

Kativik Regional Government
Statement of Variation of Net Financial Assets (Net Debt)
Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Surplus (deficit) for the year	<u>45,773,152</u>	<u>50,504,504</u>
Capital assets variation		
Acquisition of capital assets	(34,500,862)	(35,036,307)
Capital assets transferred to Northern Villages	5,581,060	3,967,168
Amortization of capital assets	<u>14,252,249</u>	<u>14,542,823</u>
	<u>(14,667,553)</u>	<u>(16,526,316)</u>
Other non-financial assets – Prepaid expenses and inventories variation	<u>(380,240)</u>	<u>(460,724)</u>
	<u>(380,240)</u>	<u>(460,724)</u>
Variation of net financial assets (net debt)	<u>30,725,359</u>	<u>33,517,464</u>
Net financial assets (net debt), beginning of year	<u>46,146,883</u>	<u>12,629,419</u>
Net financial assets (net debt), end of year	<u>76,872,242</u>	<u>46,146,883</u>

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

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Kativik Regional Government
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1 - REPORTING ENTITY

The Kativik Regional Government (KRG) was established pursuant to Section 239 of the Act respecting Northern villages and the Kativik Regional Government (CQLR, c. V-6.1) (hereafter "the Kativik Act"), adopted by the National Assembly of Quebec on June 23, 1978. Pursuant to this legislation and other mandates delegated to it by the Northern Villages and the Quebec Government, the KRG delivers public services to the residents of the Kativik Region. Specifically, the KRG has jurisdiction over the territory of Quebec located north of the 55th parallel, excluding the Category 1A and 1B lands intended for the Cree community of Whapmagoostui.

The KRG is led by a 17-member Council composed of elected municipal representatives appointed by each of the Northern Villages and the Naskapi First Nation of Kawawachikamach. A five-member Executive Committee is appointed from among and by the Council and is headed by a Chairperson and a Vice-chairperson who, pursuant to the Kativik Act, must devote all their time to the service of the KRG. The Executive Committee is responsible for the management of the affairs of the KRG and ensures that the decisions of the Council are carried out.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Management is responsible for the preparation of the financial statements, which have been prepared in accordance with Canadian public sector accounting standards (hereafter "the accounting standards").

These financial statements include certain financial information determined for fiscal purposes in accordance with the *Manuel de la présentation de l'information financière municipale* published by the Ministère des Affaires municipales et de l'Habitation. This information includes the surplus (deficit) for the year for fiscal purposes presented on pages 10 and 11 and the statement of accumulated operating surplus (deficit) presented on page 6.

Internal charges and transfers

These financial statements reflect all the transactions of the various programs. Inter-programs operations are eliminated, except in Appendices A and B, in which internal charges and transfers are recorded as revenue and expenditure in the various departments.

Accounting estimates

The preparation of financial statements in accordance with the accounting standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and appendices. These estimates are based on management's knowledge of current events and actions that the KRG may undertake in the future. Actual results may differ from these estimates.

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2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriated surplus

The appropriated surplus corresponds to the portion of the surplus which is reserved in virtue of agreements signed with governments and organizations.

Investments and loans receivable

Upon initial measurement, loans receivable are measured at cost (which generally corresponds to the cash transferred), with the exception of loans receivable with significant concessionary terms. Valuation allowances are used to designate loans receivable at the lower of cost and net recoverable amount and, accordingly, reflect the collectability and risk of loss. The assessment is done on an individual loan basis or for a particular class of loans. Valuation allowances are determined using the best estimates available in light of past events and current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements. If a loan is provided for in a valuation allowance, in part or in total, and recovery of the loan is subsequently assessed as likely, the valuation allowance for the loan may be reduced.

The disbursements of loans receivable through Makigiarutiit I and II (#77, #177 and #85), and Makigiarutiit III and IV (#88) are recognized as expenses in the statement of surplus (deficit) for the year. All capital repayments and interest collected during the year in relation with these loans are recognized as revenues in the statement of surplus (deficit) for the year. However, the investment in loans receivable is recorded at cost plus related accrued interest in the statement of financial position while an equivalent amount is recorded under the investment in long-term assets equity account. As at December 31, 2020, a provision for doubtful loans of \$867,565 (\$1,752,229 as at December 31, 2019), equivalent to 50% to 100% of loans in default, was recorded.

Capital assets

Capital assets are recorded at cost. When the cost of an asset was not available, the fair market value of this asset was used. The fair market value was based on the value of the asset as per the insurance list. Capital assets are amortized using the straight-line method and based on their estimated useful lives as follows:

	<u>Periods</u>
Buildings and houses	20 years
Telecommunication infrastructure	5 years
Heavy equipment	10 years
Vehicles	5 years
Equipment, office and housing furniture	5 years
Construction equipment	5 years
Marine infrastructure	40 years

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2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

When conditions indicate that a capital asset no longer contributes to the KRG's ability to provide goods and services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the cost of the capital asset is reduced to reflect the decline in the asset's value. Any write-down of capital assets should be accounted for as an expenditure in the statement of surplus (deficit) for the year and no write-down may be subsequently reversed.

Capital projects of the Northern Villages

The Northern Villages have enacted and decreed authorization to the KRG to coordinate for and on their behalf the achievement of capital projects approved by them. Therefore, the Northern Villages' capital expenditure in progress and the related balances available, held by the KRG on behalf of the Northern Villages, are accounted for in the KRG books and presented in the financial statements of the Northern Villages. Upon completion of the project, the ownership title of the asset is transferred to the name of the related Northern Village and is recorded in the Northern Village's financial statements.

The capital projects of the Northern Villages are financed through the KRG. Therefore, the long-term debt presented in the KRG's financial statements also includes the financing of capital projects approved by the Northern Villages. The related portion not reimbursed at the end of the year is recorded as an amount to be recovered from the said Northern Villages for repaying the related long-term debt.

Cash and cash equivalents

Cash and cash equivalents consist of the cash and bank overdraft.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the actual cost method plus estimated transportation.

Revenue recognition

Revenues from contributions are recognized in the financial statements in the year they were realized, based on authorizations and admissibility criteria.

Revenues from services rendered are recorded when the services rendered and the related amounts are due to the KRG.

Term deposits

Term deposits are recorded at cost.

