



# **2014 – 2015 61<sup>st</sup> ANNUAL REPORT**

---

**NORTHWEST  
TERRITORIES  
LIQUOR COMMISSION**

## TABLE OF CONTENTS

Members of the Legislative Assembly .....	ii
Minister of Finance .....	iii
Organization Chart .....	iv

## NORTHWEST TERRITORIES LIQUOR COMMISSION

Director, Liquor Operations Report .....	7
Mandate .....	8
Operational Review .....	9
Strategic Objectives .....	9
Five Year Performance History .....	12
Three Year Dollar Sales by Category .....	13
Three Year Litre Sales by Category .....	14
Three Year Litre Sales by Distribution Channel .....	15
Store Operations .....	16
Statement of Operations by Location .....	17
Store Locations .....	19

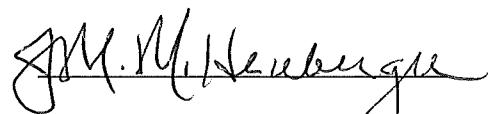
## AUDITED FINANCIAL REPORT STATEMENTS

Management's Responsibility for Financial Reporting .....	23
Auditor's Report .....	24
Statement of Financial Position .....	26
Statement of Operations .....	27
Statement of Accumulated Surplus .....	28
Statement of Change in Net Financial Resources .....	29
Statement of Cash Flows .....	30
Notes to Financial Statement .....	31

## MEMBERS OF LEGISLATIVE ASSEMBLY

### NWT Liquor Commission Annual Report

I am pleased to present, for the information of the Members of the Legislative Assembly, the sixty-first Annual Report for the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2015.



J. Michael Miltenberger  
Minister Responsible for the  
NWT Liquor Commission

**THE HONOURABLE J. MICHAEL MILTENBERGER  
MINISTER OF FINANCE**

**NWT Liquor Commission**

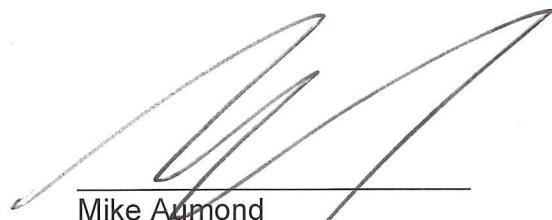
Pursuant to Subsection 64 (1) of the *Liquor Act*, we are pleased to submit the sixtieth Annual Report of the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2015.

We wish to express our thanks to our staff for all their support and contributions to the progress of the Commission during the year.



---

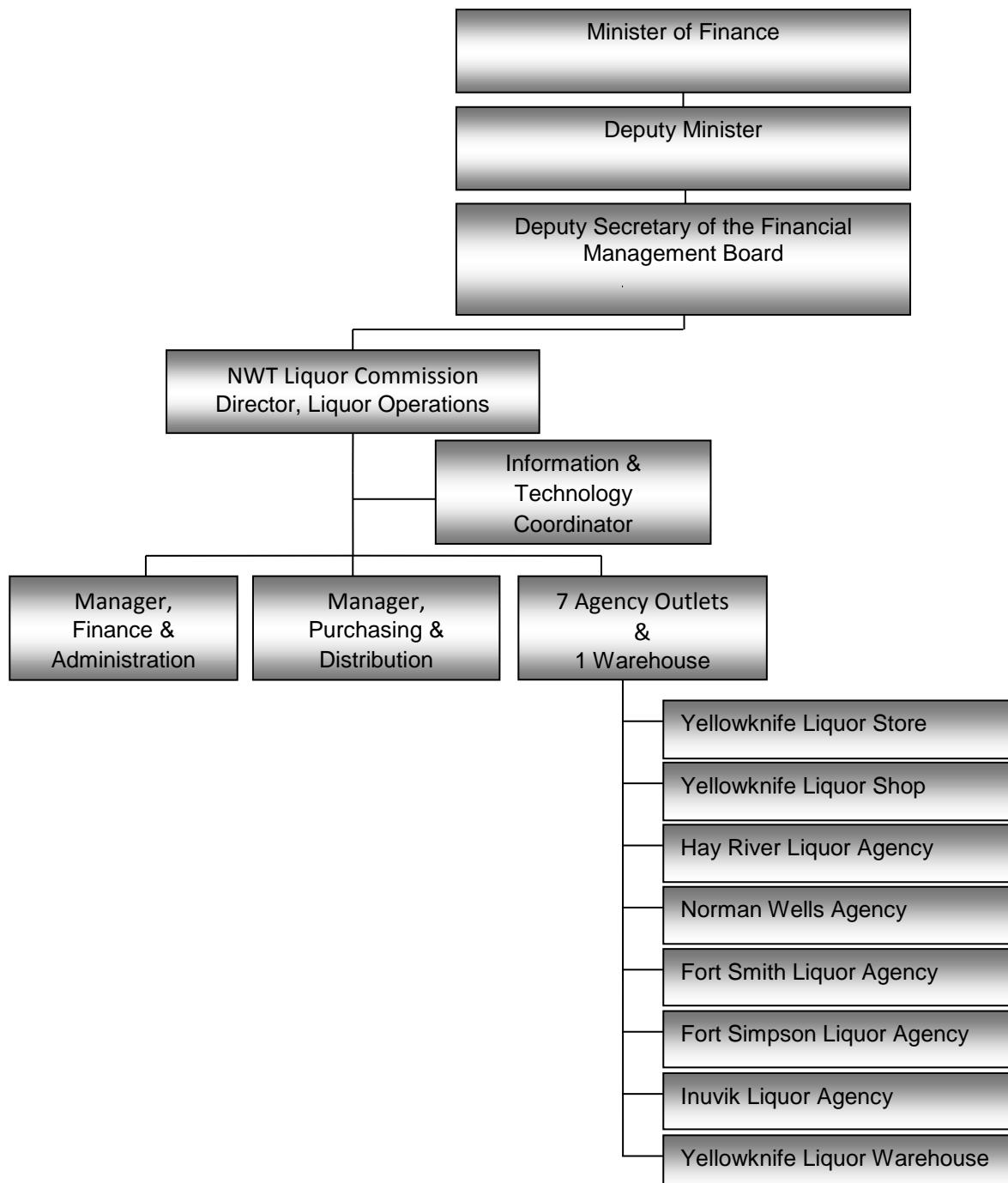
Peter Maher  
Director, Liquor Operations  
NWT Liquor Commission



