

NORTHWEST TERRITORIES LIQUOR COMMISSION

64th ANNUAL REPORT



Photo Credit: C. Cooper

Northwest Territories

Finance

Territoires du Nord-Ouest

Finances

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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-fourth Annual Report for the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2018.

A handwritten signature in black ink, appearing to read "Robert C. McLeod".

Robert C. McLeod
Minister Responsible for the
NWT Liquor Commission



THE HONOURABLE ROBERT C. MCLEOD

NWT Liquor Commission

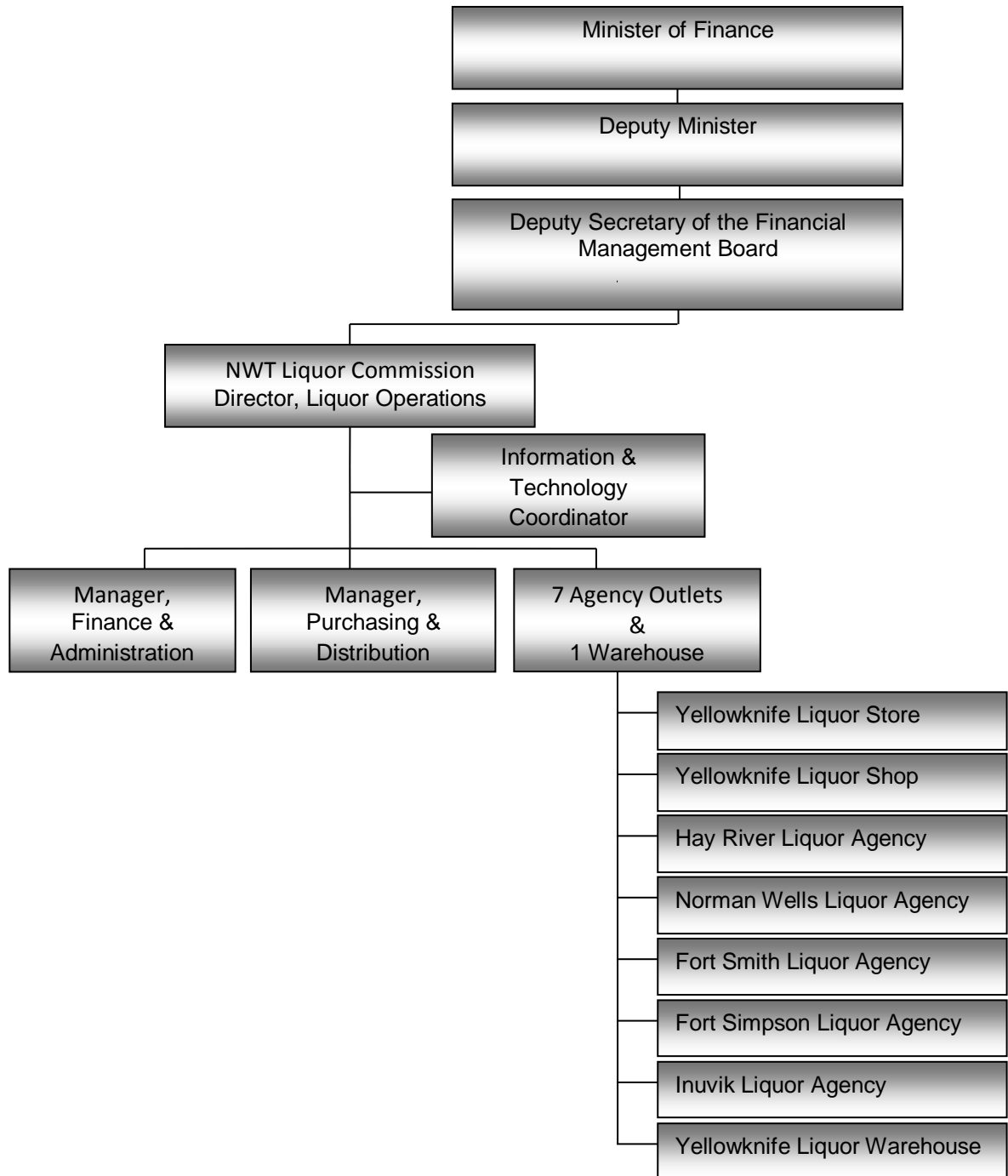
Pursuant to Subsection 64 (1) of the Liquor Act, we are pleased to submit the sixty-fourth Annual Report of the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2018.

