

Volume 72, Number 1, 2013

THE
MUNICIPAL
LIQUOR STORE

OFFICIAL PUBLICATION OF THE
MINNESOTA BEVERAGE ASSOCIATION
www.municipalbev.com



**2013 MMBA Annual
Conference
May 19 – May 21
Arrowwood Resort**

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MUNICIPAL LIQUOR STORE

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ON THE COVER

The 2013 MMBA Annual Conference will be held on Sunday, May 19 – Tuesday, May 21, at Arrowwood Resort, in Alexandria, Minnesota. There will also be pre-conference activities on Saturday night, May 18.

Is the conference a good investment? Here is a note from an MMBA Member who attended a past conference:

I just wanted to let you know I talked to the U.S. Bank representative at the MMBA Conference about credit card processing. After seeing my statement she thought they could save me at least \$200 a month.

I switched over from the processor that my local bank was using and saved about \$280 the first month.

This just shows what valuable information you can pick up at the annual conferences.

A registration form can be found in this issue. More information can be found at www.municipalbev.com.

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MMBA President's Message



Lara Smetana
President

The end of my term as MMBA president is drawing near. As I sit and think of what I have learned and what I will do next fills me with excitement and anticipation.

Six years ago when I was first elected to the board, I was very naive as to all the ins and outs of the municipal business. I wanted to serve the members to give back, as the board members at that time had helped me. I didn't know "names in the business" and really lived in the little box that surrounded my store.

I remember my third or fourth board meeting and the president at the time telling me that if I don't start speaking up I might as well just leave. "We need people on the board who have an opinion or something to give," he said. At that point I discovered my voice and that it didn't matter who I know or don't know in the business, but what I had to contribute could make a difference. From then on I made the commitment to serve out the rest of my time on the board in any way I could.

It has been learning and growing experience for me. I have met many great managers and city officials. Networking with them has opened my eyes to things I hadn't thought of before. I have visited many stores throughout the state from the tiny on/off sale to the large metro stores.

I also have been able to experience working in the on-sale environment. That was eye opening. I don't know how to mix drinks so they only let me clean tables and cut pizzas!

In return, I have had other managers come and visit me at my store. I have had the opportunity to share what I have learned and show them my best practices. One of the best things we are able to do as municipal operations is share what we know. I have worked in the private sector retail before and when you find success; that is something that becomes top secret and kept close to your vest. We want to share our successes! Every time a municipal liquor store goes out of business, a community and its tax payers suffer the consequences.

I have become more involved in the legislature. The decisions they make at the Capitol affect how we run our businesses. I remember I was so nervous the first time I went to Legislative Day I had another manager go with me to my appointments. Now, I visit my legislators and have gone with others to visit theirs.

I have learned to be more transparent. Working for a city and its tax payers is different. We have different rules we need to follow. Instead of one "boss", we have many -- and they are not afraid to give their opinion. It is important to get involved in your community. They need to know why you are here and what you are doing for them. Be open and let them know what you are doing

and why!

Again, as I said in my controversial "As I See IT" article a couple years ago, my city officials have hired me to do a job. I need to give 110% to my city. I know I am accountable to run the liquor operation as tight as I can. The profits that my store generates are vital to the city and its taxpayers. This is not meant to be a cush job.

I would like to compliment all of you who are running great operations and giving back to your communities. Your commitment is valuable. Those of you who are not where you would like to be, I challenge you to get involved! Attend the Boot Camp and Conference; call me or your board of directors. Get out of your stores and go visit a store you admire, ask questions. The Conference is coming up in May; the last meeting of the event is round table discussions. Start there. This is a great way to get involved and start networking with your peers. For those who have been around a long time, we need you there to share your successes with those who are new or struggling.

It has been an honor serving on the Board of Directors for the MMBA. I will continue to be involved. I may just stop in your store someday to say HI!

Duluth New Tribune Editorial: Huh?

Recently, the Duluth News Tribune published an editorial in favor of Sunday Sales.

The article began:

Run out of beer on a Sunday and what do some Duluthians do? They jump into their cars and motor across a bridge to a liquor store in Superior for more, hoping the few they've already had weren't a few too many.

