590,838
A23 Enosburg Falls	Beverage Gallery, 167 Main St.	476,919
A24 Lyndonville	Lyndonville Redemption, 406 Broad St.	1,257,814
A25 S. Hero	Keeler's Bay Variety, 500 Rte. 2	728,511
A26 Killington	Cordially Yours, Routes 4 & 100 N	1,515,720
A27 Richmond	Richmond Market & Beverage, 56 Railroad St.	578,534
A28 Springfield	Joe's Discount Beverage, 335 River St.	760,604
A29 Rochester	Mac's Market, 67 North Main St.	162,006
A30 Montgomery Ctr.	Sylvester's Market, 20 Main Street	318,343
A31 Milton	Middle Road Market, 69 Middle Rd.	885,233
A32 Brandon	Champlain Beverage, 34 Conant Sq.	561,258
A33 Bradford	Bradford Bottle Shoppe, 82 Main St.	525,228
A34 Stamford	Billmont's Country Store, 544 Main Rd.	214,419
A35 Vergennes	Vergennes Wine & Beverage, 211 Main St.	852,507
A36 S. Burlington	Simon's Store, 974 Shelburne Rd.	1,817,529
A37 Windsor	Windsor Wine & Spirits, 54 Main St.	325,507
A38 Bristol	Champlain Farms, 3 West St.	589,385
A39 Shelburne	Route 7 Liquor & Deli, 2659 Shelburne Rd.	2,076,041
A40 Bellows Falls	James Petro, 97 Westminster St.	347,673

**DETAIL OF AGENCY OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2015**

<u>Agency</u>	<u>Location</u>	<u>Total Sales</u>
A41 West Dover	7-Eleven Store, 197 Route 100	\$ 819,953
A42 Derby Ctr.	Derby Village Store, 483 Main St.	513,229
A43 North Troy	Main Street Grocery, 67 Main St.	417,245
A44 Fairfax	Minor's Country Store, 874 Main St.	454,111
A45 Sharon	Sharon Trading Post, Rte. 14, Main St.	200,967
A46 Burlington	Burlington Bay Market & Café, 125 Battery Street	1,971,886
A47 Fair Haven	Liberty Market, 7 Liberty St.	1,017,542
A48 Pownal	Next Door Beer & Wine, 7275 Route 7	736,227
A49 St. Johnsbury	Price Chopper, Jct. Rte. 5 & I-91	743,493
A50 Woodstock	Woodstock Discount Beverage, 512 Woodstock Rd.	931,877
A51 Burlington	Merola's Market, 1563 North Ave.	1,081,469
A52 Newfane	Harmonyville Store, 596 Route 30	161,369
A53 Essex Ctr.	Essex Discount Beverage, 76 Center Rd.	1,461,834
A54 Chelsea	Flanders Market, 259 Route 110	112,190
A55 W. Brattleboro	Brattleboro Discount Beverage, 157 Marlboro Rd.	1,116,284
A56 Wallingford	Wallingford Country Store & Deli, 19 Main St.	218,320
A57 Proctorsville	Singleton's Store, 356 Main St.	496,448
A58 W. Rutland	Rite Aid, 124 Main St.	471,923
A59 Middlebury	Hannaford's Food & Pharmacy , 260 Court St.	1,815,228
A60 Williston	Hannaford's Food & Pharmacy, 78 Marshall Ave.	1,356,606
A61 Burlington	Pearl Street Beverage, 240 Pearl St.	2,520,273
A62 Essex Jct.	Five Corners Discount Beverage, 39 Park St.	1,047,315
A63 Stowe	Stowe Beverage, 1880 Mountain Rd.	2,008,645
A64 Danville	Diamond Hill Store, Jct. Rte. 2 & 11 East	186,623
A65 Bennington	Bennington Beverage Outlet, 125 Northside Dr.	2,207,324
A66 Brattleboro	Rite Aid, 896 Putney Rd.	325,117
A67 Montpelier	Yankee Wine & Spirits, 126 Main St.	1,596,378
A68 St. Albans City	Beverage Mart, 211 Lake St.	1,457,989
A69 St. Albans Town	Colonial Mart, 191 Swanton Rd.	841,735
A70 Newport	Azur's Mini-Mart, 33 Railroad Sq.	882,705
A71 Manchester	Manchester Discount Beverage & Deli, Rts. 11 & 30	2,294,131
A72 Rutland City	Topps Market, 12 North Main St.	2,185,292
A73 S. Burlington	Gracey's, 1333 Williston Rd.	2,463,516
A74 Rutland Town	Hannaford Food & Pharmacy, 318 Route 7	1,650,167
A75 Barre	Beverage Baron, 411 North Main St.	2,487,866
A76 Bondville	7-Eleven, 211 Main St.	487,659
A77 Chester	Chester Sunoco, 60 Main St.	352,546
A78 Hinesburg	116 Wine & Spirits, 22 Commerce St, #4	623,357
A79 White River Jct	Jake's Market & Deli, 521 North Hartland Rd.	179,252
A80 Ludlow	Brewfest Beverage Co., 199 Main St.	714,741
A81 Johnson	Johnson Sterling Market, 131 Main St.	24,545

