

2015 - 2016

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62ND ANNUAL REPORT

NORTHWEST TERRITORIES LIQUOR COMMISSION



Northwest Territories Territoires du Nord-Ouest
Finance Finances

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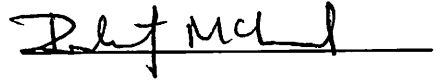
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MEMBERS OF LEGISLATIVE ASSEMBLY

NWT Liquor Commission Annual Report

I am pleased to present, for the information of the Members of the Legislative Assembly, the sixty-second Annual Report for the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2016.

A handwritten signature in black ink, appearing to read "R. C. McLeod", written over a horizontal line.

**Robert C. McLeod
Minister Responsible for the
NWT Liquor Commission**

**THE HONOURABLE ROBERT C. MCLEOD
MINISTER OF FINANCE**

NWT Liquor Commission

Pursuant to Subsection 64 (1) of the *Liquor Act*, we are pleased to submit the sixty-second Annual Report of the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2016.

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

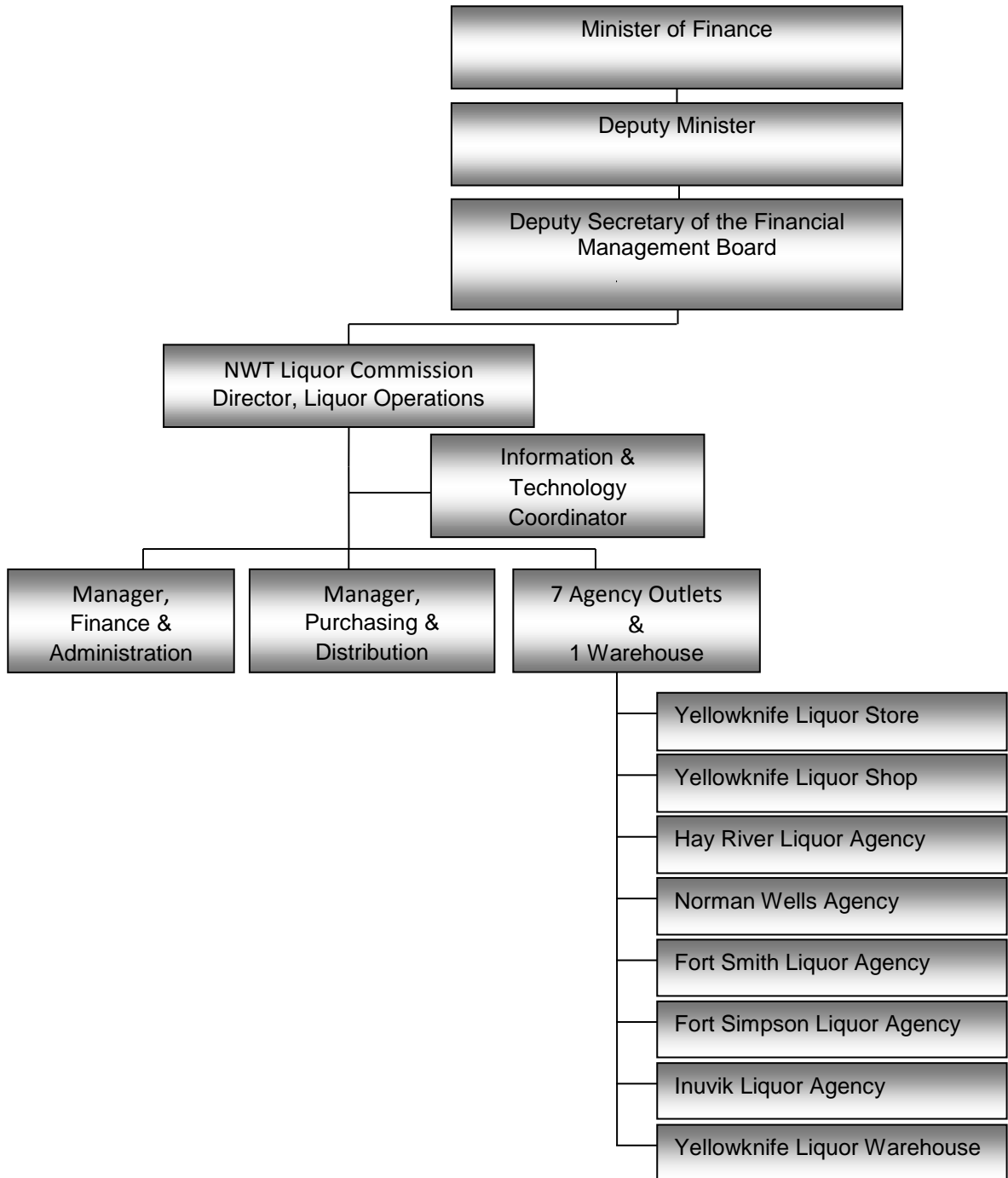


Peter Maher
Director, Liquor Operations
NWT Liquor Commission



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