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3 - INVESTMENTS AND LOANS RECEIVABLE

a) The investments and loans receivable are as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Loans receivable and investments approved under Regional and Local Development departments		
Makigiarutiit I and II (#77, #177 and #85) – Loans receivable	2,694,866	3,413,566
Makigiarutiit I and II (#77, #177 and #85) – Investments	3,025,600	3,023,010
Makigiarutiit III and IV (#88) – Loans receivable	3,078,345	3,699,780
	<u>8,798,811</u>	<u>10,136,356</u>
Provision for doubtful loans	(867,565)	(1,752,229)
	<u>7,931,246</u>	<u>8,384,127</u>

The loans repayments to be recovered for the next years are detailed as follows:

	<u>\$</u>
2021	899,943
2022	763,179
2023	772,854
2024	639,764
2025	621,402
2026 and subsequent years	<u>5,101,669</u>
	<u><u>8,798,811</u></u>

All loans issued prior to January 1, 2020, for which the applicable repayment terms are not respected, have been classified under the 2026 and subsequent years.

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3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

b) The details of the loans receivable and investments are as follows:

	Principal	Accrued interest	Total
	\$	\$	\$
<u>Loans receivable</u>			
Issued in 2001			
Willie Cain – Lunch's Restaurant (\$28,302) (5 years – without interest)	3,862		3,862
Issued in 2003			
Samisa Epoo Pool Hall (\$19,761) (4 years – 6%)	(464)		(464)
Issued in 2008			
Fort Chimo Cooperative Association (\$215,000) (20 years – 3.5%)	101,485	301	101,786
Initsiaq Women's Shelter (\$210,704) (15 years – 3.25%)	43,265	235	43,500
Fort Chimo Cooperative Association – Hotel expansion (\$250,000) (20 years – 3.5%)	105,919	314	106,233
Issued in 2010			
Dépanneur Newviq'vi Inc. (\$366,500) (15 years – 0.25%)	96,819	20	96,839
Les Magasins Tullik Inc. (\$386,500) (15 years – 0.25%)	101,883	21	101,904
Tasiujaq Cooperative Association (\$250,000) (15 years – 3%)	93,378	237	93,615
Ajapirvik Women's Shelter of Inukjuak (\$308,250) (15 years – 0.25%)	82,010	17	82,027
Issued in 2011			
Nayumivik Landholding Corporation (\$186,000) (14 years – 3.75%)	76,639	480	77,119
Great Whale Cooperative Association Kuujjuarapik (15 years – 0.25%) (\$405,000)	152,568	32	152,600
Quaqtaq Cooperative Association (\$370,000) (15 years – 0.25%)	141,422	30	141,452
Tuvaaluk Landholding Corporation (\$210,000) (20 years – 0.25%)	60,648	13	60,661
Nayumivik Landholding Corporation (\$250,000) (14 years – 0.25%)	90,213	38	90,251
Issued in 2013			
Nunabec Inc. (\$30,182) (10 years – 4.5%)	10,549	40	10,589
Nunavik Enterprises (\$105,000) (10 years – 4.49%)	34,209	256	34,465

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3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2013			
Hébergement Communautaire Uvatinut (\$205,000) (15 years – 3.75%)	130,779	415	131,194
Hébergement Communautaire Uvatinut (\$250,000) (15 years – 0.25%)	134,427	28	134,455
Pituvik Landholding Corporation of Inukjuak (\$500,000) (16 years – 1%)	265,807	443	266,250
Nunabec Inc. (\$197,718) (10 years – 1%)	64,167	54	64,221
Nunavik Enterprises (Kuujjuaq) (\$500,000) (10 years – 3%)	165,633	829	166,462
Saputik Landholding Corporation of Kangirsuk (\$250,000) (8 years – 3%)	35,244	354	35,598
Auberge Kuujjuaq Inc. (\$250,000) (10 years – 4.49%)	86,696	330	87,026
Issued in 2014			
Nunavik Rotors Inc. (\$474,650) (7 years – 1%)	58,044	97	58,141
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	169,932	432	170,364
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	208,890	531	209,421
Auberge Kuujjuaq Inc. (\$420,000) (10 years – 3%)	131,780	335	132,115
Arqivik Landholding Corporation Iqaluppik Hotel (\$500,000) (15 years – 3%)	487,320	2,440	489,760
Issued in 2015			
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	186,563	856	187,419
Taqramiut Nipingat (\$158,000) (10 years – 2.5%)	4,469		4,469
Arqivik Landholding Corporation (\$75,000) (5 years – 6%)	25,952	260	26,212
Issued in 2016			
Angngutigiarvik Services Inc. (\$25,700) (5 years – 2.5%)	7,595		7,595
Tivic Inc. (\$113,000) (10 years – 2.5%)	70,648	295	70,943
Vincent Renaud (\$24,500) (6 years – 2.5%)	6,667	14	6,681
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	179,855	825	180,680
Issued in 2018			
Anniturvik LHC (\$427,900) (15 years – 3.5%)	371,719	2,171	373,890
Qiniqtiq LHC (\$500,000) (20 years – 2.75%)	244,147	568	244,715
Qaqqalik LHC (\$71,321) (3 years – 2.5%)	16,461	230	16,691
Payne Bay Cooperative Association (\$500,000) (15 years – 2.75%)	439,103	1,023	440,126

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3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal	Accrued interest	Total
	\$	\$	\$
<u>Loans receivable (Continued)</u>			
Issued in 2019			
Pourvoirie Johnny and Billy Cain (\$20,900) (5 years – 3.75%)	20,900	466	21,366
Peter G. May (\$15,000) (5 years – 3.7%)	8,466		8,466
Pirnoma Technologies Inc. (\$20,000) (2 years – 3.75%)	13,644	171	13,815
Issued in 2020			
Tumiit Media Inc. (\$3,339) (1 year – 3.75%)	3,339		3,339
Bobby Cain (\$64,261) (5 years – 2.25%)	64,261	529	64,790
Soci�t� Kuujjumiut Inc. (\$127,900) (5 years – 2.25%)	119,684	228	119,912
	<u>4,916,597</u>	<u>15,958</u>	<u>4,932,555</u>
<u>Loans and investments in default</u>			
Issued in 2005			
Punnik Camp Ltd. – Kuujjuaq – Camp acquisition (\$173,000) (10 years – 5.75%)	153,474	146,003	299,477
Issued in 2009			
Avataq Cultural Institute Inc. – Northern Delights Fine Inuit Herbal Tea (\$155,000) (155,000 class "J" preferred shares with cumulative dividends of 3.25% and redeemable in seven years)	155,000		155,000
Issued in 2012			
Avataa Explorations & Logistics Inc. (\$421,426) (10 years – 1%)	255,966	217	256,183
Issued in 2014			
8523509 Canada Inc. (\$13,320) (1 year – 4.5%)	6,398	421	6,819
8523509 Canada Inc. (\$45,945) (7 years – 3%)	45,339	3,203	48,542
Ikumak Services Inc. (\$125,000) (15 years – 3%)	123,377	5,148	128,525
Issued in 2015			
8523509 Canada Inc. – Kuujjuaq sports lounge (\$35,000) (8 years – 5.5%)	34,549	6,181	40,730
Issued in 2018			
Raymond Mickpegak (\$12,000) (4 years – 5.5%)	7,456	350	7,806
Issued in 2019			
Richard Moorhouse (\$50,000) (10 years – 3.75%)	50,000	2,574	52,574
	<u>831,559</u>	<u>164,097</u>	<u>995,656</u>

