

**70th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 2004 to June 30, 2005
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 2005 and Fiscal Year 2004***

	FY 05	FY 04
	<i>(In gallons)</i>	<i>(In gallons)</i>
Average Consumption Per Capita in Utah for Wine :	.905	.877
Average Consumption Per Capita in Utah for Spirits :	.738	.725
Average Consumption Per Capita in Utah for Heavy Beer :	.331	.314
Average Consumption Per Capita in Utah for All Products :	1.974	1.917

*Based on an estimated Population of 2,411,000 as of June 30, 2005 and 2,355,120 as of June 30, 2004

Comparative Gallonage for Utah

	FY 2005	FY 2004
Wine	2,181,862	2,066,605
Heavy Beer	797,553	740,365
Whiskey	556,147	535,934
Vodka	531,265	501,154
Misc. Liquor	258,239	252,950
Rum	233,783	222,476
Tequila	96,583	91,956
Gin	64,237	64,533
Brandy	40,396	39,064
TOTAL GALLONS	4,760,065	4,515,037

STATEMENT OF OPERATION	FY 2005	FY 2004
Operating Revenue:		
Retail Sales	178,658,045	166,448,645
Military Sales	1,098,635	1,820,619
Total Sales	\$179,756,680	\$168,269,264
Cost of Goods Sold	94,406,374	87,157,312
Gross Profit	\$85,350,306	\$81,111,952
Permits, Licenses & Fees	1,713,279	1,752,693
Misc. Other Income	27,251	30,385
Total Other Income	1,740,530	1,783,078
Total Revenue	\$87,090,836	\$82,895,030
Operating Expenses:		
Salaries, Wages & Benefits	11,589,421	10,827,325
Depreciation	1,870,761	1,323,331
Maint. & Repairs/Oper. Supplies	1,801,105	1,952,100
Rentals & Leases (Note B)	1,753,811	1,775,357
P.A. Contracts	1,455,066	1,448,197
Data Processing	652,108	761,540
Professional & Tech. Services	414,250	368,367
Postage, Printing & Supplies	390,388	293,337
Utilities	206,821	202,286
Misc. Other Expenses	146,597	128,552
Telephone	126,049	143,108
Insurance & Bonds	46,583	79,158
Travel Expense	35,943	25,201
Cash Over & Short	35,363	18,954
Total Operating Expenses	\$20,524,266	\$19,346,813
Other Expenses:		
Loss From Breakage & Damage	29,631	25,482
Claims Against Suppliers	(12,865)	4,580
Total Other Expenses	\$16,766	\$30,062
Total Expenses	\$20,541,032	\$19,376,875
Net Operating Income	\$66,549,804	\$63,518,155
Less: Taxes Collected		
School Lunch Tax	18,124,805	16,801,840
Sales Tax	10,357,963	9,589,549
Total Taxes Collected	\$28,482,768	\$26,391,389
Net Profit	\$38,067,036	\$37,126,766
Current Assets:		
Cash In Banks & Treasurer (Note C)	0	0
Petty Cash & Change Fund	109,050	107,050
Total Cash	\$109,050	\$107,050
Other Current Assets:		
Inventories (Note D)	17,941,520	17,433,213
Accounts Receivable	10,799,868	4,476,884
Long Term Deferred Charges	338,978	0
Prepaid Expenses (Note E)	64,137	43,910
Total Other Current Assets	29,144,503	21,954,007
Total Current Assets	\$29,253,553	\$22,061,057
Property & Equipment:		
Buildings	28,280,458	29,042,165
Land	6,050,266	5,490,089
Furniture, Fixtures & Equipment	3,871,830	2,294,233
Data Processing Equipment	3,646,768	3,765,132
Capital Leases	1,561,530	1,561,531
Delivery Equipment	861,102	861,102
Building Improvements	527,040	527,040
Total Property & Equipment (Note F)	44,798,994	43,541,292
Less: Accumulated Depreciation	(12,938,913)	(11,259,073)
Net Property & Equipment	31,860,081	32,282,219
Total Assets	\$61,113,634	\$54,343,276
	FY 2005	FY 2004

Current Liabilities:		
Accounts Payable (Note G)	17,374,998	18,762,064
Bonds payable	1,253,553	991,854
Accrued Payroll	637,130	581,208
Deposit In Lieu of Bond	291,600	246,100
Accounts Payable - Liquor	234,010	0
Deferred Revenue	4,735	0
Accrued Annual Leave Payable	4,036	4,097
Taxes Payable	0	(10,121)
Total Current Liabilities	\$19,800,062	\$20,575,202

