



FISCAL YEAR  
2013-14 ANNUAL REPORT





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## VISI O N A N D M I S S I O N

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### VISION STATEMENT

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Be recognized as the best-in-class wine and spirits retailer, distributor and regulator in the United States.

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### MISSION STATEMENT

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The PLCB serves as the commonwealth's responsible retailer of wine and spirits and regulator of the beverage alcohol industry and strives to maximize returns to the people of Pennsylvania.

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# CHAIRMAN'S SELECTION

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## MESSAGE FROM THE CHAIRMAN

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Dear Pennsylvania Residents,

Welcome to the Pennsylvania Liquor Control Board's Fiscal Year 2013-14 Annual Report. As you read through this document, you will find it filled with detail regarding the PLCB's retail and regulatory operations and initiatives launched between July 1, 2013, and June 30, 2014.

By any standard, the PLCB had a strong year financially. Fine Wine & Good Spirits stores generated more than \$2.24 billion in sales, and well over a half a billion dollars was returned to the Pennsylvania Treasury, providing funding for the Pennsylvania State Police, the Department of Drug and Alcohol Programs and other essential programs. One of the questions we hear most often is, "Where does all that money go?" The answer is easy: about half of it is used to pay for the product we sell. This report details where the remainder of the money goes on page 16. Inside, you will also find the year-end financial statements that provide information on revenues, expenses and changes in net assets.

We receive questions about advertising, such as, "How much do we spend and what are the benefits?" We try to show the benefits in an easy-to-understand graphic on page 23. In addition, we also receive questions about those who own liquor licenses. For example, how many licensees are in each county and what type of license is most common? With that in mind, we provided a chart on page 40 that lists the number and type of liquor licenses in each county.

Inside these pages, you will find additional information as well – on employee demographics, regulatory changes, supply chain statistics, Alcohol Education grant recipients and the types of questions Consumer Relations receives from constituents.

This is our opportunity to share what we do with our constituents. The PLCB is indeed unique. While it's a state agency, it is also a business and an asset to you, the taxpayer, and we remain focused on improving the value of this agency to the commonwealth.

Thank you for your interest.

Respectfully,



Joseph E. "Skip" Brion  
Chairman

The Liquor Control Board was created by state law on Nov. 29, 1933. The agency is governed by a three-member board, appointed by the Governor and confirmed by two-thirds of the state Senate. During FY 2013-14, the Board included:

#### JOSEPH E. 'SKIP' BRION - CHAIRMAN



Joseph E. "Skip" Brion was nominated to the Pennsylvania Liquor Control Board by Gov. Tom Corbett on July 6, 2011, and was confirmed by unanimous vote of the Pennsylvania Senate on Oct. 18, 2011.

Brion is a graduate of St. Joseph's University and Villanova Law School. He is chairman of Buckley, Brion, McGuire, Morris & Sommer LLP, a law firm based in Chester County. He specializes in zoning and land use development, zoning litigation, municipal law, real estate and commercial litigation. He was named one of Pennsylvania's "Super Lawyers" by *Philadelphia Magazine*.

In addition to his law experience, Brion serves as secretary of the Delaware Valley Regional Finance Authority and is a member of the DNB First Advisory Board.

Previously, Brion served as chairman of the Republican Committee of Chester County and treasurer of the Republican Party of Pennsylvania. He is a former member of the board of directors for Southeastern Pennsylvania Transportation Authority (SEPTA) and a former trustee of the Chester County Historical Society. He continues to be active in numerous charity organizations in Chester County, including Friends Association for the Care and Protection of Children and the Chester County Art Association.

He and his wife, Glenda, live in East Bradford Township and have two adult children, Kate and Scott, and two grandchildren, Ryan and Agnes.

#### ROBERT S. MARCUS - BOARD MEMBER, NOVEMBER 2007 TO OCTOBER 2014



Robert S. Marcus, a resident of Indiana, Pa., was nominated to the PLCB by Gov. Edward G. Rendell on June 1, 2007. He was unanimously confirmed by the state Senate on Nov. 14, 2007, and reconfirmed to serve a four-year term in October 2010.

Marcus, an attorney, is a partner in the Indiana law firm of Marcus & Mack, P.C., concentrating in personal injury law. He is the former owner and president of the McGregor Motor Co., a Dodge, Jeep and Chrysler dealership in Indiana and a former board member of the Pennsylvania Automotive Association. He is also chairman of the board of the Pittsburgh-based Think Through Learning, an online math tutoring system used in school districts around the country.

Marcus is active in numerous civic and professional associations around western Pennsylvania. He is a past president of the Indiana County Bar Association. He also served as a former chairman and treasurer on the Indiana County Chamber of Commerce, and was on the board of the Indiana County United Way, the Indiana County Development Corporation and the Foundation for Indiana University of Pennsylvania.

Educated at Indiana area schools and the Valley Forge Military Academy, Marcus received his bachelor's degree from Syracuse University and law degree from the University of San Diego.

He lives in Indiana with his wife, Maura, and daughter, Margaux.

## TIM HOLDEN – BOARD MEMBER

Former Congressman Tim Holden was nominated to the PLCB by Gov. Tom Corbett on June 14, 2013. He was unanimously confirmed by the state Senate on Nov. 13, 2013, to serve a four-year term.

A native of St. Clair, Schuylkill County, Holden received an athletic scholarship to Fork Union Military Academy, completing one year of college prep. He earned a football scholarship to the University of Richmond, but an illness cut short his football career. He completed his education at Bloomsburg University, earning a Bachelor of Arts degree in sociology.

In 1980, Holden earned his license as an insurance broker and real estate agent. He went on to work as a probation officer and as sergeant-at-arms for the Pennsylvania House of Representatives, and he served as sheriff of Schuylkill County from 1985 to 1992.

Holden was a member of Congress for 10 terms, first serving the 6th District from 1993 to 2002, then the 17th District from 2003 to 2012. He was a member of the Agriculture Committee since 1993, serving as its vice chairman in the 110th and 111th Congresses.

During those sessions, he was the chairman of the Agriculture Committee's Subcommittee on Conservation, Credit, Energy and Research. He also served on the House Transportation and Infrastructure Committee.

He and his wife, Gwen, live in St. Clair, Schuylkill County.



## MICHAEL NEGRA – BOARD MEMBER AS OF OCT. 21, 2014

As this document was being prepared, Michael Negra, a resident of Centre County was sworn in to a four-year term on the PLCB. Negra was nominated by Gov. Tom Corbett on Sept. 10, and was unanimously confirmed by the state Senate on Oct. 16. He replaced former Board Member Bob Marcus.

Negra and a partner formed Negra-Graham Theatrical Advisors in 2010 to help emerging theaters handle historic renovation projects. Previously, Negra served as the board president, construction manager and executive director of the non-profit, community performing arts center State Theatre in State College. In 1984, he founded Mike's Video, a video rental/music software/TV and appliance sales and service chain. Negra also has extensive experience in the entertainment industry, acting as road manager or production manager for various artists.

Negra is a partner in MWA Land Management, a real estate holding company. In addition, he helps manage a working farm in Centre Hall.

A radio, TV and film graduate of the University of Maryland, Negra served as regional vice president of an appliance and electronics volume buyers group and negotiated product placement and pricing with national and international vendors. Negra was the chief retail spokesman for the Recording Industry Association of America (RIAA) during its fight against copyright infringement and testified before the U.S. Senate on the issue.

For more than 20 years, he has collected, cellared and sampled wines, studied the wine industry and has visited numerous wineries in the United States and abroad. In addition, he has consulted with a number of local restaurants on their wine lists.

Negra lives in Centre Hall with his wife, Wanda White.



JOHN E. METZGER – EXECUTIVE DIRECTOR

John Metzger is responsible for directing the administrative and business operations of the PLCB and the management of the executive team. He provides leadership and strategic planning recommendations for agency initiatives and is a conduit to the board.

Metzger joined the PLCB in 2010 as the director of supply chain. He was previously employed at The Great Atlantic & Pacific Tea Co. (A&P), most notably working as executive vice president of administration, managing IT, supply and logistics, strategic sourcing and real estate/development. Metzger left A&P in 2007 and developed his own consulting practice. He also served as a visiting professor at the Pennsylvania State University, Smeal College of Business, supporting the Center for Supply Chain Research.

Metzger holds a Master of Business Administration degree from the Crummer Graduate School of Business, Rollins College, Winter Park, Fla., graduating first in his class and with Beta Gamma Sigma honors. He earned his bachelor's degree in business logistics from Penn State.

Metzger is active in numerous industry organizations and served on the alumni board of directors of the Crummer Graduate School of Business; the advisory board of Ohio State University's Business Logistics program; and the executive committee of the Efficient Foodservice Response industry initiative.

In 2004, Metzger received the Robert D. Pashek Award from Penn State's Smeal College of Business in recognition for outstanding supply chain contributions to industry.

He lives with his wife, Peggy, and daughter, Stephanie Hannah, in Doylestown.



EXECUTIVE TEAM

DIRECTOR OF FINANCE

August Hehemann

DIRECTOR OF REGULATORY AFFAIRS

Jerry W. Waters, Sr.

DIRECTOR OF SUPPLY CHAIN

Glenn Zearfoss

CHIEF INFORMATION OFFICER

Mary Benner

DIRECTOR OF MARKETING AND MERCHANDISING

Dale Horst

CHIEF COUNSEL

Faith S. Diehl

DIRECTOR OF RETAIL OPERATIONS

Charlie Mooney

DIRECTOR OF EXTERNAL AFFAIRS

Stacy L. Kriedeman

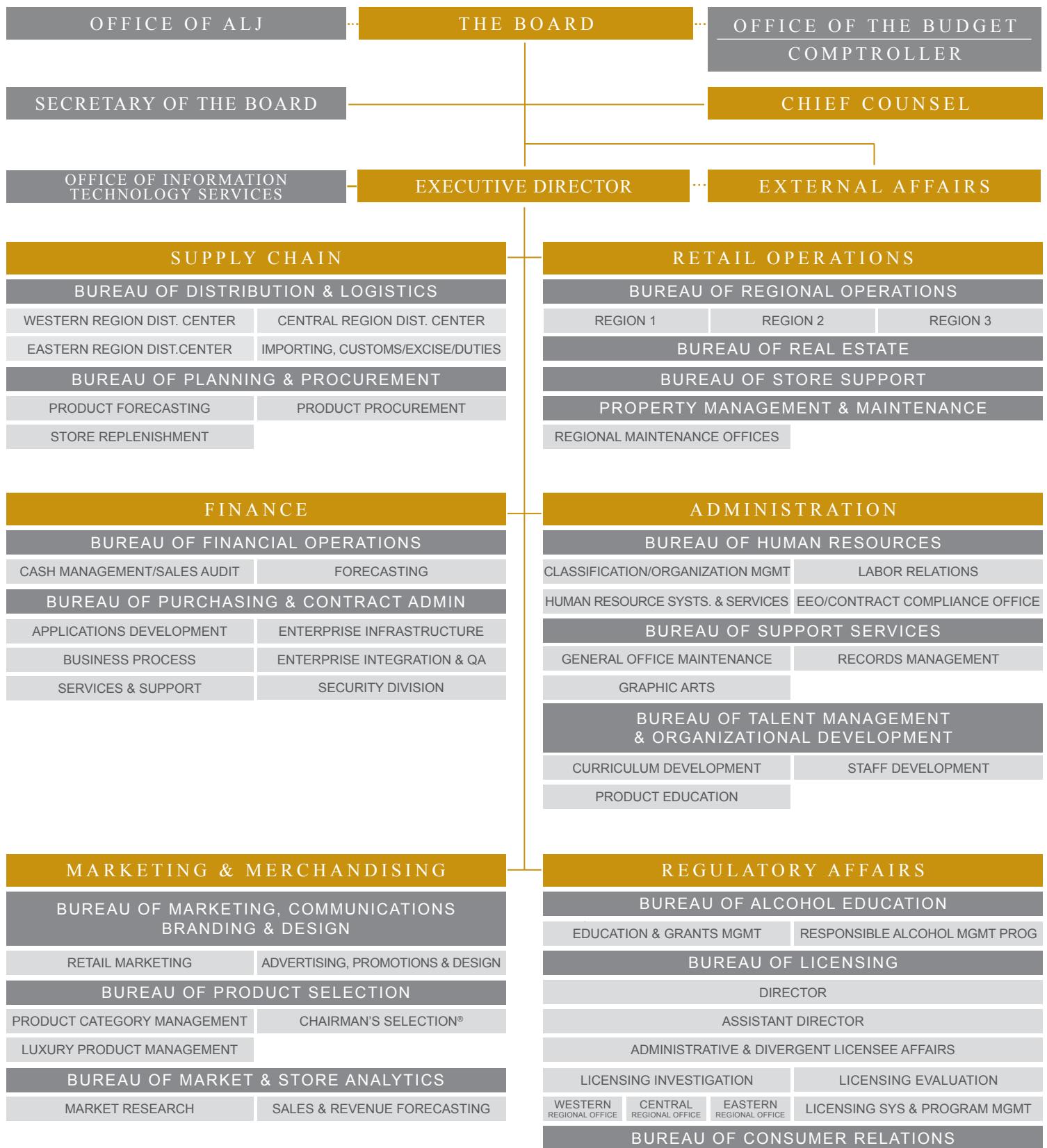
DIRECTOR OF ADMINISTRATION

vacant

SECRETARY OF THE BOARD

John Stark

# ORGANIZATIONAL STRUCTURE





Fine Wine & Good Spirits stores achieved record sales of wine and spirits during the 2013-14 Fiscal Year. The Pennsylvania Liquor Control Board (PLCB) reported \$2.24 billion in revenue, a 3.2 percent year-over-year increase and, for the third year in a row, reported net income of more than \$100 million. The agency contributed more than \$566 million to state and local entities, including \$526 million in collected taxes and generated profits for Pennsylvania's General Fund budget. Typically, the annual profit transfer takes place in June but, as a result of the PLCB's strong financial position, the agency was able to make the \$80 million transfer three months early at the request of the Governor's Office of Budget.

Retail wine sales at Fine Wine & Good Spirits stores showed the strongest growth – a 3.7 percent increase – driven by the popular Chairman's Selection® program, which experienced a 5.6 percent increase. Overall luxury wine sales grew at a very healthy 10.2 percent. Retail spirits overall sales grew by 3.7 percent.

