

**67th Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 2001 to June 30, 2002
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 2002 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 2002 and Fiscal Year 2001*	FY 02	FY 01
	<i>(In gallons)</i>	<i>(In gallons)</i>
Average Consumption Per Capita in Utah for Wine :	.814	.831
Average Consumption Per Capita in Utah for Spirits :	.709	.736
Average Consumption Per Capita in Utah for Heavy Beer :	.303	.276
Average Consumption Per Capita in Utah for All Products :	1.827	1.842

*Based on Population of 2,335,000 as of June 30, 2002 and 2,187,276 as of June 30, 2001

Comparative Gallonage for Utah	FY 2002	FY 2001
	Gallons	Gallons
Wine	1,901,612	1,817,187
Heavy Beer	708,116	602,966
Whiskey	534,230	528,374
Vodka	459,289	440,790
Misc. Liquor	258,679	250,859
Rum	212,605	197,444
Tequila	88,496	88,496
Gin	66,682	65,882
Brandy	38,231	36,971
TOTAL GALLONS	4,265,738	4,028,969

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.
- ◆ At 0.15% it is 25 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	
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	

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

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 2002	FY 2001
Operating Revenue:		

Retail Sales	155,029,580	144,189,922
Military Sales	1,600,311	1,583,408
Total Sales	\$156,629,891	\$145,773,330
Cost of Goods Sold	83,278,716	77,279,155
Gross Profit	\$73,351,175	\$68,494,175
Permits, Licenses & Fees	921,996	852,047
Misc. Other Income	15,846	14,980
Total Other Income	937,842	867,027
Total Revenue	\$74,289,017	\$69,361,202
Operating Expenses:		
Salaries, Wages & Benefits	10,403,735	9,884,128
Maint. & Repairs/Oper. Supplies	1,022,483	1,087,094
Rentals & Leases (Note H)	1,182,007	1,100,890
P.A. Contracts	1,438,927	1,104,414
Depreciation	1,409,087	1,516,010
Postage, Printing & Supplies	314,144	261,876
Data Processing	521,591	488,286
Professional & Tech. Services	396,878	286,923
Utilities	144,873	146,549
Misc. Other Expenses	147,233	195,194
Telephone	130,450	119,817
Travel Expense	22,924	31,950
Cash Over	68,362	127,159
Insurance & Bonds	36,690	32,174
Total Operating Expenses	\$17,239,384	\$16,382,464
Other Expenses:		
Claims Against Suppliers	1,531	4,208
Loss From Breakage & Damage	3,761	2,235
Transfer to Other Funds	0	0
Total Other Expenses	\$5,292	\$6,443
Total Expenses	\$17,244,676	\$16,388,907
Net Operating Income	\$57,044,341	\$52,972,295
Less: Taxes Collected		
School Lunch Tax	15,863,648	14,885,537
Sales Tax	8,639,619	7,833,407
Total Taxes Collected	\$24,503,267	\$22,718,944
Net Profit	\$32,541,074	\$30,253,352
Current Assets:		
Cash In Banks & Treasurer (Note B)	0	0
Petty Cash & Change Fund	103,250	101,850
Total Cash	\$103,250	\$101,850
Other Current Assets:		
Accounts Receivable	12,752,768	1,488,053
Inventories (Note C)	16,193,303	15,041,122
Prepaid Expenses (Note D)	41,242	39,095
Total Other Current Assets	28,987,313	15,995,791
Total Current Assets	\$29,090,563	\$16,670,119
Property & Equipment:		
Land	4,995,353	4,357,470
Buildings	19,393,053	18,496,338
Building Improvements	561,754	561,754
Data Processing Equipment	3,145,926	3,131,583
Furniture, Fixtures & Equipment	2,150,394	2,105,821
Capital Leases	1,638,058	1,638,058
Delivery Equipment	853,041	853,041
Total Property & Equipment	32,737,578	31,144,064
Less: Accumulated Depreciation	(8,896,599)	(7,490,713)
Net Property & Equipment	23,840,979	23,653,350
Total Assets	\$52,931,542	\$40,323,469
FY 2002	FY 2001	
Current Liabilities:		
Accounts Payable-(Note F)	17,261,995	15,278,404
Bonds	471,685	441,685
Capital Leases	0	71,859

Accrued Payroll	635,956	612,342
Accrued Annual Leave Payable	865	641
Taxes Payable	(188)	(9,395)
Deposit In Lieu of Bond	128,000	111,000
Deferred Revenue	0	0
Total Current Liabilities	\$18,498,313	\$16,506,537

Long-Term Debt:

Due To General Fund (Note G)	9,548,713	10,154,339
Bonds	21,015,071	10,081,794
Capital Leases	1,691,588	1,760,252
Total Long Term Debt	\$32,612,982	\$21,996,386

Fund Balance:

Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(32,541,074)	(30,253,352)
Working Capital	201,000	201,000
Current Profit	32,541,074	30,253,352
Total Advances & Retained Earnings	1,820,547	1,820,547
Total Liabilities, Advances & Retained Earnings	\$52,931,542	\$40,323,469

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 88 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 \$67,523 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.

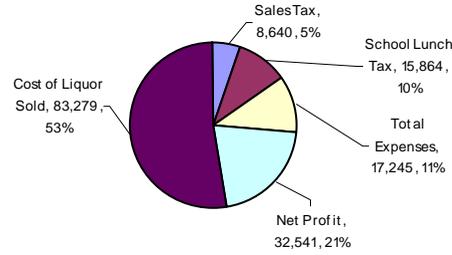
Liquor Outlets in Operation (as of June 30th, 2002)

State Liquor Stores	36
Package Agencies	88

Case Sales

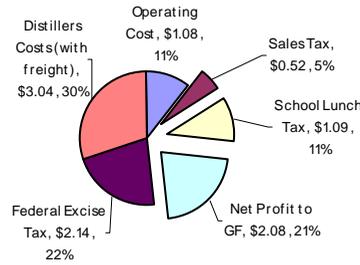
Total case sales in all categories of spirituous liquor amounted to 1,603,803 cases in fiscal year 2002, an increase of 92,358 cases from fiscal year 2001:

Distribution of dollars for FY2002



Net Profit, School Lunch Tax and Sales Tax are State Revenue. Percentages based on gross sales and fees of \$157,568. (Values shown in rounded thousands of \$)

Price Analysis 750 ml bottle



Exploded segments represent spendable State revenue based on a 750 ml bottle, \$0 proof and retail price of \$9.95.

Utah Department of Alcoholic Beverage Control Commission

- Commissioners**
Nicholas E. Hales, Chairman
Larry V. Lunt
Mary Ann Mantes
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, 2002)

Administrative Office	43
Warehouse	30
Stores	
Full Time Employees	147
Part Time Employees	279
Total Store Employees	426
Total Employees	499

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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