

# 2019 ANNUAL REPORT

SUMMARY OF OPERATIONS

July 1, 2018 - June 30, 2019

The Department of  
Alcoholic Beverage Control





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# A NOTE FROM THE DIRECTOR

The Department of Alcoholic Beverage Control is pleased to present to the citizens of Utah the DABC's Fiscal Year 2019 report. Year over year sales continue to grow, and the department's ability to continue to meet the operational challenges that accompany our continued growth is a testament to the dedication and perseverance of DABC employees and our partners.

FY 2019 State Liquor and Wine Store sales, excluding taxes, of \$479.32 million is a 5.65% increase from FY 2018 sales of \$453.69 million. As a result, more than \$200.65 million was returned to the general fund and state and local government beneficiaries, specifically:

- \$ 117.1 million profit transfer to the general fund;
- \$ 47.9 million contribution to the school lunch program;
- \$ 2.5 million for Parents Empowered, Utah's underage drinking prevention program;
- \$ 1.75 million for the school underage drinking prevention program;
- \$ 4.79 million for the State Bureau of Investigation's liquor law enforcement program;
- \$ 26.5 million in sales taxes collected and dispersed to state, counties and municipalities.

The DABC implemented several initiatives to improve operations. Foremost among these initiatives were: (a) an online survey to obtain feedback from our customers regarding store operations, and (b) the rollout of a product lifecycle management software that has the potential of improving the introduction of new products, availability of products, while reducing inventory on hand.

The DABC continues with its efforts to construct additional stores and modernize existing stores. The DABC opened a new store in Syracuse, UT in February 2019. Additionally, the DABC received authorization to build three more stores during the 2019 General Session. Specifically, we received funding to replace two stores - one in downtown Salt Lake City and another in West Valley City – and build a new store in Taylorsville, UT.

Respectfully,

Salvador D. Petilos, Director



**Salvador D. Petilos**

# GREETINGS FROM THE COMMISSION CHAIR

It has been a very productive fiscal year for the Commission and the Department of Alcoholic Beverage Control. The Department has launched a product locator app, built and opened a new state store in Syracuse, continued remodeling efforts on existing state stores, issued new package agency contracts to serve the rural areas in the state, and posted record profits for the benefit of the school lunch program and the General Fund. We also issued over 1,000 new off-premise licenses as the Legislative changes from 2017 went into effect and trained over 6,000 managers and owners on the responsibilities of holding or managing a license.

Despite these successes, the Department faces significant challenges in regards to resources. Increased demand for services puts strain on employees at our stores, warehouse, and administrative office. We continue to advocate for increased funding from the Legislature and express our appreciation for the legislators who have expressed interest in our operation.

Let me close with once again recognizing the efforts of all DABC employees. Thank you for your dedicated efforts to improve the Department and serve the public.

Sincerely,  
John T. Nielsen  
Chair, DABC Commission



**John T. Nielsen**

*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 -  
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. He is currently a member of the Board of Trustees of Utah Symphony/Utah Opera, Park City Sunrise Rotary and a member of the Board of Directors and Chair of the Advisory Board of Heber Valley Railroad.

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.

Sophia DiCaro

Sophia DiCaro has fifteen years of public service experience 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 under four gubernatorial administrations and also served in the Utah State Legislature representing House District 31. She is the past Deputy Director and Chief Operating Officer of the Governors Office of Economic Development and volunteers on numerous civic and charitable boards.

Jacquelyn Orton

Jacquelyn Orton has a deep understanding of the legislative process as a former Congressional staffer, associate director of legislative affairs, and lobbyist. She currently works as a child sex abuse victim advocate.

Stan Parrish

Stan Parrish has served in numerous leadership positions including president and CEO of Sandy Area Chamber of Commerce, president of the Salt Lake Area Chamber of Commerce, executive director of the Utah Department of Community and Economic Development, and an administrator with the U.S. Small Business Administration.

Amanda Smith

Amanda Smith is an environmental and natural resources attorney counseling clients on compliance with state and federal environmental laws. She was an 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.



# LEGISLATIVE SUMMARY

*The following laws were enacted during the 2019 General Session of the Utah legislature.*

## HB 202: Off-Premise Beer Retailer Amendments

- Extended the deadline for off-premise beer retailers to get licensed and modified the definition of “off-premise retail manager” for purposes of training

## HB 285: Alcohol Work Requirement Amendments

- Allows the Department to hire an individual with an otherwise disqualifying background check as long as they have not been convicted of a felony in the last 7 years or a crime involving moral turpitude in the last four
- Allows the Commission to issue a package agency contract, license, or permit to a person so long as they have not been convicted of a felony in the last 7 years or a crime involving moral turpitude in the last four

## HB 453: Alcohol Amendments

Made many technical and substantive amendments to the alcohol code, including the following:

- Amended the definition of “hotel” and added a definition of “performing arts facility”
- Authorized the Commission to make a rule regarding sampling of alcoholic products and allow for a tolerance in the alcohol content of beer or heavy beer
- Authorized businesses to enter into “interim alcoholic beverage management agreements” as part of the transfer of a business that has a retail alcohol license
- Authorized retail licensees to offer beer flights for sale
- Created the master off-premise beer retailer license
- Created a liquor transport licensee, authorizing a licensee to pick up and deliver liquor to a retail license

## SB 132: Beer Amendments

- Modified the definitions of beer and heavy beer
- Created a Beer Availability Work Group
- Increased the 31-gallon barrel tax

