Utah Department of Alcoholic Beverage Control

Comparative Gallonage for Utah

<table>
<thead>
<tr>
<th></th>
<th>FY 2002</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>1,901,612</td>
<td>1,817,187</td>
</tr>
<tr>
<td>Heavy Beer</td>
<td>708,116</td>
<td>602,966</td>
</tr>
<tr>
<td>Whiskey</td>
<td>534,230</td>
<td>528,374</td>
</tr>
<tr>
<td>Vodka</td>
<td>459,289</td>
<td>440,790</td>
</tr>
<tr>
<td>Misc. Liquor</td>
<td>255,679</td>
<td>250,859</td>
</tr>
<tr>
<td>Rum</td>
<td>212,605</td>
<td>197,444</td>
</tr>
<tr>
<td>Tequila</td>
<td>88,496</td>
<td>88,496</td>
</tr>
<tr>
<td>Gin</td>
<td>66,682</td>
<td>65,882</td>
</tr>
<tr>
<td>Brandy</td>
<td>38,312</td>
<td>36,971</td>
</tr>
</tbody>
</table>

TOTAL GALLONS: 4,265,738

Background

Utah is one of 19 "control" jurisdictions that control the sale of alcoholic beverages, (18 control states and Montgomery County, Maryland, an affiliate of the control state system). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages. The result: private seller mark-ups are replaced with revenues generated for the state to support public goals of moderate and revenue enhancement.

The Utah Department of Alcoholic Beverage Control is governed by a five member, part time commission. The commission employs a full time director to oversee the day-to-day operation of the department. The policy of the department, as set by statute, is to operate as a public business using sound management principles and practices, and function with the intent of servicing the public.

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The Department operates a statewide network of state stores and package agencies that sell all alcoholic beverages, except beer containing less than 4% by volume (which is sold in grocery and convenience stores). The department also administers the liquor laws, and regulates the sale, service, storage, manufacture, distribution, and consumption of alcoholic products.

Utah’s liquor control system offers definite advantages to Utah’s citizens. Liquor sales provide a major source of income for the state’s general fund which relieves the taxpayers of a significant tax burden each year and contributes heavily to state government programs, including health and education. In addition, school lunch funds and taxes are collected and dispersed from liquor sales.

Operating Expenses:

- Salaries, Wages & Benefits
- Maint. & Repairs/Oper. Supplies
- Utilities
- Miscellaneous

Misc. Other Income 937,842 867,027

Net Profit $32,541,074 $30,253,352

No person should rely on this information for the purpose of making a decision to drive an automobile. If you drink, don’t drive.

Utah law prohibits the sale of alcoholic beverages to intoxicated people.

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Total case sales in all categories of spirituous liquor amounted to 1,603,803 cases in fiscal year 2002, an increase of 92,358 cases from fiscal year 2001.

### Long-Term Debt:
- Due to General Fund (Note G): $9,540,713, $10,154,339
- Bonds: $21,610,709, $10,081,794
- Capital Leases: $1,691,588, $1,760,252

Total Long-Term Debt: $32,612,992, $21,996,386

### Fund Balance:
- Investment in Fixed Assets: $1,619,547, $1,619,547
- Current Year Earning: (32,541,074), (30,253,352)
- Current Profit: $32,541,074, $30,253,352
- Total Advances & Retained Earnings: $1,820,547, $1,820,547

Total Liabilities, Advances & Retained Earnings: $52,931,542, $40,323,469

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**NOTE A: ACCOUNTING POLICIES:** The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by Section 51-5-5 of the Utah Code Annotated (1953), as amended. The administrative operating budget is subject to legislative controls. The transfer of profits to the general fund is determined by the department's internal accounting system, which is on an accrual basis in accordance with generally accepted accounting principles. The current markup, effective October 1, 1985, is as follows: distilled spirits, wine, champagne 61%, and beer 75%. Beginning with the fiscal year ended June 30, 1978, the department has reported its sales at the gross amount based on published prices, which includes school lunch, sales, and transit taxes.

**NOTE B: CASH:** All cash receipts are deposited in bank accounts to the credit of the State Treasurer; then, depending on the particular account, these funds are transferred, generally on a daily basis, to the Liquor Control Fund.

**NOTE C: INVENTORIES:** Inventories are valued at FIFO and consist of merchandise stored in our warehouse and each of the outlets (36 stores and 88 package agencies). It also includes general supplies and liquor bags at the warehouse.

**NOTE D: PREPAID EXPENSES:** Prepaid expenses consist of advance payments that have been made for insurance, dues, maintenance agreements, and postage that will be expended during subsequent periods.

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

**NOTE G: FINANCING OF FIXED ASSET DUE TO GENERAL FUND:** During the fiscal year, $67,523 in fixed assets were purchased; therefore, that amount was withheld from the transfer to the General Fund and adjusted to the long-term debt due to the General Fund. An amount equal to the depreciation reduces that debt.

**NOTE H: RENTALS AND LEASES:** Leases are provided 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 all they contain a provision in case of a change in the law that might have an impact on the operation of the department.

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**Price Analysis 750 ml bottle**

Sales Tax, $3.04, 30%
Federal Excise Tax, $2.14, 22%
Operating Costs, 11%
Net Profit, School Lunch, 55%

Explored segments represent spendable State revenue based on a 750 ml bottle, 80 proof and retail price of $9.05.

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**Utah Department of Alcoholic Beverage Control Commission**

Commissioners:
- Nicholas E. Hales, Chairman
- Larry V. Lunt
- Mary Ann Mantes
- Ted D. Lewis
- Frank W. Budd

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

**Executive Administration**
- Kenneth F. Wynn, Director
- Dennis B. Kellen, Operations Manager
- Richard W. Pearson, Administrative Manager
- Earl F. Dorius, Compliance & Licensing Manager

**Personnel**

- Administrative Office: 43
- Warehouse: 30
- Stores: 30
- Full Time Employees: 147
- Part Time Employees: 279
- Total Store Employees: 326
- Total Employees: 499

The Utah Department of Alcoholic Beverage Control would be happy to provide additional information on our activities. Please contact our office as listed on the front cover.

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**Liquor Outlets in Operation (as of June 30, 2002)**

- State Liquor Stores: 36
- Package Agencies: 88

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**67th ANNUAL REPORT**

**Summary of Operations**

July 1, 2001 to June 30, 2002

**Utah Department of Alcoholic Beverage Control**

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

WWW.ALCBEV.STATE.UT.US