---

Mike Aulmond  
Deputy Minister  
Department of Finance

## ORGANIZATION CHART



# **NORTHWEST TERRITORIES LIQUOR COMMISSION**

**SUITE 201 – 31 CAPITAL DRIVE  
HAY RIVER, NT X0E 1G2  
PH: 867 874 8700  
FAX: 867 874 8720**

[www.fin.gov.nt.ca/liquor](http://www.fin.gov.nt.ca/liquor)



## **DIRECTOR, LIQUOR OPERATION'S REPORT**

The Northwest Territories Liquor Commission (NW TLC) is established under the *Liquor Act* of the Northwest Territories to purchase, sell classify and distribute liquor in the Northwest Territories.

The year showed a 3.5% sales growth over the prior year at \$48 million. Budget estimates for the year were achieved; with the annual surplus within .2% of the budget targets. The volume of liquor sold, in litres, was up 1.5% over 2013/14, and \$25 million was transferred to the Territorial Treasury.

Sales and distribution are carried out through a network consisting of seven retail outlets and one Yellowknife warehouses, contracted to private sector operators.

The strategic plan of the Commission focuses on three key areas for measuring performance:

1. Efficient operations, and compliance with legislation, regulation and policy
2. Social Responsibility
3. Financial Income Targets

These areas serve as a guideline for incorporating our mission statement into day to day activities. The success of the organization should not be measured in financial performance alone, and the responsibility of the Commission includes ensuring performance as a responsible industry partner, and as a socially responsible member of society. The Commission was successful in meeting the goals established in the strategic plan.

I would like to thank our staff, agents, customers and partners for another successful year.

Peter Maher  
Director, Liquor Operations

## **MANDATE**

### **Vision**

Our customers will have a healthy and responsible attitude toward alcohol consumption and we will provide them the opportunity to discover, enjoy and share a wide variety of beverage alcohol.

### **Mission Statement**

We will be an innovative, efficient and profitable organization, dedicated to the retail and wholesale distribution of beverage alcohol, and promote the development of a healthy and responsible drinking culture.

### **Values**

We value our customers and employees.

We encourage and support the responsible use of alcohol.

We will be efficient and cost effective.

We will be responsible for our actions and will be honest and fair.

We will treat others with dignity and courtesy.

We will support one another to achieve our goals.

## **OPERATIONAL REVIEW**

The NWTLC has a number of stakeholders including the people of the Northwest Territories, our customers, employees, private sector contractors, suppliers, industry partners and all those who share our concern for social responsibility and public safety. Our customer base includes the public who access our products through our retail network, as well as commercial clients such as restaurants and bars.

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2014 – 2015 we:

- Delivered a wide variety of quality beverage alcohol products through our network of stores and warehouse.
- Promoted safe and responsible use of beverage alcohol.