FINANCIAL STATEMENTS



Agency 81, Johnson

HISTORICAL COMPARISONS OF FISCAL 2015 TO PREVIOUS FISCAL YEARS

- Comparative Balance Sheet 2015-2014
- Comparison Statement of Operations 2015-2014
- Comparative Cash Flow Statements 2015-2014

**LIQUOR CONTROL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(For Comparative Analytics)**

	June 30, 2015	June 30, 2014	Delta %
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,534,174	\$ 2,237,125	12%
Receivables:			
Accounts receivable (net of allowance for uncollectibles)	1,102,131	1,584,613	-44%
Loans receivable	13,738	-	
Due from other funds	56,688	-	
Inventories, at cost	6,558,827	6,012,539	8%
Total current assets	10,265,558	9,834,277	4%
Restricted and Noncurrent Assets:			
Imprest cash and change fund - advances	75	1,075	-13%
Total restricted & noncurrent assets	75	1,075	-13%
Capital Assets:			
Construction in Process	1,595,166	388,850	76%
Intangibles	-	-	
Machinery, equipment and buildings	2,058,441	1,985,316	4%
Less accumulated depreciation	(1,491,117)	(1,393,923)	7%
Total capital assets, net of depreciation	2,162,490	980,243	55%
Total Assets.....	12,428,123	10,815,595	13%
LIABILITIES			
Current Liabilities:			
Accounts payable	4,143,648	3,918,784	5%
Accrued salaries and benefits	395,967	403,494	2%
Due to agents (Commissions)	296,379	282,034	5%
Due to other funds	272,674	264,007	3%
Other liabilities	70,509	27,375	61%
Total current liabilities.....	5,179,177	4,895,694	5%
Long-term liabilities			
Advances from other funds	75	1,075	-13%
Other long-term Liabilities	13,244		
Total liabilities payable from restricted assets.....	13,319	1,075	-92%
Total Liabilities	5,192,496	4,896,769	6%
NET POSITION			
Invested in capital assets.....	2,162,490	980,243	55%
Unrestricted...	5,073,137	4,938,583	3%
Total Net Position	\$ 7,235,627	\$ 5,918,826	18%

LIQUOR CONTROL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
(For Comparative Analytics)

