

STATE OF MICHIGAN

LIQUOR CONTROL COMMISSION

FINANCIAL REPORT

April 2017



Michigan Department of Licensing and Regulatory Affairs (LARA)

Rick Snyder, Governor
Shelly Edgerton, Director
Andrew J. Deloney, Chairman

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MICHIGAN LIQUOR CONTROL COMMISSION

APRIL FINANCIAL REPORT

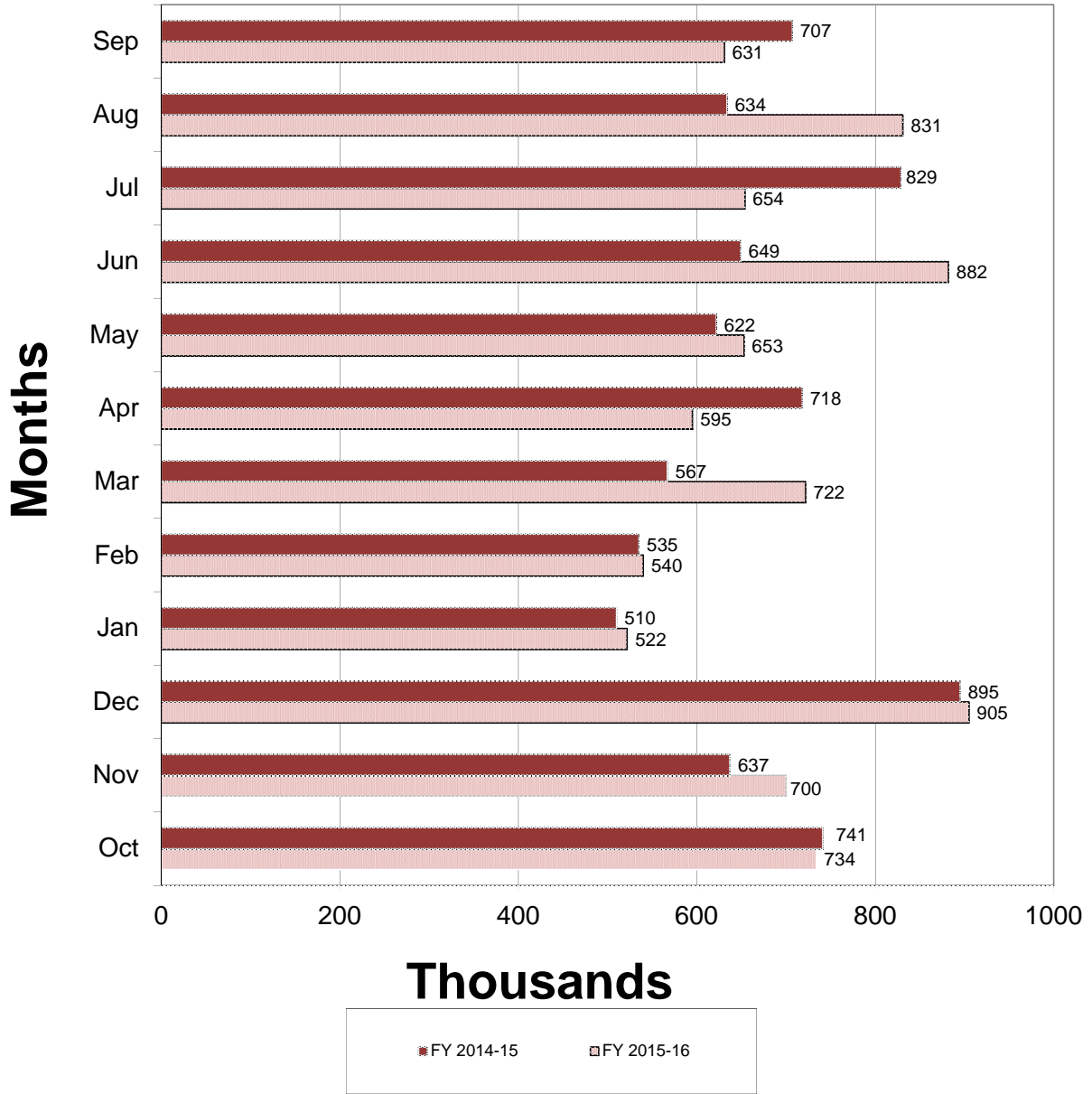
FISCAL YEAR 16 - 17

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Case Sales



| | Fiscal Year to Date 10/15-09/16 | Fiscal Year to Date 10/14-09/15 | # Increase (Decrease) | % Increase -Decrease |
|-----------------------------|---------------------------------------|---------------------------------------|--------------------------|-------------------------|
| Number of Cases Sold | 8,370,191 | 8,043,595 | 326,596 | 4.06% |
| Average Price Per Case Sold | \$155.76 | \$153.12 | \$2.64 | 1.72% |

