

**73rd Annual Report
Utah Department of Alcoholic Beverage Control
Dennis R. Kellen, Director
July 1, 2007 to June 30, 2008
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 Montgomery County 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 executive 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, alcohol education, 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 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 Utah Consumption Per Capita (In gallons)	FY 08*	FY 07*
Wine	.931	.920
Spirits	.780	.770
Heavy Beer	.421	.386
Total	2.132	2.076

*Based on estimated population of 2,780,000 as of June 30, 2008 and 2,683,000 as of June 30, 2007.

Comparative Gallonage for Utah

	FY 2008	FY 2007
Wine	2,587,944	2,467,133
Heavy Beer	1,169,754	1,036,611
Vodka	669,038	626,349
Whiskey	632,354	607,182
Misc. Liquor	320,272	312,558
Rum	296,517	277,654
Tequila	130,068	123,221
Gin	72,142	70,397
Brandy	48,928	48,019
TOTAL GALLONS	5,927,017	5,569,124

STATEMENT OF OPERATION	FY 2008	FY 2007
Operating Revenue:		
Retail Sales (Note B)	255,331,822	228,278,798
Military Sales	1,314,133	1,304,600
Total Sales	256,645,955	\$229,583,398
Cost of Goods Sold	133,064,718	118,795,214
Gross Profit	123,581,237	\$110,788,184
Permits, Licenses & Fees	1,895,856	1,806,974
Misc. Other Income	297,941	113,500
Transfer from General Fund	100,000	1,631,250
Total Other Income	2,293,797	3,551,724
Total Revenue	125,875,034	\$114,339,908
Operating Expenses:		
Salaries, Wages & Benefits	14,227,922	12,623,164
Rentals & Leases (Note C)	3,621,455	2,417,632
Data Processing	1,920,374	1,873,864
P.A. Contracts	1,871,965	1,614,455
Alcohol Education Media Campaign	1,821,788	1,717,695
Maint. & Repairs/Oper. Supplies	1,534,324	1,743,377
Depreciation	1,529,753	1,394,784
Professional & Tech. Services	690,936	623,208
Postage, Printing & Supplies	343,249	303,949
Utilities	226,683	213,223
Telephone	171,900	123,341
Insurance & Bonds	91,880	82,824
Travel Expense	80,592	50,855
Misc. Other Expenses	78,187	89,733
Cash Over & Short	(35,053)	65,914
Total Operating Expenses	\$28,175,955	\$24,938,018
Other Expenses:		
Loss From Breakage & Damage	49,549	27,193
Transfer to Fleet Services	32,740	0
Claims Against Suppliers	(50,097)	40,560
Total Other Expenses	\$32,192	\$67,753
Total Expenses	28,208,147	\$25,005,771
Net Operating Income	97,666,887	\$89,334,137
Less: Transfers & Taxes		
School Lunch Transfer (Note B)	25,644,895	23,002,499
Sales Tax	12,973,320	13,149,998
Total Taxes Collected	\$38,618,215	\$36,152,497
Net Profit	\$59,048,672	\$53,181,640
Current Assets:		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	120,550	111,050
Total Cash	120,550	\$111,050
Other Current Assets:		
Inventories (Note E)	24,681,927	21,473,124
Accounts Receivable	16,317,608	12,179,718
Prepaid Expenses (Note F)	218,630	64,356
Long Term Deferred Charges	64,302	258,692
Total Other Current Assets	41,282,467	33,975,890
Total Current Assets	\$41,403,017	\$34,086,940
Property & Equipment:		
Buildings	40,626,697	34,020,737
Land	12,921,089	9,739,745
Furniture, Fixtures & Equipment	9,086,248	9,015,783
Total Property & Equipment (Note G)	62,634,034	52,776,265
Less: Accumulated Depreciation	(16,932,980)	(15,665,568)
Net Property & Equipment	45,701,054	37,110,697
Total Assets	\$87,104,071	\$71,197,637

	FY 2008	FY 2007
Current Liabilities:		
Accounts Payable (Note H)	18,886,239	17,369,866
Accounts Payable – Liquor	6,154,612	4,567,743
Bonds payable	2,033,053	1,720,324
Accrued Payroll	478,962	361,992
Deposit In Lieu of Bond	325,350	303,600
Accrued Annual Leave Payable	3,930	3,895
Deferred Revenue	549	0
Total Current Liabilities	\$27,882,695	\$24,327,420
Long-Term Debt:		
Bonds	46,693,461	34,622,879
Due To General Fund (Note I)	10,707,368	10,426,791
Total Long Term Debt	\$57,400,829	\$45,049,670
Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Working Capital	201,000	201,000
Total Advances & Retained Earnings	\$1,820,547	\$1,820,547
Total Liabilities, Advances & Retained Earnings	87,104,071	\$71,197,637

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 July 1, 2007, is as follows: distilled spirits and wine 86%; beer 64.5%. Prior to July 1, 2007 the markup for distilled spirits, wine and beer was 64.5%.

