

STATE OF MICHIGAN

LIQUOR CONTROL COMMISSION

FINANCIAL REPORT

June 2016



Michigan Department of Licensing and Regulatory Affairs (LARA)

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

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



MICHIGAN LIQUOR CONTROL COMMISSION

JUNE FINANCIAL REPORT

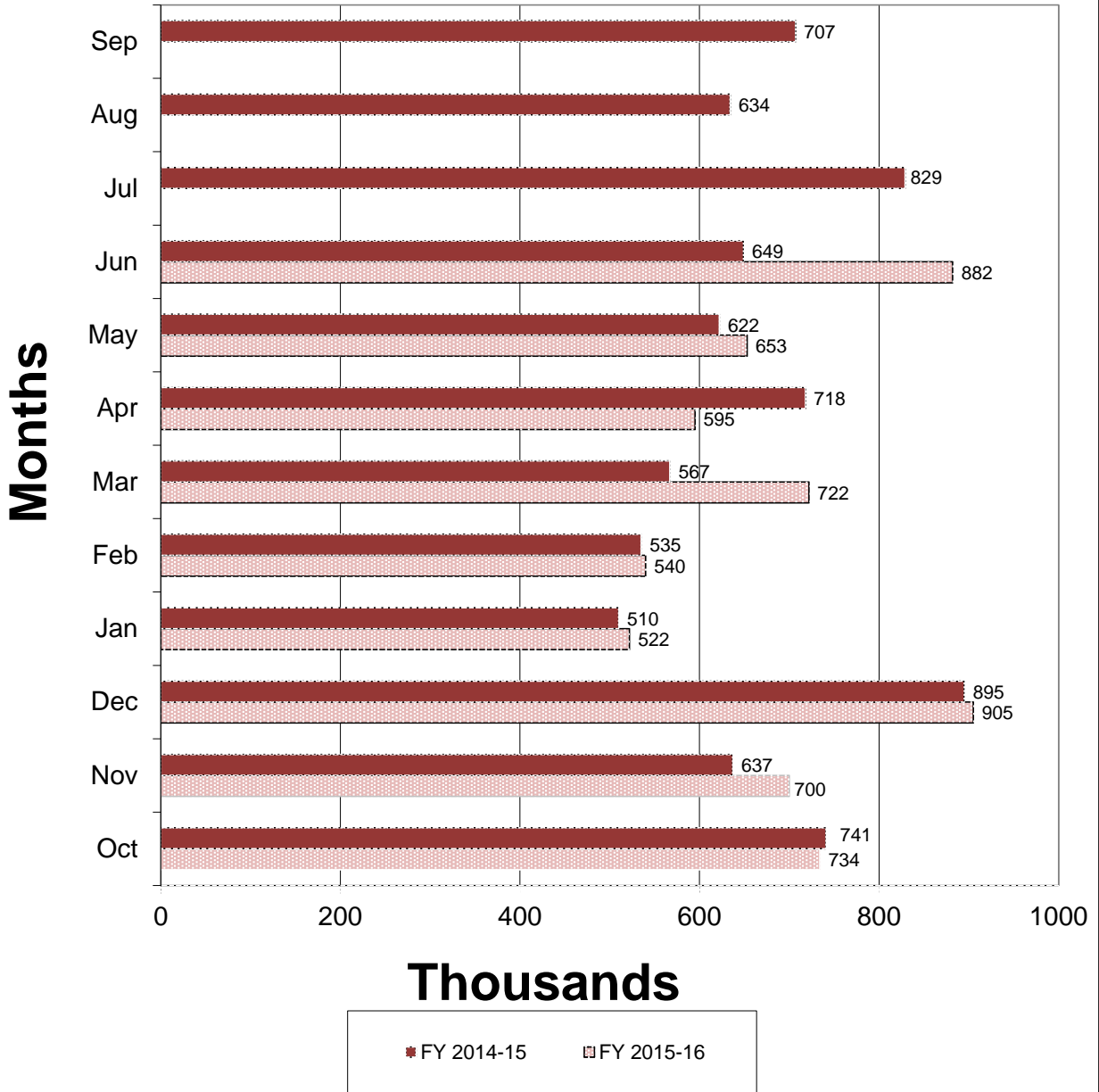
FISCAL YEAR 15 - 16

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Case Sales



| | Fiscal Year to Date 10/15-06/16 | Fiscal Year to Date 10/14-06/15 | # Increase (Decrease) | % Increase -Decrease |
|-----------------------------|---------------------------------------|---------------------------------------|--------------------------|-------------------------|
| Number of Cases Sold | 6,254,076 | 5,873,622 | 380,454 | 6.48% |
| Average Price Per Case Sold | \$155.71 | \$153.31 | \$2.40 | 1.57% |

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

| | 2016 | 2015 |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Imprest Cash | \$400 | \$400 |
| Cash-State Treasurer Common Cash Fund* | 155,153,551 | 116,585,372 |
| Subtotal | \$155,153,951 | \$116,585,772 |
| Liquor Inventory - At Current Cost | 6,528,910 | 4,092,222 |
| Prepaid Distribution Costs of Inventory | 485,228 | 278,618 |
| Other Assets | | |
| Accounts Receivable | \$17,816,656 | \$12,208,384 |
