



THE UTAH DEPARTMENT OF
ALCOHOLIC BEVERAGE CONTROL

—2016—
**ANNUAL
REPORT**

SUMMARY OF OPERATIONS
JULY 1, 2015–JUNE 30, 2016



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A NOTE FROM THE DIRECTOR

It is my pleasure to introduce the Fiscal Year 2016 Annual Report for the Utah Department of Alcoholic Beverage Control (DABC). This publication details the DABC's operations—from warehouse and store operations to compliance and licensing; and from Parents Empowered to operational expenses and income.

DABC sales of wines, spirits and heavy beer continue to grow. DABC sales, excluding taxes, totaled a record \$405.91 million in fiscal year 2016, an increase of 7.8 percent over the previous fiscal year. As a result, the DABC transferred operational profits of \$104.03 million to the General Fund. Additionally, the DABC provided \$40.64 million to Utah's School Lunch Program; contributed \$4.06 million to fund State Bureau of Investigation's liquor law enforcement efforts; collected and disbursed \$21.74 million in sales taxes to the state, local counties and municipalities; and afforded \$2.19 million to Parents Empowered for its efforts to eliminate underage drinking.

The department also began construction of a new State Liquor & Wine Store during the fiscal year. Located in West Valley City, the store will increase the number of outlets in Salt Lake County and help ease the congestion stores have experienced as annual sales continue to increase.

The Utah Legislature passed several bills amending the Alcoholic Beverage Control Act during the 2016 General Session. The following are of particular note:

- **SB 250**, among other things, effected a redistribution of alcohol retail licenses by decreasing the availability of tavern and reception center licenses to increase the availability of limited service restaurant, full-service restaurant and banquet catering licenses;
- **SB 217** created a master hotel license that includes all sublicenses necessary to run a full service hotel; and
- **HB 228** extended tastings to all manufacturers and established operational requirements for tasting facilities.

We appreciate the opportunity to share the information in this report with you and thereby promote an understanding of our operations and the challenges we face as we continue to explore ways to improve operations for the benefit of the state. I am particularly proud of the work the department does to provide Utah consumers with a broad selection of wines, spirits and heavy beer and flavored malt beverages.

Sincerely,



Salvador D. Petilos
Executive Director



DABC sales, excluding taxes, totaled a record \$405.91 million in FY 2016, an increase of 7.8% over the previous fiscal year.

Additionally, the DABC provided \$40.64 million to Utah's School Lunch Program.

A WORD FROM OUR CHAIRMAN

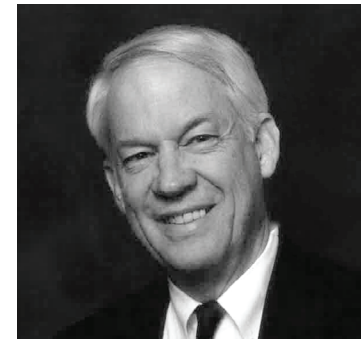
As we approach the busy holiday season and the end of another year, I want to thank all employees of the department for your hard work and dedication. I know the next few weeks will tax all of you, but I am confident that everyone will be up to task. This department by its very nature carries with it mixed opinions. There are numerous individuals, businesses and institutions that “have a dog in the fight,” but it is my view that we have an obligation to be fair to all of these interests, and most importantly to what we believe to be in the best interests of the State and its citizens. We are well aware of the fact that sometimes you get caught in the middle of these diverse opinions. That makes it all the more necessary that we express appreciation for all you do.

I also believe that the department is significantly underfunded, and we will do all we are able to improve funding for the department which we hope will be of benefit to our employees.

Once again, thanks to all for your work and loyalty to the DABC.

Sincerely,

John T. Nielsen
Chair, DABC Commission

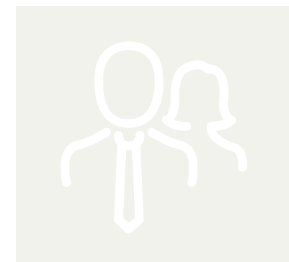


DABC COMMISSIONERS

Chair—John T. Nielsen is retired as Sr. Legal Counsel and Director of Government Relations for Intermountain Healthcare. Nielsen has had a long career in government and private law practice, serving as Assistant City Attorney for Salt Lake City, Salt Lake City Police first legal advisor, Deputy County Attorney and Chief Deputy County attorney in charge of the Criminal Division and as Utah’s Commissioner of Public Safety. In that capacity he was in charge of all the state’s law enforcement and public safety components. He and his wife Suzi are the proud parents of four daughters and eleven grandchildren.

Vice Chair—Jeffrey Wright is a financier and private equity investor with global experience in a variety of industries. Wright currently serves as the chairman and co-founder of Actium Partners LLC., a private holding company with equity and debt investments in a range of industries. He is a current member of the board of visitors for the University of Utah, a member of the Pacific Council on International Policy based in Los Angeles, and a member of the Atlantic Council based out of Washington, D.C. He is a graduate of the University of Utah and holds a master’s post graduate diploma in organizational leadership from Said Business school at Oxford University.

We have an obligation to be fair to all of these interests, and most importantly to what we believe to be in the best interests of the State and its citizens.



Olivia Vela Agraz graduated from Ursuline Academy in New Orleans, Louisiana. She has long been active in community affairs in Utah, serving on the advisory board of Red Butte Gardens and as second vice president of the Assistance League of Salt Lake City. In that position, she is actively involved in resource development. She is married to Jess Agraz, a former Salt Lake City commissioner of Public Works. They have five grown children.

