

The Utah Department of  
Alcoholic Beverage Control

# **2018 ANNUAL REPORT**

## **SUMMARY OF OPERATIONS**

*July 1, 2017 - June 30, 2018*

**DABC**



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## A NOTE FROM THE DIRECTOR

Welcome to the Department of Alcoholic Beverage Control's Fiscal Year 2018 Annual Report. We appreciate the opportunity to share the information in this report which details the department's operations - from State Liquor and Wine Stores to Parents Empowered – with the citizens of the State of Utah.

Sales, excluding taxes, continue to grow. FY 2018 sales rose 6.10% over FY 2017 sales of \$427.61 million to \$453.69 million. This resulted in the return of approximately \$191.06 million to the General Fund, other state agencies and programs, as well as, local jurisdictions. Specifically:

- \$112.31 million profit transferred to the General Fund;
- \$45.43 million contributed to the school lunch program;
- \$2.57 million to fund Parent's Empowered, the DABC's underage drinking prevention program;
- \$1.75 million to fund the schools' underage drinking prevention program;
- \$4.54 million to fund the State Bureau of Investigation's liquor law enforcement program;
- \$24.46 million in sales taxes collected and disbursed to the state, local counties and municipalities

The support of the Governor and Legislature has been critical to the DABC's ability to invest in personnel, equipment and information systems as we address continued growth in the public's demand for alcoholic beverages. Statewide salary increases and additional funding provided by SB 155 - sponsored by Sen. Karen Mayne - allowed the department to effect a 5% salary increase for warehouse and store employees.

FY 2018 appropriations also permitted the department to introduce some changes to the department's operations. Not only were we able to establish a second shift in the warehouse, but we were also able place equipment on a replacement schedule, increase the frequency of deliveries to more stores on a regular basis, and hire additional compliance officers.

We are well aware that the DABC must effectively manage and keep its purchasing activities and inventory levels in line with demand in an environment where there is constant consumer demand for new and innovative products. We tested and procured a product lifecycle management system that will allow us to be more dynamic in responding to changes in both store and system-wide demands than what the current centralized ordering system allows.

Additionally, we received authorization to construct a store in Utah County and to replace an existing store in Salt Lake City during the 2018 General Session. The authority to construct these stores brings the number of stores that we have been authorized to construct in the last 4 general sessions to six. This continues the trend that began in the 2015 General Session when the DABC received authorization to build the its 45th store in West Valley City, which, in its first full fiscal year of operation, generated approximately \$9.32 million in sales.

The Compliance and Licensing Division succeeded in implementing two major programs required by amendments to the Alcoholic Beverage Control Act. The division, as required by HB 442, developed the curriculum for the new licensee training program by January 1, 2018. It began providing the requisite training to licensees that very same month. The division also launched an off-premises beer licensing program. The program received its first application in June of 2018 and the commission approved the first state license effective July 1, 2018.

Respectfully,

Salvador D. Petilos, Director



## GREETINGS FROM THE COMMISSION CHAIR

A prominent State Senator who is very familiar with the operation of the DABC commented to me the other day that he felt the Department was operating very well and he was extremely complimentary of the dedication of our employees.

I, too, share in this observation. Please accept the thanks of the Commission for your dedication to the work of the Department. I would also like to pay tribute to Nina McDermott, Director of Compliance, for her many years of devoted service to the Department. Nina left us to join her husband as they relocated to New Jersey. She along with Sal and others, led the Department through some difficult and disruptive times. We are a better agency as a result of their efforts.

We continue to experience growth which puts strain on both people and facilities. Increased demand for product and service will require recognition from the Legislature toward greater resources dedicated to the Department's efforts. We will do our best to advocate for those resources. In that regard, I would thank those members of the Legislature who have taken an interest in our operation. Recently passed legislation required an enormous amount of time and compromise by those legislators who helped us develop needed legislative reform and amendments.

Finally, let me once again recognize the efforts of all DABC employees. Thank you for your dedicated efforts to support and improve the Department.

Sincerely,  
John T. Nielsen  
Chair, DABC Commission

*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 11 grandchildren.*



## DABC COMMISSIONERS

### Vice Chair — S. Neal Berube

**Vice Chair — 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.

### Steven B. Bateman

**Steven B. Bateman** retired from a 35-year career in hospital administration, most recently as CEO of St. Mark's Hospital in Salt Lake, in September 2017. He began a new position as full-time faculty member of Weber State University, teaching health services administration courses to both undergrad and graduate students. He received his MBA from Utah State University in 1982. He is a recipient of the Distinguished Healthcare Executive Award and served on the board of directors of the High-Risk Insurance Pool. He and his wife Kathy are the parents of five children.

### Kathleen McConkie Collinwood

**Kathleen McConkie Collinwood** received her Bachelor of Arts from Brigham Young University, and went on to earn her Juris Doctor from Hamline University School of Law in St. Paul, Minnesota. She is a former partner at Parker, McKeown, and McConkie and is currently with McConkie Law Offices.

She is admitted to practice law in the state of Utah, the U.S. Tax Court, and the 9th & 10th Circuit Federal Appellate courts. She has also prepared briefs for the U.S. Supreme Court.

### Amanda Smith

**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 was honored by the Utah State Bar in 2012 as Lawyer of the Year in Energy, Natural Resource and Environmental Law.