DIRECTOR, LIQUOR OPERATION'S REPORT

The Northwest Territories Liquor Commission (NWTLC) 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 2.2% sales growth over the prior year at \$49 million. Budget estimates for the year were achieved; with the annual surplus within .7% of the budget targets. The volume of liquor sold, in litres, was down 1.9% over 2014/15, and \$23 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 2015 – 2016 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

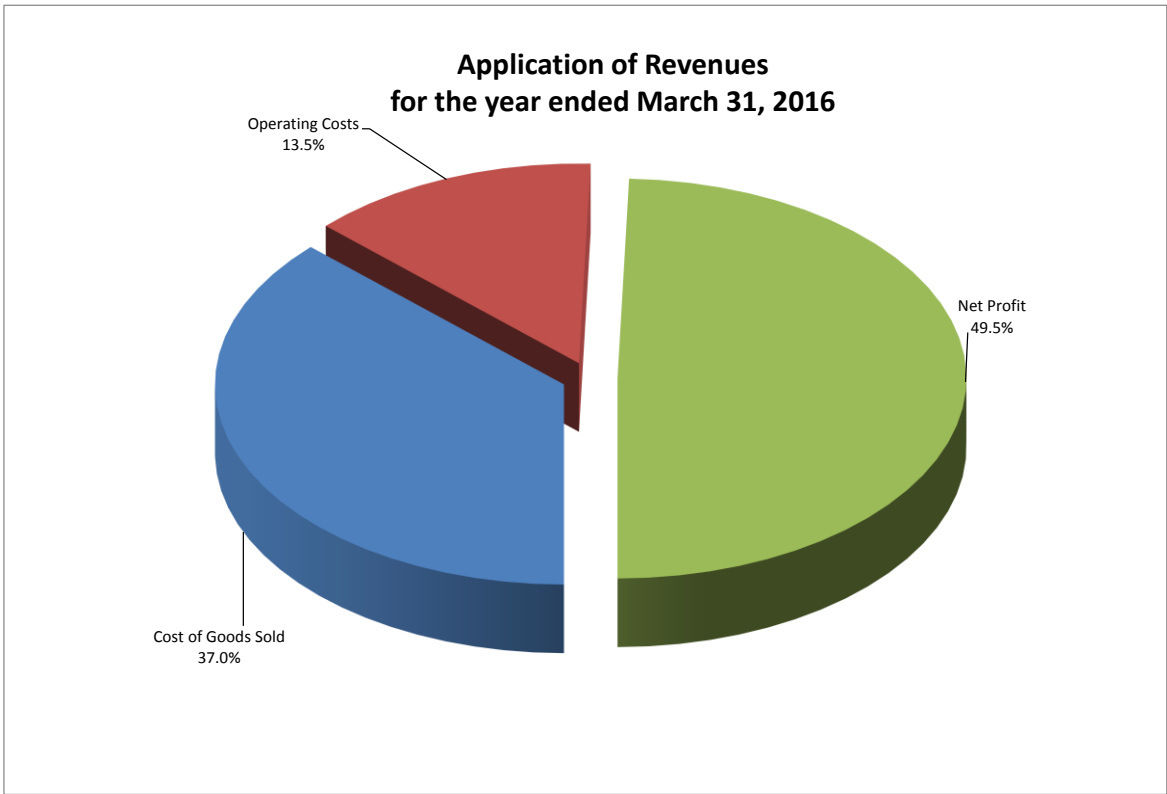
Goal #1

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 eight 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. The Yellowknife stores changed from private to consignment stores on September 8, 2015. 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 13.5% of sales revenue, of which 9.9% 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

We ID anyone who appears under 25 Responsible Retailing

Our employees now wear a Responsible Retailing Tag.

We want you to be aware that we now ask potential customers, who appear to be under 25 years of age, for proof of age.

This helps us ensure that minors who look older than their years are not served.

