

**78th Annual Report  
Utah Department of Alcoholic Beverage Control  
Sal Petilos, Director  
For the Fiscal Year ended June 30, 2013  
Summary of Operations**

**Background**

Utah is one of 18 "control" jurisdictions in the nation that controls the sale of alcoholic beverages (there are 18 states and Montgomery County in Maryland). These jurisdictions, which regulate their own retail and/or wholesale distribution of alcoholic beverages, account for nearly one-third of the U.S. population. The results: revenues that would otherwise go to private sellers as profit are instead funneled into state coffers and used to support public goals of moderation and government revenue enhancement.

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

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

Utah's liquor control system offers definite advantages to Utah's citizens. Liquor sales provide a significant source of income to the state's general fund which serves to relieve the individual tax burden of Utah citizens. In addition, the school lunch program receives substantial funding from liquor sales.

Annual statistical data clearly shows that per capita consumption of alcoholic beverages is significantly lower in control states.

**Liquor Control States**

Alabama	Mississippi	Utah
Idaho	Montana	Vermont
Iowa	New Hampshire	Virginia
Maine	North Carolina	West Virginia
Maryland ( <i>Only Montgomery County</i> )	Ohio	Wyoming
Michigan	Oregon	
	Pennsylvania	

<b>Average Utah Consumption Per Capita</b> (In gallons) <b>FY 2013*</b>	<b>FY 2012*</b>	
Wine	1.088	1.065
Spirits	.925	.913
Heavy Beer	.520	.514
Flavored Malt Beverages	.063	.052
<b>Total</b>	<b>2.596</b>	<b>2.544</b>

\*Based on estimated population of 2,900,791 as of June 30, 2013 and 2,854,400 as of June 30, 2012.

<b>Comparative Gallonage for Utah</b>	<b>FY 2013</b>	<b>FY 2012</b>
Wine	3,155,881	3,040,115
Spirits	2,684,246	2,606,159
Heavy Beer	1,507,185	1,465,813
Flavored Malt Beverages	182,856	147,974
<b>TOTAL GALLONS</b>	<b>7,530,168</b>	<b>7,260,061</b>

<b>STATEMENT OF OPERATION (unaudited)</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>Operating Revenue:</b>		
Retail Sales (Note B)	345,186,647	320,516,511
Military Sales	1,607,653	1,454,197
<b>Total Sales</b>	<b>346,794,300</b>	<b>321,970,708</b>
<b>Cost of Goods Sold</b>	<b>174,903,311</b>	<b>164,071,194</b>
<b>Gross Profit</b>	<b>171,890,989</b>	<b>157,899,514</b>
Permits, Licenses & Fees	3,156,243	2,714,793
Misc. Other Income	839,864	414,843
Total Other Income	3,996,107	3,129,636
<b>Total Revenue</b>	<b>175,887,096</b>	<b>161,029,150</b>
<b>Operating Expenses:</b>		
Salaries, Wages & Benefits	15,254,675	15,282,488
Rentals & Leases (Note C)	4,768,043	4,832,395
Credit Card Fees	3,576,689	3,397,129
Depreciation	3,216,949	3,126,821
Maint. & Repairs/Oper. Supplies	2,653,031	2,342,913
Delivery To Stores	2,052,873	2,126,021
P.A. Contracts	1,806,353	1,760,160
Alcohol Education Media Campaign	1,739,981	1,380,039
Data Processing	1,591,270	1,658,034
Professional & Tech. Services	832,332	876,320
Postage, Printing & Supplies	382,794	293,613
Liquor Bags	202,405	190,139
Telephone	163,841	190,353
Insurance & Bonds	131,206	129,251
Misc. Other Expenses	35,262	57,375
Travel Expense	27,586	27,434
Check Service Fees	10,538	106,136
Cash Over & Short	6,758	(9,917)
Utilities	0	92,688
<b>Total Operating Expenses</b>	<b>\$38,452,586</b>	<b>\$37,859,392</b>
<b>Other Expenses:</b>		
Loss From Breakage & Damage	68,248	57,241
Claims Against Suppliers	(21,460)	(22,562)
<b>Total Other Expenses</b>	<b>\$46,788</b>	<b>\$34,679</b>
<b>Total Expenses</b>	<b>38,499,374</b>	<b>37,894,071</b>
Net Operating Income	137,387,722	123,135,079
Less: Transfers & Taxes		
School Lunch and Public Safety Transfer	38,155,214	35,260,271
Sales Tax	17,882,083	17,087,011
Total Taxes Collected	\$56,037,297	\$52,347,282
<b>Net Profit</b>	<b>\$81,350,425</b>	<b>\$70,787,797</b>
<b>BALANCE SHEET (unaudited)</b>		
<b>Current Assets:</b>		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	137,550	137,050
<b>Total Cash</b>	<b>137,550</b>	<b>137,050</b>
<b>Other Current Assets:</b>		
Accounts Receivable	11,504,721	15,025,825
Inventories (Note E)	30,829,745	29,719,295
Total Other Current Assets	42,334,466	44,745,120
<b>Total Current Assets</b>	<b>\$42,472,016</b>	<b>\$44,882,170</b>
<b>Property &amp; Equipment:</b>		
Buildings	75,230,760	74,389,890
Land	22,392,028	22,460,028
Furniture, Fixtures & Equipment	9,299,010	9,116,600
Software	327,932	327,932
Total Property & Equipment (Note F)	107,249,730	106,294,450
Less: Accumulated Depreciation	(26,299,517)	(23,222,019)
<b>Net Property &amp; Equipment</b>	<b>80,950,213</b>	<b>83,072,431</b>
<b>Total Assets</b>	<b>\$123,422,229</b>	<b>\$127,954,601</b>

