

**76th Annual Report
Utah Department of Alcoholic Beverage Control
Francine Giani, Interim Director
For the Fiscal Year ended June 30, 2011
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 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 private sellers as profit 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.

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 Utah Consumption Per Capita (In gallons)	FY 11*	FY 10*
Wine	1.028	.975
Spirits	.875	.830
Heavy Beer	.478	.457
Flavored Malt Beverages	.042	.035
Total	2.423	2.297

*Based on estimated population of 2,815,000 as of June 30, 2011 and 2,848,000 as of June 30, 2010.

Comparative Gallonage for Utah	FY 2011	FY 2010
Wine	2,895,167	2,777,208
Spirits	2,464,136	2,363,527
Heavy Beer	1,344,505	1,300,064
Flavored Malt Beverages	118,133	100,854
TOTAL GALLONS	6,821,941	6,541,653

Total Funds to State and Local Governments from Liquor Sales		
Funds	FY 2011	FY 2010
School Lunch Transfer	29,555,158	27,921,283
Sales Tax	15,752,918	14,688,985
Net Profit	62,313,707	58,359,774
Net Operating Income	107,621,783	100,970,042

STATEMENT OF OPERATION (unaudited)	FY 2011	FY 2010
Operating Revenue:		
Retail Sales (Note B)	293,979,460	277,720,186
Military Sales	1,569,787	1,495,878
Total Sales	295,549,247	279,216,064
Cost of Goods Sold	159,059,868	150,039,886
Gross Profit	136,489,379	129,176,178
Permits, Licenses & Fees	1,928,696	2,135,891
Misc. Other Income	522,342	6,868
Total Other Income	2,451,038	2,142,759
Total Revenue	138,940,417	131,318,937
Operating Expenses:		
Salaries, Wages & Benefits	15,497,118	15,456,104
Rentals & Leases (Note C)	5,037,617	5,035,901
P.A. Contracts	2,032,401	2,074,384
Depreciation	2,025,091	1,644,012
Data Processing	1,960,419	1,560,905
Alcohol Education Media Campaign	1,473,225	1,067,141
Maint. & Repairs/Oper. Supplies	1,276,974	1,459,829
Professional & Tech. Services	850,341	943,288
Postage, Printing & Supplies	380,186	305,990
Utilities	261,099	232,811
Telephone	179,119	165,635
Insurance & Bonds	125,284	107,617
Misc. Other Expenses	110,397	189,459
Travel Expense	43,438	56,150
Cash Over & Short	3,886	(12,236)
Total Operating Expenses	\$31,256,595	\$30,286,990
Other Expenses:		
Loss From Breakage & Damage	70,529	54,882
Claims Against Suppliers	(8,490)	7,023
Total Other Expenses	\$62,039	\$61,905
Total Expenses	31,318,634	30,348,895
Net Operating Income	107,621,783	100,970,042
Less: Transfers & Taxes		
School Lunch Transfer	29,555,158	27,921,283
Sales Tax	15,752,918	14,688,985
Total Taxes Collected	\$45,308,076	\$42,610,268
Net Profit	\$62,313,707	\$58,359,774

BALANCE SHEET (unaudited)

Current Assets:		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	136,550	132,550
Total Cash	136,550	132,550
Other Current Assets:		
Accounts Receivable	19,846,382	39,153,055
Inventories (Note E)	30,389,427	29,909,877
Total Other Current Assets	50,235,809	69,062,932
Total Current Assets	\$50,372,359	\$69,195,482
Property & Equipment:		
Buildings	73,625,934	57,573,909
Land	22,189,573	21,277,665
Furniture, Fixtures & Equipment	9,146,349	8,168,973
Total Property & Equipment (Note F)	104,961,856	87,020,547
Less: Accumulated Depreciation	(20,112,094)	(18,507,436)
Net Property & Equipment	84,849,762	68,513,111
Total Assets	\$135,222,121	\$137,708,593

BALANCE SHEET (continued)	FY 2011	FY 2010
Current Liabilities:		
Accounts Payable (Note G)	25,801,624	27,280,204
Bonds Payable (Note H)	4,151,083	3,178,934
Accrued Payroll	619,857	562,325
Deposit In Lieu of Bond	482,600	433,800
Accrued Annual Leave Payable	12,606	2,460
Deferred Revenue	1,229,000	12,937
Total Current Liabilities	\$32,296,770	\$31,470,660
Long-Term Debt:		
Bonds Payable (Note H)	88,586,750	93,075,066
Due To General Fund (Note I)	12,518,054	11,342,320
Total Long Term Debt	\$101,104,804	\$104,417,386
Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Working Capital	201,000	201,000
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
Total Liabilities, Advances & Retained Earnings	135,222,121	137,708,593

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 accounting system, which is on an accrual basis in accordance with generally accepted accounting principles. The current markup is as follows: distilled spirits, wine and flavored malt beverages 86%; beer 64.5%.