It's our responsibility.

We believe in Responsible Retailing.

Northwest Territories Liquor Commission

WARNING

1. WOMEN SHOULD NOT DRINK ALCOHOLIC BEVERAGES DURING PREGNANCY BECAUSE OF THE RISK OF BIRTH DEFECTS.
2. CONSUMPTION OF ALCOHOLIC BEVERAGES IMPAIRS YOUR ABILITY TO DRIVE A CAR OR OPERATE MACHINERY, AND MAY CAUSE HEALTH PROBLEMS.

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, *"Its 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

NWTLC annual surplus was 2.7% lower than the previous fiscal year and .7% within budget targets. Sales volume in litres was approximately 1.9% lower than the previous year.

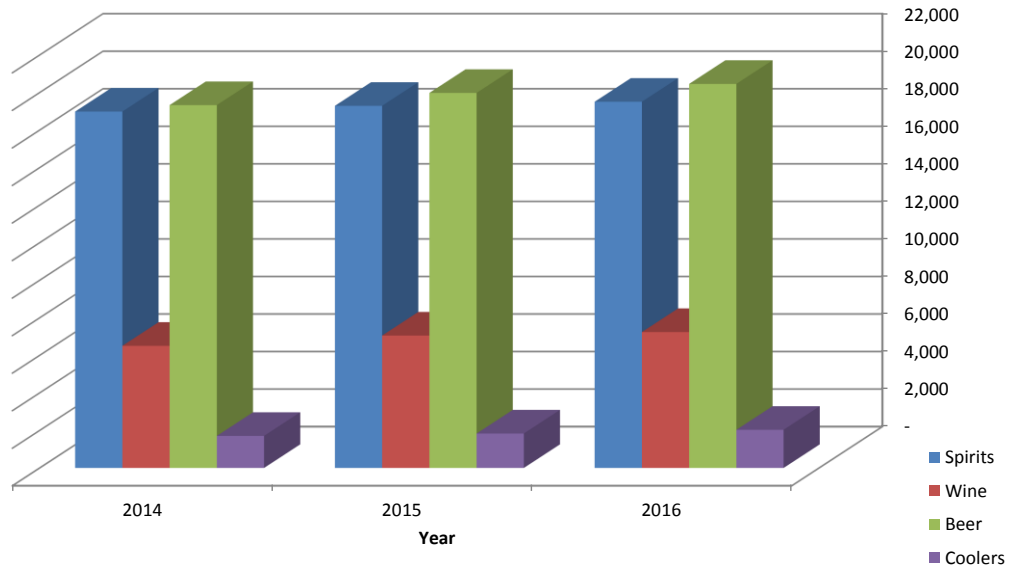
Five Year Performance History

For the year ending March 31st

(\$000's)

	2016	2015	2014	2013	2012
Gross sales	49,238	48,157	46,527	47,313	46,300
Gross profit	30,984	29,976	29,350	30,239	29,378
as a % of sales	62.9	62.2	63.1	63.9	63.5
Other Income	9	10	7	9	20
Net surplus	24,362	25,043	24,523	25,441	24,463
as a % of sales	49.5%	52.0%	52.7%	53.8%	52.8%
Operating expenses	6,631	4,943	4,834	4,807	4,935
as a % of sales	13.5%	10.3%	10.4%	10.2%	10.7%