| Returned Checks | 152,329 | 375,845 |
| Payroll Correction Clearing | 0 | 0 |
| Subtotal | 17,968,985 | 12,584,229 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows Related to Pensions | 2,756,348 | 0 |
| TOTAL | \$182,893,422 | \$133,540,841 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Warrants Outstanding | \$1,939,275 | \$3,599,500 |
| Warrants Authorized/Not Issued | 109,448,264 | 81,581,397 |
| Accounts Payable | 0 | 0 |
| Deferred Revenue | 0 | 0 |
| Amount Due to Other Funds | 24,738 | 92,632 |
| Current Compensated Absences | 672,660 | 661,478 |
| Total Current Liabilities | \$112,084,937 | \$85,935,007 |
| LONG TERM LIABILITIES | | |
| Amount Due to Other Funds | \$0 | \$24,738 |
| Non Current Portion-Net Pension Liability | \$15,999,403 | 0 |
| Long Term Compensated Absences | 422,224 | 372,619 |
| Total Long Term Liabilities | 16,421,627 | 397,357 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pensions | 1,876,585 | 0 |
| RETAINED EARNINGS | | |
| Beginning Balance October 1 | (\$14,243,901) | \$875,739 |
| Current Year Increase or (Decrease)* | 66,754,174 | 46,332,738 |
| Current Period Ending Balance | 52,510,273 | 47,208,477 |
| TOTAL | \$182,893,422 | \$133,540,841 |

*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
NINE MONTHS ENDED JUNE 30**

