

**68th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 2002 to June 30, 2003
Summary of Operations**

Background

Utah is one of 19 "control" jurisdictions that control the sale of alcoholic beverages, (18 control states and Montgomery County, Maryland, an affiliate of the control state system). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages. The result: private seller mark-ups are replaced with revenues generated for the state to support public goals of moderation and revenue enhancement.

The Utah Department of Alcoholic Beverage Control is governed by a five member, part time commission. The commission employs a full time director to oversee the day-to-day operation of the department. The policy of the department, as set by statute, is to operate as a public business using sound management principles and practices, and function with the intent of servicing the public demand for alcoholic beverages.

The Department operates a statewide network of state stores and package agencies that sell all alcoholic beverages, except beer containing less than 4% by volume (which is sold in grocery and convenience stores). The department also administers the liquor laws, and regulates the sale, service, storage, manufacture, distribution, and consumption of alcoholic products.

Utah's liquor control system offers definite advantages to Utah's citizens. Liquor sales provide a major source of income to the state's general fund which relieves the taxpayers of a significant tax burden each year and contributes heavily to state government programs, including health and education. In addition, school lunch funds and taxes are collected and dispensed from liquor sales.

Under the provisions of Utah Code Annotated 32A-1-115 (1953), as amended, up to \$4,350,000 may be appropriated from liquor profits to be distributed each year to cities, towns and counties. The appropriation supplements the budget of each city, town, and county within the state, and is used exclusively for programs or projects related to alcohol prevention, rehabilitation, detection, prosecution, and control. For FY 2003 no distribution was appropriated.

Annual statistical data clearly shows that per capita consumption of alcoholic beverages is significantly lower in control states.

Liquor Control States

Alabama	Michigan	Ohio	Virginia
Idaho	Mississippi	Oregon	Washington
Iowa	Montana	Pennsylvania	West Virginia
Maine	New Hampshire	Utah	Wyoming
Maryland (<i>Only Montgomery County</i>)	North Carolina	Vermont	

**Average Consumption Per Capita in Utah
For Fiscal Year 2003 and Fiscal Year 2002***

	<u>FY 03</u> <small>(In gallons)</small>	<u>FY 02</u> <small>(In gallons)</small>
Average Consumption Per Capita in Utah for Wine :	.837	.814
Average Consumption Per Capita in Utah for Spirits :	.712	.709
Average Consumption Per Capita in Utah for Heavy Beer :	.302	.303
Average Consumption Per Capita in Utah for All Products :	1.850	1.827

*Based on Population of 2,337,000 as of June 30, 2003 and 2,335,000 as of June 30, 2002

Comparative Gallonage for Utah	FY 2003 Gallons	FY 2002 Gallons
Wine	1,956,085	1,901,612
Heavy Beer	705,351	708,116
Whiskey	535,735	534,230
Vodka	476,747	459,289
Misc. Liquor	246,750	258,679
Rum	212,744	212,605
Tequila	87,857	86,295
Gin	64,885	66,682
Brandy	38,100	38,231
TOTAL GALLONS	4,324,254	4,265,738

A Continuing Commitment to Responsible Moderation:

At a time when alcohol is generally regarded as the number one drug problem in America, with millions of adult and teenage problem drinkers, the public responsibility to promote moderation is painfully clear. It's not alcohol itself, but abuse of it that is dangerous. Most drinkers use alcohol in moderation without posing a risk to the safety of others. However, ways must be found to prevent its abuse.

**KNOW YOUR LIMIT
NUMBER OF DRINKS IN ONE HOUR
APPROXIMATE BLOOD ALCOHOL CONTENT (BAC)**

DRINKS	BODY WEIGHT IN POUNDS								
	100	120	140	160	180	200	220	240	
1	.04	.03	.03	.02	.02	.02	.02	.02	RISKY
2	.08	.06	.05	.05	.04	.04	.03	.03	
3	.11	.09	.08	.07	.06	.06	.05	.05	
4	.15	.12	.11	.09	.08	.08	.07	.06	
5	.19	.16	.13	.12	.11	.09	.09	.08	ILLEGAL
6	.23	.19	.16	.14	.13	.11	.10	.09	
7	.26	.22	.19	.16	.15	.13	.12	.11	
8	.30	.25	.21	.19	.17	.15	.14	.13	
9	.34	.28	.24	.21	.19	.17	.15	.14	
10	.38	.31	.27	.23	.21	.19	.17	.16	

- Subtract .01% for each hour of drinking.
- > In Utah the legal BAC limit is 0.08%.
 - > At 0.08% your risk of a crash is 6 times normal.
 - > At 0.15% it is 25 times normal.