That potentially tragic scenario is an unfortunate reality that plays out more regularly than many of us would care to think about, and not only in Duluth, but in all Minnesota border communities.

So people who have had too much to drink should go to a liquor store closer to home to purchase more alcohol?

Huh?



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Discuss all of these options and many more with your local Coors Wholesaler.

*Based Nielsen MPLS Liquor Beer Brand Report 2012



SUTTER HOME

Build a Better BURGER

RECIPE CONTEST

INGREDIENTS:

SWEET CORN-BASIL CHEESE

- 6 ounces sharp Cheddar cheese
- 1 cup sweet corn kernels, from about 3 ears
- ½ cup thinly sliced fresh basil leaves
- ½ cup mayonnaise

BREAD AND BUTTER FRICKLES

- 1 cup vegetable oil
- 12 long sandwich-cut (stacker) bread and butter pickles
- 1 cup all-purpose flour
- 2 eggs
- ½ cup milk
- ½ cup cornmeal

PATTIES

- ½ cup panko (Japanese-style bread crumbs)
- ¾ teaspoon kosher salt, divided
- 2 pounds ground chuck
- ½ cup finely sliced green onions
- 2 teaspoons kosher salt
- 1 teaspoon freshly ground black pepper
- Vegetable oil, for brushing on the grill rack
- 6 King's Hawaiian Sweet Sandwich Rolls
- 6 slices (¼-inch-thick) heirloom tomato
- ¼ teaspoon kosher salt
- 6 leaves red-leaf lettuce

TASTE THE \$100,000 BURGER!

2011 WINNING RECIPE: SCREEN PORCH BURGER

INSTRUCTIONS:

To make the cheese spread, shred the

Cheddar on a box grater. Combine the cheese, corn, basil, and mayonnaise in a medium bowl and stir to blend. Set aside until ready to serve.

Heat a gas grill to high. To make the frickles, heat a large cast-iron skillet on the grill for at least 5 minutes. Carefully add the oil to the hot pan and heat to 350°F. While the pan is heating, lay out the pickle slices in a single layer on a kitchen towel. Blot with a second kitchen towel. Arrange 3 small bowls



into a breading station: place the flour in the first, beat the eggs and milk together in the second, and mix the cornmeal and panko in the third. Season the contents of each bowl with ¼ teaspoon of the salt and mix to combine. Bread the dried-off pickle slices by turning in the flour, then dipping in the egg mixture, and finally coating with the panko-cornmeal mixture. Fry the breaded pickles in batches, turning once, until golden brown and crisp, about 90 seconds per side. Drain on a rack set over a paper-towel-lined sheet pan.

Reduce the heat to medium-high.

To make the patties, combine all of the ingredients in a bowl and mix gently.

Divide into 6 equal portions and form into¾-inch-thick patties to fit the rolls. Brush the grill rack with vegetable oil. Place the patties on the rack, cover, and cook, turning once, until done to preference, about 3 minutes per side for medium-rare.

After turning the patties, arrange the rolls, cut side down, around the edges of the grill to toast.

To assemble the burgers, place a patty on each of the roll bottoms. Top each patty with 2 crisscrossed frickles, a tomato slice, and a lettuce leaf. Spread the top half of each roll with a scant ¼ cup of the cheese mixture and close the burgers.

Enjoy on the screen porch, listening to the soothing sounds of a summer evening, accompanied by a glass of Sutter Home Cabernet Sauvignon.

Makes 6 burgers.

Suggested Wine Pairing: Cabernet Sauvignon



Thoughts From *BDLive!*

Your humble executive director was a panelist at the third annual *BDLive!* conference recently held in Dallas, TX.

Off-premise managers from across the country gathered to learn from industry experts, share insights with each other, and become more knowledgeable and efficient beverage alcohol retailers.

Among the most interesting and practical pieces of advice were:

“You want to be the go-to store in your area. There are 50 stores within five miles of my store, at least three of which are warehouse stores. So I started going to my competitors’ locations and talking to the customers there. And I started making adjustments based on those comments.”