The sales growth can be attributed to several different marketing and store operations initiatives. For example, the Office of Marketing & Merchandising added displays at the end of store aisles to draw consumers' attention; began one-day online sales of niche, highly allocated products; and improved the product search feature of the Fine Wine & Good Spirits online store. In addition, the Retail Wine Specialist Program was expanded to include more stores due to overwhelmingly positive consumer response. Retail wine specialists are staff members with specific wine training who are focused on providing an added layer of exceptional customer service. There is at least one retail wine specialist in all Premium Collection stores, which are stores that carry luxury products.

The Fine Wine & Good Spirits store rebranding initiative continued in FY 2013-14. In all, the agency opened one new licensee center, replaced eight stores, renovated 15, enlarged one and opened two entirely new stores. The new, more customer-friendly Fine Wine & Good Spirits Premium Collection stores have been very successful in increasing both dollar and unit sales.

The PLCB's liquor licensees are vital stakeholders. In an effort to make buying more efficient for them, the agency began the process of redesigning the Licensee Order Portal, which will provide licensees with a user-friendly, web-based system to make all of their liquor purchases online. In addition, the PLCB began planning a Licensee Delivery Pilot Program for large licensees. Both the Licensee Order Portal and the delivery pilot program are scheduled to begin in the 2014-15 fiscal year.

There were several significant regulatory changes in FY 2013-14. The most significant was the implementation of the new Tavern Gaming License. Act 90 of 2013 gave the PLCB the responsibility to implement and regulate a new license that allows certain licensees to offer a daily drawing, pull-tab games and tavern raffles. In coordination with three other state agencies, the PLCB created an entirely new application process. In addition, the agency conducted seminars across the state to educate licensees about the new law. At the end of FY 2013-14, there were 23 approved Tavern Gaming Licenses.

Finally, in an effort to continue to educate young people about the dangers of underage alcohol use, the Bureau of Alcohol Education launched a video contest in FY 2013-14 in which middle- and high-school students created public service announcements discouraging their peers from underage drinking. Hundreds of students across the commonwealth submitted entries. The student who submitted the winning video received a \$1,000 cash prize and recognition at the annual PLCB Alcohol Education Conference during Alcohol Awareness Month in April.

During FY 2013-14, no laws were enacted that amended the Liquor Code. However, there was a law passed amending the Local Option Small Games of Chance Act [10 P.S. § 328.101 et seq.] that impacted the Pennsylvania Liquor Control Board.

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**A C T   9 0   O F   2 0 1 3**

made numerous changes to the Local Option Small Games of Chance Act (LOSGCA) [10 P.S. § 328.101 et seq.]. Before Act 90, the only type of liquor licensee that could legally offer small games of chance was a Club licensee. This act expanded the LOSGCA by creating a “Tavern Gaming License,” which allows Hotel, Restaurant, Privately-Owned Public Golf Course, Brewery Pub or Brewery licensees to legally offer small games of chance. Tavern Gaming Licenses are subject to an initial \$4,000 cost (lowered to \$2,500 after the end of the fiscal year\*) and a 65-percent tax on gaming revenue.

*As of June 30, 2014, 26 entities had applied for a license, and 23 had been approved.*

THE FOLLOWING REGULATIONS WERE AMENDED DURING FY 2013-14:

EFFECTIVE JULY 13, 2013  
40 PA. CODE § 5.32

was amended to increase the prize limits permitted under the Board's Regulations to be consistent with amendments to the Local Option Small Games of Chance Act. The total value of all prizes for any given event, tournament or contest may not exceed \$1,000 (increased from \$500), and the total value of all prizes awarded in any seven-day period may not exceed \$25,000 (increased from \$5,000).

EFFECTIVE OCTOBER 5, 2013  
40 PA. CODE § 5.36

amended to reference section 493(34) of section 5.32. Act 116 of 2012 created section 493(34) of the Liquor Code, which prohibits amplified noise from being heard beyond the licensee's property line while continuing to give the municipality the option to enforce its own noise ordinances.

EFFECTIVE DECEMBER 7, 2013  
40 PA. CODE § 5.32

was deleted since it was rendered moot by Act 116 of 2012, as discussed above.

EFFECTIVE MARCH 1, 2014  
40 PA. CODE § 11.111

allows a license limited winery to establish whatever price it wishes without regard to the PLCB price for the same wine. Limited wineries are no longer prohibited from selling a wine at a price lower than that charged by the PLCB if that wine is available for purchase at a PLCB store.

EFFECTIVE APRIL 5, 2014  
40 PA.  
CODE §§  
11.221, 11.222

provide licensed limited distilleries and distilleries with the authority to ship product directly to Pennsylvania consumers. In addition, they provide guidance as to what other items these manufacturers are permitted to sell and the methods of payment they may accept.

\* On July 10, 2014, the Governor signed into law an act that amends the Fiscal Code in accordance with the terms of the budget. This act included language that allowed the Board to reduce the license fee for a Tavern Gaming License from \$2,000 to \$500. On July 30, 2014, the Board voted unanimously to do just that. The new fee structure applies to all new Tavern Gaming License applicants and to applicants who have yet to pay the license fee.

## WHERE THE MONEY GOES

Fine Wine & Good Spirits stores generated more than \$2.24 billion in gross revenue.

Together, **more than \$566 million** was returned to the Pennsylvania Treasury, funded state programs and returned to local communities in FY 2013-14.

- The PLCB returned \$525.8 million to the Pennsylvania Treasury:

- \$320,911,580 in liquor tax
- \$124,880,357 in state sales tax
- \$80,000,000 transferred to the General Fund

- The Pennsylvania State Police received \$24,958,572 for the enforcement of liquor laws.

- Department of Drug and Alcohol Programs\* received \$2,473,651 to educate and prevent problem alcohol use.
- Philadelphia and Allegheny counties received \$8,269,803 in returned local sales taxes.
- Local communities received \$4,521,545 in returned licensing fees.

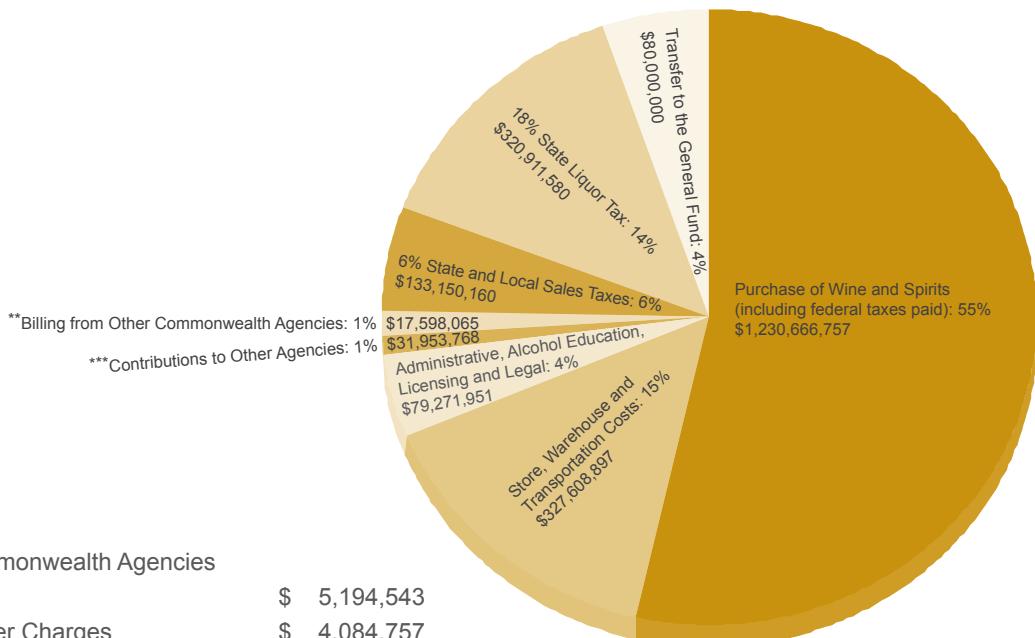
In the last five years, the PLCB has provided:

- More than \$2.51 billion to the Pennsylvania Treasury
- \$111.1 million to the Pennsylvania State Police
- \$9.8 million to the Department of Drug and Alcohol Programs\*
- \$22.5 million to local communities

\*formerly Department of Health, Bureau of Drug and Alcohol Programs

## DISTRIBUTION OF PROCEEDS

55%	Purchase of Wine and Spirits (including federal taxes paid)	\$1,230,666,757
15%	Store, Warehouse and Transportation Costs	\$327,608,897
4%	Administrative, Alcohol Education, Licensing and Legal	\$79,271,951
1%	Billing from Other Commonwealth Agencies**	\$17,598,065
1%	Contributions to Other Agencies***	\$31,953,768
6%	6% State and Local Sales Taxes	\$133,150,160
14%	18% State Liquor Tax	\$320,911,580
4%	Profit Transfer to the General Fund	\$80,000,000



\*\*Billing from Other Commonwealth Agencies

Comptroller & Payroll	\$ 5,194,543
Consolidated Data Center Charges	\$ 4,084,757
Department of the Auditor General	\$ 3,714,329
Office of Administration	\$ 2,561,497
Civil Service Commission	\$ 950,878
Department of General Services	\$ 867,823
Treasury Department	\$ 224,238
<b>Total</b>	<b>\$17,598,065</b>

\*\*\*Contributions to Other Agencies

State Police Liquor Enforcement	\$24,958,572
License fees returned to local municipalities	\$ 4,521,545
Dept. of Drug and Alcohol Programs	\$ 2,473,651
<b>Total</b>	<b>\$31,953,768</b>

**FINANCIAL HIGHLIGHTS — FIVE-YEAR SUMMARY**

**PLCB SUMMARY FINANCIAL INFORMATION (IN 000s EXCEPT AS INDICATED)**

	<b>2013-2014*</b>	<b>2012-2013</b>	<b>2011-2012</b>	<b>2010-2011</b>	<b>2009-2010</b>	<b>CAGR**</b>
Sales Net of Taxes	\$1,786,502	\$1,731,463	\$1,657,205	\$1,571,223	\$1,511,390	4.3%
Gross Profit	\$555,835	\$539,416	\$511,738	\$490,262	\$449,986	5.4%
Gross Margin	31.1%	31.2%	30.9%	31.2%	29.8%	
Operating Expenses	\$407,876	\$387,538	\$387,057	\$386,083	\$381,801	1.7%
Operating Income	\$147,959	\$151,878	\$124,991	\$103,757	\$68,185	21.4%
Transfers to State Police	\$24,959	\$23,984	\$21,738	\$20,308	\$20,085	5.6%
Drug & Alcohol Transfers	\$2,474	\$2,567	\$2,070	\$1,674	\$1,050	23.9%
Net Income	\$123,683	\$128,366	\$103,494	\$83,704	\$49,870	25.5%
Liquor Tax	\$320,912	\$311,248	\$298,144	\$281,746	\$271,015	4.3%
State Sales Tax	\$124,880	\$121,093	\$116,033	\$109,652	\$105,518	4.3%
Local Sales Tax***	\$8,270	\$8,143	\$7,835	\$7,386	\$6,567	5.9%
License Fees Returned▲	\$4,522	\$4,436	\$4,469	\$4,522	\$4,500	0.1%
Number of Stores (not in 000)	606	605	608	610	650	
Average Sales per Store	\$2,948	\$2,862	\$2,726	\$2,576	\$2,325	
Operating Exp./Net Sales	22.8%	22.4%	23.4%	24.6%	25.3%	
Contributions/Net Sales	31.7%	31.9%	32.0%	33.8%	34.0%	
Return on Assets	30.5%	35.8%	28.1%	23.8%	16.6%	

**PLCB RETAIL OPERATIONS FIVE-YEAR SALES, REVENUE, PROFIT AND WAGE SUMMARY (IN 000s EXCEPT AS INDICATED)**

	<b>2013-2014*</b>	<b>2012-2013</b>	<b>2011-2012</b>	<b>2010-2011</b>	<b>2009-2010</b>	<b>CAGR**</b>
Sales Net of Taxes	\$1,786,502	\$1,731,463	\$1,657,205	\$1,571,223	\$1,511,390	4.3%
Gross Profit	\$555,835	\$539,416	\$511,738	\$490,262	\$449,986	5.4%
Combined Wage Expense	\$134,186	\$129,639	\$128,113	\$130,984	\$129,251	0.9%
Total All Other Expenses	\$191,339	\$162,870	\$161,470	\$158,267	\$157,274	5.0%
Income from Retail Operations	\$229,653	\$246,907	\$223,652	\$157,907	\$102,214	22.4%
Total Units Sold (not in 000)	158,187,937	155,528,209	150,894,901	138,832,314	133,432,786	4.3%
Avg Price Per Item	\$13.33	\$13.13	\$12.96	\$13.35	\$13.36	-0.1%
Wage % of Gross Sales	7.51%	6.35%	6.55%	7.07%	7.25%	

\* Financial results for FY 2013-14 are unaudited

\*\* CAGR — Compound Annual Growth Rate

\*\*\* These funds were collected for Philadelphia and Allegheny counties, which implemented 1% local sales taxes effective Oct. 1, 1991, and July 1, 1994, respectively; Philadelphia County local sales tax increased to 2% effective Oct. 8, 2009.

▲ As provided by statute, a portion of license fees are returned to municipalities. License fees have not increased since 1991.

## RETAIL OPERATIONS

The Office of Retail Operations staffs and manages the day-to-day operations at more than 600 Fine Wine & Good Spirits stores throughout the commonwealth.

The Pennsylvania Liquor Control Board gives consumers two ways to purchase wine and spirits – at one of the 600-plus retail locations or on the Internet at [www.FineWineAndGoodSpirits.com](http://www.FineWineAndGoodSpirits.com). The PLCB also uses various social media platforms to expand its reach and inform consumers about new products and sales promotions.

AS OF JUNE 30, 2014, THE AGENCY OPERATED 606 RETAIL FACILITIES:

<b>520</b>	<b>75</b>	<b>10</b>	<b>1</b>
Standard Stores	Premium Collection Stores	Licensee Service Centers	Internet Fulfillment Center

171 OF THESE STORES ARE OPEN ON SUNDAYS

In FY 2013-14, Retail Operations completed 26 rebranding projects, including 10 new stores, 15 remodels and one enlargement. As of June 30, 62 stores were rebranded and six more were in the process of being rebranded.