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3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal	Accrued interest	Total
	\$	\$	\$
<u>Investments</u>			
Issued in 2013			
Nunavik Cooperative Development Fund (\$2,500,000)			
Fort Chimo Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Aupaluk Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Payne Bay Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
George River Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Wakeham Bay Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Puvirnituk Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Akudlivik Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Great Whale River Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Tasiujaq Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Koartak Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Salluit Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Ivujivik Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Inukjuak Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Umiujaq Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Issued in 2016			
Avataa Explorations & Logistics Inc. (\$166,800) (preferred shares, December 31, 2025 – 5.5%)	166,800	23,806	190,606
Issued in 2017			
Tasiujaq Cooperative Association (\$180,000) (shares – 10 years)	180,000		180,000
	2,846,794	23,806	2,870,600
	8,594,950	203,861	8,798,811
Provision for doubtful loans	(703,576)	(163,989)	(867,565)
	7,891,374	39,872	7,931,246

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4 - CAPITAL ASSETS

	2020			2019
	<u>Cost</u> \$	<u>Accumulated amortization</u> \$	<u>Net book value</u> \$	<u>Net book value</u> \$
Allavik building	13,081,832	11,133,034	1,948,799	2,717,110
Police stations	19,654,326	14,387,719	5,266,607	6,154,527
Other buildings and houses	46,743,908	26,553,731	20,190,177	22,472,235
Vehicles	9,767,735	7,844,660	1,923,075	1,623,512
Equipment and office furniture	3,370,064	3,330,967	39,097	48,131
Housing furniture	2,954,639	2,767,151	187,488	144,553
Telecommunication infrastructure	58,561,488	50,878,055	7,683,433	15,366,865
Construction equipment	2,387,485	1,898,070	489,415	260,639
Vehicles – Transport (Note 9 a))	1,737,284	1,488,837	248,447	225,278
Heavy equipment – Transport (Note 9 a))	9,511,064	6,384,019	3,127,045	3,221,640
Marine infrastructure	46,577,450	11,644,362	34,933,088	36,097,519
	<u>214,347,275</u>	<u>138,310,605</u>	<u>76,036,670</u>	88,332,009
Water points and plans for Northern Villages	545,000	545,000		
Capital projects in progress (Appendix D)	117,627,252		117,627,252	90,664,360
	<u>332,519,527</u>	<u>138,855,605</u>	<u>193,663,922</u>	<u>178,996,369</u>

The amortization expense for the year ended December 31, 2020 amounted to \$14,252,248 (\$14,542,823 in 2019).

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5 - INVESTING ACTIVITIES

- a) The transfers to investing activities related to the acquisition of capital assets in 2020 are detailed as follows:

	Housing furniture and tools	Office furniture and equipment	Vehicles, immovable and major renovations	Total
	\$	\$	\$	\$
Transports Québec Airports (#310, #311, #313 to #324)	(252,102)		(684,264)	(936,366)
Transports Canada Airports (#312)	(19,026)			(19,026)
Building maintenance (#27)	(27,404)		(92,480)	(119,884)
KRG Houses (#74)	(91,305)		(344,357)	(435,662)
KRPF – Operations (#205 to #223)	(5,699)		(352,136)	(357,835)
Environment (#64)	(6,729)			(6,729)
Uumajuit (#53)			(48,789)	(48,789)
Development of Parks in Nunavik (#56)	(7,895)			(7,895)
Pingualuit Park – Operations (#59)	(12,442)			(12,442)
Police stations – Building Operations (#14 and #204)		(12,272)		(12,272)
	<u>(422,602)</u>	<u>(12,272)</u>	<u>(1,522,026)</u>	<u>(1,956,900)</u>

- b) The transfers to investing activities through investments in loans receivable are detailed as follows:

	2020	2019
	\$	\$
Makigiarutiit I and II (#77, #177 and #85) – Loans and investments	127,900	
Makigiarutiit III and IV (#88) – Loans and investments	67,600	117,347
	<u>195,500</u>	<u>117,347</u>

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6 - BANK OVERDRAFT

The KRG has authorized lines of credit that bear interest at prime rate (2.45%; 3.95% as at December 31, 2019) and that are authorized by the Quebec Government. The lines of credit are renewable annually and are limited to a total of \$8,500,000 for the General Operations; \$20,000,000 for Isurruutiit Projects; \$5,000,000 for Tamaani Phase V; \$9,047,000 for Pivallutiit III; \$20,000,000 for the Police stations construction; \$1,000,000 for Sustainable Employment Programs; and \$1,000,000 for the Kativik Regional Police Force.

Also, the KRG has entered into a credit for foreign exchange contracts that bear interest at prime rate plus 5% (7.45%; 8.95% as at December 31, 2019) for an amount of \$15,000,000 for Tamaani Phase V. This facility was not used as at December 31, 2020.

7 - DEFERRED REVENUES

The deferred revenues are detailed as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Indigenous and Northern Affairs Canada (Sustainable Employment – Illiviq)	186,810	246,443
Indigenous and Northern Affairs Canada (#76)	137,688	137,688
Indigenous and Northern Affairs Canada (#175)		95,000
Emploi-Québec (Sustainable Employment)	1,049,521	847,385
Employment and Social Development Canada (Sustainable Employment)	21,951,694	
Employment and Social Development Canada (#43)	871,638	509,076
Glencore Canada Corporation (#61)		80,055
Makivik Corporation (#78)	1,089,058	
Ministère de la Sécurité publique (#205 to #223)	2,752,731	4,036,544
Ministère de la Sécurité publique (#201)	187,500	
Ministère des Affaires municipales et de l'Habitation (#172)		324,979
Ministère des Forêts, de la Faune et des Parcs (#69)	2,570,186	2,597,546
Ministère de l'Environnement et de la Lutte contre les changements climatiques (#64)	2,875,000	
Ministère de l'Énergie et des Ressources naturelles (#57)	34,142	
Nunavik Regional Board of Health and Social Services (#201)		18,918
Public Safety Canada (#205 to #223)	1,605,075	2,807,318
Transports Canada (#312)	337,945	229,742
	35,648,988	11,930,694

