

Michigan Department of Licensing and Regulatory Affairs

Rick Snyder, Governor
Steven H. Hilfinger, Director
www.michigan.gov/lcc



Michigan Liquor Control Commission

Annual Financial Report 2011





RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
MICHIGAN LIQUOR CONTROL COMMISSION
ANDREW J. DELONEY
CHAIRMAN

STEVEN H. HILFINGER
DIRECTOR

To the Citizens of Michigan and Other Readers:

The Michigan Liquor Control Commission is, by law, the wholesaler of all spirits sold in Michigan. All profits and taxes collected from this wholesaling activity are returned to the people of Michigan through transfer to various state funds for appropriation by the Legislature. This Annual Financial Report is our accounting to you of the liquor wholesaling operation in Michigan, and related activity.

Since I was appointed to serve as Chairman of the Commission in June of 2011, I have set out to achieve our priorities of creating a faster, fairer, simpler, and more certain licensing process; adhering tightly to statute and promulgated rules; and making sure our processes and procedures for hearings and orders are proper. We won't achieve success overnight, but we are working hard everyday to reach our goals.

This Annual Financial Report has an informational section and a statement section. We are required by law to provide the statement section, reporting on the activity of the Liquor Purchase Revolving Fund and the revenue our activities generate for the people of Michigan. We have selected other information to include because we think it will be of interest to our readers.

The Commission holds public hearings twice each year "for the purpose of hearing complaints and receiving the views of the public with respect to the administration of this act." These hearings are required by law, and usually take place in June and December. You are cordially invited to attend our public hearings to speak to the Commissioners or to make comments to the Commission by other means. You may call our offices in Lansing at 517.322.1345 for the time and location of our next public hearing or email us at mlccinfo2@michigan.gov.

Our website contains a wealth of information. You can learn more about the liquor licensing process, see lists of licenses available, obtain forms, read our frequently asked enforcement questions, and search the Liquor Code and Rules, and much more. View our website at www.michigan.gov/lcc. We encourage you to visit our website anytime you have a question.

Sincerely,

Andrew J. Deloney, Chairman

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Authority: P.A. 431 of 1984, MCL 436.1221 Cost: 200 copies, \$208.00 (\$1.04 per copy).	LARA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individual with disabilities.
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Executive Digest

Summary

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, with the Department of Licensing and Regulatory Affairs, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The Liquor Purchase Revolving Fund accounts for the sales of and the replenishing and transportation of the liquor stock. Administrative, warehousing, and delivery costs are paid for through this fund. The "net income" of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

REVENUE/EXPENSE ITEM	FY 2010-11 (In millions)	FY 2009-10 (In millions)	% INCREASE (DECREASE)
Gross Sales	\$978.5	\$940.2	4.1
Licensee Discounts	166.4	159.9	4.1
Cost of Goods Sold	592.9	569.7	4.1
Gross Revenue - Liquor	219.2	210.6	4.1
Operating Expenses ¹	73.1	71.0	3.0
Miscellaneous Revenue	.8	.2	300.0
Income from Operations ²	146.9	139.8	5.1
Specific Liquor Taxes	132.1	126.8	4.2
Other Revenue Collected	68.2	67.4	1.2
Total Net Revenue	347.2	334.0	4.0

NOTES:

(1) Operating Expenses do not include Liquor Purchase Revolving Fund transfers for grants. The transfers for grants of \$2,410,500 for 2011 and \$2,410,500 for 2010 are for Grants to Cities for Fire Protection. Licensing and Enforcement expenses attributable to General Fund are included in Operating Expenses.

(2) This figure does not include taxes or grants, and is computed after deducting all operating expenses including the General Fund portion of Licensing and Enforcement expenses. Operating Income in the Liquor Purchase Revolving Fund is \$164.3 million.

OTHER MERCHANDISING STATISTICS	FY 2010-11	FY 2009-10	% INCREASE (DECREASE)
Number of Cases Sold	7,117,299	6,877,873	3.5
Average Price Per Case	\$137.48	\$136.70	.6
Items Available (brands and sizes)	6,357	6,026	5.5
Number of Bottles Sold	114,149,452	111,465,366	2.4
Average Price Per Bottle	\$8.57	\$8.44	1.5

APPARENT CONSUMPTION STATISTICS	FY 2010-11		FY 2009-10	
	Gallons	Per Capita ³	Gallons	Per Capita ³
Distilled Spirits	16,279,869	1.65	15,951,011	1.61
Mixed Spirit Drinks	252,202	0.03	259,683	0.03
Wine (21% alcohol or less)	21,530,635	2.18	20,985,425	2.12
Beer	193,770,872	19.62	199,894,118	20.22

Note:

(3) Using estimated Michigan population as shown on page 8.

The MLCC

Michigan is one of 18 “control states” as related to the alcohol beverage industry. “Control State” means that state government is responsible for the sale and distribution of certain alcohol beverages as opposed to a license state where wholesale and retail sales of distilled spirits are mandated by private sellers.

Control states receive the markup revenues that would have otherwise been received by private sellers. They can use this revenue for state expenditures. Control states account for approximately one-third of the U. S. population.



- | | | |
|-------------|----------------|-------------------|
| Alabama | New Hampshire | Vermont |
| Idaho | North Carolina | Virginia |
| Iowa | Ohio | Washington |
| Maine | Oregon | West Virginia |
| Michigan | Pennsylvania | Wyoming |
| Mississippi | Utah | Montgomery Co. MD |
| Montana | | |

Michigan is the wholesaler of liquor in the state by law. It uses private Authorized Distribution Agents to carry out liquor distribution functions on its behalf.

The MLCC is administered by five commissioners, appointed by the governor with the advice and consent of the Michigan Senate to four-year, rotating terms. The Chair of the Commission is selected by the Governor. Of the five members, no more than three can be of the same political party.

Two of the Commissioners (one Democrat and one Republican) serve as Hearing Commissioners and conduct hearings on violations of the Liquor Control Code and Administrative Rules of the Commission.

The remaining three Commissioners are designated as the Administrative Commissioners and are responsible for decisions and interpretation of the Liquor Control Code and Administrative Rules in the areas of licensing, enforcement, purchasing, merchandising and distribution. They also serve as an appeal board for decisions of the Hearing Commissioners and hear licensing appeals.

The MLCC

The MLCC has two main administrative offices, one in Lansing and one in Southfield. It employs five division directors to oversee the day-to-day operations of the Commission. The Commission staff is organized into the following areas:

- **Assistant Attorneys General:**
The Attorney General assigns Assistant Attorneys General to the Alcohol & Gambling Enforcement Division legal staff. These Assistant Attorneys General review all violations for issuance of complaints, present all hearing cases to the Commission, and serve as the Commission's legal counsel.
- **Executive Services Division:**
The Executive Services Division provides administrative support to the Commissioners in the areas of hearings, appeals, policy research and public affairs.
- **Financial Management Division:**
The Financial Management Division provides management support to the Commission in the areas of financial analysis; accounting; budgeting; tax collections for beer, wine, and spirits; forms and telecommunications. The division also uses daily order quantities to purchase liquor for sale to licensees. Quotations for all liquor codes are processed, accepted or denied, and priced in this division.
- **Licensing Division:**
The Licensing Division is responsible for processing retail, wholesaler and manufacturer license applications, as well as issuing approved licenses and handling the subsequent renewals. The division approves labeling and advertising by manufacturers and wholesalers.
- **Enforcement Division:**
The Enforcement Division is responsible for the investigation of license applicants. The Enforcement staff also investigates complaints against current licensees and periodically inspects licensed locations for violations of the Liquor Control Code.
- **Administrative Services Division:**
The Administrative Services Division provides administrative support to the Commission in the areas of internal education and training. The division also provides oversight for server training programs, Authorized Distribution Agents and Michigan Business One Stop.

