

**69th Annual Report  
Utah Department of Alcoholic Beverage Control  
Kenneth F. Wynn, Director  
July 1, 2003 to June 30, 2004  
Summary of Operations**

**Background**

Utah is one of 19 "control" jurisdictions in the nation that controls the sale of alcoholic beverages (there are 18 states and the county of Montgomery in Maryland). These jurisdictions, which regulate their own retail and/or wholesale distribution of alcoholic beverages, account for nearly one-third of the U.S. population. The results: revenues that would otherwise go to mark ups for private sellers are, instead, funneled into state coffers and used to support public goals of moderation and government 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% alcohol 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 significant source of income to the state's general fund which serves to relieve the individual tax burden of Utah citizens. In addition, the school lunch program receives substantial funding from a tax on liquor sales.

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 2004 and Fiscal Year 2003\***

	<b>FY 04</b>	<b>FY 03</b>
	<i>(In gallons)</i>	<i>(In gallons)</i>
Average Consumption Per Capita in Utah for <b>Wine</b> :	.877	.837
Average Consumption Per Capita in Utah for <b>Spirits</b> :	.725	.712
Average Consumption Per Capita in Utah for <b>Heavy Beer</b> :	.314	.302
Average Consumption Per Capita in Utah for <b>All Products</b> :	1.916	1.851

\*Based on Population of 2,355,120 as of June 30, 2004 and 2,337,000 as of June 30, 2003

**Comparative Gallonage for Utah**

	<b>FY 2004</b>	<b>FY 2003</b>
Wine	2,066,605	1,956,085
Heavy Beer	740,365	705,351
Whiskey	535,934	535,735
Vodka	501,154	476,747
Misc. Liquor	252,950	246,750
Rum	222,476	212,744
Tequila	91,956	87,857
Gin	64,533	64,885
Brandy	39,064	38,100
<b>TOTAL GALLONS</b>	<b>4,515,037</b>	<b>4,324,254</b>

**STATEMENT OF OPERATION**

	<b>FY 2004</b>	<b>FY 2003</b>
<b>Operating Revenue:</b>		
Retail Sales	166,448,645	156,632,719
Military Sales	1,820,619	1,773,043
<b>Total Sales</b>	<b>\$168,269,264</b>	<b>\$158,405,762</b>
Cost of Goods Sold	87,157,312	84,173,031
<b>Gross Profit</b>	<b>\$81,111,952</b>	<b>\$74,232,731</b>
Permits, Licenses & Fees	1,752,693	1,225,531
Misc. Other Income	30,385	119,180
Total Other Income	1,783,078	1,344,711
<b>Total Revenue</b>	<b>\$82,895,030</b>	<b>\$75,577,442</b>
<b>Operating Expenses:</b>		
Salaries, Wages & Benefits	10,827,325	10,593,760
Maint. & Repairs/Oper. Supplies	1,952,104	1,235,288
Rentals & Leases (Note B)	1,775,357	1,276,201
P.A. Contracts	1,448,197	1,455,264
Depreciation	1,323,331	1,322,881
Data Processing	761,540	447,288
Professional & Tech. Services	368,367	366,345
Postage, Printing & Supplies	293,337	365,751
Utilities	202,286	155,948
Telephone	143,108	133,944
Misc. Other Expenses	128,547	124,165
Insurance & Bonds	79,158	40,417
Travel Expense	25,201	23,120
Cash Over & Short	18,954	53,610
<b>Total Operating Expenses</b>	<b>\$19,346,812</b>	<b>\$17,593,982</b>
<b>Other Expenses:</b>		
Loss From Breakage & Damage	25,483	14,313
Claims Against Suppliers	4,580	18,517
Transfer to Other Funds	0	0
<b>Total Other Expenses</b>	<b>\$30,063</b>	<b>\$32,830</b>
<b>Total Expenses</b>	<b>\$19,376,875</b>	<b>\$17,626,812</b>
<b>Net Operating Income</b>	<b>\$63,518,155</b>	<b>\$57,950,630</b>
Less: Taxes Collected		
School Lunch Tax	16,801,840	15,884,422
Sales Tax	9,589,549	8,896,989
<b>Total Taxes Collected</b>	<b>\$26,391,389</b>	<b>\$24,781,411</b>
<b>Net Profit</b>	<b>\$37,126,766</b>	<b>\$33,169,219</b>
<b>Current Assets:</b>		
Cash In Banks & Treasurer (Note C)	0	0
Petty Cash & Change Fund	107,050	106,750
<b>Total Cash</b>	<b>\$107,050</b>	<b>\$106,750</b>
<b>Other Current Assets:</b>		
Inventories (Note D)	17,433,213	16,642,854
Accounts Receivable	4,476,884	3,442,450
Prepaid Expenses (Note E)	43,910	44,182
Total Other Current Assets	21,954,007	20,129,486
<b>Total Current Assets</b>	<b>\$22,061,057</b>	<b>\$20,236,236</b>
<b>Property &amp; Equipment:</b>		
Buildings	29,042,165	28,451,263
Land	5,490,089	5,485,925
Data Processing Equipment	3,765,132	3,200,515
Furniture, Fixtures & Equipment	2,294,233	2,136,406
Capital Leases	1,561,531	1,561,531
Delivery Equipment	861,102	853,041
Building Improvements	527,040	576,511
Total Property & Equipment (Note F)	43,541,292	42,265,192
Less: Accumulated Depreciation	(11,259,073)	(10,205,494)
Net Property & Equipment	32,282,219	32,059,698
<b>Total Assets</b>	<b>\$54,343,276</b>	<b>\$52,295,934</b>
	<b>FY 2004</b>	<b>FY 2003</b>