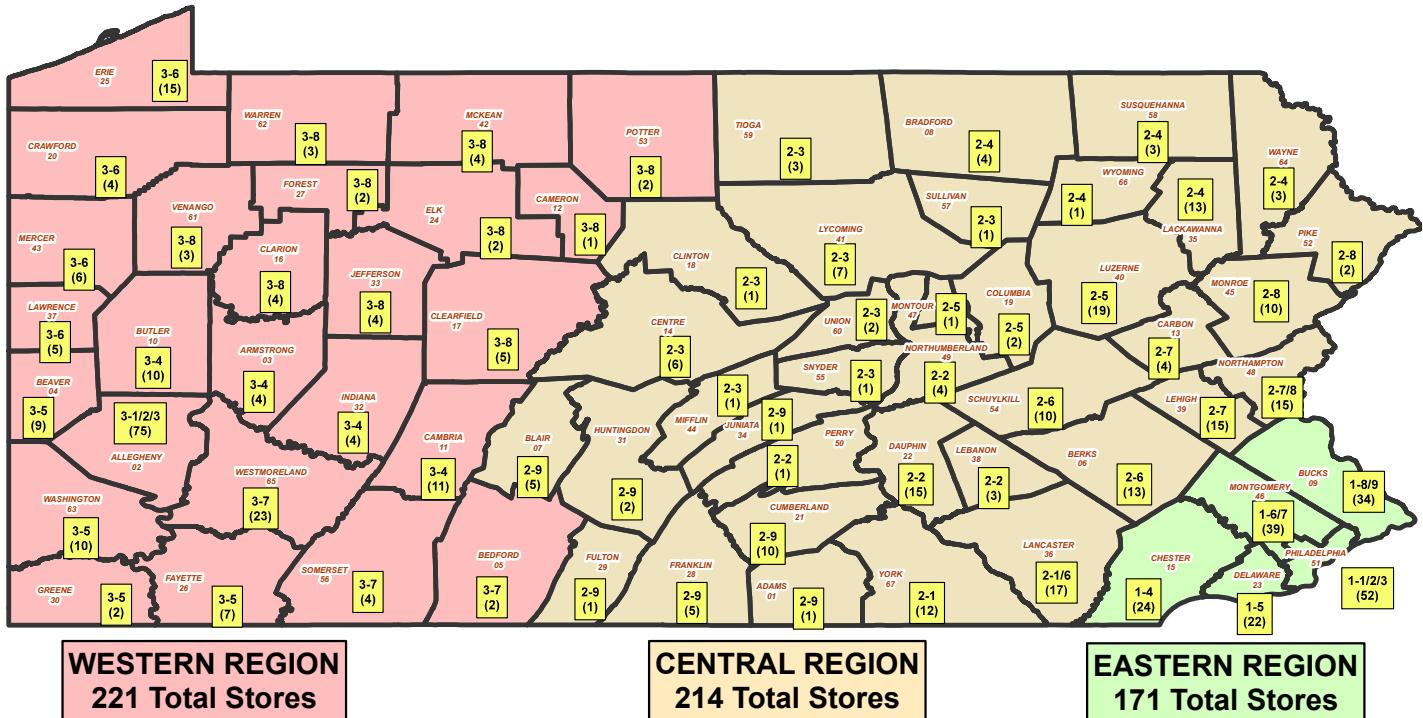
In addition, one new Licensee Service Center was opened.

As Fine Wine & Good Spirits store staff is the first line of defense against underage drinking, the PLCB takes the responsibility of monitoring the sale of wine and spirits very seriously. To ensure that only those 21 years of age and older are purchasing alcohol at our stores, employees conducted more than 1.3 million age verification checks during the 2013 calendar year.

## RETAIL OPERATIONS



**COMMONWEALTH OF PENNSYLVANIA — REGIONS, DISTRICTS  
& NO. OF STORES BY COUNTY AS OF JUNE 30, 2014**



**REGION III  
WESTERN REGION  
221 STORES**

**REGION II  
CENTRAL REGION  
214 STORES**

**REGION I  
EASTERN REGION  
171 STORES**

Total Square Footage	888,732	Total Square Footage	962,299	Total Square Footage	999,392
Total Rent for Region	\$10,849,000	Total Rent for Region	\$11,565,704	Total Rent for Region	\$19,619,730
Square Foot Average	\$12.21	Square Foot Average	\$12.02	Square Foot Average	\$19.63
Avg. Size of Store (sq.ft.)	4,021	Avg. Size of Store (sq.ft.)	4,497	Avg. Size of Store (sq.ft.)	5,844

<b>TOTAL STORES</b>	<b>606</b>
<b>TOTAL SQ.FT.</b>	<b>2,850,423</b>
<b>TOTAL ANNUAL RENT</b>	<b>\$42,034,434</b>
<b>TOTAL AVG. PRICE/SQ.FT.</b>	<b>\$14.75</b>

## M A R K E T I N G & M E R C H A N D I S I N G

The Office of Marketing and Merchandising aims to select and present the best wine and spirits at Fine Wine & Good Spirits stores at competitive prices while striving to build relationships with consumers through communications, advertising and social media outlets.

The PLCB advertises through a variety of media in six media markets including Philadelphia, Pittsburgh, Harrisburg/Lancaster/Lebanon/York, Wilkes-Barre/Scranton, Erie and Allentown/Bethlehem. In FY 2013-14, the PLCB spent \$5.1 million in total advertising.

## ADVERTISING

RADIO	BROADCAST/DIGITAL	PUBLICATIONS
Average 45 radio stations in top six markets monthly	55+ TV stations 500+ sites with banner placement	10 newspapers per month 5 magazines

## CHAIRMAN'S SELECTION® ADVERTISING

An ad for Fine Wine & Good Spirits appeared as a free standing insert (FSI) in select newspapers. Products from the Chairman's Selection program were featured.

During the week of the advertisement, dollar sales increased more than 34 percent and units sold increased more than 46 percent, as detailed in the graph below.

Week Ending	Dollar Sales Amount	Units Sold	% Change Dollars (Week to Week)	% Change Units (Week to Week)
3/23/2014	\$819,031.34	61,230	-4.27%	-5.44%
3/30/2014	\$793,318.21	58,479	-3.14%	-4.49%
4/6/2014	\$739,040.92	53,997	-6.84%	-7.66%
FSI Drops and Radio Starts	\$992,003.23	79,073	34.23%	46.44%
4/20/2014 - Radio Ends	\$1,361,599.61	110,171	37.26%	39.33%
4/27/2014	\$980,180.34	79,202	-28.01%	-28.11%
5/4/2014	\$992,470.39	79,070	1.25%	-0.17%

## SOCIAL MEDIA

FROM JULY 1, 2013—JUNE 30, 2014



## FACEBOOK

New likes: **91,905**  
 Average daily reach:  
**51,122 people**  
 Avg. daily impressions: **89,824**  
 Total number of post likes:  
**67,289**



## TWITTER

New followers: **864**  
 Tweets sent: **723**  
 Retweets: **876**  
 Impressions (est.): **2.3 million**  
 Total mentions: **2,516\***  
 (\*1,473 mentions via Foursquare)



## PINTEREST

Total pins: **366**  
 Pins reach: **406,930**  
 Avg. daily reach: **1,114 people**  
 Pin impressions: **954,734**



## YOUTUBE

Viewers: **38,895**  
 Subscribers: **120**  
 New FWGS videos: **20**



## FWGS WEBSITE

Total clicks from  
 July 2013 — June 2014:  
**5,682,879**

Average daily clicks from  
 July 2013 — June 2014:  
**500,000**

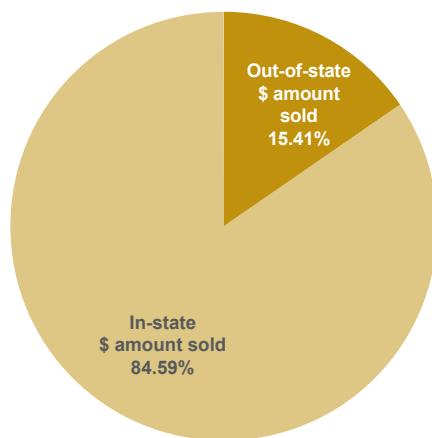
## MOBILE APPLICATION

Total mobile app downloads:

**66,106**Android: **21,772** | iPhone: **44,334**FINEWINEANDGOODSPIRITS.COM DOLLAR SALES,  
IN-STATE VS. OUT-OF-STATE

The Fine Wine & Good Spirits eCommerce site continues to generate considerable sales, including those to consumers who live outside of Pennsylvania. Out-of-state customers can order products on the site, then have them shipped to family or friends in the commonwealth or a nearby brick-and-mortar Fine Wine & Good Spirits store.

Since detailed tracking of this statistic started in February 2014, a significant portion of online sales was made to out-of-state customers. While those consumers accounted for less than 10 percent of bottles sold on the eCommerce site, they accounted for more than 12 percent of total orders and almost 15.5 percent of total dollar sales.



2014 Philadelphia Flower Show



2014 Pittsburgh Wine Festival



2013 Taste | Festival of Food, Wine &amp; Spirits



Dan Aykroyd



Toby Keith



Christina Milian

## FY 2013-14's MOST POPULAR PLCB EVENTS

### PLCB MARKETING PROGRAMS

2014

## PHILADELPHIA FLOWER SHOW

Eight-day event – 6,647 units sold ..... \$104,086

2014

## PITTSBURGH WINE FESTIVAL

One-day event – 739 units sold ..... \$33,754

2013

## TASTE | FESTIVAL OF FOOD, WINE &amp; SPIRITS

Two-day event – 1,779 units sold ..... \$28,884

### PLCB BOTTLE SIGNINGS

September 2013

## DAN AYKROYD — CRYSTAL HEAD VODKA

Store #9101 624 units ..... \$20,333

August 2013

## TOBY KEITH — WILD SHOT MEZCAL

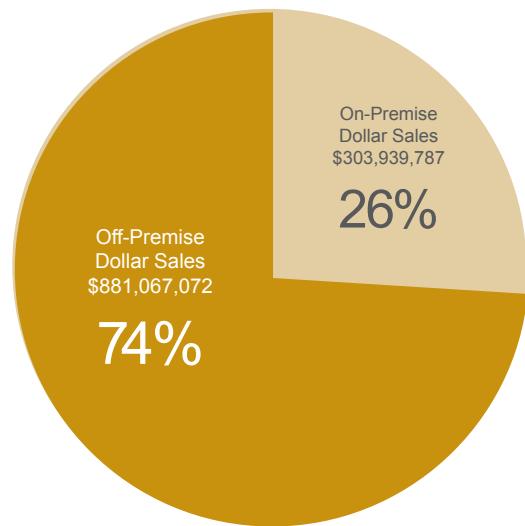
Store #3901 463 units ..... \$18,515

September 2013

CHRISTINA MILIAN — VIVA DIVA STRAWBERRY  
SPARKLING MOSCATO

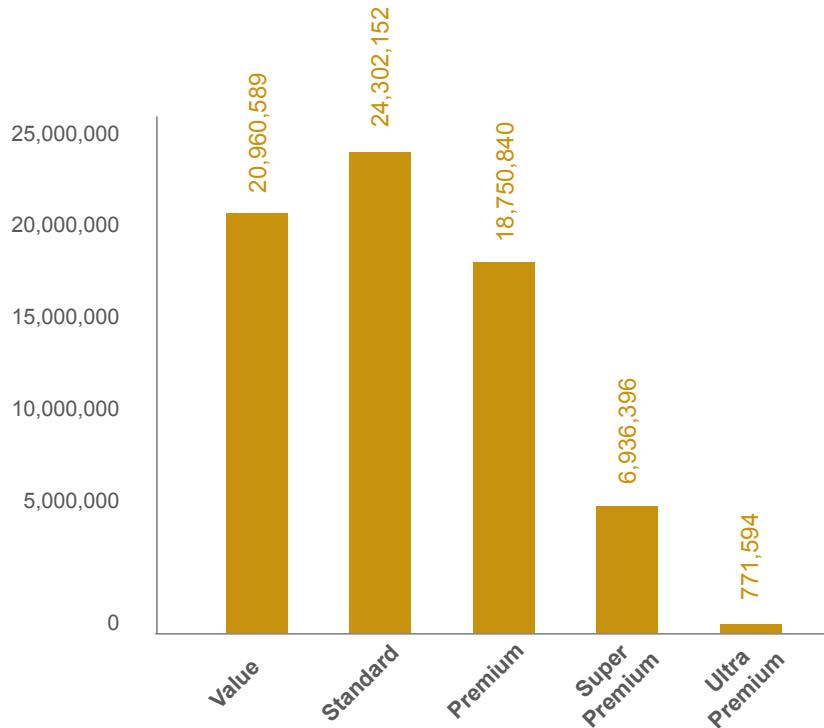
Store #5185 189 units ..... \$2,455

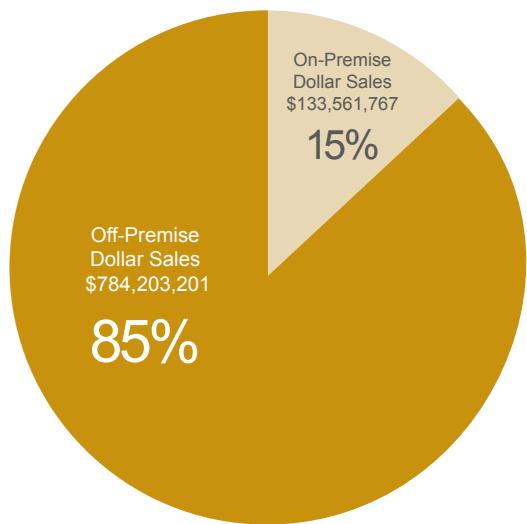
ON-PREMISE AND OFF-PREMISE\* DOLLAR SALES  
SPIRITS CATEGORY, FY 13-14



\* "On-premise sales" are those to licensees. The name is derived from the fact that beverage alcohol is consumed at the same place it is purchased. "Off-premise sales" are retail purchases made to shoppers for consumption at a location other than a licensed establishment.