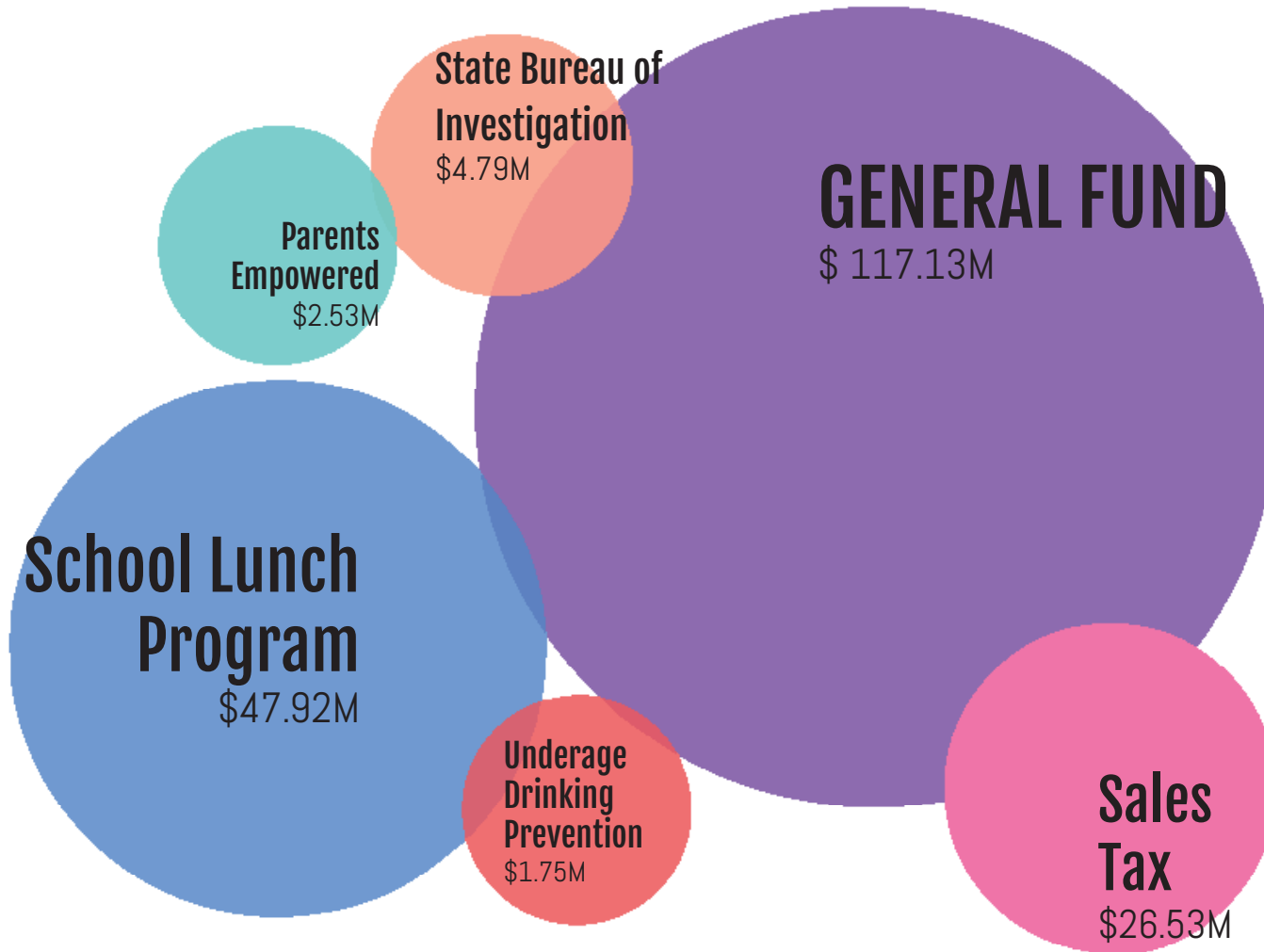
## HB 1002: Beer Transition Period Amendments

- Authorized a licensee that would otherwise only be authorized to possess beer to possess “newly classified beer,” meaning heavy beer that contains up to 5% alcohol by volume, beginning October 24, 2019. The licensee may not sell the newly classified beer until November 1, 2019

# FINANCIAL HIGHLIGHTS

*State Liquor and Wine Stores generated more than \$479 million in sales in FY 2019.*

As a result, more than \$200.65 million was returned to the state treasury, funded state programs or returned to local communities in FY 2019.



# FIVE YEAR FINANCIAL SUMMARY (In Thousands)

| SUMMARY FINANCIAL INFORMATION             | FY 2015   | FY 2016   | FY 2017   | FY 2018   | FY 2019   | CAGR* |
|---|-----------|-----------|-----------|-----------|-----------|-------|
| Sales net of Taxes                        | \$376,239 | \$405,911 | \$427,606 | \$453,689 | \$479,324 | 4.96% |
| Gross Profit                              | 173,068   | 186,733   | 194,528   | 209,137   | 220,054   | 4.92% |
| Other Income                              | 3,521     | 3,598     | 3,777     | 4,355     | 4,622     | 5.60% |
| Total Revenue                             | \$176,589 | \$190,330 | \$198,304 | \$213,492 | \$224,676 | 4.93% |
| Less Parents Empowered                    | 2,061     | 2,186     | 2,331     | 2,573     | 2,530     | 4.18% |
| Less Underage Drinking Prevention         | -         | -         | -         | 1,750     | 1,791     |       |
| Less Operating and Non-Operating Expenses | 37,647    | 39,407    | 42,605    | 45,888    | 49,501    | 5.63% |
| Less Transfer to SBI                      | 3,762     | 4,064     | 4,275     | 4,543     | 4,792     | 4.96% |
| Less School Lunch Program                 | 37,624    | 40,643    | 42,747    | 45,427    | 47,926    | 4.96% |
| Less Transfer to other programs**         | -         | -         | -         | 1,000     | 1,000     |       |
| Net Profit                                | \$95,412  | \$104,030 | \$106,347 | \$112,312 | \$117,136 | 4.19% |
| Sales Tax                                 | 20,187    | 21,748    | 23,152    | 24,458    | 26,532    | 3.91% |