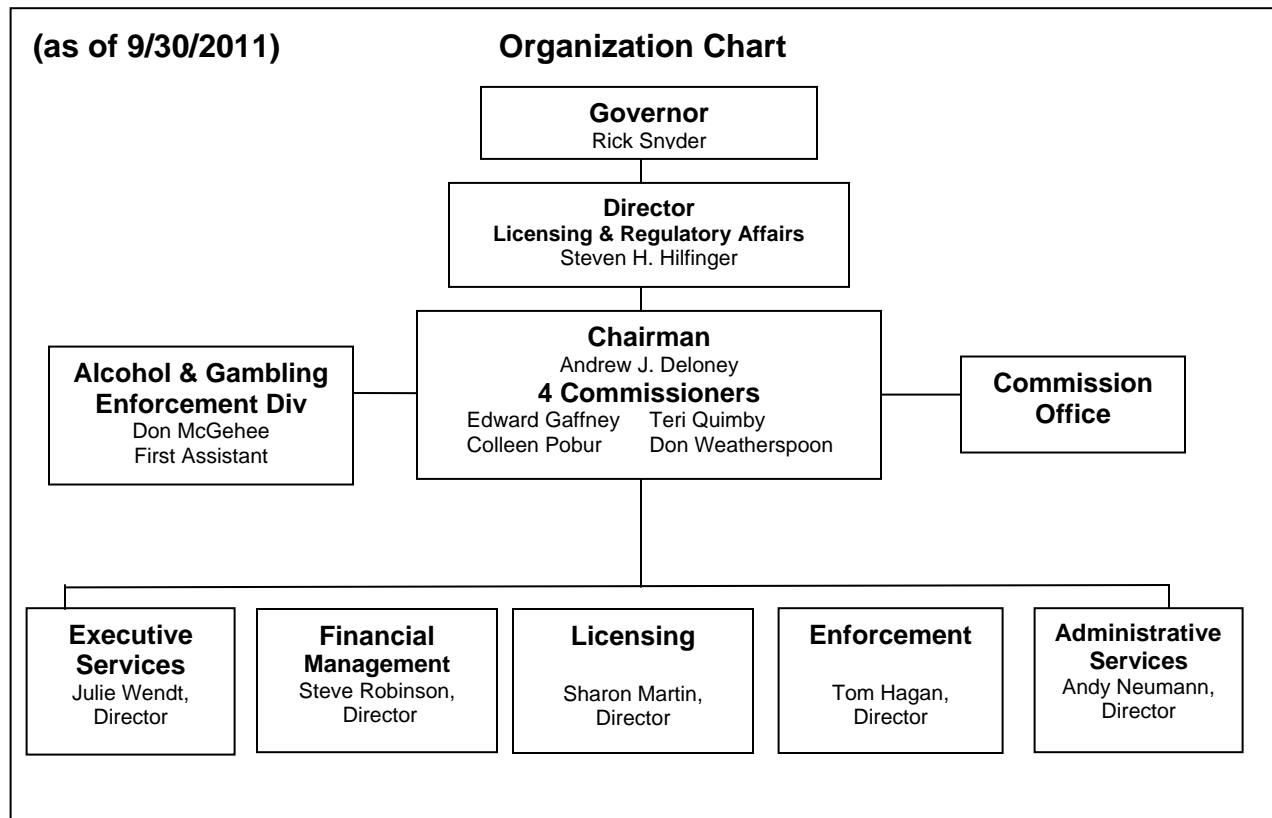
The Liquor Control Code

The Liquor Control Code, P.A. 58 of 1998, as amended, prescribes the duties and responsibilities of the Commission. The Liquor Control Code defines the various types of liquor licenses and the licensing requirements; the State liquor markup rate, liquor licensee discount rate, and tax rates; and the guidelines for operating licensed establishments.

In addition to the Liquor Control Code, the Commission is guided by its administrative rules, which are designed to carry out the laws and assure equal treatment. When filed with the Secretary of State, the rules have the effect of law and are binding on licensees of the MLCC.

The MLCC

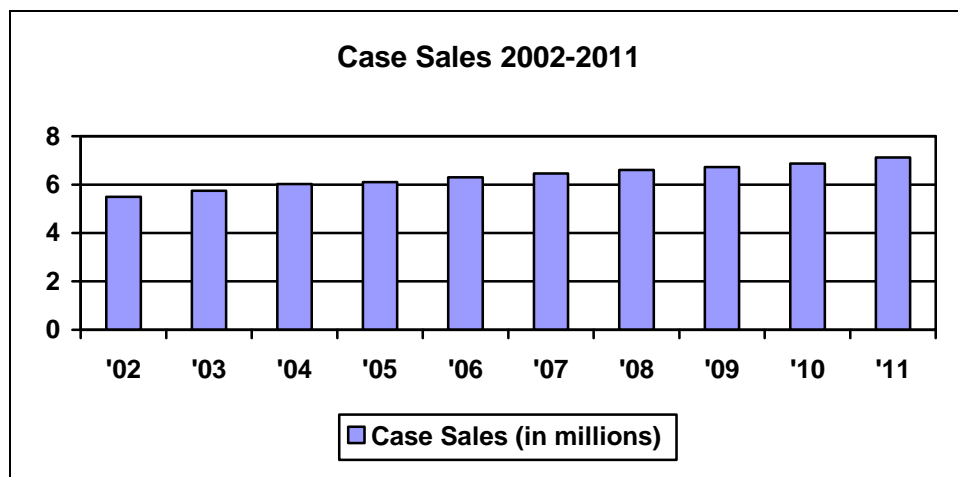
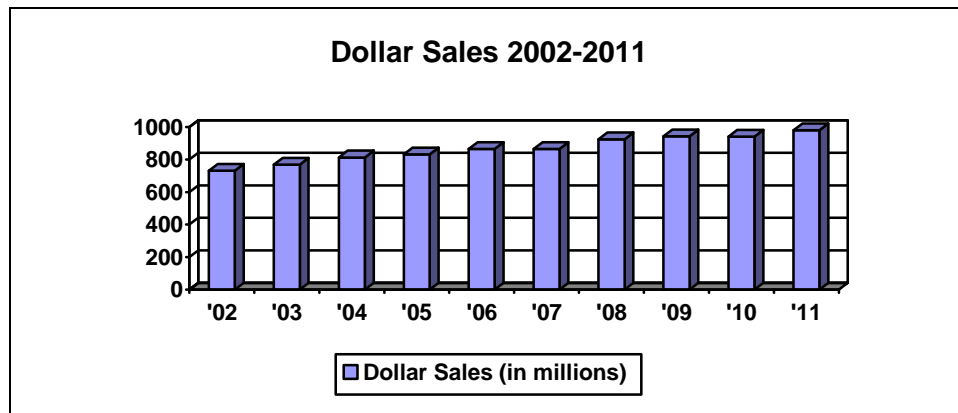
MLCC Personnel (as of 9/30/2011)		
	<u>Full-Time Employees</u>	<u>Part-Time Employees</u>
Commissioners	5	0
Attorney General Support	3	0
Executive Services	15	0
Financial Management	15	0
Licensing	41	1
Enforcement	63	0
Administrative Services	<u>3</u>	<u>0</u>
TOTAL	<u>145</u>	<u>1</u>