## SPIRITS UNITS SOLD BY PRICE SEGMENT, FY 13-14

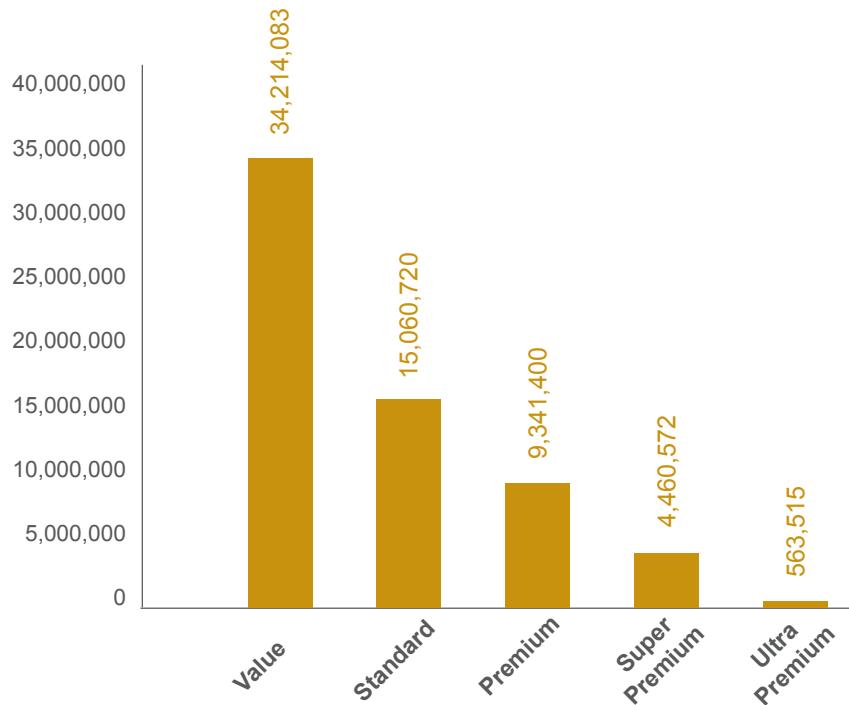




ON-PREMISE AND OFF-PREMISE\* DOLLAR SALES  
WINE CATEGORY, FY 13-14

\* "On-premise sales" are those to licensees. The name is derived from the fact that beverage alcohol is consumed at the same place it is purchased. "Off-premise sales" are retail purchases made to shoppers for consumption at a location other than a licensed establishment.

WINE UNITS SOLD BY PRICE SEGMENT, FY 13-14





## TOP 15 PRODUCT CATEGORIES

PRODUCT CATEGORY	FY 2013 - 14 Dollar Sales Amount	FY 2012 - 13 Dollar Sales Amount	FY 2011 - 12 Dollar Sales Amount	FY 2010 - 11 Dollar Sales Amount
VODKA	\$257,478,052	\$255,091,598	\$250,477,789	\$242,234,236
BOURBON	\$114,666,136	\$106,467,996	\$98,764,280	\$91,748,405
VODKA - FLAVORED	\$108,211,112	\$111,166,285	\$109,189,541	\$92,783,296
RUM - SPICED	\$68,164,809	\$68,447,823	\$66,364,773	\$62,833,015
US CHARDONNAY	\$65,154,068	\$63,271,509	\$59,546,056	\$57,939,938
SHOOTERS - SCHNAPPS/LIQUEURS	\$64,153,787	\$67,507,808	\$67,818,341	\$68,494,003
US CABERNET	\$57,950,983	\$54,015,954	\$48,454,293	\$46,130,928
5L BOX WINE	\$57,492,913	\$55,429,614	\$48,911,504	\$45,951,177
CANADIAN WHISKY	\$56,895,407	\$57,728,234	\$57,059,937	\$55,820,576
RUM - UNFLAVORED	\$54,531,713	\$55,743,470	\$57,245,064	\$57,460,126
GIN	\$47,574,361	\$47,040,649	\$46,404,702	\$45,504,842
FLAVORED WHISKEY	\$44,234,777	\$25,320,973	\$14,244,262	\$8,630,444
SCOTCH - BLENDS	\$40,533,230	\$39,990,843	\$38,788,443	\$37,545,675
ALTERNATIVE SIZE BOX WINE	\$36,021,425	\$32,972,522	\$26,091,503	\$25,128,796
RUM - FLAVORED	\$29,657,735	\$31,166,262	\$31,809,535	\$29,935,517

## TOP 15 PRODUCTS

PRODUCT	FY 2013 - 14 AVG Price	FY 2013 - 14 Dollar Sales Amount	FY 2012 - 13 Dollar Sales Amount	% Chg Dollar Sales Amount
JACK DANIEL'S BLACK LABEL WHISKEY - 750 ML	\$22.50	\$19,734,539	\$19,322,930	0.02%
CAPTAIN MORGAN ORIGINAL SPICED RUM - 1.75 L	\$27.84	\$18,269,967	\$18,661,351	-0.02%
CAPTAIN MORGAN ORIGINAL SPICED RUM - 750 ML	\$15.53	\$14,870,210	\$15,700,744	-0.05%
GREY GOOSE VODKA - 750 ML	\$28.59	\$14,355,985	\$14,111,844	0.02%
JACK DANIEL'S BLACK LABEL WHISKEY - 1.75 L	\$42.94	\$13,755,117	\$13,586,191	0.01%
FIREBALL CINNAMON WHISKY 750ML	\$16.32	\$12,578,956	\$3,798,474	2.31%
ABSOLUT VODKA - 750 ML	\$18.05	\$11,619,389	\$10,903,005	0.07%
JÄGERMEISTER LIQUEUR - 750 ML	\$18.94	\$10,986,474	\$13,119,540	-0.16%
CROWN ROYAL CANADIAN WHISKY - 750 ML	\$24.57	\$10,934,284	\$11,292,264	-0.03%
JAMESON IRISH WHISKEY - 750 ML	\$24.37	\$10,216,575	\$9,323,458	0.10%
ABSOLUT VODKA - 1.75 L	\$32.96	\$9,766,255	\$9,462,291	0.03%
SMIRNOFF VODKA - 1.75 L	\$23.30	\$9,198,043	\$10,294,987	-0.11%
VLADIMIR VODKA - 1.75 L	\$11.93	\$8,771,207	\$8,832,694	-0.01%
PATRON SILVER TEQUILA - 750 ML	\$46.51	\$8,455,434	\$8,299,428	0.02%
BACARDI SUPERIOR RUM - 1.75 L	\$23.30	\$7,945,574	\$8,278,273	-0.04%

## SUPPLY CHAIN

The Office of Supply Chain ensures the right product gets to the right store at the right time. Planning and Procurement buys approximately 3,500 regular wine and spirits products from domestic and foreign suppliers. In addition to the buying responsibilities, Supply Chain handles the importation, processing of all excise taxes and customs duties, warehousing and transportation functions to get products from source to retail stores.

The PLCB contracts with three privately held Pennsylvania-headquartered companies to operate its distribution centers. Located in Philadelphia, Scranton and Pittsburgh, the three warehouses total 780,000 square feet – the equivalent of 14.5 football fields. In FY 2013-14, the distribution centers shipped more than 16 million cases.

Building on the success of the FY 2012-13 conversion to a bailment inventory system, which reduced the PLCB's working capital investment by more than \$100 million and greatly improved the agency's balance sheet, Supply Chain in FY 2013-14 focused on improving day-to-day operating performance by centering on key areas: improving warehouse shipping accuracy and improving collaborative inventory management with bailment vendors, thereby improving stock availability for retail stores.

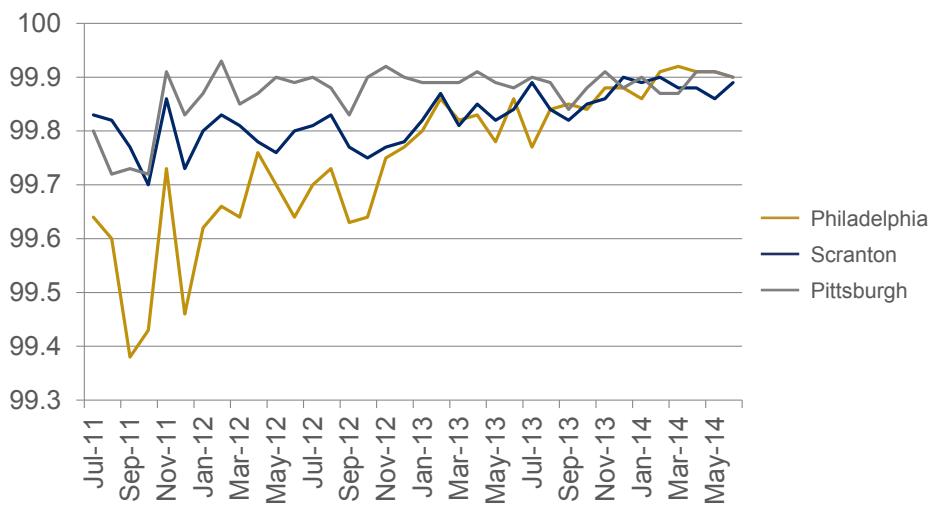


S U P P L Y C H A I N



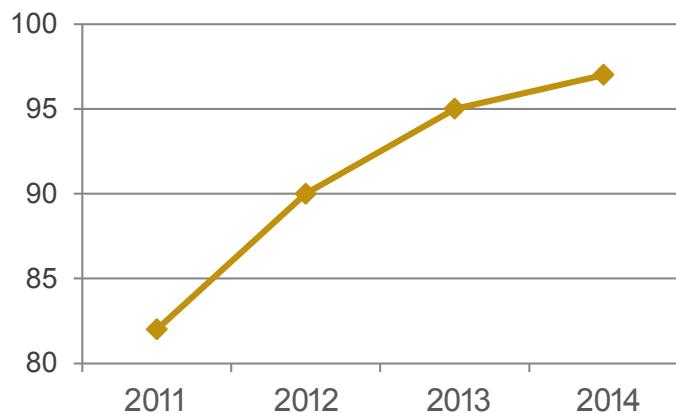
Shipping accuracy is a key indicator of distribution center performance. Low accuracy rates mean the wrong items are delivered to stores. The Office of Supply Chain worked extensively with our distribution center operators to identify and correct root causes of shipping errors. The results of these efforts were significant. Overall shipping accuracy increased by 35 percent in each of the last two years. The error rate is now less than 1 case for every 1,000 cases shipped, a world-class level of performance.

### SHIPMENT ACCURACY BY DISTRIBUTION CENTER JULY 2011 – JUNE 2014



A key service level performance measurement is case fill percentages on shipments to stores. Many factors can impact case fill, including sales forecast accuracy, on-time shipments from vendors, inventory planning performance by bailment vendors and alignment of marketing events with supply planning. Each of these areas was addressed throughout the year. Supply Chain worked on the process and communication to improve stock availability to stores while not increasing distribution center inventory levels. Case fill service level rates increased from 82 percent in 2010-11 to 97 percent in 2013-14.

### SERVICE LEVEL (FILL RATE) PERFORMANCE

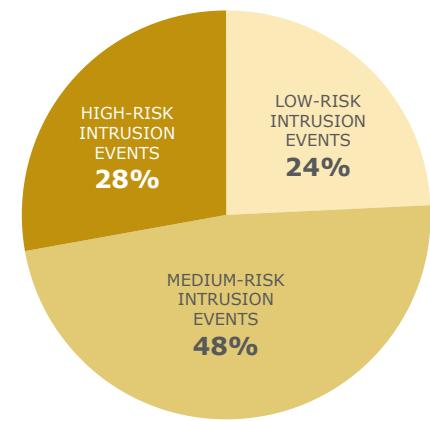
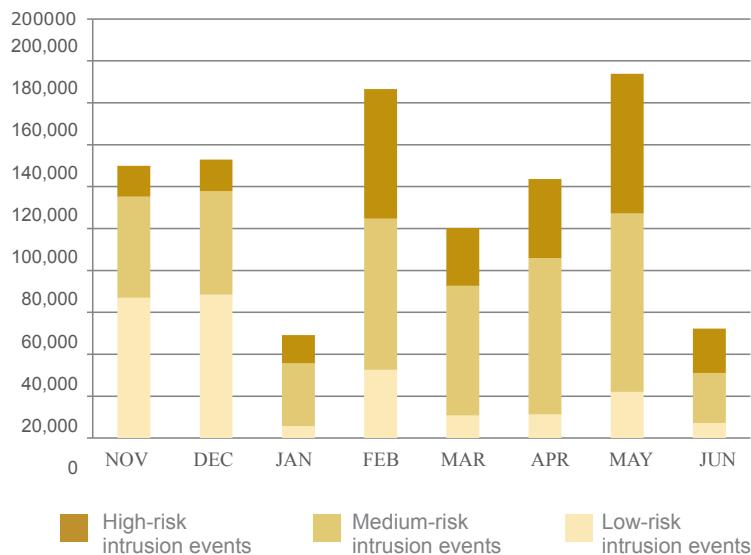


## INFORMATION TECHNOLOGY SYSTEMS

The Office of Information Technology Systems (OITS) supports and enhances multiple complex computer systems, including a large-scale Oracle ERP system that includes a point-of-sale system in more than 600 stores, financials, inventory, forecasting, replenishment, pricing, product management, data warehousing and analytics. Additionally, OITS supports and enhances other IT systems: a licensing system serving more than 15,000 bars, taverns, restaurants, casinos and other licensees; a legal tracking system; human resources and time-tracking systems; the Fine Wine & Good Spirits eCommerce site and mobile apps; and other general web applications.

As a high-profile state agency, the PLCB is subject to constant online attacks, and it falls to the Office of Information Technology Systems (OITS) to repel them. In November 2013, OITS started counting intrusion events directed at PLCB systems; more than 925,000 were logged as of June 30, 2014. We estimate that OITS repelled more than 1.2 million intrusion events on its networks in Fiscal Year 2013-14.

### SECURITY ATTACKS



**HIGH-RISK INTRUSION:** HIGHLY DANGEROUS. VERY DIFFICULT TO CONTAIN.

**MEDIUM-RISK INTRUSION:** SPREAD DURING ROUTINE NETWORK OPERATIONS BUT REASONABLY HARMLESS AND CONTAINABLE, OR POTENTIALLY DANGEROUS (AND UNCONTAINABLE) IF RELEASED.

**LOW-RISK INTRUSION:** POSES LITTLE THREAT TO USERS.

The Payment Card Industry Data Security Standard (PCI-DSS) is a worldwide information security standard created to help organizations prevent credit card fraud through the use of controls around sensitive data and to keep it out of the hands of hackers.

Due to the volume of retail credit card transactions processed annually by the PLCB, it is designated a Level 1 merchant and must have an annual audit conducted on-site by a Certified Security Assessor to ensure that the PLCB is consistently meeting all PCI security requirements.

The audit conducted during FY 2013-14 tested each of the 12 PCI categories of security controls. More than 600 individual pieces of evidence were requested and submitted for review, including policies, procedures, proof of secure equipment and who can change it, proof of who has access to what, configurations, etc. When analyzed and reviewed, the PLCB was approved as compliant in protecting customers' information.

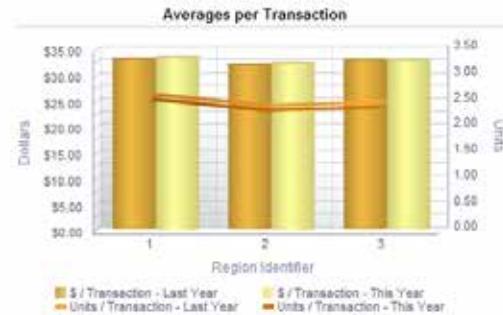
As part of its ongoing security protocols, OITS provided training for store personnel regarding the detection and prevention of point-of-sale (POS) terminal tampering (including key loggers and credit card skimmers) and recognition of suspicious behavior in a retail environment.