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED COMPARATIVE BALANCE SHEET
APRIL 30**

| | 2017 | 2016 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Imprest Cash | \$400 | \$400 |
| Cash-State Treasurer Common Cash Fund* | 129,184,553 | 126,143,855 |
| Subtotal | \$129,184,953 | \$126,144,255 |
| Liquor Inventory - At Current Cost | 7,279,988 | 4,238,335 |
| Prepaid Distribution Costs of Inventory | 577,592 | 290,438 |
| Other Assets | | |
| Accounts Receivable | \$6,914,416 | \$6,729,978 |
| Returned Checks | 204,613 | 138,539 |
| Payroll Correction Clearing | 0 | 0 |
| Subtotal | 7,119,029 | 6,868,517 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows Related to Pensions | 2,096,986 | 2,756,348 |
| TOTAL | <u>\$146,258,548</u> | <u>\$140,297,893</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Warrants Outstanding | \$416,786 | \$2,083,330 |
| Warrants Authorized/Not Issued | 95,241,955 | 89,494,956 |
| Accounts Payable | 0 | 0 |
| Deferred Revenue | 0 | 0 |
| Amount Due to Other Funds | 0 | 24,738 |
| Current Compensated Absences | 639,401 | 672,660 |
| Total Current Liabilities | \$96,298,142 | \$92,275,684 |
| LONG TERM LIABILITIES | | |
| Amount Due to Other Funds | \$0 | \$0 |
| Non Current Portion-Net Pension Liability | \$16,636,344 | 15,999,403 |
| Net OPEB Obligation | \$5,679,245 | 0 |
| Long Term Compensated Absences | 398,966 | 422,224 |
| Total Long Term Liabilities | 22,714,555 | 16,421,627 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pensions | 134,502 | 1,876,585 |
| RETAINED EARNINGS | | |
| Beginning Balance October 1 | (\$20,854,600) | (\$14,243,901) |
| Current Year Increase or (Decrease)* | 47,965,949 | 43,967,898 |
| Current Period Ending Balance | 27,111,349 | 29,723,997 |
| TOTAL | <u>\$146,258,548</u> | <u>\$140,297,893</u> |

*This amount includes the amounts of money collected from the three 4% specific taxes and the sales tax that have not been transferred out of the Liquor Purchase Revolving Fund.

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED COMPARATIVE STATEMENT OF REVENUE, EXPENSES, & CHANGES IN RETAINED EARNINGS
SEVEN MONTHS ENDED APRIL 30**

