

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2014

NORTHWEST TERRITORIES LIQUOR COMMISSION

Index to Financial Statements

March 31, 2014

Management's Responsibility for Financial Reporting.....	3
Auditor's Report	4
Statement of Financial Position	6
Statement of Operations	7
Statement of Accumulated Surplus	8
Statement of Change in Net Financial Resources.....	9
Statement of Cash Flows.....	10
Notes to Financial Statements.....	11

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of the Northwest Territories Liquor Commission (Commission) is the responsibility of the Commission's management.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Where alternative accounting methods are permitted, management has chosen those that are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these financial statements.

Management fulfills its financial reporting responsibilities by maintaining financial management and control systems and practices which are designed to provide reasonable assurance that transactions are properly authorized, proper records are maintained, accurate financial information is prepared on a timely basis, assets are safeguarded, and the Commission complies with all statutory requirements.

Our auditor performs an annual audit on the financial statements in order to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Commission, the results of its operations, the change in its net financial resources and its cash flows for the year. During the course of the audit, he also examines transactions that have come to his notice, to ensure they are, in all significant respects, in accordance with the statutory authorities of the Commission.



Peter Maher
Director, Liquor Operations
Northwest Territories Liquor Commission
June 30, 2014

Chris Polselli, CA
5 Deer Park Point
Spruce Grove, AB, T7X 4N6

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Territories Liquor Commission, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, accumulated surplus, change in net financial resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northwest Territories Liquor Commission as at March 31, 2014 and the results of its operations, changes in its net financial resources, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Independent Auditor's Report (Continued)

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Northwest Territories Liquor Commission and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Liquor Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories (and regulations) and the *Liquor Act* of the Northwest Territories (and regulations).



June 30, 2014
Spruce Grove, Canada



NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Financial Position

As at March 31 (\$000)	2014	2013
Financial Assets		
Cash	\$ 1,748	\$ 3,905
Accounts Receivable	-	10
Inventories for resale (note 3)	2,720	2,940
	<u>4,468</u>	<u>6,855</u>
Financial Liabilities		
Accounts payable and accrued liabilities	1,572	2,667
Pension and other employee benefits (note 4)	75	73
Due to the NWT Liquor Licensing Board (note 5)	128	129
	<u>1,775</u>	<u>2,869</u>
Net Financial Resources	2,693	3,986
Non-Financial Assets		
Tangible capital assets (note 6)	661	737
Prepaid Expenses	33	36
	<u>694</u>	<u>773</u>
Accumulated Surplus	\$ 3,387	\$ 4,759

Contractual obligations (note 8)

The accompanying notes are an integral part of the financial statements.

Approved by the Northwest Territories Liquor Commission:



Peter Maher
Director of Liquor Operations

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Operations

For the year ended March 31 (\$000)	2014	2014	2013
	Budget	Actual	
Sales			
Beer	\$ 18,621	\$ 19,329	\$ 19,351
Spirits	20,720	18,985	19,872
Wine	6,428	6,506	6,482
Coolers and Ciders	1,780	1,707	1,608
	47,549	46,527	47,313
Cost of goods sold			
Beer	7,716	8,216	7,948
Spirits	5,836	5,294	5,535
Wine	2,927	2,923	2,889
Coolers and ciders	760	744	702
	17,239	17,177	17,074
Gross profit on sales	30,310	29,350	30,239
Other income			
Government contribution - services provided without charge (note 7)	-	-	1
Import fees and Income	5	7	8
	5	7	9
Expenses (notes 7)			
Commissions to agents	3,086	2,981	2,977
Salaries, wages and employee benefits	1,069	1,112	1,048
Administration	452	384	425
Travel	52	31	33
Rent	221	222	213
Amortization of tangible capital assets	101	104	111
	4,981	4,834	4,807
Annual surplus	25,334	24,523	\$ 25,441

The accompanying notes are an integral part of the financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Accumulated Surplus

