

**79th Annual Report  
Utah Department of Alcoholic Beverage Control  
Sal Petilos, Director  
For the Fiscal Year ended June 30, 2014  
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 2014*</b>	<b>FY 2013*</b>	
Wine	1.101	1.088
Spirits	.935	.925
Heavy Beer	.541	.520
Flavored Malt Beverages	.077	.063
<b>Total</b>	<b>2.654</b>	<b>2.596</b>

\*Based on estimated population of 2,946,100 as of June 30, 2014 and 2,900,791 as of June 30, 2013.

<b>Comparative Gallonage for Utah</b>	<b>FY 2014</b>	<b>FY 2013</b>
Wine	3,244,739	3,155,881
Spirits	2,753,706	2,684,246
Heavy Beer	1,595,286	1,507,185
Flavored Malt Beverages	225,042	182,856
<b>TOTAL GALLONS</b>	<b>7,818,773</b>	<b>7,530,168</b>

<b>STATEMENT OF OPERATION (unaudited)</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Operating Revenue:</b>		
Retail Sales (Note B)	366,187,653	345,186,647
Military Sales	1,017,483	1,607,653
<b>Total Sales</b>	<b>367,205,136</b>	<b>346,794,300</b>
<b>Cost of Goods Sold</b>	<b>186,172,372</b>	<b>174,903,311</b>
<b>Gross Profit</b>	<b>181,032,764</b>	<b>171,890,989</b>
Permits, Licenses & Fees	3,234,197	3,156,243
Misc. Other Income	422,022	839,864
Total Other Income	3,656,219	3,996,107
<b>Total Revenue</b>	<b>184,688,983</b>	<b>175,887,096</b>
<b>Operating Expenses:</b>		
Salaries, Wages & Benefits	15,762,930	15,254,675
Rentals & Leases (Note C)	4,458,840	4,768,043
Credit Card Fees	3,912,538	3,576,689
Maint. & Repairs/Oper. Supplies	3,302,581	2,653,031
Depreciation	2,897,506	3,216,949
Delivery To Stores	1,889,178	2,052,873
Alcohol Education Media Campaign	1,883,768	1,739,981
P.A. Contracts	1,810,264	1,806,353
Data Processing	1,568,095	1,591,270
Professional & Tech. Services	958,768	832,332
Postage, Printing & Supplies	393,603	382,794
Misc. Other Expenses	307,536	35,262
Liquor Bags	227,498	202,405
Telephone	171,676	163,841
Insurance & Bonds	147,414	131,206
Travel Expense	34,069	27,586
Cash Over & Short	9,478	6,758
Check Service Fees	8,429	10,538
<b>Total Operating Expenses</b>	<b>\$39,738,521</b>	<b>\$38,452,586</b>
<b>Other Expenses:</b>		
Loss From Breakage & Damage	58,753	68,248
Claims Against Suppliers	(12,238)	(21,460)
<b>Total Other Expenses</b>	<b>\$46,495</b>	<b>\$46,788</b>
<b>Total Expenses</b>	<b>39,785,016</b>	<b>38,499,374</b>
Net Operating Income	144,903,967	137,387,722
Less: Transfers & Taxes		
School Lunch and Public Safety Transfer	38,343,822	38,155,214
Sales Tax	18,751,649	17,882,083
Total Taxes Collected	\$57,095,471	\$56,037,297
<b>Net Profit</b>	<b>\$87,808,496</b>	<b>\$81,350,425</b>
<b>BALANCE SHEET (unaudited)</b>		
<b>Current Assets:</b>		
Cash In Banks & Treasurer (Note D)	0	0
Petty Cash & Change Fund	144,250	137,550
<b>Total Cash</b>	<b>144,250</b>	<b>137,550</b>
<b>Other Current Assets:</b>		
Accounts Receivable	9,973,620	11,504,721
Inventories (Note E)	30,940,738	30,829,745
Long Term Deferred Charges	1,017,541	0
Prepaid Expenses	12,131	0
Total Other Current Assets	41,944,031	42,334,466
<b>Total Current Assets</b>	<b>\$42,088,281</b>	<b>\$42,472,016</b>
<b>Property &amp; Equipment:</b>		
Buildings	75,275,850	75,230,760
Land	22,392,028	22,392,028
Furniture, Fixtures & Equipment	9,444,949	9,299,010
Software	327,932	327,932
Total Property & Equipment (Note F)	107,440,759	107,249,730
Less: Accumulated Depreciation	(29,466,537)	(26,299,517)
<b>Net Property &amp; Equipment</b>	<b>77,974,222</b>	<b>80,950,213</b>
<b>Total Assets</b>	<b>\$120,062,503</b>	<b>\$123,422,229</b>

<b>BALANCE SHEET (continued)</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Current Liabilities:</b>		
Accounts Payable (Note G)	23,633,601	23,081,254
Bonds Payable (Note H)	4,704,128	4,522,741
Accrued Payroll	762,840	697,403
Deposit In Lieu of Bond	642,840	613,925
Accrued Annual Leave Payable	31,812	26,958
Deferred Revenue	983,722	1,003,398
<b>Total Current Liabilities</b>	<b>\$30,758,943</b>	<b>\$29,945,679</b>
<b>Long-Term Debt:</b>		
Bonds Payable (Note H)	74,964,960	79,137,949
<b>Total Long Term Debt</b>	<b>\$74,964,960</b>	<b>\$79,137,949</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>120,062,504</b>	<b>123,422,229</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.