Trends

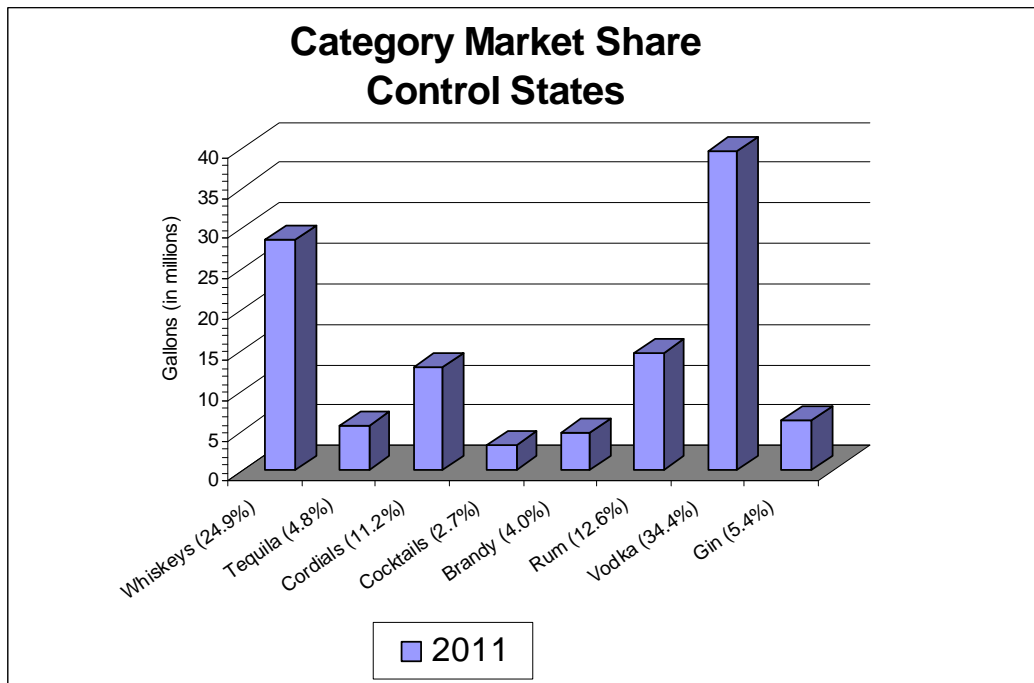
Dollar Sales

Since the 2002 fiscal year, there has been a 33.7% increase in dollar sales from \$731.6m in FY 2002 to \$978.5m in FY 2011. News groups are reporting that consumers are enamored with a wide variety of flavors. They are drinking fruit flavored products, products mixed with juices and colorful cocktails. The industry has responded with a broad spectrum of choices. Classic cocktail drinks have also made a comeback in the United States. New products have been introduced into the market at a fast pace.

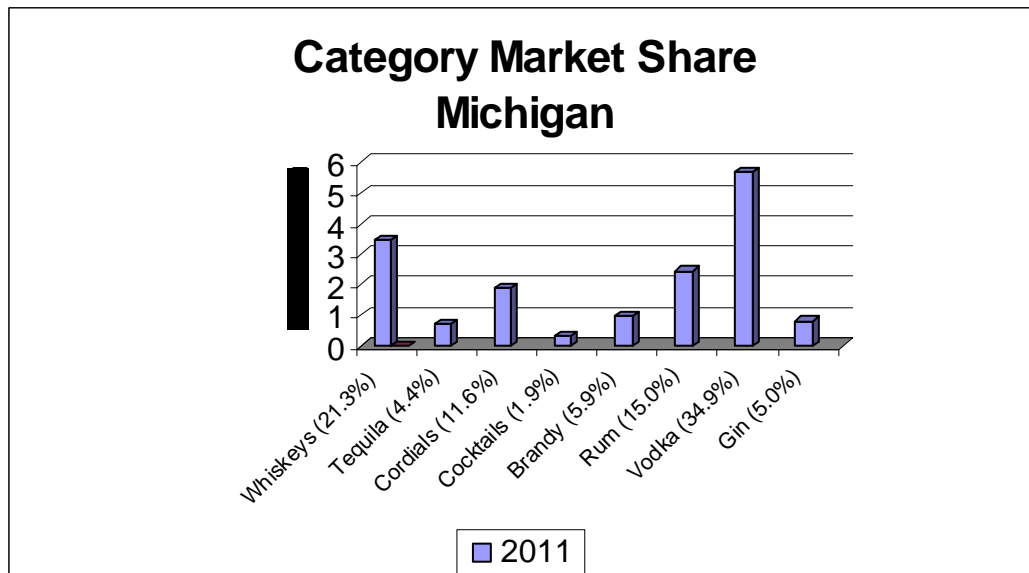


Case Sales

The 10-year case sales history graph shows an increase in case sales every year since FY 2002. This trend continued in 2010-2011 with sales of 7,117,299 cases. This is an increase of 29.5% above the FY 2002 cases sales figure of 5,496,879. These increases parallel the increase in dollar sales over the last ten years.



Other Control States and Michigan consumer preferences are very similar. Whiskeys and vodkas are the two most popular categories, comprising 59.3 percent of the Control States market share and 56.2 percent of the Michigan market share. Vodka has been the most popular category in Michigan for the last ten years, with new fruit-flavored products spurring the category's growth. New generations of drinkers are accustomed to a wide variety of flavors in foods and beverages and this desire has carried over into their choice of alcohol drinks. Vodka's versatility and mixability allow consumers more variety of flavors.



Distilled Spirits

The Michigan Liquor Control Commission is, by law, the wholesaler of all spirits in Michigan. Suppliers request approval from the Commission to have products available for sale in Michigan, distributed by the Commission.

There are over 6,300 products available for sale by the commission. The Commission's Liquor Price List is available in xls and pdf formats on the MLCC internet homepage at: <http://www.michigan.gov/lcc>. Click on "Publications" on the left side of the screen. Then, click on "Spirit Ordering" and select an option.

Also, it is possible to search for specific product information. On the MLCC homepage, click on "LCC Online Services" located in the mid-right, upper section of the page. Then, click on "Searchable Pricebook".

Licensees may only order their distilled spirits through the State's internet ordering system. Authorized Distribution Agents assemble and deliver orders to the licensees on behalf of the Liquor Control Commission. There are currently three ADAs: General Wine and Liquor, National Wine and Spirits, and Chinese Import & Export. Licensees receive free delivery once a week provided they meet the one case minimum order requirement and adhere to order day assignments.

All proceeds from the sale of liquor go to the State of Michigan, and all profits are transferred to the State Treasury.

The Michigan Liquor Control Commission
PRICE ANALYSIS OF SAMPLE 750 ml SPIRITS
 Retail Price to Consumer with 65% Markup by MLCC = \$10.01

Liquor Tax	\$1.21
Distribution	
1.85% Specific Tax (LPRF*)	.16
4% Specific Tax (Convention Facilities)	.35
4% Specific Tax (School Aid)	.35
4% Specific Tax (General Fund)	.35
<hr/>	
Licensee Profit (through discount)	\$1.50
<hr/>	
LCC Profit (Net after Licensee discount)	\$1.97
<hr/>	
Federal Excise Tax (\$13.50 per proof gallon, paid by distillery or importer)	\$2.14
<hr/>	
Distillery or Importer	\$3.19
<hr/>	
TOTAL MINIMUM SELLING PRICE:	\$10.01



<u>Cost of Distribution</u>	<u>Amount</u>	<u>% of Total</u>
Federal Government	2.14	21.4
Distillery	3.19	31.8
State Government:		
MLCC	1.97	19.7
Specific Taxes	1.21	12.1
<u>Liquor License Minimum Profit (Discount)</u>	<u>1.50</u>	<u>15.0</u>
TOTAL	\$10.01	100.0
*Liquor Purchase Revolving Fund		
Note: As of 11-29-04, P.A. 407 allows licensees to sell liquor at any price at or above the established minimum selling price.		

Beer - Wine - Mixed Spirits

The wholesaler market for beer, wine and mixed spirit drinks is a franchised market in Michigan. Territorial agreements are made between supplier and wholesaler to cover the specific geographic areas of the state.

