

# STATE OF MICHIGAN

## LIQUOR CONTROL COMMISSION

### FINANCIAL REPORT

July 2014



Michigan Department of Licensing and Regulatory Affairs (LARA)

Rick Snyder, Governor  
Mike Zimmer, Acting Director  
Andrew J. Deloney, Chairman

<http://www.michigan.gov/lcc>



**MICHIGAN LIQUOR CONTROL COMMISSION**

**JULY FINANCIAL REPORT**

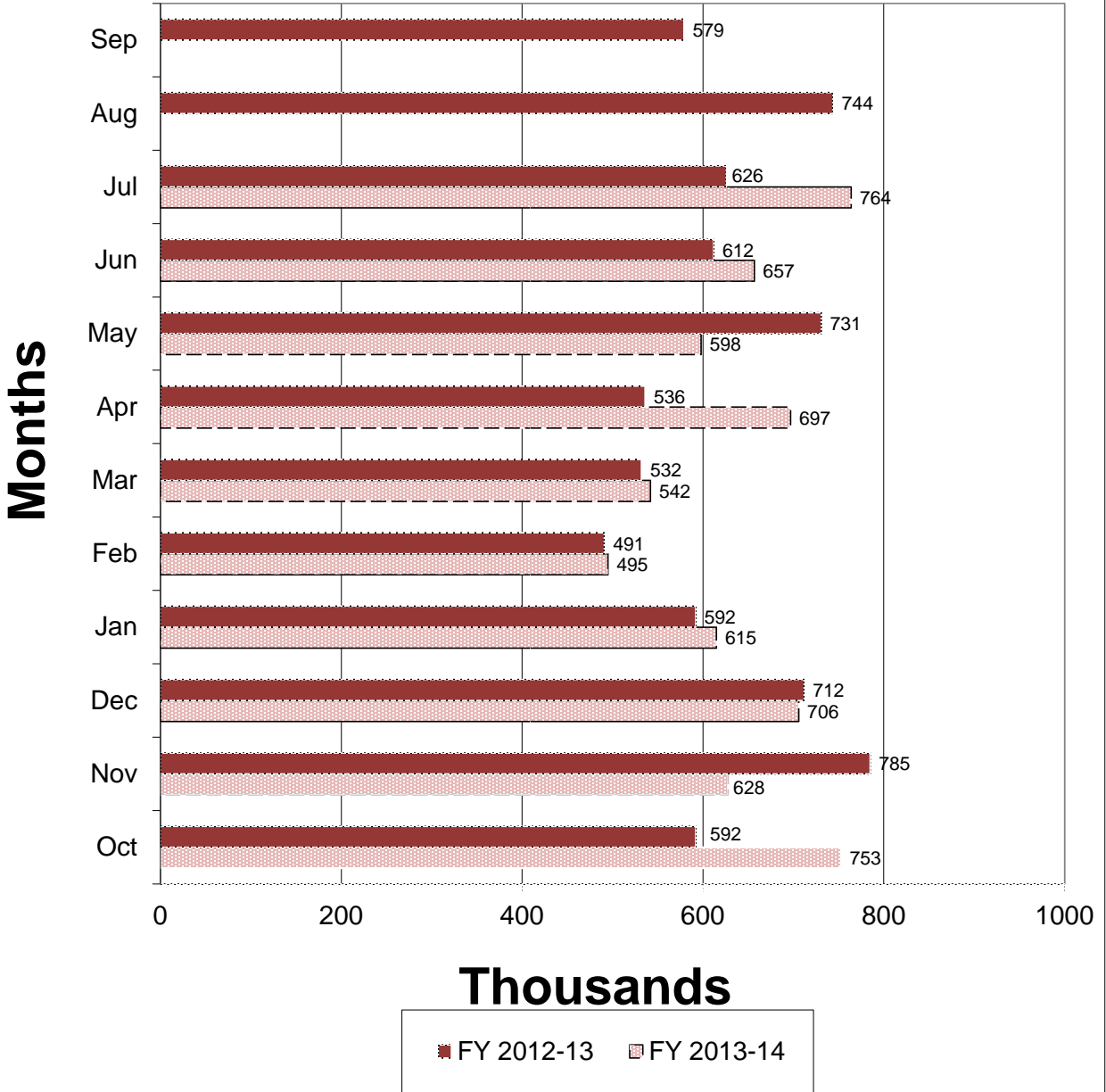
**FISCAL YEAR 13 - 14**

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## Case Sales



	Fiscal Year to Date 10/13-07/14	Fiscal Year to Date 10/12-07/13	# Increase (Decrease)	% Increase -Decrease
Number of Cases Sold	6,454,619	6,209,969	244,650	3.94%
Average Price Per Case Sold	\$149.46	\$145.82	\$3.64	2.50%

**MICHIGAN LIQUOR CONTROL COMMISSION  
LIQUOR PURCHASE REVOLVING FUND  
UNAUDITED COMPARATIVE BALANCE SHEET  
JULY 31**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Imprest Cash	\$400	\$700
Cash-State Treasurer Common Cash Fund*	103,614,525	77,166,915
Subtotal	\$103,614,925	\$77,167,615
Liquor Inventory - At Current Cost	8,213,137	5,764,932
Prepaid Distribution Costs of Inventory	627,653	433,418
Other Assets		
Accounts Receivable #	\$18,078,511	\$38,410,796
Returned Checks	347,462	211,392
Payroll Correction Clearing	0	0
Subtotal	18,425,973	38,622,188
<b>TOTAL ASSETS</b>	<b>\$130,881,688</b>	<b>\$121,988,153</b>