Steven B. Bateman is CEO of St. Mark's Hospital in Salt Lake City. He has been a leader in healthcare management since receiving his MBA from Utah State University in 1982. He is the recipient of the Distinguished Healthcare Executive Award and serves on the board of directors of the High Risk Insurance Pool. He and his wife Kathy are the parents of five children.

S. Neal Berube is the president and CEO of Associated Food Stores (AFS), an independent retailer-owned food distributor in Salt Lake City, Utah. Berube graduated magna cum laude with a B.S. degree in accounting from Weber State University in 1979 and earned CPA status in 1981. He has served on numerous boards including Intermountain Healthcare. He also served as a member of Governor Herbert's commission to optimize state government.

Kathleen McConkie Collinwood is senior partner in the McConkie Law Offices, a general litigation law firm located in Bountiful, Utah. Recently, she became involved in the Refugee Justice League, a group of Utah lawyers willing to donate time to ensure that all people in our communities are not discriminated against on the basis of ethnicity and/or religion. She has been active in politics, as the democratic candidate for Davis County Commission as well as for the U.S. House of Representatives.

Amanda Smith is an environmental and natural resources attorney counseling clients on compliance with state and federal environmental laws. She was energy policy advisor to Governor Gary Herbert and has served as the executive director of the Utah Department of Environmental Quality. She received her law degree from Gonzaga University School of Law.

Amanda received the 2011 Governor's Medal for Science and Technology and was honored by the Utah State Bar in 2012 as Lawyer of the Year in Energy, Natural Resource and Environmental Law.



LEGISLATIVE SUMMARY

The following laws were enacted during the 2016 General Session of the Utah Legislature.

SB 250

*Alcoholic Beverage
Policy Amendments
Stevensen, J*

Prohibited drive thru sales of alcohol for on-premise retail licensees; Clarified that on-premise licensees may not sell liquor (wine, heavy beer, spirits and flavored malt beverages) to go. Wine may still be removed from the premise if recorked or recapped; redistributed licenses to increase availability of full and limited service restaurants and banquet catering licenses by decreasing the availability of tavern and reception center licenses; increased fees for limited restaurant licensing and renewal fees; allowed concessionaires of recreational amenities that are government owned to use the recreational fees of that amenity; and modified provisions of the transfer of license act by removing the 10-day notice requirement by the buyer, and clarified the time period and conditions for extensions related to operational requirements.

SB 221

*Capitol Protocol
Amendments
Madsen, M*

Prohibited bringing alcohol for consumption onto the capitol hill complex.

SB 217

*Alcoholic Beverage Control
Act Licensing Amendments
Stevenson, J*

Created a master hotel license that includes sublicenses necessary to run a full service hotel. To qualify, at hotel must have a minimum of 40 guest rooms and be capable of hosting private banquets such as conventions, conferences, and provide food and beverages under a banquet contract. If a hotel chooses to obtain the hotel license, they are required to have at least one sublicense be a dining establishment and one sublicense must be a banquet sublicense, which includes room service. Other sublicenses can include a Recreational Beer, Tavern and/or a Social Club sublicense.

HB 228

*Alcohol Modifications
Froerer, G*

Extended tastings to all manufacturers (previously limited to wineries) and created operational restrictions for tasting facilities including: size restrictions; an educational component; a substantial food requirement; server training; liquor liability insurance; and accounting for product.

HB 13

*Alcoholic Beverage Event
Permit Amendments
Oda, C*

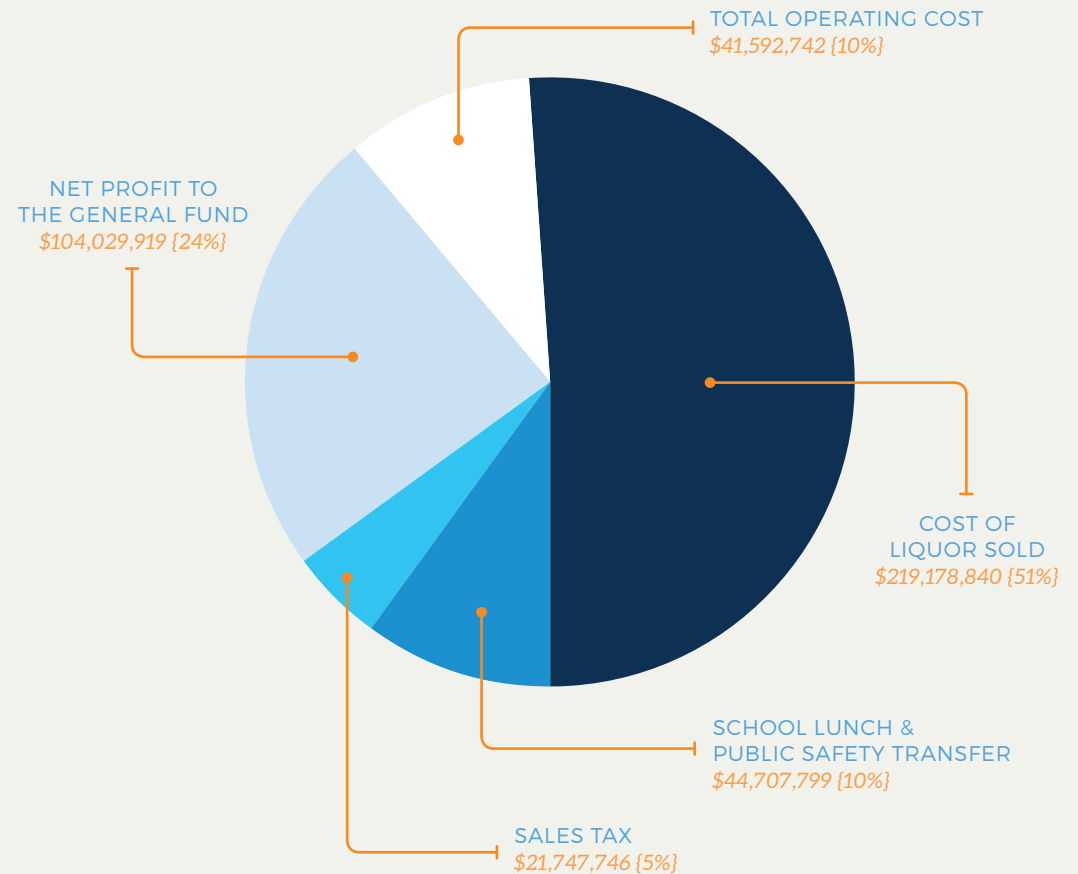
Implemented the following requirements for event permits: An event permit be issued if the applicant meets the requirements; all events must have control measures; the director must consider violation history in making a decision to issue an event permit; and event permits may not be sought as a means to circumvent requirements of Title 32B Alcoholic Beverage Control Act.