| DABC OPERATIONS SUMMARY      | FY 2015   | FY 2016   | FY 2017   | FY 2018   | FY 2019   | CAGR* |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-------|
| Sales net of Taxes           | \$376,239 | \$405,911 | \$427,606 | \$453,689 | \$479,324 | 4.96% |
| Gross Profit                 | 173,068   | 186,733   | 194,528   | 209,137   | 220,054   | 4.92% |
| Other Income                 | 3,521     | 3,598     | 3,777     | 4,355     | 4,622     | 5.60% |
| Total Revenue                | \$176,589 | \$190,330 | \$198,304 | \$213,492 | \$224,676 | 4.93% |
| Less Salaries and Wages      | 16,138    | 16,571    | 17,868    | 19,783    | 20,764    | 5.17% |
| Less Other Program Transfers | 41,386    | 44,708    | 47,022    | 52,719    | 55,509    | 5.66% |
| Less other Expenses          | 23,570    | 25,022    | 27,068    | 28,677    | 31,267    | 5.81% |
| Net Profit                   | \$95,412  | \$104,030 | \$106,347 | \$112,312 | \$117,136 | 4.19% |
| Wages % of gross Sales       | 4.29%     | 4.08%     | 4.18%     | 4.36%     | 4.33%     | 0.20% |
| Total Cases Sold             | 3,231     | 3,419     | 3,519     | 3,663     | 3,913     | 3.91% |

\* CAGR = Compound Annual Growth Rate

\*\* SB 155 - GS 2017



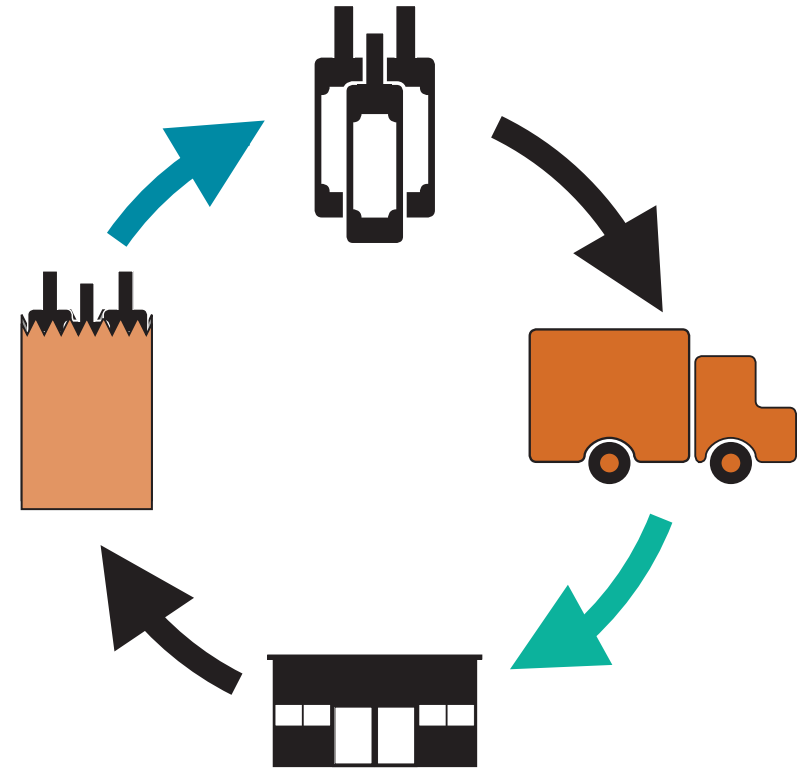
# THE PRODUCT LIFECYCLE AT DABC

## *The pathway from producer to consumer*

FY 2019 was another record-breaking year. Which means that the three groups of DABC employees responsible for making sure that products reached customers were busier than ever.

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

Evaluating new products, and delisting others is a crucial function of the Purchasing Division. This is essential in maintaining a diverse, exciting and desirable product selection. Less than a third of the products submitted for evaluation are "listed" and made available for sale to the public. Approximately 6,000 individual wines, spirits, and heavy beers are purchased annually from both domestic and foreign producers.



# DABC DIVISION OF PURCHASING

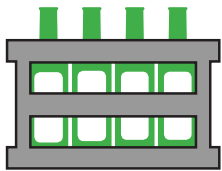
The Purchasing Division of the DABC is responsible for:

- Procuring Wine, Spirits, Flavored Malt Beverages and Heavy Beer (Beer with alcohol percentage above 4.0 ABV/3.2 ABW) for retail outlets in Utah.
- Processing special orders for Wine, Spirits, Flavored Malt Beverages and Heavy Beer that are not carried in Utah retail outlets.
- Using Data to remove items that are not performing in order to make room for new items.
- Working with various stakeholders to improve processes and procedures.
- Entering and changing data to support retail outlets and warehousing functions.
- Adjusting and reporting pricing due to supplier costs and the clearance of poor performing items.



