

**72nd Annual Report
Utah Department of Alcoholic Beverage Control
Dennis R. Kellen, Director
July 1, 2006 to June 30, 2007
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 2007 and Fiscal Year 2006***

	FY 07	FY 06
	<i>(In gallons)</i>	<i>(In gallons)</i>
Average Consumption Per Capita in Utah for Wine :	.920	.887
Average Consumption Per Capita in Utah for Spirits :	.770	.743
Average Consumption Per Capita in Utah for Heavy Beer :	.386	.328
Average Consumption Per Capita in Utah for All Products :	2.076	1.958

*Based on an estimated Population of 2,682,869 as of June 30, 2007 and 2,622,000 as of June 30, 2006.

Comparative Gallonage for Utah

	FY 2007	FY 2006
Wine	2,467,133	2,325,161
Heavy Beer	1,036,611	861,028
Vodka	626,349	587,436
Whiskey	607,182	589,280
Misc. Liquor	312,558	286,669
Rum	277,654	260,549
Tequila	123,221	111,481
Gin	70,397	69,335
Brandy	48,019	43,129
TOTAL GALLONS	5,569,124	5,134,068

STATEMENT OF OPERATION

	FY 2007	FY 2006
Operating Revenue:		
Retail Sales	228,278,798	202,332,216
Military Sales	1,304,600	1,399,442
Total Sales	\$229,583,398	\$203,731,658
Cost of Goods Sold	118,795,214	105,637,919
Gross Profit	\$110,788,184	\$98,093,739
Permits, Licenses & Fees	1,806,974	1,902,166
Transfer from General Fund	1,631,250	0
Misc. Other Income	113,500	29,923
Total Other Income	3,551,724	1,932,089
Total Revenue	\$114,339,908	\$100,025,828
Operating Expenses:		
Salaries, Wages & Benefits	12,623,164	12,099,065
Rentals & Leases (Note B)	2,417,632	2,309,399
Data Processing	1,873,864	679,954
Misc. Other Expenses	1,807,428	175,767
Maint. & Repairs/Oper. Supplies	1,743,377	1,122,682
P.A. Contracts	1,614,455	1,463,644
Depreciation	1,394,784	1,331,862
Professional & Tech. Services	623,208	424,115
Postage, Printing & Supplies	303,949	271,752
Utilities	213,223	259,131
Telephone	123,341	121,538
Insurance & Bonds	82,824	67,835
Cash Over & Short	65,914	(30,836)
Travel Expense	50,855	39,141
Total Operating Expenses	\$24,938,018	\$20,335,049
Other Expenses:		
Claims Against Suppliers	40,560	81,589
Loss From Breakage & Damage	27,193	45,317
Total Other Expenses	\$67,753	\$126,906
Total Expenses	\$25,005,771	\$20,461,955
Net Operating Income	\$89,334,137	\$79,563,873
Less: Taxes Collected		
School Lunch Tax	23,002,499	20,612,450
Sales Tax	13,149,998	11,660,274
Total Taxes Collected	\$36,152,497	\$32,272,724
Net Profit	\$53,181,640	\$47,291,149
Current Assets:		
Cash In Banks & Treasurer (Note C)	0	19,777
Petty Cash & Change Fund	111,050	109,050
Total Cash	\$111,050	\$128,827
Other Current Assets:		
Accounts Receivable	12,179,718	17,525,075
Inventories (Note D)	21,473,124	20,168,718
Long Term Deferred Charges	258,692	258,595
Prepaid Expenses (Note E)	64,356	104,623
Total Other Current Assets	33,975,890	38,057,011
Total Current Assets	\$34,086,940	\$38,185,838
Property & Equipment:		
Buildings	31,932,167	28,690,994
Land	9,739,745	7,154,183
Furniture, Fixtures & Equipment	4,507,913	4,265,005
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)	52,776,265	46,706,622
Less: Accumulated Depreciation	(15,665,568)	(14,270,775)
Net Property & Equipment	37,110,697	32,435,847
Total Assets	\$71,197,637	\$70,621,685
	FY 2007	FY 2006

Current Liabilities:

Accounts Payable (Note G)	17,369,866	15,889,547
Bonds payable	1,720,324	1,390,192
Accrued Payroll	361,992	339,328
Deposit In Lieu of Bond	303,600	289,775
Accounts Payable - Liquor	4,567,743	4,267,360
Deferred Revenue	0	0
Accrued Annual Leave Payable	3,895	3,821
Taxes Payable	0	0
Total Current Liabilities	\$24,327,420	\$22,180,023

Long-Term Debt:

Bonds	34,622,879	36,252,318
Due To General Fund (Note H)	4,775,396	5,927,282
Capital Leases	5,651,395	4,441,515
Total Long Term Debt	\$45,049,670	\$46,621,115

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

\$71,197,637 **\$70,621,685**

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, beer and champagne 64.5%. 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 38 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.