FINANCIAL HIGHLIGHTS

Where does the money go? State Liquor and Wine Stores generated more than \$427 million in sales and taxes in FY2016.

As a result, more than \$170 million was returned to the state treasury, funded state programs or was returned to local communities in FY 2016.

- The DABC returned \$104.03 million to the General Fund.
- The Department of Public Safety, State Bureau of Investigation received \$4.06 million for enforcement of state liquor laws.
- Schools received \$40.64 million for the School Lunch Program.
- Parents Empowered received \$2.19 million to fund its efforts to curtail underage drinking.
- The state and local communities received \$21.74 million in sales taxes.



DISTRIBUTION OF PROCEEDS



5-YEAR FINANCIAL SUMMARY

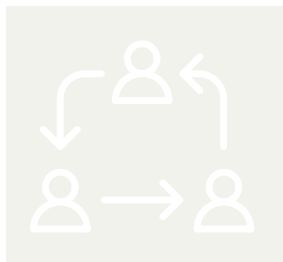


SUMMARY FINANCIAL INFORMATION	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	CAGR*
SALES NET OF TAXES	\$405,991,384	\$376,238,719	\$348,453,487	\$328,912,217	\$304,883,697	5.89%
GROSS PROFIT	186,732,544	173,068,079	162,281,115	154,008,906	140,812,503	5.81%
OTHER INCOME	3,597,916	3,520,511	3,656,219	3,996,107	3,129,636	2.83%
TOTAL REVENUE	\$190,330,460	\$176,588,590	\$165,937,334	\$158,005,013	\$143,942,139	5.75%
<i>Less Parents Empowered</i>	2,185,762	2,061,086	1,883,768	1,739,981	1,380,039	9.63%
<i>Less Operating Expenses</i>	39,406,980	37,647,446	37,854,753	36,712,605	36,514,032	1.54%
<i>Less Transfer to SBI</i>	4,064,345	3,762,385	3,485,802	3,468,655	3,205,479	4.86%
<i>Less School Lunch Program</i>	40,643,453	37,623,855	34,858,020	34,686,558	32,054,791	4.86%
NET PROFIT	\$104,029,919	\$95,412,074	\$87,808,496	\$81,350,425	\$70,787,797	8.00%
SALES TAX	21,747,746	20,187,202	18,751,649	17,882,083	17,087,011	4.94%
DABC OPERATIONS SUMMARY	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	CAGR*
SALES NET OF TAXES	\$405,991,384	\$376,238,719	\$348,453,487	\$328,912,217	\$304,883,697	5.89%
GROSS PROFIT	186,732,544	173,068,079	162,281,115	154,008,906	140,812,503	5.81%
OTHER INCOME	3,597,916	3,520,511	3,656,219	3,996,107	3,129,636	2.83%
TOTAL REVENUE	\$190,330,460	\$176,588,590	\$165,937,334	\$158,005,013	\$143,942,139	5.75%
<i>Less Salaries and Wages</i>	16,570,978	16,138,132	15,766,050	15,228,792	15,263,248	1.66%
<i>Less Profit Transfers</i>	44,707,799	41,386,241	38,343,822	38,155,214	34,260,271	4.86%
<i>Less Other Expenses</i>	25,021,764	23,570,400	23,972,471	23,223,794	22,630,823	2.03%
NET PROFIT	\$104,029,919	\$95,412,074	\$87,808,496	\$81,350,425	\$70,787,797	8.00%
WAGES PERCENT OF GROSS SALES	3.87%	4.07%	4.29%	4.39%	4.74%	-3.95%
TOTAL CASES SOLD	3,418,914	3,230,925	3,057,085	2,932,249	2,814,544	3.97%