INFORMATION TECHNOLOGY SYSTEMS



Also during the fiscal year, OITS:

- Developed a process using portable cellular wireless devices to re-establish network connectivity when the dedicated phone and data connections to a store go out. This reduces lost productivity during network outages and allows the processing of debit and credit cards to proceed, improving customer service.
- Upgraded the warehouse management system (WMS) by eliminating older, unsupported hardware and installing newer, less expensive hardware that provides faster processing and more responsiveness while reducing costs.
- Updated the Fine Wine & Good Spirits eCommerce site with complete and accurate product names, product descriptions and standardized acronyms. Also restructured the website search engine to allow searches using misspelled words, abbreviations, and synonyms producing much improved search results for customers.
- Implemented online credit card payment for Administrative Law Judge (ALJ) fines associated with licensee citations. Previously, these could only be paid by check.
- Implemented online filing and payment for all Limited Winery license renewals. This includes the entry of specific wine production totals for reporting to the Pennsylvania Department of Agriculture. One hundred percent of Limited Winery licensees file online, saving the agency the processing costs of these applications.
- Updates and provides more than 250 Business Intelligence Dashboard Reports to executives for day-to-day operational decisions.



**Total Transactions by Month**

Transaction Count - Last Year	Transaction Count - This Year	Difference	% Difference	\$ / Transaction - Last Year	\$ / Transaction - This Year	\$ Difference	Units / Transaction - Last Year	Units / Transaction - This Year	Units Difference
1,767,973	1,818,313	50,340	2.85% ▲	\$32.98	\$33.26 ▲	\$0.28 ▲	2.61	2.57	-0.04 ▼
1,505,892	1,559,329	53,437	3.55% ▲	\$31.88	\$32.18 ▲	\$0.30 ▲	2.39	2.35	-0.04 ▼
1,255,264	1,302,558	47,294	3.77% ▲	\$32.77	\$32.71 ▼	-0.06 ▼	2.48	2.41	-0.07 ▼
<b>4,525,129</b>	<b>4,680,200</b>	<b>151,071</b>	<b>3.34%</b>	<b>\$32.56</b>	<b>\$32.75</b>	<b>\$0.19</b>	<b>2.50</b>	<b>2.45</b>	<b>-0.05</b>

[Print - Report](#)

## REGULATORY AFFAIRS

The Office of Regulatory Affairs is responsible for the licensure of the beverage alcohol community, educating the public on the responsible use of alcohol and handling complaints, concerns and recommendations from licensees and the public.

## REGULATORY AFFAIRS

TOTAL LICENSE APPLICATIONS AND PERMITS RECEIVED AND PROCESSED, JULY 1, 2013, THROUGH JUNE 30, 2014

<b>Renewals/Validations 18,865</b>	<b>Transfers 903</b>	<b>New Licenses 663</b>	<b>Special Occasion Permits 2,389</b>
Special Wine Permits <b>1,820</b>	Criminal Record Checks <b>7,478</b>	Other Apps <b>6,497</b>	AP-SS-EHF Permits* <b>21,785</b>
Catering Permits <b>1,587</b>	Tavern Gaming Licenses <b>26</b>	Brand Registrations <b>6,660</b>	<b>Total Applications 62,013</b>

*\* Amusement Permit-Sunday Sales-Extended Hours Food*

### INVESTIGATIONS PROCESSED

Type of Investigation	2013	2012	2011	2010
New License	229	240	199	146
Renewal	58	67	130	79
Transfer – Place	62	66	59	69
Transfer – Person	523	566	593	595
Double Transfer Person-Place	306	308	333	317
Correction	32	30	30	34
Extension	752	713	649	690
Manager Change	1,056	860	802	801
Reinvestigation	1,767	1,699	1,655	1,844
Officer Change	616	606	586	575
Reissue Safekeeping	389	374	326	312
Special Occasion Permit	42	45	38	42
Limited Winery	56	45	29	48
Non-Compliance	19	54	21	113
Miscellaneous	401	442	441	448
Nuisance Bars	298	215	251	257
<b>Total</b>	<b>6,606</b>	<b>6,330</b>	<b>6,142</b>	<b>6,370</b>

### NUISANCE BARS

Under the provisions of the Liquor Code, the Pennsylvania Liquor Control Board established a Nuisance Bar Program to review the operational history of any licensed establishment that, by its actions, may have abused the licensed privilege. The Bureau of Licensing seeks information from the community, law enforcement agencies and government entities report on any adverse activity associated with the licensed establishment. If substantial evidence is received to support non-renewal, a notice of objection is issued.

### NUMBER OF OBJECTIONS

	2013	2012	2011	2010
	<b>112</b>	<b>137</b>	<b>79</b>	<b>182</b>

### LICENSING CONFERENCES ATTENDEES

**LICENSING CENTRAL  
CONFERENCE, OCT. 1, 2013**

76 CLUB | 34 RETAIL

**LICENSING EASTERN  
CONFERENCE, OCT. 21, 2013**

85 CLUB | 72 RETAIL

**LICENSING CENTRAL  
CONFERENCE, JUNE 17, 2014**

160 CLUB | 50 RETAIL

## REGULATORY AFFAIRS

### RETAIL LICENSES IN EFFECT AS OF DECEMBER 31, 2013

COUNTY	2010 AREA POP	RESTAU-RANT SQ MILE	RETAIL LIQUOR LICENSE TYPE												RETAIL MALT BEVERAGE LICENSE TYPE						NUMBER OF LICENSES				
			GOLF COURSE				GOLF COURSE				GOLF COURSE				PRIVATE EAT.		TOTAL RETAIL LICENSES								
			HOTEL	CLUB	AIR-PORT REST.	MUNIC.	PRIVATE MUNIC.	R. C.	CONT. CARE RETIRE-MENT	ECO-NOMIC DEVELOP-MENT	PUBLIC VENUE	EATING PLACE	ECON DEV	HOTEL	CLUB	MUNIC.	5	15,317	3,59	0,34					
STATE TOTAL	12,810,632	44,966	10,070	1,223	2,978	15	46	32	217	31	25	17	44	87	494	1	0	26	6	102	3,02	0,19			
Adams	101,407	526	53	18	16	0	0	6	0	0	0	0	2	6	0	0	1	0	0	1,995	4,89	2,74			
Allegheny	1,223,348	728	1,518	92	305	1	9	2	10	1	4	0	8	15	27	0	0	2	1	0	0	109	4,74	0,17	
Armstrong	68,941	652	69	7	28	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	243	4,27	0,55	
Beaver	170,539	440	155	12	68	0	0	5	1	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	
Bedford	49,762	1,018	20	10	15	0	0	2	0	0	0	0	0	0	2	0	0	0	0	0	0	49	2,95	0,05	
Berks	411,442	862	275	45	117	1	1	8	1	2	0	1	4	6	0	0	2	0	0	0	0	463	3,38	0,54	
Blair	127,089	530	89	15	31	0	0	2	1	0	0	0	3	15	0	0	1	0	0	0	0	157	3,71	0,30	
Bradford	62,622	1,148	34	15	22	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	73	3,50	0,06	
Bucks	625,249	614	330	58	45	0	0	3	6	1	1	2	0	10	0	0	0	0	1	0	0	458	2,20	0,75	
Butler	183,862	794	106	15	24	0	1	6	0	1	0	0	1	2	0	0	0	0	0	0	0	158	2,58	0,20	
Cambria	143,679	692	155	23	112	0	1	0	2	0	0	0	4	3	0	0	0	0	0	0	0	300	6,26	0,43	
Cameron	5,085	401	9	1	5	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	16	9,44	0,04
Carbon	65,249	404	79	15	34	0	0	4	0	0	0	0	1	0	2	0	0	0	0	0	0	0	135	6,21	0,33
Centre	153,990	1,115	69	24	28	0	1	0	1	0	1	0	1	2	2	0	0	2	0	0	0	0	131	2,55	0,12
Chester	498,886	761	189	35	48	0	1	1	10	6	2	5	0	0	9	0	0	0	1	0	0	0	307	1,85	0,40
Clarion	39,988	597	35	8	12	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	57	4,28	0,10
Clearfield	81,642	1,139	73	8	38	0	0	4	0	0	0	0	0	2	0	0	1	0	0	0	0	0	126	4,63	0,11
Clinton	39,238	899	30	10	15	0	0	1	1	0	0	0	0	1	6	0	0	0	0	0	0	0	64	4,89	0,07
Columbia	67,295	484	45	11	24	0	0	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	84	3,74	0,17
Crawford	233,406	555	77	23	30	0	0	1	5	0	1	1	0	8	0	0	0	0	0	0	0	0	147	1,87	0,26
Cumberland	268,100	518	209	32	70	0	1	2	7	0	0	0	0	8	11	0	0	0	0	0	0	0	341	3,82	0,66
Dauphin	558,979	184	308	23	57	2	2	1	0	2	3	0	2	1	28	0	0	0	0	0	0	0	429	2,30	0,33
Delaware	31,946	807	29	11	25	0	1	1	0	0	0	0	0	5	0	0	2	0	0	0	0	75	7,04	0,09	
Erie	280,566	813	248	17	72	0	1	2	8	0	0	0	2	5	10	0	0	1	1	0	0	0	367	4,43	0,45
Fayette	136,606	802	169	13	70	0	0	2	0	0	0	0	0	4	0	0	0	0	0	0	0	258	5,67	0,32	
Forest	7,716	419	9	3	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	5,44	0,03
Franklin	149,618	754	45	7	25	1	0	0	1	0	0	1	0	4	0	0	0	0	0	0	0	0	84	1,68	0,11
Fulton	14,845	435	2	3	3	0	0	0	0	0	0	0	0	2	0	0	0	0	1	0	0	0	11	2,22	0,03
Greene	38,686	578	27	6	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	53	4,11	0,09

## REGULATORY AFFAIRS

RETAIL LICENSES IN EFFECT AS OF DECEMBER 31, 2013

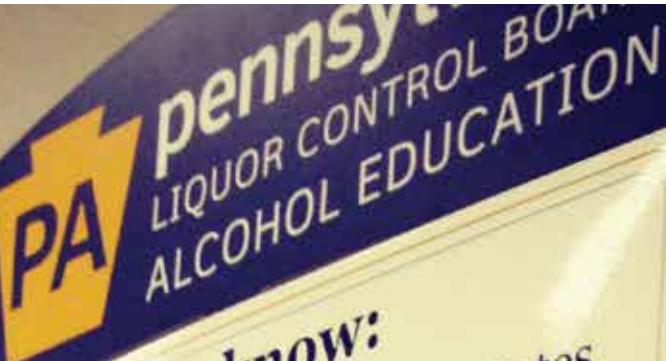
COUNTY	2010 AREA POP	AREA SQ MI	RESTAU-RANT	RETAIL LIQUOR LICENSE TYPE										RETAIL MALT BEVERAGE LICENSE TYPE				NUMBER OF LICENSES
				GOLF COURSE		GOLF COURSE		GOLF COURSE		GOLF COURSE		GOLF COURSE		GOLF COURSE		GOLF COURSE		
				HOTEL	CLUB	AIR-PORT REST.	OWR	MUNIC.	PRIVATE R.	MUNIC.	R.	C.	HOTEL	CLUB	MUNIC.	PRIVATE EAT.		
Huntingdon	45,913	894	16	6	12	0	0	1	0	0	0	0	5	0	2	0	0	
Indiana	88,880	825	69	9	24	0	0	2	0	0	0	1	1	0	0	0	42	
Jefferson	45,200	652	33	5	19	0	1	0	2	0	0	0	7	0	0	0	106	
Juniata	24,636	386	7	0	3	0	0	0	0	0	0	0	0	0	0	0	67	
Lackawanna	214,437	454	346	24	55	1	0	4	1	0	0	1	3	22	0	0	10	
Lancaster	519,445	946	219	41	64	1	1	2	5	1	0	1	2	10	0	0	457	
Lawrence	91,108	367	62	1	25	1	0	2	1	0	0	0	6	0	0	0	0	
Lebanon	133,568	363	64	9	36	0	0	4	0	0	0	0	4	0	1	0	118	
Lehigh	349,497	348	179	44	70	1	2	1	4	2	0	3	2	23	0	1	0	
Luzerne	320,918	886	539	22	100	1	1	3	0	0	0	1	2	18	0	0	0	
Lycoming	116,111	1,215	103	21	32	0	1	0	0	0	1	1	1	5	0	0	0	
McKean	43,450	992	45	15	18	0	1	0	2	0	0	0	3	0	0	0	84	
Mercer	116,638	670	93	9	38	0	0	0	7	1	0	0	0	0	0	0	148	
Mifflin	46,682	431	25	3	12	0	0	0	0	0	0	0	3	0	0	1	0	
Monroe	169,842	611	118	52	18	1	0	2	4	1	0	1	0	12	0	0	44	
Montgomery	799,874	496	412	79	111	1	0	4	22	2	6	2	3	1	23	0	0	
Montour	18,267	130	13	2	9	0	0	0	1	0	0	0	0	0	0	2	0	
Northampton	297,735	376	192	44	90	0	0	1	6	0	1	0	1	2	8	0	0	
Perry	94,528	453	89	6	68	0	0	0	0	0	0	0	0	0	4	0	0	
Northumberland	45,969	551	23	2	11	0	0	0	0	0	0	0	0	1	0	0	0	
Philadelphia	1,526,006	129	1,537	50	162	3	17	2	0	0	2	0	7	22	129	0	0	
Pike	57,369	542	44	15	8	0	0	1	0	0	0	0	0	4	0	0	3	
Potter	17,457	1,092	18	6	7	0	0	0	0	0	0	0	0	0	0	0	72	
Schuylkill	148,289	784	216	17	94	0	0	2	0	0	0	0	2	0	1	0	31	
Snyder	39,702	327	17	4	11	0	0	0	0	0	0	1	0	0	0	0	332	
Somerset	77,742	1,078	66	18	35	0	0	3	0	0	0	1	0	0	0	1	124	
Sullivan	6,428	478	8	6	4	0	0	0	0	0	0	0	0	0	0	0	18	
Susquehanna	43,356	833	39	7	7	0	0	1	1	0	0	0	0	0	0	0	55	
Tioga	41,981	1,146	28	11	13	0	0	1	1	0	0	0	0	0	0	0	55	
Union	44,947	318	14	6	8	0	0	0	0	0	0	1	0	0	0	0	33	
Venango	54,984	678	33	2	12	0	1	0	2	0	0	0	1	0	2	0	53	
Warren	41,815	905	38	9	13	0	0	0	0	1	0	0	2	0	1	0	64	
Washington	207,820	857	221	26	120	0	0	4	2	0	0	1	2	0	0	0	376	
Wayne	52,822	741	56	19	6	0	0	2	1	0	0	0	4	0	0	0	88	
Westmoreland	365,169	1,024	358	32	215	0	2	1	15	1	0	0	1	0	12	0	0	
Wyoming	28,276	398	23	6	3	0	0	1	0	0	0	0	2	0	0	0	637	
York	434,972	909	165	27	55	1	0	0	11	1	0	0	2	3	12	1	0	

