

**74th Annual Report
Utah Department of Alcoholic Beverage Control
Dennis R. Kellen, Director
July 1, 2008 to June 30, 2009
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 09*	FY 08*
Wine	.946	.931
Spirits	.818	.780
Heavy Beer	.433	.421
Total	2.216	2.132

*Based on estimated population of 2,806,000 as of June 30, 2009 and 2,780,000 as of June 30, 2008.

Comparative Gallonage for Utah	FY 2009	FY 2008
Wine	2,655,038	2,587,944
Heavy Beer	1,268,931	1,169,754
Vodka	735,872	669,038
Whiskey	664,161	632,354
Misc. Liquor	326,353	320,272
Rum	314,625	296,517
Tequila	133,003	130,068
Gin	73,711	72,142
Brandy	46,239	48,928
TOTAL GALLONS	6,217,933	5,927,017

STATEMENT OF OPERATION	FY 2009	FY 2008
Operating Revenue:		
Retail Sales (Note B)	265,593,966	255,331,822
Military Sales	1,529,369	1,314,133
Total Sales	267,123,335	256,645,955
Cost of Goods Sold	139,959,708	133,064,718
Gross Profit	127,163,627	123,581,237
Permits, Licenses & Fees	2,130,331	1,895,856
Misc. Other Income	53,251	297,941
Transfer from General Fund	0	100,000
Total Other Income	2,183,582	2,293,797
Total Revenue	129,347,209	125,875,034
Operating Expenses:		
Salaries, Wages & Benefits	15,472,666	14,227,922
Rentals & Leases (Note C)	3,227,303	3,621,455
P.A. Contracts	1,885,790	1,871,965
Data Processing	1,732,583	1,920,374
Alcohol Education Media Campaign	1,551,581	1,821,788
Depreciation	1,539,834	1,529,753
Maint. & Repairs/Oper. Supplies	1,390,105	1,534,324
Professional & Tech. Services	1,110,826	690,936
Postage, Printing & Supplies	321,692	343,249
Utilities	241,104	226,683
Telephone	130,656	171,900
Misc. Other Expenses	73,539	78,187
Travel Expense	66,782	80,592
Insurance & Bonds	41,338	91,880
Cash Over & Short	18,755	(35,053)
Total Operating Expenses	\$28,804,554	\$28,175,955
Other Expenses:		
Claims Against Suppliers	56,472	(50,097)
Loss From Breakage & Damage	46,940	49,549
Transfer to Fleet Services	0	32,740
Total Other Expenses	\$103,412	\$32,192
Total Expenses	28,907,966	28,208,147
Net Operating Income	100,439,243	97,666,887
Less: Transfers & Taxes		
School Lunch Transfer (Note B)	26,769,073	25,644,895
Sales Tax	13,995,041	12,973,320
Total Taxes Collected	\$40,764,114	\$38,618,215
Net Profit	\$59,675,129	\$59,048,672
Current Assets:		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	123,550	120,550
Total Cash	123,550	120,550
Other Current Assets:		
Inventories (Note E)	28,420,506	24,681,927
Accounts Receivable	29,813,563	16,317,608
Prepaid Expenses (Note F)	37,833	64,302
Long Term Deferred Charges	180,797	218,630
Total Other Current Assets	58,452,699	41,282,467
Total Current Assets	\$58,576,249	\$41,403,017
Property & Equipment:		
Buildings	47,389,656	40,626,697
Land	17,635,323	12,921,089
Furniture, Fixtures & Equipment	9,224,017	9,086,248
Total Property & Equipment (Note G)	74,248,996	62,634,034
Less: Accumulated Depreciation	(18,439,334)	(16,932,980)
Net Property & Equipment	55,809,662	45,701,054
Total Assets	\$114,385,911	\$87,104,071

STATEMENT OF OPERATION (continued)	FY 2009	FY 2008
Current Liabilities:		
Accounts Payable (Note H)	27,579,597	25,040,851
Bonds payable	2,457,645	2,033,053
Accrued Payroll	572,230	478,962
Deposit In Lieu of Bond	370,400	325,350
Accrued Annual Leave Payable	4,007	3,930
Deferred Revenue	0	549
Total Current Liabilities	\$30,983,879	\$27,882,695
Long-Term Debt:		
Bonds	70,337,404	46,693,461
Due To General Fund (Note I)	11,244,081	10,707,368
Total Long Term Debt	\$81,581,485	\$57,400,829
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	114,385,911	87,104,071

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%.

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 41 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.

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, \$171,000 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.

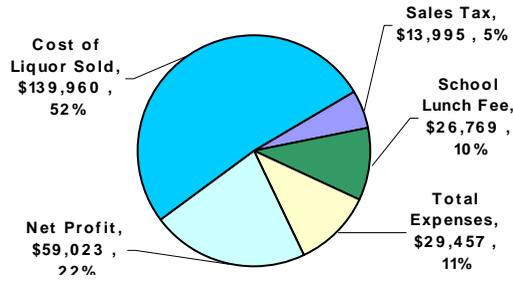
Liquor Outlets in Operation (as of June 30, 2009)	
State Liquor Stores.....	41
Package Agencies.....	94

Approved DABC Construction Projects (as of June 30, 2009)	
New, replacement or expanded state liquor stores.....	7

Case Sales

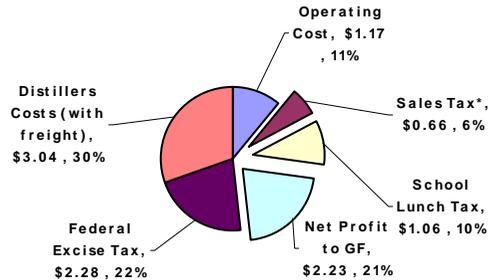
Total case sales in all categories of spirituous liquor amounted to 2,386,905 cases in fiscal year 2009, an increase of 118,774 cases or 5.2% from fiscal year 2008.

Distribution of dollars for FY2009



Net Profit, School Lunch Transfer and Sales Tax are state revenues. Percentages based on gross sales and fees of \$269,307. (Values shown rounded in thousands of \$)

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
 Gordon Strachan, Vice Chairman
 Bobbie B. Coray
 (Two additional commissioner appointments are pending)

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

Executive Administration

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

Personnel (Positions filled as of June 30, 2009):

Administrative Office	42
Warehouse	31
Stores	
Full Time Employees.....	190
Part Time Employees.....	297
Total Store Employees.....	487
Total Employees.....	561

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 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 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 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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 Alcoholic Beverage Control**

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