| | 2017 | 2016 |
|--|---------------|---------------|
| REVENUE | | |
| TOTAL GROSS SALES | \$756,755,253 | \$735,388,517 |
| Less: Discounts Allowed | 128,601,441 | 124,971,101 |
| PROCEEDS - SALE OF LIQUOR | \$628,153,812 | \$610,417,416 |
| Less: Cost of Goods Sold | | |
| Beginning Inventory | \$5,694,081 | \$4,816,213 |
| Add: Purchases | 460,175,313 | 444,793,666 |
| Less: Ending Inventory | 7,279,988 | 4,238,335 |
| Cost of Goods Sold | \$458,589,406 | \$445,371,544 |
| GROSS REVENUE FROM SALE OF LIQUOR | \$169,564,406 | \$165,045,872 |
| OTHER REVENUE | | |
| Miscellaneous Revenue | \$119,318 | \$8,751 |
| Non-Operating Revenue | 0 | 0 |
| Interest Revenue | 273,028 | 133,363 |
| TOTAL OTHER REVENUE | \$392,346 | \$142,114 |
| TOTAL REVENUE | \$169,956,752 | \$165,187,986 |
| EXPENSES AND TRANSFERS | | |
| <u>MLCC Expenses</u> | | |
| Commission | \$328,360 | \$296,130 |
| Management Support | 2,253,280 | 2,114,559 |
| Licensing & Enforcement (1) | 3,488,239 | 3,444,950 |
| Distribution Cost Paid to Suppliers | 36,113,583 | 35,354,178 |
| Compensated Absences | 0 | 0 |
| Total MLCC Expenses | \$42,183,462 | \$41,209,817 |
| <u>Other Agencies Expenses</u> | | |
| Attorney General | \$583,277 | \$577,143 |
| Auditor General | 0 | 0 |
| Bureau of Fire Services | 200,000 | 100,444 |
| Civil Service - Personnel | 0 | 196,488 |
| Administrative Hearings & Rules | 1,887,817 | 1,849,011 |
| Information Technology Services | 3,970,597 | 3,741,923 |
| MLCC Rent | 2,763 | 4,045 |
| LARA - Executive Direction | (445,811) | (752,994) |
| LARA - Administrative Offices | 1,514,728 | 1,402,161 |
| Total Other Agencies Expenses | \$7,713,371 | \$7,118,221 |
| Excluding Transfers Not Related to MLCC | | |
| TOTAL EXPENSES AND TRANSFERS | \$49,896,833 | \$48,328,038 |
| NET INCOME (Not Including Taxes & Grants) | \$120,059,919 | \$116,859,948 |
| Add: Specific Tax, Liquor 1.85% | 0 | 0 |
| NET REVENUE (Before Unrelated Expenses) | \$120,059,919 | \$116,859,948 |
| LARA - Transfers For Grant Not Related to MLCC | 0 | 0 |
| NET INCOME | \$120,059,919 | \$116,859,948 |
| RETAINED EARNINGS | | |
| Transfers to General Fund - Cash | 84,000,000 | 84,000,000 |
| Current Year Increase or (Decrease) | \$36,059,919 | \$32,859,948 |
| Retained Earnings - Beginning | (20,854,600) | (14,243,901) |
| RETAINED EARNINGS - ENDING | \$15,205,319 | \$18,616,047 |

Note:

(1) Includes the Revolving Fund Portion only.

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED STATEMENT OF CHANGES IN EQUITY AND TRANSFERS
APRIL 30**

| | <u>2017</u> | <u>2016</u> | <u>INCREASE (DECREASE)</u> |
|---|----------------------|----------------------|--------------------------------|
| EQUITY AVAILABLE | | | |
| Beginning Equity | (\$20,854,600) | (\$14,243,901) | (\$6,610,699) |
| Current Earnings | 169,956,752 | 165,187,986 | 4,768,766 |
| Specific Tax, Liquor 1.85% | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Equity Available | <u>\$149,102,152</u> | <u>\$150,944,085</u> | <u>(\$1,841,933)</u> |
| | | | |
| ALLOCATION OF EQUITY | | | |
| Transferred to General Fund | \$84,000,000 | \$84,000,000 | \$0 |
| MLCC Expenses | 42,183,462 | 41,209,817 | 973,645 |
| Other Agencies Expenses (Excluding Transfer Not Related to MLCC) | 7,713,371 | 7,118,221 | 595,150 |
| LARA Transfer Not Related to MLCC | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Allocation of Equity | <u>\$133,896,833</u> | <u>\$132,328,038</u> | <u>\$1,568,795</u> |
| | | | |
| Ending Equity | <u>\$15,205,319</u> | <u>\$18,616,047</u> | <u>(\$3,410,728)</u> |

**MICHIGAN LIQUOR CONTROL COMMISSION
ALL FUNDS
UNAUDITED COMPARATIVE SCHEDULE OF OPERATIONS
SEVEN MONTHS ENDED APRIL 30**