Tax Rate by Type of Alcohol Beverage

Beer -----	\$6.30 per 31 gallon barrel, pro-rated
Wine -----	\$.135 per liter (16% alcohol or less by volume)
	\$.20 per liter (more than 16% alcohol by volume)
Mixed Spirit Drinks -----	\$.48 per liter

2002-2011 Michigan Apparent Per Capita Alcohol Beverage Consumption in Gallons

Year	Population (Estimated)	Beer	Spirits	Wine	Mixed Spirit Drinks
2002	10,050,000	20.76	1.33	1.42	0.04
2003	10,080,000	20.92	1.37	1.61	0.03
2004	10,113,000	20.87	1.42	1.71	0.03
2005	10,121,000	20.59	1.44	1.72	0.03
2006	10,096,000	20.41	1.48	1.78	0.02
2007	10,072,000	20.28	1.52	1.87	0.03
2008	10,003,422	20.46	1.55	1.92	0.02
2009	9,970,000	20.10	1.58	1.94	0.02
2010	9,884,000	20.22	1.61	2.12	0.03
2011	9,876,000	19.62	1.65	2.18	0.03

Per Capita Consumption

Apparent per capita consumption (volume consumed divided by the estimated population) is often used to determine consumer preferences among the types of alcohol beverages as well as being associated with public health and safety statistics.

For the last several years, Michigan parallels the national trend to consume more wine and distilled spirits. Wine consumption has increased possibly due in part to reaction to recent medical research findings of health benefits with moderate wine consumption.

Distilled spirits consumption has increased due to strong brand loyalty among young adults. Women in particular prefer the taste of wine and distilled spirits to beer.

MLCC TAX AND SALES STATISTICS

<u>Collection of Taxes</u>			<u>Sales in Barrels/Liters</u>				
	<u>2010-11</u>	<u>2009-10</u>	<u>Increase/ (Decrease)</u>		<u>2010-11</u>	<u>2009-10</u>	<u>Increase/ (Decrease)</u>
Beer	\$38,892,673	\$40,510,976	(\$1,618,303)	Barrels of Beer	6,250,673	6,448,197	(197,524)
Wine	10,801,359	10,438,801	362,558	Liters of Wine	81,504,221	79,440,328	2,063,893
MSD*	471,870	412,086	59,784	Liters of MSD*	954,712	983,029	(28,317)
TOTAL	\$50,165,902	\$51,361,863	(\$1,195,961)				

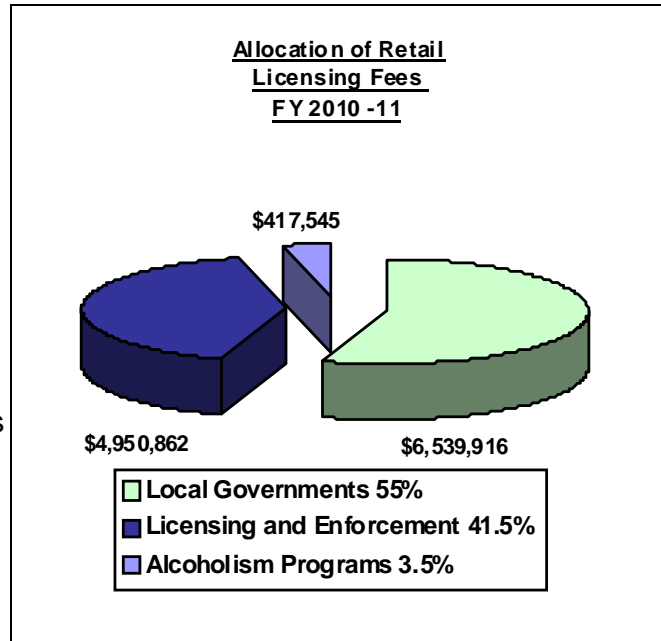
* Mixed Spirit Drinks

Control

Licensing

The Michigan Liquor Control Commission licenses all retailers, wholesalers and other individuals or businesses involved in the manufacture, purchase, sale, or use of alcohol beverages.

Just under 15,900 retail businesses, including bars, grocery stores, restaurants, hotels, convenience stores and pharmacies have one or more active licenses to sell alcohol beverages. In addition to retail licenses, the MLCC had just over 8,000 issued licenses to manufacturers and other agents. The MLCC began issuing direct shipping licenses in May 2006. These licensed U.S. wineries may deliver ordered wine products to Michigan residents' homes. There are currently 752 wineries that hold Direct Shipper Licenses.



The types of licenses available and licensing requirements are set by state law and the administrative rules of the Commission. The number of certain types of licenses available is governed by population quota for the local governmental unit.

Retail license fees are distributed according to state statute. As shown in the chart above, 55% of the returnable retail licensing fees collected by the MLCC are earmarked for local governments. The MLCC collected nearly \$16.0 million in retail license and transfer fees in fiscal year 2010-11. This amount included \$11,908,323 in returnable retail license fees.

The Michigan Grape and Wine Industry Council receives the non-retail license fees collected by the MLCC. This fiscal year, these fees amounted to \$766,740.

Active Retail Liquor Licensed Businesses (by type)

<u>On-Premise Licensed Businesses: Total 8,396</u>			
Class C: 5,946	Class C Resort: 921	B-Hotel: 186	B-Hotel Resort: 125
<i>(Bars/Restaurants/Hotels) Consumption on the premises: Liquor, beer, wine and mixed spirit drink</i>			
A-Hotel: 1	A-Hotel Resort: 0	Tavern: 157	Tavern Resort: 9
<i>Consumption on the premises: Beer and Wine only</i>			
Clubs: 982			
<i>(Membership required) Consumption on the premises: Liquor, beer, wine and mixed spirit drink</i>			
Other : 69 <i>(Aircraft, Watercraft, Train) Consumption on the premises: Liquor, beer, wine and mixed spirit drink</i>			
<u>Off-Premise Licensed Businesses: Total 7,474</u>			
SDD: 3,807	SDD-Resort: 240	SDM: 3,427	
<i>Package Liquor Take-out</i>		<i>Beer and Wine Take out</i>	
Total Number of Retail Licensed businesses: 15,870			

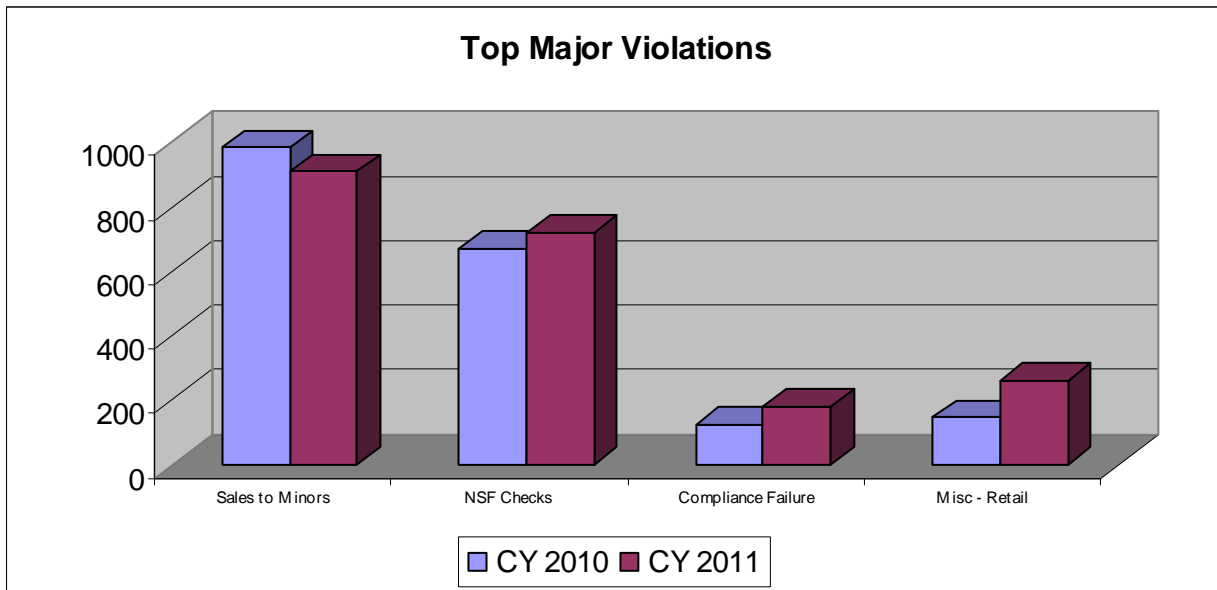
Control

Enforcement

The Enforcement staff is involved in training programs to meet the needs of retail licensees, beer and wine wholesalers, and law enforcement agencies.