## DABC WAREHOUSE

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



3,002,006  
Cases Received

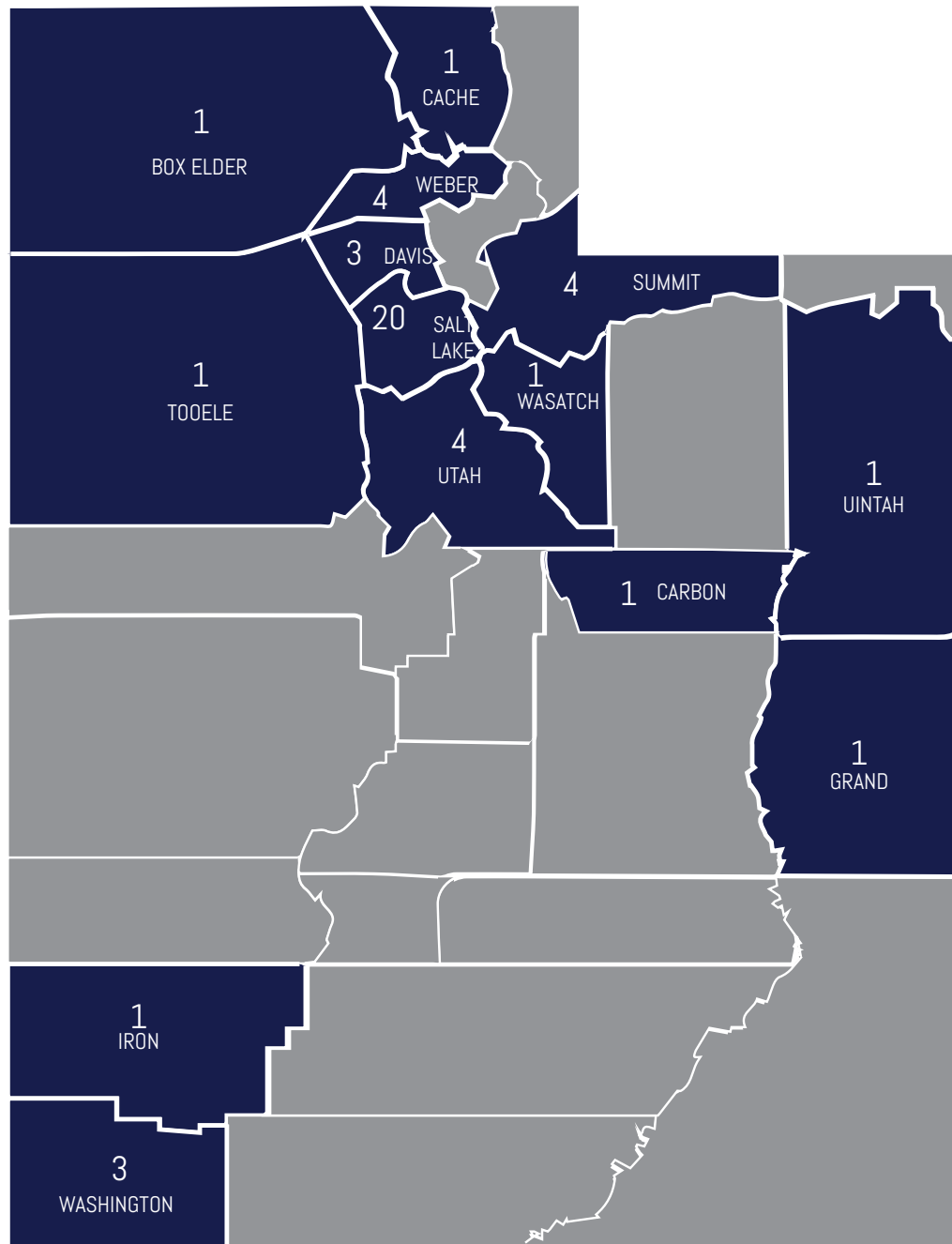


3,260,805  
Cases Shipped



# DABC RETAIL STORES

As of June 30, 2019, the DABC operated 46 retail facilities



# 44 | 2

STANDARD STORES

CLUB/LICENSEE STORES

46 Stores Statewide

400,643 Square Feet

8,700 SQ. FT. Average Store Size

\$10,269,101.00 Average Store Sales

## Store Personnel (as of June 30, 2019)

237 Full Time

317 Part Time

554 Total

The DABC opened a new store in Syracuse in FY 2019. The new store has already aided in relieving pressure at nearby stores. This beautiful store is designed for efficiency - using LED light fixtures, strategically placed windows, and various other elements. The store features a designated wine cave with unique fixtures and customer friendly signage for a more pleasant shopping experience. This store is a shining example of the customer oriented design that the DABC is aiming for in future stores.

# A GREAT HONOR FROM THE GOVERNOR

The hard work and helpfulness of more than 20 DABC employees was recognized by Governor Gary Herbert in May of 2019 when he presented the group of employees the 2019 Award of Excellence.

These amazing DABC employees answered the call for assistance during the busy season in Park City - including the Sundance Film Festival, and Utah's famous ski season. During this time Park City experiences increased sales and high pressure. The DABC Park City Assistance Team made sure that the Park City stores could run smoothly despite being short-handed.

Congratulations to all of our DABC employees, we are extremely thankful and 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 2019 are:

## 1st Quarter



### Marianna Sidwell – Heber City

Marianna Sidwell is "nothing short of an exceptional employee", says manager John Southwick. She has more than 14 years with DABC stores, 8 of those with John Southwick. In the time she has worked with John, he says that he has called her many times to cover unexpected vacated shifts and she has always responded cheerfully. John says "You could set your watch by her punctuality and reliability." Thank you Marianna for your continued efforts and hard work.

## 3rd Quarter



### Drew Ellsworth – Salt Lake City

Drew Ellsworth is a "tremendous asset to the DABC and our store" says his manager Eric Davey. Drew has been a longtime employee of the DABC, where he has provided excellent customer service, hard work, and always "has a clear moral compass and a great deal of integrity." Thank you Drew for providing DABC customers with great customer service and your hard-work over the years.

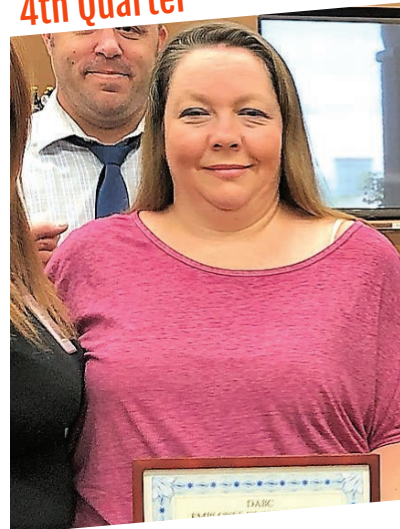
## 2nd Quarter



### Robbie Barrus – St. George

Robbie Barrus "really stepped up during the manager switchover period and was a huge help in changing and teaching employees policies of best practice and correct procedures to run the store." He helped keep employee moral high during the change in management and in his managers words, "Robbie is a great DABC asset." Thank you Robbie for your help and positive impact on your fellow employees.