| | 2016 | 2015 |
|--|---------------|---------------|
| REVENUE | | |
| TOTAL GROSS SALES | \$973,850,945 | \$900,499,176 |
| Less: Discounts Allowed | 165,512,611 | 153,025,882 |
| PROCEEDS - SALE OF LIQUOR | \$808,338,334 | \$747,473,294 |
| Less: Cost of Goods Sold | | |
| Beginning Inventory | \$4,816,213 | \$7,938,850 |
| Add: Purchases | 592,087,857 | 541,985,777 |
| Less: Ending Inventory | 6,528,910 | 4,092,222 |
| Cost of Goods Sold | \$590,375,160 | \$545,832,405 |
| GROSS REVENUE FROM SALE OF LIQUOR | \$217,963,174 | \$201,640,889 |
| OTHER REVENUE | | |
| Miscellaneous Revenue | \$64,446 | (\$275,130) |
| Non-Operating Revenue | 0 | 0 |
| Interest Revenue | 133,363 | 39,195 |
| TOTAL OTHER REVENUE | \$197,809 | (\$235,935) |
| TOTAL REVENUE | \$218,160,983 | \$201,404,954 |
| EXPENSES AND TRANSFERS | | |
| MLCC Expenses | | |
| Commission | \$425,265 | \$327,679 |
| Management Support | 2,824,799 | 2,751,215 |
| Licensing & Enforcement (1) | 4,703,183 | 4,876,714 |
| Distribution Cost Paid to Suppliers | 46,902,723 | 44,031,696 |
| Compensated Absences | 0 | 0 |
| Total MLCC Expenses | \$54,855,970 | \$51,987,304 |
| Other Agencies Expenses | | |
| Attorney General | \$577,143 | \$597,798 |
| Auditor General | 0 | 0 |
| Bureau of Fire Services | 250,444 | 801,828 |
| Civil Service - Personnel | 196,488 | 249,137 |
| Administrative Hearings & Rules | 1,865,233 | 53,553 |
| Information Technology Services | 4,773,563 | 2,663,008 |
| MLCC Rent | 5,201 | 470,884 |
| LARA - Executive Direction | (197,081) | 142,853 |
| LARA - Administrative Offices | 1,575,008 | 1,262,388 |
| Total Other Agencies Expenses | \$9,045,999 | \$6,241,449 |
| Excluding Transfers Not Related to MLCC | | |
| TOTAL EXPENSES AND TRANSFERS | \$63,901,969 | \$58,228,753 |
| NET INCOME (Not Including Taxes & Grants) | \$154,259,014 | \$143,176,201 |
| Add: Specific Tax, Liquor 1.85% | 0 | 0 |
| NET REVENUE (Before Unrelated Expenses) | \$154,259,014 | \$143,176,201 |
| LARA - Transfers For Grant Not Related to MLCC | 0 | 773,900 |
| NET INCOME | \$154,259,014 | \$142,402,301 |
| RETAINED EARNINGS | | |
| Transfers to General Fund - Cash | 108,000,000 | 108,000,000 |
| Current Year Increase or (Decrease) | \$46,259,014 | \$34,402,301 |
| Retained Earnings - Beginning | (14,243,901) | 875,739 |
| RETAINED EARNINGS - ENDING | \$32,015,113 | \$35,278,040 |

Note:

(1) Includes the Revolving Fund Portion only.

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

| | <u>2016</u> | <u>2015</u> | <u>INCREASE (DECREASE)</u> |
|---|----------------------|----------------------|--------------------------------|
| EQUITY AVAILABLE | | | |
| Beginning Equity | (\$14,243,901) | \$875,739 | (\$15,119,640) |
| Current Earnings | 218,160,983 | 201,404,954 | 16,756,029 |
| Specific Tax, Liquor 1.85% | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Equity Available | <u>\$203,917,082</u> | <u>\$202,280,693</u> | <u>\$1,636,389</u> |
| | | | |
| ALLOCATION OF EQUITY | | | |
| Transferred to General Fund | \$108,000,000 | \$108,000,000 | \$0 |
| MLCC Expenses | 54,855,970 | 51,987,304 | 2,868,666 |
| Other Agencies Expenses (Excluding Transfer Not Related to MLCC) | 9,045,999 | 6,241,449 | 2,804,550 |
| LARA Transfer Not Related to MLCC | <u>0</u> | <u>773,900</u> | <u>(773,900)</u> |
| Total Allocation of Equity | <u>\$171,901,969</u> | <u>\$167,002,653</u> | <u>\$4,899,316</u> |
| | | | |
| Ending Equity | <u>\$32,015,113</u> | <u>\$35,278,040</u> | <u>(\$3,262,927)</u> |