<b>LIABILITIES &amp; RETAINED EARNINGS</b>		
<b>CURRENT LIABILITIES</b>		
Warrants Outstanding	\$4,139,783	\$2,763,461
Warrants Authorized/Not Issued	94,114,524	77,730,174
Accounts Payable	0	0
Deferred Revenue	0	0
Amount Due to Other Funds	0	0
Current Compensated Absences	569,133	503,159
Total Current Liabilities	\$98,823,440	\$80,996,794
<b>LONG TERM LIABILITIES</b>		
Amount Due to Other Funds	\$0	\$0
Long Term Compensated Absences	165,428	141,606
Total Long Term Liabilities	165,428	141,606
<b>RETAINED EARNINGS</b>		
Beginning Balance October 1	\$875,739	\$875,739
Current Year Increase or (Decrease)* #	31,017,081	39,974,014
Current Period Ending Balance	31,892,820	40,849,753
<b>TOTAL LIABILITIES &amp; RETAINED EARNINGS</b>	<b>\$130,881,688</b>	<b>\$121,988,153</b>

\*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.

#These amounts are low because approximately one-half of the spirit sales for the last week of July 2014 were not recorded until August 2014. This caused the 2014 profit to be low by \$10.7 million. The three 4% specific taxes are each low by \$516.2 thousand.

**MICHIGAN LIQUOR CONTROL COMMISSION  
LIQUOR PURCHASE REVOLVING FUND  
UNAUDITED COMPARATIVE STATEMENT OF REVENUE, EXPENSES, & CHANGES IN RETAINED EARNINGS  
TEN MONTHS ENDED JULY 31**