-Paul Santelle, Owner of Garden State Discount Liquors and President of the New Jersey Liquor Store Alliance

“I can tweet from my car that we have a new release of something and by the time I get to the store, we’re sold out of it. Twitter can move the revenue needle, whereas Facebook is best to increase brand awareness.”

-Brian Rosen, COO of Evolution Wines & Spirits

“If you’ve been in this business for 25 years like I have, the biggest adjustment you’ll need to make is learning social media.”

-Paul Kaspszak, Executive Director of the Minnesota Municipal Beverage Association

“You want to capture the customers’ information so you can communicate with them one-on-one. Whether it’s a text number, email address, or Facebook page, get that information. But don’t talk to them too much or you’ll lose them. Talk to them about once a week.”

-Jim Dean, Owner of Hazel’s Beverage World

“In 2007, four flavors made up 70 percent of the flavored vodka market, which were 14 percent of total vodka. Now there are dozens of flavors, and they make up 21 percent of sales. And flavored whiskies now make up five percent of the whiskey market.”

-Laura Welsh, Client Director at Nielsen

“The beers that are growing the fastest are the highest-priced, craft and superpremium. Craft has gained 2.2 share points in the off-premise in the past year.”

“There are now more breweries (more than 2,200) than there were before Prohibition, and a new brewery opens every day.”

-Harry Schumacher, Editor and Publisher of Beer Business Daily

“Beer companies prefer advertising on television, and tend to target the Hispanic market. Of all beverage alcohol advertisers in 2011/2012, Patron was the number-one spender, followed by Bacardi and Smirnoff.”

-Adam Rogers, Senior Analyst at the Beverage Information Group

“Until you understand why people steal, you can’t stop it. You can have all the technology in the world and it won’t matter.”

“Ten percent of people will never steal, and ten percent will steal as much as possible. Most people, 80 percent of the population, may steal if the right opportunity presents itself. Your job is to take away that opportunity.”

-William Alford, President of International Lighthouse Group

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Credit Card Surcharges

The following is courtesy of the Minnesota Restaurant Association and is from their recent newsletter:

Credit Card Surcharges

We have had a number of calls from members about media coverage on surcharges on credit card purchases and about offering a discount for cash.

A provision of a recent court-approved settlement of a class action lawsuit against Visa and MasterCard struck a provision of the merchant agreement that prohibited surcharges for the use of a credit card.

Effective on January 27, 2013, a merchant may charge up to the cost of processing the payment as a surcharge unless prohibited by state law. Minnesota does not prohibit surcharges. We expect significant consumer objections to surcharges for using a credit card and do not expect this practice to be common. This does not apply to debit cards or to cards from brands other than Visa or MasterCard.

A provision of the Dodd Frank Financial Service Regulation Act of 2010, called the "Durbin Amendment," included two provisions that allow new options for merchants. Some businesses have had policies like these in the past but they are now clearly permitted by law:

1. Merchants can impose a \$10 minimum on credit card transactions (this number can be adjusted by the federal government as it sees fit). Previously, Visa and MasterCard banned this practice in their merchant agreements.
2. Merchants are allowed to give discounts at the register to those who pay with cash or debit cards. Previously, Visa and MasterCard

banned this practice in their merchant agreements.

Lynn Dederich, Regional Manager - U.S. Bank Payment Solutions (Elavon), Government & Institutional Sales adds:

I ran this by our compliance group, here is what they provided. And if it was not apparent from the verbiage, surcharging can be done on credit cards .. but not on debit / check card transactions.

Yes, merchants can set a minimum transaction amount. MasterCard and Visa have similar requirements, below:

MasterCard:

A Merchant may set a minimum Transaction amount to accept a Card that provides access to a credit account, under the following conditions:

1. the minimum Transaction amount does not differentiate between Issuers; and

2. the minimum Transaction amount does not differentiate between MasterCard and another acceptance brand; and

3. the minimum Transaction amount does not exceed USD 10 (or any higher amount established by the Federal Reserve by regulation).

Visa:

The minimum Transaction amount must not be greater than US \$10 and must not be discriminatory between Issuers or between Visa and another payment network.

