

**66th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 2000 to June 30, 2001
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 2001 approximately 2.3 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 2001 and Fiscal Year 2000*	FY 01	FY 00
	<i>(In gallons)</i>	<i>(In gallons)</i>
Average Consumption Per Capita in Utah for Wine :	.831	.823
Average Consumption Per Capita in Utah for Spirits :	.736	.737
Average Consumption Per Capita in Utah for Heavy Beer :	.276	.257
Average Consumption Per Capita in Utah for All Products :	1.842	1.817

*Based on Population of 2,187,276 as of June 30, 2001 and 2,150,205 as of June 30, 2000

Comparative Gallonage for Utah	FY 2001	FY 2000
	Gallons	Gallons
Wine	1,817,187	1,769,992
Heavy Beer	602,966	553,560
Whiskey	528,374	525,837
Vodka	440,790	428,979
Misc. Liquor	250,859	251,087
Rum	197,444	182,443
Tequila	88,496	95,792
Gin	65,882	64,593
Brandy	36,971	35,143
TOTAL GALLONS	4,028,969	3,907,426

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)**

- ◆ 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.

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	ILLEGAL
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	
10	.38	.31	.27	.23	.21	.19	.17	.16	

- ◆ 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 2001	FY 2000
Operating Revenue:		

Retail Sales	144,189,922	136,456,430
Military Sales	1,583,408	1,658,833
Total Sales	\$145,773,330	\$138,115,263
Cost of Goods Sold	77,279,155	73,863,607
Gross Profit	\$68,494,175	\$64,251,656
Permits, Licenses & Fees	852,047	822,192
Misc. Other Income	14,980	7,299
Total Other Income	867,027	829,491
Total Revenue	\$69,361,202	\$65,081,147
Operating Expenses:		
Salaries, Wages & Benefits	9,884,128	9,305,490
Maint. & Repairs/Oper. Supplies	1,087,094	1,114,290
Rentals & Leases (Note H)	1,100,890	1,090,393
P.A. Contracts	1,104,414	1,042,607
Depreciation	1,516,010	966,774
Postage, Printing & Supplies	261,876	318,847
Data Processing	488,286	287,926
Professional & Tech. Services	286,923	281,358
Utilities	146,549	156,702
Misc. Other Expenses	195,194	121,051
Telephone	119,817	113,095
Travel Expense	31,950	30,299
Cash Over	127,159	29,309
Insurance & Bonds	32,174	29,201
Total Operating Expenses	\$16,382,464	\$14,887,344
Other Expenses:		
Claims Against Suppliers	4,208	24,026
Loss From Breakage & Damage	2,235	805
Transfer to Other Funds	0	0
Total Other Expenses	\$6,443	\$24,831
Total Expenses	\$16,388,907	\$14,912,174
Net Operating Income	\$52,972,295	\$50,168,973
Less: Taxes Collected		
School Lunch Tax	14,885,537	14,115,997
Sales Tax	7,833,407	7,393,879
Total Taxes Collected	\$22,718,944	\$21,509,876

Net Profit	\$30,253,352	\$28,659,096
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Current Assets:		
Cash In Banks & Treasurer (Note B)	0	0
Petty Cash & Change Fund	101,850	100,850
Total Cash	\$101,850	\$100,850

Other Current Assets:		
Accounts Receivable	915,574	1,536,474
Inventories (Note C)	15,041,122	14,216,071
Prepaid Expenses (Note D)	39,095	1,789
Total Other Current Assets	15,995,791	15,754,334
Total Current Assets	\$16,097,641	\$15,855,184

Property & Equipment:		
Land	4,357,470	4,352,618
Buildings	18,496,338	18,154,829
Building Improvements	561,754	561,754
Data Processing Equipment	3,131,583	3,156,046
Furniture, Fixtures & Equipment	2,105,821	2,105,821
Capital Leases	1,638,058	1,638,058
Delivery Equipment	853,041	782,521
Total Property & Equipment	31,144,064	30,751,646
Less: Accumulated Depreciation	(7,490,713)	(6,051,172)
Net Property & Equipment	23,653,350	24,700,474
Total Assets	\$39,750,991	\$40,555,657
FY 2001	FY 2000	

Current Liabilities:		
Accounts Payable-(Note F)	14,705,926	14,475,577
Bonds	441,685	426,517
Capital Leases	71,859	91,491

Accrued Payroll	612,342	562,284
Accrued Annual Leave Payable	641	180
Taxes Payable	(9,395)	8,687
Deposit In Lieu of Bond	111,000	89,000
Deferred Revenue	0	0
Total Current Liabilities	\$15,934,058	\$15,653,737

Long-Term Debt:		
Due To General Fund (Note G)	10,154,339	10,998,635
Bonds	10,081,794	10,523,480
Capital Leases	1,760,252	1,559,260
Total Long Term Debt	\$21,996,386	\$23,081,374

Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(30,253,352)	(28,659,096)
Working Capital	201,000	201,000
Current Profit	30,253,352	28,659,096
Total Advances & Retained Earnings	1,820,547	1,820,547
Total Liabilities, Advances & Retained Earnings	\$39,750,991	\$40,555,657

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 \$145,903 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.

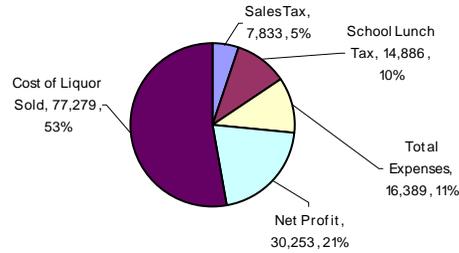
NOTE H: RENTALS AND LEASES: Leases are the result of competitive bids or negotiations. A standard lease agreement has been developed. The more recent leases now provide for payment of taxes and sometimes insurance when they exceed those of a base period. None of the current leases contain provisions 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.

Liquor Outlets in Operation	
State Liquor Stores	36
Package Agencies.....	89

Case Sales

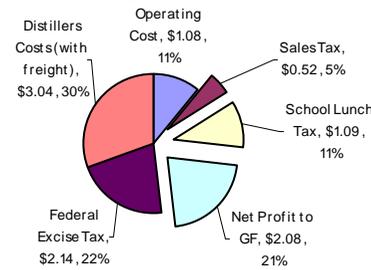
Total case sales in all categories of spirituous liquor amounted to 1,511,445 cases in fiscal year 2001, an increase of 95,385 cases from fiscal year 2000:

Distribution of dollars for FY2001



Net Profit, School Lunch Tax and Sales Tax are State Revenue. Percentages based on gross sales and fees of \$146,640. (Values shown in rounded thousands of \$)

Price Analysis 750 ml bottle



Exploded segments represent spendable State revenue based on a 750 ml bottle, 80 proof and retail price of \$9.95.

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 (1625 South 900 West).

- 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, 2001)

Administrative Office	44
Warehouse	30
Stores	
Full Time Employees	148
Part Time Employees	270
Total Store Employees	418
Total Employees.....	495

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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Utah Department of
Alcoholic Beverage Control

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