

**80th Annual Report
Utah Department of Alcoholic Beverage Control
Sal Petilos, Director
For the Fiscal Year ended June 30, 2015
Summary of Operations**

Background

Utah is one of 18 "control" jurisdictions in the nation that controls the sale of alcoholic beverages (there are 17 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 seven 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	Mississippi	Utah
Idaho	Montana	Vermont
Iowa	New Hampshire	Virginia
Maine	North Carolina	West Virginia
Maryland (<i>Only Montgomery County</i>)	Ohio	Wyoming
Michigan	Oregon	
	Pennsylvania	

Average Utah Consumption Per Capita (In gallons) FY 2015* FY 2014*

Wine	1.129	1.101
Spirits	.962	.935
Heavy Beer	.584	.541
Flavored Malt Beverages	.084	.077
Total	2.760	2.654

*Based on estimated population of 2,987,700 as of June 30, 2015 and 2,946,100 as of June 30, 2014.

Comparative Gallonage for Utah FY 2015 FY 2014

Wine	3,372,217	3,244,739
Spirits	2,874,165	2,753,706
Heavy Beer	1,745,908	1,595,286
Flavored Malt Beverages	252,454	225,042
TOTAL GALLONS	8,244,744	7,818,773

STATEMENT OF OPERATION (unaudited) FY 2015 FY 2014

Operating Revenue:		
Retail Sales (Note B)	395,520,053	366,187,653
Military Sales	905,867	1,017,483
Total Sales	396,425,921	367,205,136
Cost of Goods Sold	203,170,640	186,172,372
Gross Profit	193,255,281	181,032,764

Permits, Licenses & Fees	3,208,849	3,234,197
Misc. Other Income	311,662	422,022
Total Other Income	3,520,511	3,656,219
Total Revenue	196,775,792	184,688,983

Operating Expenses:		
Salaries, Wages & Benefits	15,813,473	15,762,930
Credit Card Fees	4,393,224	3,912,538
Rentals & Leases (Note C)	3,825,399	4,458,840
Depreciation	3,066,236	2,897,506
Maintenance & Repairs/Operating Supplies	2,515,700	3,302,581
Alcohol Education Media Campaign	2,061,086	1,883,768
P.A. Contracts	1,913,816	1,810,264
Delivery To Stores	1,871,187	1,889,178
Data Processing	1,846,526	1,568,095
Professional & Tech. Services	1,376,541	958,768
Postage, Printing & Supplies	351,673	393,603
Liquor Bags	269,794	227,498
Telephone	175,728	171,676
Insurance & Bonds	113,371	147,414
Misc. Other Expenses	41,672	307,536
Travel Expense	37,166	34,069
Cash Over & Short	28,783	9,478
Check Service Fees	7,157	8,429
Total Operating Expenses	\$39,708,532	\$39,738,521

Other Expenses:		
Loss From Breakage & Damage	44,034	58,753
Claims Against Suppliers	37,709	(12,238)
Total Other Expenses	\$81,743	\$46,495
Total Expenses	39,790,275	39,785,016

Net Operating Income	156,985,517	144,903,967
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Less: Transfers & Taxes		
School Lunch and Public Safety Transfer	41,386,241	38,343,822
Sales Tax	20,187,202	18,751,649
Total Taxes Collected	\$61,573,443	\$57,095,471

Net Profit	\$95,412,074	\$87,808,496
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BALANCE SHEET (unaudited)

Current Assets:		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	150,950	144,250
Total Cash	150,950	144,250

Other Current Assets:		
Accounts Receivable	7,251,569	9,973,620
Inventories (Note E)	31,811,275	30,940,738
Long Term Deferred Charges	5,537,612	1,017,541
Prepaid Expenses	0	12,131
Net Pension Assets	4,093	0
Total Other Current Assets	44,604,549	41,944,031
Total Current Assets	\$44,755,499	\$42,088,281

Property & Equipment:		
Buildings	76,735,983	75,275,850
Land	22,394,214	22,392,028
Furniture, Fixtures & Equipment	9,750,573	9,444,949
Software	327,932	327,932
Total Property & Equipment (Note F)	109,208,702	107,440,759
Less: Accumulated Depreciation	(32,532,773)	(29,466,537)
Net Property & Equipment	76,675,930	77,974,222

Total Assets	\$121,431,429	\$120,062,503
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BALANCE SHEET (continued) FY 2015 FY 2014

Current Liabilities:		
Accounts Payable (Note G)	30,209,339	23,633,601
Bonds Payable (Note H)	4,555,923	4,704,128
Accrued Payroll	772,815	762,840
Deposit In Lieu of Bond	726,070	642,840
Accrued Annual Leave Payable	42,507	31,812
Deferred Revenue	1,466,825	983,722
Total Current Liabilities	\$37,773,479	\$30,758,943

Long-Term Debt:		
Net Pension Liability	4,578,564	0
Bonds Payable (Note H)	73,822,950	74,964,960
Total Long Term Debt	\$78,401,514	\$74,964,960

Fund Balance:		
Working Capital (Note I)	5,256,436	14,338,601
Total Advances & Retained Earnings	\$5,256,436	\$14,338,601

Total Liabilities, Advances & Retained Earnings	121,431,429	120,062,504
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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.