### Thomas N. Jacobson

**Thomas N. Jacobson** is a graduate of Utah State University and the University of Utah Law School. He has been a practicing attorney for more than 40 years in Utah, California and Texas. He is admitted to practice at the U.S. Supreme Court as well as several Federal appeals courts.

Tom, as he likes to be called, has been honored many times with professional awards, including League of Women Voters Citizen of the Year, a 2015 Southern California Top Lawyer, and named as one of Southern California's Super Lawyers in 2007.

### Sophia DiCaro

**Sophia DiCaro** has Fifteen years of public service in the areas of public policy, public budgeting, demographic data analysis, organizational change, public speaking, strategic planning, and operations management. She has an MPA from the U of U.

She has served in the Utah Legislature representing House District 31 and was honored as legislator of the year in 2015 by the Women's Republican Club of Salt Lake City. She is the past Deputy Director and Chief Operating Officer of the Governors Office of Economic Development and serves on numerous civic and charitable boards.





# LEGISLATIVE SUMMARY

*The following laws were enacted during the 2018 General Session of the Utah Legislature.*

**SB 236**  
Alcoholic Modifications  
Bill Sponsor, Jerry Stevenson, Sen.

Modification to attire and conduct act; this amendment was necessary as previous portions were held as unconstitutional in the recent Cinema Pub, LLC case.

Modification to Hard Cider Manufacturing and Pricing; Created a definition for Hard Cider, this changed the manufacturing threshold for cider to match beer when applying for the small manufacturing markup in the State Stores.

**HB 149**  
Funding Amendment  
Bill Sponsor, Gage Froerer, Rep.

Created a land acquisition fund of \$5,000,000 to allow the department to purchase land for state stores in compliance with statutory oversight provisions.

**HB 456**  
Alcohol Modifications  
Bill Sponsor, Brad Wilson, Rep.

Modifications to General Licensing and Renewal Requirements, Restaurant Licenses, Bar Establishment Licenses, Hotel and Resort Licenses, Off Premises Beer State Licensing, Label Requirements for Malted Beverages, Department Training Program Changes, and other provisions such as Advisory board, Type 5 Package Agencies, Airport Lounge Quota, Disciplinary and Enforcement, Operational requirements for Sports Centers, Banquet Catering Study, and Proximity Laws. See [abc.utah.gov](http://abc.utah.gov) website for full details of each modification.



## FINANCIAL HIGHLIGHTS

*Where does the money go? State Liquor and Wine Stores generated more than \$453 million in sales in FY2018.*

As a result, more than \$191.06 million was returned to the state treasury, funded state programs or was returned to local communities in FY 2018.

The DABC returned \$112.31 million to the General Fund;

The Department of Public Safety, State Bureau of Investigation received \$4.54 million for enforcement of state liquor laws;

Schools received \$45.43 million for the School Lunch Program and \$1.75 million to fund the Underage Drinking Prevention Program;

Parents Empowered received \$2.57 million to fund its efforts to curtail underage drinking;

The state and local communities received \$24.46 million in sales taxes



## FIVE YEAR FINANCIAL SUMMARY (IN THOUSANDS)

SUMMARY FINANCIAL INFORMATION	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	CAGR*
Sales net of Taxes	<b>\$348,453</b>	<b>\$376,239</b>	<b>\$405,911</b>	<b>\$427,606</b>	<b>\$453,689</b>	<b>5.42%</b>
Gross Profit	162,281	173,068	186,733	194,528	209,137	5.20%
Other Income	3,656	3,521	3,598	3,777	4,355	3.56%
Total Revenue	<b>\$165,937</b>	<b>\$176,589</b>	<b>\$190,330</b>	<b>\$198,304</b>	<b>\$213,492</b>	<b>5.17%</b>
Less Parents Empowered	1,884	2,061	2,186	2,331	2,573	6.44%
Less Underage Drinking Prevention	-	-	-	-	1,750	
Less Operating Expenses	37,855	37,647	39,407	42,605	45,888	3.92%
Less Transfer to SBI	3,486	3,762	4,064	4,275	4,543	5.44%
Less School Lunch Program	34,858	37,624	40,643	42,747	45,427	5.44%
Less Transfer to other programs	-	-	-	-	1,000	
Net Profit	<b>\$87,808</b>	<b>\$95,412</b>	<b>\$104,030</b>	<b>\$106,347</b>	<b>\$112,312</b>	<b>5.05%</b>
Sales Tax	18,752	20,187	21,748	23,152	24,458	5.46%

DABC OPERATIONS SUMMARY	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	CAGR*
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Less Salaries and Wages	15,766	16,138	16,571	17,868	19,783	4.64%
Less Other Program Transfers	38,344	41,386	44,708	47,022	52,719	6.57%
Less other Expenses	23,972	23,570	25,022	27,068	28,677	3.65%
Net Profit	<b>\$87,808</b>	<b>\$95,412</b>	<b>\$104,030</b>	<b>\$106,347</b>	<b>\$112,312</b>	<b>5.05%</b>
Wages % of gross Sales	4.52%	4.29%	4.08%	4.18%	4.36%	(0.74%)
Total Cases Sold	3,057	3,231	3,419	3,519	3,663	3.68%