Three Year Dollar Sales Trend by Category



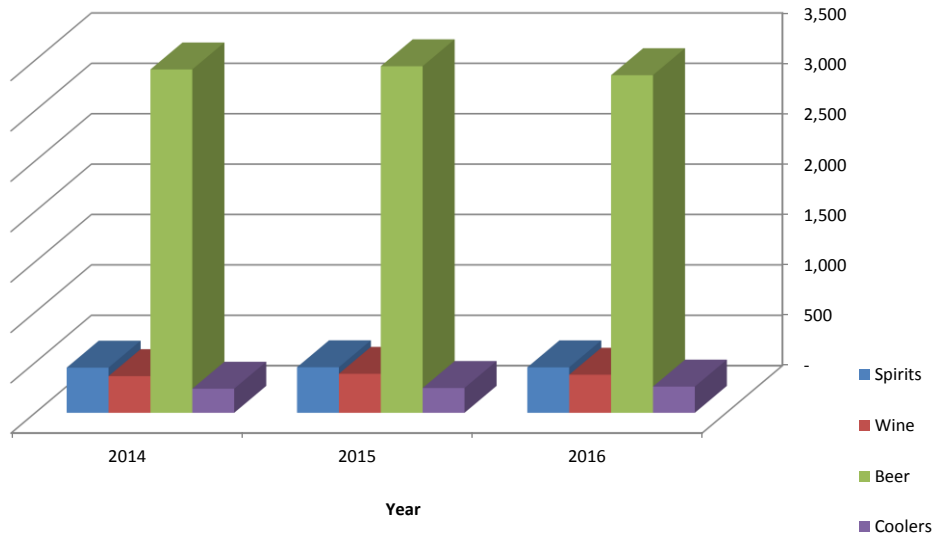
Three Year Dollar Sales by Category

for the year ending March 31

(\$000's)

	Spirits	Wine	Beer	Coolers	Total
2014	18,985	6,506	19,329	1,707	46,527
2015	19,292	7,053	19,978	1,834	48,157
2016	19,508	7,240	20,459	2,031	49,238

Three Year Litre Sales Trend by Category

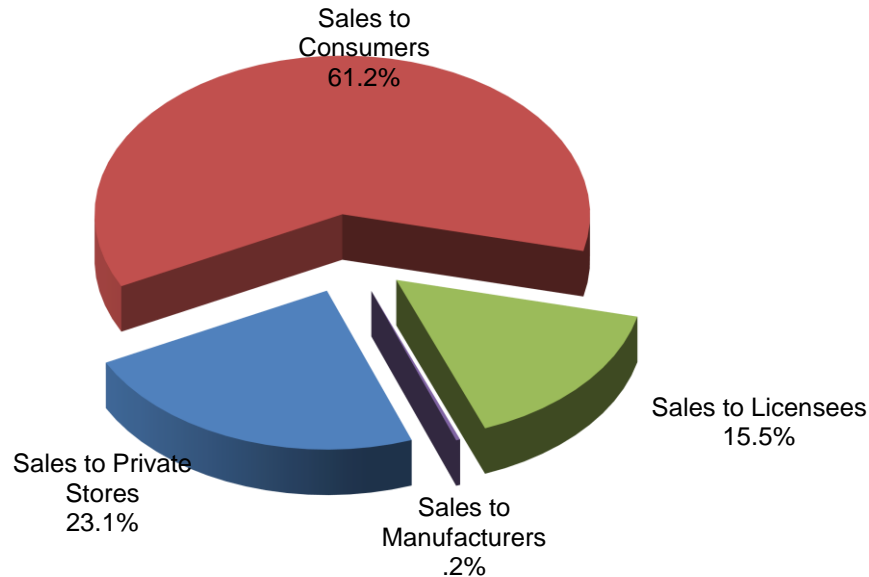


Three Year Litre Sales by Category for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2014	448	364	3,407	239	4,458
2015	452	387	3,439	246	4,524
2016	451	378	3,362	260	4,451

Litre Sales by Distribution Channel



Three Year Litre Sales by Distribution Channel

for the year ending March 31

(000's)

	2016	2015	2014
Sales to Private Stores	1,027	2,057	2,116
Sales to Consumers	2,724	1,647	1,616
Sales to Licensees	688	819	839
Sales to Manufacturers *	12	0	0
Total	4,451	4,523	4,571

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

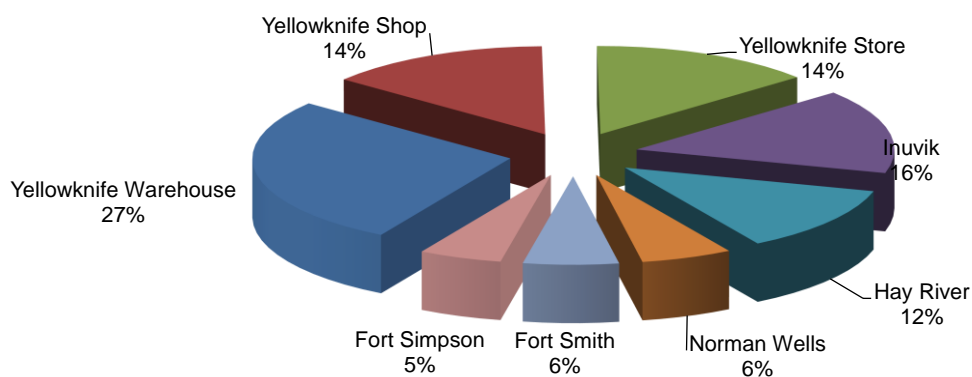
(000's)

	2016	2015	2014
Sales to Private Stores	9,354	22,500	21,916
Sales to Consumers	34,123	19,990	19,248
Sales to Licensees	5,747	5,667	5,363
Sales to Manufacturers *	13	0	0
Total	49,238	48,157	46,527

* Manufacturer's license markup; per the Liquor Regulations (4.1) A licence holder referred to in paragraph (4)(a) or (b) who sells liquor directly to patrons in the Northwest Territories is deemed to have first sold the liquor to the Commission and purchased it back from the Commission.