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

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www.fin.gov.nt.ca/liquor



DIRECTOR OF 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 1% sales growth over the prior year at \$53 million. Budget estimates for the year were exceeded; with the annual surplus 7.0% over the budget targets. The volume of liquor sold, in litres, was up 5% over 2016/17, 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 warehouse, contracted to private sector operators.

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

1. Efficient operation, 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 2017–2018 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

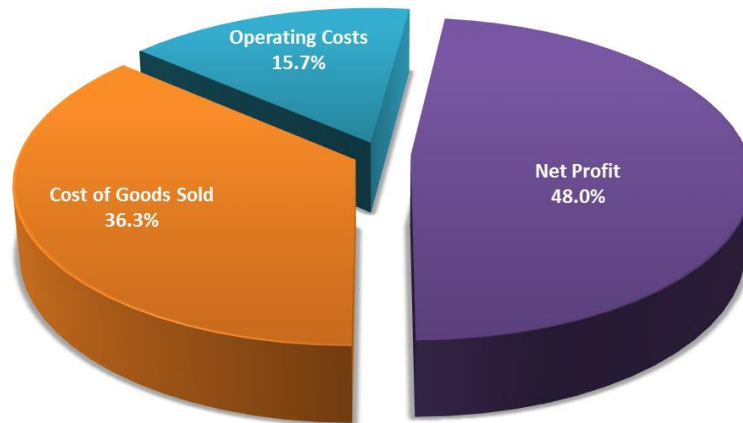
Operations are managed efficiently and comply with legislation, regulation and policy.

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, a network of seven stores and one warehouse - operated by private contractors. All seven of the private agency stores operate with inventory on consignment from the Commission. 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. The cost to deliver the sales and administration throughout the year was 15.7% of sales revenue, of which 12% 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.

**Application of Revenues
for the year ended March 31, 2018**



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

The NWTLC participates with the Canadian Association of Liquor Jurisdictions Social Responsibility Committee in support of socially responsible liquor retailing on a nationwide basis. We have partnered with Manitoba Liquor and Lotteries in their UnDrunk Campaign; in an effort to promote awareness that drinking and driving extends to the use of recreational vehicles.

During the 2016-17 year, Uphere Magazine's designers, in conjunction with the new requirements for the Government of the NWT's Visual Identity Programs, designed a Summer and Winter UnDrunk Poster Campaign that was in Uphere Magazine, News North, L'Aguilon, 25 Community Recreational Centres, and Band and Municipal Government Offices across the Northwest Territories, and in the Yellowknife Chamber of Commerce Insider.



GOAL #3

Meet financial income targets.

Performance Highlights

NWTLC annual surplus was (.5%) over the previous fiscal year and 6% within budget targets.