<b>BALANCE SHEET (continued)</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>Current Liabilities:</b>		
Accounts Payable (Note G)	23,081,254	23,254,451
Bonds Payable (Note H)	4,522,741	4,295,586
Accrued Payroll	697,403	624,029
Deposit In Lieu of Bond	613,925	583,550
Accrued Annual Leave Payable	26,958	21,958
Deferred Revenue	1,003,398	967,124
<b>Total Current Liabilities</b>	<b>\$29,945,679</b>	<b>\$29,746,698</b>
<b>Long-Term Debt:</b>		
Bonds Payable (Note H)	79,137,949	83,869,302
<b>Total Long Term Debt</b>	<b>\$79,137,949</b>	<b>\$83,869,302</b>
<b>Fund Balance:</b>		
Working Capital	14,338,601	14,338,601
<b>Total Advances &amp; Retained Earnings</b>	<b>\$14,338,601</b>	<b>\$14,338,601</b>
<b>Total Liabilities, Advances &amp; Retained Earnings</b>	<b>123,422,229</b>	<b>127,954,601</b>

**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%; beer 64.5%.

**NOTE B: RETAIL SALES:** Sales are reported at published prices and include sales and transit taxes which are added at the register.

**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 Fund.

**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.

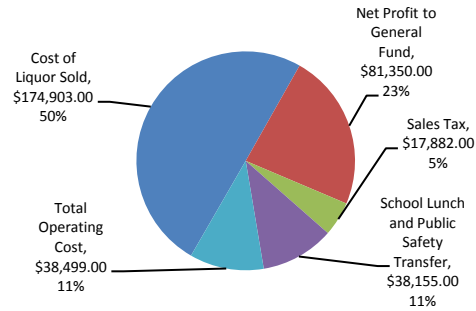
**NOTE F: PROPERTY AND EQUIPMENT:** Property and equipment are stated on the balance sheet at cost and are depreciated on the straight-line method over the estimated service lives of the assets.

**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 twenty 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% to 5.50%.

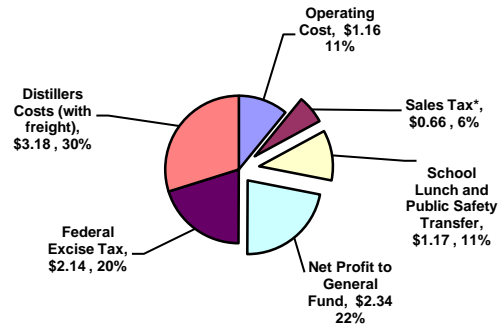
<b>Total Funds to State and Local Governments from Liquor Sales</b>		
<b>Funds</b>	<b>FY 2013</b>	<b>FY 2012</b>
School Lunch and Public Safety Transfer	38,155,214	35,260,271
Sales Tax	17,882,083	17,087,011
Net Profit	81,350,425	70,787,797
<b>Net Operating Income</b>	<b>137,387,722</b>	<b>123,135,079</b>

