

**64th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 1998 to June 30, 1999
Summary of Operations**

Background

Utah is one of 19 "control" jurisdictions that control the sale of alcoholic beverages. (18 control states and Montgomery County, Maryland, an affiliate of the control state system). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages. The result: private seller mark-ups are replaced with revenues generated for the state to support public goals of moderation and 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% 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 major source of income to the state's general fund which relieves the taxpayers of a significant tax burden each year and contributes heavily to state government programs, including health and education. In addition, school lunch funds and taxes are collected and dispensed from liquor sales.

Under the provisions of Utah Code Annotated 32A-1-115 (1953), as amended, up to \$4,350,000 may be appropriated from liquor profits to be distributed each year to cities, towns and counties. The appropriation supplements the budget of each city, town, and county within the state, and is used exclusively for programs or projects related to alcohol prevention, rehabilitation, detection, prosecution, and control. During FY 1999 approximately 2.6 million dollars was distributed.

Annual statistical data clearly shows that per capita consumption of alcoholic beverages is significantly lower in control states:

Liquor Control States

Alabama	Mississippi	Oregon	Washington
Idaho	Montana	Pennsylvania	West Virginia
Iowa	New Hampshire	Utah	Wyoming
Maine	North Carolina	Vermont	Montgomery County,
Michigan	Ohio	Virginia	Maryland

**Average Consumption Per Capita in Utah
For Fiscal Year 1999 and Fiscal Year 1998***

	FY 99	FY 98
	<u>(in gallons)</u>	<u>(in gallons)</u>
Average Consumption Per Capita in Utah for Spirits:	.707	.701
Average Consumption Per Capita in Utah for Wine:	.766	.765
Average Consumption Per Capita in Utah for Heavy Beer:	.244	.229
Average Consumption Per Capita in Utah for All Products:	1.717	1.694

*Based on Population of 2,117,000 as of June 30, 1999 and 2,081,000 as of June 30, 1998

Comparative Gallonage for Utah	FY 1999 Gallons	FY 1998 Gallons
Whiskey	512,654	515,112
Brandy	33,181	33,169
Gin	61,109	59,365
Rum	155,979	146,037
Vodka	412,367	401,860
Tequila	89,209	86,003
Misc. Liquor	231,551	216,382
Heavy Beer	516,645	475,665
Wine	1,621,600	1,591,656
TOTAL GALLONS	3,634,295	3,525,249

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.

**KNOW YOUR LIMIT
NUMBER OF DRINKS IN ONE HOUR
APPROXIMATE BLOOD ALCOHOL CONTENT (BAC)**

DRINKS	BODY WEIGHT IN POUNDS								
	100	120	140	160	180	200	220	240	
1	.04	.03	.03	.02	.02	.02	.02	.02	
2	.08	.06	.05	.05	.04	.04	.03	.03	
3	.11	.09	.08	.07	.06	.06	.05	.05	RISKY
4	.15	.12	.11	.09	.08	.08	.07	.06	
5	.19	.16	.13	.12	.11	.09	.09	.08	
6	.23	.19	.16	.14	.13	.11	.10	.09	
7	.26	.22	.19	.16	.15	.13	.12	.11	
8	.30	.25	.21	.19	.17	.15	.14	.13	
9	.34	.28	.24	.21	.19	.17	.15	.14	ILLEGAL
10	.38	.31	.27	.23	.21	.19	.17	.16	

**1 drink = 86 proof 1 1/2 oz.
Whiskey, gin vodka, etc.,
1 beer (12oz), 3 oz. wine
(20%) or 5oz wine (12%).**

- ◆ Subtract .01% for each hour of drinking.
- ◆ In Utah the legal BAC limit is 0.08%.
- ◆ At 0.08% your risk of a crash is 6 times normal.
- ◆ At 0.15% it is 25 times normal.

No person should rely on this information for the purpose of making a decision to drive an automobile. **If you drink, don't drive.**

Utah law prohibits the sale of alcoholic beverages

- To persons under 21 years of age.**
- To intoxicated people.**
- To interdicted persons.**

Statement of Operation
Operating Revenue:

FY 1999 FY 1998

Retail Sales	126,407,913	120,117,360
Military Sales	1,544,950	1,463,622
Total Sales	127,952,863	121,580,981
Cost of Goods Sold	68,084,893	64,044,102
Gross Profit	59,867,970	57,536,880
Permits, Licenses & Fees	812,791	1,015,623
Misc. Other Income	56,143	7,423
Total Other Income	868,934	1,023,046
Total Revenue	60,736,904	58,559,925
Operating Expenses:		
Salaries, Wages & Benefits	8,877,728	8,343,615
Travel Expense	27,478	38,960
Telephone	122,006	122,758
Data Processing	468,273	562,553
P.A. Contracts	986,111	987,285
Postage, Printing & Supplies	400,156	406,287
Professional & Tech. Services	271,966	226,040
Rentals & Leases (Note H)	1,107,663	1,251,671
Utilities	247,396	289,239
Maint. & Repairs/Oper. Supplies	336,497	297,780
Depreciation	890,734	873,338
Insurance & Bonds	14,229	42,767
Cash Over & Short (Note I)	128,466	54,448
Misc. Other Expenses	61,276	55,776
Total Operating Expenses	13,939,979	13,542,514
Other Expenses:		
Claims Against Suppliers	(2,226)	(958)
Loss From Breakage & Damage	95,131	70,647
Transfer to Other Funds	0	0
Total Other Expenses	92,905	69,689
Total Expenses	14,032,884	13,612,203
Net Operating Income	46,704,020	44,947,722
Less: Taxes Collected		
Sales Tax	6,789,165	6,302,589
School Lunch Tax	12,955,301	12,347,803
Total Taxes Collected	19,744,466	18,650,392
Net Profit	\$26,959,554	\$26,297,330
Current Assets:		
Cash In Banks & Treasurer (Note B)	0	(3,877,949)
Petty Cash & Change Fund	98,350	88,550
Total Cash	98,350	(3,789,399)
Other Current Assets:		
Accounts Receivable	1,324,418	1,372,983
Inventories (Note C)	12,308,046	10,637,115
Prepaid Expenses (Note D)	2,029	(25,054)
Total Other Current Assets	13,634,493	11,985,043
Total Current Assets	13,732,843	8,195,644
Property & Equipment:		
Land	4,213,868	3,888,878
Buildings	20,283,442	18,840,036
Building Improvements	561,754	561,754
Data Processing Equipment	697,744	1,644,171
Furniture, Fixtures & Equipment	1,967,665	1,822,964
Capital Leases	1,638,058	1,638,058
Delivery Equipment	802,368	893,950
Total Property & Equipment	30,136,899	22,289,811
Less: Accumulated Depreciation	(5,663,575)	(5,846,564)
Net Property & Equipment	24,473,324	23,443,247
Total Assets	38,206,164	31,638,891