Merchants are allowed to offer a discount, rebate, free product/service or other incentive/benefit if the customer pays with cash, check or PIN debit. Additionally, if a customer first presents a Visa or MasterCard, the merchant can now steer or encourage the customer to pay with different card type and offer discounts/rebates/incentives to do so.

Retailer / Supplier Relationship

Recently, your humble editor was a seminar participant at the National Alcohol Beverage Control Association Legal Symposium in Alexandria, Virginia.

At one of the seminars, a panel member who represented several retailers identified the four top priorities his clients expected from their suppliers:

Principal Areas of Retailer Concern:

- Supplier Responsibility for Product Quality
- Supplier Responsibility for Accurate Data about Product, from Pricing to Production to Deals
- Supplier Responsibility to Promote Products
- Supplier Responsibility to Manage Inventory Availability

Controlling Bar Food Costs

By George Barton

There is a lot more to controlling food cost in the bar area that one would assume.

Controlling food cost must be an all-out team effort. All managers as well as team members play a key role to ensure your guests receive only the best produced products that are prepared the right way.

Here are 5 key deliverables and procedures to ensure bar food cost controls are top of mind while enhancing quality at the same time.

1. Order It Well

- You must place accountability on who is responsible for costs and who orders your inventory
- Pars should be set to align with sales mix (adjust with sales fluctuation)
- Fresh cut produce is critical so in sure high level of comfort with vendor

- When possible, teach this process to new managers and key team members

2. Receive It Well

- Request to receive product early AM or off times and not during lunch or dinner rush
- Review against P.O. (purchase order) to ensure you're not out of stock
- Make changes on "out of stock" and adjustment prices on the spot. Do not wait.
- Management orders product so management should receive and have staff store product quickly (use scales when appropriate)

3. Make it Well (To the recipe)

- Whether slicing oranges and limes or making the soup of the day, recipes must be followed (don't assume)
- When prepping, follow

production levels set by management. Levels should be monitored continuously

- Ensure team members are working in a safe and clean environment (no bare hands contact)
- Education on use of equipment, especially sharp knives, will save you \$\$
- Build shelf life and sensitivity guide for all products and code containers Juices / Ice Cream / Puree's / Syrups / Sour Mix / All Fresh Produce

4. Don't Let It Die on the Bar Top

- Line check bar food consumables is as important as line check in your kitchen
- Management should have proper timetable to support tasting and line checks
- Rotation of products is critical. First in, first out and include this in line check
- Ensure staff does not eat bar garnishes (blue cheese stuffed olives are not free)
- Use par system (Place fresh product out for the shift only, then restock)

5. Sell It Well (First Time Every Time)

- Cover your products cost in the price you charge the customer
- Guests "eat with their eyes" so make your garnishes look impressive
- Insure finished product is delivered to guest the way you invented it

So in review, food cost makes up the largest portion of your gross profit. With strong team accountability, follow up and the practice of bar food cost controls, you can ensure that costs are in line and positively impacting margins in your business.

Austin Daily Herald Sunday Sales Editorial

It shows up on the legislative agenda every couple of years, but there never seems to be much support for the idea of expanding Minnesota liquor store operating hours to include Sundays.

As in the past, this year's version of the bill should be allowed to quietly fade away because for a variety of reasons Minnesota does not need Sunday liquor sales.

There has never been any solid indication that opening liquor stores on Sunday would create an appreciable benefit for Minnesotans (or anyone else). There are some reasons that it is a bad idea.

For one thing, anyone who can't get himself or herself organized to stop by the liquor store prior to Sunday probably has less need than most to buy any liquor.

The Importance of Internal Controls

From the Minnesota State Auditor

Internal controls are designed to protect a local government unit from loss or misuse of its assets. Sound internal controls help ensure that transactions are properly authorized and the information contained in financial reports is reliable.

This Statement of Position will provide public officials and employees with practical answers to some of the questions most frequently asked about internal controls.

What is the purpose of internal controls?

An internal control is a process through which an entity attempts to minimize the likelihood of accounting-related errors, irregularities, and illegal acts. Internal Controls help safeguard funds, provide efficient and effective management of assets, and permit accurate financial accounting. Internal controls cannot eliminate all errors and irregularities, but they can alert management to potential problems.