## WHOLESALE LICENSES IN EFFECT AS OF DECEMBER 31, 2013

COUNTY	2010 POP	AREA SQ MI	LICENSE TYPE		TOTAL WHOLESALE LICENSES	NUMBER OF LICENSES	
			DISTRIBUTOR	IMPORTING DISTRIBUTOR		PER 30,000 POPULATION	PER SQUARE MILE
STATE TOTAL	12,810,632	44,966	1097	167	1,264	2.96	0.03
Adams	101,407	526	6	0	6	1.78	0.01
Allegheny	1,223,348	728	128	14	142	3.48	0.20
Armstrong	68,941	652	8	1	9	3.92	0.01
Beaver	170,539	440	18	1	19	3.34	0.04
Bedford	49,762	1,018	4	1	5	3.01	0.00
Berks	411,442	862	38	5	43	3.14	0.05
Blair	127,089	530	12	3	15	3.54	0.03
Bradford	62,622	1,148	5	1	6	2.87	0.01
Bucks	625,249	614	27	3	30	1.44	0.05
Butler	183,862	794	20	2	22	3.59	0.03
Cambria	143,679	692	23	7	30	6.26	0.04
Cameron	5,085	401	1	0	1	5.90	0.00
Carbon	65,249	404	10	2	12	5.52	0.03
Centre	153,990	1,115	2	5	7	1.36	0.01
Chester	498,886	761	21	1	22	1.32	0.03
Clarion	39,988	597	4	2	6	4.50	0.01
Clearfield	81,642	1,139	8	5	13	4.78	0.01
Clinton	39,238	899	4	1	5	3.82	0.01
Columbia	67,295	484	7	2	9	4.01	0.02
Crawford	88,765	1,012	13	2	15	5.07	0.01
Cumberland	235,406	555	10	3	13	1.66	0.02
Dauphin	268,100	518	15	7	22	2.46	0.04
Delaware	558,979	184	53	2	55	2.95	0.30
Elk	31,946	807	29	11	25	6.57	0.01
Erie	280,566	813	38	4	42	4.49	0.05
Fayette	136,606	802	19	3	22	4.83	0.03
Forest	7,716	419	3	1	4	15.55	0.01
Franklin	149,618	754	7	1	8	1.60	0.01
Fulton	14,845	435	4	0	4	8.08	0.01
Greene	38,686	578	5	0	5	3.88	0.01

## WHOLESALE LICENSES IN EFFECT AS OF DECEMBER 31, 2013

COUNTY	2010 POP	AREA SQ MI	LICENSE TYPE		TOTAL WHOLESALE LICENSES	NUMBER OF LICENSES	
			DISTRIBUTOR	IMPORTING DISTRIBUTOR		PER 30,000 POPULATION	PER SQUARE MILE
Huntingdon	45,913	894	5	2	7	4.57	0.01
Indiana	88,880	825	4	4	8	2.70	0.01
Jefferson	45,200	652	6	2	8	5.31	0.01
Juniata	24,636	386	5	0	5	6.09	0.01
Lackawanna	214,437	454	23	6	29	4.06	0.06
Lancaster	519,445	946	29	6	35	2.02	0.04
Lawrence	91,108	367	10	1	11	3.62	0.03
Lebanon	133,568	363	12	0	12	2.70	0.03
Lehigh	349,497	348	28	7	35	3.00	0.10
Luzerne	320,918	886	34	5	39	3.65	0.04
Lycoming	116,111	1,215	12	1	13	3.36	0.01
Mckean	43,450	992	6	2	8	5.52	0.01
Mercer	116,638	670	12	1	13	3.34	0.02
Mifflin	46,682	431	2	2	4	2.57	0.01
Monroe	169,842	611	7	2	9	1.59	0.01
Montgomery	799,874	496	56	2	58	2.18	0.12
Montour	18,267	130	2	1	3	4.93	0.02
Northampton	297,735	376	25	3	28	2.82	0.07
Northumberland	94,528	453	13	3	16	5.08	0.04
Perry	45,969	551	5	0	5	3.26	0.01
Philadelphia	1,526,006	129	116	10	126	2.48	0.98
Pike	57,369	542	4	0	4	2.09	0.01
Potter	17,457	1,092	5	0	5	8.59	0.00
Schulykill	148,289	784	28	3	31	6.27	0.04
Snyder	39,702	327	5	0	5	3.78	0.02
Somerset	77,742	1,078	6	2	8	3.09	0.01
Sullivan	6,428	478	3	0	3	14.00	0.01
Susquehanna	43,356	833	5	0	5	3.46	0.01
Tioga	41,981	1,146	3	2	5	3.57	0.00
Union	44,947	318	5	0	5	3.34	0.02
Venango	54,984	678	3	2	5	2.73	0.01
Warren	41,815	905	4	0	4	2.87	0.00
Washington	207,820	857	19	3	22	3.18	0.03
Wayne	52,822	741	5	1	6	3.41	0.01
Westmoreland	365,169	1,024	43	7	50	4.11	0.05
Wyoming	28,276	398	5	0	5	5.30	0.01
York	434,972	909	25	5	30	2.07	0.03



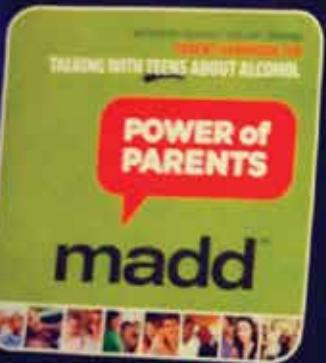
## Did you know:

- 37% of all children in the United States have tried alcohol by the age of 8?
  - 66% have tried it by the age of 12?
- Journal of Adolescent Health*

### We Offer Technical Assistance On:

- Strategic Planning
- Coalition Building
- Partnering with Enforcement

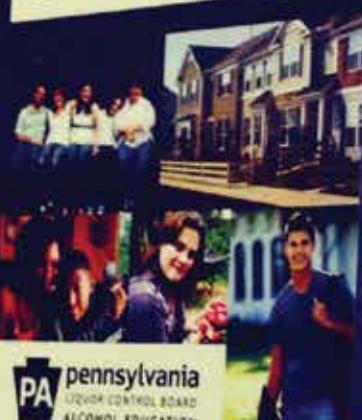
Ask Us About Our Grant Funding



Ask Us About Our Free Materials

## SAFE HOMES

Safe Homes allows families to plan for parents to develop a Supportive Network, where together, they establish a safe, healthy Drug Free Environment for all community youth.



# Responsible Alcohol Management Program



The purpose of the Responsible Alcohol Management Program (RAMP) is to give licensees the tools they need to serve alcohol responsibly. In 2001, legislation established RAMP as a voluntary program. Five years later, Act 26 mandated it for licensees found guilty of sales to minors or visibly intoxicated persons (VIP). Act 113 of 2011 required all owners/managers to undergo RAMP training every two years. Additionally, RAMP may be required as part of a conditional licensing agreement.

The following five steps must be completed for certification:

**Owner/Manager Training** – This training is offered free to license owners and Board-approved managers and covers topics such as liability, how to develop and implement house policies, responsibilities of licensees and information covered in server/seller training.

**Server/Seller Training** – At least 50 percent of the licensee's alcohol service staff must be trained as part of certification. This includes anyone who serves alcohol and/or checks IDs. Training includes tips on carding and spotting fake IDs, how to spot and deal with VIPs and how to slow down or stop service.

**New Employee Orientation** – The owner or manager is responsible for reviewing the new employee orientation checklist, supplied by the PLCB, with every new employee. The list includes legal information on the penalties for serving minors and VIPs, acceptable forms of ID, carding practices and criminal activity on the premises.

**Signage** – Posters or signs about acceptable forms of ID and the refusal of alcohol service to minors and VIPs must be displayed at the licensed establishment.

**Affidavit Request for RAMP Certification** – Upon completion of the previous requirements, the licensee submits the affidavit to the PLCB. If all requirements are met, the licensee will receive certification valid for two years.

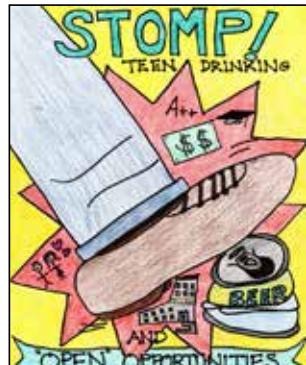
1,158

LICENSED ESTABLISHMENTS BECAME  
RAMP-CERTIFIED IN FISCAL YEAR 2013-14

## EDUCATION & GRANTS MANAGEMENT DIVISION

In FY 13-14, the Education & Grants Management Division:

- Attended 98 events throughout the commonwealth.
- Distributed more than 500,000 pieces of material.
- Held a conference for more than 200 prevention professionals from across the state.
- Started a high school/middle school video public service announcement contest that garnered more than 250 video entries.
- Held the 22nd annual Alcohol Education Poster Contest, which received more than 973 entries. Fifty winners received awards at a ceremony in the Capitol Rotunda.



REGULATORY AFFAIRS



REGULATORY AFFAIRS



## One Town, One Relationship

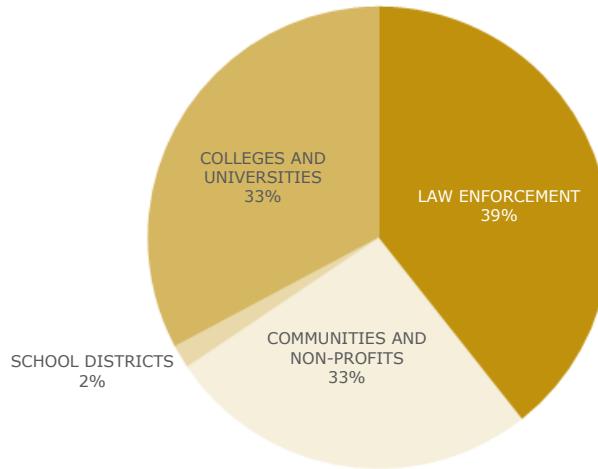
- **"We are a town with a College in it."**

- Symbiotic Relationships:
  - Each is thriving and each supports the other in this respect.
  - More applicants to University = higher quality of student; higher quality of student > higher positive impact in quality of life and future of town.
- Goal is to focus on two key questions: *"How can our University help us?"* and *"How can our University better collaborate with our community?"*



## GRANTS

Beginning in 2013, the Alcohol Education grants for reducing underage and dangerous drinking went to a two-year cycle. The total amount awarded for the 2013-15 grant cycle was \$2,140,976.76. In the first year of grant funding, \$1,065,606 was awarded to 61 grantees. The breakdown by type of grantee is:



TOTAL GRANT AMOUNT AWARDED  
FROM 2013 - 2015

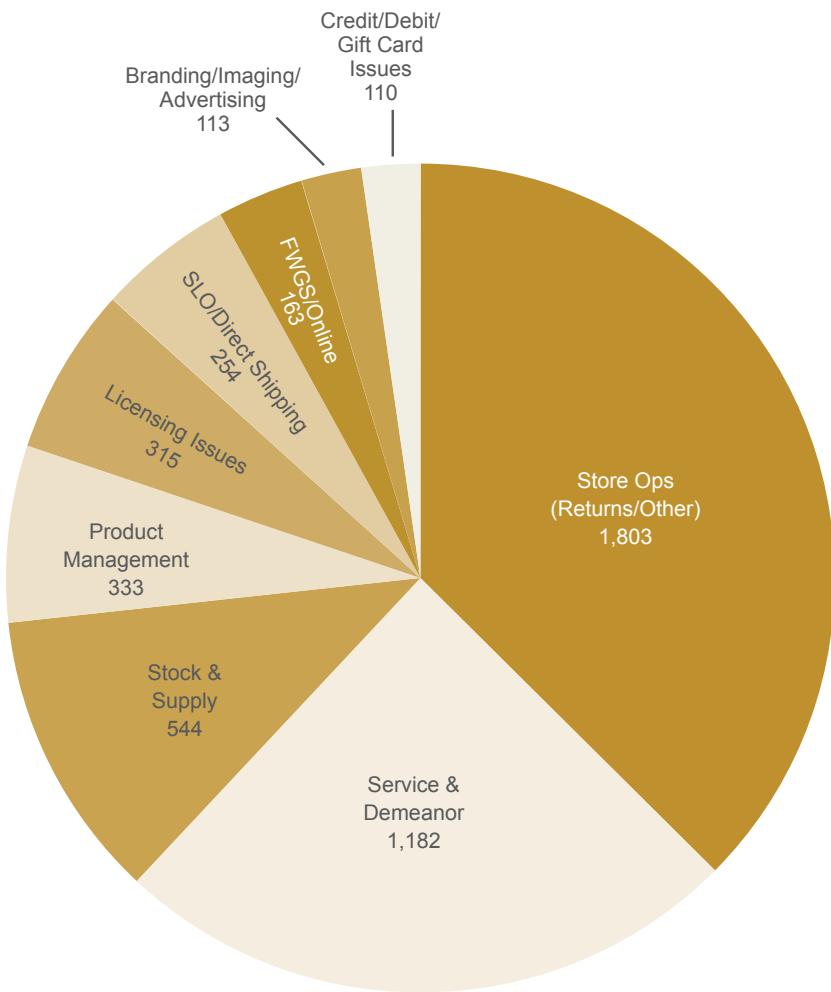
\$2,140,976.76

At the completion of first-year funding, grantees made 8,519,891 contacts with the public. Here are some of the ways people were reached:

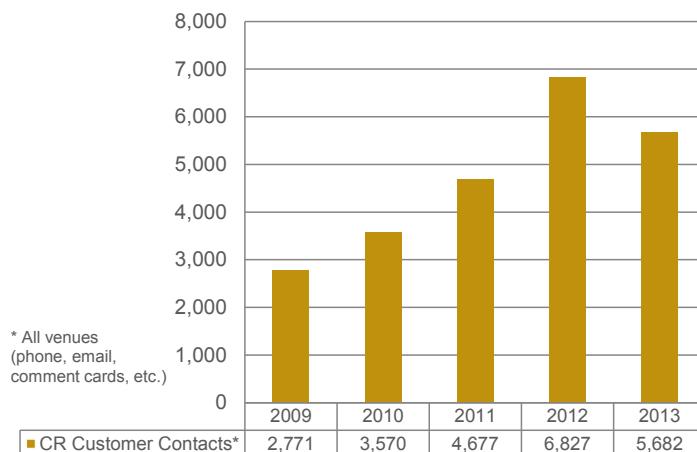
Police Patrols	983
Citations/Warnings as a Result of Patrols	3,727
Public Service Announcements Aired	1,041
Newspapers	22
Billboards	19
Surveys and Assessments	24
Social Norms Campaigns	8
Off-Campus Outreach (Good Neighbor Programs)	5

As an integral part of the Office of Regulatory Affairs, the Bureau of Consumer Relations provides and maintains an effective communication and resolution program for customer comments, concerns and complaints. Consumer Relations evaluates and responds to questions, concerns and inquiries from citizens, civic groups, legislative liaisons and licensees and their legal representatives. The topics are varied as indicated below.