## **STRATEGIC OBJECTIVES**

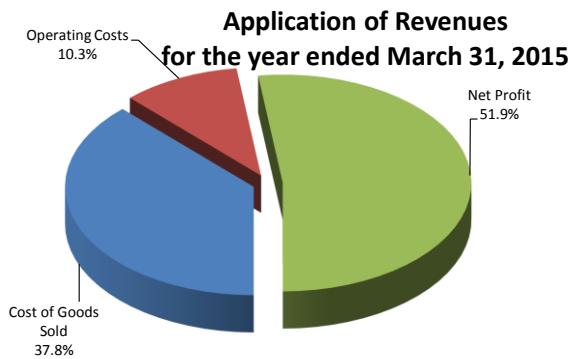
### **Goal #1**

Operations are managed efficiently and comply with legislation, regulation and policy.

#### **Performance Highlights**

The operational structure of the NWTLC is designed to deliver optimal service levels for the best possible costs, and consists of a headquarters administrative staff of nine and a network of seven stores and one warehouse, operated by private contractors. Five of the private agency stores operate with inventory on consignment from the Commission and the two Yellowknife stores purchase inventory directly from the Yellowknife warehouse. Sales to consumers and licensees are incurred through sales by the consignment stores. Sales to private stores are realized through their purchase of liquor products from our warehouse. The cost to deliver the sales and administration throughout the year was 10.3% of sales revenue, of which 6.8% was paid to liquor store and warehouse contractors.

Operational compliance with contracts, regulation and legislation by the store and warehouse operators was maintained throughout the year. The operations of all liquor outlets are monitored monthly and visited periodically by headquarters management.



## Social Responsibility Awareness Programs



## **Goal #2**

Actively and continuously promote the responsible use of alcohol.

### **Performance Highlights**

The NWTLC supports the responsible use of alcohol through various awareness programs and initiatives.

Liquor server training is mandatory in all NWT liquor stores. All liquor store service personnel must successfully complete the NWTLC liquor store training program and demonstrate competence in the service of beverage alcohol.

The Check 25 program is intended to strengthen controls in place concerning service to minors. The program conditions our customers to expect to be asked for proof of identification if they appear to be under the age of 25.

The NWTLC applies warning labels to beverage alcohol containers. The labels warn of the Dangers of Alcohol Consumption during pregnancy and drinking and driving.

In support of MADD Canada, all liquor stores participated in the Red Ribbon program, *“It’s Time to Change the Meaning of Tie One On, “Drive Safe, Drive Sober”*.

The NWTLC participants with the Canadian Association of Liquor Jurisdictions Social Responsibility Committee in support of socially responsible liquor retailing on a nationwide basis.

Reusable bags are provided as an alternative to single use paper bags.

## **GOAL #3**

Meet financial income targets.

### **Performance Highlights**

NW TLC annual surplus was 2.1% higher than the previous fiscal year and .2% within budget targets. Sales volume in litres was approximately 1.5% higher than the previous year. Increase in sales in all locations with the exception of Fort Simpson.

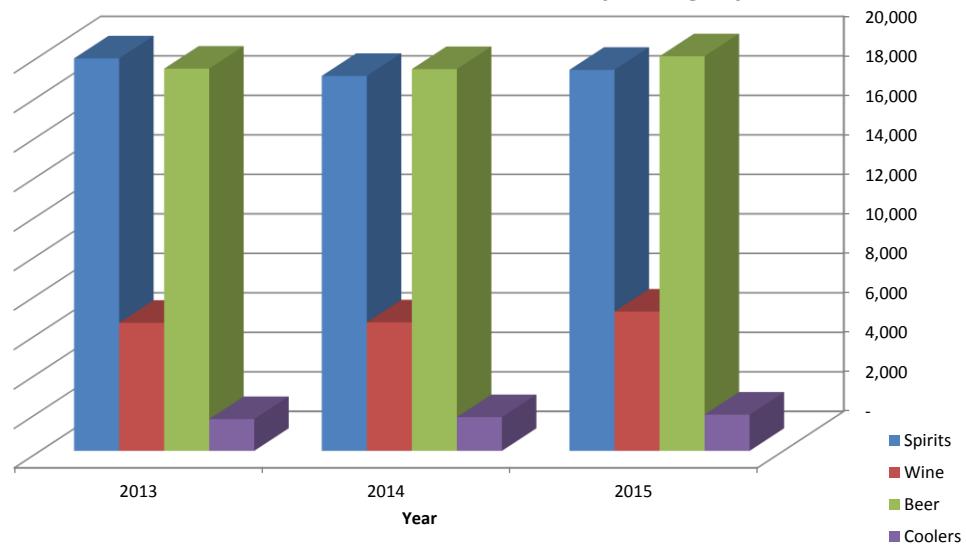
### **Five Year Performance History**

For the year ending March 31st

(\$000's)

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Gross sales	48,157	46,527	47,313	46,300	45,312
Gross profit as a % of sales	29,976 62.2	29,350 63.1	30,239 63.9	29,378 63.5	28,782 63.5
Net surplus as a % of sales	25,043 52.0	24,523 52.7	25,441 53.8	24,463 52.8	24,072 53.1
Operating expenses as a % of sales	4,943 10.3	4,834 10.4	4,807 10.2	4,936 10.7	4,721 10.4