How much will this cost?

The cost of internal controls should not exceed the expected benefit. When adopting policies and procedures on internal controls, it is important to maintain a balance between what is needed to ensure public confidence and to maintain the integrity of the financial systems with the cost of providing the control in terms of money, time, and efficiency. Many simple and cost-effective internal control procedures are available.

Does someone need to review every transaction?

No. It is not practical or profitable to attempt to independently review every transaction. Instead, management should be alert to “red flags” that could indicate potential problems. Looking into “red flags” will not only detect irregularities, it will prevent them from occurring in the first place because an

environment of accountability will have been established.

What are some “red flags”?

When an alert is raised, follow-up is critical. Too often we see “red flags” continue unabated long after they were first detected and reported. Here are some examples that would merit further review:

- Any unusual discrepancy between actual performance and anticipated results (for example, a major budget overrun in “supplies” or an unexplained decline in user fees);
- Receipts not matching deposits;
- Disbursements to unknown and/or unapproved vendors;
- One signature on checks or presigned blank checks;
- Gaps in receipt or check numbers;
- Late reports; or Disregard for internal control policies and procedures.

What types of control policies and procedures should be implemented?

The control policies should be adequate to ensure that:

- All transactions are properly authorized;
- Incompatible duties are segregated;
- Accounting records and documentation are properly designed and maintained;
- Access to both assets and records is controlled; and
- Accounting data are periodically compared with the underlying items they represent.

Extra care needs to be taken where cash transactions are involved (for example, liquor stores, park and recreation programs, athletic departments or petty cash funds).

What does it mean to segregate incompatible duties?

Simply put, no employee should be in a position to commit an irregularity and

then conceal it.

An example taken from everyday life is a movie theater where one person sells tickets and another person collects the tickets. This helps prevent the person selling the tickets from: (1) collecting the price of the ticket, but allowing entry without a ticket (allowing the ticket seller to pocket the ticket payment without being detected); or (2) allowing entrance without the purchase of a ticket.

Duties can be segregated by department or by individual. Examples of incompatible duties that should be performed by separate individuals are:

- Receipting collections, posting collections to registers, and making bank deposits;
- Signing checks and reconciling the bank accounts;
- Receipting collections and posting collections to the accounts receivable records;
- Approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

What if we are too small to be able to segregate duties?

If it is not practical to segregate duties, management should be aware of the lack of segregation and implement oversight procedures to ensure that employees are following other internal control policies and procedures. In addition, management may want to implement other controls.

For example, a mandatory vacation policy or periodic rotation of duties among employees would allow management to observe if there is any noticeable change (for example,

(Continued on page 13)

A WHISKEY BOTH OLD FASHIONED AND COSMOPOLITAN.

