

75th Annual Report
Utah Department of Alcoholic Beverage Control
Dennis R. Kellen, Director
July 1, 2009 to June 30, 2010
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 10*	FY 09*
Wine	.975	.946
Spirits	.830	.818
Heavy Beer	.456	.433
Total	2.297	2.216

*Based on estimated population of 2,848,000 as of June 30, 2010 and 2,806,000 as of June 30, 2009.

Comparative Gallonage for Utah	FY 2010	FY 2009
Wine	2,777,208	2,655,038
Spirits	2,363,527	2,293,964
Heavy Beer	1,400,918	1,268,931
TOTAL GALLONS	6,541,653	6,217,933

Total Funds to State and Local Governments from Liquor Sales		
Funds	FY 2010	FY 2009
School Lunch Transfer	27,921,283	26,769,073
Sales Tax	14,688,985	13,995,041
Net Profit	58,359,774	59,675,129
Net Operating Income	100,970,042	100,439,243

STATEMENT OF OPERATION	FY 2010	FY 2009
Operating Revenue:		
Retail Sales (Note B)	277,720,186	265,593,966
Military Sales	1,495,878	1,529,369
Total Sales	279,216,064	267,123,335
Cost of Goods Sold	150,039,886	139,959,708
Gross Profit	129,176,178	127,163,627
Permits, Licenses & Fees	2,135,891	2,130,331
Misc. Other Income	6,868	53,251
Total Other Income	2,142,759	2,183,582
Total Revenue	131,318,937	129,347,209
Operating Expenses:		
Salaries, Wages & Benefits	15,456,104	15,472,666
Rentals & Leases (Note C)	5,035,901	3,227,303
P.A. Contracts	2,074,384	1,885,790
Depreciation	1,644,012	1,539,834
Data Processing	1,560,905	1,732,583
Maint. & Repairs/Oper. Supplies	1,459,829	1,390,105
Alcohol Education Media Campaign	1,067,141	1,551,581
Professional & Tech. Services	943,288	1,110,826
Postage, Printing & Supplies	305,990	321,692
Utilities	232,811	241,104
Misc. Other Expenses	189,459	73,539
Telephone	165,635	130,656
Insurance & Bonds	107,617	41,338
Travel Expense	56,150	66,782
Cash Over & Short	(12,236)	18,755
Total Operating Expenses	\$30,286,990	\$28,804,554
Other Expenses:		
Loss From Breakage & Damage	54,882	46,940
Claims Against Suppliers	7,023	56,472
Total Other Expenses	\$61,905	\$103,412
Total Expenses	30,348,895	28,907,966
Net Operating Income	100,970,042	100,439,243
Less: Transfers & Taxes		
School Lunch Transfer (Note B)	27,921,283	26,769,073
Sales Tax	14,688,985	13,995,041
Total Taxes Collected	\$42,610,268	\$40,764,114
Net Profit	\$58,359,774	\$59,675,129
Current Assets:		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	132,550	123,550
Total Cash	132,550	123,550
Other Current Assets:		
Accounts Receivable	39,153,055	29,813,563
Inventories (Note E)	29,909,877	28,420,506
Prepaid Expenses (Note F)	0	37,833
Long Term Deferred Charges	0	180,797
Total Other Current Assets	69,062,932	58,452,699
Total Current Assets	\$69,195,482	\$58,576,249
Property & Equipment:		
Buildings	57,573,909	47,389,656
Land	21,277,665	17,635,323
Furniture, Fixtures & Equipment	8,168,973	9,224,017
Total Property & Equipment (Note G)	87,020,547	74,248,996
Less: Accumulated Depreciation	(18,507,436)	(18,439,334)
Net Property & Equipment	68,513,111	55,809,662
Total Assets	\$137,708,593	\$114,385,911