\*CAGR = Compound Annual Growth Rate

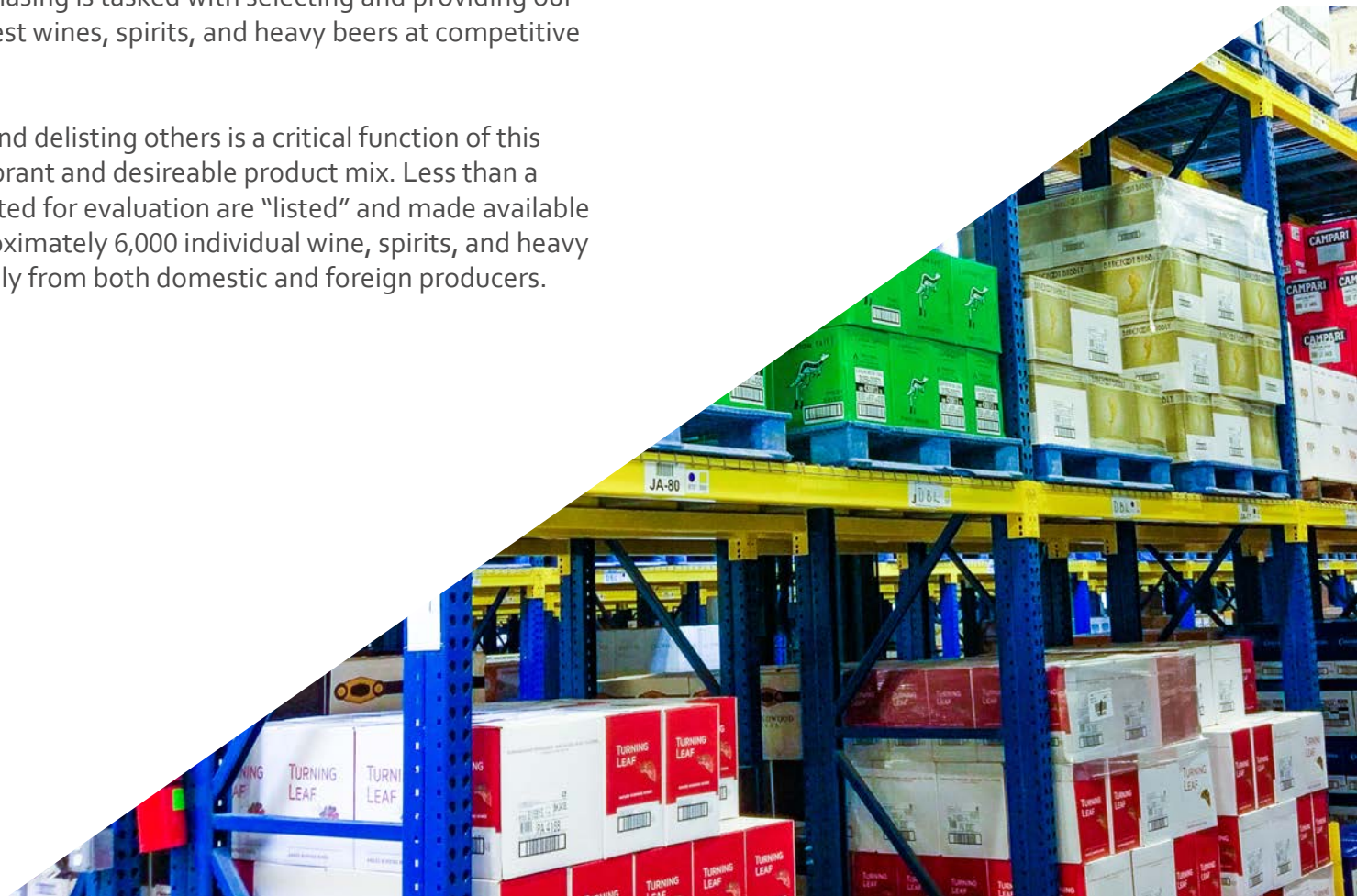


## PATH FROM PRODUCER TO CONSUMER... THE PRODUCT LIFECYCLE AT DABC

In FY 2018, the three groups of DABC employees responsible for making sure products reach consumers were busier than ever due to the increase in volume of sales.

The DABC Division of Purchasing is tasked with selecting and providing our Utah customers with the best wines, spirits, and heavy beers at competitive prices.

Evaluating new products, and delisting others is a critical function of this division in maintaining a vibrant and desirable product mix. Less than a third of all products submitted for evaluation are "listed" and made available for sale to the public. Approximately 6,000 individual wine, spirits, and heavy beers are purchased annually from both domestic and foreign producers.



## DABC DIVISION OF PURCHASING

The Purchasing division's mission is to provide a wide variety of quality products at competitive prices for all consumers that visit our outlets. During the 2018 fiscal period the department added an average of 26 new items a month to the product rotation while pulling out an average of 28 items a month due to slow movement, low profit or the suppliers choice to discontinue the product. In addition, we have been aggressive in procuring many new seasonal items and one-time offerings of highly allocated items that are unique and highly sought after.

We continue to see customers purchasing higher priced products, with consumers spending more in the ultra-premium and premium ranges of all categories. We saw incredible growth on Tequila, Whiskies and Pre-mix cocktail categories over the last year and we expect these trends to continue. In addition, sales of alternative packaged products are on the rise. Canned pre-mix cocktails, canned wines, box wines and aluminum bottles are trending very well and we look to add more products like this to our outlets in the upcoming year.