	June 30, 2015	June 30, 2014	Delta %
Operating Revenues			
Charges for sales and services	\$ 54,453,482	\$ 52,718,204	3%
License fees	1,685,995	1,625,905	4%
Other operating revenues	3,364,388	2,999,380	11%
Total operating revenues	59,503,865	57,343,489	4%
Operating Expenses			
Cost of sales and services	44,516,915	42,612,204	4%
DLC Commissions and Bottle redep	6,339,519	6,157,831	3%
Salaries and wages	4,131,703	3,869,629	6%
Insurance premium expense	26,663	31,305	-17%
Contractual services	798,136	932,477	-17%
Repairs and maintenance.	101,415	79,985	21%
Depreciation	187,507	271,350	-45%
Rental expense	102,467	119,415	-17%
Utilities & Property Mgt	478,479	378,434	21%
Non-capital equipment purchased	56,053	127,268	-1.27%
Promotions and advertising	84,191	60,428	28%
Administrative Expenses	85,259	63,595	25%
Supplies	183,577	230,040	-25%
Distribution and postage	38,151	34,742	9%
Travel	45,415	27,774	39%
Other operating expenses	40,676	34,931	14%
Total operating expenses	57,216,126	55,031,408	4%
Operating income (loss)	2,287,739	2,312,081	-1%
Non-Operating Revenues (Expenses)			
Gain (loss) on disposal of capital assets	11,093	-	100%
Investment income (expense)	-	-	
Total non-operating revenues (expenses)	11,093	0	100%
Income (loss) before contributions and transfers	2,298,832	2,312,081	-1%
Capital contributions from other funds	-	-	
Transfer in	107,235	-	100%
Transfer out	(1,089,266)	(1,135,066)	-4%
Changes in net position	1,316,801	1,177,015	11%
Net position July 1	5,918,825	4,741,810	20%
Net position June 30	\$ 7,235,626	\$ 5,918,825	1%

**LIQUOR CONTROL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(For Comparative Analytics)**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Delta %</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 54,874,205	\$ 52,666,559	4%
Cash paid to suppliers for goods and services	(46,780,666)	(44,654,181)	5%
Cash paid to employees for services	(4,125,986)	(3,852,239)	7%
Other operating revenues	5,050,383	4,625,285	8%
Other operating (expenses)	(6,380,195)	(6,192,761)	3%
Net cash provided (used) by operating activities	<u>2,637,741</u>	<u>2,592,663</u>	2%
Cash Flows from Noncapital			
Financing Activities:			
Operating transfers in	107,235	-	100%
Operating transfers out	(1,089,266)	(1,135,066)	-4%
Interfund loans and advances	(1,000)	1,000	
Net cash provided (used) by noncapital financing activities	<u>(983,031)</u>	<u>(1,134,066)</u>	-4%
Cash Flows from Capital and Related			
Financing Activities:			
Acquisition and construction of capital assets	(1,375,623)	(580,766)	58%
Proceeds from sale of capital assets	16,962		
Net cash provided (used) by capital and related financing activities	<u>(1,358,661)</u>	<u>(580,766)</u>	57%
Net increase (decrease) in cash and cash equivalents	296,049	877,831	-1.97%
Cash and cash equivalents at July 1,	<u>2,238,200</u>	<u>1,360,369</u>	39%
Cash and cash equivalents at June 30	<u>\$ 2,534,249</u>	<u>\$ 2,238,200</u>	12%
Reconciliation of Operating Income to Net			
Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,287,739	\$ 2,312,082	-1%
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	187,507	271,350	-45%
(Increase) decrease in accounts/taxes receivable	482,482	(64,939)	1.13%
(Increase) decrease in loans receivable	(13,738)	-	
(Increase) decrease in due from other funds	(56,688)	11,054	1.19%
(Increase) decrease in inventory	(546,288)	(606,584)	-11%
(Increase) decrease in intergovernmental receivable - federal	-	603,558	-100%
Increase (decrease) in accounts payable	224,864	17,390	92%
Increase (decrease) in accrued salaries and benefits	5,717	-	
Increase (decrease) in due to agents	14,345	19,137	-33%
Increase (decrease) in due to other funds	8,667	3,790	56%
Increase (decrease) in unearned revenue	-	(1,550)	-100%
Increase (decrease) in other liabilities	43,134	27,375	37%
Total adjustments	<u>350,002</u>	<u>280,581</u>	20%
Net cash provided (used) by operating activities	<u>\$ 2,637,741</u>	<u>\$ 2,592,663</u>	2%

VERMONT STATE TAX ON LIQUOR, MALT, AND VINOUS BEVERAGES

On all sales of MALT Beverages, the alcoholic content of which is not more than six percent (6%) by volume at sixty degrees Fahrenheit, a tax of twenty-six and one half (26 1/2) cents per gallon or its equivalent is paid to the Commissioner of Taxes by Wholesale Dealers and Bottlers.