The MLCC's enforcement officers regularly conduct surveillance operations in licensed premises as part of their efforts to ensure that the state's liquor laws and MLCC rules are being adhered to by liquor licensees. Their efforts to serve the citizens of the state often go unnoticed due to the nature of their job.

The Enforcement staff is responsible for investigating applicants for liquor licenses and assisting local, county and state law enforcement agencies with the enforcement of Michigan's liquor laws. Local law enforcement agencies submitted 774 liquor law violation reports in Fiscal Year 2010-2011. MLCC enforcement investigators submitted 1,447 violation reports in Fiscal Year 2010-2011.



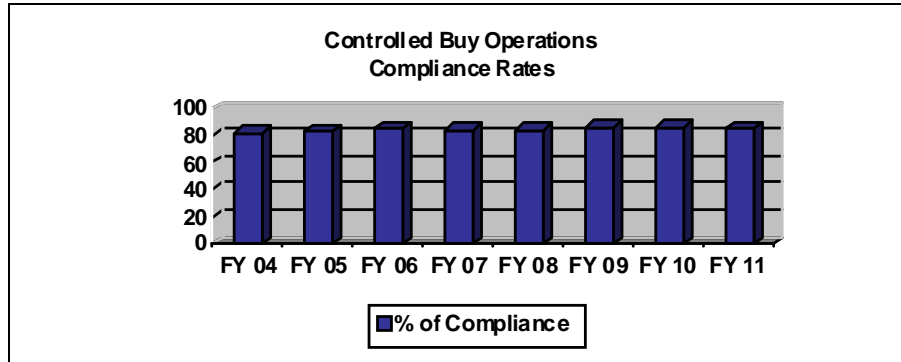
The violations that the Enforcement Division administers are varied. In addition to the top violations listed in the chart above, some of the other violations that Enforcement handles are as follows: Sales to intoxicated persons, illegally obtain or transfer license, licensee or employee convicted of illegal act, nudity, operating other than legal hours, failure to cooperate with law enforcement officers, gambling or possession of gaming equipment, and controlled substances/drugs paraphernalia.

Enforcement & Underage Drinking

In an effort to minimize underage drinking, the Enforcement Division conducts controlled buy operations, also called decoy sting operations. During a controlled buy operation, a minor will attempt to purchase alcohol from a retailer while the transaction is observed by an undercover enforcement officer. A sale results in a violation of the liquor law and subsequent fine. The Commission has a policy of zero tolerance for sale of alcohol to minors and uses the controlled buy operation as a tool to reinforce this commitment.

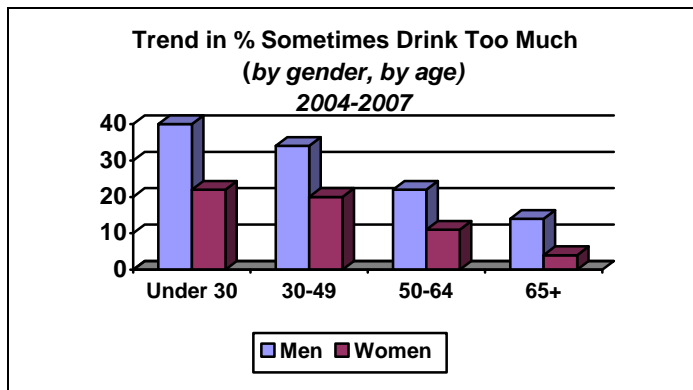
Control

During Fiscal Year 2010-11, MLCC enforcement officers conducted 2,140 controlled buy operations and wrote 315 violations for selling to minors, meaning 15% of stops resulted in a violation. This percentage is slightly higher than last fiscal year.



Enforcement & Excessive Drinking

Enforcement is also working diligently to reduce excessive drinking among all drinkers. According to a July 7-10, 2011 Gallup poll, the percentage of Americans who admit they sometimes drink too much is 17%. Combining the results of its past four overdrinking surveys (July 2004-July 2007), Gallup determined which groups of Americans are most likely to report over drinking. The results are reflected in the following graphs:



As noted by one of the above graphs, the trend to over drink is greatest for those under 30. During a 2007 Gallup poll, people were asked if they would favor or oppose a federal law that would lower the drinking age in all states to 18. Seventy-seven percent opposed this idea, 22% favored the idea and 1% had no opinion. Also, when people were asked if they thought the penalties for underage drinking should be made more strict, less strict, or remain the same, the results were as follows: 60% more strict, 6% less strict, 31% remain the same, and 3% no opinion.

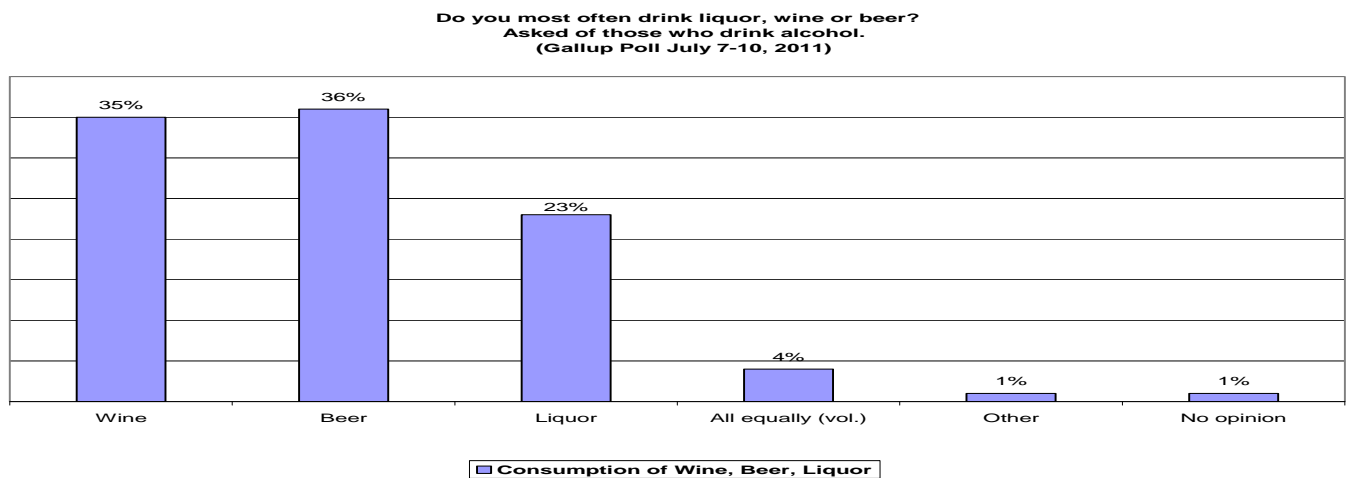
The Enforcement Division recognizes the seriousness of overdrinking and issues violations to licensees who serve alcohol to patrons in an intoxicated condition. In addition, the Enforcement Division shares complaint information on sales and service to intoxicated patrons with local law enforcement agencies who can also investigate and cite licensees for such violations.

National Trends and Statistics

Liquor Popularity

According to the Distilled Spirits Council of the United States (DISCUS), gross revenue for U.S. spirits reached \$19.9 billion in 2011, up from 19.1 billion in 2010. Revenue market share for spirits versus beer grew three-tenths of a point, rising to 33.6% of the beverage alcohol market. There are several contributing factors to liquor popularity: industry innovation, the resurgence of cocktail culture across America; the powerful growth of premiumization; strong momentum in marketplace modernizations such as Sunday sales and tasting laws; more equitable treatment for spirits in advertising, taxation and market access; record export growth; and a wider appreciation of moderate consumption. Additionally, there is a trend towards open markets and communication of product heritage in new markets. With countries around the world lowering tariffs and other barriers, American spirit products are finding new audiences.