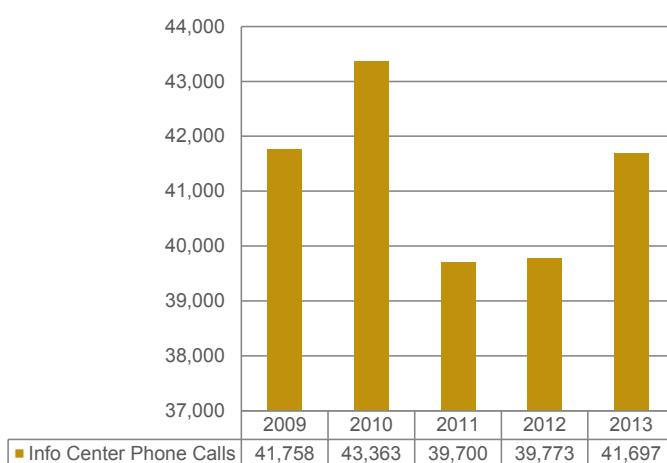
## TOPICS OF CONCERNS/INTERESTS



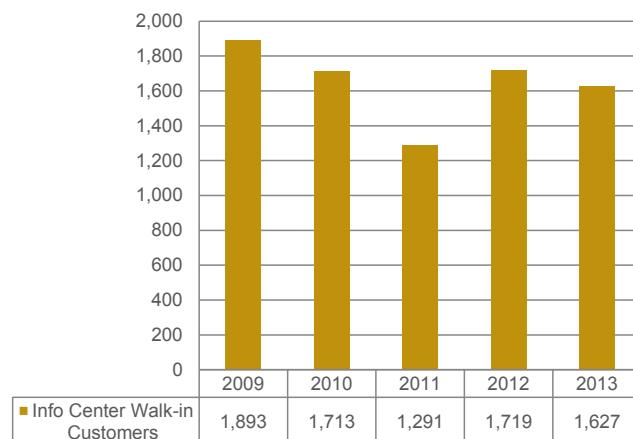
### TOTAL CONSUMER RELATIONS CUSTOMER CONTACTS\*



### LICENSING INFORMATION CENTER PHONE CALLS



### LICENSING INFORMATION CENTER WALK-IN CUSTOMERS



## ADMINISTRATION

The Office of Administration provides a broad range of services in support of the PLCB's mission. Responsibilities include the implementation of Board policies, procedures and regulations pertaining to labor relations, performance management, employee benefits and safety, staff training, telecommunications, fleet vehicle management and maintenance services.

## ADMINISTRATION

### DEMOGRAPHICS

WHITE MALE



WHITE FEMALE



Avg. Age for  
Store Employees

**44**  
years old

Avg. Age for  
Administrators

**48**  
years old

Avg. Length of  
Service for  
Store Employees

**7**  
years

Avg. Length of  
Service for  
Administrators

**14**  
years

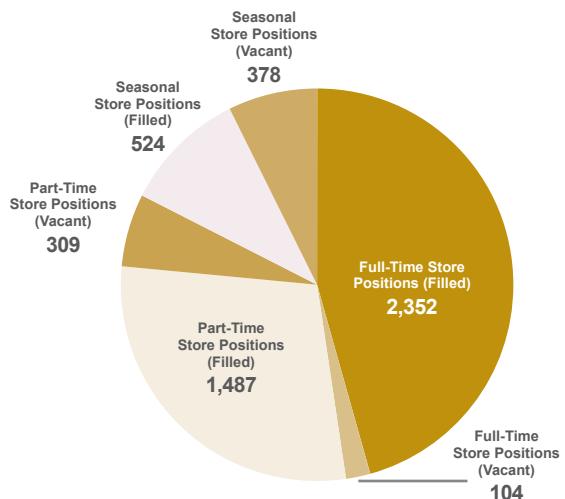
MINORITY MALE



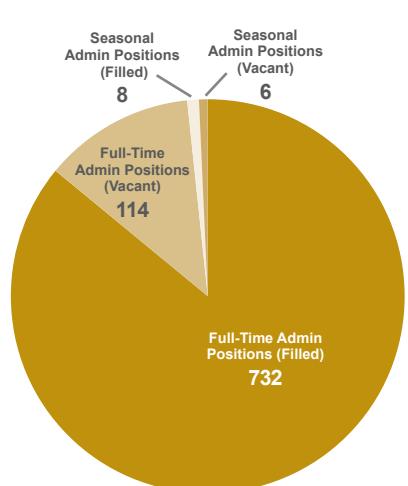
MINORITY FEMALE



TOTAL STORE POSITIONS (ON JUNE 30, 2014)



TOTAL ADMINISTRATION POSITIONS



### AGENCY TURNOVER RATES

SALARIED EMPLOYEES:

**8.5%**

INTERMITTENT CLERKS:

**36.9%**

NUMBER OF NEW  
HIRES & REHIRES  
(INCLUDING SEASONAL)



NUMBER OF  
PROMOTIONS



NUMBER OF LATERAL/  
REASSIGNMENT  
TRANSFERS





In Fiscal Year 2013-14, the Bureau of Talent Management and Organizational Development provided training to agency staff and management. Subjects taught included a completely new curriculum for Fine Wine & Good Spirits store general managers; basic, intermediate, advanced and master's wine courses; and store operations training for full- and part-time clerks.

## INSTRUCTOR-LED TRAINING

<b>47</b> different courses offered	<b>651</b> sessions held	<b>5,505</b> total participants
--	-----------------------------	------------------------------------

## WEB-BASED TRAINING

<b>22</b> courses	<b>3,064</b> completions
----------------------	-----------------------------

## TYPES OF TRAINING OFFERED

- |  |                                  |
|--|----------------------------------|
| <b>Human Resources Training</b>              | <b>Introduction to Spirits</b>   |
| <b>Health &amp; Safety Training</b>          | <b>Computer Training</b>         |
| <b>Basic Wine Course</b>                     | <b>New Hire Training</b>         |
| <b>Intermediate Wine Course</b>              | <b>Seasonal Hire Training</b>    |
| <b>Advanced Wine Course</b>                  | <b>Shift Runner Training</b>     |
| <b>Masters Wine Course</b>                   | <b>General Manager Training</b>  |
| <b>SWIRL Retail Wine Specialist Training</b> | <b>Customer Service Training</b> |
|  | <b>Store Operations Training</b> |



## AGENCY OVERVIEW

The statutory authority for the Liquor Control Board is Act 21 of April 12, 1951, P.L. 90; as reenacted by Act 14 of June 29, 1987, P.L. 32. In conformance with the Pennsylvania Liquor Code, the Pennsylvania Liquor Control Board regulates the manufacture, possession, sale, consumption, importation, use, storage, transportation and delivery of beverage alcohol in the commonwealth. All package sales of wines and spirits in Pennsylvania, with the exception of those sold by licensed limited wineries and distilleries, are made through the Fine Wine & Good Spirits stores operated by the Liquor Control Board. These include both retail sales to individual consumers and wholesale sales to licensed establishments where wines and spirits are sold by the drink. While malt and brewed beverages are not sold through the system, the Board does regulate those sales through the licensing of the distributors, restaurants, hotels, supermarkets and clubs, which sell those beverages.

The PLCB, an independent administrative board, is comprised of three members who are appointed by the Governor with the concurrence of two-thirds of the state Senate to staggered four-year terms. The Board is responsible for the management of the PLCB in the areas of directing the state-operated wine and spirits stores and authorizing the licensing of establishments that manufacture or sell beverage alcohol. While not mandated, the Board does provide for a comprehensive program of alcohol education aimed at promoting responsible consumption among legal consumers, and prevention of purchase and consumption by minors. The PLCB funds the operations of the Pennsylvania State Police, Bureau of Liquor Control Enforcement, which is responsible for enforcing the laws and regulations governing the trafficking of alcoholic beverages throughout the commonwealth.

The PLCB is primarily responsible for the accounting and reporting of the Liquor License Fund and the State Stores Fund. The Liquor License Fund is an agency fund which serves as a pass-through account for fees for Hotel, Restaurant and Club Liquor and/or Brewery licenses. These fees are returned semi-annually to the municipalities in which the licenses are located, while interest earned on fund deposits is credited to the General Fund.

The State Stores Fund is an enterprise fund, which serves as the general operating fund for the Liquor Control Board. This fund receives revenues from the sale of goods through Fine Wine & Good Spirits stores, fees not credited to the Liquor License Fund, fines and penalties for law violations by licensees, and losses and damages recovered. Expenditures cover all costs associated with the operation and administration of all PLCB functions as outlined and prescribed by the Pennsylvania Liquor Code. In addition, the fund also provides monies to the Pennsylvania State Police for enforcement of the Liquor Code, the Department of Drug & Alcohol Programs for alcohol abuse programs, the Department of the Auditor General for auditing services and the Office of Comptroller Operations assigned to the PLCB. Annual profit transfers are made from this fund to the General Fund.

## EXECUTIVE SUMMARY

The PLCB ended Fiscal Year 2013-14 with moderate growth in sales and gross margin. We attained that growth by offering consumers a broader selection of product offerings with a more attractive mix of discounts. We let consumers know about those discounts by focusing our limited advertising resources on high-impact media in targeted markets while also growing our social media presence to communicate directly with consumers. We remain committed to opening rebranded Fine Wine & Good Spirits stores, which are attractive and environmentally responsible and offer consumers a world-class shopping experience in a welcoming environment. In all of our new and remodeled Fine Wine & Good Spirits stores, we have used end caps to feature sale items and Chairman's Selections® products, and we expanded the number of stores carrying Chairman's Selection products as well. Further, the agency has continued to focus on staff training to improve customer service by providing wine information, recommendations and guidance when needed. We have at least one retail wine specialist at most of our Premium Collection stores to answer consumer wine pairing questions, provide product knowledge and help educate other staff members. As a result, the average price per bottle is up and so is the basket size per visit.

## REVENUES AND COSTS

### Sales

Sales and tax revenue in FY 2013-14 totaled \$2.240 billion, an increase of \$68.6 million or 3.2% over FY 2012-13. Sales growth was driven by a 3.5% increase in wine sales, which was paced by 5.6% increase in the Chairman's Selection product line, and by the offering of optimal selections with a more attractive mix of discounts. During the year, 26 Fine Wine & Good Spirit stores were rebranded or refurbished. In addition, PLCB trained store staff to improve customer service by providing wine information and assisting consumers with their purchases. The Chairman's Selection program has been a tremendous success for the PLCB. In the last five years, Chairman's Selection wine sales have grown at a compounded rate of 10.6%. Spirit sales increased a more modest 2.9% for the year. Over two-thirds of the sales increase was driven by volume increases as unit growth for both wine and spirits was higher by 2.3%. The advertising approach featured a year-round presence, with media spots focused on the consumer.

Within the PLCB's customer base, retail sales grew 3.7% while licensee sales increased by 0.7%; retail sales have grown to more than 79% of total stock sales. On a volume basis, wine units comprised 51.8% of units sold, the same as reported last year. Gallonage growth for wine was up 1.9% compared to 1.2% growth for spirits. Debit/credit card purchases represented 59.9% of sales, up from 58.4% last year. Average sale per debit and credit card transaction was \$30.21 and \$53.94, respectively, up from \$30.07 and \$53.24 reported last year.

## Gross Margin

Gross margin decreased to 31.1% in FY 2013-14 from 31.2% last year. The decrease is due in part to a shift in wine mix to Chairman's Selection items and increased sales of luxury and special order spirit products. Gross margin is reduced when the sales mix shifts to favor higher-priced products in which the bottle charge component of the mark-up formula is proportionally lower than in value and standard categories.

## Operating Income

Operating income for the year ended June 30, 2014, was \$148.6 million, \$3.7 million or 2.4% less than \$152.4 million reported last year. Without the \$8.9 million credit-to-benefit expense received in FY 2012-13 related to prior years, reported operating income would have been \$5.1 million, or 3.6% higher than reported last year.

Operating income declined due in part to the small decline in gross margin. In addition, operating expenses for the year were \$407.9 million, a \$20.3 million or 5.2% increase over last year.

The increase in PLCB operating expenses is attributable to state pension contributions, up \$7.0 million or 42.9%. Also, debit/credit card service fees increased by \$1.4 million or 6.6%, reflecting higher card usage versus other forms of tender, and store rent, up \$1.7 million or 4.1% due to store build-outs associated with store rebranding and refurbishment efforts. These increases were partially offset by reduced IT expenses associated with the decision to defer several system upgrades (\$4.0 million) until the next fiscal year, and lower advertising costs (\$1.3 million less).

## Operating Transfers Out

Pennsylvania State Police received \$25.0 million, an increase of \$1.0 million or 4.1% from the previous year to fund the operations of its Bureau of Liquor Control Enforcement. Over the last 5 years, PLCB transfers to Pennsylvania State Police have grown at a compounded rate of 5.6% while enforcement fines have declined by 1.6%. Transfer to the Department of Drug & Alcohol Programs decreased to \$2.5 million from \$2.6 million transferred last year. The Drug & Alcohol Program transfer is set by statute at 2% of profits and declined as a result of slightly lower reported net income. As directed by the Governor's Budget Office, \$80 million was transferred to the General Fund in March 2014. The PLCB generated \$525.8 million in contributions to the Pennsylvania Treasury; \$4.5 million in license fees were returned to local municipalities; and \$8.3 million in local sales tax was collected and fully remitted to Philadelphia and Allegheny counties.