For the year ended March 31 (\$000)	2014	2014	2013
	Budget	Actual	
Accumulated surplus, beginning of the year	\$ 4,759	\$ 4,759	\$ 3,974
Annual surplus	25,334	24,523	25,441
Amounts transferred to the Consolidated Revenue Fund	(24,981)	(25,601)	(24,462)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(353)	(294)	(194)
Increase in accumulated surplus	-	(1,372)	785
Accumulated surplus, end of year	\$ 4,759	\$ 3,387	\$ 4,759

The accompanying notes are an integral part of the financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Change in Net Financial Resources

For the year ended March 31 (\$000)	2014	2014	2013
	Budget	Actual	
Net financial resources, beginning of the year	\$ 3,986	\$ 3,986	\$ 3,148
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	-	(1,372)	785
Net investment in tangible capital assets:			
Acquisitions	-	(28)	(69)
Amortization expense	101	104	111
Increase in prepaid expenses	-	3	11
Net financial resources, end of year	\$ 4,087	\$ 2,693	\$ 3,986

The accompanying notes are an integral part of the financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

For the year ended March 31 (\$000)	2014	2013
Operating activities		
Cash received from customers	\$ 46,544	\$ 47,311
Cash paid to employees and suppliers	(22,777)	(21,010)
Cash provided by operating activities	23,767	26,301
Capital activities		
Purchase of tangible capital assets	(28)	(69)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(25,601)	(24,462)
Cash Transferred to the NWT Licensing Board	(295)	(165)
Change in cash	(2,157)	1,605
Cash, beginning of year	3,905	2,300
Cash, end of Year	\$ 1,748	\$ 3,905

The accompanying notes are an integral part of the financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

1. Authority and operations

The Northwest Territories Liquor Commission (the "Commission") was established under the *Liquor Act* (the "Act") for the purposes of operating liquor stores and distributing liquor in the Northwest Territories (the "NWT"). The Northwest Territories Liquor Licensing Board (the "Board") was also established under the same Act for the purposes of regulating the sale of liquor in licensed premises, issuing liquor licenses and overseeing the issuing of special occasion permits and other permits in the NWT. The activities of the Board are administered by the Commission.

In accordance with the Act and the *Revolving Funds Act*:

- The operations of the Commission and the Board are accounted for through the Liquor Revolving Fund (the "Fund"). All monies received by the Commission and the Board must be deposited into the Fund and all expenditures incurred by the Commission and the Board must be paid out of the Fund. The Commission may also receive a working capital advance from the Consolidated Revenue Fund (the "CRF") of the Government of the Northwest Territories ("GNWT") to finance its operations.
- The authorized limit of the Fund, defined as the maximum amount by which the assets (cash, accounts receivable and inventories) exceed the liabilities, must not exceed \$6,500.
- The Commission must periodically transfer amounts from the Fund to the CRF to ensure that the Fund does not exceed its authorized limit. As at March 31, 2014, the Fund's assets exceeded the liabilities by \$2,693 (2013 – \$3,986).

Neither the Commission nor the Board are separate legal entities apart from the Department of Finance of the NWT and neither are subject to the requirements of the *Income Tax Act*.

2. Significant accounting policies

(a) Basis of accounting

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(b) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from those estimates. The more significant management estimates include the calculation of the liability for employee future benefits and estimation of the useful life of the tangible capital assets.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

2. Significant accounting policies (continued)

(c) Revenue recognition

The Commission recognizes revenue on an accrual basis (i.e. when the goods are shipped and the customer assumes all risks of ownership and the collection of any amounts receivable is considered probable).

(d) Services provided without charge

The Commission records the estimated cost of the legal services it receives without charge from the Department of Justice. The services are recorded as a government contribution – services provided without charge and included in the expenses in the statement of operations.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost includes invoiced cost, freight, duties and taxes.

(f) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is determined on a straight-line basis using the following rates:

Asset	Rate
Furniture and fixtures	20%
Computer hardware and software	30%
Leasehold improvements	Over the life of the lease plus any additional renewal period

(g) Pension benefits

The employees of the Commission are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission to cover current service cost. Pursuant to legislation currently in place, the Commission has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Commission.