## 4th Quarter



### Misty McCaig – Pleasant Grove

Misty McCaig has played a huge role in the success of her store. After being appointed as assistant manager she has taken her role and run with it. She always has a positive attitude and is willing to help new and longtime co-workers learn policies and procedures. She has even brought dinner in to share with her team several times and treats all like family. Thank you Misty for your kindness and hard-work.

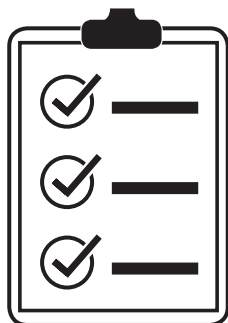
# DIVISION OF LICENSING & COMPLIANCE

The Division of Licensing and Compliance is responsible for the licensing 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.



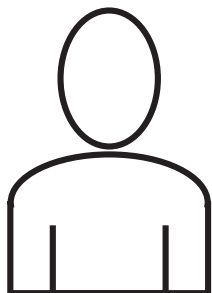
## Applications Received and Processed in FY 2019

|       |                            |
|-------|----------------------------|
| 1,846 | License/Permit Renewals    |
| 1,494 | New Licenses/Permits       |
| 814   | Event Permits              |
| 826   | Label Approvals            |
| 890   | Criminal Background Checks |



## Licensee Audits Conducted in FY 2019

|       |                   |
|-------|-------------------|
| 368   | Clubs and Taverns |
| 1,099 | Restaurants       |
| 136   | Beer Recreational |
| 247   | Other Licenses    |



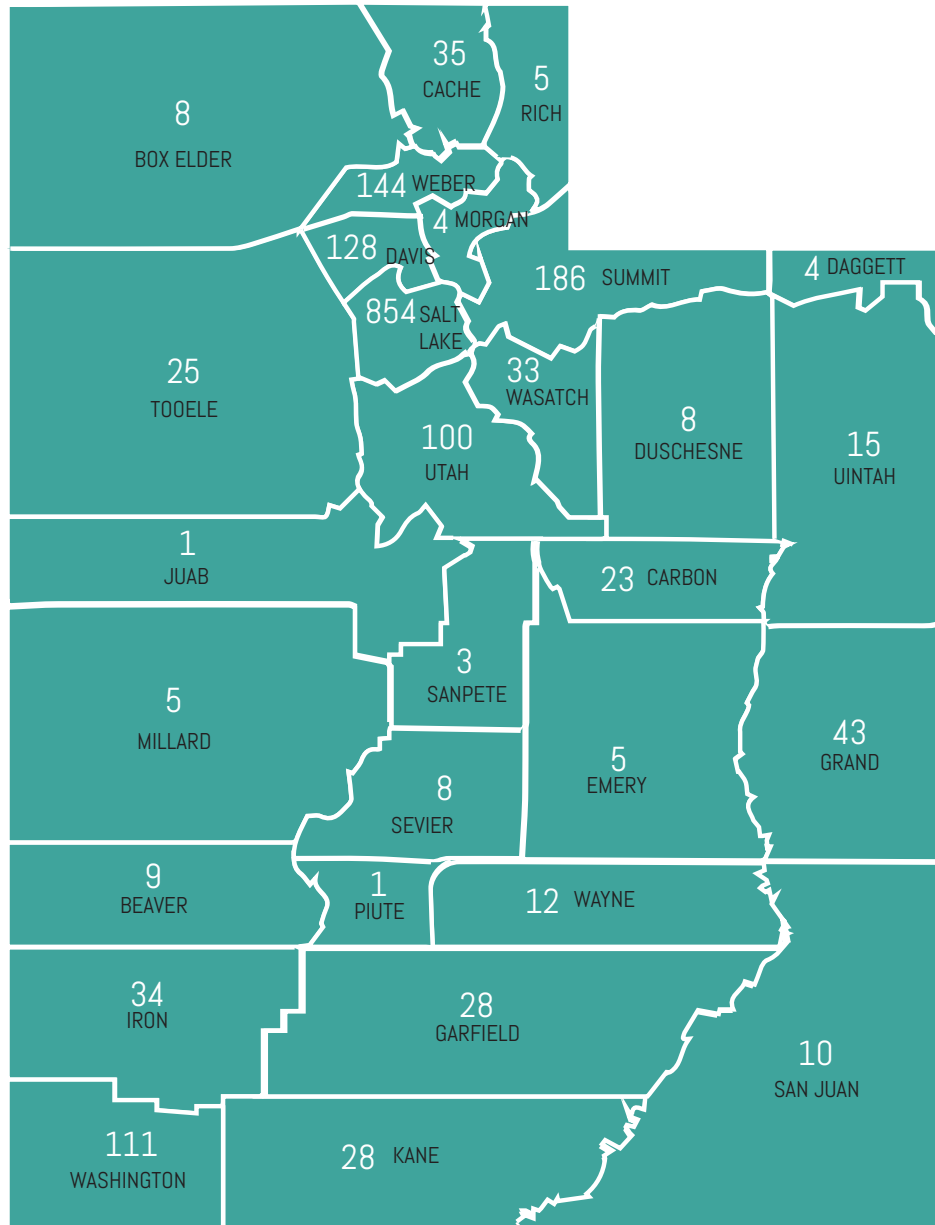
## Managers Trained

|       |                  |
|-------|------------------|
| 6,432 | Managers Trained |
|-------|------------------|