No person should rely on this information for the purpose of making a decision to drive an automobile. **If you drink, don't drive.**

Utah law prohibits the sale of alcoholic beverages

- To persons under 21 years of age.
- To intoxicated people.
- To interdicted persons.

STATEMENT OF OPERATION	FY 2003	FY 2002
Operating Revenue:		
Retail Sales	156,632,719	155,029,580
Military Sales	1,773,043	1,600,311
Total Sales	\$158,405,762	\$156,629,891
Cost of Goods Sold	84,173,030	83,278,716
Gross Profit	\$74,232,731	\$73,351,175
Permits, Licenses & Fees	1,225,531	921,996
Misc. Other Income	119,180	15,846
Total Other Income	1,344,711	937,842
Total Revenue	\$75,577,442	\$74,289,017
Operating Expenses:		
Salaries, Wages & Benefits	10,593,760	10,403,735
Maint. & Repairs/Oper. Supplies	1,236,788	1,022,483
Rentals & Leases (Note H)	1,276,201	1,182,007
P.A. Contracts	1,455,264	1,438,927
Depreciation	1,322,881	1,409,087
Postage, Printing & Supplies	365,751	314,144
Data Processing	447,288	521,591
Professional & Tech. Services	366,345	396,878
Utilities	155,948	144,873
Misc. Other Expenses	126,159	147,233
Telephone	133,944	130,450
Travel Expense	23,120	22,924
Cash Over	53,610	68,362
Insurance & Bonds	40,417	36,690
Total Operating Expenses	\$17,595,482	\$17,239,384
Other Expenses:		
Claims Against Suppliers	18,517	1,531
Loss From Breakage & Damage	14,313	3,761
Transfer to Other Funds	0	0
Total Other Expenses	\$32,830	\$5,292
Total Expenses	\$17,628,313	\$17,244,676
Net Operating Income	\$57,949,130	\$57,044,341
Less: Taxes Collected		
School Lunch Tax	15,884,422	15,863,648
Sales Tax	8,896,989	8,639,619
Total Taxes Collected	\$24,781,411	\$24,503,267
Net Profit	\$33,167,719	\$32,541,074
Current Assets:		
Cash In Banks & Treasurer (Note B)	0	0
Petty Cash & Change Fund	106,750	103,250
Total Cash	\$106,750	\$103,250
Other Current Assets:		
Accounts Receivable	3,442,451	12,752,768
Inventories (Note C)	16,642,854	16,193,303
Prepaid Expenses (Note D)	44,182	41,242
Total Other Current Assets	20,129,486	28,987,313
Total Current Assets	\$20,236,236	\$29,090,563
Property & Equipment:		
Land	5,485,925	4,995,353
Buildings	28,451,263	19,393,053
Building Improvements	576,511	561,754
Data Processing Equipment	3,200,515	3,145,926
Furniture, Fixtures & Equipment	2,136,408	2,150,394
Capital Leases	1,561,530	1,638,058
Delivery Equipment	853,041	853,041
Total Property & Equipment	42,265,192	32,737,578
Less: Accumulated Depreciation	(10,205,494)	(8,896,599)
Net Property & Equipment	32,059,698	23,840,979
Total Assets	\$52,295,934	\$52,931,542
	FY 2003	FY 2002

Current Liabilities:		
Accounts Payable-(Note F)	17,834,406	17,261,995
Bonds	871,685	471,685
Capital Leases	0	0
Accrued Payroll	520,047	635,956
Accrued Annual Leave Payable	3,949	865
Taxes Payable	(319)	(188)
Deposit In Lieu of Bond	192,000	128,000
Deferred Revenue	0	0
Total Current Liabilities	\$19,421,768	\$18,498,313

Long-Term Debt:		
Due To General Fund (Note G)	8,756,644	9,548,713
Bonds	20,489,234	21,372,381
Capital Leases	1,807,741	1,691,588
Total Long Term Debt	\$31,053,619	\$32,612,682

Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(33,169,219)	(32,541,074)
Working Capital	201,000	201,000
Current Profit	33,169,219	32,541,074
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
Total Liabilities, Advances & Retained Earnings	\$52,295,934	\$52,931,542