American Drinking Trends



Although the percentage of Americans who identify themselves as drinkers has remained virtually unchanged (64% in a July 2011 Gallup poll vs. the 63.4% historical average since 1939), there has been a small revival in regular drinking in recent years. Since 2002, polls have shown that the percentage of alcohol drinkers who consumed alcohol in the past week was 65% or higher. This is significantly more than in the early to mid-nineties when the percentage of alcohol drinkers who consumed alcohol in the past week was approximately 50%. In the 2011 Gallup poll, the average number of drinks consumed per drinker in the past week was 4.1.

The rise in regular drinking has paralleled some scientists' claims that daily moderate drinking has health benefits. According to a 2011 Gallup poll, however, only 22% of Americans believe drinking in moderation is good for one's health. Twenty-five percent believe it is detrimental to one's health and 50% believe it has no effect on one's health. Three percent had no opinion.

According to Gallup, there is a significant generational difference in alcohol preferences. Beer is the favorite alcoholic beverage among younger drinkers. Wine is the drink of choice among older drinkers. Gender-wise, the majority of men state they most often drink beer and half of women say they most often drink wine. Geographically, beer is most popular in the midwestern states. With regards to education, people with a college background prefer wine.

Michigan Department of Licensing and Regulatory Affairs

LIQUOR CONTROL COMMISSION
FINANCIAL STATEMENTS FOR THE LIQUOR
PURCHASE REVOLVING FUND (UNAUDITED)

For the Fiscal Years Ended September 30, 2011
and September 30, 2010

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED COMPARATIVE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$700	\$700
Equity in Common Cash (NOTE 2)	64,193,590	60,824,972
Liquor Inventory (NOTE 3)	5,903,676	5,939,664
Prepaid Distribution Costs of Inventory	447,084	475,180
Accounts Receivable	7,077,590	6,384,124
TOTAL ASSETS	\$77,622,640	\$73,624,640
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Warrants Outstanding	\$794,983	\$1,274,380
Accounts Payable and Other Liabilities	74,866,888	70,175,544
Amounts Due to Other Funds	210,837	78,086
Current Compensated Absences	464,996	710,373
TOTAL CURRENT LIABILITIES	\$76,337,704	\$72,238,383
LONG-TERM LIABILITIES		
Amounts Due to Other Funds	\$302,635	
Long Term Compensated Absences	106,562	\$510,518
TOTAL LONG TERM LIABILITIES	\$409,197	\$510,518
TOTAL LIABILITIES	\$76,746,901	\$72,748,901
NET ASSETS		
Unrestricted	\$875,739	\$875,739
TOTAL NET ASSETS	\$875,739	\$875,739

The Notes to Financial Statements section is an integral part of these financial statements.

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED SEPTEMBER 30**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Gross Sales	\$978,513,652	\$940,227,792
Less: Discounts Allowed	<u>166,402,757</u>	<u>159,919,257</u>
PROCEEDS - SALE OF LIQUOR	\$812,110,895	\$780,308,535
Miscellaneous Revenue	<u>29,422</u>	<u>(43,085)</u>
TOTAL OPERATING REVENUES	<u>\$812,140,317</u>	<u>\$780,265,450</u>
OPERATING EXPENSES		
Cost of Goods Sold	\$592,882,289	\$569,728,313
Distribution Costs Paid to Suppliers (NOTE 5)	49,612,851	47,964,201
Commission and DLARA Administration	418,615	398,800
Management Support	3,353,187	3,107,430
Licensing and Enforcement	7,254,837	5,904,921
Compensated Absences	0	93,688
DLARA Operating Expenses	3,642,692	3,964,725
DTMB Information Technology Services	2,658,798	2,619,588
DTMB Internal Audit Services	0	0
Attorney General Services	1,026,517	1,051,660
Auditor General	<u>11,300</u>	<u>91,250</u>
TOTAL OPERATING EXPENSES	<u>\$660,861,086</u>	<u>\$634,924,576</u>
OPERATING INCOME (LOSS)	<u>\$151,279,231</u>	<u>\$145,340,874</u>
NON-OPERATING REVENUES (EXPENSES)		
Specific Tax, Liquor 1.85%	\$14,855,105	\$14,106,598
Interest Revenue	114,702	16,260
Non-Operating Revenue	<u>649,428</u>	<u>191,979</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$15,619,235</u>	<u>\$14,314,837</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>\$166,898,466</u>	<u>\$159,655,711</u>
TRANSFERS		
Income Transferred to General Fund (NOTE 1)	(\$164,250,530)	(\$157,107,201)
Other Transfers (NOTE 6)	(2,647,936)	(2,548,510)
TOTAL TRANSFERS IN (OUT)	<u>(\$166,898,466)</u>	<u>(\$159,655,711)</u>
Change in Net Assets	\$0	\$0
Net Assets - Beginning of Fiscal Year	<u>875,739</u>	<u>875,739</u>
TOTAL NET ASSETS - END OF FISCAL YEAR	<u>\$875,739</u>	<u>\$875,739</u>

The Notes to Financial Statements section is an integral part of these financial statements.

**MICHIGAN LIQUOR CONTROL COMMISSION
LIQUOR PURCHASE REVOLVING FUND
UNAUDITED STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED SEPTEMBER 30**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$812,140,317	\$780,265,450
Payments to Employees and for Administrative Expenses	(17,121,258)	(15,931,586)
Payments to Suppliers	(647,186,486)	(612,880,496)
Other Receipts	9,188,788	525,571
Other Payments	(1,244,686)	(1,300,476)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$155,776,675	\$150,678,463
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Specific Tax on Spirits	\$14,855,105	\$14,106,598
Transfers to Other Funds	(166,898,466)	(159,655,711)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(\$152,043,362)	(\$145,549,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	\$114,702	\$191,979
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$114,702	\$191,979
Net Cash Provided (Used) - All Activities	\$3,848,015	\$5,321,329
Cash and Cash Equivalents at Beginning of Year	59,551,291	54,229,962
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$63,399,307	\$59,551,291
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Per Statement of Net Assets Classifications:		
Cash	\$700	\$700
Equity in Common Cash	64,193,590	60,824,972
Warrants Outstanding	(794,984)	(1,274,381)
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$63,399,307	59,551,291
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$151,279,231	\$145,340,874
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Other Nonoperating Revenues	649,428	16,259
Net Changes in Assets and Liabilities:		
Inventories	35,989	1,068,451
Other Assets (Net)	(665,370)	(458,640)
Accounts Payable and Other Liabilities	4,477,397	4,711,519
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$155,776,675	\$150,678,463

The Notes to Financial Statements section is an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements report the financial position, changes in financial position, and cash flows of the Liquor Purchase Revolving Fund, a proprietary fund of the State of Michigan, as of and for the fiscal years ended September 30, 2011 and September 30, 2010. They are not intended to present the financial position, changes in financial position, and cash flows of the State of Michigan or its enterprise funds in conformity with accounting principles generally accepted in the United States of America. The Liquor Purchase Revolving Fund is reported as an enterprise fund in the *State of Michigan Comprehensive Annual Financial Report (SoMCAFR)*.

The footnotes accompanying these financial statements relate directly to the Liquor Purchase Revolving Fund. The *SoMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; common cash; and pension benefits and other postemployment benefits.

