# Utah Department of Alcoholic Beverage Control

**Dennis R. Kellen, Director**

**July 1, 2009 to June 30, 2010**

## Summary of Operations

Utah is one of 19 "control" jurisdictions in the nation that controls the sale of alcoholic beverages (there are 18 states and Montgomery County 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 markups 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 executive 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, alcohol education, 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 liquor sales.

## Statistical Data

- **Liquor Control States:**
  - Alabama
  - Michigan
  - Virginia
  - Idaho
  - Oregon
  - West Virginia
  - Maine
  - New Hampshire
  - Wyoming
  - Maryland (Oklahoma)
  - North Carolina
  - Vermont
  - Montana
  - Pennsylvania
  - Iowa
  - Michigan
  - Ohio
  - Montana
  - Pennsylvania
  - Ohio
  - Montana
  - Pennsylvania

- **Average Utah Consumption Per Capita:**
  - (In gallons)
  - *Based on estimated population of 2,848,000 as of June 30, 2010 and 2,806,000 as of June 30, 2009.

- **Comparative Gallonage for Utah:**
  - FY 2010
  - FY 2009
  - **Wine:** 2,777.208 2,665.038
  - **Spirts:** 2,363.527 2,253.885
  - **Heavy Beer:** 1,400.918 1,268.931

- **Total Gallons:** 6,541,853 6,217,933

## Financial Statements

<table>
<thead>
<tr>
<th>Account Category</th>
<th>Fiscal Year 2010</th>
<th>Fiscal Year 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement of Operation</strong></td>
<td></td>
<td></td>
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<tr>
<td>Operating Revenue:</td>
<td></td>
<td></td>
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<tr>
<td>Retail Sales (Note B)</td>
<td>277,720.18</td>
<td>265,596.36</td>
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<tr>
<td>Military Sales</td>
<td>14,865.87</td>
<td>15,236.39</td>
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<tr>
<td><strong>Total Sales</strong></td>
<td>292,586.04</td>
<td>280,832.75</td>
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<tr>
<td>Cost of Goods Sold</td>
<td>150,939.86</td>
<td>159,969.70</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>129,746.18</td>
<td>120,863.05</td>
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<tr>
<td><strong>Statement of Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable (Note H)</td>
<td>27,280,204</td>
<td>27,579,597</td>
</tr>
<tr>
<td>Deposit In Lieu of Bond</td>
<td>433,800</td>
<td>370,400</td>
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<tr>
<td>Due Accrued Annual Leave</td>
<td>4,000</td>
<td>2,500</td>
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<td></td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>31,740,506</td>
<td>30,983,979</td>
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<tr>
<td>Long-term Debt:</td>
<td></td>
<td></td>
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<tr>
<td>Bonds</td>
<td>93,075,066</td>
<td>70,337,404</td>
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<tr>
<td>Due To General Fund (Note I)</td>
<td>11,342,320</td>
<td>11,244,081</td>
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<tr>
<td><strong>Total Long-term Debt</strong></td>
<td>104,417,386</td>
<td>81,581,485</td>
</tr>
<tr>
<td><strong>Total Liabilities, Advances &amp; Earned</strong></td>
<td>137,785,893</td>
<td>114,385,461</td>
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</tbody>
</table>

**NOTES TO ACCOUNTING POLICIES:**

**NOTE A:** Accounting policies of 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 July 1, 2007, is as follows: distilled spirits and wine 86%; beer 64.5%.

**NOTE B:** Retail Sales: Effective July 1, 2007, sales are reported at published prices and include sales and transit taxes which are added at the register. Prior to July 1, 2007, the department reported its sales at the gross amount based on published prices, which included school lunch, sales tax, and transit taxes. School lunch tax, a 13% tax on wine and liquor, was replaced with a transfer to the school lunch program effective July 1, 2007.

**NOTE C:** RENTALS and LEASES: Leases are the result of competitive bid or lease agreements. 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 D:** 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 E:** INVENTORIES: Inventories are valued at FIFO and consist of consignment inventory at package agencies.

**NOTE F:** PREPAID EXPENSES: Prepaid expenses consist of advance payments that have been made for insurance, dues and maintenance agreements as determined by the department.

**NOTE G:** PROPERTY AND EQUIPMENT: 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 transfer markup, effective July 1, 2007, is as follows: distilled spirits and wine 86%; beer 64.5%.

**NOTE H:** ACCOUNTS PAYABLE: Accounts payable represent the current liabilities incurred for ongoing freight, operating costs, and the purchase of merchandise.
UNDERAGE DRINKING IS A SERIOUS PROBLEM
AND PARENTS PLAY AN IMPORTANT ROLE

Aimed at parents instead of teens, Parents Empowered, Utah’s underage drinking prevention campaign, educates adults about the real dangers of underage drinking and provides them with proven parenting skills to help them prevent it.

The Power of Parents
Parents are the most powerful influence on their children’s behavior. Believe it or not, teens still listen to their parents. In fact, kids usually listen to their parents more than anybody else, including friends. Research shows that parental disapproval is the #1 reason kids choose not to drink alcohol.

Kids need help to stay alcohol-free.
Education alone will not keep children from using alcohol when there are constant pressures and opportunities to drink. The areas of the brain that encourage impulsivity and risk-taking begin to develop in the early teens, while the areas that improve self-control don’t develop until the very late teens or early twenties. So as a parent, stay actively involved. You do make a difference!

And staying involved isn’t easy. Parents are busier than ever before, with work, managing a home, keeping in touch with family and friends, and helping in the community. Yet making the extra effort to stay closely involved by bonding, setting boundaries and monitoring will make a powerful difference in keeping your child alcohol-free. It is worth the extra effort to have your child grow up addiction-free, with a healthy, fully functioning brain.

For more information or to send your comments, please visit: www.ParentsEmpowered.org

Our commitment:
The Utah DABC understands that alcohol is indeed no ordinary commodity and pursues the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed in moderation. Through sound alcohol policies, restricting alcohol access to minors, and ensuring the observance of the alcoholic beverage control laws, we’re working to serve the interests of public health, safety, and social well-being, for the benefit of everyone in our community.

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ANNUAL REPORT
Summary of Operations
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