NOTE B: RETAIL SALES: Sales are reported at published prices and include sales and transit taxes which are added at the register.

NOTE C: 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 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 merchandise stored in our warehouse and at each of the 44 stores. It also includes consignment inventory at package agencies.

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: BONDS PAYABLE: Bonds payable represents 13 issues of twenty year lease revenue bonds issued by the State of Utah. The bonds have maturity dates ranging from 2014 to 2030 and carry interest rates from 2.72% to 5.50%.

NOTE I: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year, \$15,890 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.

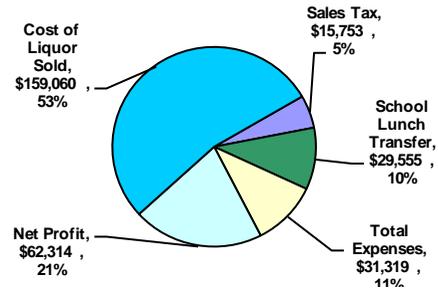
Liquor Outlets in Operation (as of June 30, 2011)

State Liquor Stores.....	44
Package Agencies.....	108

Case Sales

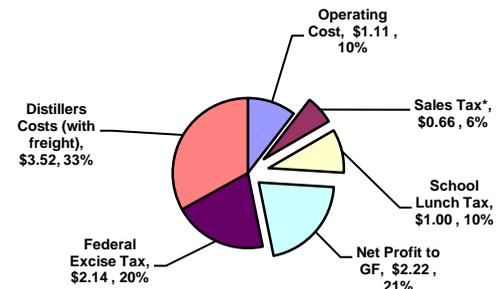
Total case sales in all categories of alcoholic beverages amounted to 2,626,335 cases in fiscal year 2011, an increase of 93,595 cases or 3.7% from fiscal year 2010.

Distribution of dollars for FY2011



Net Profit, School Lunch Transfer and Sales Tax are state revenues. Percentages based on gross sales and fees of \$298,000. (Values shown rounded in thousands of \$)

Price Analysis 750 ml bottle



Exploded segments represent spendable State revenue based on a 750 ml bottle, with a retail price of \$9.99 and Sales tax of \$0.66*.

*** The Sales Tax percentage varies from each city, town and county.**

Utah Department of Alcoholic Beverage Control Commission

Commissioners

Dr. Richard Sperry, Chairman
Jeff Wright, Vice Chairman

Kathleen McConkie (Collinwood), J.D.
David L. Gladwell
Constance B. White

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

Personnel (Positions filled as of June 30, 2011):

Administrative Office.....	39
Warehouse.....	33
Stores	
Full Time Employees	201
Part Time Employees	264
Total Store Employees	465
Total Employees.....	537

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.

UNDERAGE DRINKING PREVENTION

Parents Play a Critical Role

ParentsEmpowered is Utah's underage drinking prevention campaign. It is aimed at parents instead of teens, educates adults about the real harms of underage drinking and provides proven parenting skills to help their kids stay alcohol-free.

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.

What's a parent to do?

1. Know the facts.
 - Alcohol can impair proper teen brain development
 - Underage alcohol use can program a teen's brain for addiction.
 - Underage drinking starts as early as grade school.
2. Build a positive parent-child relationship.
 - Eat dinner together.
 - Listen with love, empathy.
 - Do fun activities together.
3. Establish and communicate clear boundaries.
 - Set clear "no alcohol" rules and expectations.
4. Supervise and monitor - it sends the message that you care about their well-being.
 - Know where they are, who they're with, and what they're doing.
 - Help your kids choose friends wisely. Know their online circle of friends too.

For more information and easy-to-employ online activity monitoring tips, visit:

www.ParentsEmpowered.org



Our commitment:

The Utah Department of Alcoholic Beverage Control understands alcohol is no ordinary commodity. We pursue the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed responsibly and in moderation. Through sound alcohol policies, collaborative efforts to prevent underage drinking, and ensuring the observance of the alcoholic beverage control laws, we're working to promote the interests of public health, safety, and social well-being for the benefit of everyone in our community.



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June 30, 2011
(unaudited)**

**Utah Department of
Alcoholic Beverage Control**

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