Items Evaluated

**784**



New Items Listed

**315**



Items Delisted

**340**

## DABC WAREHOUSE

The DABC operates a central warehouse located in Salt Lake City. The 141,000-square-foot warehouse contains an automated storage and retrieval system capable of holding 9,600 pallets. The warehouse stores, on average, 525,000 cases daily.



Cases Shipped

**2,886,027**



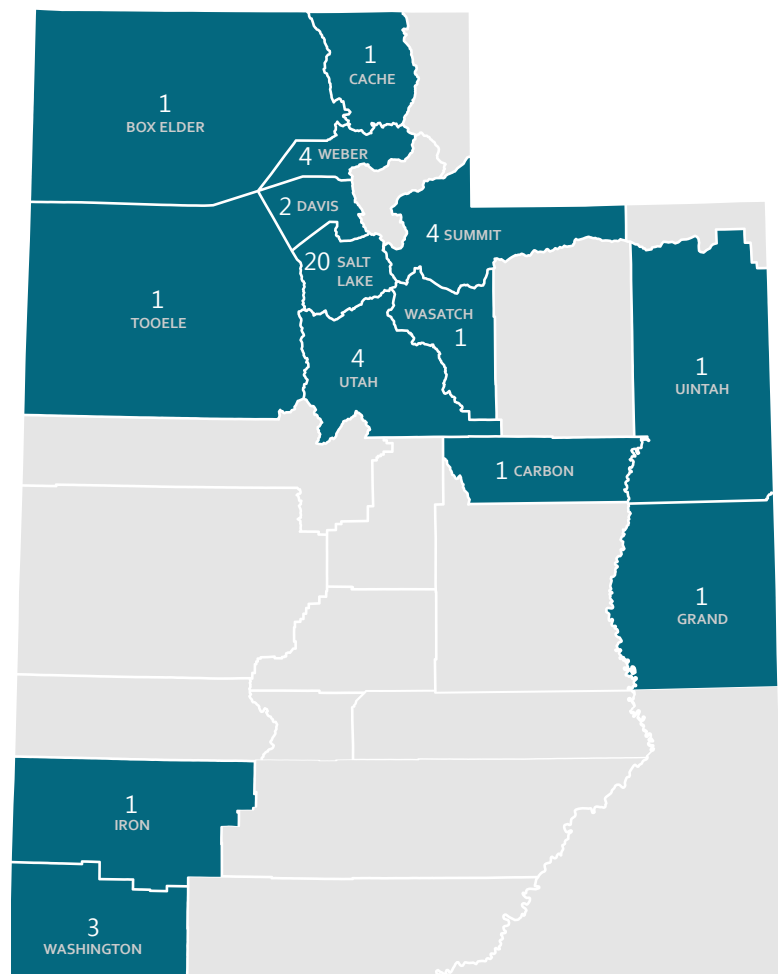
Cases Received

**2,803,530**



## DABC RETAIL STORES

As of June 30, 2018, the DABC operated 45 retail facilities.



# 43

STANDARD STORES

# 2

CLUB/LICENSEE STORES

45 STORES STATEWIDE

378,278 SQUARE FEET

8,600 SQ. FT. AVERAGE STORE SIZE

**\$10,081,988** AVERAGE STORE SALES

### STORE PERSONNEL (JUNE 30, 2018)

292 FULL-TIME EMPLOYEES

349 PART-TIME EMPLOYEES

**641** TOTAL





## A GREAT HONOR FROM THE GOVERNOR

The hard work of the DABC Employee Workgroup was recognized May 17th at the Utah Capitol when Governor Gary Herbert presented the team with his 2018 Award of Excellence.

Members of the team are Juanita Gonzales, Kathleen Jacobson, Val Dunaway, David Ekstrom, Ryan Hill, Thao Than Trong, Ryan Heffner, Jerry Capito, James Westbrook, Sunny Drappeaux, Anthony Reeves and Jeana Whitlock.

The Workgroup accomplished a lot of positive change at DABC, including the development of a Training Checklist for all store employees, a revised Best Practices Manual, creation of a Holiday Pre-Planning Program, and even a wine pairing document for stores to assist holiday meal planning.

Congratulations to all of our DABC Employee Workgroup. We are extremely proud of you!



## EMPLOYEES OF THE QUARTER

The DABC has an established incentive program for store and warehouse employees. The "Employee of the Quarter" is nominated by store and warehouse managers at the end of each fiscal quarter. The nominations are independently judged by a panel of 4 DABC employees not connected to the stores in their DABC duties. The judges do not confer with each other in making their choices. The top 5 of each judge are given a numerical value and the nominee with the highest total score is the Employee of the Quarter. The nominees are judged on numerous criteria and performance attributes.

The "Employee of the Quarter" recipients for FY 2018 are:



1st Qtr: Dustin Davies of Store 33, the Salt Lake City Club and Restaurant Warehouse. Dustin runs the front end of the warehouse on 9th West and takes orders, processes orders, checks orders, and helps licensees on a daily basis. His manager, Brian White, says Dustin does all this with a constant smile and never a complaint. He has received high praise from the licensees he assists.

2nd Qtr: Cathy Scroggins is the assistant manager of Store 34, the Park City Club and Restaurant Warehouse. Cathy has been with DABC for 18 years and this past year was invaluable to making the transition from an outgoing manager to a new manager as smooth as possible. Cathy motivates her co-workers and has been lauded for her excellent customer service, going beyond what is normally expected.