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8 - LONG-TERM DEBT

a) The details of the long-term debt are as follows:

		<u>2020</u>	<u>2019</u>
		\$	\$
Bonds, seventy-fourth series, issued March 9, 2011, bearing interest from 1.6% to 4.1% and maturing as follows			
Bonds, due March 9, 2021	580,000		
Bonds, renewable as at March 9, 2021	4,805,000	5,385,000	5,385,000
Bonds, seventy-fifth series, issued May 10, 2011, bearing interest from 1.5% to 4.1% and maturing as follows			
Bonds, due May 10, 2021	1,402,000		
Bonds, renewable as at May 10, 2021	2,573,000	3,975,000	3,975,000
Bonds, seventy-eighth series, issued October 12, 2011, bearing interest from 1.7% to 4% and maturing as follows			
Bonds, due October 12, 2021	912,000		
Bonds, renewable as at October 12, 2021	1,831,000	2,743,000	2,743,000
Bonds, eighty-third series, issued December 13, 2012, bearing interest from 1.5% to 3.3% and maturing as follows			
Bonds, renewable as at December 13, 2022	7,428,000	7,428,000	7,428,000
Bonds, eighty-fourth series, issued March 13, 2013, bearing interest from 1.5% to 3.2% and maturing as follows			
Bonds, renewable as at March 13, 2023	6,850,000	6,850,000	6,850,000
Bonds, eighty-fifth series, issued June 12, 2013, bearing interest from 1.4% to 3.2% and maturing as follows			
Bonds, renewable as at June 12, 2023	2,696,000	2,696,000	2,696,000
Bonds, eighty-sixth series, issued November 6, 2013, bearing interest from 1.55% to 3.75% and maturing as follows			
Bonds, renewable as at November 6, 2023	3,936,000	3,936,000	3,936,000
Bonds, eighty-seventh series, issued March 26, 2014, bearing interest from 1.5% to 3.55% and maturing as follows			
Bonds, renewable as at March 26, 2024	3,385,000	3,385,000	3,385,000

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8 - LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
	\$	\$
Bonds, eighty-eighth series, issued July 9, 2014, bearing interest from 1.3% to 3.25% and maturing as follows Bonds, renewable as at July 9, 2024	<u>3,724,000</u>	3,724,000
Bonds, ninetieth series, issued December 3, 2014, bearing interest from 1.4% to 3.25% and maturing as follows Bonds, renewable as at December 3, 2024	<u>2,224,000</u>	2,224,000
Bonds, ninety-third series, issued October 28, 2015, bearing interest from 1.4% to 3.25% and maturing as follows Bonds, renewable as at October 28, 2025	<u>1,920,000</u>	6,890,000
Loans with Fédération des caisses Desjardins du Québec, issued November 3, 2015, bearing interest at 2.97% and maturing as follows Loans, due November 3, 2021	<u>245,428</u>	
Loans, due November 3, 2022	<u>252,716</u>	
Loans, due November 3, 2023	<u>260,221</u>	
Loans, due November 3, 2024	<u>267,948</u>	
Loans, due November 3, 2025	<u>275,906</u>	
	<u>1,302,219</u>	1,540,569
Bonds, ninety-fifth series, issued March 9, 2016, bearing interest from 1.3% to 2% and maturing as follows Bonds, due March 9, 2021	<u>1,274,000</u>	
Bonds, renewable as at March 9, 2021	<u>7,662,000</u>	
	<u>8,936,000</u>	12,053,000
Bonds, ninety-sixth series, issued June 22, 2016, bearing interest from 1.2% to 2.55% and maturing as follows Bonds, due June 22, 2021	<u>948,000</u>	
Bonds, renewable as at June 22, 2021	<u>4,573,000</u>	
Bonds, renewable as at June 22, 2026	<u>2,550,000</u>	
	<u>8,071,000</u>	8,996,000
Loans with Fédération des caisses Desjardins du Québec, issued August 31, 2016, bearing interest from 1.84% to 1.95% and maturing as follows Loans, due August 31, 2021	<u>581,966</u>	
Loans, renewable as at August 31, 2021	<u>901,238</u>	
	<u>1,483,204</u>	2,054,416

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

8 - LONG-TERM DEBT (Continued)

		<u>2020</u>	<u>2019</u>
		\$	\$
Bonds, ninety-eighth series, issued October 12, 2016, bearing interest from 1.2% to 1.75% and maturing as follows			
Bonds, due October 12, 2021	623,000		
Bonds, renewable as at October 12, 2021	3,501,000	4,124,000	5,595,000
Bonds, ninety-ninth series, issued March 22, 2017, bearing interest from 1.2% to 2.85% and maturing as follows			
Bonds, due March 22, 2021	2,013,000		
Bonds, due March 22, 2022	2,062,000		
Bonds, renewable as at March 22, 2022	8,755,000		
Bonds, renewable as at March 22, 2027	2,646,000	15,476,000	17,440,000
Bonds, hundredth series, issued May 24, 2017, bearing interest from 1.15% to 1.85% and maturing as follows			
Bonds, due May 24, 2021	684,000		
Bonds, due May 24, 2022	699,000		
Bonds, renewable as at May 24, 2022	3,909,000	5,292,000	5,963,000
Bonds, hundred and first series, issued December 5, 2017, bearing interest from 1.75% to 2.35% and maturing as follows			
Bonds, due December 5, 2021	1,446,000		
Bonds, due December 5, 2022	1,489,000		
Bonds, renewable as at December 5, 2022	1,889,000	4,824,000	6,229,000
Bonds, hundred and second series, issued March 7, 2018, bearing interest from 1.85% to 2.55% and maturing as follows			
Bonds, due March 7, 2021	1,611,000		
Bonds, due March 7, 2022	1,657,000		
Bonds, due March 7, 2023	1,704,000		
Bonds, renewable as at March 7, 2023	1,569,000	6,541,000	8,108,000
Bonds, hundred and third series, issued June 6, 2018, bearing interest from 2% to 2.8% and maturing as follows			
Bonds, due June 6, 2021	986,000		
Bonds, due June 6, 2022	1,014,000		
Bonds, due June 6, 2023	1,043,000		
Bonds, renewable as at June 6, 2023	2,606,000	5,649,000	6,607,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