| | <u>2017 MONTH</u> | <u>YTD</u> | <u>2016 MONTH</u> | <u>YTD</u> | <u>YTD INCR./(DECR.)</u> |
|--|-----------------------|----------------------|-----------------------|----------------------|------------------------------|
| LIQUOR SALES | | | | | |
| Off Premise | \$82,447,189 | \$633,475,335 | \$76,263,818 | \$615,863,415 | \$17,611,920 |
| On Premise | 16,851,946 | 122,800,331 | 16,324,343 | 119,113,489 | 3,686,842 |
| Other | 56,536 | 479,587 | 82,157 | 411,613 | 67,974 |
| TOTAL GROSS SALES | <u>\$99,355,671</u> | <u>\$756,755,253</u> | <u>\$92,670,318</u> | <u>\$735,388,517</u> | <u>\$21,366,736</u> |
| Less: Discounts Allowed | 16,884,992 | 128,601,441 | 15,758,979 | 124,971,101 | 3,630,340 |
| PROCEEDS-SALE OF LIQUOR | <u>\$82,470,679</u> | <u>\$628,153,812</u> | <u>\$76,911,339</u> | <u>\$610,417,416</u> | <u>\$17,736,396</u> |
| Less: Cost of Goods Sold | 60,809,171 | 458,589,406 | 55,862,785 | 445,371,544 | 13,217,862 |
| GROSS REVENUE FROM SALE OF LIQUOR | <u>\$21,661,508</u> | <u>\$169,564,406</u> | <u>\$21,048,554</u> | <u>\$165,045,872</u> | <u>\$4,518,534</u> |
| OTHER REVENUE | | | | | |
| Miscellaneous Revenue | \$53,031 | \$119,318 | (\$6,622) | \$8,751 | \$110,567 |
| Non-Operating Revenue | 0 | 0 | 0 | 0 | 0 |
| Interest Revenue | 158,273 | 273,028 | 98,752 | 133,363 | 139,665 |
| TOTAL OTHER REVENUE | <u>\$211,304</u> | <u>\$392,346</u> | <u>\$92,130</u> | <u>\$142,114</u> | <u>\$250,232</u> |
| TOTAL REVENUE | <u>\$21,872,812</u> | <u>\$169,956,752</u> | <u>\$21,140,684</u> | <u>\$165,187,986</u> | <u>\$4,768,766</u> |
| Less: Distribution Cost Paid to Suppliers | 4,851,453 | 36,113,583 | 4,431,930 | 35,354,178 | 759,405 |
| INCOME FROM LIQUOR MERCHANDISING | <u>\$17,021,359</u> | <u>\$133,843,169</u> | <u>\$16,708,754</u> | <u>\$129,833,808</u> | <u>\$4,009,361</u> |
| MANAGEMENT EXPENSES | | | | | |
| Commission | \$42,171 | \$328,360 | \$50,094 | \$296,130 | \$32,230 |
| Management Support(1) | 332,128 | 2,256,045 | 308,891 | 2,118,604 | 137,441 |
| Licensing & Enforcement(1) | 1,089,907 | 6,938,306 | 1,145,116 | 6,860,420 | 77,886 |
| LARA Services | (928,303) | 1,068,917 | (799,845) | 649,167 | 419,750 |
| Information Technology Services | 1,184,249 | 3,970,597 | 886,969 | 3,741,923 | 228,674 |
| Attorney General | 291,384 | 583,277 | 292,554 | 577,143 | 6,134 |
| Auditor General | 0 | 0 | 0 | 0 | 0 |
| Bureau of Fire Services | 0 | 200,000 | 0 | 100,444 | 99,556 |
| Civil Service - Personnel | 0 | 0 | 0 | 196,488 | (196,488) |
| Administrative Hearings & Rules | 204,493 | 1,887,817 | 6,387 | 1,849,011 | 38,806 |
| Compensated Absences | 0 | 0 | 0 | 0 | 0 |
| Less: Transfer not related to MLCC Operations (2) | 0 | 0 | 0 | 0 | 0 |
| Total Management Expenses | <u>\$2,216,029</u> | <u>\$17,233,319</u> | <u>\$1,890,166</u> | <u>\$16,389,330</u> | <u>\$843,989</u> |
| INCOME FROM OPERATIONS | <u>\$14,805,330</u> | <u>\$116,609,850</u> | <u>\$14,818,588</u> | <u>\$113,444,478</u> | <u>\$3,165,372</u> |
| Specific Tax, Liquor 1.85%(Off Premise) | 0 | 0 | 0 | 0 | 0 |
| Revenue Collected for Other Funds | 28,597,983 | 133,940,105 | 24,200,487 | 130,648,988 | 3,291,117 |
| TOTAL CURRENT EARNINGS & REVENUE | <u>\$43,403,313</u> | <u>\$250,549,955</u> | <u>\$39,019,075</u> | <u>\$244,093,466</u> | <u>\$6,456,489</u> |
| Number of Cases Sold | 627,315 | 4,782,661 | 595,021 | 4,718,948 | 63,713 |
| Number of Sales Days | 20 | 150 | 20 | 152 | (2) |

Notes:

- (1) Total expenses per page 7 less any equipment purchases.
(2) Grants to Cities - Fire Protection.

