

**NORTHWEST TERRITORIES LIQUOR COMMISSION**

**Financial Statements**

**Year ended March 31, 2011**

**NORTHWEST TERRITORIES LIQUOR COMMISSION**

**Index to Financial Statements**

**March 31, 2011**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. Where GAAP permits alternative accounting methods, 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.

The Auditor General of Canada 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.



Kyle Reid  
General Manager

July 29, 2011



## 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 31 March 2011, and the statement of operations, statement of accumulated surplus, statement of change in net financial resources and statement of 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 generally accepted accounting principles, 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 31 March 2011, 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 generally accepted accounting principles.

### 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 generally accepted accounting principles 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 and regulations.

Terrance DeJong, CA  
Assistant Auditor General  
for the Interim Auditor General of Canada

15 August 2011  
Edmonton, Canada

**NORTHWEST TERRITORIES LIQUOR COMMISSION****Statement of Financial Position**

| <b>As at March 31 (\$000)</b>                | <b>2011</b>     | <b>2010</b>     |
|--|-----------------|-----------------|
| <b>Financial assets</b>                      |                 |                 |
| Cash   | \$ 2,564        | \$ 2,710        |
| Inventories for resale (note 3)              | 3,555           | 3,539           |
|  | <hr/> 6,119     | <hr/> 6,249     |
| <b>Liabilities</b>                           |                 |                 |
| Accounts payable and accrued liabilities     | 2,464           | 2,262           |
| Pension and other employee benefits (note 4) | 90              | 80              |
|  | <hr/> 2,554     | <hr/> 2,342     |
| <b>Net financial resources</b>               | <b>3,565</b>    | <b>3,907</b>    |
| <b>Non-financial assets</b>                  |                 |                 |
| Tangible capital assets (note 5)             | 179             | 231             |
| Prepaid expenses                             | 46              | 37              |
|  | <hr/> 225       | <hr/> 268       |
| <b>Accumulated surplus</b>                   | <b>\$ 3,790</b> | <b>\$ 4,175</b> |

Contractual obligations (note 8)

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

Approved by the Northwest Territories Liquor Commission:




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Kyle Reid  
General Manager

## NORTHWEST TERRITORIES LIQUOR COMMISSION

## Statement of Operations

| For the year ended March 31 (\$000)                                     | 2011<br>Budget | 2011<br>Actual | 2010<br>Actual |
|---|----------------|----------------|----------------|
| <b>Sales</b>  |                |                |                |
| Beer  | \$ 20,410      | \$ 19,139      | \$ 19,203      |
| Spirits   | 18,401         | 18,909         | 18,312         |
| Wine  | 5,991          | 6,007          | 5,894          |
| Coolers and ciders  | 1,627          | 1,257          | 1,371          |
|   | 46,429         | 45,312         | 44,780         |
| <b>Cost of goods sold</b>   |                |                |                |
| Beer  | 8,420          | 7,900          | 8,016          |
| Spirits   | 5,199          | 5,359          | 5,101          |
| Wine  | 2,695          | 2,717          | 2,666          |
| Coolers and ciders  | 694            | 554            | 599            |
|   | 17,008         | 16,530         | 16,382         |
| <b>Gross profit on sales</b>  | 29,421         | 28,782         | 28,398         |
| <b>Other income</b>   |                |                |                |
| License fees and permits (note 6)                                       | 430            | 419            | 417            |
| Government contribution in services<br>provided without charge (note 7) | -              | 52             | 84             |
| Import fees and other income  | 5              | 6              | 6              |
|   | 435            | 477            | 507            |
| <b>Expenses (notes 6 and 7)</b>   |                |                |                |
| Commissions to agents   | 3,202          | 3,185          | 3,178          |
| Salaries, wages and employee benefits                                   | 1,501          | 1,351          | 1,333          |
| Administration  | 446            | 438            | 518            |
| Travel  | 142            | 116            | 146            |
| Rent  | 103            | 95             | 97             |
| Amortization of tangible capital assets                                 | 150            | 88             | 158            |
| Inspectors' fees  | 36             | 49             | 32             |
| Board member honoraria  | 50             | 44             | 56             |
|   | 5,630          | 5,366          | 5,518          |
| <b>Annual surplus</b>   | \$ 24,226      | \$ 23,893      | \$ 23,387      |