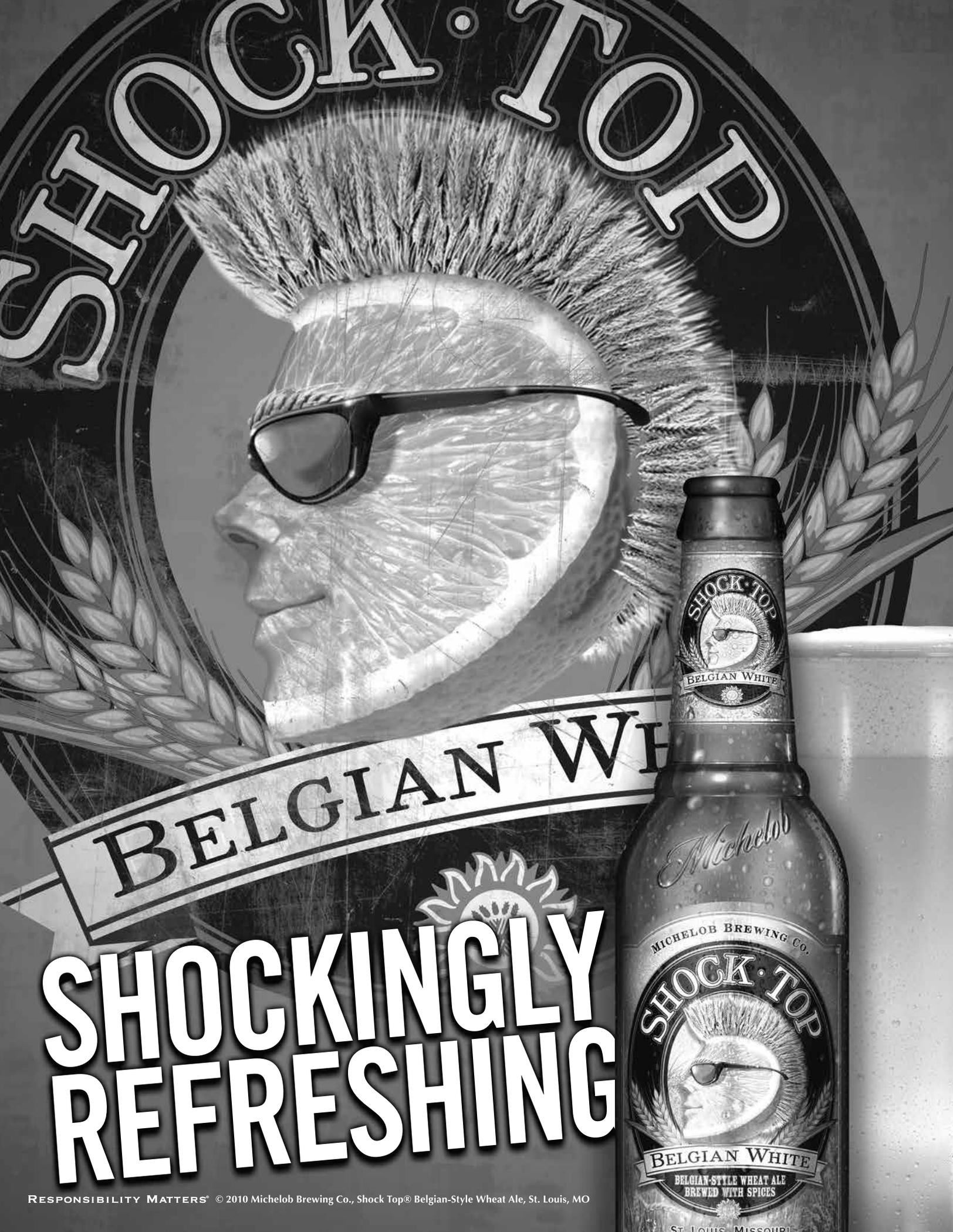
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INTERNAL CONTROLS

a marked increase in cash receipts) while another person is performing the duties. These alternative controls also help lessen potential disruptions caused by employee turnover.

Do some statutes require internal control procedures?

Yes. For example, the statutory requirement that more than one person must sign a check is designed to ensure a deliberate decision about who to pay, how much to pay, and when to pay bills. Pre-signing checks and signature stamps defeat those controls. Statutory requirements should be incorporated in the internal control policies and procedures.

What sort of accounting documentation is needed?

Accounting records need to be complete. Key documents (for example, invoices, receipts, checks) should be sequentially numbered. Voided documents should be retained. Record retention schedules should be followed. Employee timesheets should be reviewed and countersigned by a supervisor or other third-party.

How do we “compare accounting data with the items represented”?

Bank statements should be routinely reconciled with the cash balances recorded in the general ledger. Check amounts should be compared with the claims approved, as recorded in the minutes. Any differences should be reconciled and documented.

An annual inventory of fixed assets will ensure that all recorded items are still in custody. Similar checks can be made of other accounts (for example, petty cash counts).

Explanations of discrepancies should be corroborated by supporting documentation and evidence.

Do we have to write down our procedures?

Proper documentation of control procedures is essential. Written policies and procedures outline the specific authority and responsibility of individual

employees, providing for accountability. Written policies serve as a reference and training tool for new employees and ensure that procedures remain in place despite employee turnover. To be effective, an accounting policies and procedures manual must be complete, up-to-date, and readily available to all employees who need it.

Who is responsible for internal controls?

The governing body (county boards, city councils, town boards and school boards) and management are responsible for establishing and maintaining internal controls.

