

**65th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 1999 to June 30, 2000
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 2000 approximately 2.5 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	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 2000 and Fiscal Year 1999*	FY 00	FY 99
	<i>(in gallons)</i>	<i>(in gallons)</i>
Average Consumption Per Capita in Utah for Wine :	.823	.766
Average Consumption Per Capita in Utah for Spirits :	.737	.707
Average Consumption Per Capita in Utah for Heavy Beer :	.257	.244
Average Consumption Per Capita in Utah for All Products :	1.817	1.717

*Based on Population of 2,150,205 as of June 30, 2000 and 2,117,000 as of June 30, 1999

Comparative Gallonage for Utah	FY 2000	FY 1999
	Gallons	Gallons
Wine	1,769,992	1,621,600
Heavy Beer	553,560	516,645
Whiskey	525,837	512,654
Vodka	428,979	412,367
Misc. Liquor	251,087	231,551
Rum	182,443	155,979
Tequila	95,792	89,209
Gin	64,593	61,109
Brandy	35,143	33,181
TOTAL GALLONS	3,907,426	3,634,295

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	RISKY
3	.11	.09	.08	.07	.06	.06	.05	.05	
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	ILLEGAL
8	.30	.25	.21	.19	.17	.15	.14	.13	
9	.34	.28	.24	.21	.19	.17	.15	.14	
10	.38	.31	.27	.23	.21	.19	.17	.16	

- ◆ 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	FY 2000	FY 1999
Operating Revenue:		

Retail Sales	136,456,430	126,407,913
Military Sales	1,658,833	1,544,950
Total Sales	138,115,263	127,952,863
Cost of Goods Sold	73,863,607	68,193,020
Gross Profit	64,251,656	59,759,844
Permits, Licenses & Fees	822,192	812,791
Misc. Other Income	7,299	56,143
Total Other Income	829,491	868,934
Total Revenue	65,081,147	60,628,777

Operating Expenses:		
Salaries, Wages & Benefits	9,305,490	8,877,728
Maint. & Repairs/Oper. Supplies	1,114,290	336,497
Rentals & Leases (Note H)	1,090,393	1,107,663
P.A. Contracts	1,042,607	986,111
Depreciation	966,774	890,734
Postage, Printing & Supplies	318,847	400,156
Data Processing	287,926	468,273
Professional & Tech. Services	281,358	271,966
Utilities	156,702	247,396
Misc. Other Expenses	121,051	61,276
Telephone	113,095	122,006
Travel Expense	30,299	27,478
Cash Over & Short (Note I)	29,309	128,466
Insurance & Bonds	29,201	14,229
Total Operating Expenses	14,887,344	13,831,851

Other Expenses:		
Claims Against Suppliers	24,026	(2,226)
Loss From Breakage & Damage	805	95,131
Transfer to Other Funds	0	0
Total Other Expenses	24,831	92,905

Total Expenses	14,912,174	13,924,756
Net Operating Income	\$50,168,973	\$46,704,022

Less: Taxes Collected		
School Lunch Tax	14,115,997	12,955,301
Sales Tax	7,393,879	6,789,165
Total Taxes Collected	21,509,876	19,744,466

Net Profit	\$28,659,096	\$26,959,556
Current Assets:		
Cash In Banks & Treasurer (Note B)	0	0
Petty Cash & Change Fund	100,850	98,350
Total Cash	100,850	98,350

Other Current Assets:		
Accounts Receivable	1,536,474	1,324,418
Inventories (Note C)	14,216,071	12,308,046
Prepaid Expenses (Note D)	1,789	2,029
Total Other Current Assets	15,754,334	13,634,493
Total Current Assets	15,855,184	13,732,843

Property & Equipment:		
Land	4,352,618	4,213,868
Buildings	18,154,829	20,283,442
Building Improvements	561,754	561,754
Data Processing Equipment	3,156,046	697,744
Furniture, Fixtures & Equipment	2,105,821	1,967,665
Capital Leases	1,638,058	1,638,058
Delivery Equipment	782,521	802,368
Total Property & Equipment	30,751,646	30,136,899
Less: Accumulated Depreciation	(6,051,172)	(5,663,575)
Net Property & Equipment	24,700,474	24,473,324
Total Assets	\$40,555,657	\$38,206,164

	FY 2000	FY 1999
Current Liabilities:		
Accounts Payable-(Note F)	14,475,577	12,806,879
Bonds	426,517	376,517
Capital Leases	91,491	147,402
Accrued Payroll	562,284	483,742
Accrued Annual Leave Payable	180	1,393
Taxes Payable	8,687	4,325
Deposit In Lieu of Bond	89,000	66,000
Deferred Revenue	0	0
Total Current Liabilities	\$15,653,737	\$13,886,260
Long Term Debt:		
Due To General Fund (Note G)	10,998,635	11,377,387
Bonds	1,559,260	1,371,977
Capital Leases	10,523,480	9,749,997
Total Long Term Debt	\$23,081,374	\$22,499,361
Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(28,659,096)	(26,959,556)
Working Capital	201,000	201,000
Current Profit	28,659,096	26,959,556
Total Advances & Retained Earnings	1,820,547	1,820,547
Total Liabilities, Advances & Retained Earnings	\$40,555,657	\$38,206,167

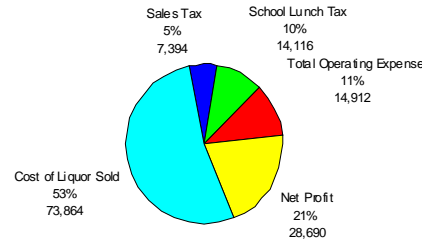
Liquor Outlets in Operation

State Liquor Stores	36
Package Agencies	89

Case Sales

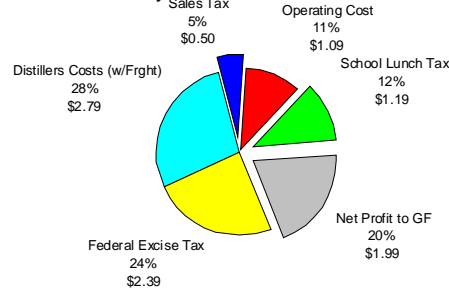
Total case sales in all categories of spirituous liquor amounted to 1,416,059 cases in fiscal year 2000, an increase of 67,909 cases from fiscal year 1999:

Distribution of dollars for FY 2000



Net Profit, School Lunch Tax and Sales Tax are State Revenue. Percentages based on gross sales and fees of \$138,976. (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.

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 \$193,113 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.

Utah Department of Alcoholic Beverage Control Commission

- Commissioners**
Nicholas E. Hales, Chairman
Larry V. Lunt
Vickie McCall
Ted D. Lewis
Frank W. Budd

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, 2000)

Administrative Office	43
Warehouse	28
Stores:	
Full Time Employees	145
Part Time Employees	237
Total Store Employees.....	382
Total Employees.....	453

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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Alcoholic Beverage Control

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