*Compound Annual Growth Rate

HOW PRODUCTS REACH CONSUMERS

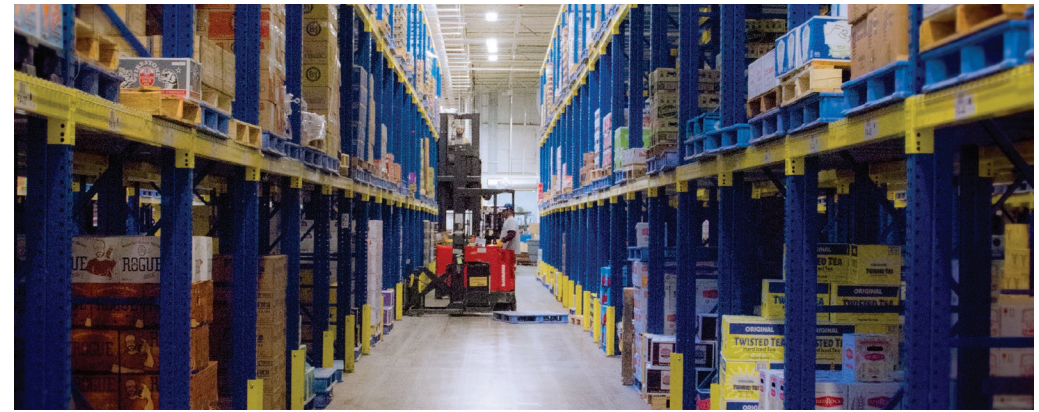
Three groups—
purchasing, warehouse
and stores—are
responsible for getting
products from suppliers
to the customer.



DABC DIVISION OF PURCHASING

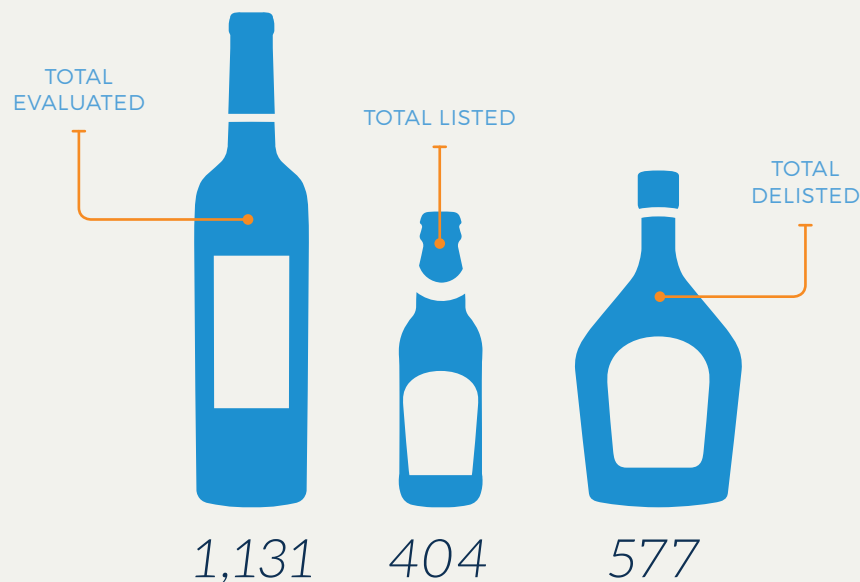
The division seeks to select and provide Utah consumers the best wines, distilled spirits, and heavy beers at competitive prices. The division buys approximately 5,930 individual wine, spirits, heavy beer and flavored malt beverage products from domestic and foreign producers annually.

Evaluating new products to list and add to DABC's product offering is a major function of the division and is critical to maintaining a vibrant product line.

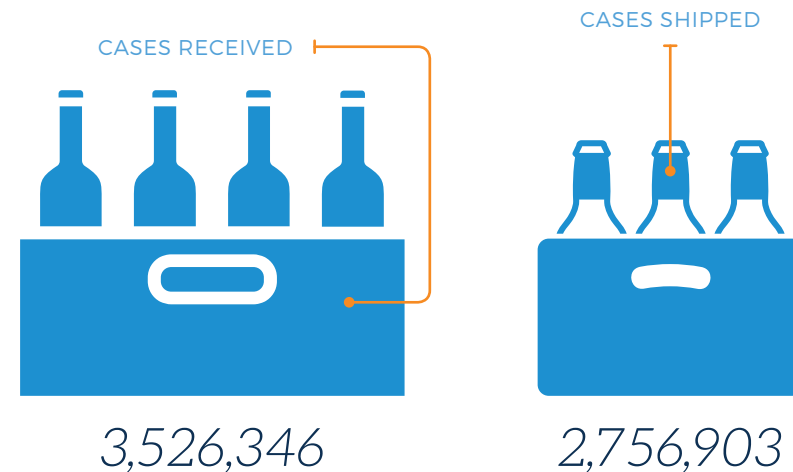


DABC WAREHOUSE

The DABC operates a central warehouse located in Salt Lake City. The 175,000-square-foot warehouse contains an automated storage and retrieval system capable of holding 9,600 pallets. The warehouse stores, on average, 435,267 cases daily.



**NEW PRODUCTS
EVALUATED FOR LISTING FY 2016**



DABC WAREHOUSE ACTIVITY FY 2016

DABC RETAIL STORES

As of June 30, 2016, the DABC operated 44 retail facilities.