The governing body sets the tone, communicates the importance of internal controls, reviews and approves internal control policies and procedures, and provides funding to implement the controls.

The governing body must ensure that internal controls remain a top

management priority.

Management is responsible for evaluating the effectiveness of internal controls on an ongoing basis. Even the best-designed internal controls cannot be effective without the active involvement of management.

Management can develop a favorable control environment by setting a positive tone, communicating to all employees the importance of internal controls, and taking appropriate action against staff who are not complying with approved internal control policies and procedures.

Management should also encourage staff to communicate situations not addressed by the policies and procedures, so the policies and procedures may be adopted as necessary.

Finally, management should try to make employees feel comfortable when reporting potential wrongdoing or violations of policies and procedures.

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What You Can & Cannot Control

By MMBA Director Steve Grausam

I am writing this article on the eve of the first day of spring and the weather gods say it will be the coldest first day of spring since 1965.

There are many things in our lives that we have control over but weather is not one of them. If you're from Minnesota the only way to control the weather is to move or at least get away from it for a week or two by heading someplace warmer.

As I sit and relate this to work I realize that there are many more things that I have control over vs not having control and it's how I handle/manage both of these issues that define me as a manager.

Here are some things in my control at work:

- **Proper outdoor signage-** If customers can't find me, how can I expect the operation to generate revenue for the city?
- **Clean and well maintained store-** If my store is dirty and tired looking, why would anyone want to shop there?
- **Consistent and competitive pricing-**

Make sure you have a strategy. If you don't your customers will be confused and will look to shop elsewhere.

- **A well trained staff-** I want to give our customers a reason to come back, not just because we're convenient.
- **Do our customers know where our profits go?** - Letting customers know that our profits benefits our community is a strong reason for people to continue shopping with us.
- **Connecting with customers-** Using Facebook and Twitter are free. Do I have a website? Do I advertise? Am I involved in the community and community events?

• **Is the liquor operation profitable?-** Do I need to raise prices? Is my inventory too high? Do I have too many full time staff? Do I need to adjust hours of operation? Am I using my POS system to help me do my job better?

Here are some things out of my control at work:

- **Part-time staff showing up for**

work- I hope every day that I have a full staff for the stores. What's in my control is how I handle the situation if someone doesn't show up.

• **Vendor consolidation-** Totally out of my control. What I can control is how I choose to work with vendors and adapting to the changes that lie ahead and letting vendors know if there is something I don't like.

• **Price increases-** I wish products didn't go up in price, but I can make sure that I'm not losing money if they do.

• **Customer Theft-** I cannot control if people want to steal, but I can limit their opportunities by having a well laid out store and having a staff that is attentive to our customers when they are in our store.

• **Internal theft-** Again, if an employee wants to steal, they will, but I can have policies and procedures in place to limit the opportunities and if it happens, how I handle it is in my control.

• **Happiness-** Oh how I wish I could make people happy. I have control over my own happiness but not others. I believe being positive and cheerful goes a long way in setting the tone and that I can control.

• **WEATHER-** Almost forgot. Floods, tornados, blizzards, cold and heat to name a few. If I could control the weather I wouldn't be writing this article right now and it would be 70 and sunny and I'd be fishing. When it comes to weather we just deal with it.

Bottom Line, the things I can control is where I need to focus a good amount of my energy to make our operations successful and continuing to shorten the list of things out of my control.

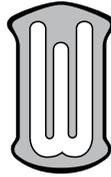
I hope you all have great success this year. Happy spring whenever it decides to show up!

2011 Municipal Liquor Report Released

The 2011 Analysis of Minnesota Municipal Liquor Store Operations has been released by the Minnesota State Auditor.