October 8, 2014

Members of the  
Pennsylvania Liquor Control Board  
Harrisburg, Pennsylvania

We have compiled the accompanying comparative statement of net assets for the State Stores Fund as of June 30, 2014 and June 30, 2013, and the balance sheet for the Liquor License Fund as of June 30, 2014 and June 30, 2013, and the related State Stores Fund comparative statements of revenues, expenses, and changes in fund net assets for the period ended June 30, 2014 and June 30, 2013, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in black ink that reads "Anna Maria Kiehl".

Anna Maria Kiehl, CPA  
State Comptroller

**Commonwealth of Pennsylvania  
Pennsylvania Liquor Control Board  
State Stores Fund  
Comparative Statement of Net Assets  
(Unaudited)**

	<u><b>June 30, 2014</b></u>	<u><b>June 30, 2013</b></u>
<b>Assets:</b>		
Current Assets:		
Cash	\$ 30,962,295	\$ 18,406,904
Investments-Short Term	210,266,352	160,551,983
Accounts and Claims Receivable (Net)	1,076,297	1,060,825
Inventory - Merchandise	206,547,618	197,826,813
Inventory - Operating Supplies	239,272	799,263
Prepaid Expenses	<u>3,299,358</u>	<u>2,781,873</u>
Total Current Assets	<u>452,391,192</u>	<u>381,427,661</u>
Fixed Assets:		
Land	322,973	322,973
Buildings	19,557,620	19,620,370
Leasehold Improvements	2,478,307	2,911,837
Machinery and Equipment	38,200,697	36,543,314
Computer Software - Internally Generated	<u>52,924,520</u>	<u>62,281,915</u>
Total Fixed Assets	113,484,118	121,680,409
Less: Accumulated Depreciation/Amortization	<u>78,427,700</u>	<u>77,268,156</u>
Net Fixed Assets	<u>35,056,418</u>	<u>44,412,253</u>
Total Assets	<u>\$ 487,447,610</u>	<u>\$ 425,839,914</u>
<b><u>Liabilities and Fund Equity</u></b>		
<b>Liabilities:</b>		
Trade Accounts Payable	\$ 259,333,270	\$ 239,797,992
Other Accounts Payable	9,985,418	18,807,505
Other Accounts Payable - OPEB (Note 4)	63,629,717	57,378,883
Accrued Payroll-Related Expenses	42,287,324	39,652,481
Workers' Compensation Liability (Note 5)	30,564,708	30,918,369
Due to Other Funds	<u>4,458,138</u>	<u>3,304,571</u>
Total Liabilities	410,258,575	389,859,801
<b>Net Assets:</b>		
Invested in Capital Assets, net of related debt	35,056,418	44,412,253
Unrestricted	<u>42,132,617</u>	<u>(8,432,140)</u>
<b>Total Net Assets</b>	<b><u>\$ 77,189,035</u></b>	<b><u>\$ 35,980,113</u></b>

See Accountant's Compilation Report  
The accompanying notes are an integral part of these statements.

**Commonwealth of Pennsylvania  
Pennsylvania Liquor Control Board  
Liquor License Fund  
Balance Sheet  
As of June 30, 2014  
(Unaudited)**

	<u>June 2014</u>	<u>June 2013</u>
<b>Assets:</b>		
Cash in Transit	\$ 61,900	\$ 69,380
Investments - Short Term	<u>2,351,311</u>	<u>2,292,055</u>
Total Assets	<u>\$ 2,413,211</u>	<u>\$ 2,361,435</u>
 <b>Liabilities:</b>		
License Fees due Municipalities	\$ 2,411,161	\$ 2,359,385
Other Liabilities	<u>2,050</u>	<u>2,050</u>
Total Liabilities	<u>\$ 2,413,211</u>	<u>\$ 2,361,435</u>

See Accountant's Compilation Report  
The accompanying notes are an integral part of these statements.

**Commonwealth of Pennsylvania  
Pennsylvania Liquor Control Board  
State Stores Fund**  
**Comparative Statements of Revenues, Expenses, and Changes in Net Assets**  
**For The Twelve Months Ending June 30, 2014 and June 30, 2013**  
**(Unaudited)**

	<b>2013-14</b>	<b>2012-13</b>
Sales Net of Taxes	\$ 1,786,501,686	\$ 1,731,463,014
Cost of Goods Sold	1,230,666,757	1,192,047,304
<b>Gross Revenue from Sales</b>	<b>555,834,929</b>	<b>539,415,710</b>
 Operating Expenses:		
Purchasing, Storage & Transportation	16,227,858	16,286,801
Stores' Operations & Supervision	311,381,039	286,349,013
Central Administrative Support	62,668,851	68,595,789
Comptroller Operations	4,864,094	4,889,463
Commonwealth-Provided Services (Note 2)	12,733,971	11,416,921
Total	407,875,813	387,537,987
<b>Operating Income</b>	<b>147,959,116</b>	<b>151,877,723</b>
 Nonoperating Revenues (Expenses):		
Enforcement Fines	1,766,657	1,346,662
Interest Income	419,817	503,060
License Fees	12,050,182	11,901,883
Miscellaneous Income	3,048,474	2,348,475
Administrative Law Judge	(2,314,564)	(2,121,724)
Legal	(3,246,800)	(2,723,331)
Licensing & Investigations	(11,041,736)	(10,782,410)
Total	682,029	472,615
<b>Income Before Operating Transfers</b>	<b>148,641,144</b>	<b>152,350,338</b>
 Operating Transfers Out:		
PSP Enforcement (Note 3)	24,958,572	23,984,381
<b>Income After Enforcement/Before Other Transfers</b>	<b>123,682,573</b>	<b>128,365,957</b>
 Other Operating Transfers Out:		
General Fund Appropriations (Note 3)	80,000,000	80,000,000
Drug and Alcohol Programs (Note 3)	2,473,651	2,567,319
Total	82,473,651	82,567,319
 <b>Change in Net Assets</b>	<b>41,208,921</b>	<b>45,798,638</b>
Total Net Assets - Beginning	35,980,113	(9,818,525)
<b>Total Net Assets - Ending</b>	<b>\$ 77,189,035</b>	<b>\$ 35,980,113</b>

See Accountant's Compilation Report  
The accompanying notes are an integral part of these statements.

**Commonwealth of Pennsylvania  
Pennsylvania Liquor Control Board  
State Stores Fund  
Statement of Cash Flows  
For the Period July 1, 2013 to June 30, 2014  
(Unaudited)**

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**Cash Flows From Operating Activities:**

Receipts from customers	\$ 1,803,351,525
Payments to suppliers	(1,630,219,496)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>173,132,029</b>

**Cash Flows From Noncapital Financing Activities:**

PSP expenses	(24,958,571)
General Fund Transfer	(82,473,651)
<b>Net Cash Used For Noncapital Financing Activities</b>	<b>(107,432,222)</b>

**Cash Flows From Capital and Related Financing Activities:**

Acquisition and construction of capital assets	(3,936,988)
Disposition of capital assets	87,124
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>(3,849,864)</b>

**Cash Flows From Investing Activities:**

Purchase of investments	(1,400,225,075)
Proceeds from sale and maturities of investments	1,350,510,706
Investment income	419,817
<b>Net Cash Used in Investing Activities</b>	<b>(49,294,552)</b>

<b>Net Increase in Cash</b>	<b>12,555,391</b>
Cash - July 1, 2013	18,406,904
<b>Cash - June 30, 2014</b>	<b>\$ 30,962,295</b>

**Reconciliation of Operating Income (Loss) to Net****Cash Provided by (Used for) Operating Activities:**

<b>Operating Income</b>	<b>148,221,327</b>
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	13,205,698
Increase in Accounts Receivable	(15,472)
Increase in Inventory	(8,160,814)
Increase in Prepaid expenses	(517,485)
Increase in Accounts Payable and accrued liabilities	19,245,207
Increase in Due to other funds	1,153,567
<b>Total Adjustments</b>	<b>24,910,702</b>
<b>Net Cash Provided By (Used For) Operating Activities:</b>	<b>\$ 173,132,029</b>

See Accountant's Compilation Report  
The accompanying notes are an integral part of these statements

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COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA LIQUOR CONTROL BOARD  
STATE STORES AND LIQUOR LICENSE FUNDS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennsylvania Liquor Control Board (PLCB), established in 1933 upon the repeal of Prohibition, was mandated the responsibility of protecting the peace and morals of Pennsylvania citizens by regulating the sale of alcoholic beverages. The PLCB's mission remained relatively constant until the passage of *Act 14* in 1987. As a result, liquor law enforcement authority was transferred to the Pennsylvania State Police, and the Office of the Administrative Law Judge was created to preside over all citation cases and other enforcement hearings.

The significant accounting policies employed by the Pennsylvania Liquor Control Board (PLCB) in the preparation of the accompanying financial statements are as follows:

**Basis of Presentation:** The Pennsylvania Liquor Control Board is primarily responsible for the accounting and reporting of the State Stores Fund and the Liquor License Fund, except for funds appropriated from the State Stores Fund to the Pennsylvania State Police (PSP) for Liquor Code enforcement activities and to the Department of Health for alcohol abuse programs. The State Stores Fund is an enterprise fund primarily used to account for wine and spirits sales and related operating expenses. The Liquor License Fund is an agency fund used for the collection and subsequent disbursement of certain annual license fees, which are returned to municipalities.

The preparation of financial statements in conformity with generally accepted accounting principles requires the PLCB to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Period:** The State Stores Fund and the Liquor License Fund is accounted for on a fiscal year basis, comprised of twelve (12) calendar months.

**Basis of Accounting:** The financial statements of the State Stores Fund are presented on the accrual basis of accounting according to Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Accrual basis accounting requires recognition of revenue when earned and recognition of expenses when incurred. The Liquor License Fund is normally presented on the modified accrual basis of accounting for recognizing assets and liabilities. However, year-end reporting is on the full accrual basis according to GASB 34 requirements.

Cash: Cash includes PLCB funds held by the State Treasurer, imprest balances held at financial institutions and change funds used at stores.

Investments: The PLCB participates in the Commonwealth Investment Program administered by the Pennsylvania Treasury Department. PLCB's funds in the Commonwealth Investment Program are invested in short-term fixed income investments and cash which provides a high degree of liquidity and security.

Merchandise Inventories: Inventories are stated at weighted average cost. Product warehousing and handling, as well as transportation to store costs, are reported as part of Merchandise Inventories and are charged to Cost of Goods Sold as product is sold.

Capital Assets: Capital assets are reported at cost. Depreciation is calculated for buildings, machinery and equipment; amortization is calculated for Internally-Generated Computer Software. Both depreciation and amortization are calculated on the straight-line basis over the capital assets' estimated useful lives.

Compensated Absences: Employees accumulate annual leave based on 2.7% to 10% of regular hours paid to a maximum of 45 days. Employees are paid for accumulated annual leave upon termination or retirement.

Employees accumulate sick leave based on 5% of regular hours paid to a maximum of 300 days. Retiring employees that meet service, age, or disability requirements are paid for 30% to 50% of their accumulated unused sick leave.

The accumulated annual and sick leave and related payroll benefits reported for fiscal years ended June 30, 2014 and June 30, 2013 was \$24,641,085 and \$24,656,514 respectively.

Sales: All taxes are excluded from Sales reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The 18% state liquor excise taxes (emergency tax), the 6% state sales taxes and the local sales taxes are collected and remitted monthly to the Department of Revenue for the General Fund. Taxes collected for the Period July 1, 2013 to June 30, 2014 are as follows:

Liquor Tax	\$320,911,580
State Sales Tax	124,880,357
Local Sales Tax	<u>8,269,803</u>
Total	\$454,061,740

## 2. COMMONWEALTH-PROVIDED SERVICES

Expenses reflected in Commonwealth-Provided Services include year-to-date charges for interagency billings for services provided by the following agencies:

Auditor General Services	\$ 3,714,329
Consolidated Data Services	4,084,757
Treasury Department Services	224,238
Civil Service Commission Services	950,878
Payroll Operations Services	330,449
Drug and Alcohol Program Expenses	398
<b>OA Office</b>	
Classification & Pay Services	263,171
Strategic Services/SEAP	183,449
IES -Contracted Main services	1,750,426
OA Telecommunication charges	364,053
<b>Dept of General services</b>	
Real Estate & Shared Services Accrual	763,244
Employee Self & Tort Insurance	104,579
	<b><u>\$ 12,733,971</u></b>

## 3. OPERATING TRANSFERS OUT

These amounts represent operating transfers as follows:

### PSP Enforcement

Funds provided for operating expenses of the Pennsylvania State Police, Bureau of Liquor Control Enforcement.

### General Fund

Funds transferred to the General Fund to be used for general appropriation purposes.

### Drug & Alcohol Programs

Funds transferred to the Department of Drug and Alcohol for administering rehabilitation programs.

#### 4. OTHER POST EMPLOYMENT BENEFITS FOR EMPLOYEES (OPEB)

Employees of the PLCB participate in the Retired Employees Health Program (REHP), which is sponsored by the Commonwealth of PA and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). PLCB's allocated share of the Commonwealth's REHP annual required contribution is established by the Office of Administration and the Governor's Budget Office. The REHP annual required contribution for the fiscal years ended June 30, 2014 and 2013 was not fully funded. The PLCB's allocated OPEB liability was \$63.63M as of June 30, 2014 and \$57.38M as of June 30, 2013.

#### 5. SELF INSURANCE LIABILITY

The Commonwealth of Pennsylvania is self-insured for statutory workers' compensation, which includes indemnity and medical benefits (employee disability) for employees injured on the job. The Self Insurance liability is calculated actuarially on an annual basis and is included in the financial statements. In addition to the amounts paid during the fiscal year, the State Stores Fund is liable for \$30.56M as of June 30, 2014 for PLCB employee disability due to business-type activities.

#### 6. LITIGATION

The PLCB is a defendant in various legal proceedings pertaining to matters normally incidental to routine operations. The probability of an adverse decision and/or damage assessment in these matters is indeterminate.

#### 7. OPERATING LEASE COMMITMENTS

The PLCB has commitments to lease certain buildings. Future minimum rental commitments for noncancellable operating leases as of June 30, 2014, were as follows (expressed in thousands):

<u>Year Ending June</u>	<u>Real Estate</u>
2015	\$36,149
2016	26,157
2017	18,289
2018	13,222
2019	<u>9,311</u>
Total Minimum Lease Payments	<u>\$103,128</u>

Rental expense for all operating leases for the period ending June 30, 2014, amounted to \$43.52M.



*In order to be fiscally and environmentally responsible, the Pennsylvania Liquor Control Board limits the printing of this document. This annual report can be accessed online at [www.lcb.state.pa.us](http://www.lcb.state.pa.us).*