**Current Liabilities:**

Accounts Payable-(Note G)	18,762,064	17,834,405
Bonds payable	991,854	871,685
Accrued Payroll	581,208	520,047
Deposit In Lieu of Bond	246,100	192,000
Accrued Annual Leave Payable	4,009	3,949
Taxes Payable	(10,121)	(319)
<b>Total Current Liabilities</b>	<b>\$20,575,202</b>	<b>\$19,421,767</b>

**Long-Term Debt:**

Bonds	21,379,229	20,489,234
Due To General Fund (Note H)	8,211,753	8,756,643
Capital Leases	2,356,545	1,807,743
<b>Total Long Term Debt</b>	<b>\$31,947,527</b>	<b>\$31,053,620</b>

**Fund Balance:**

Current Profit	37,126,766	33,169,219
Investment in Fixed Assets	1,619,547	1,619,547
Working Capital	201,000	201,000
Current Year Earning	(37,126,766)	(33,169,219)
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
<b>Total Liabilities, Advances &amp; Retained Earnings</b>	<b>\$54,343,276</b>	<b>\$52,295,934</b>

**NOTE A: ACCOUNTING POLICIES:** The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by the Division of State Finance. 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: 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. Also Included is the interest expense on the annual bond payments for the state owned liquor stores.

**NOTE C: 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 D: INVENTORIES:** Inventories are valued at FIFO and consist of merchandise stored in our warehouse and at each of the 37 stores. It also includes general supplies and liquor bags at the warehouse.

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

**NOTE H: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND:** During the fiscal year, \$515,000 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.