3rd Qtr: Troy Kelsch is the top picker in the main warehouse, according to his manager, James Mangun, who says "Troy's performance has been consistently above expectations." Troy actually holds the record for most cases picked in a month, with an accuracy rate of 99.9%. Troy also performs additional tasks each morning before beginning his pick and is always willing to train new employees.

4th Qtr: Will Christensen of Store 1 in downtown Salt Lake City is one of those employees whose warmth, charm, good humor and hard work ethic is an inspiration to his fellow co-workers. His manager, Polly Gagon originally hired Will to work in the North Temple store, but soon recognized his positive contributions. She asked him to transfer to her downtown store, where will is loved by his customers and fellow employees alike.





**TOTAL FUNDS TO STATE, LOCAL  
GOVERNMENTS, SCHOOL LUNCH AND  
UNDERAGE DRINKING PREVENTION FROM  
LIQUOR SALES (IN THOUSANDS)**

<b>Funds</b>	<b>2017</b>	<b>2018</b>
School Lunch and Public Safety	47,022	49,969
School Underage Drinking Prevention	-	1,750
Sales Tax	23,152	24,458
Net Profit	106,345	112,312
<b>TOTAL TRANSFERS</b>	<b>176,519</b>	<b>188,489</b>

**AVERAGE UTAH CONSUMPTION PER CAPITA  
(IN GALLONS)\***

<b>Alcohol Type</b>	<b>2017</b>	<b>2018</b>
Wine	1.183	1.163
Spirits	1.032	1.025
Heavy Beer	0.656	0.679
Flavored Malt Beverages	0.070	0.064
<b>TOTAL</b>	<b>2.941</b>	<b>2.931</b>

*\*Based on estimated population of 3,159,000 as of June 30, 2018 and 3,051,200 as of June 30, 2017.*

**COMPARATIVE GALLONAGE FOR UTAH  
(IN THOUSANDS)**

<b>Alcohol Type</b>	<b>2017</b>	<b>2018</b>
Wine	3,609	3,674
Spirits	3,150	3,238
Heavy Beer	2,001	2,145
Flavored Malt Beverages	213	202
<b>TOTAL</b>	<b>8,973</b>	<b>9,259</b>



## 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 2018

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1,898	License/Permit Renewals
1,120	New Licenses/Permits
723	Event Permits
547	Label Approvals
2,000	Criminal Background Checks

### LICENSEE AUDITS CONDUCTED IN FY 2018

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88	Clubs and Taverns
1,179	Restaurants
123	Beer Recreational
279	Other Licenses