STATEMENT OF OPERATION (continued) FY 2010 FY 2009

Current Liabilities:		
Accounts Payable (Note H)	27,280,204	27,579,597
Bonds payable	3,178,934	2,457,645
Accrued Payroll	562,325	572,230
Deposit In Lieu of Bond	433,800	370,400
Accrued Annual Leave Payable	2,460	4,007
Deferred Revenue	12,937	0
Total Current Liabilities	\$31,470,660	\$30,983,879

Long-Term Debt:		
Bonds	93,075,066	70,337,404
Due To General Fund (Note I)	11,342,320	11,244,081
Total Long Term Debt	\$104,417,386	\$81,581,485

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	137,708,593	114,385,911
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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 44 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, \$140,811 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, 2010)

State Liquor Stores..... 44
 Package Agencies..... 109

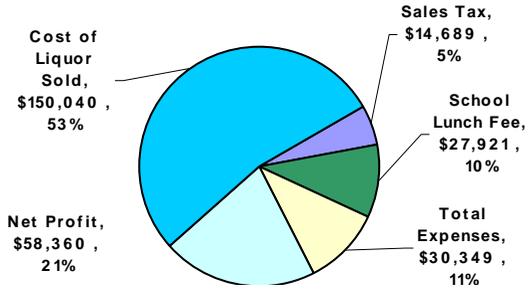
Approved DABC Construction Projects (as of June 30, 2010)

1 new and 2 replacement state liquor stores
 Warehouse Expansion

Case Sales

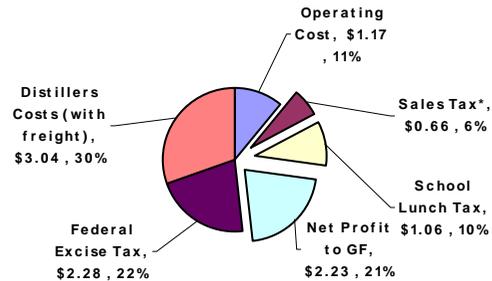
Total case sales in all categories of spirituous liquor amounted to 2,532,740 cases in fiscal year 2010, an increase of 145,835 cases or 6.1% from fiscal year 2009.

Distribution of dollars for FY2010



Net Profit, School Lunch Transfer and Sales Tax are state revenues. Percentages based on gross sales and fees of \$281,359. (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
 Kathleen McConkie (Collinwood), J.D.
 Dr. Richard Sperry
 Jeff Wright

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, 2010):

Administrative Office 41
 Warehouse 33
 Stores
 Full Time Employees.....200
 Part Time Employees.....277
 Total Store Employees 477
 Total Employees..... 551

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 PARENTS PLAY AN IMPORTANT ROLE

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.

The Power of Parents

Parents are the most powerful influence on their children's behavior. Believe it or not, teens still listen to their parents. In fact, kids usually listen to their parents more than anybody else, including friends. Research shows that parental disapproval is the #1 reason kids choose not to drink alcohol.

Kids need help to stay alcohol-free.

Education alone will not keep children from using alcohol when there are constant pressures and opportunities to drink. The areas of the brain that encourage impulsivity and risk-taking begin to develop in the early teens, while the areas that improve self-control don't develop until the very late teens or early twenties. So as a parent, stay actively involved. You *do* make a difference!

And staying involved isn't easy. Parents are busier than ever before, with work, managing a home, keeping in touch with family and friends, and helping in the community. Yet making the extra effort to stay closely involved by bonding, setting boundaries and monitoring will make a powerful difference in keeping your child alcohol-free. It is worth the extra effort to have your child grow up addiction-free, with a healthy, fully functioning brain.

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

www.ParentsEmpowered.org

Our commitment:

The Utah DABC understands that alcohol is indeed no ordinary commodity and pursues the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed in moderation. Through sound alcohol policies, restricting alcohol access to minors, and ensuring the observance of the alcoholic beverage control laws, we're working to serve the interests of public health, safety, and social well-being, for the benefit of everyone in our community.



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



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P.O. Box 30408
Salt Lake City, Utah 84130-0408
Telephone - (801) 977-6800

WWW.ABC.UTAH.GOV