Five Year Performance History

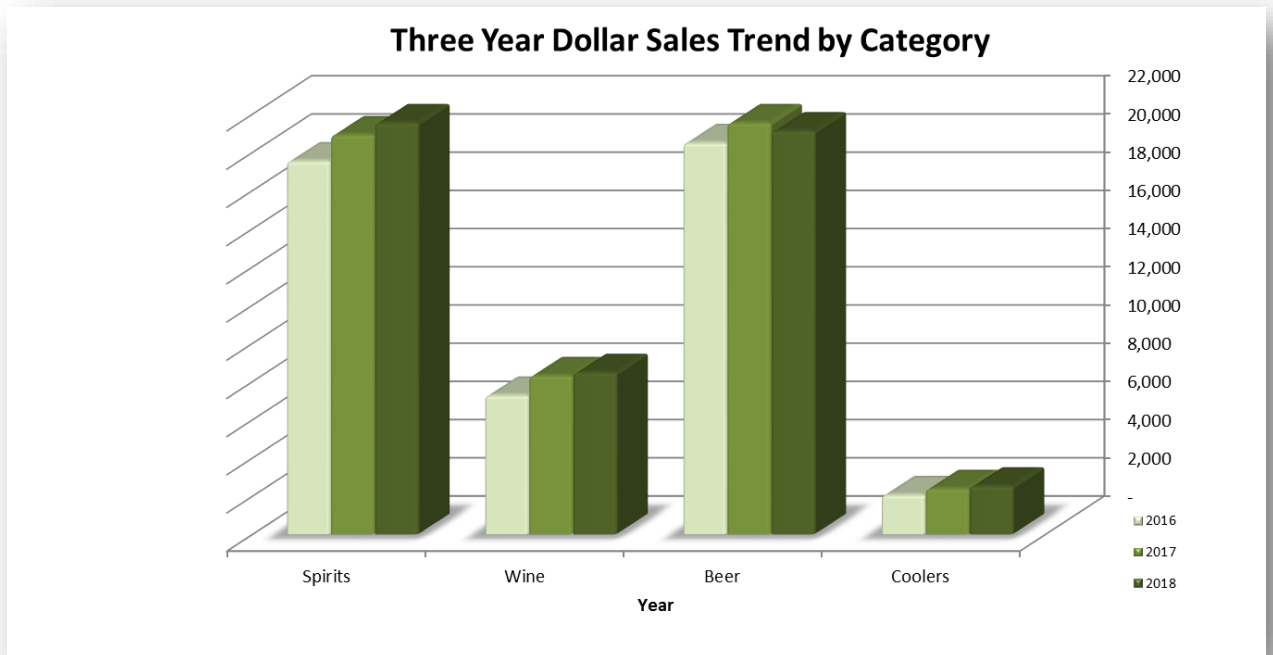
for the year ending March 31

(000's)

	2018	2017	2016	2015	2014
Gross Sales	53,504	52,998	49,238	48,157	46,527
Gross Profit	34,068	33,772	30,984	29,976	29,350
as a % of sales	63.7%	63.7%	62.9%	62.2%	63.1%
Other Income	15	13	9	10	7
Net Surplus	25,662	25,681	24,362	25,043	24,523
as a % of sales	48.0%	48.5%	48.5%	52.0%	52.7%
Operating Expenses	8,421	8,104	6,631	4,943	4,834
as a % of sales	15.7%	15.3%	13.5%	10.3%	10.4%

Performance Highlights, continued

Gross Dollar Sales growth of 1% over 2017 in all categories. With increases in the Spirits - 3%, Wine - 2%, and Coolers & Ciders Category - 5% while the Beer Category has declined (2%).



Three Year Dollar Sales by Category

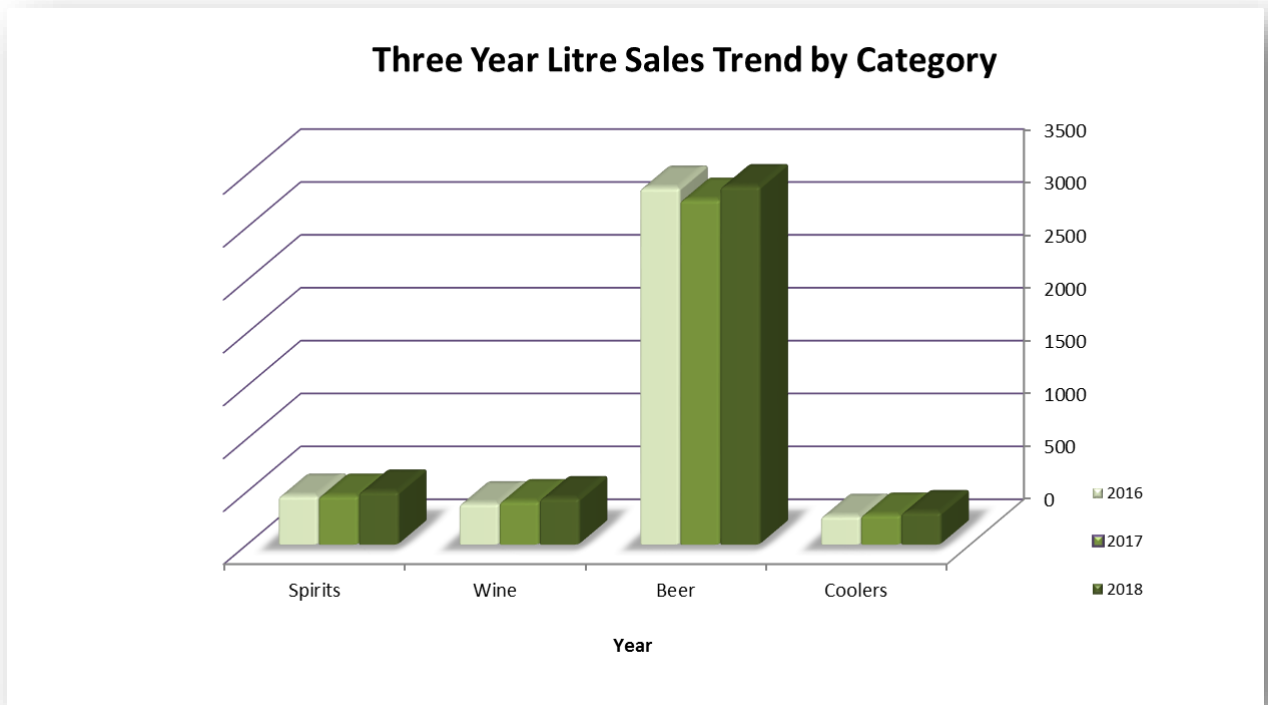
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2016	19,508	7,240	20,459	2,031	49,238
2017	20,875	8,264	21,505	2,354	52,998
2018	21,505	8,430	21,081	2,488	53,504