42

STANDARD
STORES

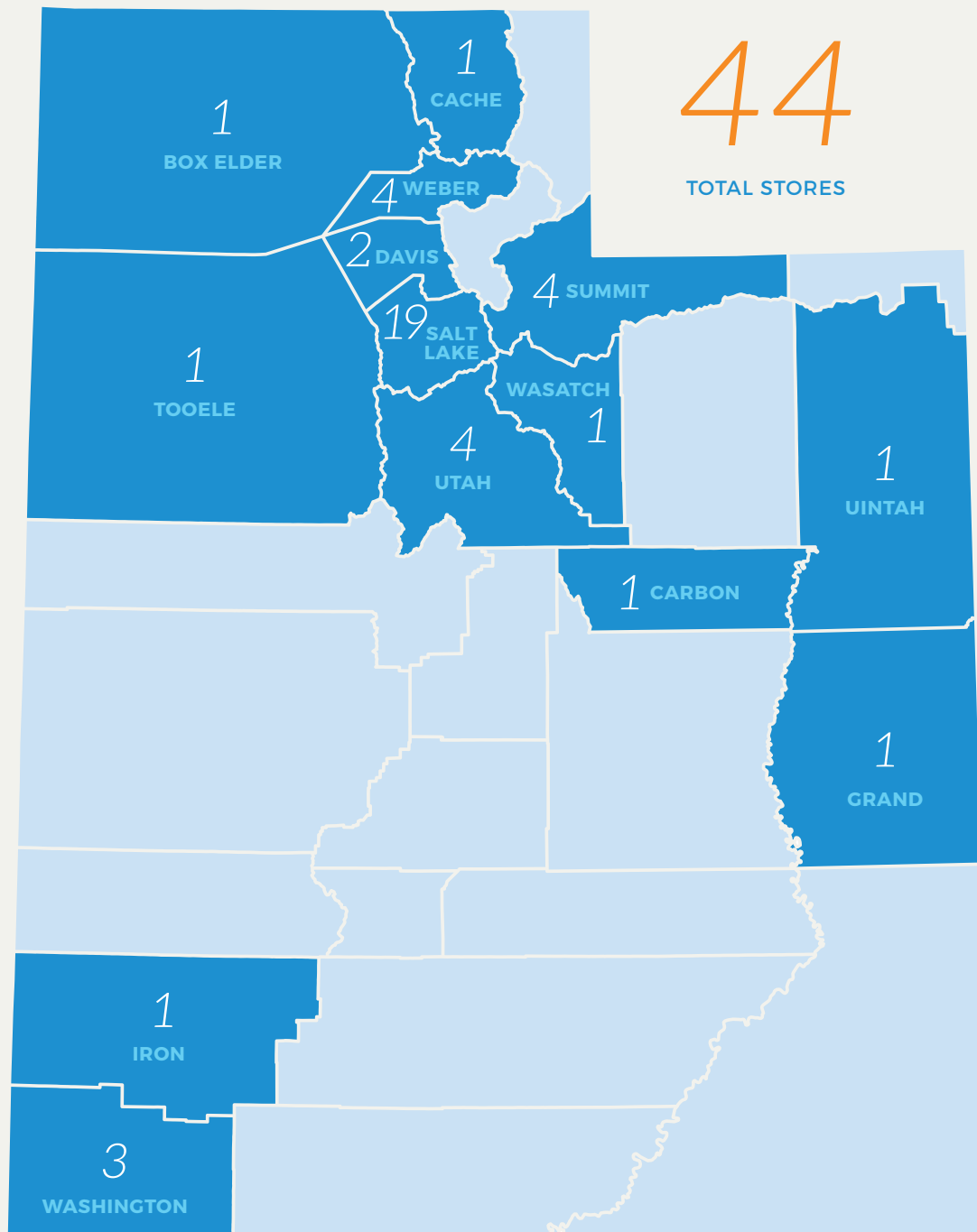
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CLUB/LICENSEE
STORES

44 STORES STATEWIDE
378,278 SQUARE FEET
8,600 SQ. FT. AVERAGE STORE SIZE
\$9,225,258 AVERAGE STORE SALES

STORE PERSONNEL (JUNE 30, 2016)
220 FULL-TIME EMPLOYEES
316 PART-TIME EMPLOYEES
536 TOTAL



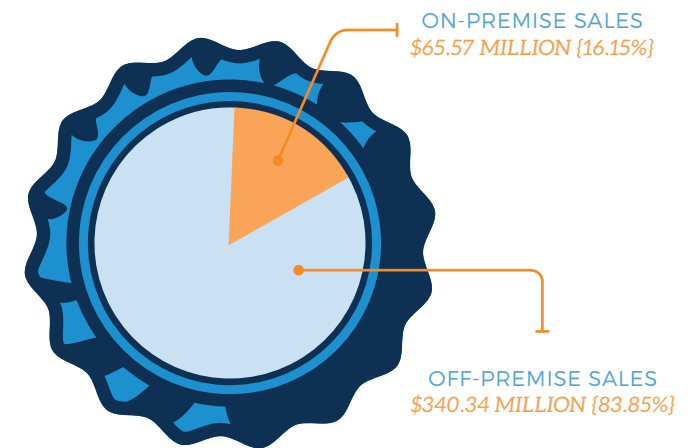


44
TOTAL STORES

STATE LIQUOR STORES BY COUNTY

STATE LIQUOR STORES

DABC Stores serve individual customers as well as licensees. Accounting for 16 percent of sales in 2016, licensees constitute an important segment of the DABC's business. We meet with the Salt Lake Area Restaurant Association and Park City Restaurant Association in efforts to inform and obtain input so we can better serve their constituents.



\$405.91 million
In total sales

PERCENT OF SALES ON-PREMISE VS. OFF-PREMISE*

*"On-premise sales" are to licensees. The term is derived from the fact that beverage alcohol is consumed at the same place it is purchased. "Off-premise sales" are to shoppers for consumption at a location other than a licensed establishment.