**Distribution of dollars for FY 2013**



**Net Profit, School Lunch and Public Safety Transfer and Sales Tax are state revenues. Percentages based on gross sales and fees of \$350,789. (Values shown rounded in thousands of \$)**

**Price Analysis 750 ml bottle**



**Exploded segments represent spendable State revenue based on a 750 ml bottle, with a retail price of \$9.99 and Sales tax of \$0.66\*.**

**\* The Sales Tax percentage varies from each city, town and county.**

**UNDERAGE DRINKING PREVENTION**

**Overview**

ParentsEmpowered.org is an award winning, leading-edge, statewide underage drinking prevention campaign launched in 2006. The goal of the campaign is to “move the needle,” to reduce underage drinking in Utah. Our primary objective is to educate parents about the lasting harms of underage drinking and provide them with the proven skills, tools, and information to help prevent it. We’re educating parents, guardians, and mobilizing communities, to take a more active role to keep their children alcohol-free. Research shows parental disapproval of underage drinking is the #1 reason youth choose not to drink. The Utah Department of Alcoholic Beverage Control is the lead agency for the ParentsEmpowered campaign and is working in partnership with many state agencies and organizations. The campaign is funded through the state’s liquor revenue proceeds.

**Why is underage drinking prevention important?**

Simply put, underage drinking is bad for kids. It’s bad for their health, bad for their safety (and others), and bad for their futures. That’s why it’s illegal. So what’s the harm?

- Addiction: Alcohol can “wire” their brain for addiction. The younger they start drinking, the risk of alcohol dependence increases dramatically.
- Death: Every year in the U.S. about 5,000 kids die every year as a result of underage drinking – from crashes, homicides, suicides, alcohol poisoning, etc.
- Increased Risk of Violence, Crime, and Injuries.
- Diminishes their chances to reach their potential.

But your kids don’t drink, right? Probably not, as most Utah kids are smart not to be involved with alcohol. But be aware, 31% of underage drinkers reported their parents didn’t know they drank and 59% of parents were surprised kids started experimenting with alcohol as early as grade school. Every parent knows they have good kids, but even good kids need their parents’ help to stay alcohol-free. For more information visit: [www.ParentsEmpowered.org](http://www.ParentsEmpowered.org)

**Our commitment:**

The Utah DABC understands alcohol is no ordinary commodity. We pursue the goal of a healthy and safe society in which alcohol is sold to adults only and is consumed responsibly and in moderation. Through sound alcohol policies, collaborative efforts to prevent underage drinking, and ensuring the observance of the alcoholic beverage control laws, we’re working to promote the interests of public health, safety, and social well-being, for the benefit of everyone in our communities.

For more information visit: [www.ParentsEmpowered.org](http://www.ParentsEmpowered.org)



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Summary of Operations  
For the Fiscal Year ended  
June 30, 2013  
(unaudited)**

**Utah Department of Alcoholic Beverage Control**

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

**WWW.ABC.UTAH.GOV**

**Utah Department of Alcoholic Beverage Control Commission**

**Commissioners**

David L. Gladwell, Chairman  
Jeffrey Wright, Vice Chairman  
Olivia Vela Agraz  
Dennis Nordfelt  
Kathleen McConkie (Collinwood), J.D.  
Constance B. White  
John T. Nielsen

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

**Personnel** (Positions filled as of June 30, 2013):

Administrative Office.....	35
Warehouse .....	32
Stores	
Full Time Employees .....	193
Part Time Employees.....	292
Total Store Employees.....	485
Total Employees.....	552

**Liquor Outlets in Operation (as of June 30, 2013)**

State Liquor Stores.....	44
Package Agencies.....	109

**Case Sales**

Total case sales in all categories of alcoholic beverages amounted to 2,932,249 cases in fiscal year 2013, an increase of 117,705 cases or 4.2% from fiscal year 2012

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.

