

71st Annual Report
Utah Department of Alcoholic Beverage Control
Kenneth F. Wynn, Director
July 1, 2005 to June 30, 2006
Summary of Operations

Background

Utah is one of 19 "control" jurisdictions in the nation that controls the sale of alcoholic beverages (there are 18 states and the county of Montgomery 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 mark ups for private sellers 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 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% alcohol 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 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 a tax on liquor sales.

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 2006 and Fiscal Year 2005*

	FY 06 <small>(In gallons)</small>	FY 05 <small>(In gallons)</small>
Average Consumption Per Capita in Utah for Wine :	.887	.905
Average Consumption Per Capita in Utah for Spirits :	.743	.738
Average Consumption Per Capita in Utah for Heavy Beer :	.328	.331
Average Consumption Per Capita in Utah for All Products :	1.958	1.974

*Based on an estimated Population of 2,622,000 as of June 30, 2006 and 2,411,000 as of June 30, 2005.

Comparative Gallonage for Utah

	FY 2006	FY 2005
Wine	2,325,161	2,181,862
Heavy Beer	861,028	797,553
Whiskey	589,280	556,147
Vodka	587,436	531,265
Misc. Liquor	286,669	258,239
Rum	260,549	233,783
Tequila	111,481	96,583
Gin	69,335	64,237
Brandy	43,129	40,396
TOTAL GALLONS	5,134,068	4,760,065

STATEMENT OF OPERATION

	FY 2006	FY 2005
Operating Revenue:		
Retail Sales	202,332,216	178,658,045
Military Sales	1,399,259	1,098,635
Total Sales	\$203,731,475	\$179,756,680
Cost of Goods Sold	105,386,027	94,406,374
Gross Profit	\$98,345,448	\$85,350,306
Permits, Licenses & Fees	1,902,166	1,713,279
Misc. Other Income	16,231	27,251
Total Other Income	1,918,397	1,740,530
Total Revenue	\$100,263,845	\$87,090,836
Operating Expenses:		
Salaries, Wages & Benefits	12,099,065	11,589,421
Depreciation	1,331,862	1,870,761
Maint. & Repairs/Oper. Supplies	1,335,553	1,801,105
Rentals & Leases (Note B)	2,348,420	1,753,811
P.A. Contracts	1,463,644	1,455,066
Data Processing	679,954	652,108
Professional & Tech. Services	424,115	414,250
Postage, Printing & Supplies	271,752	390,388
Utilities	259,131	206,821
Misc. Other Expenses	175,767	146,597
Telephone	121,538	126,049
Insurance & Bonds	67,835	46,583
Travel Expense	39,141	35,943
Cash Over & Short	(30,836)	35,363
Total Operating Expenses	\$20,586,941	\$20,524,266
Other Expenses:		
Loss From Breakage & Damage	31,625	29,631
Claims Against Suppliers	81,589	(12,865)
Total Other Expenses	\$126,906	\$16,766
Total Expenses	\$20,713,847	\$20,541,032
Net Operating Income	\$79,549,998	\$66,549,804
Less: Taxes Collected		
School Lunch Tax	20,602,291	18,124,805
Sales Tax	11,594,981	10,357,963
Total Taxes Collected	\$32,197,272	\$28,482,768
Net Profit	\$47,352,726	\$38,067,036
Current Assets:		
Cash In Banks & Treasurer (Note C)	19,777	19,777
Petty Cash & Change Fund	109,050	109,050
Total Cash	\$128,827	\$128,827
Other Current Assets:		
Inventories (Note D)	20,168,718	17,941,520
Accounts Receivable	17,525,074	10,799,868
Long Term Deferred Charges	258,595	338,978
Prepaid Expenses (Note E)	104,623	64,137
Total Other Current Assets	38,057,011	29,144,503
Total Current Assets	\$38,185,838	\$29,273,328
Property & Equipment:		
Buildings	28,690,994	28,280,458
Land	7,154,183	6,050,266
Furniture, Fixtures & Equipment	4,265,005	3,871,830
Data Processing Equipment	3,646,768	3,646,768
Capital Leases	1,561,530	1,561,530
Delivery Equipment	861,102	861,102
Building Improvements	527,040	527,040
Total Property & Equipment (Note F)	46,706,622	44,798,995
Less: Accumulated Depreciation	(14,270,775)	(12,938,913)
Net Property & Equipment	32,435,847	31,860,083
Total Assets	\$70,621,685	\$61,133,410
	FY 2006	FY 2005

Current Liabilities:

Accounts Payable (Note G)	15,889,548	17,394,775
Bonds payable	1,390,192	1,253,553
Accrued Payroll	339,328	637,130
Deposit In Lieu of Bond	289,775	291,600
Accounts Payable - Liquor	4,267,360	234,010
Deferred Revenue	0	4,735
Accrued Annual Leave Payable	0	4,036
Taxes Payable	0	0
Total Current Liabilities	\$22,180,024	\$19,819,839

Long-Term Debt:

Bonds	36,252,318	29,256,127
Due To General Fund (Note H)	7,089,387	6,957,489
Capital Leases	3,279,409	3,279,409
Total Long Term Debt	\$46,621,114	\$39,493,025

Fund Balance:

Current Profit	47,352,726	38,067,036
Investment in Fixed Assets	1,619,547	1,619,547
Working Capital	201,000	201,000
Current Year Earning	(47,352,726)	(38,067,036)
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
Total Liabilities, Advances & Retained Earnings	\$70,624,685	\$61,113,410

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 internal accounting system, which is on an accrual basis in accordance with generally accepted accounting principles. The current markup, effective May 5, 2003, is as follows: distilled spirits, wine, champagne 64.5%, 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: 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. Also Included is the interest expense on the annual bond payments for the state owned liquor stores.

NOTE C: 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 D: INVENTORIES: Inventories are valued at FIFO and consist of merchandise stored in our warehouse and at each of the 37 stores. It also includes general supplies and liquor bags at the warehouse.

NOTE E: 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 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: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year, \$515,000 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.

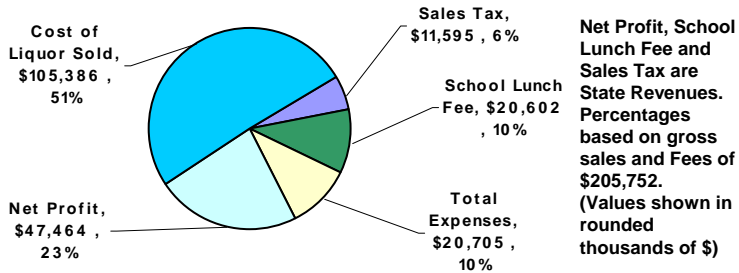
Liquor Outlets in Operation (as of June 30, 2006)

State Liquor Stores.....	37
Package Agencies.....	88

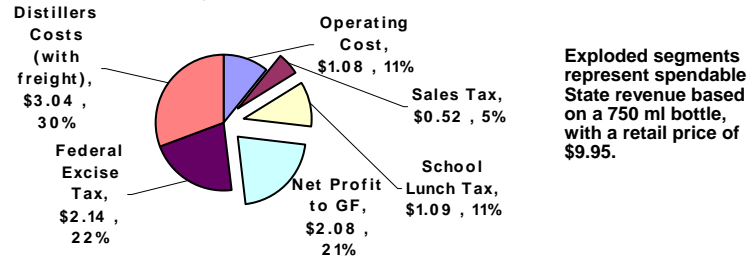
Case Sales

Total case sales in all categories of spirituous liquor amounted to 1,938,561 cases in fiscal year 2006, an increase of 145,964 cases from fiscal year 2005.

Distribution of dollars for FY2006



Price Analysis 750 ml bottle



Utah Department of Alcoholic Beverage Control Commission

Commissioners
 Larry V. Lunt, Chairman
 Frank W. Budd
 Nicholas E. Hales
 Mary Ann Mantes
 Kathryn Balmforth

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. Keilen, Operations Manager
 Earl F. Dorius, Compliance & Licensing Manager

Personnel (Positions filled as of June 30, 2006)

Administrative Office	47
Warehouse	29
Stores	
Full Time Employees.....	148
Part Time Employees	316
Total Store Employees.....	464
Total Employees.....	540

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.

UNDERAGE DRINKING PREVENTION

Alcohol is the number one drug abused by Utah's youth, and many kids in the state are beginning to drink in the sixth grade. The state of Utah and the DABC are committed to reducing underage alcohol use with the country's most comprehensive underage drinking prevention and education program.

UNDERAGE DRINKING IS DANGEROUS

New research shows a teenager's brain is developing more rapidly than previously thought. Gray matter in the brain, grown around puberty, is being "wired together" throughout adolescence. Underage drinking interferes with brain development, and may cause permanent damage to memory, judgment, reasoning, learning and impulse control.

Because a teen's brain is so different from an adult's, underage alcohol use also greatly increases kids' chances of becoming alcohol dependant. Research shows youth who begin drinking before age 15 have a 40% chance of becoming an alcoholic, versus a 7% chance for those who put off drinking until the legal age of 21.

"The brain goes through dynamic change during adolescence, and damage from alcohol at this time can be long-term and irreversible."
 – The American Medical Association

PARENTS ARE THE KEY

The number one reason teens choose not to drink is parental disapproval. Studies show parents can significantly reduce the likelihood that their children will use alcohol by doing the following:

- Setting clear rules and expectations about not drinking.
- Knowing their children's schedules and checking in on them occasionally.
- Knowing their children's friends, and their friends' parents.
- Staying involved in their children's lives, especially academically.

OUR COMMITMENT TO RESPONSIBLE MODERATION

The Utah DABC pursues the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed without harm. Through sound policies, restricting alcohol access to minors, and vigorously ensuring the observance of the alcoholic beverage control laws, we're working to do our part to promote the safety and well-being of all those in our community



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 Alcoholic Beverage Control**

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