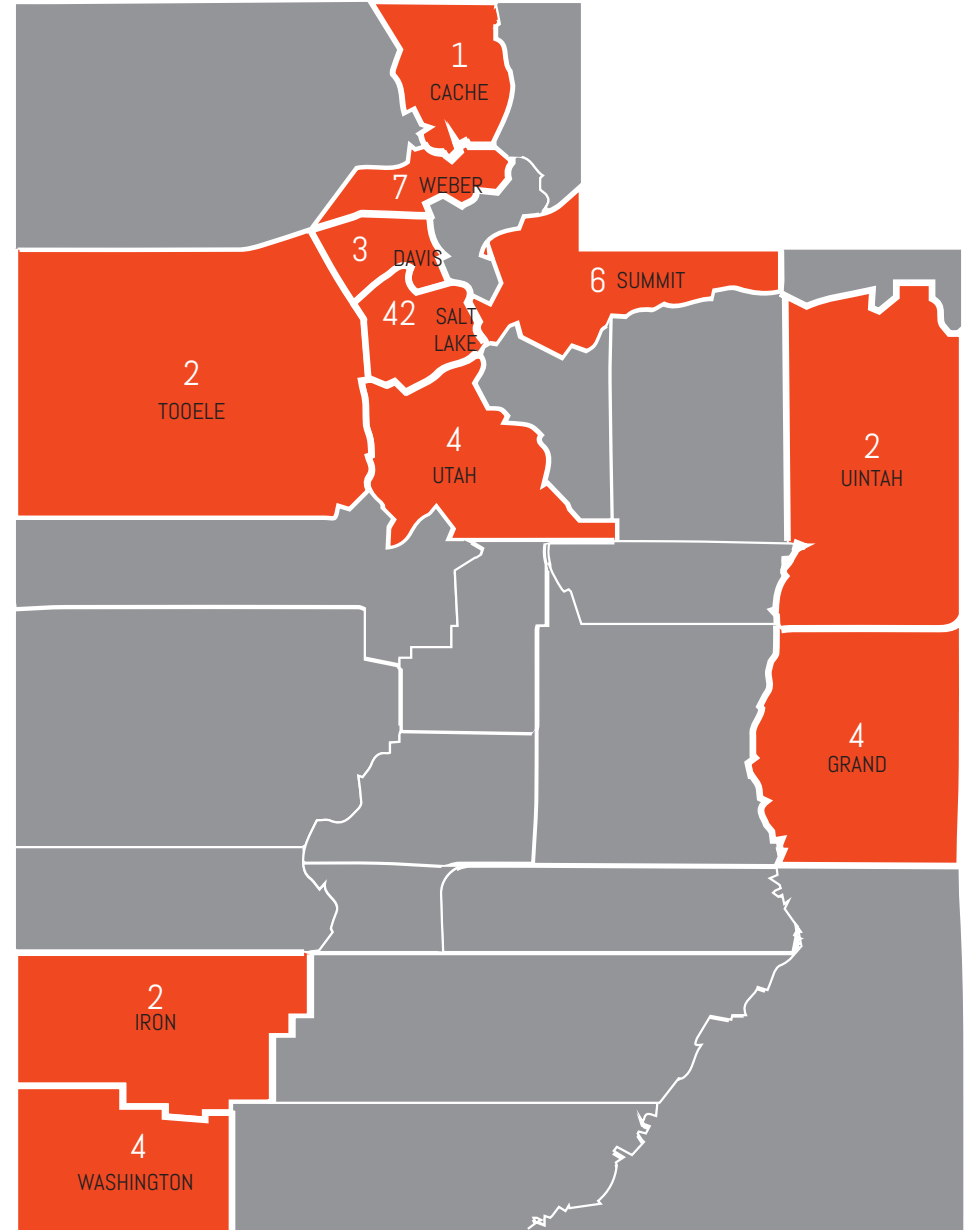
# ON-PREMISE RETAIL LICENSES

By County



# MANUFACTURING LICENSES

By County



The figures above are the total number of manufacturing and on-premise retail licenses and the counties in which they are located as of June 30, 2019

# PARENTS EMPOWERED

## What or Who is Parents Empowered?

ParentsEmpowered.org is a media and education campaign funded by the Utah Legislature and designed to prevent and reduce underage drinking in Utah by providing parents and guardians with information about the harmful effects of alcohol on the developing teen brain, along with proven skills for preventing underage alcohol use.

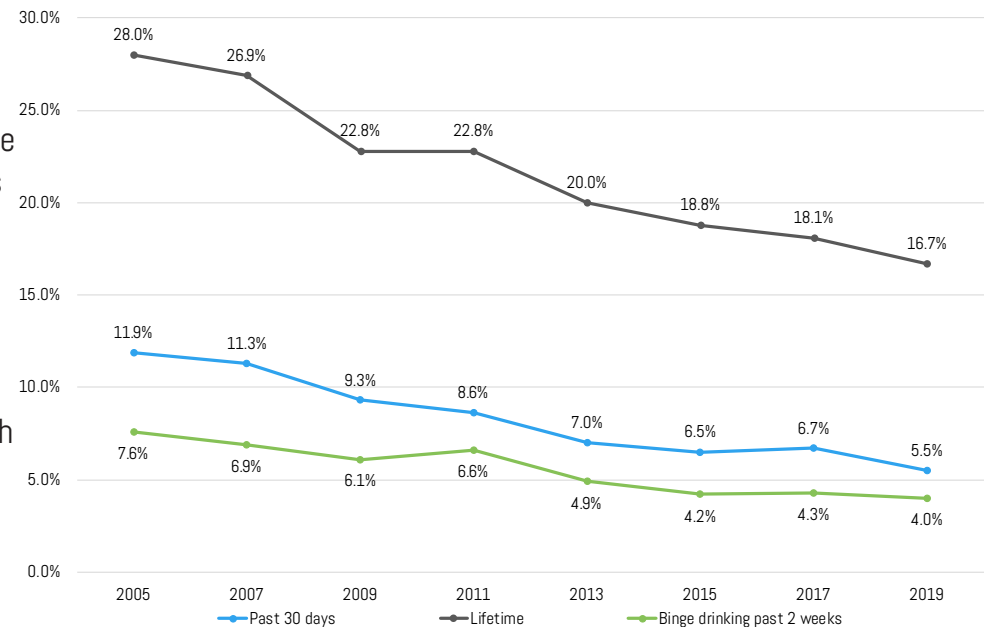
The Utah Department of Alcoholic Beverage Control is the lead agency for the campaign and is working in partnership with other state agencies and organizations, including the following: Attorney General's Office, Department of Health, Department of Public Safety/Highway Patrol and Highway Safety Office, Division of Substance Abuse and Mental Health, Juvenile Court, State Office of Education, Mothers Against Drunk Driving (M.A.D.D.)/Utah Chapter, Utah Prevention Network, and Utah Substance Abuse and Anti-Violence Coordinating Council.