The Michigan Liquor Control Commission (MLCC), within the Department of Licensing and Regulatory Affairs, is primarily responsible for the Liquor Purchase Revolving Fund. MLCC is governed by Sections 436.1101 – 436.2303 of the *Michigan Compiled Laws* (Act 58, P.A. 1998, the Michigan Liquor Control Code of 1998). MLCC consists of five members, each appointed by the Governor with the advice and consent of the Senate. The responsibilities of MLCC include the oversight of alcoholic liquor distribution within the State: licensing of the manufacture, importation, and sale of liquor; levy and collection of excise and specific taxes on liquor, beer, and wine; and enforcement of the Michigan Liquor Control Code.

Section 436.1221 of the *Michigan Compiled Laws* authorized the MLCC, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The Fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each year, the "net income" of the fund is transferred to the General Fund in accordance with Section 18.1435 of the *Michigan Compiled Laws*.

Measurement Focus, Basis of Accounting, and Presentation

The financial statements contained in this report are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Operating revenues and expenses generally result from the purchasing and the reselling of liquor. Other revenues and expenses are reported as nonoperating.

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the State's proprietary funds follow all FASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

Fund Cash Account

The Fund utilizes the State Treasurer's Common Cash pool as its primary cash account. For the purpose of the statement of cash flows, the Fund considers equity in the State's Treasurer's Common Cash pool net of warrants outstanding to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. Equity in the State Treasurer's Common Cash

Equity in the State of Michigan Treasurer's (State Treasurer's) Common Cash pool represents the Fund's interest, at market, in an investment pool managed by the Treasurer of the State of Michigan (the State).

The investment authority for the Common Cash pool is found in Public Act 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States Government, its agencies, and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State of Michigan.

The Fund's pro-rata share of the State Treasurer's Common Cash pool was \$64.2 million and \$60.8 million at September 30, 2011 and September 30, 2010 respectively. For the total amount of deposits and investments in the State Treasurer's Common Cash pool and their specific risks, please refer to the *SOMCAFR*.

Common Cash Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of failure of a depositor financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The State Treasurer's Common Cash pool policy requires the following criteria to lessen the custodial credit risk: All financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds; a bank, savings and loan association, or credit union holding the State's funds must be organized under the law of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; and no deposit in any financial organization may be in excess of 50% of the net worth of the organization.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

Public Act 35 of 1997 requires State deposits to be held in a financial institution that maintains a principal office or branch office located in the State of Michigan. The State had no Common Cash pool deposits subject to foreign currency risk at September 30, 2011.

NOTES TO FINANCIAL STATEMENTS

Common Cash Investments

Types of Investments

State Treasurer's Common Cash pool investments include prime commercial paper, corporate notes, and emergency municipal notes.

Risk

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, investments also require certain disclosures regarding policies and practices with respect to the risk associated with them. The custodial credit risk, the credit risk, the interest rate risk, the concentration of credit risk, and the foreign currency risk are discussed in the following paragraphs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure by a counterparty, the Fund will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

The counterparty, or

The counterparty's trust department or agent, but not in the government's name.

The State Treasurer's Common Cash pool does not have an investment policy for managing custodial credit risk. At September 30, 2011, Common Cash pooled investments were not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations.

The State Treasurer's Common Cash pool requires prime commercial paper investments be rated A-1 or P-1 at the time of purchase as rated by the two major rating services, Standard & Poor's (A-1) and Moody's Investor Service (P-1). Borrowers must also have at least \$400 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of a borrower's outstanding debt. The Common Cash pooled investments are further limited to \$200 million in any borrower, unless the borrower has an A-1+ rating, in which case the investment is not to exceed \$300 million.

The State Treasurer's investment of the Common Cash pool in sugar beet loans is evidenced by unrated zero-interest promissory notes. The State Treasurer's investment in emergency municipal loans is evidenced by unrated notes held by the State in the State's name. In addition, at September 30, 2011, prime commercial paper investment were rated at A-1, P-1, or above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The State Treasurer's Common Cash pool policy states that cash equivalents are to be invested in short term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk.

NOTES TO FINANCIAL STATEMENTS

The State Treasurer does not have a policy for controlling interest rate risk regarding the Common Cash pool investments in special loan programs (Emergency Financial Assistance Loan Program, Michigan Marina Dredging Loan Program, Michigan Sugar Beet Loan Program, and Agriculture Disaster Relief Program). These loan programs are investments created through legislation. Although some interest rate risk exposures exist, interest rate risk is not a consideration when entering into the special loan programs.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment with a single issuer.

The Fund is invested in pooled investment in the State of Michigan Common Cash pool, which is excluded from concentration of credit risk disclosure requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

The State Treasurer's Common Cash pool investment policy does not allow for investment in foreign investments or currency; therefore, the Fund is not exposed to foreign currency risk.

NOTE 3. Liquor Inventory

Inventory is stored and handled by private Authorized Distribution Agents on behalf of the MLCC. Inventory is purchased daily in amounts sufficient to fill orders received the prior day.

NOTE 4. Pensions Plans and Postemployment Benefits

New employees hired after March 30, 1997 participate in a defined contribution plan that is separate from the State Employee's Retirement System defined benefits plan. Employees hired before March 31, 1997 are covered by the defined benefits plan unless they chose to convert to the defined contribution plan during 1997.

For the State Employee's Defined Benefit Retirement Plan, LPRF was billed and paid \$1,278,697 and \$1,245,972 for pension charges and retiree postemployment benefits in fiscal years 2010-11 and 2009-10, respectively. For the State Employee's Defined Contribution Retirement Plan, LPRF is required to make a contribution of 4% of the annual payroll and to match employee contributions up to 3% of annual covered payroll. LPRF contributions for the Plan were \$86,081 and \$72,325 for fiscal years 2010-11 and 2009-10, respectively.

The defined benefit and defined contribution pension plans are part of the State Employees' Retirement System administered by the Department of Technology, Management and Budget, Office of Retirement Services. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report is available on the State's website at <http://www.michigan.gov/ors>. The financial report for the defined contribution plan may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-5103.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. Distribution Costs Paid to Suppliers

This is the amount paid directly to the liquor suppliers by the MLCC for the Authorized Distribution Agents' warehousing and delivery of spirits to retail licensees. The MLCC paid \$6.97 per case for the two-year period ended September 30, 2011. The liquor suppliers were required to add \$1.35 per case to the State's payment and pay a minimum of \$8.32 per case to the MLCC's Authorized Distribution Agents.

NOTE 6. Other Transfers

Includes transfers to the Civil Service Commission as authorized by Article XI, Section 5 of the State Constitution. These transfers represent not less than one percent of the aggregate payroll of the classified service for the preceding fiscal year.

Michigan Department of Licensing and Regulatory Affairs
LIQUOR CONTROL COMMISSION
SUPPLEMENTAL FINANCIAL SCHEDULES (UNAUDITED)

For the Fiscal Years Ended September 30, 2011
and September 30, 2010

MICHIGAN LIQUOR CONTROL COMMISSION
UNAUDITED COMPARATIVE COMPREHENSIVE SCHEDULE OF OPERATIONS
FISCAL YEARS ENDED SEPTEMBER 30