MICHIGAN LIQUOR CONTROL COMMISSION
ALL FUNDS
UNAUDITED COMPARATIVE SCHEDULE OF REVENUE COLLECTED
SEVEN MONTHS ENDED APRIL 30

| | <u>CURRENT MONTH</u> | <u>YTD 2017</u> | <u>YTD 2016</u> | <u>INCREASE (DECREASE)</u> |
|---|--------------------------|----------------------|----------------------|--------------------------------|
| GENERAL FUND - GENERAL PURPOSE | | | | |
| Excise Tax, Beer | \$2,845,854 | \$16,643,196 | \$17,409,213 | (\$766,017) |
| Specific Tax, Liquor 4% | 3,959,378 | 30,177,173 | 29,336,276 | 840,897 |
| Excise Tax, Wine | 1,003,936 | 6,351,490 | 6,269,811 | 81,679 |
| Excise Tax, Mixed Spirit Drink | 39,893 | 244,825 | 200,317 | 44,508 |
| Sunday Sales Fees (7am-12pm) | 1,156,033 | 1,708,917 | 1,440,865 | 268,052 |
| Fines & Costs | 72,069 | 332,175 | 241,970 | 90,205 |
| Miscellaneous Revenue | 11,704 | 59,982 | 27,690 | 32,292 |
| TOTAL GENERAL FUND - GENERAL PURPOSE: | <u>\$9,088,867</u> | <u>\$55,517,758</u> | <u>\$54,926,142</u> | <u>\$591,616</u> |
| GENERAL FUND - RESTRICTED | | | | |
| RETAIL LICENSE FEES: | | | | |
| 55% To Local Governments | \$5,225,365 | \$8,947,190 | \$8,585,681 | \$361,509 |
| 41.5% To Licensing & Enforcement | 3,942,775 | 5,145,402 | 4,897,114 | 248,288 |
| 3.5% To Alcoholism Prevention Programs | 332,523 | 435,729 | 413,009 | 22,720 |
| Additional Resort License Fees | 38,800 | 77,000 | 97,000 | (20,000) |
| Direct Shipper License Fees | 66,346 | 116,809 | 102,112 | 14,697 |
| Liquor Enforcement and Licensing Wholesale Fees | 300 | 300 | 0 | 300 |
| License Transfer Fees | 73,260 | 370,016 | 378,996 | (8,980) |
| Sunday Sales Fees | 1,232,243 | 1,574,512 | 1,556,395 | 18,117 |
| License Permit Fees | 46,800 | 66,100 | 49,365 | 16,735 |
| Non-Retail License Fees-Wine Industry Council | 561,680 | 871,115 | 670,359 | 200,756 |
| Liquor Control Act Sales | 140 | 500 | 273 | 227 |
| Inspection Fees | 32,086 | 298,429 | 181,619 | 116,810 |
| Specific Tax, Liquor 4%-Tourism & Conv. Facility | 3,982,877 | 30,323,920 | 29,434,869 | 889,051 |
| Miscellaneous Revenue | 14,543 | 18,146 | 19,779 | (1,633) |
| TOTAL GENERAL FUND - RESTRICTED | <u>\$15,549,738</u> | <u>\$48,245,168</u> | <u>\$46,386,571</u> | <u>\$1,858,597</u> |
| SCHOOL AID FUND | | | | |
| Specific Tax, Liquor 4% | <u>\$3,959,378</u> | <u>\$30,177,179</u> | <u>\$29,336,275</u> | <u>\$840,904</u> |
| TOTAL SCHOOL AID FUND | <u>\$3,959,378</u> | <u>\$30,177,179</u> | <u>\$29,336,275</u> | <u>\$840,904</u> |
| REVENUE COLLECTED FOR OTHER FUNDS | <u>\$28,597,983</u> | <u>\$133,940,105</u> | <u>\$130,648,988</u> | <u>\$3,291,117</u> |
| LIQUOR PURCHASE REVOLVING FUND | | | | |
| Specific Tax, Liquor 1.85% | \$0 | \$0 | \$0 | \$0 |
| Income From Operations(Excluding Taxes & Grants)(1) | <u>14,805,330</u> | <u>116,609,850</u> | <u>113,444,478</u> | <u>3,165,372</u> |
| LIQUOR PURCHASE REVOLVING FUND REVENUE | <u>\$14,805,330</u> | <u>\$116,609,850</u> | <u>\$113,444,478</u> | <u>\$3,165,372</u> |
| TOTAL REVENUE COLLECTED | <u>\$43,403,313</u> | <u>\$250,549,955</u> | <u>\$244,093,466</u> | <u>\$6,456,489</u> |