	2014	2013
<b>REVENUE</b>		
<b>TOTAL GROSS SALES (2)</b>	\$951,770,642	\$905,533,969
Less: Discounts Allowed (2)	161,732,822	153,917,724
<b>PROCEEDS - SALE OF LIQUOR</b>	\$790,037,820	\$751,616,245
Less: Cost of Goods Sold		
Beginning Inventory	\$7,214,158	\$5,550,617
Add: Purchases	585,333,213	549,029,086
Less: Ending Inventory	8,213,137	5,764,932
Cost of Goods Sold	\$584,334,234	\$548,814,771
<b>GROSS REVENUE FROM SALE OF LIQUOR</b>	\$205,703,586	\$202,801,474
<b>OTHER REVENUE</b>		
Miscellaneous Revenue	\$108,570	\$21,960
Non-Operating Revenue	0	0
Interest Revenue	46,585	59,316
<b>TOTAL OTHER REVENUE</b>	\$155,155	\$81,276
<b>TOTAL REVENUE</b>	\$205,858,741	\$202,882,750
<b>EXPENSES AND TRANSFERS</b>		
<b>MLCC Expenses</b>		
Commission	\$353,534	\$345,682
Management Support	3,173,075	2,470,538
Licensing & Enforcement (1)	5,461,012	4,633,520
Distribution Cost Paid to Suppliers	48,393,311	45,438,231
Compensated Absences	0	0
<b>Total MLCC Expenses</b>	\$57,380,932	\$52,887,971
<b>Other Agencies Expenses</b>		
Attorney General	\$898,763	\$833,729
Auditor General	0	14,500
Bureau of Fire Services	2,087,985	2,506,317
Civil Service - Personnel	232,875	225,375
Administrative Hearings & Rules	93,631	0
Information Technology Services	3,357,494	4,335,744
MLCC Rent	495,441	473,813
LARA - Executive Direction	(160,774)	492,133
LARA - Administrative Offices	1,995,695	1,504,005
<b>Total Other Agencies Expenses</b>	\$9,001,110	\$10,385,616
Excluding Transfers Not Related to MLCC		
<b>TOTAL EXPENSES AND TRANSFERS</b>	\$66,382,042	\$63,273,587
<b>NET INCOME (Not Including Taxes &amp; Grants)</b>	\$139,476,699	\$139,609,163
Add: Specific Tax, Liquor 1.85%	0	0
<b>NET REVENUE (Before Unrelated Expenses)</b>	\$139,476,699	\$139,609,163
LARA - Transfers For Grant Not Related to MLCC	773,900	773,900
<b>NET INCOME (2)</b>	\$138,702,799	\$138,835,263
<b>RETAINED EARNINGS</b>		
Transfers to General Fund - Cash	120,000,000	110,000,000
Current Year Increase or (Decrease) (2)	\$18,702,799	\$28,835,263
Retained Earnings - Beginning	875,739	875,739
<b>RETAINED EARNINGS - ENDING</b>	\$19,578,538	\$29,711,002

**Note:**

(1) Includes the Revolving Fund Portion only.

(2) These amounts are low because approximately one-half of the spirit sales for the last week of July 2014 were not recorded until August 2014. This caused the 2014 profit to be low by \$10.7 million.

**MICHIGAN LIQUOR CONTROL COMMISSION  
LIQUOR PURCHASE REVOLVING FUND  
UNAUDITED STATEMENT OF CHANGES IN EQUITY AND TRANSFERS  
JULY 31**

	2014	2013	INCREASE (DECREASE)
<b>EQUITY AVAILABLE</b>			
Beginning Equity	\$875,739	\$875,739	\$0
Current Earnings*	205,858,741	202,882,750	2,975,991
Specific Tax, Liquor 1.85%	0	0	0
Total Equity Available*	<u>\$206,734,480</u>	<u>\$203,758,489</u>	<u>\$2,975,991</u>
<b>ALLOCATION OF EQUITY</b>			
Transferred to General Fund	\$120,000,000	\$110,000,000	\$10,000,000
MLCC Expenses	57,380,932	52,887,971	4,492,961
Other Agencies Expenses (Excluding Transfer Not Related to MLCC)	9,001,110	10,385,616	(1,384,506)
LARA Transfer Not Related to MLCC	<u>773,900</u>	<u>773,900</u>	<u>0</u>
Total Allocation of Equity	<u>\$187,155,942</u>	<u>\$174,047,487</u>	<u>\$13,108,455</u>
Ending Equity*	<u>\$19,578,538</u>	<u>\$29,711,002</u>	<u>(\$10,132,464)</u>

\*These amounts are low because approximately one-half of the spirit sales for the last week of July 2014 were not recorded until August 2014. This caused the 2014 profit to be low by \$10.7 million.