### Three Year Dollar Sales Trend by Category

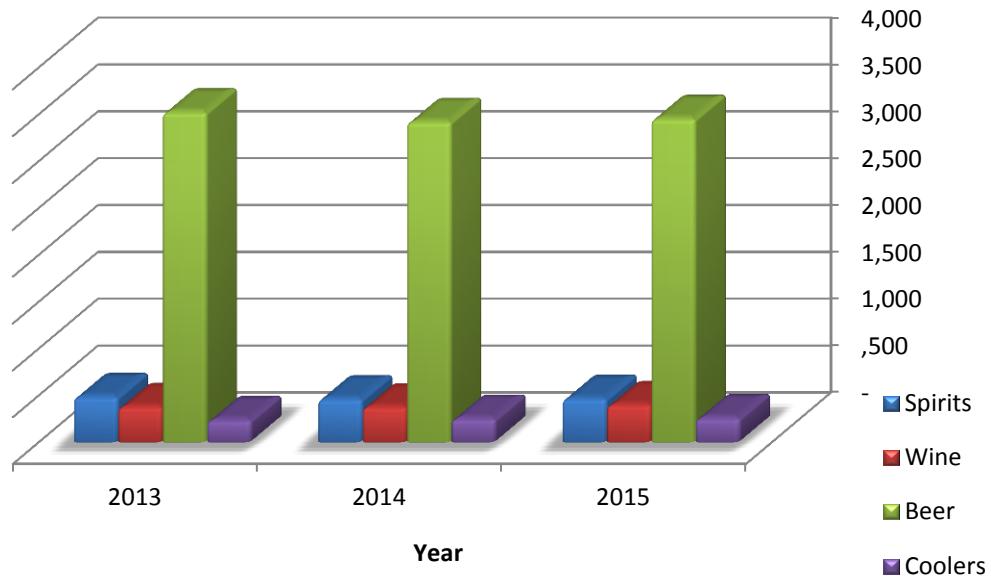


### Three Year Dollar Sales by Category

for the year ending March 31

	Spirits	Wine	Beer	Coolers	Total
2013	19,872	6,482	19,351	1,608	47,313
2014	18,985	6,506	19,329	1,707	46,527
2015	19,292	7,053	19,978	1,834	48,157

## Three Year Litre Sales Trend by Category

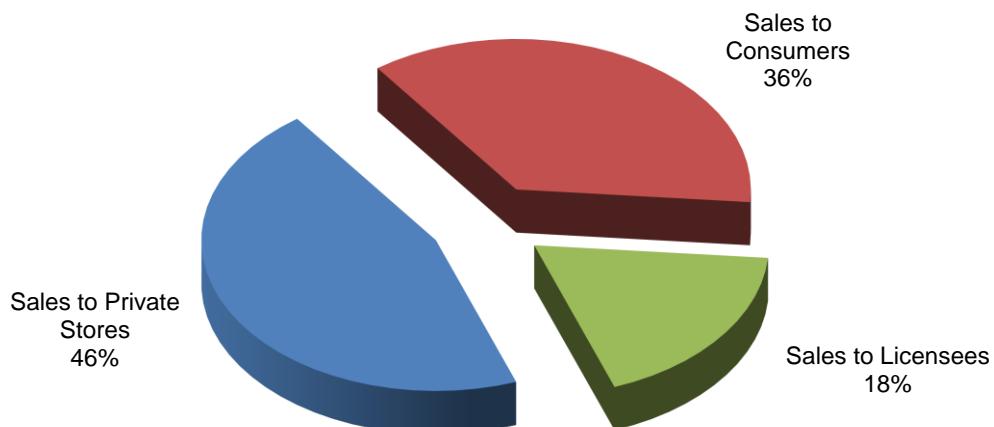


## Three Year Litre Sales by Category

for the year ending March 31

	Spirits	Wine	Beer	Coolers	Total
2013	470	366	3,510	225	4,571
2014	448	364	3,407	239	4,458
2015	452	387	3,439	246	4,523