Long-Term Debt:		
Bonds	29,256,127	21,379,229
Due To General Fund (Note H)	6,957,489	8,211,753
Capital Leases	3,279,409	2,356,545
Total Long Term Debt	\$39,493,025	\$31,947,527

Fund Balance:		
Current Profit	38,067,036	37,126,766
Investment in Fixed Assets	1,619,547	1,619,547
Working Capital	201,000	201,000
Current Year Earning	(38,067,036)	(37,126,766)
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
Total Liabilities, Advances & Retained Earnings	\$61,113,634	\$54,343,276

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.

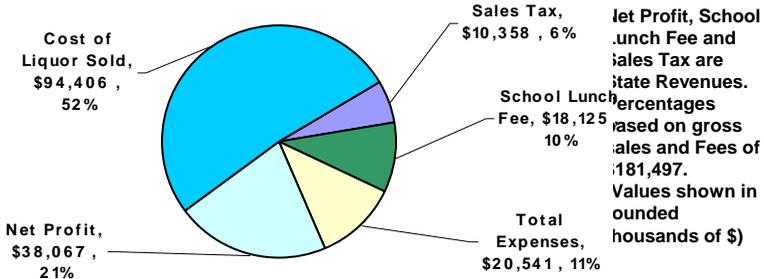
Liquor Outlets in Operation (as of June 30, 2005)

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

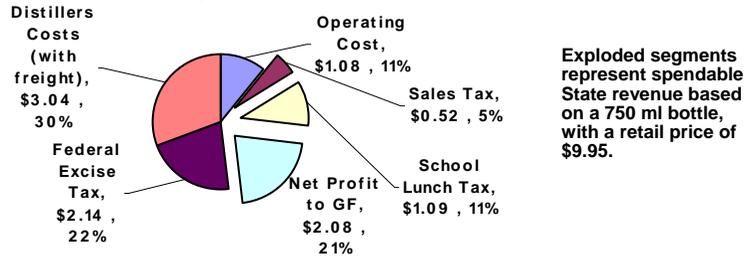
Case Sales

Total case sales in all categories of spirituous liquor amounted to 1,792,597 cases in fiscal year 2005, an increase of 94,056 cases from fiscal year 2004.

Distribution of dollars for FY2005



Price Analysis 750 ml bottle



Utah Department of Alcoholic Beverage Control Commission

Commissioners
 Larry V. Lunt, Chairman
 Frank W. Budd
 Nicholas E. Hales
 Mary Ann Mantes
 Kathryn Balmforth

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. Keilen, Operations Manager
 Earl F. Dorius, Compliance & Licensing Manager

Personnel
 (Positions filled as of June 30, 2005)

Administrative Office	48
Warehouse	27
Stores	
Full Time Employees.....	153
Part Time Employees	299
Total Store Employees.....	452
Total Employees.....	527

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.

OUR ROLE IN ALCOHOL EDUCATION

The State of Utah is committed to be a leader in the nationwide effort to reduce underage alcohol consumption and to promote increased awareness and strategies to fight other forms of alcohol abuse. The Legislature and the Utah Department of Alcoholic Beverage Control Commission have directed the DABC to pursue this goal through partnerships in education.

REDUCE UNDERAGE DRINKING

“The brain goes through dynamic change during adolescence and damage from alcohol at this time can be long term and irreversible.”
 The American Medical Association

Youth and Alcohol Don't Mix

Alcohol use by those under the age of 21 negatively affects their health and well-being. New research shows alcohol affects a teen brain differently than a mature adult brain. Yet few parents or youth realize that alcohol can damage and interfere with critical brain development during teen years – development that is critical to becoming a mature and responsible adult.



THE NUMBERS

According to Utah statistics:

- The number **1** drug problem for youth is alcohol.
- 12** The typical age when the first use of alcohol begins, and many start younger.
- Youth who drink alcohol before age **15**, are **4** times more likely to become alcohol dependent than those who put off drinking until the legal age of **21**.

A CONTINUING COMMITMENT TO RESPONSIBLE MODERATION

The Utah DABC pursues the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed without harm. Through sound policies, restricting alcohol access to minors and vigorously ensuring the observance of the alcoholic beverage control laws, we're working to do our part to promote the safety and well-being of all those in our community.



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