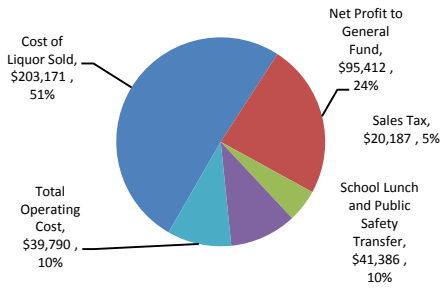
NOTE G: ACCOUNTS PAYABLE: Accounts payable represent the current liabilities incurred for incoming freight, operating costs, and the purchase of merchandise.

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: WORKING CAPITAL: In FY 2015 due to a new GASB ruling unfunded pension liability was recorded resulting in a decrease to working capital. A correction for prior fiscal periods was also recorded in FY 2015.

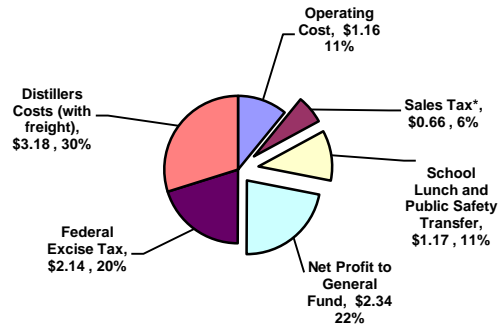
Total Funds to State and Local Governments from Liquor Sales		
Funds	FY 2015	FY 2014
School Lunch and Public Safety Transfer	41,386,241	38,343,822
Sales Tax	20,187,202	18,751,649
Net Profit	95,412,074	87,808,496
Net Operating Income	156,985,517	144,903,967

Distribution of dollars for FY 2015



Net Profit, School Lunch and Public Safety Transfer and Sales Tax are state revenues. Percentages based on gross sales and fees of \$399,946. (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.**

Parents, Explain the Risks and Let Them Know You Care.

Parents Empowered is a parent and community-based media and education campaign designed to decrease the prevalence of underage drinking in Utah. Funded by the Utah Legislature and implemented by the Utah DABC, the ultimate goal of this statewide initiative is to eliminate underage drinking in Utah!

Impending goals are to:

- Raise awareness of the negative consequences of underage drinking as an important and relative issue for Utah parents and communities.
- Increase parental beliefs and awareness of the powerful influence they have to prevent underage drinking by their children.
- Provide parent and community strategies, skills and behaviors effective in preventing underage drinking.

The Parents Empowered initiative is based on the premise that parents are the most powerful influence for preventing underage alcohol use. Historically, the majority of prevention programs have been focused on changing youth themselves. Parents Empowered embraces a proactive comprehensive effort to increase prevention targeting the family and community. This collaborative and common goal approach involves total community mobilization, to include: public/private organizations, state/local leaders, law enforcement, schools, substance abuse professionals, local community coalitions, to name just a few.

Our commitment:

The Utah DABC 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 communities.



**80th ANNUAL REPORT
Summary of Operations
For the Fiscal Year ended
June 30, 2015
(unaudited)**

Utah Department of Alcoholic Beverage Control

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Utah Department of Alcoholic Beverage Control Commission

Commissioners

John T. Nielsen, Chairman
 Jeffrey Wright, Vice Chairman
 Olivia Vela Agraz
 Amanda Smith
 Kathleen McConkie (Collinwood), J.D.
 Neal S. Berube
 Steven Bateman

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

Personnel (Positions filled as of June 30, 2015):

Administrative Office.....	36
Warehouse (29 Full Time and 2 Part Time Employees)	31
Stores	
Full Time Employees	222
Part Time Employees.....	338
Total Store Employees.....	560
Total Employees	627

Liquor Outlets in Operation (as of June 30, 2015)

State Liquor Stores.....	44
Package Agencies.....	122

Case Sales

Total case sales in all categories of alcoholic beverages amounted to 3,230,925 cases in fiscal year 2015, an increase of 173,840 cases or 5.7% from fiscal year 2014

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.

**EXPLAIN THE RISKS
LET THEM KNOW**