### Litre Sales by Distribution Channel



### Three Year Litre Sales by Distribution Channel for the year ending March 31

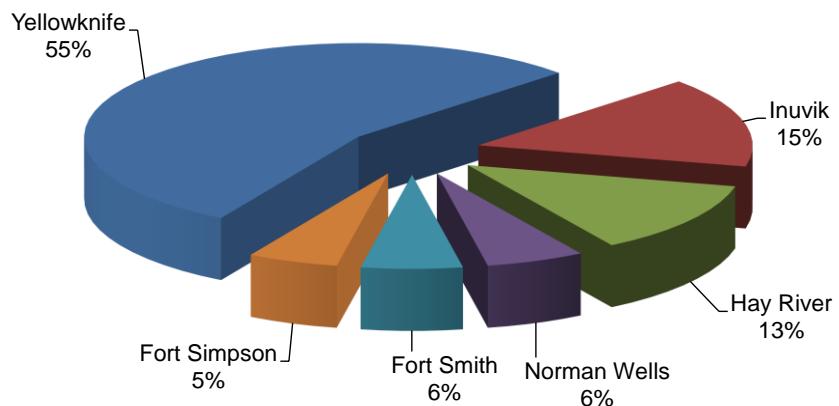
(000's)	2015	2014	2013
Sales to Private Stores	2,057	2,116	2,116
Sales to Consumers	1,647	1,616	1,625
Sales to Licensees	819	839	884
<b>Total</b>	<b>4,523</b>	<b>4,571</b>	<b>4,625</b>

### Three Year Dollar Sales by Distribution Channel for the year ending March 31

(000's)	2015	2014	2013
Sales to Private Stores	22,500	21,916	22,539
Sales to Consumers	19,990	19,248	19,025
Sales to Licensees	5,667	5,363	5,749
<b>Total</b>	<b>48,157</b>	<b>46,527</b>	<b>47,313</b>

## STORE OPERATIONS

**Location Sales  
for the year ending March 31, 2015**



**Sales by Location**  
for the year ended March 31

(\$000's)

	2015	2014	Increase (Decrease)
Yellowknife	\$ 26,275	\$ 25,498	\$ 777
Inuvik	7,479	7,156	323
Hay River	6,050	5,627	423
Norman Wells	2,786	2,745	41
Fort Smith	2,865	2,780	85
Fort Simpson	2,562	2,568	-6
*Other	140	153	-13
<b>Total</b>	<b>\$ 48,157</b>	<b>\$ 46,527</b>	<b>\$ 1630</b>

\* Other consists of miscellaneous sales that do not conform to the prescribed commission sales.

## Statement of Operations by Location

(for the year ended March 31, 2015 with comparative figures for 2014 )  
(revenue and expenses directly related to sales per location)

### YELLOWKNIFE OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Private Stores	9,204	4,240	8,210	846	22,500	21,916
Licensees	779	517	2,327	152	3,775	3,582
	9,983	4,757	10,537	998	26,275	25,498
Cost of goods sold	2,868	2,280	4,894	476	10,518	9,975
Gross margin	7,115	2,477	5,643	522	15,757	15,523
Other income					-	-
Operating expenses					851	839
Net income					14,906	14,684

### INUVIK OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Consumers	3,266	753	2,457	216	6,692	6,427
Licensees	146	41	565	35	787	729
	3,412	794	3,022	251	7,479	7,156
Cost of goods sold	942	335	1,244	110	2,631	2,469
Gross margin	2,470	459	1,778	141	4,848	4,687
Other income					-	-
Operating expenses					799	791
Net income					4,049	3,896

### HAY RIVER OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Consumers	2,322	623	2,389	264	5,598	5,266
Licensees	77	36	325	14	452	361
	2,399	659	2,714	278	6,050	5,627
Cost of goods sold	660	267	1,059	119	2,105	1,902
Gross margin	1,739	392	1,655	159	3,945	3,725
Other income					-	-
Operating expenses					647	580
Net income					3,298	3,145

### NORMAN WELLS OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Consumers	1,260	197	1,026	67	2,550	2,445
Licensees	44	30	156	6	236	300
	1,304	227	1,182	73	2,786	2,745
Cost of goods sold	359	106	503	34	1,002	967
Gross margin	945	121	679	39	1,784	1,778
Other income					-	-
Operating expenses					496	356
Net income					1,288	1,422

### FORT SMITH OPERATIONS

(\$000's)