## Effectiveness

The ultimate measure of program effectiveness for Parents Empowered is the number of kids whose developing adolescent brains have been protected from the harms of underage drinking; and because a child's brain comprises who they are and what they have the ability to become, that powerfully translates into healthier futures for Utah's children. Utah's focus on educating parents about how and why to prevent underage drinking is still delivering an exceptional return on the state's investment. In fact, it's estimated that during the past decade, because of the efforts to reduce the number of youth drinkers, there have been 21,861 fewer Utah kids from grades six to 12 who have ever tried alcohol. That's a fantastic result!

Youth Alcohol Use Trends - Grades 6, 8, 10 & 12 Combined (2005-2019)



\*Source: Utah Student Health and Risk Prevention (SHARP) Statewide Surveys, 2005-2019



## 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 parents about the long-term benefits to a child's developing brain when it remains alcohol-free. Between added value and earned media, the Parents Empowered campaign and its award-winning partnerships generated more than \$3.9 million of bonus media coverage— that's \$1.55 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. This year's paid media bonus was slightly lower due to the political window in Q4. Stations do not run any bonus weight during political windows. Through its community mobilization efforts, the Parents Empowered campaign magnifies the effectiveness of every dollar Utah invests in preventing underage drinking.

## Moving Forward

While underage drinking rates are steadily decreasing in Utah, there is still more work to be done. This year's focus groups with Utah parents discussed the ongoing need for explicit instructions on how parents can talk to their kids about underage drinking. Future Parents Empowered campaigns will continue to incorporate more "how-to's" and simple tips, using bulleted lists or checklists, that parents can easily incorporate into their daily interactions with their kids. Emphasis will be placed on the casual, everyday moments that provide ideal opportunities for conversations with kids. Participants also expressed the desire to see more realistic and relatable families and bonding moments that are representative of the realities of parents' hectic lives and the competing demands placed upon them. Considerable resources will be dedicated to refreshing the ParentsEmpowered.org website and implementing this year's extensive social media research and strategy development. These efforts will respond to the increasing demands of our audience to access all prevention materials digitally or in the social media space.



# DEPARTMENT OF TECHNOLOGY SERVICES

The Department of Technology Services (DTS) was extremely busy this year. Along with making sure that the business ran smoothly on the technology front they were also implementing new systems, apps, and various programs.

## Rare High Demand Product Drawings



DABC requested program development that would allow their business process to evolve, allowing customers to go online to register for a product drawing for each rare, high-demand product offered to DABC customers. DABC completed development of the Rare High Demand Product (RHDP). With the development of this application, customers register online for products they are interested in and at a set time, registration is closed and a drawing is held. Registered customers are chosen and receive notices that they have been chosen for an opportunity to purchase the product. The product is then shipped to the store chosen by the customer where they pay and pick up the product.

## Point of Sale System Upgrade

DABC hit a milestone on June 15th when Store 34 was the last store to be moved off of the old Point of Sale system and onto the Microsoft Dynamics AX Point of Sale system. With Microsoft Dynamics AX Point of Sale, DTS was able to make changes that allow for the DABC Intranet (Inventory, Licensee

Sales, ISQ) as well as the DABC "Find a Product" web app to show inventory levels that are accurate to within 15 minutes of each DABC store.

## Another New Store

DABC added a new store in Syracuse. This makes it the 46th operational alcohol store in Utah. When a new store is built, DTS must provide wiring, telephone, data, fire/security alarms, secure segmented networks for PCI, employee training PCs, wireless, IoT devices, and configure the DABC systems to accept the new store.

## Product Locator App

DTS and DABC developed a mobile application called DABC Product Locator. The UT DABC App is downloadable from either the Apple Store or Google Play for use on Apple and Android devices. The application recognizes where you are located and as you look up specific products, will tell you which stores have the product in stock and how far you are from those stores. The app also displays a list of all DABC stores along with phone number and store hours. The application was released to the public in July. Because DABC is now fully deployed on the dynamics AX point of sale, the inventory queried in the app is accurate to within 15 minutes.





## AVERAGE UTAH CONSUMPTION PER CAPITA (In Gallons)\*

| Alcohol Type            | 2018  | 2019  |
|-------------------------|-------|-------|
| Wine                    | 1.163 | 1.154 |
| Spirits                 | 1.025 | 1.049 |
| Heavy Beer              | 0.679 | 0.713 |
| Flavored Malt Beverages | 0.064 | 0.091 |
| TOTAL                   | 2.931 | 3.007 |

\*Based on estimated population of 3,219,000 as of June 30, 2019 and 3,159,000 as of June 30, 2018.