	2011	2010	Increase (Decrease)
LIQUOR SALES			
Gross Sales (1)	\$978,513,652	\$940,227,792	\$38,285,860
Less: Discounts Allowed	166,402,757	159,919,257	6,483,500
PROCEEDS - SALE OF LIQUOR	\$812,110,895	\$780,308,535	\$31,802,360
Less: Cost of Goods Sold	592,882,289	569,728,313	23,153,976
REVENUE FROM SALE OF LIQUOR	\$219,228,606	\$210,580,222	\$8,648,384
OTHER REVENUE			
Miscellaneous Revenue	\$678,756	(\$43,085)	\$721,841
Non-Operating Revenue	95	16,260	(16,165)
Interest Revenue	114,702	191,979	(77,277)
TOTAL OTHER REVENUE	\$793,553	\$165,154	\$628,399
TOTAL REVENUE	\$220,022,159	\$210,745,376	\$9,276,783
Less: Distribution Costs Paid to Suppliers	49,612,852	47,964,201	1,648,651
INCOME FROM LIQUOR MERCHANDISING	\$170,409,307	\$162,781,175	\$7,628,132
MANAGEMENT EXPENSES			
Commission and DLARA Administration	\$418,615	\$398,800	\$19,815
Management Support	3,574,953	3,349,855	225,098
Licensing and Enforcement	12,905,606	12,328,975	576,631
DLARA Services (Excluding MLCC Rent)	5,118,521	5,349,004	(230,483)
DTMB Information Technology Services	2,658,798	2,619,588	39,210
Attorney General	1,026,517	1,051,660	(25,143)
Auditor General	11,300	91,250	(79,950)
Civil Service - Personnel	148,236	138,010	10,226
Administrative Hearings & Rules	89,200	0	89,200
Compensated Absences	0	93,688	(93,688)
Less: Transfers Not Related to MLCC Operations (2)	2,410,500	2,410,500	0
TOTAL MANAGEMENT EXPENSES	\$23,541,246	\$23,010,330	\$530,916
INCOME FROM OPERATIONS (Excluding Taxes and Grants)	\$146,868,061	\$139,770,845	\$7,097,216
LPRF Specific Tax, Liquor 1.85% (Off Premise)	14,855,105	14,106,598	748,507
Other Revenue Collected (3)	185,505,184	180,077,852	5,427,332
TOTAL CURRENT EARNINGS AND REVENUE	\$347,228,350	\$333,955,295	\$13,273,055
Number of Cases Sold	7,117,299	6,877,873	239,426
Number of Sales Days	261	261	0

Notes:

(1) This figure is comprised of the following:

Off Premise	\$801,621,492	\$761,558,120	\$40,063,372
On Premise	176,295,447	178,163,249	(1,867,802)
Other	596,713	506,423	90,290

(2) Grants to Cities - Fire Protection

(3) Includes taxes and fees collected for the General Fund and School Aid Fund (i.e. Beer and Wine taxes, Specific taxes as well as Licensing and Enforcement fees)

MICHIGAN LIQUOR CONTROL COMMISSION
UNAUDITED COMPARATIVE COMPREHENSIVE SCHEDULE OF REVENUE COLLECTED
FISCAL YEARS ENDED SEPTEMBER 30

	<u>2011</u>	<u>2010</u>	<u>INCREASE (DECREASE)</u>
GENERAL FUND - GENERAL PURPOSE			
Excise Tax, Beer	\$38,892,673	\$40,510,976	(\$1,618,303)
Specific Tax, Liquor 4%	39,089,239	37,551,856	1,537,383
Excise Tax, Wine	10,801,359	10,438,801	362,558
Excise Tax, Mixed Spirit Drink	471,870	412,086	59,784
Sunday Sales Fees (7am-12pm)	1,610,624	0	1,610,624
Fines & Costs	906,558	981,241	(74,683)
Miscellaneous Revenue	87,635	134,387	(46,752)
TOTAL GENERAL FUND - GENERAL PURPOSE	<u>\$91,859,958</u>	<u>\$90,029,347</u>	<u>\$1,830,611</u>
GENERAL FUND - RESTRICTED			
RETAIL LICENSE FEES:			
55% To Local Governments	\$6,539,916	\$6,384,390	\$155,526
41.5% To Licensing & Enforcement	4,950,862	4,960,406	(9,544)
3.5% To Alcoholism Prevention Programs	417,545	418,739	(1,194)
Additional Resort License Fees	58,200	19,650	38,550
Direct Shipper License Fees	79,989	52,493	27,496
License Transfer Fees	607,685	553,546	54,139
Sunday Sales Fees	1,553,227	1,540,505	12,722
Non-Retail License Fees-Wine Industry Council	766,740	549,105	217,635
Liquor Control Act Sales	3,461	3,035	426
Inspection Fees	379,512	356,068	23,444
Specific Tax, Liquor 4%-Tourism & Conv. Facility	39,142,954	37,605,532	1,537,422
Miscellaneous Revenue	55,896	53,180	2,716
TOTAL GENERAL FUND - RESTRICTED	<u>\$54,555,987</u>	<u>\$52,496,649</u>	<u>\$2,059,338</u>
SCHOOL AID FUND			
Specific Tax, 4%	\$39,089,239	\$37,551,856	\$1,537,383
TOTAL SCHOOL AID FUND	<u>\$39,089,239</u>	<u>\$37,551,856</u>	<u>\$1,537,383</u>
OTHER FUNDS REVENUE	\$185,505,184	\$180,077,852	\$5,427,332
LPRF Specific Tax, Liquor 1.85% (Off Premise)	14,855,105	14,106,598	748,507
Income From Operations (Excluding Taxes & Grants) (1)	146,868,061	139,770,845	7,097,216
TOTAL CURRENT EARNINGS AND REVENUE	<u>\$347,228,350</u>	<u>\$333,955,295</u>	<u>\$13,273,055</u>

Note:

(1) Income from Operations (Page 21) after all operating expenses including General Fund portion of Licensing and Enforcement.

MICHIGAN LIQUOR CONTROL COMMISSION
UNAUDITED COMPREHENSIVE SCHEDULE OF EXPENSES BY TYPE AND ACCOUNT
FISCAL YEARS ENDED SEPTEMBER 30

	2011				TOTAL 2010
	COMMISSION AND DLARA ADMINISTRATION(1)	MANAGEMENT SUPPORT	LICENSING & ENFORCEMENT	TOTAL 2011	
MLCC APPROPRIATED EXPENSES					
Salaries & Wages	\$418,615	\$1,497,518	\$6,647,911	\$8,564,044	\$8,310,377
Longevity & Insurance		454,674	1,626,479	2,081,153	2,059,019
Retirement & FICA		616,494	2,567,489	3,183,983	3,068,843
SUBTOTAL	<u>\$418,615</u>	<u>\$2,568,686</u>	<u>\$10,841,879</u>	<u>\$13,829,180</u>	<u>\$13,438,239</u>
Communications	\$0	\$97,678	\$105,516	\$203,194	\$145,424
Travel	0	32,817	245,805	278,622	285,018
Utilities	0	18,036	3,850	21,886	20,862
Contractual Services	0	105,958	274,380	380,338	374,094
Supplies & Materials	0	91,272	244,536	335,808	298,470
Equipment Replacement, Additions & Rentals	0	438,438	480,349	918,787	465,218
Misc - Unemployment Insurance Claims	0	300	(3,612)	(3,312)	24,084
SUBTOTAL	<u>\$0</u>	<u>\$784,499</u>	<u>\$1,350,824</u>	<u>\$2,135,323</u>	<u>\$1,613,170</u>
TOTAL MLCC APPROPRIATED EXPENSES	<u>\$418,615</u>	<u>\$3,353,185</u>	<u>\$12,192,703</u>	<u>\$15,964,503</u>	<u>\$15,051,409</u>
TRANSFERS OUT & OTHER EXPENSES					
Rent and Building Occupancy (2)	\$0	\$221,768	\$712,903	\$934,671	\$1,026,221
Other Transfers Out (3)	0	0	0	9,052,572	9,343,200
TOTAL TRANSFERS OUT & OTHER EXPENSES	<u>\$0</u>	<u>\$221,768</u>	<u>\$712,903</u>	<u>\$9,987,243</u>	<u>\$10,369,421</u>
GRAND TOTAL	<u>\$418,615</u>	<u>\$3,574,953</u>	<u>\$12,905,606</u>	<u>\$25,951,746</u>	<u>\$25,420,830</u>

Note:

- (1) Fringe benefits and other expenses are reported in Management Support as appropriated by the Legislature.
(2) Rent and Building Occupancy amounts are appropriated in Management Services, Department of Licensing and Regulatory Affairs.
(3) Transfer amounts are appropriated in other departments and bureaus. They are not allocated to the divisions but are included in the totals.