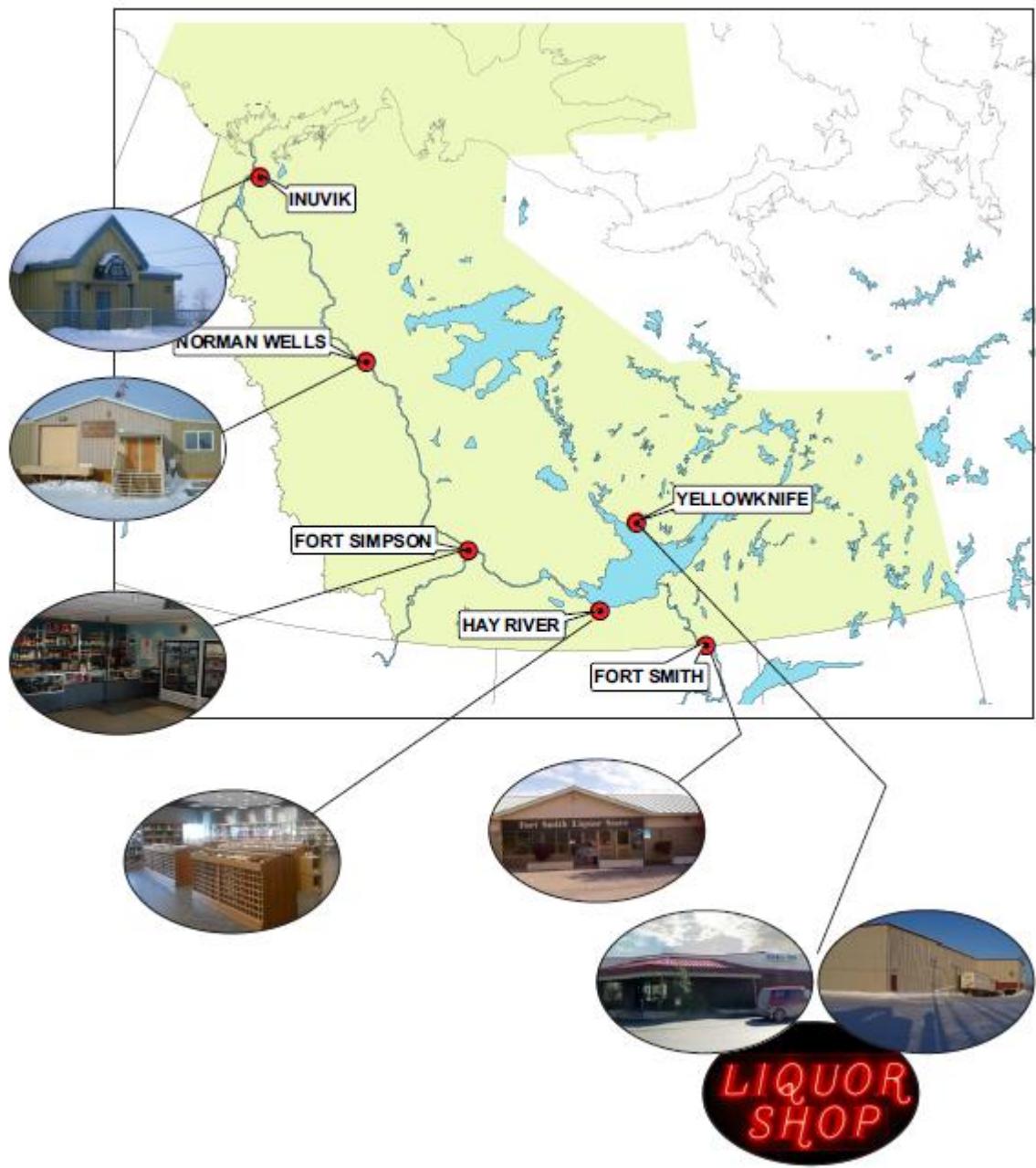
	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Consumers	910	370	1,330	141	2,751	2,652
Licensees	23	2	85	4	114	128
	933	372	1,415	145	2,865	2,780
Cost of goods sold	273	150	545	56	1,024	981
Gross margin	660	222	870	89	1,841	1,799
Other income					-	-
Operating expenses					478	452
Net income					1,363	1,347

### FORT SIMPSON OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2015 Total	2014 Total
Sales						
Consumers	1,214	150	818	77	2,259	2,305
Licensees	32	2	255	13	303	263
	1,247	152	1,073	90	2,562	2,568
Cost of goods sold	323	67	402	42	833	830
Gross margin	924	86	671	48	1,729	1,738
Other income					-	-
Operating expenses					375	328
Net income					1,353	1,410

## STORE LOCATIONS



# **AUDITED FINANCIAL STATEMENTS**

## **2014 – 2015**

**NORTHWEST TERRITORIES LIQUOR COMMISSION**

**Financial Statements**

**Year ended March 31, 2015**

# **NORTHWEST TERRITORIES LIQUOR COMMISSION**

## **Index to Financial Statements**

**March 31, 2015**

---

Management's Responsibility for Financial Reporting.....	23
Auditor's Report .....	24
Statement of Financial Position .....	26
Statement of Operations .....	27
Statement of Accumulated Surplus .....	28
Statement of Change in Net Financial Resources.....	29
Statement of Cash Flows.....	30
Notes to Financial Statements .....	31

## 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  
August 28, 2015

---

**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, 2015, 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, 2015 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).



