

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Financial Statements

Year ended March 31, 2014

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of the Northwest Territories Liquor Licensing Board (Board) is the responsibility of the Board'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 Board 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 Board.



Colin Baile
Chairman, NWT Liquor Licensing Board
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 Licensing Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Territories Liquor Licensing Board, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, accumulated surplus, and cash flow 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 Licensing Board as at March 31, 2014, the results of its operations, 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 Licensing Board and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Liquor Licensing Board 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 LICENSING BOARD

Statement of Financial Position

As at March 31 (\$000)	2014		2013	
Financial Assets				
Accounts Receivable	\$	5	\$	-
Due from NWT Liquor Commission (note 3)		128		129
		<u>133</u>		<u>129</u>
Financial Liabilities				
Accounts Payable		85		91
Pension and other employee benefits (note 4)		28		27
Deferred Revenue		20		11
		<u>133</u>		<u>129</u>
Net financial resources		-		-
Accumulated surplus	\$	-	\$	-

Contractual obligations (note 7).

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

Approved by the Northwest Territories Liquor Licensing Board:



Colin Baile
Chairman, Liquor Licensing Board

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Statement of Operations

For the year ended March 31, (\$000)	2014	2014	2013
	Budget	Actual	Actual
Other income			
License fees and permits	\$ 442	\$ 373	\$ 396
Government contribution – services provided without charge (note 6)	-	13	12
	<u>442</u>	<u>386</u>	<u>408</u>
Expenses (notes 5 and 6)			
Salaries, wages and employee benefits	517	493	377
Administration	33	21	53
Travel	75	34	39
Inspector's Fees	68	53	47
Professional Fees	22	19	18
Rent	31	27	30
Honoraria	50	33	38
	<u>796</u>	<u>680</u>	<u>602</u>
Annual Surplus (loss)	\$ (354)	\$ (294)	\$ (194)

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

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Statement of Accumulated Surplus

For the year ended March 31, (\$000)		2014		2013
Accumulated surplus, beginning of year	\$	-	\$	-
Annual Surplus (loss)		(294)		(194)
Amounts transferred from the NWT Liquor Commission		294		194
Increase (decrease) in accumulated surplus		-		-
Accumulated surplus, end of year	\$	-	\$	-

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

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Statement of Cash Flow

For the year ended March 31, (\$000)	2014	2013
Operating transactions		
Cash received from customers	\$ 377	\$ 401
Cash paid to employees and suppliers	(672)	(566)
Cash provided by operating transactions	(295)	(165)
Financing transactions		
Cash transferred from the NWT Liquor Commission	295	165
Decrease in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

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

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Notes to Financial Statements

March 31, 2014 (\$000)

1. Authority and operations

The Northwest Territories Liquor Licensing Board (the "Board") was established under the *Liquor Act* (the "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 Minister appoints a member of the Public Service to be the Executive Secretary to the Board. In addition this member, with other staff, is also responsible for the co-ordination of the enforcement program under the Act. The financial activities of the Board are administered by the Northwest Territories Liquor Commission (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 provides for the financial administration of the Board and may 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 GNWT and neither are subject to the requirements of the *Income Tax Act*.

The operations of enforcement are managed separately from the Board. For the purpose of financial reporting the assets, liabilities, and expenses are combined in these financial statements as both are funded from the Liquor Revolving Fund.

2. Significant accounting policies

(a) Basis of accounting

The financial statements of the Board 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. These financial statements include the activities of the Enforcement Program which have been disclosed separately and combined with the activities of the Board in the statement of operations.

(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 deferred revenue.

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Notes to Financial Statements

March 31, 2014 (\$000)

2. Significant accounting policies (continued)

(c) Revenue recognition

License fees and permits are recorded in revenue in the year that the fee or permit relates. If cash is received in advance of the fee or permit period, it is recorded in deferred revenue.

(d) Services provided without charge

The Board 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) Tangible capital assets

The Board receives the use of tangible capital assets from the Commission without charge.

(f) Pension benefits

The appointed employees of the Board 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 Board to cover current service cost. Pursuant to legislation currently in place, the Board 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 Board.

(g) 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.

3. Due from NWT Liquor Commission

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 tangible capital assets for the use by the Board without charge.

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Notes to Financial Statements

March 31, 2014 (\$000)

4. Pension and other employee benefits

a) Pension benefits

The appointed employees of the Board 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 Board. 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 Board's and employees' contributions to the Plan for the year were as follows:

	2014	2013
Employer's contributions (recognized as expense)	\$ 42	\$ 37
Employee's contribution	27	22

b) Severance and removal benefits

The Board provides severance benefits to its employees based on years of service and final salary. The Board 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	\$ 27	\$ 25
Cost for the year	1	2
Benefits paid during the year	-	-
Accrued benefit obligation, end of year	\$ 28	\$ 27

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Notes to Financial Statements

March 31, 2014 (\$000)

5. Expenses liquor enforcement

As explained in note 1, the liquor enforcement activities are included in total expenses as follows:

For the year ended March 31, (\$000)	Enforcement	
	2014	2013
Expenses (notes 6 and 7)		
Salaries, wages and employee benefits	363	259
Travel	9	23
Professional Fees	-	-
Inspector's Fees	53	47
Honoraria	-	-
Other	32	59
	<hr/>	<hr/>
	457	388
	<hr/>	<hr/>
Annual Surplus (loss)	(457)	(388)

6. Related party transactions

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

The Board incurred \$493 (2013 - \$377) related to salaries, wages, and employee benefits for the Board's employees and \$33 (2013 - \$38) related to honoraria for Board members. The Board reimburses the Department of Finance for these costs.

The Department of Justice provides the Board with legal services without charge. The total cost of these services has been estimated to be \$13 (2013 - \$12). The cost of the services noted above has been recognized on the statement of operations.

Included in accounts payable and accrued liabilities is \$35 (2013 - \$37) for salaries, wages, and employee benefits, honorariums \$6 (2013 - \$4) to the Department of Finance, and \$0 (2013 - \$1) for other government departments.

NORTHWEST TERRITORIES LIQUOR LICENSING BOARD

Notes to Financial Statements

March 31, 2014 (\$000)

7. Contractual obligations

The Board has a five year lease agreement ending April 30, 2016 for its Office premises. The minimum annual lease payments for the leases over the next five year(s) are:

2014/15	\$ 19
2015/16	\$ 19
2016/17	\$ 2
2017/18	\$ -
2018/19	\$ -

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

8. Financial instruments

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

The carrying value of the financial instrument approximates fair value.