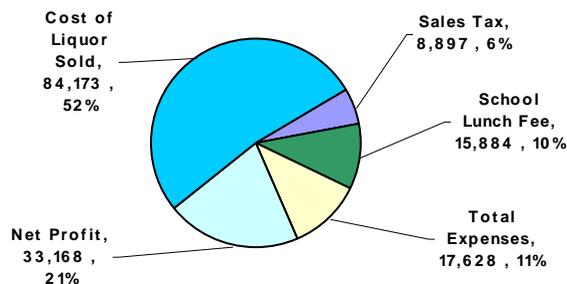
Liquor Outlets in Operation (as of June 30, 2003)

State Liquor Stores.....	37
Package Agencies.....	88

Case Sales

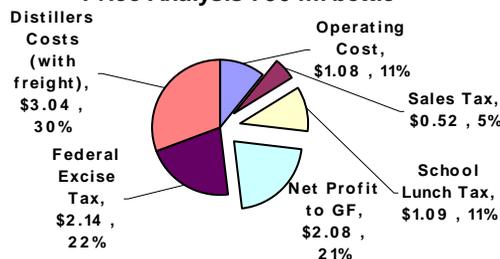
Total case sales in all categories of spirituous liquor amounted to 1,629,553 cases in fiscal year 2003, an increase of 25,750 cases from fiscal year 2002.

Distribution of dollars for FY2003



Net Profit, School Lunch Fee and Sales Tax are State Revenue. Percentages based on gross sales and fees of \$159,750. (Values shown in rounded thousands of \$)

Price Analysis 750 ml bottle



Exploded segments represent spendable State revenue based on a 750 ml bottle, with a retail price of \$9.95.

NOTE A: ACCOUNTING POLICIES: The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by Section 51-5-5 of the Utah Code Annotated (1953), as amended. The administrative operating budget is subject to legislative controls. The transfer of profits to the general fund is determined by the department's internal accounting system, which is on an accrual basis in accordance with generally accepted accounting principles. The current markup, effective May 5, 2003, is as follows: distilled spirits, wine, champagne 64.5%, and beer 75%. Beginning with the fiscal year ended June 30, 1978, the department has reported its sales at the gross amount based on published prices, which includes school lunch, sales, and transit taxes.

NOTE B: CASH: All cash receipts are deposited in bank accounts to the credit of the State Treasurer; then, depending on the particular account, these funds are transferred, generally on a daily basis, to the Liquor Control Fund.

NOTE C: INVENTORIES: Inventories are valued at FIFO and consist of merchandise stored in our warehouse and each of the outlets (37 stores and 88 package agencies). It also includes general supplies and liquor bags at the warehouse.

NOTE D: PREPAID EXPENSES: Prepaid expenses consist of advance payments that have been made for insurance, dues, maintenance agreements, and postage that will be expended during subsequent periods.

NOTE E: PROPERTY AND EQUIPMENT: Property and equipment are stated on the balance sheet at cost and are depreciated on the straight-line method over the estimated service lives of the assets.

NOTE F: ACCOUNTS PAYABLE: Accounts payable represent the current liabilities incurred for incoming freight, operating costs, and the purchase of merchandise.

NOTE G: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year, \$198,568 in fixed assets were purchased; therefore, that amount was withheld from the transfer to the General Fund and adjusted to the long term debt due to the General Fund. An amount equal to the depreciation reduces that debt.

NOTE H: RENTALS AND LEASES: Leases are the result of competitive bids or negotiations. A standard lease agreement has been developed. The more recent leases now provide for payment of taxes and sometimes insurance when they exceed those of a base period. None of the current leases contain provisions for minimum payment in case of cancellation by the state, but they all contain a provision in case of a change in the law that might have an impact upon the operation of the department.

Utah Department of Alcoholic Beverage Control Commission

Commissioners
 Nicholas E. Hales, Chairman
 Larry V. Lunt
 Mary Ann Mantes
 Ted D. Lewis
 Frank W. Budd

Commission Meetings: Held monthly at the Department's office in Salt Lake City (1625 South 900 West).

Executive Administration
 Kenneth F. Wynn, Director
 Dennis R. Kellen, Operations Manager
 Earl F. Dorius, Compliance & Licensing Manager

Personnel
 (Positions filled as of June 30, 2003)

Administrative Office	41
Warehouse	29
Stores	
Full Time Employees.....	140
Part Time Employees	276
Total Store Employees.....	416
Total Employees.....	486

The Utah Department of Alcoholic Beverage Control would be happy to provide additional information on our activities. Please contact our office as listed on the front cover.



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Alcoholic Beverage Control

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