TOP 10 STORES

BY SALES VOLUME

	FY 2016	FY 2015	% INCREASE
SALT LAKE CLUB STORES	\$23,473,203.38	\$20,876,893.92	12.44%
COTTONWOOD HEIGHTS	\$19,218,775.03	\$17,314,163.05	11.00%
SANDY	\$18,132,946.74	\$17,295,168.27	4.84%
SUGARHOUSE	\$15,002,647.09	\$14,055,144.78	6.74%
SNOW CREEK, PARK CITY	\$14,714,279.42	\$13,892,709.29	5.91%
HOLLADAY	\$14,451,006.80	\$13,433,868.55	7.57%
KEARNS	\$13,697,132.21	\$12,579,244.60	8.89%
PARK CITY CLUB STORE	\$13,659,059.31	\$12,220,819.51	11.77%
DOWNTOWN SLC	\$13,466,457.72	\$13,023,826.62	3.40%
KIMBALL JUNCTION	\$12,930,123.81	\$11,713,308.26	10.39%



TOP 10 SPIRITS

BY SALES VOLUME

	SIZE	SALES	UNITS SOLD
BARTON VODKA	1750 ml	\$2,888,580	241,721
JACK DANIEL'S BLACK LABEL	1000 ml	\$2,225,388	77,442
SMIRNOFF VODKA	1750 ml	\$2,038,246	85,166
PATRON SILVER TEQUILA	750 ml	\$1,990,252	40,700
JACK DANIEL'S BLACK LABEL	1750 ml	\$1,887,201	39,327
FIREBALL CINNAMON WHISKY	750 ml	\$1,857,475	118,199
JAMESON IRISH WHISKEY	750 ml	\$1,803,010	66,140
CROWN ROYAL	750 ml	\$1,724,755	64,462
CROWN ROYAL	1750 ml	\$1,716,987	31,741
CROWN ROYAL REGAL APPLE	750 ml	\$1,540,827	59,009



TOP 10 WINES

BY SALES VOLUME

KENDALL-JACKSON VINTNER'S RESERVE CHARDONNAY
 VEUVE CLICQUOT BRUT YELLOW LABEL
 BOTA BOX PINOT GRIGIO
 BLACK BOX CABERNET
 FRANZIA SUNSET BLUSH HOUSE WINE
 FRANZIA CHILLABLE RED HOUSE WINE
 MEIOMI PINOT NOIR
 BLACK BOX CHARDONNAY CALIFORNIA
 FRANZIA CHARDONNAY AUSTRALIAN
 SONOMA-CUTRER CHARDONNAY

SIZE SALES UNITS SOLD

750 ml	\$927,149.83	56,017
750 ml	\$854,449.34	16,066
3000 ml	\$845,025.82	42,818
3000 ml	\$829,713.07	36,536
5000 ml	\$816,469.71	54,097
5000 ml	\$741,074.94	48,930
750 ml	\$702,788.43	35,157
3000 ml	\$677,658.24	29,604
5000 ml	\$667,028.43	34,922
750 ml	\$656,567.20	31,280



TOP 10 HEAVY BEERS, CIDERS & FMBs

BY SALES VOLUME

SQUATTERS HOP RISING DOUBLE IPA
 STELLA ARTOIS
 ICEHOUSE BEER
 PACIFICO LAGER MEXICO
 BUSCH ICE LAGER
 WASATCH DEVASTATOR DOUBLE BOCK
 RED ROCK ELEPHINO IPA
 SIERRA NEVADA PALE ALE
 ANGRY ORCHARD CRISP APPLE
 HARD CIDER
 SQUATTER HOP RISING DOUBLE IPA CAN

SIZE SALES UNITS SOLD

355 ml	\$1,667,486.52	882,268
350 ml	\$1,248,328.47	570,013
355 ml	\$1,100,167.20	1,111,280
355 ml	\$832,507.20	440,480
355 ml	\$674,634.51	681,449
355 ml	\$655,353.72	346,748
500 ml	\$633,029.40	174,988
355 ml	\$617,128.55	333,583
355 ml	\$611,748.70	298,414
355 ml	\$580,832.91	307,319



DIVISION OF LICENSING & COMPLIANCE



The Division of Licensing and Compliance is responsible for the licensure of all persons involved in the manufacture and sale of alcohol in the state of Utah. The division strives to assist licensees and permittees to remain in compliance with the requirements of the Alcoholic Beverage Control Act and open for business.

APPLICATIONS RECEIVED AND PROCESSED IN FY 2016

1,997	LICENSE/PERMIT RENEWALS
262	NEW LICENSES/PERMITS
673	EVENT PERMITS
428	LABEL APPROVALS
1,058	CRIMINAL BACKGROUND CHECKS