**MICHIGAN LIQUOR CONTROL COMMISSION  
ALL FUNDS  
UNAUDITED COMPARATIVE SCHEDULE OF OPERATIONS  
TEN MONTHS ENDED JULY 31**

	<u>2014 MONTH</u>	<u>YTD</u>	<u>2013 MONTH</u>	<u>YTD</u>	<u>YTD INCR./(DECR.)</u>
<b>LIQUOR SALES</b>					
Off Premise	\$86,010,626	\$793,681,539	\$77,939,543	\$750,323,211	\$43,358,328
On Premise	17,012,580	157,708,395	15,034,832	154,880,059	2,828,336
Other	18,230	380,708	44,961	330,699	50,009
<b>TOTAL GROSS SALES (3)</b>	<u>\$103,041,436</u>	<u>\$951,770,642</u>	<u>\$93,019,336</u>	<u>\$905,533,969</u>	<u>\$46,236,673</u>
Less: Discounts Allowed (3)	17,506,236	161,732,822	15,808,381	153,917,724	7,815,098
<b>PROCEEDS-SALE OF LIQUOR</b>	<u>\$85,535,200</u>	<u>\$790,037,820</u>	<u>\$77,210,955</u>	<u>\$751,616,245</u>	<u>\$38,421,575</u>
Less: Cost of Goods Sold	69,895,603	584,334,234	56,393,866	548,814,771	35,519,463
<b>GROSS REVENUE FROM SALE OF LIQUOR</b>	<u>\$15,639,597</u>	<u>\$205,703,586</u>	<u>\$20,817,089</u>	<u>\$202,801,474</u>	<u>\$2,902,112</u>
<b>OTHER REVENUE</b>					
Miscellaneous Revenue	(\$20,643)	\$108,570	(\$52,762)	\$21,960	\$86,610
Non-Operating Revenue	0	0	0	0	0
Interest Revenue	15,399	46,585	19,949	59,316	(12,731)
<b>TOTAL OTHER REVENUE</b>	<u>(\$5,244)</u>	<u>\$155,155</u>	<u>(\$32,813)</u>	<u>\$81,276</u>	<u>\$73,879</u>
<b>TOTAL REVENUE</b>	<u>\$15,634,353</u>	<u>\$205,858,741</u>	<u>\$20,784,276</u>	<u>\$202,882,750</u>	<u>\$2,975,991</u>
Less: Distribution Cost Paid to Suppliers	5,764,146	48,393,311	4,687,073	45,438,231	2,955,080
<b>INCOME FROM LIQUOR MERCHANDISING</b>	<u>\$9,870,207</u>	<u>\$157,465,430</u>	<u>\$16,097,203</u>	<u>\$157,444,519</u>	<u>\$20,911</u>
<b>MANAGEMENT EXPENSES</b>					
Commission	\$47,989	\$353,534	\$33,475	\$345,682	\$7,852
Management Support(1)	436,688	3,274,081	257,093	2,570,937	703,144
Licensing & Enforcement(1)	1,517,144	11,180,240	1,081,584	10,693,605	486,635
LARA Services	293,599	2,608,821	125,061	2,770,038	(161,217)
Information Technology Services	(67,908)	3,357,494	323,052	4,335,744	(978,250)
Attorney General	298,616	898,763	265,724	833,729	65,034
Auditor General	0	0	14,500	14,500	(14,500)
Bureau of Fire Services	268,136	2,087,985	314,042	2,506,317	(418,332)
Civil Service - Personnel	0	232,875	0	225,375	7,500
Administrative Hearings & Rules	10,035	93,631	0	0	93,631
Compensated Absences	0	0	0	0	0
Less: Transfer not related to MLCC Operations (2)	0	773,900	0	773,900	0
<b>Total Management Expenses</b>	<u>\$2,804,299</u>	<u>\$23,313,524</u>	<u>\$2,414,531</u>	<u>\$23,522,027</u>	<u>(\$208,503)</u>
<b>INCOME FROM OPERATIONS (3)</b>	<u>\$7,065,908</u>	<u>\$134,151,906</u>	<u>\$13,682,672</u>	<u>\$133,922,492</u>	<u>\$229,414</u>
Specific Tax, Liquor 1.85%(Off Premise)	0	0	0	0	0
Revenue Collected for Other Funds (3)	17,635,955	173,563,626	16,225,740	166,789,002	6,774,624
<b>TOTAL CURRENT EARNINGS &amp; REVENUE (3)</b>	<u>\$24,701,863</u>	<u>\$307,715,532</u>	<u>\$29,908,412</u>	<u>\$300,711,494</u>	<u>\$7,004,038</u>
Number of Cases Sold	763,935	6,454,619	625,637	6,209,969	244,650
Number of Sales Days	25	219	20	215	4

**Notes:**

(1) Total expenses per page 7 less any equipment purchases.