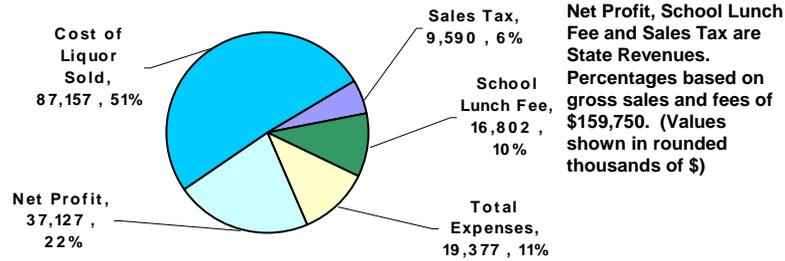
**Liquor Outlets in Operation (as of June 30, 2004)**

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

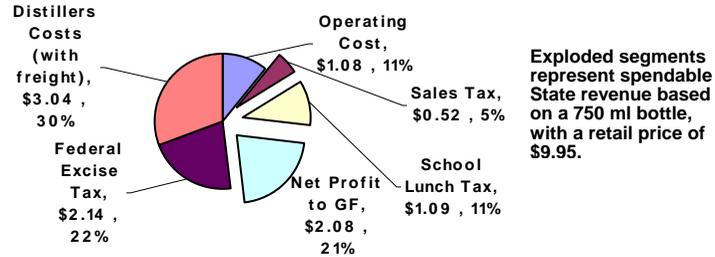
**Case Sales**

Total case sales in all categories of spirituous liquor amounted to 1,698,541 cases in fiscal year 2004, an increase of 68,988 cases from fiscal year 2003.

**Distribution of dollars for FY2004**



**Price Analysis 750 ml bottle**



**Utah Department of Alcoholic Beverage Control Commission**

**Commissioners**

- Larry V. Lunt, Chairman
- Nicholas E. Hales
- 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, 2004)

Administrative Office .....	44
Warehouse .....	31
<b>Stores</b>	
Full Time Employees.....	152
Part Time Employees .....	289
<b>Total Store Employees.....</b>	<b>441</b>
<b>Total Employees.....</b>	<b>516</b>

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.



The Utah Department of Alcoholic Beverage Control (DABC) has launched a public awareness campaign to raise the awareness among parents and the public about how kids get the alcohol they drink.

- 65% get alcohol from family and friends,
- 7% obtain alcohol at licensed establishments that don't check ID; and
- 28% report other sources such as fake IDs and asking strangers.

At the DABC, we have a comprehensive strategic plan to prevent alcohol access to underage or intoxicated persons, and to reduce other forms of alcohol abuse. This plan includes:

- The implementation of the Strategies for Managing Alcohol & Age Related Troubles (SMAART) program.  
This mandatory program provides training to all DABC liquor store employees. It teaches our employees how to handle ID checking, intoxicated persons, adults attempting to purchase alcohol for minors, etc.
- A point-of-sale age verification system.  
We use this "tool" to verify if a customer is of legal age to purchase alcohol. We require store clerks to check the identification of every customer of questionable age at which time the customer's date of birth must be entered into the cash register for proper age verification.
- Random compliance checks.  
This is a key component in monitoring the proper sale of alcohol. The DABC uses supervised underage persons who attempt to purchase alcohol in state liquor stores. This provides us with the ability to measure and evaluate our ID checking efforts and our diligence in denying alcohol sales to minors. We're pleased to report our compliance rate is at an all-time high!

Under the direction of the Legislature and the DABC Commission, the DABC is committed to establishing the State of Utah as a leader in efforts to reduce underage alcohol consumption and promote, through education and partnerships, increased awareness and strategies to fight other forms of alcohol abuse. Like the message says, let's work together to keep kids alcohol-free.

**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.

**Utah law prohibits the sale of alcoholic beverages to persons under 21 years of age and to intoxicated people.**

**We prosecute any underage person attempting to purchase alcohol, as well as any adult who unlawfully purchases or furnishes alcohol to a minor.**

**Presenting fraudulent, forged or altered identification is a Class A misdemeanor punishable by imprisonment up to 1 year and/or a fine up to \$2,500.**



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Alcoholic Beverage Control**

**P.O. Box 30408  
Salt Lake City, Utah 84130-0408  
Telephone - (801) 977-6800**

**WWW.ABC.UTAH.GOV**