TOTAL LICENSEE AUDITS CONDUCTED IN FY 2016

444	CLUBS & TAVERNS
1,201	RESTAURANTS
151	BEER RECREATIONAL
167	OTHER LICENSES



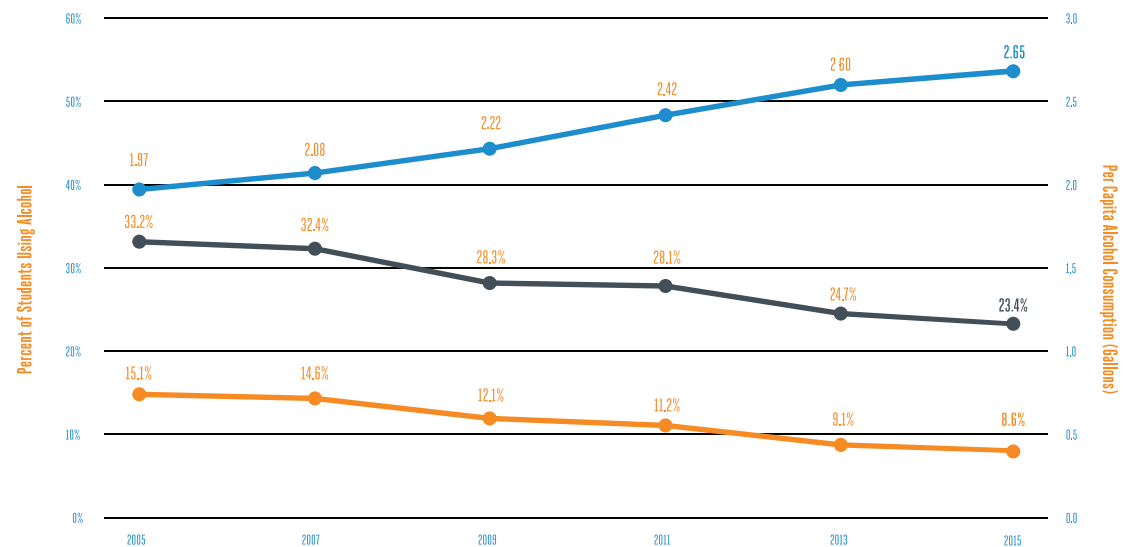
PARENTS EMPOWERED

Parents Empowered is a statewide, state-sponsored campaign launched in September 2006 to educate parents about the lasting harms of underage drinking and provide them with the proven skills, tools and information required to prevent it. Targeted directly at parents, the campaign is designed to introduce and establish a no-underage-drinking social norm. It is funded through the state's alcohol sales and profits.

Program Effectiveness

Indications are that the Utah Department of Alcoholic Beverage Control's Parents Empowered underage drinking prevention program is working well. Underage drinking in the state has consistently decreased every year that Parents Empowered has run. The campaign continues to be the most effective and respected underage drinking prevention program in America.

Ten years ago, before Parents Empowered launched, underage drinking in Utah was trending up while the national average was trending down. Now, according to the latest Student Health and Risk Prevention (SHARP) survey data, Utah's underage drinking percentages are down across every age and category measure. Despite already having the lowest levels of underage drinking in America, Utah's percentages have dropped every year that the Parents Empowered campaign has run.

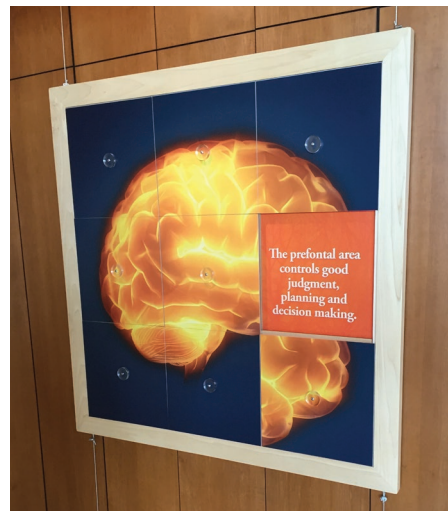


YOUTH ALCOHOL USE TRENDS VS. PER CAPITA ALCOHOL CONSUMPTION RATES* IN UTAH, 2005-2015

30-DAY USE LIFETIME USE PER CAPITA CONSUMPTION RATE

*Per capita consumption rates based on gallons of alcohol sold

*Source: Youth Alcohol Use—Utah Student Health and Risk Prevention (SHARP) Survey; Per Capita Consumption—Utah DABC Annual Summary of Operation



Going Local

In 2015, Parents Empowered expanded its “mini-grant” program with city and county prevention coalitions, customizing the campaign’s messages to local needs, and taking advantage of uniquely effective, local marketing opportunities. Program highlights included Murray’s partnership with law enforcement, schools and Intermountain Healthcare and Heber’s mini grant to target Wasatch County’s growing (and underserved) Hispanic population, with unique Spanish messages and media placements.

A total of 12 different mini grants were employed across Utah, from Bear River to Washington County, and everywhere in between.

Installations for the Intermountain Medical Center partnership (clockwise):

Hallway wrap exploring the parts of the underage brain.

Elevator wrap

Educational wall puzzle presenting facts about the brain.

Hospital cafeteria table wrap explaining how parents can be involved with their kids' lives to keep them alcohol-free while they are underage.

Hospital cafeteria table wrap explaining the parts of the underage brain that are affected by alcohol.



Clockwise above: One of many installations in Hispanic-owned restaurants and establishments for the Heber City partnership; conversation starter poster at the drinking fountains, mirror cling in the school entry hall, and banner outside the school's gym door for the partnership with the Murray school district.

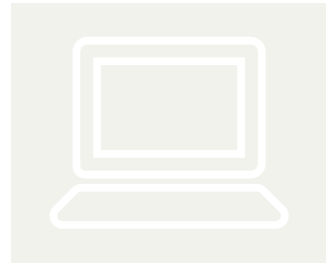
Across: TV spots from the 2016 campaign addressing how parents can reduce the risks of underage drinking by bonding with and supporting their children and setting clear, no-drinking rules early and often.

Looking Ahead

Research conducted by Dan Jones & Associates shows that there is still more work to be done regarding underage drinking in Utah. The reality is that all Utah teens, at some point, will face the decision to drink underage. Research continues to show a need to continuously refine and refocus the campaign's message on the importance of prevention behaviors and changing perceptions about underage vulnerability and access to alcohol.



DEPARTMENT OF TECHNOLOGY SERVICES



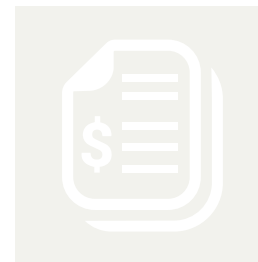
DTS staff assigned to the DABC support, maintain and enhance multiple computer systems from the backbone Warehouse Management System to desktop computers. The team deploys a variety of tools to heighten data and systems security and ensure that the department's business needs are met.