Here are the highlights:

- *The combined net profit of all municipal liquor operations totaled \$23.4 million in 2011. This represents an increase of \$1.7 million, or 8.0 percent, over the amount generated in 2010.*
- *Over the past five years, net profits have increased 4.4 percent.*
- *During 2011, Minnesota's municipal liquor operations reported a 16th consecutive year of record sales totaling \$317.2 million. Total sales generated in 2011 increased by \$3.8 million, or 1.2 percent, over 2010.*
- *During 2011, Minnesota's municipal liquor stores transferred \$20.1 million of their profits to other city funds. This represents an increase of 20.8 percent over the total net transfers made in 2010.*



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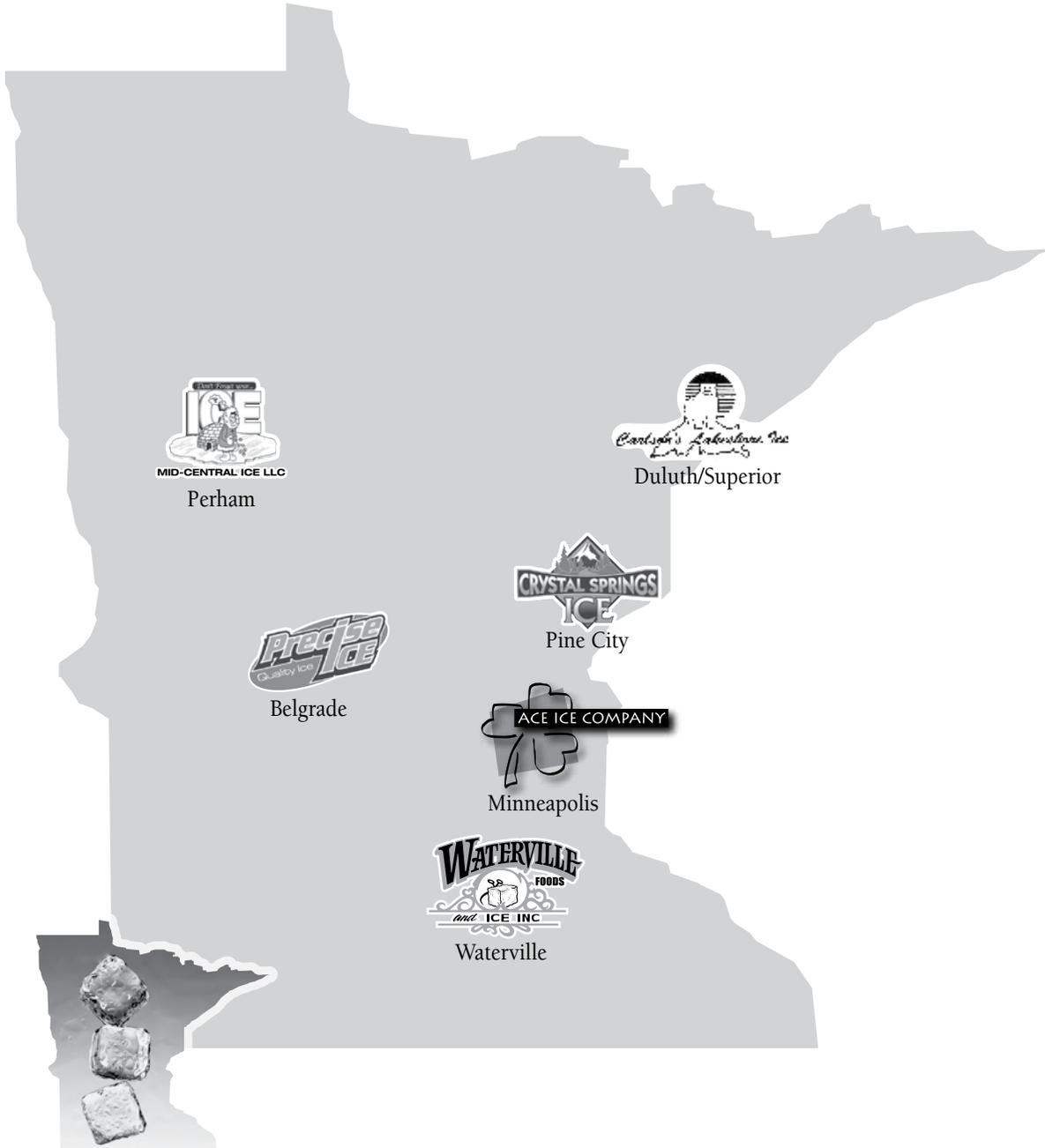
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