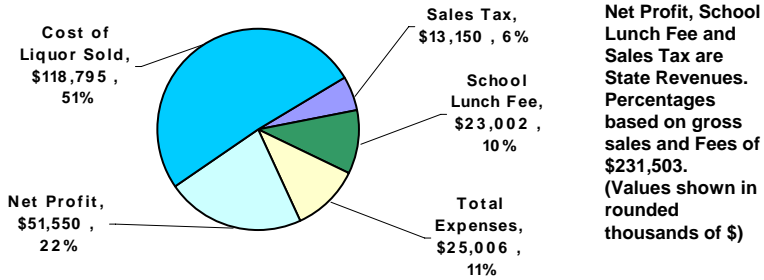
NOTE H: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year, \$243,000 in fixed assets were purchased; therefore, that amount was withheld from the transfer to the General Fund and adjusted to the long term debt due to the General Fund. An amount equal to the depreciation reduces that debt.

Liquor Outlets in Operation (as of June 30, 2007)	
State Liquor Stores.....	38
Package Agencies.....	88

Case Sales

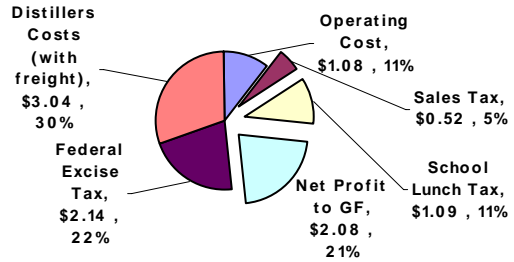
Total case sales in all categories of spirituous liquor amounted to 2,123,021 cases in fiscal year 2007, an increase of 184,460 cases from fiscal year 2006.

Distribution of dollars for FY2007



Net Profit, School Lunch Fee and Sales Tax are State Revenues. Percentages based on gross sales and Fees of \$231,503. (Values shown in rounded 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.

Utah Department of Alcoholic Beverage Control Commission

Commissioners
 Sam Granato, Chairman
 Mary Ann Mantes
 Kathryn Balmforth
 Bobbie B. Coray
 Gordon Strachan

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

Executive Administration
 Dennis R. Kellen, Director
 John Freeman, Operations Manager
 Earl F. Dorius, Compliance & Licensing Manager

Personnel
 (Positions filled as of June 30, 2007)

Administrative Office	36
Warehouse	32
Stores	
Full Time Employees.....	172
Part Time Employees	315
Total Store Employees.....	487
Total Employees.....	555

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

Utah has long understood the merits of sound alcohol beverage control policies. An example is Utah's Eliminate Alcohol Sales to Youth (EASY) Program. Passed by the 2006 and 2007 State Legislature, the EASY Program funds statewide, local law enforcement, alcohol compliance checks in all grocery and convenience stores and funds Utah's underage drinking prevention media campaign: www.ParentsEmpowered.org.

Utah brings together the collective expertise and resources of all affected agencies and partners to address underage drinking prevention on a statewide level. Parents Empowered is designed to alert parents of potential long- and short-term brain impairment; raise awareness of the increased risk of alcohol dependence with early alcohol use; provide proven skills to empower parents; and empower counties, cities and towns to support underage drinking prevention in their local communities.

Did you know? Research shows...

- Addiction begins (and can be prevented) in adolescence. A child who gets through age 21 without smoking, abusing alcohol or using illegal drugs is virtually certain never to do so.
- Parental disapproval of underage drinking is the #1 reason youth choose not to drink alcohol.
- Alcohol kills more young people than all other illegal drugs combined.
- 40% of kids who begin drinking before age 15 will become alcohol dependent.

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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