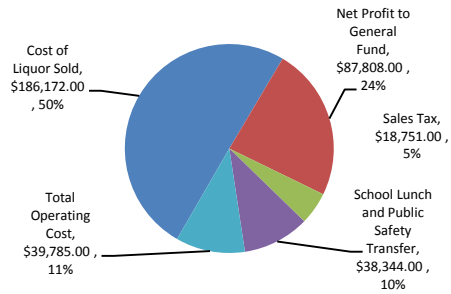
**NOTE F: PROPERTY AND EQUIPMENT:** Property and equipment are stated on the balance sheet at cost and are depreciated on the straight-line method over the estimated service lives of the assets.

**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%.

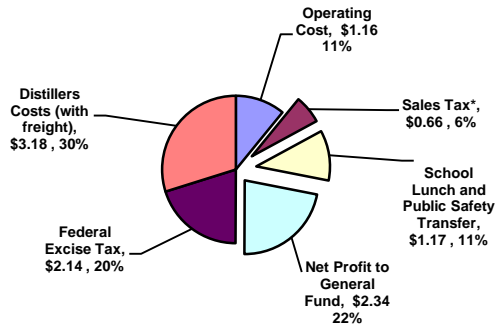
<b>Total Funds to State and Local Governments from Liquor Sales</b>		
<b>Funds</b>	<b>FY 2014</b>	<b>FY 2013</b>
School Lunch and Public Safety Transfer	38,343,822	38,155,214
Sales Tax	18,751,649	17,882,083
Net Profit	87,808,496	81,350,425
<b>Net Operating Income</b>	<b>144,903,967</b>	<b>137,387,722</b>

**Distribution of dollars for FY 2014**



**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.**

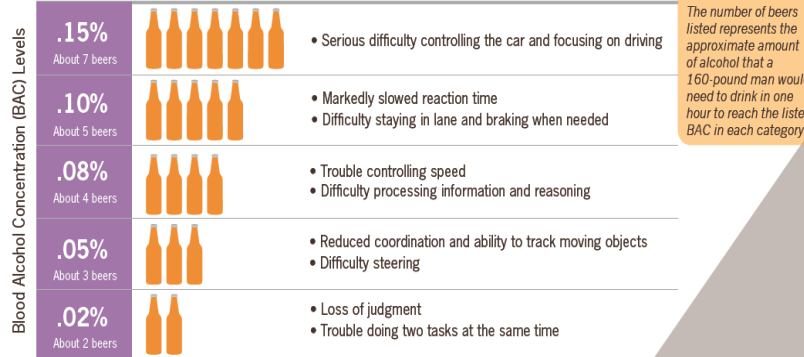
**Driving Under the Influence of Alcohol is Unacceptable.**

Tragically, it seems like every day in the news we hear of an alcohol-related fatality in Utah. In an instant, these senseless preventable crimes change the lives of families forever. In some instances, crash survivors are left with physical injuries so severe they'll face lifelong care and restrictions. In the days and years to follow, family and friends try to move forward with their lives, but the emotional injuries will be difficult to overcome and loss of a loved one can never be replaced.

**Did you know, in Utah?**

- There were 10,901 DUI arrests in fiscal year 2014.
- 81 percent of the arrests were for per se violations where the driver had a .08 or greater blood/breath alcohol concentration, or was impaired by alcohol, drugs, or a combination of the two to the extent it was unsafe to operate a vehicle.
- There were 1,736 crashes, 1,073 injuries, and 23 deaths involving a drunk driver in calendar year 2013.
- Almost 12 percent of arrestees were under the legal drinking age.

**Some likely effects on driving**



*The number of beers listed represents the approximate amount of alcohol that a 160-pound man would need to drink in one hour to reach the listed BAC in each category.*

Adapted from The ABCs of BAC, National Highway Traffic Safety Administration, 2005, and How to Control Your Drinking, WR Miller and RF Munoz, University of New Mexico, 1982.

**Choose to drive sober – it's the only safe level.**

Alcohol affects everyone differently. Blood Alcohol Concentration may be affected by age, gender, physical condition, food consumed, medication, and other factors. Also, many alcohol products vary in alcohol content, so it's important to know how much alcohol has been consumed, not just how many drinks a person has had. If you're going to have a drink, enjoy, but be smart. Plan ahead. Help a friend, or a stranger, to not drink and drive. Arrests, injuries and deaths caused by impaired driving can be prevented.

**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.



**79th ANNUAL REPORT Summary of Operations For the Fiscal Year ended June 30, 2014 (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

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, 2014):**

Administrative Office.....	36
Warehouse (32 Full Time and 3 Part Time Employees) .....	35
Stores	
Full Time Employees .....	203
Part Time Employees.....	295
Total Store Employees.....	498
Total Employees.....	569

**Liquor Outlets in Operation (as of June 30, 2014)**

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

**Case Sales**

Total case sales in all categories of alcoholic beverages amounted to 3,057,085 cases in fiscal year 2014, an increase of 124,836 cases or 4.3% from fiscal year 2013

**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.**