**MICHIGAN LIQUOR CONTROL COMMISSION
ALL FUNDS
UNAUDITED COMPARATIVE SCHEDULE OF OPERATIONS
NINE MONTHS ENDED JUNE 30**

| | 2016 MONTH | YTD | 2015 MONTH | YTD | YTD INCR./(DECR.) |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|
| LIQUOR SALES | | | | | |
| Off Premise | \$115,824,414 | \$815,509,768 | \$83,034,527 | \$752,834,189 | \$62,675,579 |
| On Premise | 21,382,678 | 157,763,355 | 16,523,346 | 147,236,596 | 10,526,759 |
| Other | 104,296 | 577,822 | 55,957 | 428,391 | 149,431 |
| TOTAL GROSS SALES | \$137,311,388 | \$973,850,945 | \$99,613,830 | \$900,499,176 | \$73,351,769 |
| Less: Discounts Allowed | 23,331,538 | 165,512,611 | 16,932,240 | 153,025,882 | 12,486,729 |
| PROCEEDS-SALE OF LIQUOR | \$113,979,850 | \$808,338,334 | \$82,681,590 | \$747,473,294 | \$60,865,040 |
| Less: Cost of Goods Sold | 83,092,089 | 590,375,160 | 60,150,971 | 545,832,405 | 44,542,755 |
| GROSS REVENUE FROM SALE OF LIQUOR | \$30,887,761 | \$217,963,174 | \$22,530,619 | \$201,640,889 | \$16,322,285 |
| OTHER REVENUE | | | | | |
| Miscellaneous Revenue | \$18,273 | \$64,446 | (\$765) | (\$275,130) | \$339,576 |
| Non-Operating Revenue | 0 | 0 | (198) | 0 | 0 |
| Interest Revenue | 0 | 133,363 | 0 | 39,195 | 94,168 |
| TOTAL OTHER REVENUE | \$18,273 | \$197,809 | (\$963) | (\$235,935) | \$433,744 |
| TOTAL REVENUE | \$30,906,034 | \$218,160,983 | \$22,529,656 | \$201,404,954 | \$16,756,029 |
| Less: Distribution Cost Paid to Suppliers | 6,597,015 | 46,902,723 | 4,840,781 | 44,031,696 | 2,871,027 |
| INCOME FROM LIQUOR MERCHANDISING | \$24,309,019 | \$171,258,260 | \$17,688,875 | \$157,373,258 | \$13,885,002 |
| MANAGEMENT EXPENSES | | | | | |
| Commission | \$77,028 | \$425,265 | \$49,739 | \$327,679 | \$97,586 |
| Management Support(1) | 417,984 | 2,830,000 | 297,130 | 2,846,434 | (16,434) |
| Licensing & Enforcement(1) | 1,438,820 | 9,334,086 | 1,071,935 | 9,860,501 | (526,415) |
| LARA Services | 462,915 | 1,377,927 | 389,918 | 2,179,141 | (801,214) |
| Information Technology Services | (582,834) | 4,773,563 | (353,179) | 2,663,008 | 2,110,555 |
| Attorney General | 0 | 577,143 | 0 | 597,798 | (20,655) |
| Auditor General | 0 | 0 | 0 | 0 | 0 |
| Bureau of Fire Services | 90,000 | 250,444 | 231,984 | 801,828 | (551,384) |
| Civil Service - Personnel | 0 | 196,488 | 0 | 249,137 | (52,649) |
| Administrative Hearings & Rules | 10,390 | 1,865,233 | 4,798 | 53,553 | 1,811,680 |
| Compensated Absences | 0 | 0 | 0 | 0 | 0 |
| Less: Transfer not related to MLCC Operations (2) | 0 | 0 | 0 | 773,900 | (773,900) |
| Total Management Expenses | \$1,914,303 | \$21,630,149 | \$1,692,325 | \$18,805,179 | \$2,824,970 |
| INCOME FROM OPERATIONS | \$22,394,716 | \$149,628,111 | \$15,996,550 | \$138,568,079 | \$11,060,032 |
| Specific Tax, Liquor 1.85%(Off Premise) | 0 | 0 | 0 | 0 | 0 |
| Revenue Collected for Other Funds | 21,627,074 | 169,332,741 | 17,059,898 | 155,485,583 | 13,847,158 |
| TOTAL CURRENT EARNINGS & REVENUE | \$44,021,790 | \$318,960,852 | \$33,056,448 | \$294,053,662 | \$24,907,190 |
| Number of Cases Sold | 881,957 | 6,254,076 | 648,690 | 5,873,622 | 380,454 |
| Number of Sales Days | 25 | 197 | 20 | 193 | 4 |