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>2011</b>     | <b>2010</b>     |
|---|-----------------|-----------------|
| <b>Accumulated surplus, beginning of year</b>                     | \$ 4,175        | \$ 4,094        |
| Add: Annual surplus   | 23,893          | 23,387          |
| <b>Less: Amounts transferred to the Consolidated Revenue Fund</b> | <b>(24,278)</b> | <b>(23,306)</b> |
| Increase (decrease) in accumulated surplus                        | (385)           | 81              |
| <b>Accumulated surplus, end of year</b>                           | <b>\$ 3,790</b> | <b>\$ 4,175</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>2011</b>   |               | <b>2011</b>   |               | <b>2010</b>   |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | <b>Budget</b> | <b>Actual</b> | <b>Actual</b> | <b>Actual</b> | <b>Actual</b> | <b>Actual</b> |
| <b>Net financial resources, beginning of year</b> | \$ 3,907      | \$ 3,907      | \$ 3,907      | \$ 3,907      | \$ 3,689      |               |
| Items affecting net financial resources:          |               |               |               |               |               |               |
| Increase (decrease) in accumulated surplus        | 26            |               | (385)         |               |               | 81            |
| Net investment in tangible capital assets         |               |               |               |               |               |               |
| Acquisitions                                      | -             |               | (36)          |               |               | (18)          |
| Amortization expense                              | 150           |               | 88            |               |               | 158           |
| Increase in prepaid expenses                      | -             |               | (9)           |               |               | (3)           |
| <b>Net financial resources, end of year</b>       | \$ 4,083      | \$ 3,565      | \$ 3,907      | \$ 3,907      | \$ 3,689      |               |

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

**NORTHWEST TERRITORIES LIQUOR COMMISSION****Statement of Cash Flow**

| <u>For the year ended March 31 (\$000)</u>        | <u>2011</u>     | <u>2010</u>     |
|---|-----------------|-----------------|
| <b>Operating transactions</b>                     |                 |                 |
| Cash received from customers                      | \$ 45,737       | \$ 45,203       |
| Cash paid to employees and suppliers              | (21,569)        | (21,968)        |
| <u>Cash provided by operating transactions</u>    | <u>24,168</u>   | <u>23,235</u>   |
| <b>Capital transactions</b>                       |                 |                 |
| Purchase of tangible capital assets               | (36)            | (18)            |
| <b>Financing transactions</b>                     |                 |                 |
| Cash transferred to the Consolidated Revenue Fund | (24,278)        | (23,222)        |
| <b>Decrease in cash</b>                           | <b>(146)</b>    | <b>(5)</b>      |
| <b>Cash, beginning of year</b>                    | <b>2,710</b>    | <b>2,715</b>    |
| <b>Cash, end of year</b>                          | <b>\$ 2,564</b> | <b>\$ 2,710</b> |

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

## **NORTHWEST TERRITORIES LIQUOR COMMISSION**

### **Notes to Financial Statements**

**March 31, 2011 (\$000)**

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#### **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 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, 2011, the Fund's assets exceeded the liabilities by \$3,565 (2010 – \$3,907).

The Commission and the Board are not considered to be separate legal entities apart from the Department of Finance of the NWT and are also not subject to the requirements of the *Income Tax Act*.

#### **2. Significant accounting policies**

##### **(a) Basis of presentation**

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 (the "PSAB") of the Canadian Institute of Chartered Accountants. These financial statements include the activities of the Board which have been combined with the activities of the Commission in the statement of operations and which are also disclosed separately in note 6 of the financial statements.

##### **(b) Measurement uncertainty**

The preparation of financial statements in accordance with GAAP 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, 2011 (\$000)**

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#### 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 and any additional renewal period |

##### (g) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Commission's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions, and may change over time depending on the experience of the Plan. The Commission's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Commission. The Commission is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

##### (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, 2011 (\$000)****2. Significant accounting policies (continued)****(i) Future accounting changes**

In March 2011, the PSAB approved Section PS 3450, Financial Instruments, and related amendments to existing Section PS 1200, Financial Statement Presentation, and Section PS 2600, Foreign Currency Translation. The adoption of these standards is effective for the fiscal year beginning on April 1, 2012. The adoption of these new standards is not expected to be significant to the Commission.

**3. Inventories for resale**

|                    | <b>2011</b> | <b>2010</b> |
|--------------------|-------------|-------------|
| Spirits            | \$ 1,420    | \$ 1,465    |
| Beer               | 1,274       | 1,310       |
| Wine               | 722         | 629         |
| Coolers and ciders | 139         | 135         |
|                    | <hr/>       | <hr/>       |
|                    | \$ 3,555    | \$ 3,539    |

**4. Pension and other employee benefits****a) Pension benefits:**

The Commission and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Commission's and employees' contributions to the Public Service Pension Plan for the year were as follows:

|                            | <b>2011</b> | <b>2010</b> |
|----------------------------|-------------|-------------|
| Commission's contributions | \$ 122      | \$ 119      |
| Employees' contributions   | 63          | 59          |