On all sales of VINOUS Beverages, the alcoholic content of which is not more than sixteen percent (16%) by volume at sixty degrees Fahrenheit, a tax of fifty-five (55) cents per gallon or its equivalent is paid to the Commissioner of Taxes by Wholesale Dealers and Bottlers.

Effective May 1, 1933, the original tax was \$1.00 per 31-gallon barrel which approximates \$ 0.0323 per gallon. Since that time, the rate of tax has changed as follows:

June	1, 1934	\$.0325 per gallon
January	1, 1936	.05 per gallon
May	1, 1937	.10 per gallon
May	12, 1949	.15 per gallon
August	1, 1957	.20 per gallon
June	1, 1968	.25 per gallon
May	1, 1976	.50 per gallon
July	1, 1981	.55 per gallon

The history of changes in the tax rate on SPIRITUOUS LIQUORS and FORTIFIED WINES as of May 1, 1935 is as follows:

	<u>Spirituous Liquors</u>	<u>Fortified Wines</u>
(Original Tax)	\$.10 per pt.	\$.10 per pt.
May 1, 1937	.23 per pt.	.12 1/2 pt.
May 1, 1939	.25 per pt.	No Change
May 1, 1945	.35 per pt.	No Change
May 1, 1947	.45 per pt.	No Change
August 1, 1957	5.10 per gal.	1.20 per gal.
June 1, 1969	5.60 per gal.	1.40 per gal.
February 12, 1974	24% on Retail Sales	No Change
July 1, 1981	25% on Retail Sales	No Change
July 1, 2009	6% State Sales Tax	6% State Sales Tax

Following the repeal of Prohibition in 1933, some states chose to maintain prohibition within their own borders choosing to permit local option on this controversial issue. In the remainder of states, there was no prohibition. Overlaying this patchwork of prohibition, a number of states (referred to as Control states) decided to establish their own system of control over the wholesaling and/or retailing of alcoholic beverages. The term “dry county” refers to the local option; nationally there are still a number of areas where consumption of alcohol is prohibited, most are found in the Southern States and Utah.

Vermont has no “dry” counties, only municipalities; Vermont Statute is as follows:

§ 161. Licenses voted by town; town meetings; warning

(a) Upon petition of not less than five percent of the legal voters of any town, filed with the town clerk in conformance with 24 V.S.A. § 704, the warning of the annual or special meeting shall contain an article providing for a vote upon the following questions:

Shall licenses for the sale of malt and vinous beverages be granted in this town?

Shall spirits and fortified wines be sold in this town?

The vote under such article shall be by ballot in the following form:

Shall licenses for the sale of malt and vinous beverages be granted in this town? Yes ____ No____
Shall spirits and fortified wines be sold in this town? Yes _____ No _____

(b) Licenses and permits for the sale of malt and vinous beverages and spirit and fortified wines shall be issued according to the vote at the annual town meeting held in March 1969 until a town votes otherwise. (Amended 1967, No. 271 (Adj. Sess.), § 1, eff. date, see note set out below; 1977, No. 68, § 1; 2015, No. 51, § A.14, eff. Jan. 1, 2016.)

Below are listed the towns that have chosen, as a municipality, to be “dry” towns:

DRY for beer and liquors:

Athens
Baltimore
Holland
Maidstone
Weybridge

DRY for liquor; WET for beer:

Addison	Lincoln	Tunbridge	Wolcott
Albany	Marshfield	Vershire	Worcester
Corinth	Monkton	Walden	
Granby	Pomfret	Waterville	
Groton	Rupert	Wells	

FY15 LIQUOR AGENCY LOCATIONS