Performance Highlights, continued

Litre Sales growth of 5% over 2017. With increases in Spirits - 8%, Wine - 7%, Beer - 4% and Coolers & Ciders - 8%, Categories.



Three Year Litre Sales by Category

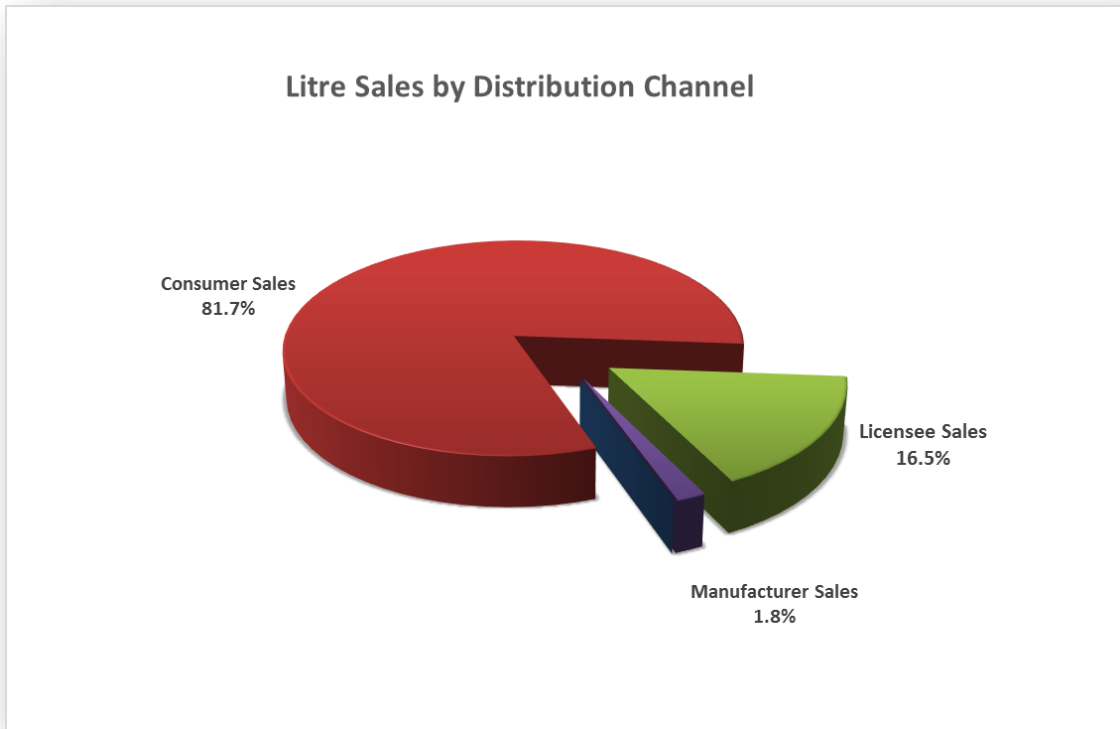
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2016	451	378	3,362	260	4,451
2017	450	398	3,249	271	4,368
2018	490	427	3,377	295	4,589

Performance Highlights, continued

Litre Sales by Distribution increases over 2017; Consumer Sales - 5%, Licensee Sales - 4% and Manufacturer Sales - 27%.



* 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.

Performance Highlights, continued

Gross Dollar Sales by Distribution increase/decrease over 2017; Consumer Sales - 1%, Licensee Sales - .4% and Manufacturer Sales - (.05%).