STORE OPERATIONS

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



Sales by Location

for the year ended March 31

(\$000's)

	2016	2015	Increase (Decrease)
Yellowknife Warehouse	\$ 13,424	\$ 26,275	\$ -12851
Yellowknife Shop	6,907	-	6907
Yellowknife Store	6,894	-	6894
Inuvik	7,583	7,479	104
Hay River	5,937	6,050	-113
Norman Wells	2,811	2,786	25
Fort Smith	2,933	2,865	68
Fort Simpson	2,556	2,562	-6
*Other	193	140	53
Total	\$ 49,238	\$ 48,157	\$ 1081

* 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, 2016 with comparative figures for 2015)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE WAREHOUSE

(\$000's)

					2016	2015
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Private Stores	2,985	1,441	4,435	494	9,355	22,500
Licensees	1,299	626	1,929	215	4,069	3,775
	4,284	2,067	6,364	709	13,424	26,275
Cost of goods sold	1,345	996	3,084	343	5,768	10,518
Gross margin	2,939	1,071	3,280	366	7,656	15,757
Other income					-	-
Operating expenses					897	851
Net income					6,759	14,906

YELLOWKNIFE SHOP (Sept 8, 2015 - March 31, 2016)

(\$000's)

					2016	2015
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,916	1,260	2,493	238	6,907	-
Licensees	-	-	-	-	-	-
	2,916	1,260	2,493	238	6,907	-
Cost of goods sold	794	558	885	92	2,329	-
Gross margin	2,122	702	1,608	146	4,578	-
Other income					-	-
Operating expenses					738	-
Net income					3,840	-

YELLOWKNIFE STORE (September 8, 2015 - March 31, 2016)

(\$000's)

	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	2,746	1,567	2,370	211	6,894	-
Licensees	-	-	-	-	-	-
	<u>2,746</u>	<u>1,567</u>	<u>2,370</u>	<u>211</u>	<u>6,894</u>	<u>-</u>
Cost of goods sold	<u>777</u>	<u>680</u>	<u>869</u>	<u>80</u>	<u>2,406</u>	<u>-</u>
Gross margin	1,969	887	1,501	131	4,488	-
Other income					-	-
Operating expenses					<u>714</u>	<u>-</u>
Net income					<u>3,774</u>	<u>-</u>

INUVIK OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	3,335	737	2,576	250	6,898	6,692
Licensees	126	29	498	32	685	787
	<u>3,461</u>	<u>766</u>	<u>3,074</u>	<u>282</u>	<u>7,583</u>	<u>7,479</u>
Cost of goods sold	<u>952</u>	<u>322</u>	<u>1,296</u>	<u>123</u>	<u>2,693</u>	<u>2,631</u>
Gross margin	2,509	444	1,778	159	4,890	4,848
Other income					-	-
Operating expenses					<u>832</u>	<u>799</u>
Net income					<u>4,058</u>	<u>4,049</u>

HAY RIVER OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	2,290	648	2,260	291	5,489	5,598
Licensees	74	32	322	20	448	452
	<u>2,364</u>	<u>680</u>	<u>2,582</u>	<u>311</u>	<u>5,937</u>	<u>6,050</u>
Cost of goods sold	<u>657</u>	<u>300</u>	<u>989</u>	<u>133</u>	<u>2,079</u>	<u>2,105</u>
Gross margin	1,707	380	1,593	178	3,858	3,945
Other income					-	-
Operating expenses					<u>679</u>	<u>647</u>
Net income					<u>3,179</u>	<u>3,298</u>