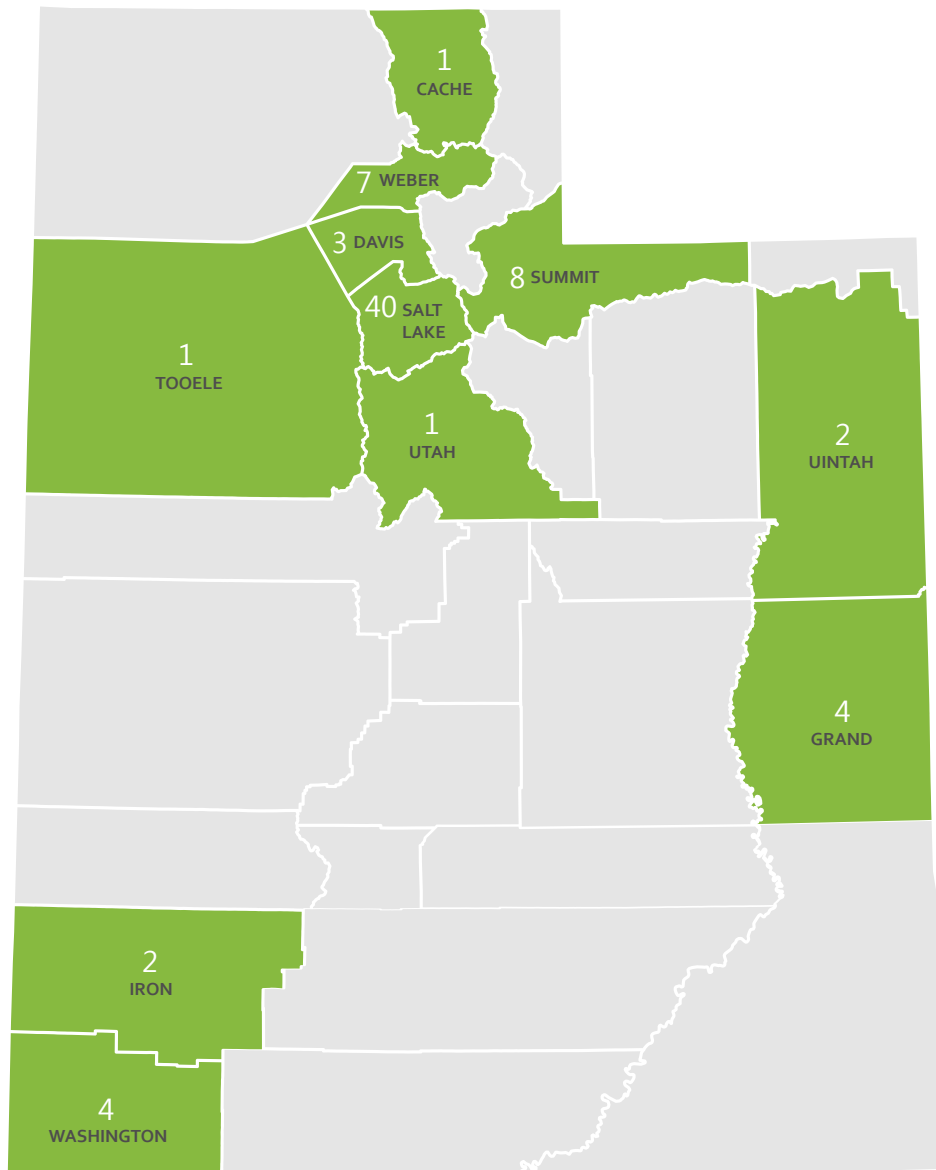
### MANAGERS TRAINED

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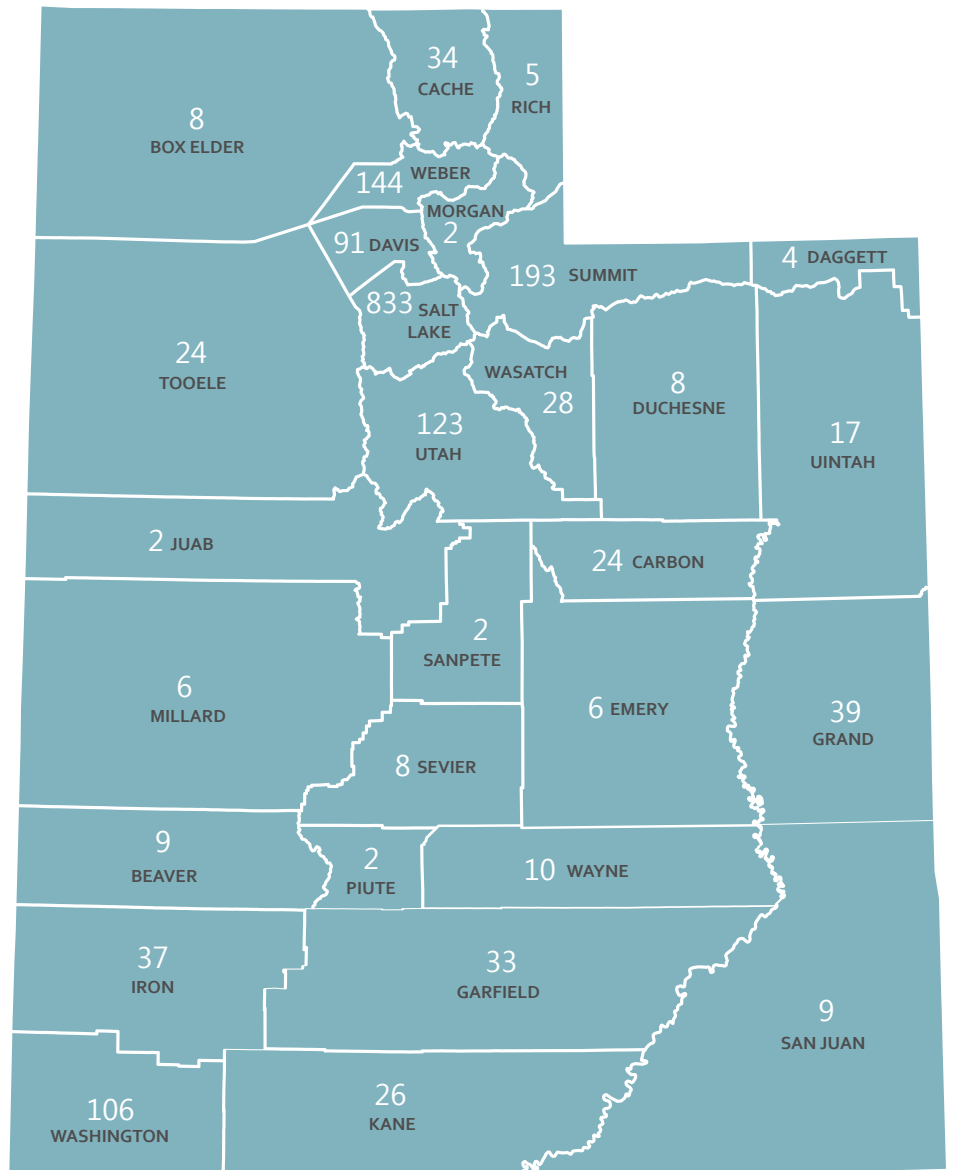
2,169	Managers trained
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The figures below show the number of manufacturing and on-premise retail licenses issued by the state and the counties in which they are located.

## MANUFACTURING LICENSES BY COUNTY



## ON-PREMISE RETAIL LICENSES BY COUNTY



# 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. Teens say that parents are the number one influence in preventing underage drinking, and research shows that teens are less likely to drink when parents are actively involved in helping their children understand the risks of drinking alcohol before age 21. Parents Empowered is aimed directly at parents rather than teens or children, as parents are the key to preventing underage drinking.

This state campaign to help parents and communities eliminate underage drinking is funded through the state's alcohol sales and profits.

## Program Effectiveness

In May of 2018, Bach Harrison, LLC, completed a Parents Empowered media campaign outcomes report that compared rates of Utah student alcohol use on the SHARP Survey with the impact of the Parents Empowered media campaign as reported by the annual Dan Jones and Associates telephone surveys, examining data all the way back to the campaign's inception in 2006.