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

(000's)

	2018	2017	2016
Sales to Private Stores	0	0	9,354
Sales to Consumers	47,563	47,077	34,125
Sales to Licensees	5,873	5,849	5,746
Sales to Manufacturers *	68	72	13
Total	53,504	52,998	49,238

Three Year Litre Sales by Distribution Channel

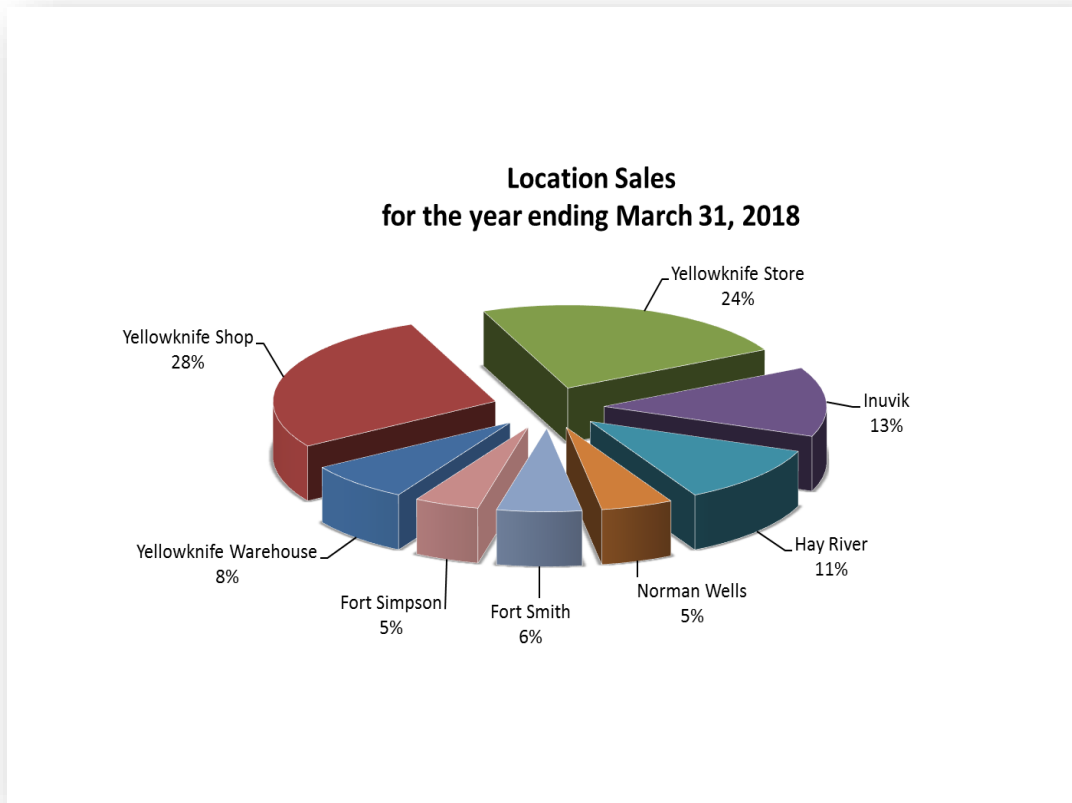
for the year ending March 31

(000's)

	2018	2017	2016
Sales to Private Stores	0	0	1,027
Sales to Consumers	3,750	3,574	2,724
Sales to Licensees	756	729	688
Sales to Manufacturers *	83	65	12
Total	4,589	4,368	4,451

* 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



Sales by Location

for the year ending March 31

(000's)

	2018	2017	Increase (Decrease)
Yellowknife Warehouse	4,060	4,101	(41)
Yellowknife Shop	14,818	14,031	787
Yellowknife Store	12,514	12,406	108
Inuvik	7,185	7,486	(301)
Hay River	6,050	5,977	73
Norman Wells	2,780	2,899	(119)
Fort Smith	3,279	3,171	108
Fort Simpson	2,510	2,628	(118)
* Other	308	299	9
	53,504	52,998	506

* 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, 2018 with comparative figures for 2017)
 (revenue and expenses directly related to sales per location)

YELLOWKNIFE WAREHOUSE

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Licensees	864	605	2,404	187	4,060	4,101
Cost of goods sold	338	320	1,473	126	2,257	2,296
Gross margin	526	285	931	61	1,803	1,805
Other income					-	-
Operating expenses					953	905
Net income					850	900

YELLOWKNIFE SHOP

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	6,349	2,434	5,316	719	14,818	14,031
Cost of goods sold	1,740	1,081	1,922	289	5,032	4,739
Gross margin	4,609	1,353	3,394	430	9,786	9,292
Other income					-	-
Operating expenses					1,624	1,542
Net income					8,162	7,750