August 28, 2015  
Spruce Grove, Canada

## NORTHWEST TERRITORIES LIQUOR COMMISSION

### Statement of Financial Position

As at March 31 (\$000)	2015	2014
<b>Financial Assets</b>		
Cash	\$ 2,632	\$ 1,748
Accounts Receivable	28	-
Inventories for resale (note 3)	2,495	2,720
	5,155	4,468
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	1,717	1,572
Pension and other employee benefits (note 4)	160	75
Due to the NWT Liquor Licensing Board (note 5)	201	128
	2,078	1,775
<b>Net Financial Resources</b>	<b>3,077</b>	<b>2,693</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	575	661
Prepaid Expenses	52	33
	627	694
<b>Accumulated Surplus</b>	<b>\$ 3,704</b>	<b>\$ 3,387</b>

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)	2015	2015	2014
	Budget	Actual	Actual
<b>Sales</b>			
Beer	\$ 19,709	\$ 19,978	\$ 19,329
Spirits	19,197	19,292	18,985
Wine	6,631	7,053	6,506
Coolers and Ciders	1,912	1,834	1,707
	47,449	48,157	46,527
<b>Cost of goods sold</b>			
Beer	8,296	8,647	8,216
Spirits	5,346	5,428	5,294
Wine	2,976	3,268	2,923
Coolers and ciders	751	838	744
	17,369	18,181	17,177
<b>Gross profit on sales</b>	<b>30,080</b>	<b>29,976</b>	<b>29,350</b>
<b>Other income</b>			
Government contribution - services provided without charge (note 7)	-	3	-
Import fees and Income	5	7	7
	5	10	7
<b>Expenses (note 7)</b>			
Commissions to agents	3,079	3,256	2,981
Salaries, wages and employee benefits	1,094	975	1,112
Administration	453	375	384
Travel	35	27	31
Rent	221	219	222
Amortization of tangible capital assets	111	91	104
	4,993	4,943	4,834
<b>Annual surplus</b>	<b>\$ 25,092</b>	<b>\$ 25,043</b>	<b>\$ 24,523</b>

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

## **NORTHWEST TERRITORIES LIQUOR COMMISSION**

### **Statement of Accumulated Surplus**

<b>For the year ended March 31 (\$000)</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	Budget	Actual	
<b>Accumulated surplus, beginning of the year</b>	\$ 3,387	\$ 3,387	\$ 4,759
Annual surplus	25,092	25,043	24,523
Amounts transferred to the Consolidated Revenue Fund	(24,720)	(24,511)	(25,601)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(372)	(215)	(294)
Increase in accumulated surplus	-	317	(1,372)
<b>Accumulated surplus, end of year</b>	<b>\$ 3,387</b>	<b>\$ 3,704</b>	<b>\$ 3,387</b>

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

## **NORTHWEST TERRITORIES LIQUOR COMMISSION**

### **Statement of Change in Net Financial Resources**

<b>For the year ended March 31 (\$000)</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Net financial resources, beginning of the year</b>	\$ 2,693	\$ 2,693	\$ 3,986
<b>Items affecting net financial resources:</b>			
Increase (decrease) in accumulated surplus	-	317	(1,372)
<b>Net investment in tangible capital assets:</b>			
Acquisitions	-	(5)	(28)
Amortization expense	111	91	104
(Acrease) decrease in prepaid expenses	-	(19)	3
<b>Net financial resources, end of year</b>	<b>\$ 2,804</b>	<b>\$ 3,077</b>	<b>\$ 2,693</b>

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)	2015	2014
<b>Operating activities</b>		
Cash received from customers	\$ 48,136	\$ 46,544
Cash paid to employees and suppliers	(22,594)	(22,777)
<b>Cash provided by operating activities</b>	<b>25,542</b>	<b>23,767</b>
<b>Capital activities</b>		
Purchase of tangible capital assets	(5)	(28)
<b>Financing activities</b>		
Cash transferred to the Consolidated Revenue Fund	(24,511)	(25,601)
Cash Transferred to the NWT Licensing Board	(142)	(295)
<b>Decrease in cash</b>	<b>884</b>	<b>(2,157)</b>
<b>Cash, beginning of year</b>	<b>1,748</b>	<b>3,905</b>
<b>Cash, end of Year</b>	<b>\$ 2,632</b>	<b>\$ 1,748</b>

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

# **NORTHWEST TERRITORIES LIQUOR COMMISSION**

## **Notes to Financial Statements**

**March 31, 2015 (\$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, 2015, the Fund's assets exceeded the liabilities by \$3,077 (2014 – \$2,693).

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, 2015 (\$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) Other employee benefits**

Employees are entitled to severance benefits, reimbursement of removal costs and other compensated absences, as provided for under labour contracts and conditions of employment, based upon years of service. The cost of these benefits is accrued as the employees render the services necessary to earn them. The cost of these benefits for years prior to 2015 were based on management's best estimates using the expected compensation level and employee leave credits. In 2015 these benefits were actuarially determined using the projected unit credit valuation methodology and expected utilization methods. This change has been accounted for in 2015 and no comparative figures have been restated.