	FY 1999	FY 1998
Current Liabilities:		
Accounts Payable-(Note F)	12,806,879	7,182,387
Bonds	376,517	270,000
Capital Leases	147,402	136,779
Accrued Payroll	483,742	430,450
Accrued Annual Leave Payable	1,393	1,202
Taxes Payable	4,325	(1,008)
Deposit In Lieu of Bond	66,000	64,000
Deferred Revenue	0	0
Total Current Liabilities	13,886,260	8,083,811
Long Term Debt:		
Due To General Fund (Note G)	11,377,387	11,102,578
Bonds	1,371,977	1,286,955
Capital Leases	9,749,997	9,345,000
Total Long Term Debt	22,499,361	21,734,533
Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(26,959,556)	(26,297,330)
Working Capital	201,000	201,000
Current Profit	26,959,556	26,297,330
Total Advances & Retained		
Earnings	1,820,547	1,820,547
Total Liabilities, Advances & Retained Earnings	38,206,167	31,638,891

NOTE A: ACCOUNTING POLICIES: The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by Section 51-5-5 of the Utah Code Annotated (1953), as amended. 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 October 1, 1985, is as follows: distilled spirits, wine, champagne 61%, 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: 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 C: INVENTORIES: Inventories are valued at FIFO and consist of merchandise stored in our warehouse and each of the outlets (36 stores and 89 package agencies). It also includes general supplies and liquor bags at the warehouse.

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

NOTE G: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year \$220,119 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.

NOTE H: 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.

NOTE I: CASH OVER AND SHORT: The department uses a "forced sales" system to determine the sales. If an item is not in the inventory, it is assumed that it has been sold. Delays in reporting shipments, errors in inventories, and other items that are not reported correctly, can create a cash shortage or an overage. This is usually offset from one month to the next.

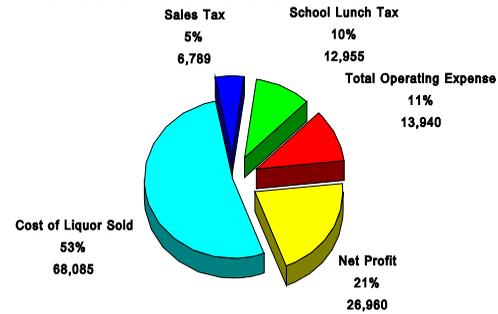
Liquor Outlets in Operation

State Liquor Stores	36
Package Agencies	89

Case Sales

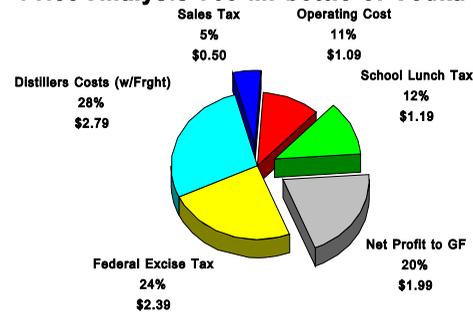
Total case sales in all categories of spirituous liquor amounted to 1,348,150 cases in fiscal year 1999, an increase of 50,159 cases from fiscal year 1998:

Distribution of dollars for FY 1999



Net Profit, School Lunch Tax and Sales Tax are State Revenue. Percentages based on gross sales and fees of 128,729. (Values shown in rounded thousands of \$)

Price Analysis 750 ml bottle of Vodka



Exploded segments represent spendable State revenue based on Smirnoff Vodka, 80 proof retail price of \$9.95.

Utah Department of Alcoholic Beverage Control Commission

- Commissioners**
 Nicholas E. Hales, Chairman
 Carl S. Hawkins
 Vickie McCall
 Larry V. Lunt
 Ted D. Lewis

Commission Meetings: Held monthly at the Department's office in Salt Lake City.

Executive Administration

- Kenneth F. Wynn, Director
 Dennis R. Kellen, Operations Manager
 Richard W. Pearson, Administrative Manager
 Earl F. Dorius, Compliance & Licensing Manager

Personnel

(Positions filled as of June 30, 1999)

Administrative Office	46
Warehouse	29
Stores:	
Full Time Employees	144
Part Time Employees	231
Total Store Employees.....	375
Total Employees.....	450

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.



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 ANNUAL REPORT
 Summary of Operations**

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 Alcoholic Beverage Control**

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