(2) Grants to Cities - Fire Protection.

(3) These amounts are low because approximately one-half of the spirit sales for the last week of July 2014 were not recorded until August 2014. This caused the 2014 profit to be low by \$10.7 million. The three 4% specific taxes are each low by \$516.2 thousand.

**MICHIGAN LIQUOR CONTROL COMMISSION  
ALL FUNDS  
UNAUDITED COMPARATIVE SCHEDULE OF REVENUE COLLECTED  
TEN MONTHS ENDED JULY 31**

	<u>CURRENT MONTH</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>INCREASE (DECREASE)</u>
<b>GENERAL FUND - GENERAL PURPOSE</b>				
Excise Tax, Beer	\$4,013,660	\$31,557,630	\$30,672,443	\$885,187
Specific Tax, Liquor 4% (2)	4,103,399	37,934,039	36,126,496	1,807,543
Excise Tax, Wine	832,638	8,005,127	8,293,426	(288,299)
Excise Tax, Mixed Spirit Drink	90,917	338,394	381,480	(43,086)
Sunday Sales Fees (7am-12pm)	17,580	1,346,668	1,305,419	41,249
Fines & Costs	63,941	435,035	477,478	(42,443)
Miscellaneous Revenue	6,575	72,250	61,636	10,614
<b>TOTAL GENERAL FUND - GENERAL PURPOSE:</b>	<u>\$9,128,710</u>	<u>\$79,689,143</u>	<u>\$77,318,378</u>	<u>\$2,370,765</u>
<b>GENERAL FUND - RESTRICTED</b>				
RETAIL LICENSE FEES:				
55% To Local Governments	\$67,742	\$8,699,048	\$8,454,392	\$244,656
41.5% To Licensing & Enforcement	51,114	5,014,453	4,905,454	108,999
3.5% To Alcoholism Prevention Programs	4,311	422,905	413,321	9,584
Additional Resort License Fees	19,400	193,300	38,800	154,500
Direct Shipper License Fees	1,527	97,462	88,776	8,686
License Transfer Fees	58,127	545,105	619,929	(74,824)
Sunday Sales Fees	16,754	1,585,234	1,572,153	13,081
License Permit Fees	1,350	40,592	29,898	10,694
Non-Retail License Fees-Wine Industry Council	17,990	901,919	653,493	248,426
Liquor Control Act Sales	175	2,885	2,855	30
Inspection Fees	37,781	299,818	269,281	30,537
Specific Tax, Liquor 4%-Tourism & Conv. Facility (2)	4,123,233	38,082,716	36,232,864	1,849,852
Miscellaneous Revenue	4,342	55,007	62,631	(7,624)
<b>TOTAL GENERAL FUND - RESTRICTED</b>	<u>\$4,403,846</u>	<u>\$55,940,444</u>	<u>\$53,343,847</u>	<u>\$2,596,597</u>
<b>SCHOOL AID FUND</b>				
Specific Tax, Liquor 4% (2)	\$4,103,399	\$37,934,039	\$36,126,777	\$1,807,262
<b>TOTAL SCHOOL AID FUND</b>	<u>\$4,103,399</u>	<u>\$37,934,039</u>	<u>\$36,126,777</u>	<u>\$1,807,262</u>
<b>REVENUE COLLECTED FOR OTHER FUNDS (2)</b>	<u>\$17,635,955</u>	<u>\$173,563,626</u>	<u>\$166,789,002</u>	<u>\$6,774,624</u>
<b>LIQUOR PURCHASE REVOLVING FUND</b>				
Specific Tax, Liquor 1.85%	\$0	\$0	\$0	\$0
Income From Operations(Excluding Taxes & Grants)(1)(2)	7,065,908	134,151,906	133,922,492	229,414
<b>LIQUOR PURCHASE REVOLVING FUND REVENUE</b>	<u>\$7,065,908</u>	<u>\$134,151,906</u>	<u>\$133,922,492</u>	<u>\$229,414</u>
<b>TOTAL REVENUE COLLECTED</b>	<u>\$24,701,863</u>	<u>\$307,715,532</u>	<u>\$300,711,494</u>	<u>\$7,004,038</u>