YELLOWKNIFE STORE

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	4,883	2,869	4,240	522	12,514	12,406
Cost of goods sold	1,398	1,244	1,569	213	4,424	4,362
Gross margin	3,485	1,625	2,671	309	8,090	8,044
Other income					-	-
Operating expenses					1,315	1,301
Net income					6,775	6,743

INUVIK OPERATIONS

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	3,155	775	2,341	279	6,550	6,840
Licensees	119	32	452	32	635	646
	3,274	807	2,793	311	7,185	7,486
Cost of goods sold	915	322	1,150	142	2,529	2,648
Gross margin	2,359	485	1,643	169	4,656	4,838
Other income					-	-
Operating expenses					795	830
Net income					3,861	4,008

HAY RIVER OPERATIONS

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,340	707	2,205	297	5,549	5,532
Licensees	82	34	367	18	501	445
	2,422	741	2,572	315	6,050	5,977
Cost of goods sold	680	294	1,013	135	2,122	2,093
Gross margin	1,742	447	1,559	180	3,928	3,884
Other income					-	-
Operating expenses					700	700
Net income					3,228	3,184

NORMAN WELLS OPERATIONS

(\$000's)

					2018	2017
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,299	241	972	80	2,592	2,674
Licensees	31	27	121	8	187	225
	1,330	268	1,093	88	2,779	2,899
Cost of goods sold	368	127	459	43	997	1,037
Gross margin	962	141	634	45	1,782	1,862
Other income					-	-
Operating expenses					622	670
Net income					1,160	1,192

FORT SMITH OPERATIONS

(\$000's)

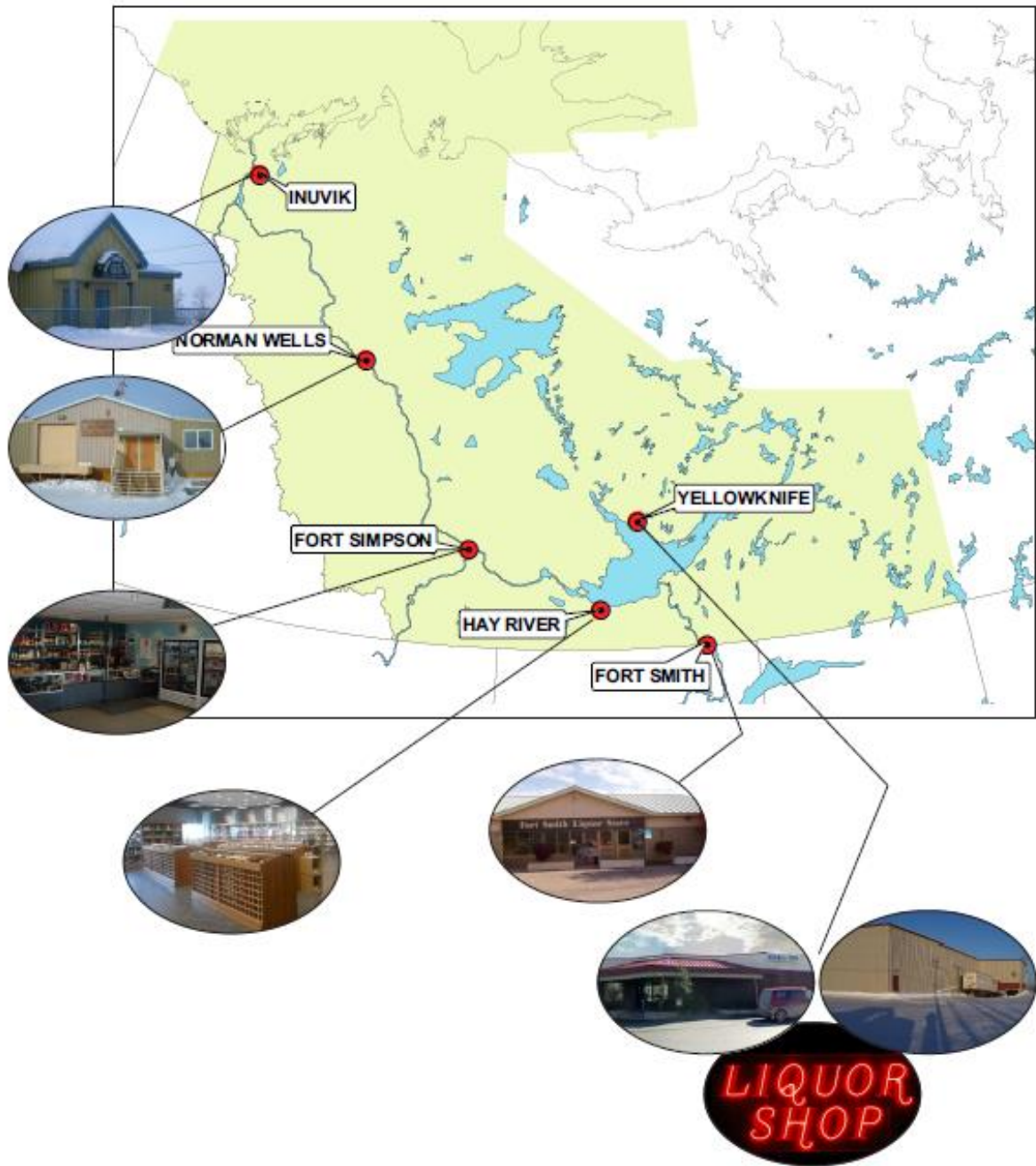
	Spirits	Wine	Beer	Coolers	2018 Total	2017 Total
Sales						
Consumers	1,027	375	1,485	215	3,102	3,032
Licensees	47	5	117	9	178	139
	1,074	380	1,602	224	3,280	3,171
Cost of goods sold	312	152	612	89	1,165	1,128
Gross margin	762	228	990	135	2,115	2,043
Other income					-	-
Operating expenses					592	558
Net income					1,523	1,485