(h) Employee severance benefits

Employees are entitled to severance benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as the employees render the services necessary to earn them. The cost of the benefits has been determined based on management's best estimates using the expected compensation level and employee leave credits.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

3. Inventories for resale

	2014	2013
Spirits	\$ 1,120	\$ 1,207
Beer	929	1,023
Wine	569	593
Coolers and ciders	102	117
	\$ 2,720	\$ 2,940

4. Pension and other employee benefits

a) Pension benefits

The employees of the Commission are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. As of March 31, 2014, the employer contribution rates for employees hired before January 1, 2013 is 1.45 times employee's contributions. The employer's contribution rate for employees hired after January 1, 2013 is 1.43 times employee's contributions. As of March 31, 2013, the rate was 1.64 for all employees.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings.

The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Commission's and employees' contributions to the Plan for the year were as follows:

	2014	2013
Commission's contributions (recognized as expense)	\$ 102	\$ 103
Employees' contribution	64	59

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

4. Pension and other employee benefits (continued)

b) Severance and removal benefits

The Commission provides severance benefits to its employees based on years of service and final salary. The Commission also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Information about the plan, measured as at the statement of financial position date, is as follows:

	2014	2013
Accrued benefit obligation, beginning of year	\$ 73	\$ 71
Cost for the year	2	2
Benefits paid during the year	-	0
Accrued benefit obligation, end of year	\$ 75	\$ 73

5. Due to the NWT Liquor Licensing Board

As explained in Note 1, the financial activities of the Board are administered by the Commission. The Commission receives all amounts receivable to the Board and pays all amounts payable by the Board. The Board does not keep separate cash accounts nor does it directly own any tangible capital assets. Any amounts owing from the Board to the Commission (or vice versa) are settled through transfers to/from accumulated surplus.

The Commission provides capital assets for the use by the Board and Enforcement without charge.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

6. Tangible capital assets

	Furniture and fixtures	Computer hardware and software	Leasehold improvements	2014	2013
Cost:					
Opening balance	\$ 92	\$ 617	\$ 841	\$ 1,550	\$ 1,553
Acquisitions	11	10	7	28	69
Disposals and write-downs	(3)	(16)	-	(19)	(72)
Closing balance	100	611	848	1,559	1,550
Accumulated Amortization:					
Opening balance	(91)	(538)	(184)	(813)	(774)
Amortization	(3)	(45)	(56)	(104)	(111)
Disposals and write-downs	3	16	-	19	72
	(91)	(567)	(240)	(898)	(813)
Net book value	\$ 9	\$ 44	\$ 608	\$ 661	\$ 737

7. Related party transactions

The Commission is related in terms of common ownership to all GNWT created departments, agencies and corporations. The Commission enters into transactions with these entities in the normal course of business and these transactions are measured at the exchange amount.

The Commission incurred \$1,112 (2013 – \$1,048) related to salaries, wages, and employee benefits for the Commission's employees. The Commission reimburses the Department of Finance for these costs.

The Department of Justice provides the Commission with legal services without charge. The total cost of these services has been estimated to be \$0 (2013 – \$1). The cost of the services noted above has been recognized on the statement of operations.

Included in accounts payable and accrued liabilities is an amount of \$146 (2013 – \$164) for bottle deposits payable to the Department of Environment and Natural Resources, \$64 (2013 – \$105) for salaries, wages, and employee benefits to the Department of Finance, and \$4 (2013 – \$4) for other government departments.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

8. Contractual obligations

The Commission has a five year lease agreement ending April 30, 2016 for its Office premises. The Commission also has a ten year lease agreement ending January 31, 2022 with the option of extending the lease for two further terms of five years for the Hay River Liquor Store. The minimum annual lease payments for the leases over the next five year(s) are:

2014/15	\$ 226
2015/16	\$ 226
2016/17	\$ 150
2017/18	\$ 143
2018/19	\$ 143

Annual lease payments for the office premises include estimated operating costs and property taxes.

9. Financial instruments

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, pension and other employee benefits and due to the NWT Liquor Licensing Board. It is management's opinion that the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

The commission is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that debtors may experience financial difficulty and be unable to fulfill their obligations. Credit risk is considered minimal as most sales are done on a cash-on-delivery basis.

The carrying value of the financial instrument approximates fair value.