The Bach Harrison report showed that underage drinking in Utah has consistently decreased during the Parents Empowered campaign. Regular drinking (30-day use) and heavy use (binge drinking) have dropped 44 percent. This reduction is faster than national underage drinking rates, which decreased 37 percent over the same time period. What's most impressive about Utah's rates decreasing faster than the national average, however, is that Utah had a smaller margin to improve from the outset. Our state's youth drinking rates have always been among the lowest in the nation.

## Return on Investment

The key to Parents Empowered's success is that it's more than just an ad campaign. It's a community mobilization effort embraced by both the public and private sectors, focused on educating the public about the negative consequences and changing social norms about underage drinking.

Between added value and earned media, the Parents Empowered campaign and its partnerships generated more than \$4.1 million of bonus media coverage—that's \$1.60 of free media exposure for every dollar spent





on Parents Empowered, including all money used for producing ads, county mini-grants, buying media, conducting research and managing the day-to-day campaign. Through its community mobilization efforts, the Parents Empowered campaign magnifies the effectiveness of every dollar Utah invests in preventing underage drinking.

## PARTNERSHIPS



### U.S. Ski and Snowboard Team Partnership

This year Parents Empowered strengthened its partnership with the U.S. Ski and Snowboard team, producing several public service announcements featuring U.S. Olympic athletes and coaches talking about the dangers of underage drinking and the ways that parents can help prevent it. The partnership was supported by Lieutenant Governor Spencer The National Court Appointed Special Advocate Association Park City Mayor Jack Thomas, among others.



## Rocky Mountain Raceways Partnership

In its historic final season, Rocky Mountain Raceways partnered with Parents Empowered to educate attending parents and families about the harms of underage drinking. At the entrance to the track, race attendees were warned about how underage drinking can wreck a child's future, complete with a demolition derby car painted to look like alcohol crashing into a giant teen brain.



## Hogle Zoo Partnership

The Hogle Zoo featured two Parents Empowered Days and installed underage drinking prevention exhibits throughout the park, including the "Bright Futures Preserve," an installation around the Zoo's playground that turned children playing into an educational zoo habitat for parents. The partnership was supported by Facebook events, custom social media videos and media partnerships with KUTV and iHeart Media that reached hundreds of thousands of Utah parents and families throughout the summer months.

## What's Next

While underage drinking rates are decreasing in Utah, there is still more work to be done. Research shows an ongoing need to educate parents about how underage drinking can harm developing adolescent brains.

Parents Empowered continues to be an effective underage drinking prevention campaign for Utah and an integral part of eliminating underage drinking.



## DIVISION OF TECHNOLOGY SERVICES

In 2018, DTS worked closely with DABC's main warehouse personnel and successfully completed a major upgrade to their pick to voice system (Voxware). This is the system that allows workers in the warehouse to receive voice commands to retrieve products queued up in the system, and to give voice commands indicating to the system that products have been retrieved and moved. All of this is now done using wireless and Bluetooth technology. This implementation eliminated the wire that ran from the earpiece, to a base unit fastened on or near the worker. The wireless earpieces have allowed warehouse staff much more freedom of movement, allowing them to be more effective in doing their jobs. When asked about the new wireless headsets, Eric Gaus (pictured right) happily answered, "It has been really nice not having a cord getting in the way when I work. It's made our jobs easier."

The 5 GHz Voxware wireless picking system processes an average of 11,000 cases a day over two shifts from a maximum of 30 concurrent headsets/units. Shift one starts at 6 AM and shift two finishes at 10 PM. The system provides detailed reports showing the productivity of each shift and of each worker and allowed the state to consolidate backend resources from two physical servers, to one VMware instance in a high availability (HA) environment.



# FINANCIAL STATEMENTS

Date prepared: 10/12/2018, unaudited

INCOME STATEMENT (IN THOUSANDS)	FY 2017	FY 2018	SCHEDULE OF EXPENSES (IN THOUSANDS)	FY 2017	FY 2018
Operating Revenue (Note C)	427,606	453,689	Salaries, Wages & Benefits	17,868	19,783
Cost of Liquor Sold	233,078	244,553	Credit Card Fees	5,723	5,999
Gross Profit	194,528	209,137	Rentals & Leases (Note K)	1,095	1,108
Other Income (Permits, Licenses, Fees)	3,474	4,052	Depreciation	3,177	3,257
<b>Total Operating Revenue</b>	<b>198,001</b>	<b>213,188</b>	Maintenance & Repairs/Operating Supplies	2,920	3,002
<b>Total Operating Expenses (see Schedule of Expenses)</b>	<b>41,940</b>	<b>45,606</b>	Alcohol Education Media Campaign	2,326	2,573
<b>Net Operating Income</b>	<b>156,061</b>	<b>167,582</b>	P.A. Contracts	2,112	2,225
<b>Non Operating Revenues (Expenses)</b>			Delivery To Stores	1,961	2,353
Federal Grant	303	304	Data Processing	2,453	2,834
Gain (Loss) on Sale of Capital Assets	(2)	-	Professional & Tech. Services	1,145	1,146
Interest on Bonds and Notes	(2,995)	(2,855)	Postage, Printing & Supplies	374	384
Transfer to Underage Drinking Prevention Program (Note D)	-	(1,750)	Liquor Bags	351	380
Transfer to School Lunch and Public Safety	(47,022)	(49,969)	Telephone	195	213
Retained Earnings	-	(1,000)	Insurance & Bonds	109	99
<b>Total Non Operating Revenues (Expenses)</b>	<b>(49,716)</b>	<b>(55,270)</b>	Travel Expense	44	42
<b>Net Liquor Profit (Note E)</b>	<b>106,345</b>	<b>112,312</b>	Cash Over & Short	18	8
			Check Service Fees	13	1
			Misc. Other Expenses	56	199
			<b>Total Operating Expenses</b>	<b>41,940</b>	<b>45,606</b>