NORMAN WELLS OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	1,230	245	1,066	79	2,620	2,550
Licensees	37	18	130	6	191	236
	<u>1,267</u>	<u>263</u>	<u>1,196</u>	<u>85</u>	<u>2,811</u>	<u>2,786</u>
Cost of goods sold	<u>350</u>	<u>122</u>	<u>506</u>	<u>42</u>	<u>1,020</u>	<u>1,002</u>
Gross margin	917	141	690	43	1,791	1,784
Other income					-	-
Operating expenses					<u>645</u>	<u>496</u>
Net income					<u>1,146</u>	<u>1,288</u>

FORT SMITH OPERATIONS

(\$000's)

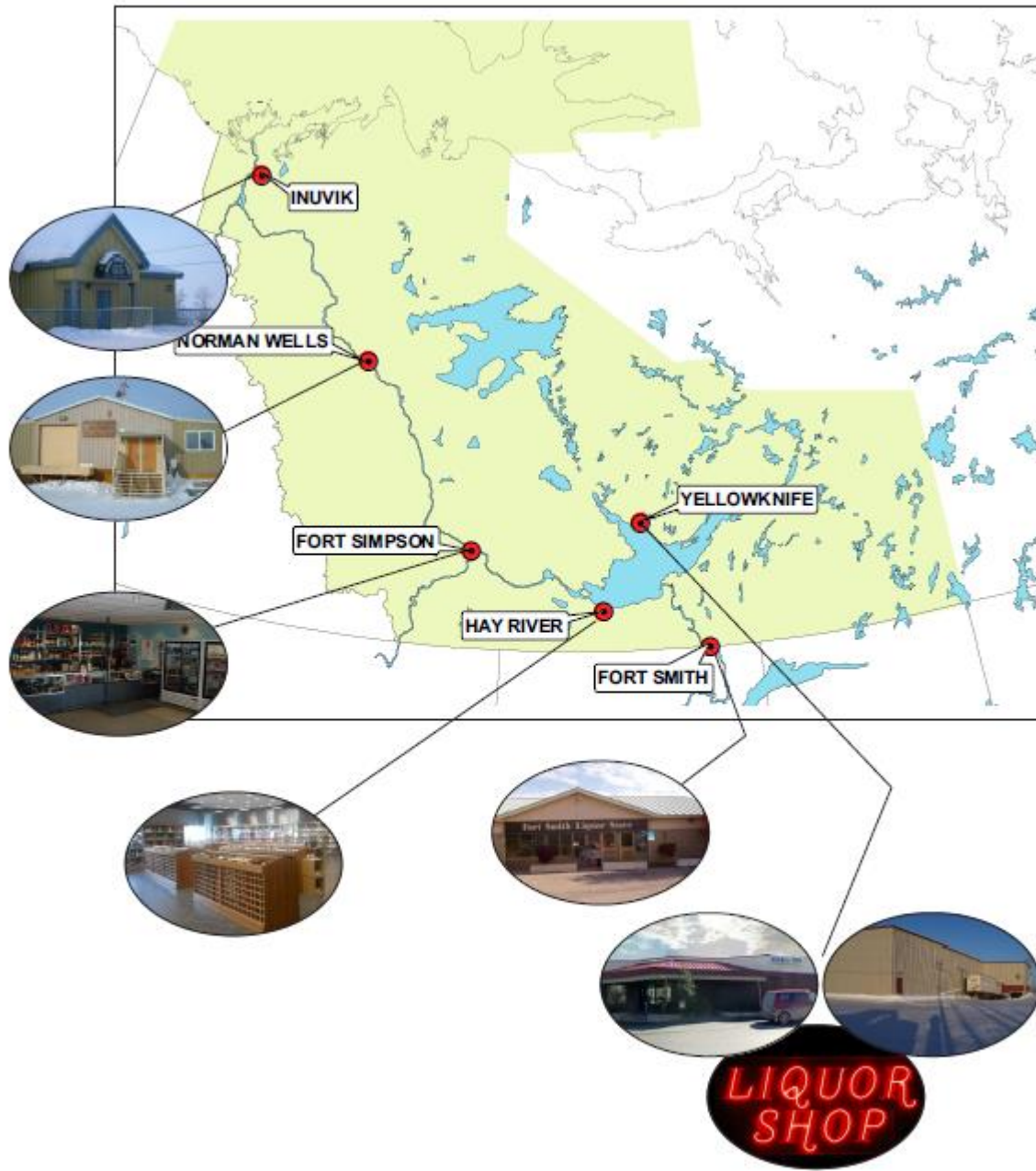
	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	883	393	1,380	172	2,828	2,751
Licensees	24	1	75	5	105	114
	<u>907</u>	<u>394</u>	<u>1,455</u>	<u>177</u>	<u>2,933</u>	<u>2,865</u>
Cost of goods sold	<u>266</u>	<u>160</u>	<u>567</u>	<u>73</u>	<u>1,066</u>	<u>1,024</u>
Gross margin	641	234	888	104	1,867	1,841
Other income					-	-
Operating expenses					<u>503</u>	<u>478</u>
Net income					<u>1,364</u>	<u>1,363</u>