8 - LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
	\$	\$
Loans with Fédération des caisses Desjardins du Québec, issued October 3, 2018, bearing interest at 3.75% and maturing as follows		
Loans, due October 3, 2021	297,192	
Loans, due October 3, 2022	308,447	
Loans, due October 3, 2023	320,127	
Loans, due October 3, 2024	332,249	
Loans, due October 3, 2028	<u>1,459,668</u>	3,004,032
Bonds, hundred and fifth series, issued November 1, 2018, bearing interest from 2.4% to 2.95% and maturing as follows		
Bonds, due November 1, 2021	1,477,000	
Bonds, due November 1, 2022	1,523,000	
Bonds, due November 1, 2023	1,570,000	
Bonds, renewable as at November 1, 2023	<u>2,078,000</u>	8,080,000
Bonds, hundred and sixth series, issued March 20, 2019, bearing interest from 2.05% to 2.9% and maturing as follows		
Bonds, due March 20, 2021	1,996,000	
Bonds, due March 20, 2022	2,066,000	
Bonds, due March 20, 2023	2,138,000	
Bonds, due March 20, 2024	2,213,000	
Bonds, renewable as at March 20, 2024	4,749,000	
Bonds, renewable as at March 20, 2029	<u>3,540,000</u>	18,631,000
Bonds, hundred and seventh series, issued July 3, 2019, bearing interest from 1.9% to 2.5% and maturing as follows		
Bonds, due July 3, 2021	1,946,000	
Bonds, due July 3, 2022	1,988,000	
Bonds, due July 3, 2023	2,031,000	
Bonds, due July 3, 2024	2,075,000	
Bonds, renewable as at July 3, 2024	7,125,000	
Bonds, renewable as at July 3, 2029	<u>4,261,000</u>	21,332,000
Loans with Fédération des caisses Desjardins du Québec, issued September 30, 2019, bearing interest at 2.62% and maturing as follows		
Loans, due September 30, 2021	202,728	
Loans, due September 30, 2022	202,728	
Loans, due September 30, 2023	202,728	
Loans, due September 30, 2024	<u>202,725</u>	810,909
		1,013,637

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

8 - LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
	\$	\$
Bonds, hundred and ninth series, issued November 27, 2019, bearing interest from 2% to 2.15% and maturing as follows		
Bonds, due November 27, 2021	2,534,000	
Bonds, due November 27, 2022	2,590,000	
Bonds, due November 27, 2023	2,648,000	
Bonds, due November 27, 2024	2,705,000	
Bonds, renewable as at November 27, 2024	<u>9,487,000</u>	22,444,000
Bonds, hundred and tenth series, issued April 1, 2020, bearing interest from 1.7% to 2.2% and maturing as follows		
Bonds, due April 1, 2021	857,000	
Bonds, due April 1, 2022	877,000	
Bonds, due April 1, 2023	898,000	
Bonds, due April 1, 2024	918,000	
Bonds, due April 1, 2025	939,000	
Bonds, renewable as at April 1, 2025	<u>5,511,000</u>	10,000,000
Bonds, hundred and eleventh series, issued June 30, 2020, bearing interest from 0.9% to 1.25% and maturing as follows		
Bonds, due June 30, 2021	1,240,000	
Bonds, due June 30, 2022	1,260,000	
Bonds, due June 30, 2023	1,280,000	
Bonds, due June 30, 2024	1,301,000	
Bonds, due June 30, 2025	1,322,000	
Bonds, renewable as at June 30, 2025	<u>9,536,000</u>	15,939,000
Bonds, hundred and twelfth series, issued December 8, 2020, bearing interest from 0.7% to 1% and maturing as follows		
Bonds, due December 8, 2021	924,000	
Bonds, due December 8, 2022	937,000	
Bonds, due December 8, 2023	950,000	
Bonds, due December 8, 2024	963,000	
Bonds, due December 8, 2025	977,000	
Bonds, renewable as at December 8, 2025	<u>1,693,000</u>	6,444,000
Loans reimbursed or renewed during the year		15,560,000
	<u><u>204,616,015</u></u>	<u><u>213,886,654</u></u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

8 - LONG-TERM DEBT (Continued)

b) The capital repayments and renewals for the next years are detailed as follows:

	<u>\$</u>
2021	50,626,553
2022	40,906,891
2023	34,780,076
2024	41,671,922
2025	22,173,905
2026 and subsequent years	<u>14,456,668</u>
	<u>204,616,015</u>

c) The long-term contributions to be recovered for repaying the long-term debt are detailed as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation	159,321,152	159,311,917
Contribution from Northern Villages financed by the Ministère de l'Éducation – Sports facilities	3,201,119	5,237,170
Contribution from Northern Villages financed by the Secrétariat aux affaires autochtones – Sports facilities	5,011,796	6,072,085
Contribution from Northern Villages financed by the Ministère de la Sécurité publique – Fire Safety Cover Plan	1,922,000	2,328,800
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation – Programme d'infrastructures Québec – Municipalités – Sports facilities	444,600	657,600
Contribution from the Ministère des Affaires municipales et de l'Habitation	45,148	66,783
Contribution from the Ministère des Transports	22,563,500	26,591,500
Contribution from the Ministère de la Sécurité publique	1,067,300	1,384,500
	<u>193,576,615</u>	<u>201,650,355</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

9 - TRANSPORT OPERATIONS

- a) As per the Agreement concerning Block Funding for the Kativik Regional Government (hereafter "the Sivunirmut Agreement") between the Quebec Government and the KRG, the Ministère des Transports agreed to transfer all airport equipment for a cash consideration of \$1. The total value of those equipment, as per the Sivunirmut Agreement, is established at \$9,813,421. The equipment to be returned by the KRG at the end of the Sivunirmut Agreement must be of an equivalent value. In the event the total value of the equipment returned would be inferior to that sum, the KRG will have to compensate financially the Ministère des Transports for the amount of the difference. To that effect and in order to comply with its obligations, the KRG has appropriated an amount of \$5,876,298 to the financial reserves as at December 31, 2020.
- b) In accordance with the Transports Canada agreement, other assets on the premises (inventory and assets totalling \$125,000) are to be considered as consumable items and are to be replaced by the KRG within the authorized operation budget. At the expiration of the agreement, the KRG will be responsible to transfer to Transports Canada assets of an equivalent value or to reimburse the amount representing the value of the shortages.

10 - COMMITMENTS REGARDING THE RESOURCE ENVELOPE FOR THE DEVELOPMENT OF INUIT COMMUNITIES

MAKIGIARUTIIT PROGRAM (Economic Development Projects)

Loans approved and disbursed as well as capital repayments made during the year ended December 31, 2020 are recorded under Investments and loans receivable. However, certain loans approved during the year or during previous years were not disbursed yet at year-end.