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
NINE MONTHS ENDED JUNE 30**

| | <u>CURRENT MONTH</u> | <u>YTD 2016</u> | <u>YTD 2015</u> | <u>INCREASE (DECREASE)</u> |
|---|--------------------------|----------------------|----------------------|--------------------------------|
| GENERAL FUND - GENERAL PURPOSE | | | | |
| Excise Tax, Beer | \$3,335,353 | \$23,726,963 | \$21,199,813 | \$2,527,150 |
| Specific Tax, Liquor 4% | 5,481,162 | 38,848,496 | 35,888,486 | 2,960,010 |
| Excise Tax, Wine | 1,202,317 | 8,422,107 | 6,260,959 | 2,161,148 |
| Excise Tax, Mixed Spirit Drink | 75,498 | 304,552 | 243,706 | 60,846 |
| Sunday Sales Fees (7am-12pm) | 54,040 | 1,554,544 | 1,422,255 | 132,289 |
| Fines & Costs | 37,994 | 341,730 | 439,746 | (98,016) |
| Miscellaneous Revenue | 101,972 | 133,081 | 161,771 | (28,690) |
| TOTAL GENERAL FUND - GENERAL PURPOSE: | <u>\$10,288,336</u> | <u>\$73,331,473</u> | <u>\$65,616,736</u> | <u>\$7,714,737</u> |
| GENERAL FUND - RESTRICTED | | | | |
| RETAIL LICENSE FEES: | | | | |
| 55% To Local Governments | \$104,838 | \$9,000,384 | \$8,894,534 | \$105,850 |
| 41.5% To Licensing & Enforcement | 79,106 | 5,210,027 | 5,140,288 | 69,739 |
| 3.5% To Alcoholism Prevention Programs | 6,671 | 439,399 | 433,518 | 5,881 |
| Additional Resort License Fees | 58,800 | 195,200 | 161,550 | 33,650 |
| Direct Shipper License Fees | 1,700 | 110,887 | 100,154 | 10,733 |
| License Transfer Fees | 51,103 | 498,188 | 573,979 | (75,791) |
| Sunday Sales Fees | 17,715 | 1,648,730 | 1,616,221 | 32,509 |
| License Permit Fees | 1,500 | 54,741 | 51,340 | 3,401 |
| Non-Retail License Fees-Wine Industry Council | 16,270 | 734,074 | 689,865 | 44,209 |
| Liquor Control Act Sales | 110 | 628 | 1,590 | (962) |
| Inspection Fees | 38,515 | 257,778 | 243,965 | 13,813 |
| Specific Tax, Liquor 4%-Tourism & Conv. Facility | 5,481,163 | 38,981,319 | 36,044,774 | 2,936,545 |
| Miscellaneous Revenue | 85 | 21,417 | 28,583 | (7,166) |
| TOTAL GENERAL FUND - RESTRICTED | <u>\$5,857,576</u> | <u>\$57,152,772</u> | <u>\$53,980,361</u> | <u>\$3,172,411</u> |
| SCHOOL AID FUND | | | | |
| Specific Tax, Liquor 4% | \$5,481,162 | \$38,848,496 | \$35,888,486 | \$2,960,010 |
| TOTAL SCHOOL AID FUND | <u>\$5,481,162</u> | <u>\$38,848,496</u> | <u>\$35,888,486</u> | <u>\$2,960,010</u> |
| REVENUE COLLECTED FOR OTHER FUNDS | <u>\$21,627,074</u> | <u>\$169,332,741</u> | <u>\$155,485,583</u> | <u>\$13,847,158</u> |
| LIQUOR PURCHASE REVOLVING FUND | | | | |
| Specific Tax, Liquor 1.85% | \$0 | \$0 | \$0 | \$0 |
| Income From Operations(Excluding Taxes & Grants)(1) | 22,394,716 | 149,628,111 | 138,568,079 | 11,060,032 |
| LIQUOR PURCHASE REVOLVING FUND REVENUE | <u>\$22,394,716</u> | <u>\$149,628,111</u> | <u>\$138,568,079</u> | <u>\$11,060,032</u> |
| TOTAL REVENUE COLLECTED | <u>\$44,021,790</u> | <u>\$318,960,852</u> | <u>\$294,053,662</u> | <u>\$24,907,190</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
NINE MONTHS ENDED JUNE 30**