FORT SIMPSON OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2016 Total	2015 Total
Sales						
Consumers	1,242	154	843	69	2,308	2,259
Licensees	33	3	204	8	248	303
	<u>1,275</u>	<u>157</u>	<u>1,047</u>	<u>77</u>	<u>2,556</u>	<u>2,562</u>
Cost of goods sold	<u>325</u>	<u>83</u>	<u>392</u>	<u>32</u>	<u>832</u>	<u>833</u>
Gross margin	950	74	655	45	1,724	1,729
Other income					-	-
Operating expenses					<u>388</u>	<u>375</u>
Net income					<u>1,336</u>	<u>1,353</u>

STORE LOCATIONS



AUDITED FINANCIAL STATEMENTS
2015 – 2016

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2016

NORTHWEST TERRITORIES LIQUOR COMMISSION

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March 31, 2016

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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 29, 2016

Chris Polselli CPA, 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, 2016, 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, 2016 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

I further report in accordance with the *Financial Administration Act* that, 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 the *Financial Administration Act* of the Northwest Territories and regulations and the *Liquor Act* of the Northwest Territories and regulations.

A handwritten signature in dark ink, consisting of a large, stylized 'C' followed by a horizontal line and a small flourish.

August 29, 2016
Spruce Grove, Canada

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Financial Position

As at March 31 (\$000)	2016	2015
Financial Assets		
Cash	\$ 2,739	\$ 2,632
Accounts receivable	43	28
Inventories for resale (note 3)	3,527	2,495
	<u>6,309</u>	<u>5,155</u>
Financial Liabilities		
Accounts payable and accrued liabilities	2,159	1,717
Pension and other employee benefits (note 4)	127	160
Due to the NWT Liquor Licensing Board (note 5)	271	201
	<u>2,557</u>	<u>2,078</u>
Net Financial Resources	<u>3,752</u>	<u>3,077</u>
Non-Financial Assets		
Tangible capital assets (note 6)	620	575
Prepaid expenses	44	52
	<u>664</u>	<u>627</u>
Accumulated Surplus	<u>\$ 4,416</u>	<u>\$ 3,704</u>

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)	2016	2016	2015
	Budget	Actual	Actual
Sales			
Beer	\$ 20,630	\$ 20,459	\$ 19,978
Spirits	18,766	19,508	19,292
Wine	6,879	7,240	7,053
Coolers and Ciders	2,069	2,031	1,834
	<u>48,344</u>	<u>49,238</u>	<u>48,157</u>
Cost of goods sold			
Beer	8,637	8,593	8,647
Spirits	5,274	5,468	5,428
Wine	3,069	3,276	3,268
Coolers and ciders	934	917	838
	<u>17,914</u>	<u>18,254</u>	<u>18,181</u>
Gross profit on sales	<u>30,430</u>	<u>30,984</u>	<u>29,976</u>
Other income			
Government contribution - services provided without charge (note 7)	-	3	3
Import fees and Income	6	6	7
	<u>6</u>	<u>9</u>	<u>10</u>
Expenses (notes 7 and 8)			
Commissions to agents	4,551	4,871	3,256
Salaries, wages and employee benefits	874	854	975
Administration	467	516	375
Travel	47	46	27
Rent	221	249	219
Amortization of tangible capital assets	91	95	91
	<u>6,251</u>	<u>6,631</u>	<u>4,943</u>
Annual surplus	<u>24,185</u>	<u>24,362</u>	<u>\$ 25,043</u>

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)	2016	2016	2015
	Budget	Actual	
Accumulated surplus, beginning of the year	\$ 3,704	\$ 3,704	\$ 3,387
Annual surplus	24,185	24,362	25,043
Amounts transferred to the Consolidated Revenue Fund	(23,574)	(23,024)	(24,511)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(611)	(626)	(215)
Increase in accumulated surplus	-	712	317
Accumulated surplus, end of year	\$ 3,704	\$ 4,416	\$ 3,704