NOTE B: RETAIL SALES: Effective July 1, 2007, sales are reported at published prices and include sales and transit taxes which are added at the register. Prior to July 1, 2007, the department reported its sales at the gross amount based on published prices, which included school lunch, sales, and transit taxes. School lunch tax, a 13% tax on wine and liquor, was replaced with a transfer to the school lunch program of 10% of gross sales effective July 1, 2007.

NOTE C: 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 D: 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 E: INVENTORIES: Inventories are valued at FIFO and consist of merchandise stored in our warehouse and at each of the 40 stores. It also includes consignment inventory at package agencies.

NOTE F: PREPAID EXPENSES: Prepaid expenses consist of advance payments that have been made for insurance, dues and maintenance agreements that will be expended during subsequent periods.

NOTE G: 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. Combined assets into the three main categories, Land, Building and Equipment.

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

NOTE I: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year, \$278,000 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.

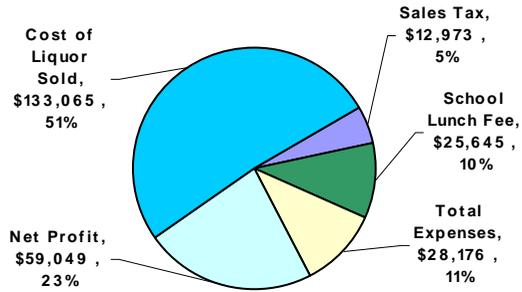
Liquor Outlets in Operation (as of June 30, 2008)	
State Liquor Stores.....	40
Package Agencies.....	94

Approved DABC Construction Projects (as of June 30, 2008)	
New, replacement or expanded state liquor stores.....	10

Case Sales

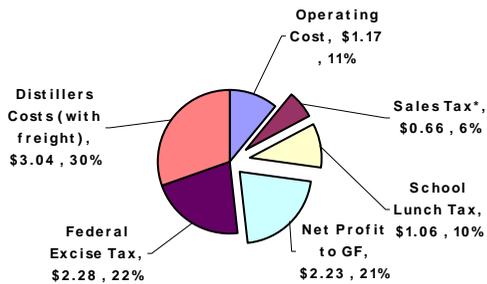
Total case sales in all categories of spirituous liquor amounted to 2,268,131 cases in fiscal year 2008, an increase of 145,110 cases or 6.8% from fiscal year 2007.

Distribution of dollars for FY2008



Net Profit, School Lunch Transfer and Sales Tax are State Revenues. Percentages based on gross sales and Fees of \$258,840. (Values shown in rounded

Price Analysis 750 ml bottle



Exploded segments represent spendable State revenue based on a 750 ml bottle, with a retail price of \$9.95 and Sales tax of \$0.66*.

*** The Sales Tax Percentage varies from each City, Town and County.**

Utah Department of Alcoholic Beverage Control Commission

Commissioners

- | | |
|--------------------------------|-----------------|
| Sam Granato, Chairman | Bobbie B. Coray |
| Mary Ann Mantes, Vice Chairman | Gordon Strachan |
| Kathryn Balmforth | |

Commission Meetings: Held monthly at the Department's office in Salt Lake City (1625 South 900 West).

Executive Administration

- | | |
|--------------------------------------|---|
| Dennis R. Kellen, Executive Director | Tom Zdunich, Purchasing Director |
| John Freeman, Operations Director | Doug Murakami, Alcohol Education Dir. |
| Earl F. Dorius, Regulatory Director | David Willis, Information Technology Dir. |
| Leonard Langford, Finance Director | |

Personnel (Positions filled as of June 30, 2008):

Administrative Office	37
Warehouse	33
Stores	
Full Time Employees.....	193
Part Time Employees.....	357
Total Store Employees.....	550
Total Employees.....	620

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 IS A SERIOUS PROBLEM AND REQUIRES A SERIOUS SOLUTION

Aimed at parents instead of teens, Parents Empowered, Utah's underage drinking prevention media campaign, educates adults about the real dangers of underage drinking and provides them with proven parenting skills to help them prevent it.

Parents are the key to prevention.

New research shows that parental disapproval is the #1 reason kids choose not to drink alcohol. Since ParentsEmpowered.org launched in 2006, more than 85% of Utah parents now strongly agree that their child's decision to drink alcohol primarily depends on what they do as parents.

Community mobilization is the key to success.

Preventing underage drinking is not a task parents have to face alone. ParentsEmpowered.org is more than just a traditional media campaign. By engaging the support of businesses, government, the media and opinion leaders to aid parents in preventing underage drinking, the campaign has begun to create a community support network to help parents keep their kids alcohol-free. In fact, it's estimated that for every dollar spent on the campaign, an additional four are earned in media and community coverage.

For more information or to send your comments, please feel free to visit:

www.ParentsEmpowered.org

Our commitment:

The Utah DABC pursues the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed in moderation. Through sound policies, restricting alcohol access to minors, and ensuring the observance of the alcoholic beverage control laws, we're working to do our part to promote the health, safety and well-being of all those in our community.



Eliminating Underage Drinking in Utah

Sponsored by The Utah Department of Alcoholic Beverage Control and Utah Prevention



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