**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:

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Accrued benefit obligation, beginning of year | \$ 80       | \$ 73       |
| Cost for the year                             | 10          | 12          |
| Benefits paid during the year                 | -           | (5)         |
|   | <hr/>       | <hr/>       |
| Accrued benefit obligation, end of year       | \$ 90       | \$ 80       |

**NORTHWEST TERRITORIES LIQUOR COMMISSION****Notes to Financial Statements****March 31, 2011 (\$000)****5. Tangible capital assets**

|                                  | <b>Furniture and fixtures</b> | <b>Computer hardware and software</b> | <b>Leasehold improvements</b> | <b>2011</b>   | <b>2010</b>   |
|----------------------------------|-------------------------------|---------------------------------------|-------------------------------|---------------|---------------|
| <b>Cost:</b>                     |                               |                                       |                               |               |               |
| Opening balance                  | \$ 92                         | \$ 601                                | \$ 205                        | \$ 898        | \$ 880        |
| Acquisitions                     | -                             | 36                                    | -                             | 36            | 18            |
| Disposals and write-downs        | -                             | (42)                                  | -                             | (42)          | -             |
| Closing balance                  | 92                            | 595                                   | 205                           | 892           | 898           |
| <b>Accumulated Amortization:</b> |                               |                                       |                               |               |               |
| Opening balance                  | (49)                          | (550)                                 | (68)                          | (667)         | (509)         |
| Amortization                     | (18)                          | (47)                                  | (23)                          | (88)          | (158)         |
| Disposals and write-downs        | -                             | 42                                    | -                             | 42            | -             |
| Closing balance                  | (67)                          | (555)                                 | (91)                          | (713)         | (667)         |
| <b>Net book value</b>            | <b>\$ 25</b>                  | <b>\$ 40</b>                          | <b>\$ 114</b>                 | <b>\$ 179</b> | <b>\$ 231</b> |

**6. Liquor Licensing Board of the Northwest Territories**

The revenues and expenses of the Board are as follows:

|   | <b>2011</b>     | <b>2010</b>     |
|---|-----------------|-----------------|
| <b>Revenues:</b>  |                 |                 |
| Licensee fees   | \$ 336          | \$ 341          |
| Special occasion permits                                    | 43              | 37              |
| Annual license fees   | 26              | 31              |
| Other   | 14              | 8               |
|   | 419             | 417             |
| Government contribution in services provided without charge | 47              | 28              |
|   | 466             | 445             |
| <b>Expenses:</b>  |                 |                 |
| Salaries, wages and benefits                                | 362             | 366             |
| Travel  | 77              | 106             |
| Professional fees   | 60              | 40              |
| Honoraria   | 44              | 56              |
| Other   | 102             | 92              |
|   | 645             | 660             |
| <b>Net loss</b>   | <b>\$ (179)</b> | <b>\$ (215)</b> |

The net loss is funded by the Government of the NWT.

For the year ended March 31, 2011, the amount of legal fees provided without charge has been disclosed separately. In prior years, the amount for legal services provided without charge to the

## **NORTHWEST TERRITORIES LIQUOR COMMISSION**

### **Notes to Financial Statements**

**March 31, 2011 (\$000)**

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#### **7. Related party transactions**

The Commission is related in terms of common ownership to all Government of the NWT 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 \$1,351 (2010 – \$1,333) related to salaries, wages, and employee benefits for the Commission's employees and \$44 (2010 – \$56) related to honoraria for Board members. 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 \$52 (2010 – \$84).

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 \$185 (2010 – \$195) for bottle deposits payable to the Department of Environment and Natural Resources, \$434 (2010 – nil) for salaries, wages, and employee benefits to the Department of Finance, and \$8 (2010 – \$9) for other government departments.

For the year ended March 31, 2011, the Commission has been invoiced for salaries and honoraria expense by the Government of the Northwest Territories. In prior years, a portion of the amount transferred to the Consolidated Revenue Fund was deemed to have paid for salaries and honoraria. As the Commission is now invoiced for these expenses, as at March 31, 2011, there is a payable for the amount of salaries and honoraria not paid at year-end.

In prior years, services without charge were recorded as a reduction in the amounts transferred to the Consolidated Revenue Fund. To be consistent with other public agencies and government entities in the Northwest Territories, the amount of services without charge has been recorded as revenue in the current year.

#### **8. Contractual obligations**

The Commission has a five year lease agreement ending April 30, 2011 for its office premises. The minimum annual payment for the lease and leasehold improvements over the next year is \$7.

Annual lease payments for the office premises include operating costs and property taxes which are subject to annual increases based on the Consumer Price Index and adjustments for property tax assessments.

As of July 1, 2011, no new lease agreement has been signed. The Commission is currently on a month-to-month lease as specified in the original lease agreement.

#### **9. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.