<b>BALANCE SHEET (IN THOUSANDS)</b>	<b>as of JUNE 30, 2017</b>	<b>as of JUNE 30, 2018</b>
<b>Current Assets</b>		
Cash and Cash Equivalents (Note F)	169	1,172
Accounts Receivable	1,465	1,293
Due From Debt Service and Department of Facility and Construction Management	6,307	20,729
Inventories (Note G)	37,501	35,853
Prepaid Expenses	-	96
<b>Total Current Assets</b>	<b>45,442</b>	<b>59,142</b>
<b>Noncurrent Assets (Note H)</b>		
Package Agencies Startup Capital	1,078	1,164
Buildings	78,356	79,002
Land	24,167	25,385
Equipment and Software	10,572	10,377
Construction In Process	-	1,104
Less: Accumulated Depreciation	(37,585)	(40,308)
Net Property & Equipment	76,588	76,723
<b>Total Assets</b>	<b>122,030</b>	<b>135,865</b>
<b>Deferred Outflows of Resources Related to Bonded Debt and Pensions</b>	<b>6,743</b>	<b>6,389</b>
<b>Total Assets and Deferred Outflows</b>	<b>128,773</b>	<b>142,255</b>

	<b>as of JUNE 30, 2017</b>	<b>as of JUNE 30, 2018</b>
<b>Current Liabilities</b>		
Accounts Payable - Liquor (Note I)	70	90
Accounts Payable - Other	11,524	9,880
Due to Other Funds	31,797	35,408
Revenue Bonds Payable (Note J)	4,821	5,048
Deposit In Lieu of Bond	845	924
Unearned Revenue	1,081	1,164
<b>Total Current Liabilities</b>	<b>50,137</b>	<b>52,514</b>
<b>Noncurrent Liabilities</b>		
Net Pension and Other Postemployment Benefit Liability	7,209	5,193
Revenue Bonds Payable (Note J)	66,454	76,786
<b>Total Noncurrent Liabilities</b>	<b>73,663</b>	<b>81,979</b>
<b>Total Liabilities</b>	<b>123,800</b>	<b>134,493</b>
<b>Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits</b>	<b>859</b>	<b>2,648</b>
<b>Fund Balances</b>		
Net Investment in Capital Assets	4,114	4,114
Retained Earnings	-	1,000
<b>Total Fund Balances/Retained Earnings</b>	<b>4,114</b>	<b>5,114</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances/Retained Earnings</b>	<b>128,773</b>	<b>142,255</b>

# NOTES TO FINANCIAL STATEMENTS

**NOTE A: ACCOUNTING POLICIES:** The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by the Utah Division of Finance. The administrative operating budget is subject to legislative controls. The transfer of profit 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 88%; beer 66.5%.

**NOTE B: FINANCIAL REPORTING:** In order to be more concise the Income Statement and Balance Sheet had been simplified from what was published in the past. No material changes in what was reported for FY 2017, some related accounts had been combined.

**NOTE C: OPERATING REVENUE:** Sales are reported at published prices; sales taxes excluded. Military Sales are included in Operating Revenues as follows: FY 2018 \$933 thousand and FY 2017 \$964 thousand.

**Note D:** Transfer to the Underage Drinking Prevention Program started in Fiscal Year 2018 (SB3 Item 269 - 2017 GS).

**NOTE E: UCA 32B-2-301 (7)** allows the Department to retain one million dollars from the liquor profit for specific uses in FY 2019, this is also reflected in the Cash and Cash Equivalents on the Balance Sheet. The Liquor Profit is transferred from the Liquor Control Fund to the General Fund annually.

**NOTE F: CASH AND CASH EQUIVALENTS:** 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. See Note E for additional information.

**NOTE G: INVENTORIES:** Inventories are valued at FIFO and consist of merchandise stored in our warehouse and at each of the 45 stores. It also includes liquor bags at the warehouse.


**NOTE H: NON CURRENT ASSETS:** Package Agencies Startup Capital comprises of financial advances that the Department provided to new Package Agencies for purchase of initial inventory. This was reclassified from Current Assets to Non Current Assets in Fiscal Year 2018. Buildings and equipment are stated on the Balance Sheet at cost and are depreciated using the straight-line method over the estimated service lives of the assets. Land is not depreciated.

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

**NOTE J: REVENUE BONDS PAYABLE:** Bonds payable represents 17 revenue bonds issued by the State of Utah. The bonds have maturity dates ranging from 2020 to 2040 and carry interest rates from 2.72% to 5.50%.

**NOTE K: 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.





The Utah Department of  
Alcoholic Beverage Control

# **2018 ANNUAL REPORT**

## **SUMMARY OF OPERATIONS**

*July 1, 2017 - June 30, 2018*