The loans are detailed as follows:

	\$
Makigiarutiit I and II (#77, #177 and #85) (a)	
Puvirnitug Coop Association – Apartment for employees	500,000
	<u>500,000</u>
Makigiarutiit III and IV (#88) (b)	
Puvirnitug Coop Association – Store and warehouse	500,000
Salluit Coop construction of a corner store and ready-to-eat meals	500,000
Aupaluk new store construction plan 2019	500,000
	<u>1,500,000</u>
	<u><u>2,000,000</u></u>

- (a) An equivalent amount totalling \$500,000 was set aside in the financial reserves for the financing of these loans and reimbursable contributions.
- (b) As at December 31, 2020, no financial reserve was set aside for the financing of these loans. However, the funding balance remaining in the agreement with the Secrétariat aux affaires autochtones for future loans amounted to \$18,483,228, with an accumulated surplus of \$1,725,856 as at December 31, 2020.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2020

10 - COMMITMENTS REGARDING THE RESOURCE ENVELOPE FOR THE DEVELOPMENT OF INUIT COMMUNITIES (Continued)

PIVALLIUTIIT PROGRAM (Community Infrastructure Projects)

Pivallutiit II

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 (14 x \$90,000) for management fees). The KRG decided, in 2010, to allocate the full amount of \$14,000,000 towards the project and to renounce to its management fees. As at December 31, 2016, funding applications totalling \$13,955,000 have been submitted by the Northern Villages under the program and approved by the KRG. As at December 31, 2020, a total of \$1,235,075 was disbursed by the KRG to thirteen communities, leaving an amount of \$28,925 to be disbursed. An equivalent amount (\$28,925) is set aside in the financial reserves.

Pivallutiit III

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2020, funding applications totalling \$11,830,000 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

Pivallutiit IV

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2020, funding applications totalling \$7,630,000 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

11 - SANARRUTIK AGREEMENT

In April 2002, the Quebec Government (hereafter "Quebec"), the Makivik Corporation (hereafter "Makivik") and the KRG signed the Partnership Agreement on Economic and Community Development in Nunavik (hereafter "the Sanarrutik Agreement"). The purpose of the 25-year agreement was to establish a new nation-to-nation relationship and to propose a common vision for the economic and community development of Nunavik. More specifically, Quebec, Makivik and the KRG agreed to accelerate hydroelectric, mining and tourism development to share the benefits of the resulting economic growth, to favour economic spin-offs for Nunavik Inuit, to favour a greater autonomy for the KRG and more responsibility for the economic and community development of Nunavik Inuit, and finally to enhance public services and infrastructure. Some sections of the Sanarrutik Agreement are specific to Makivik, others to the KRG, and still others concern both Makivik and the KRG. Since April 2002, the Sanarrutik Agreement has been amended four times:

- In March 2003 regarding the implementation of block funding for the KRG and the Northern Villages, the construction of a community residential centre in Kangirsuk and the hiring of wildlife conservation officers;

Kativik Regional Government Notes to Financial Statements

December 31, 2020

11 - SANARRUTIK AGREEMENT (Continued)

- In November 2004 regarding the indexation of community and economic development project funding;
- In August 2006 regarding the creation of a fund to be used to prevent and combat crime, as well as to promote safe and healthy communities, in lieu of the Quebec commitment to construct and operate a detention facility in the region;
- In March 2008 regarding the hiring of wildlife conservation officers and wildlife protection assistants, as well as funding for wildlife and habitat research activities.

Tourism (Section 2.4)

To support the development of Nunavik's under-exploited tourism potential, Quebec undertook to fund studies conducted by the KRG for the development of national parks. Quebec also undertook to create the Parc national des Pingualuit further to Schedule 6 of Complementary Agreement No. 6 of The James Bay and Northern Quebec Agreement (hereafter "the JBNQA").

Since 2002, the following national parks have been created: Pingualuit (December 10, 2003), Kuururjuaq (May 21, 2009) and Tursujuq (July 18, 2013). Funding for the management and operation of these parks by the KRG is covered under the Sivunirmut Agreement. Funding for capital expenses in these parks incurred by the KRG is covered under a specific agreement for each park: Pingualuit (renewed twice; current period 2014-2018), Kuururjuaq (renewed once; current period 2013-2017) and Tursujuq (current period 2013-2017).

Regarding the Ulittaniujalik National Park project, all the steps leading to the creation of the park have been completed. Ulittaniujalik National Park has been created in 2017.

A seven-year agreement was signed in 2020 with the Ministère des Forêts, de la Faune et des Parcs, consolidating the infrastructure work of all four parks, thus giving more latitude to the KRG to allocate financial resources based on requirements of the year.

Regarding the Baie-aux-Feuilles National Park project, research work was initiated in the study area in 2012. The status report was completed in 2015 but the issue concerning delimitation of proposed boundaries could create delays in the creation of the park.

Community and Economic Development (Section 2.5)

To fund community and economic development, Quebec committed to transfer to Makivik and the KRG jointly \$7 million in 2002, \$8 million in 2003, \$15 million in 2004, \$15 million plus applicable indexation in 2005 and \$15 million plus applicable indexation for each subsequent year of the Sanarrutik Agreement. Since 2005, this amount is indexed according to the consumer price index of Quebec and, gradually over a five-year period, to population growth in Nunavik according to Schedule C. This funding is provided without prejudice to and in addition to regular Quebec funding (operations and capital expenses) for similar purposes in Nunavik.

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

11 - SANARRUTIK AGREEMENT (Continued)

Community and Economic Development (Section 2.5) (Continued)

Pursuant to a memorandum of agreement, Makivik and the KRG distribute the funding for community and economic development. Makivik is responsible for allocating a third of the annual funding to Inuit organizations, and the balance is divided equally between Makivik and the KRG for allocation to community and economic development projects. In 2020, the KRG received \$8,614,103 (\$7,886,027 in 2019) from the Sanarrutik Agreement.

Block Funding (Section 3)

To simplify and ensure more efficient use of the public funds paid to the KRG and the Northern Villages as well as to contribute to a greater autonomy for these organizations, Quebec committed to consolidate the funding for the KRG and the Northern Villages under two distinct envelopes within the Sivunirmut Agreement. This funding is indexed annually according to population growth in Nunavik and the evolution of Quebec's capital-program expenditures. The agreement was signed by Quebec and the KRG on March 31, 2004; the agreement concerning the Block Funding of the Northern Villages was signed on June 27, 2005.

Local Roads (Section 4.1)

To improve the conditions of local roads, Quebec committed to provide up to \$35.5 million, excluding financing costs, and technical support for the paving of 90 km of roads, including community-airport access roads. Between 2002 and 2009, this work was carried out by the KRG in all the Northern Villages in close cooperation with each local municipality.