## **NORTHWEST TERRITORIES LIQUOR COMMISSION**

### **Notes to Financial Statements**

**March 31, 2015 (\$000)**

---

#### **3. Inventories for resale**

	<b>2015</b>	<b>2014</b>
Spirits	\$ 1,074	\$ 1,120
Beer	776	929
Wine	537	569
Coolers and ciders	108	102
	<hr/>	<hr/>
	\$ 2,495	\$ 2,720

#### **4. Pension and other employee benefits**

##### **a) Pension benefits**

The employees of the Commission participate in the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. 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, 2015, the employer contribution rates for employees hired before January 1, 2013 is 1.28 (2014 - 1.45) times employee's contributions. The employer's contribution rate for employees hired after January 1, 2013 is 1.28 (2014 - 1.43) times employee's contributions.

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:

	<b>2015</b>	<b>2014</b>
Commission's contributions (recognized as expense)	\$ 76	\$ 102
Employees' contribution	54	64

# NORTHWEST TERRITORIES LIQUOR COMMISSION

## Notes to Financial Statements

**March 31, 2015 (\$000)**

---

### 4. Pension and other employee benefits (continued)

#### b) Other employee benefits

	2015			2014		
	Severance	Accumulated	Total	Severance	Accumulated	Total
	and Removal Obligation	Sick & Special Obligation		and Removal Obligation	Sick & Special Obligation	
Accrued benefit obligation, beginning of the year	\$ 75	\$ -	\$ 75	\$ 73	\$ -	\$ 73
Current period benefit cost	70	65	135	2	74	76
Accretion in liability	1	-	1	-	-	-
Benefits paid during the year	-	(51)	(51)	-	(74)	(74)
Accrued benefit obligation, end of the year	\$ 146	\$ 14	\$ 160	\$ 75	\$ -	\$ 75

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. These benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The Commission provides accumulating sick and special leave employee benefits. Sick leave accrues at a rate of one and a one quarter day per month and special leave accumulates at a rate of one half day per month. These leave balances require funding in future periods when employees become sick or require special leave. Sick leave can only be used for paid time off for illness of the employee. Special leave can only be claimed in certain circumstances (e.g. sick family members, family deaths, marital leave) Sick and special leave taken is paid at the employee's normal rate of pay. Sick and special leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick and special days accumulate and there are no limits to the accumulation.

An actuarial valuation for accounting purposes was prepared at March 31, 2015 for the Commission's other employee future benefit plans using the projected benefits method prorated on services.

# NORTHWEST TERRITORIES LIQUOR COMMISSION

## Notes to Financial Statements

**March 31, 2015 (\$000)**

---

### 4. Pension and other employee benefits (continued)

#### b) Other employee benefits (continued)

The actuarial valuation at March 31, 2015 reflects management's best estimate based upon a number of future orientated assumptions including:

	<b>2015</b>	<b>2014</b>
Expected inflation rate	2.0%	N/A
Discount rate used to determine the accrued benefit obligation	2.5%	N/A
Expected average remaining service life of related employee groups (EARSL)	8.8	N/A
Expected age at termination	58.6	N/A

2014 balances were not determined actuarially and the comparative figures were not restated because the effect on prior years was not material, as described in note 2(h).

Timing of expected payments for other employee benefits are as follows:

2016	\$ 15
2017	12
2018	12
2019	12
2020	12
2021 and beyond	<u>12</u>
	<u>\$160</u>

# NORTHWEST TERRITORIES LIQUOR COMMISSION

## Notes to Financial Statements

March 31, 2014 (\$000)

---

### 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.

### 6. Tangible capital assets

	Furniture and fixtures	Computer hardware and software	Leasehold improvements	2015	2014
<b>Cost:</b>					
Opening balance	\$ 100	\$ 611	\$ 848	\$ 1,559	\$ 1,550
Acquisitions	1	4	-	5	28
Disposals and write-downs	-	-	-	-	(19)
Closing balance	101	615	848	1,564	1,559
<b>Accumulated Amortization:</b>					
Opening balance	(91)	(567)	(240)	(898)	(813)
Amortization	(2)	(31)	(58)	(91)	(104)
Disposals and write-downs	-	-	-	-	19
	(93)	(598)	(298)	(989)	(898)
Net book value	\$ 8	\$ 17	\$ 550	\$ 575	\$ 661

### 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 \$975 (2014 – \$1,112) 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 \$3 (2014 – \$0). 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 \$172 (2014 – \$146) for bottle deposits payable to the Department of Environment and Natural Resources, \$188 (2014 – \$64) for salaries, wages, and employee benefits to the Department of Finance, and \$0 (2014 – \$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:

2015/16	\$ 226
2016/17	\$ 150
2017/18	\$ 143
2018/19	\$ 143
2019/20	\$ 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.