FORT SIMPSON OPERATIONS

(\$000's)

	Spirits	Wine	Beer	Coolers	2018 Total	2017 Total
Sales						
Consumers	1,262	139	710	87	2,198	2,335
Licensees	31	5	242	33	311	293
	1,293	144	952	120	2,509	2,628
Cost of goods sold	380	61	315	46	802	826
Gross margin	913	83	637	74	1,707	1,802
Other income					-	-
Operating expenses					412	401
Net income					1,295	1,401

STORE LOCATIONS



AUDITED FINANCIAL STATEMENTS
2017 – 2018

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2018

NORTHWEST TERRITORIES LIQUOR COMMISSION

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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
June 29, 2018

Chris Polselli, Chartered Accountant

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, 2018, 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, 2018 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, appearing to be 'C. R.', is displayed on a light green rectangular background.

June 29, 2018
Spruce Grove, Canada

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Operations

For the year ended March 31 (\$000)	2018	2018	2017
	Budget	Actual	Actual
Sales			
Beer	\$ 21,353	\$ 21,081	\$21,505
Spirits	19,528	21,505	20,875
Wine	7,464	8,430	8,264
Coolers and Ciders	2,110	2,488	2,354
	<u>50,455</u>	<u>53,504</u>	<u>52,998</u>
Cost of goods sold			
Beer	8,567	8,516	8,715
Spirits	5,455	6,133	5,835
Wine	3,343	3,705	3,645
Coolers and ciders	907	1,082	1,031
	<u>18,272</u>	<u>19,436</u>	<u>19,226</u>
Gross profit on sales	<u>32,183</u>	<u>34,068</u>	<u>33,772</u>
Other income			
Government contribution - services provided without charge (note 7)	-	8	6
Import fees and Income	9	7	7
	<u>9</u>	<u>15</u>	<u>13</u>
Expenses (notes 7)			
Commissions to agents	6,188	6,477	6339
Salaries, wages and employee benefits	892	988	793
Administration	506	563	580
Travel	35	48	62
Rent	230	232	241
Amortization of tangible capital assets (note 6)	90	111	89
	<u>7,941</u>	<u>8,419</u>	<u>8,104</u>
Annual surplus	<u>\$ 24,251</u>	<u>\$ 25,664</u>	<u>\$25,681</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)	2018	2018	2017
	Budget	Actual	Actual
Accumulated surplus, beginning of the year	\$ 5,912	\$ 5,912	4,416
Annual surplus	24,251	25,664	25,681
Amounts transferred to the Consolidated Revenue Fund	(23,545)	(25,326)	(23,566)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(706)	(628)	(619)
Increase in accumulated surplus	-	(290)	1,496
Accumulated surplus, end of year	\$ 5,912	\$ 5,622	5,912

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)	2018	2018	2017
	Budget	Actual	Actual
Net financial resources, beginning of the year \$	5,313	\$ 5,313	\$ 3,752
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	-	(290)	1,496
Net investment in tangible capital assets:			
Acquisitions	-	(111)	(38)
Amortization expense	90	111	89
Increase in prepaid expenses	-	(27)	14
Net financial resources, end of year \$	5,403	4,996	\$ 5,313