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)	2016 Budget	2016 Actual	2015 Actual
Net financial resources, beginning of the year	\$ 2,804	\$ 3,077	\$ 2,693
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	-	712	317
Net investment in tangible capital assets:			
Acquisitions	-	(140)	(5)
Amortization expense	91	95	91
Decrease (increase) in prepaid expenses	-	8	(19)
Net financial resources, end of year	\$ 2,895	3,752	\$ 3,077

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)	2016	2015
Operating activities		
Cash received from customers	\$ 49,229	\$ 48,136
Cash paid to employees and suppliers	(25,402)	(22,594)
Cash provided by operating activities	23,827	25,542
Capital activities		
Purchase of tangible capital assets	(140)	(5)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(23,024)	(24,511)
Cash transferred to the NWT Licensing Board	(556)	(142)
Cash provided by financing activities	(23,580)	(24,653)
Decrease in cash	107	884
Cash, beginning of year	2,632	1,748
Cash, end of Year	\$ 2,739	\$ 2,632

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2016 (\$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, 2016, the Fund's assets exceeded the liabilities by \$3,752 (2015 – \$3,077).

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, 2016 (\$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 were actuarially determined using the projected unit credit valuation methodology and expected utilization methods. This change was implemented in 2015 and has been accounted for in the comparative figures.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2016 (\$000)

3. Inventories for resale

	2016	2015
Spirits	\$ 1,322	\$ 1,074
Beer	1,213	776
Wine	839	537
Coolers and ciders	153	108
	\$ 3,527	\$ 2,495

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, 2016, the employer contribution rates for employees hired before January 1, 2013 is 1.15 (2015 - 1.18) times employee's contributions. The employer's contribution rate for employees hired after January 1, 2013 is 1.15 (2015 - 1.28) 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:

	2016	2015
Commission's contributions (recognized as expense)	\$ 74	\$ 76
Employees' contribution	59	54

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2016 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits

	2016			2015		
	Severance and Removal Obligation	Accumulated Sick & Special Obligation	Total	Severance and Removal Obligation	Accumulated Sick & Special Obligation	Total
Accrued benefit obligation, beginning of the year	\$ 147	\$ 14	\$ 160	\$ 75	\$ -	\$ 75
Current period benefit cost (note 1)	(6)	11	5	70	65	135
Accuarial (gains) loss	(26)	(13)	(39)			
Accretion in liability	3	0	4	2	-	2
Benefits paid during the year	(40)	(2)	(42)	-	(51)	(51)
	\$ 77	\$ 11	\$ 88	\$ 147	\$ 14	\$ 160
Unamortized net actuarial gain (loss)	26	13	39	-	-	-
Accrued benefit obligation, end of the year	\$ 103	\$ 24	\$ 127	\$ 147	\$ 14	\$ 160

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, 2016 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, 2016 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2016 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2016</u>	<u>2015</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	3.2%	2.5%
Expected average remaining service life of related employee groups (EARSL)	8.6	8.8
Expected age at termination	58.3	58.6

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

2018	\$ 7
2019	6
2020	5
2021	38
2022 and beyond	<u>45</u>
	<u>\$101</u>

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2016 (\$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	2016	2015
Cost:					
Opening balance	\$ 101	\$ 615	\$ 848	\$ 1,564	\$ 1,559
Acquisitions	10	130	-	140	5
Disposals and write-downs	(2)	(31)	-	(33)	-
Closing balance	109	714	848	1,671	1,564
Accumulated Amortization:					
Opening balance	(93)	(598)	(298)	(989)	(898)
Amortization	(3)	(35)	(57)	(95)	(91)
Disposals and write-downs	2	31	-	33	-
	(94)	(602)	(355)	(1,051)	(989)
Net book value	\$ 15	\$ 112	\$ 493	\$ 620	\$ 575

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2016 (\$000)

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 \$854 (2015 – \$975) 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 (2015 – \$3). 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 \$170 (2015 – \$172) for bottle deposits payable to the Department of Environment and Natural Resources, and \$64 (2015 – \$188) for salaries, wages, and employee benefits to the Department of Finance.

8. Contractual obligations

The Commission has a five year lease agreement ending April 30, 2021 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:

2016/17	\$ 231
2017/18	\$ 231
2018/19	\$ 231
2019/20	\$ 231
2020/21	\$ 231

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.