Marine Infrastructure (Section 4.2)

To improve essential local marine infrastructure, Quebec committed to participate up to 50% of the cost of marine infrastructure construction work estimated at \$88 million. Between 2002 and 2011, this work was carried out by Makivik in all the Northern Villages. The additional funding required for the Kuujjuaraapik project was committed in 2010 by the governments of Canada and Quebec, as well as the Grand Council of the Crees of Quebec. On completion of the project in each Northern Village, ownership of the marine infrastructure has been transferred to the KRG by council resolution. Quebec committed to fund the daily maintenance costs, including major reparations subject to federal contribution, under conditions to be agreed upon between Canada and the parties. Over the years, some annual funding for basic maintenance costs was provided by Quebec. The commitment for permanent funding by Quebec and Canada has not yet been fulfilled.

Police Services (Section 4.3)

To improve police services in Nunavik and initiate the construction of new police stations, under the Sanarrutik Agreement, Quebec committed to disburse an additional amount of \$1.5 million, representing 48% of the total related costs. Quebec also agreed, at the renewal of the tripartite police-service agreement between Canada, Quebec and the KRG, to fund its share (48%) of the total cost of 54 police officers at a unit cost of \$148,800 as well as the construction of police stations. On March 31, 2004, the Ministère de la Sécurité publique, the Solicitor General of Canada and the KRG signed a five-year agreement concerning police services.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2020

11 - SANARRUTIK AGREEMENT (Continued)

Correctional Services (Section 4.4)

Quebec committed to build and make operational, by no later than December 31, 2005, a 40-place detention facility in the general spirit of the "Report of the joint working group on sentence management in Nunavik" and to fund the operation costs. On December 31, 2005, Quebec had not fulfilled this commitment. On August 9, 2006, Quebec, Makivik and the KRG agreed to amend the Sanarrutik Agreement in order to make available to Makivik and the KRG a financial envelope of \$10 million beginning in the 2005-2006 financial year, and \$10 million plus applicable indexation for each subsequent year of the Sanarrutik Agreement, to prevent and combat crime, to promote safe and healthy communities by, among other things, implementing culturally appropriate measures to improve the social environment in Nunavik, and to provide assistance to crime victims and improve correctional activities for Inuit. Applicable indexation is calculated according to the same formula used to determine the funding for community and economic development (Section 2.5). Pursuant to a memorandum of understanding between Makivik and the KRG signed on May 23, 2007, Makivik is responsible for the management of this financial envelope, known as the Ungaluk Safer Communities program. In return for the creation of this financial envelope, for the duration of the Sanarrutik Agreement, Makivik has given a full and complete discharge to Quebec for its commitment under the JBNQA to build a detention facility in Nunavik.

Quebec also committed to build and make operational, by no later than April 1, 2004, a 14-place community residential centre (hereafter "the half-way house") in Kangirsuk and to fund the operation costs. The construction of the Makitautik Centre was completed in September 2004.

Wildlife Management and Enforcement (Section 4.5)

To improve wildlife management and enforcement, Quebec committed to hire and train six additional wildlife conservation officers for Nunavik no later than April 1, 2004, and to provide the KRG with \$600,000 annually to hire wildlife protection assistants trained by Quebec. The KRG was given the option to allocate all or part of the annual funding to Quebec for the hiring of additional wildlife conservation officers. At the end of 2007, Quebec had not completely fulfilled its initial Sanarrutik commitment.

Further to the fourth amendment to the Sanarrutik Agreement, signed on March 10, 2008 by Quebec, Makivik and the KRG, Quebec remains committed to employing six permanent, full-time Inuit wildlife protection officers in Nunavik. Moreover, Quebec agreed to pay the KRG under the Sivunirmut Agreement an additional \$200,000 for wildlife protection assistants, indexed according to Appendix D of the Sivunirmut Agreement as at January 1, 2008.

Public Tenders (Section 4.6)

To increase the number of Nunavik Inuit businesses bidding on and being awarded public contracts, subject to the provisions of the Agreement on Internal Trade or any similar agreements, Quebec committed to evaluate the possibility of modifying legislation in order to allow the KRG, the Kativik School Board, the Kativik Regional Development Council (hereafter "the Katutjiniq") and the Nunavik Regional Board of Health and Social Services to set up a process for awarding contracts for goods and services that will give priority to Nunavik Inuit businesses. This commitment has not yet been fulfilled.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2020

12 - ISURRUUTIIT PROGRAM

Fourth Capital Plan (Isurruutiit IV)

On April 23, 2015, an agreement was signed with the Ministère des Affaires municipales et de l'Habitation and the Secrétariat aux affaires autochtones concerning the continued improvement of municipal infrastructure in the Northern Villages. Under the agreement, Quebec has committed \$100 million over an estimated five-year period. As at December 31, 2020, total expenditures incurred by the KRG under the agreement were \$75,480,706, the total value of approved projects was \$99,711,643 and \$68,091,000 has been financed.

Third Capital Plan (Isurruutiit III)

On April 29, 2011, an agreement was signed with the Ministère des Affaires municipales et de l'Habitation and the Secrétariat aux affaires autochtones concerning the continued improvement of municipal infrastructure in the Northern Villages. Under the agreement, Quebec has committed \$82.3 million over an estimated five-year period. On September 27, 2013, an amendment was signed in order to increase the funding to \$100,998,800. As at December 31, 2020, total expenditures incurred by the KRG under the agreement were \$100,817,000, the total value of approved projects was \$100,998,800 and \$100,817,000 has been financed.

First and Second Capital Plan

Two previous phases under the Isurruutiit Program (1999-2008 and 2006-2010) had a combined resource envelope of \$110 million.

13 - BLOCK FUNDING AGREEMENT

The Sivunirmut Agreement between Quebec and the KRG entered into force on April 1, 2004 and is effective until December 31, 2027. Under the Sivunirmut Agreement, Quebec has undertaken to simplify and make more efficient the public funds paid to the KRG and to provide the organization with a greater level of autonomy. For its part, the KRG has the responsibility to fulfil the objectives and execute the mandates contemplated in Appendix B of the agreement.

Since 2004, the Sivunirmut Agreement has been amended 13 times and now comprises 21 mandates. Moreover, the parties have agreed to revise Appendix B every five years to assess the pertinence of maintaining or modifying the established mandates, taking into account Quebec-Government orientations; a first revision was carried out in 2007. Specifically, in the event that Quebec modifies a law or regulation, implements a new program or decides to transfer to the KRG the management of a program, subject to the KRG's acceptance of the related responsibilities, terms and conditions, Appendix B and the attendant funding may be adjusted accordingly.