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flow

For the year ended March 31 (\$000)	2018	2017
Operating activities		
Cash received from customers	\$ 53,483	\$ 52,987
Cash paid to employees and suppliers	(26,902)	(27,780)
Cash provided by operating activities	26,581	25,207
Capital activities		
Purchase of tangible capital assets	(111)	(38)
Financing activities		
Cash transferred to the Consolidated Revenue	(25,326)	(23,566)
Cash transferred to the NWT Licensing Board	(517)	(803)
Cash provided by financing activities	(25,843)	(24,369)
Increase in cash	627	800
Cash, beginning of year	3,539	2,739
Cash, end of Year	\$ 4,166	\$ 3,539

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2018 (\$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, 2018 the Fund's assets exceeded the liabilities by \$4,996 (2017 - \$5,313).

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, 2018 (\$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.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2018 (\$000)

3. Inventories for resale

	2018	2017
Spirits	\$ 1,388	\$ 1,523
Beer	1,208	1,292
Wine	877	929
Coolers and ciders	155	162
	<hr/> \$ 3,628	<hr/> \$ 3,906

4. Pension and other employee benefits

a) Pension benefits

The employees of the Commission participates in the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. 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 two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.01 times (2017 - 1.01) the employees' contributions for employees who started prior to January 2013 and 1.0 times (2017 - 1.01) the employees' contributions for all other employees. The Employers contributions and the Commission's employees' contribution for the year were as follows:

	2018	2017
Commission's contributions (recognized as expense)	\$ 77	\$ 71
Employees' contribution	79	64

The plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

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4. Pension and other employee benefits (continued)

b) Other employee benefits

	2018			2017		
	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	\$ 95	\$ 14	\$ 109	\$ 78	\$ 10	\$ 88
Current period benefit cost	4	1	5	3	1	4
Accrual (gains) loss	(10)	(1)	(11)	60	3	63
Accretion in liability	3	-	3	2	-	2
Benefits paid during the year	-	-	-	(48)	(1)	(49)
	\$ 92	\$ 14	\$ 106	\$ 95	\$ 13	\$ 108
Unamortized net actuarial gain (loss)	(23)	9	(14)	(37)	9	(28)
Accrued benefit obligation, end of the year	\$ 69	\$ 23	\$ 92	\$ 58	\$ 22	\$ 80

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, 2018 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, 2018 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2018 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2018</u>	<u>2017</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	3.8%	3.3%
Expected average remaining service life of related employee groups (EARSL)	8.0	8.0
Expected age at termination	58.7	58.7

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

2019	\$	8
2020		7
2021		41
2022		24
2023		12
2024 and beyond		<u>34</u>
	\$	<u>126</u>

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

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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 use by the Board and Enforcement without charge.

6. Tangible capital assets

	Furniture and fixtures	Computer hardware and software	Leasehold improvements	2018	2017
Cost:					
Opening balance	\$ 118	\$ 719	\$ 848	\$ 1,685	\$ 1,671
Acquisitions	2	109	-	111	38
Disposals and write-downs	(1)	(24)	-	(25)	(24)
Closing balance	119	804	848	1,771	1,685
Accumulated Amortization:					
Opening balance	(97)	(631)	(388)	(1,116)	(1,051)
Amortization	(7)	(71)	(33)	(111)	(89)
Disposals and write-downs	1	24	-	25	24
	(103)	(678)	(421)	(1,202)	(1,116)
Net book value	\$ 16	\$ 126	\$ 427	\$ 569	\$ 569

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2018 (\$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 \$988 (2017 – \$793) 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 \$8 (2017 – \$6). 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 \$179 (2017 – \$174) for bottle deposits payable to the Department of Environment and Natural Resources, \$370 (2017 – \$29) for salaries, wages, and employee benefits payable to the Department of Finance, and \$0 (2017 - \$4) other various Government Departments.

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:

2018/19	\$ 225
2019/20	\$ 225
2020/21	\$ 91
2021/22	\$ NIL

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 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.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

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10. Subsequent Events

In June 2018, the GNWT enacted legislation approving the sale of recreational cannabis in the Northwest Territories by the Commission. Money from the sale of cannabis and for the purchase of cannabis will flow through the Liquor Revolving Fund. Retail Cannabis sales and related operations are expected to commence on or about October 17, 2018. The Commission is currently unable to estimate the effect this will have on future operations.

In June 2018, the working capital limit of the Liquor Revolving Fund was increased from \$6,500 to \$12,000.