Partnering with Retail Stores

Planning, deployment and support of initiatives to improve credit card data security was a significant accomplishment by DTS staff. The deployment of Chip and Pin (EMV) technology, as required by Purchase Card Industry—Data Security Standards (PCI-DSS), and end to end encryption (E2EE) reduces the likelihood of credit card information being compromised.

EMV, “a global standard for credit and debit payment cards based on chip card technology,” was deployed to all stores in April 2015. DTS certified the E2EE using Derived Unique Key Per Transaction (DUKPT) encryption in May 2016, and deployed it to all stores in June. DUKPT encryption ensures that all credit cards are encrypted “at the swipe.” The E2EE solution also simplifies the state of Utah’s compliance with PCI-DSS.





FINANCIAL STATEMENTS

Date prepared: 11/10/16, unaudited

STATEMENT OF OPERATION	FY 2016	FY 2015		FY 2016	FY 2015
Operating Revenue			Alcohol Education Media Campaign	2,185,762	2,061,086
Retail Sales (Note B)	\$404,939,933	375,332,851	P.A. Contracts	1,950,195	1,913,816
Military Sales	971,451	905,867	Delivery to Stores	1,904,325	1,871,187
Total Sales	405,911,384	376,238,718	Data Processing	2,143,002	1,846,526
Cost of Goods Sold	219,178,840	203,252,383	Professional & Tech. Services	889,625	1,376,541
Gross Profit	186,732,544	172,986,335	Postage, Printing & Supplies	320,579	351,673
Permits, Licenses & Fees	3,256,079	3,208,849	Liquor Bags	368,711	269,794
Misc. Other Income	341,837	311,662	Telephone	184,602	175,728
Total Other Income	3,597,916	3,520,511	Insurance & Bonds	106,433	113,371
Total Revenue	190,330,460	176,506,846	Travel Expense	45,664	37,166
Operating Expenses			Misc. Other Expenses	64,158	77,612
Salaries, Wages & Benefits	16,570,978	15,813,473	Total Operating Expenses	\$41,592,742	\$39,708,532
Credit Card Fees	5,053,877	4,393,224	Less		
Rentals & Leases (Note C)	4,162,037	3,825,399	School Lunch & Public Safety Transfer	44,707,799	41,386,241
Depreciation	3,167,263	3,066,236			
Maintenance & Repairs/ Operating Supplies	2,475,531	2,515,700	Net Profit	\$104,029,919	\$95,412,073

BALANCE SHEET	AS OF SEPT. 30, 2016	AS OF SEPT. 30, 2015		AS OF SEPT. 30, 2016	AS OF SEPT. 30, 2015
Current Assets			Long-term Deferred Net Pension Liability	2,492,302	692,446
Cash in Banks & Treasurer (Note D)	0	0	Net Pension Assets	0	4,093
Petty Cash & Change Fund	\$156,450	\$150,950	<i>Total Other Assets</i>	6,781,131	5,541,705
<i>Total Cash</i>	\$156,450	\$150,950	Total Assets	130,949,532	121,431,429
Other Current Assets			Current Liabilities		
Accounts Receivable	11,535,763	7,251,569	Accounts Payable (Note G)	39,449,138	30,209,339
Inventories (Note E)	37,434,821	31,811,275	Bonds Payable (Note H)	4,727,630	4,555,923
<i>Total Other Current Assets</i>	48,970,584	39,062,844	Accrued Payroll	536,661	815,322
Total Current Assets	\$49,127,034	176,506,846	Deposit in Lieu of Bond	823,598	726,070
Property & Equipment			Deferred Revenue	1,701,728	1,466,825
Buildings	75,403,992	76,735,983	<i>Total Current Liabilities</i>	\$47,238,755	\$37,773,479
Land	23,356,813	22,394,214	Long-term Debt		
Furniture, Fixtures & Equipment	8,985,979	9,750,573	Net Pension Liability	5,901,373	4,578,564
Software	2,086,809	327,932	Bonds Payable (Note H)	72,552,969	73,822,950
Work In Process	143,216	0	<i>Total Long-term Debt</i>	\$78,454,342	\$78,401,514
<i>Total Property & Equipment (Note F)</i>	109,976,809	109,208,702	Fund Balance		
Less			Working Capital	5,256,435	5,256,436
Accumulated Depreciation	(34,935,442)	(32,532,773)	<i>Total Advances & Retained Earnings</i>	\$5,256,435	\$5,256,436
Net Property & Equipment	75,041,367	76,675,929	Total Liabilities, Advances & Retained Earnings	\$130,949,532	\$121,431,429
Other Assets					
Long-term Deferred Bonded Debt	4,288,829	4,845,166			

NOTES TO FINANCIAL STATEMENTS

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 accounting system, which is on an accrual basis in accordance with generally accepted accounting principles. The current markup is as follows: distilled spirits, wine and flavored malt beverages 86 percent; beer 64.5 percent.

Note B: Retail Sales: Sales are reported at published prices; sales taxes excluded.

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 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 and Markup Holding Funds. As of June 30, 2016, DABC had \$75,001,011 in the Liquor Control and Markup Holding Funds. In September 2016, the balance was transferred to the state of Utah General Fund, resulted in a zero balance in the Cash account.

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: 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: Bonds Payable: Bonds payable represents 13 issues of 20-year lease revenue bonds issued by the state of Utah. The bonds have maturity dates ranging from 2014 to 2030 and carry interest rates from 2.72 percent to 5.50 percent.

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