# FINANCIAL STATEMENTS

Date prepared: 9/27/2019, unaudited

| Income Statement (In Thousands)                  | FY 2018          | FY 2019          | Schedule of Expenses                     | FY 2018         | FY 2019         |
|--|------------------|------------------|--|-----------------|-----------------|
| Operating Revenue: (Note B)                      | \$453,689        | \$479,324        | Salaries, Wages & Benefits               | 19,783          | 20,764          |
|  |                  |                  | Credit Card Fees                         | 5,999           | 6,648           |
| Cost of Liquor Sold                              | 244,553          | 259,270          | Maintenance & Repairs/Operating Supplies | 3,002           | 3,833           |
|  |                  |                  | Depreciation                             | 3,257           | 3,312           |
| Gross Profit                                     | 209,137          | 220,054          | Data Processing                          | 2,834           | 2,926           |
|  |                  |                  | Delivery To Stores                       | 2,353           | 2,687           |
| Other Income (Permits, Licenses, Fees)           | 4,052            | 4,317            | P.A. Contracts                           | 2,225           | 2,575           |
|  |                  |                  | Alcohol Education Media Campaign         | 2,573           | 2,530           |
| <b>Total Operating Revenue</b>                   | <b>\$213,188</b> | <b>\$224,371</b> | Professional & Tech. Services            | 1,146           | 1,317           |
|  |                  |                  | Rentals & Leases (Note I)                | 1,108           | 985             |
| <b>Total Operating Expenses</b>                  | <b>\$45,606</b>  | <b>\$48,851</b>  | Postage, Printing & Supplies             | 384             | 450             |
| (see Schedule of Expenses)                       |                  |                  | Liquor Bags                              | 380             | 386             |
|  |                  |                  | Telephone                                | 213             | 256             |
| Net Operating Income                             | 167,582          | 175,520          | Insurance & Bonds                        | 99              | 99              |
|  |                  |                  | Travel Expense                           | 42              | 64              |
| Non Operating Revenues (Expenses):               |                  |                  | Misc. Other Expenses                     | 199             | 20              |
| Federal Grant                                    | 304              | 305              | Cash Over & Short                        | 8               | 1               |
| Gain (Loss) on Sale of Capital Assets            | -                | (9)              | Check Service Fees                       | 1               | -               |
| Interest on Bonds and Notes                      | (2,855)          | (3,170)          | <b>Total Operating Expenses</b>          | <b>\$45,606</b> | <b>\$48,851</b> |
| Transfer to Underage Drinking Prevention Program | (1,750)          | (1,791)          |  |                 |                 |
| Transfer to School Lunch and Public Safety       | (49,969)         | (52,718)         |  |                 |                 |
| Retained Earnings                                | (1,000)          | (1,000)          |  |                 |                 |
| <b>Total Non Operating Revenues (Expenses)</b>   | <b>(54,270)</b>  | <b>(57,384)</b>  |  |                 |                 |
|  |                  |                  |  |                 |                 |
| <b>Net Liquor Profit (Note C)</b>                | <b>\$112,312</b> | <b>\$117,136</b> |  |                 |                 |



| BALANCE SHEET (In Thousands)   | As of<br>June 30, 2018 | As of<br>June 30, 2019 |  | As of<br>June 30, 2018 | As of<br>June 30, 2019 |
|--|------------------------|------------------------|--|------------------------|------------------------|
| Current Assets:  |                        |                        | Current Liabilities:   |                        |                        |
| Cash and Cash Equivalents (Note D)   | 1,172                  | 182                    | Accounts Payable - Liquor (Note G)   | 90                     | 347                    |
| Accounts Receivable  | 1,293                  | 742                    | Accounts Payable - Other   | 9,880                  | 13,811                 |
| Due From Debt Service and Department of Facility and Construction Management | 20,729                 | 13,930                 | Due to Other Funds   | 35,408                 | 35,276                 |
| Inventories (Note E)   | 35,853                 | 36,619                 | Revenue Bonds Payable (Note H)   | 5,048                  | 6,571                  |
| Prepaid Expenses   | 96                     | 1,758                  | Deposit In Lieu of Bond  | 924                    | 961                    |
| <b>Total Current Assets</b>  | <b>59,142</b>          | <b>53,230</b>          | Unearned Revenue   | 1,164                  | 1,122                  |
|  |                        |                        | <b>Total Current Liabilities</b>   | <b>52,514</b>          | <b>58,088</b>          |
| Non-current Assets (Note F)  |                        |                        | Non-current Liabilities  |                        |                        |
| Package Agencies Startup Capital   | 1,164                  | 1,122                  | Net Pension and Other Post-employment Benefit Liability                              | 5,193                  | 7,585                  |
| Buildings  | 79,002                 | 82,654                 | Revenue Bonds Payable (Note H)   | 76,786                 | 69,263                 |
| Land   | 25,385                 | 27,123                 | <b>Total Non-current Liabilities</b>   | <b>81,979</b>          | <b>76,849</b>          |
| Equipment and Software   | 10,377                 | 10,706                 |  |                        |                        |
| Construction In Process  | 1,104                  | 2,993                  | <b>Total Liabilities</b>   | <b>134,493</b>         | <b>134,936</b>         |
| Less: Accumulated Depreciation   | (40,308)               | (43,381)               |  |                        |                        |
| Net Property & Equipment   | 76,723                 | 81,217                 | Deferred Inflows of Resources Related to Pensions and Other Post-employment Benefits | 2,648                  | 522                    |
| <b>Total Assets</b>  | <b>135,865</b>         | <b>134,448</b>         |  |                        |                        |
|  |                        |                        | Fund Balances  |                        |                        |
| Deferred Outflows of Resources Related to Bonded Debt and Pensions           | 6,389                  | 6,123                  | Net Investment in Capital Assets   | 4,114                  | 5,114                  |
|  |                        |                        | Retained Earnings  | 1,000                  | 999                    |
| <b>Total Assets and Deferred Outflows</b>                                    | <b>142,255</b>         | <b>140,571</b>         | <b>Total Fund Balances/Retained Earnings</b>   | <b>5,114</b>           | <b>6,113</b>           |
|  |                        |                        |  |                        |                        |
|  |                        |                        | <b>Total Liabilities, Deferred Inflows &amp; Fund Balances/Retained Earnings</b>     | <b>142,255</b>         | <b>141,572</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: OPERATING REVENUE:** Sales are reported at published prices; sales taxes excluded. Military Sales are included in Operating Revenues as follows: FY 2019 \$898 thousand and FY 2018 \$933 thousand.

**NOTE C: NET LIQUOR PROFIT:** Each year the Liquor Profit is transferred from the Liquor Control Fund to the General Fund. 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.

**NOTE D: 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 Fund. See Note C for additional information.

**NOTE E: INVENTORIES:** Inventories are valued at FIFO and consist of merchandise stored in our warehouse and at each of the 46 stores as of June 30, 2019. It also includes liquor bags at the warehouse.

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

**NOTE H: 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 I: 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 Department of  
Alcoholic Beverage Control



STATE LIQUOR & WINE STORE