Note:

(1) Income From Operations after all operating expenses including General Fund portion of Licensing & Enforcement.

**MICHIGAN LIQUOR CONTROL COMMISSION
ALL FUNDS
UNAUDITED SCHEDULE OF EXPENSES BY TYPE AND ACCOUNT
SEVEN MONTHS ENDED APRIL 30**

| | COMMISSION | | MANAGEMENT SUPPORT | | LICENSING & ENFORCEMENT | | TOTAL | TOTAL |
|---|-----------------|------------------|--------------------|--------------------|-------------------------|--------------------|---------------------|---------------------|
| | (1) | | | | | | 2017 | 2016 |
| | Current Month | YTD | Current Month | YTD | Current Month | YTD | | |
| MLCC APPROPRIATED EXPENSES | | | | | | | | |
| Salaries & Wages | \$42,171 | \$328,360 | \$155,994 | \$1,099,476 | \$522,683 | \$3,559,099 | \$4,986,935 | \$4,682,683 |
| Longevity & Insurance | 0 | 0 | 31,489 | 260,188 | 110,975 | 838,964 | 1,099,152 | 1,097,138 |
| Retirement & FICA | 0 | 0 | 99,590 | 699,542 | 293,752 | 2,000,642 | 2,700,184 | 2,585,805 |
| Subtotal | \$42,171 | \$328,360 | \$287,073 | \$2,059,206 | \$927,410 | \$6,398,705 | \$8,786,271 | \$8,365,626 |
| Communications | \$0 | \$0 | \$2,694 | \$15,287 | \$9,982 | \$63,519 | \$78,806 | \$99,845 |
| Travel | 0 | 0 | 2,678 | 21,190 | 21,859 | 101,486 | 122,676 | 134,913 |
| Utilities | 0 | 0 | (0) | 1,781 | 0 | 6,787 | 8,568 | 3,209 |
| Contractual Services | 0 | 0 | 21,010 | 82,841 | 77,114 | 105,844 | 188,685 | 267,713 |
| Supplies & Materials | 0 | 0 | 4,186 | 16,676 | 29,593 | 64,295 | 80,971 | 87,848 |
| Equipment Replacement, Additions & Rentals | 0 | 0 | 14,092 | 56,301 | 2,724 | 27,139 | 83,440 | 135,889 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 724 | 724 | 6,260 |
| Subtotal | \$0 | \$0 | \$44,660 | \$194,076 | \$141,272 | \$369,794 | \$563,870 | \$735,677 |
| TOTAL MLCC APPROPRIATED EXPENSES | \$42,171 | \$328,360 | \$331,733 | \$2,253,282 | \$1,068,682 | \$6,768,499 | \$9,350,141 | \$9,101,303 |
| OPERATING TRANSFERS OUT & OTHER EXPENSES | | | | | | | | |
| Rent and Building Occupancy | \$0 | \$0 | \$395 | \$2,763 | \$21,225 | \$169,807 | \$172,570 | \$173,851 |
| Other Operating Transfers Out(2) | 0 | 0 | 0 | 0 | 0 | 0 | 7,710,608 | 7,114,176 |
| TOTAL OPERATING TRANSFERS OUT & OTHER EXPENSES | \$0 | \$0 | \$395 | \$2,763 | \$21,225 | \$169,807 | \$7,883,178 | \$7,288,027 |
| GRAND TOTAL | \$42,171 | \$328,360 | \$332,128 | \$2,256,045 | \$1,089,907 | \$6,938,306 | \$17,233,319 | \$16,389,330 |

Notes:

- (1) Fringe benefits and other expenses are reported in Management Support as appropriated by the Legislature.
(2) Transfer amounts are appropriated in other departments and bureaus. They are not allocated to the divisions but are included in totals.