| | COMMISSION | | MANAGEMENT SUPPORT | | LICENSING & ENFORCEMENT | | TOTAL 2016 | TOTAL 2015 |
|---|-----------------|------------------|--------------------|--------------------|-------------------------|--------------------|---------------------|---------------------|
| | (1) | | | | | | | |
| | Current Month | YTD | Current Month | YTD | Current Month | YTD | | |
| MLCC APPROPRIATED EXPENSES | | | | | | | | |
| Salaries & Wages | \$77,028 | \$425,265 | \$211,020 | \$1,377,387 | \$765,969 | \$4,665,083 | \$6,467,735 | \$6,251,003 |
| Longevity & Insurance | 0 | 0 | 49,391 | 341,245 | 165,411 | 1,115,395 | 1,456,640 | 1,458,356 |
| Retirement & FICA | 0 | 0 | 145,439 | 933,988 | 425,973 | 2,620,146 | 3,554,134 | 3,663,260 |
| Subtotal | \$77,028 | \$425,265 | \$405,850 | \$2,652,620 | \$1,357,353 | \$8,400,624 | \$11,478,509 | \$11,372,619 |
| Communications | \$0 | \$0 | \$2,385 | \$17,378 | \$12,318 | \$110,779 | \$128,157 | \$132,780 |
| Travel | 0 | 0 | 3,080 | 26,833 | 21,943 | 157,197 | 184,030 | 182,414 |
| Utilities | 0 | 0 | 298 | 2,518 | 1,017 | 3,472 | 5,990 | 12,851 |
| Contractual Services | 0 | 0 | 2,620 | 80,470 | 8,367 | 209,062 | 289,532 | 382,919 |
| Supplies & Materials | 0 | 0 | 2,488 | 32,160 | 14,007 | 102,736 | 134,896 | 169,006 |
| Equipment Replacement, Additions & Rentals | 0 | 0 | 685 | 12,352 | 2,589 | 131,442 | 143,794 | 94,539 |
| Miscellaneous | 0 | 0 | 0 | 468 | 0 | 6,516 | 6,984 | 4,344 |
| Subtotal | \$0 | \$0 | \$11,556 | \$172,179 | \$60,241 | \$721,204 | \$893,383 | \$978,853 |
| TOTAL MLCC APPROPRIATED EXPENSES | \$77,028 | \$425,265 | \$417,406 | \$2,824,799 | \$1,417,594 | \$9,121,828 | \$12,371,892 | \$12,351,472 |
| OPERATING TRANSFERS OUT & OTHER EXPENSES | | | | | | | | |
| Rent and Building Occupancy | \$0 | \$0 | \$578 | \$5,201 | \$21,226 | \$212,258 | \$217,459 | \$683,142 |
| Other Operating Transfers Out(2) | 0 | 0 | 0 | 0 | 0 | 0 | 9,040,798 | 6,544,465 |
| TOTAL OPERATING TRANSFERS OUT & OTHER EXPENSES | \$0 | \$0 | \$578 | \$5,201 | \$21,226 | \$212,258 | \$9,258,257 | \$7,227,607 |
| GRAND TOTAL | \$77,028 | \$425,265 | \$417,984 | \$2,830,000 | \$1,438,820 | \$9,334,086 | \$21,630,149 | \$19,579,079 |

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.