**Note:**

- (1) Income From Operations after all operating expenses including General Fund portion of Licensing & Enforcement.  
(2) These amounts are low because approximately one-half of the spirit sales for the last week of July 2014 were not recorded until August 2014. This caused the 2014 profit to be low by \$10.7 million. The three 4% specific taxes are each low by \$516.2 thousand.



**MICHIGAN LIQUOR CONTROL COMMISSION  
ALL FUNDS  
UNAUDITED SCHEDULE OF EXPENSES BY TYPE AND ACCOUNT  
TEN MONTHS ENDED JULY 31**

	COMMISSION		MANAGEMENT SUPPORT		LICENSING & ENFORCEMENT		TOTAL 2014	TOTAL 2013
	(1)							
	Current Month	YTD	Current Month	YTD	Current Month	YTD		
<b>MLCC APPROPRIATED EXPENSES</b>								
Salaries & Wages	\$47,989	#####	\$206,582	\$1,391,764	\$732,194	\$5,258,266	\$7,003,564	\$6,528,971
Longevity & Insurance	0	0	55,380	424,847	171,058	1,322,118	1,746,965	1,582,733
Retirement & FICA	0	0	149,340	1,063,068	431,577	3,150,813	4,213,881	3,793,978
Subtotal	\$47,989	#####	\$411,302	\$2,879,679	\$1,334,829	\$9,731,197	\$12,964,410	\$11,905,682
Communications	\$0	\$0	\$4,338	\$20,387	\$13,111	\$133,477	\$153,864	\$117,703
Travel	0	0	3,980	33,859	18,559	174,732	208,591	202,870
Utilities	0	0	0	259	314	2,110	2,369	10,706
Contractual Services	0	0	3,778	116,347	97,231	489,845	606,192	498,197
Supplies & Materials	0	0	1,779	69,525	10,921	162,222	231,747	249,825
Equipment Replacement, Additions & Rentals	0	0	1,411	53,018	2,735	90,775	143,793	151,428
Miscellaneous	0	0	0	0	0	1,448	1,448	0
Subtotal	\$0	\$0	\$15,286	\$293,395	\$142,871	\$1,054,609	\$1,348,004	\$1,230,729
<b>TOTAL MLCC APPROPRIATED EXPENSES</b>	<b>\$47,989</b>	<b>\$353,534</b>	<b>\$426,588</b>	<b>\$3,173,074</b>	<b>\$1,477,700</b>	<b>\$10,785,806</b>	<b>\$14,312,414</b>	<b>\$13,136,411</b>
<b>OPERATING TRANSFERS OUT &amp; OTHER EXPENSES</b>								
Rent and Building Occupancy(2)	\$0	\$0	\$10,100	\$101,007	\$39,444	\$394,434	\$495,441	\$473,813
Other Operating Transfers Out(3)	0	0	0	0	0	0	9,279,569	10,685,703
<b>TOTAL OPERATING TRANSFERS OUT &amp; OTHER EXPENSES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,100</b>	<b>\$101,007</b>	<b>\$39,444</b>	<b>\$394,434</b>	<b>\$9,775,010</b>	<b>\$11,159,516</b>
<b>GRAND TOTAL</b>	<b>\$47,989</b>	<b>#####</b>	<b>\$436,688</b>	<b>\$3,274,081</b>	<b>\$1,517,144</b>	<b>\$11,180,240</b>	<b>\$24,087,424</b>	<b>\$24,295,927</b>

**Notes:**

- (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 totals.