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

13 - BLOCK FUNDING AGREEMENT (Continued)

In 2020, the indexed amount of \$88,503,932 (\$79,351,732 in 2019) was paid by Quebec to the KRG under the Sivunirmut Agreement. The KRG is entirely responsible for any deficit incurred in the delivery of its mandates and, at the end of each year, may use any surplus according to the priorities it sets, provided they comply with the established mandates. The KRG may also create reserves with this funding under certain conditions and for specific purposes listed in the agreement. The funding provided under the Sivunirmut Agreement is not intended for any expenditure related to exceptional circumstances, which were not reasonably foreseeable at the time the agreement was entered into.

All amounts paid under the Sivunirmut Agreement are indexed according to a formula based on the growth of the population in Nunavik and the evolution of Quebec's per capita expenditures in Programs pursuant to Appendix D.

14 - NET INVESTMENT IN LONG-TERM ASSETS

	2020	2019
	\$	\$
Investment in capital assets	193,663,922	178,996,369
Investment in loans receivable	7,931,246	8,384,127
Investment in long-term debt	(11,039,400)	(12,236,299)
Net investment in long-term assets, end of year	190,555,768	175,144,197

The variation of the net investment in long-term assets is detailed as follows:

	2020	2019
	\$	\$
Balance, beginning of year	175,144,197	157,946,328
Additions		
Acquisition of capital assets	1,956,900	2,835,094
Increase in capital projects in progress	32,739,312	32,517,808
Acquisition of investments and loans receivable	195,500	117,347
Provision (recovery) for doubtful loans	782,782	682,215
Provision for interest on loans receivable	137,287	4,541
Write-off of doubtful loans	(290,211)	
Increase in long-term contributions to be recovered for repaying the long-term debt	(8,073,740)	9,701,289
Capital repayments of long-term debt	41,653,639	54,865,247
	69,101,469	100,723,541

Kativik Regional Government
Notes to Financial Statements
December 31, 2020

14 - NET INVESTMENT IN LONG-TERM ASSETS (Continued)

	2020	2019
	\$	\$
Disposals		
Capital projects closed during the year	5,776,410	4,283,769
Amortization of capital assets	14,252,249	14,542,823
Capital repayments – Loans receivable	1,278,239	1,278,443
Issuance of long-term debt	14,419,000	31,759,000
Refinancing of long-term debt	<u>17,964,000</u>	<u>31,661,637</u>
	53,689,898	83,525,672
Balance, end of year	<u>190,555,768</u>	<u>175,144,197</u>

15 - NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2020	2019
	\$	\$
Contributions receivable	144,778	10,767,967
Accounts receivable	(3,638,519)	1,539,454
Other non-financial assets – Prepaid expenses and inventories	(380,240)	(460,724)
Accounts payable and accrued liabilities	736,225	(6,584,899)
Deferred revenues	<u>23,596,084</u>	<u>7,386,212</u>
	20,458,328	12,648,010

16 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

- a) The KRG has entered into contractual obligations which, as at December 31, 2020, are as follows for the next year:

	\$
2021	<u>3,953,280</u>
	<u><u>3,953,280</u></u>

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16 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS (Continued)

- b) In addition to the above-mentioned obligations, the KRG has entered into contractual agreements with the Northern Villages in relation with the Economic and Community Development Fund (job creation) under the Sanarrutik Agreement. From those contractual agreements approved by the Council, during the financial year 2020, and amounting to \$4,926,434, a balance of \$3,033,564 was recorded as payable as at December 31, 2020 and is detailed as follows:

	<u>\$</u>
Northern Village of Kangiqsualujuaq	180,908
Northern Village of Kuujuaq	391,564
Northern Village of Tasiujaq	38,123
Northern Village of Aupaluk	109,496
Northern Village of Kangirsuk	119,078
Northern Village of Quaqaq	92,413
Northern Village of Kangiqsujuaq	153,243
Northern Village of Salluit	280,903
Northern Village of Ivujivik	183,159
Northern Village of Akulivik	269,821
Northern Village of Puvirnituq	322,734
Northern Village of Inukjuak	654,467
Northern Village of Umiujaq	101,245
Northern Village of Kuujjuaraapik	<u>136,410</u>
	<u><u>3,033,564</u></u>

During the 2020 financial year, pursuant to the reception of the financial statements of the Northern Villages, the adjustment, related to the actual amounts, payable or receivable, will be recognized.

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17 - FINANCIAL RESERVE – TREASURY

The KRG has financed the construction, renovation and purchase of capital assets from its own monetary reserve (hereafter "the Treasury"). The balance as at December 31, 2020 of these internal loans is detailed as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Issued in 2000		
Building extension (to be reimbursed by Allavik Building (#17)), bearing interest at 5% and maturing in December 2021 (\$2,700,000)	180,000	360,000
Issued in 2006		
Police station projects (to be reimbursed by Police Stations – Building operations (#14 and #204)), bearing interest at 5% and maturing in December 2026 (\$541,796)	221,394	252,326
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2026 (\$3,165,163)	1,293,383	1,474,086
Issued in 2007		
Warehouse (to be reimbursed by Warehouse (#73)), bearing interest at 5% and maturing in December 2027 (\$2,888,682)	1,345,323	1,502,294
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2027 (\$550,000)	256,148	286,035
Issued in 2009		
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2029 (\$4,374,301)	2,501,155	2,716,500
Courthouse renovations (to be reimbursed by Courthouse (#18)), bearing interest at 5% and maturing in December 2029 (\$357,724)	204,541	222,152
Issued in 2011		
Police station projects (to be reimbursed by Police Stations – Building operations (#14 and #204)), bearing interest at 5% and maturing in December 2021 (\$152,864)	18,939	36,957
Issued in 2013		
Police stations Kuujjuaq and Kuujjuaraapik (to be reimbursed by Police Stations – Building operations (#14)), bearing interest at 5% and maturing in December 2033 (\$1,828,728)	1,378,430	1,452,545
	<u>7,399,313</u>	<u>8,302,895</u>

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17 - FINANCIAL RESERVE – TREASURY (Continued)

The reimbursements for the next years are detailed as follows:

	<u>\$</u>
2021	940,176
2022	778,713
2023	818,084
2024	859,446
2025	902,899
2026 and subsequent years	<u>3,099,995</u>
	<u>7,399,313</u>

18 - CONTINGENCIES

The KRG is involved in certain litigations. At the present time, it is impossible to determine the final amount that the KRG may have to pay regarding these litigations. The KRG believes that the total amount of the contingent obligations will not have a material and adverse effect on its financial position. However, a provision and a reserve totalling \$1,061,278 have been recorded as potential determinable liabilities in these financial statements. Any settlement resulting from the resolution of these contingencies will be accounted for as a charge or a credit to the statement of surplus (deficit) for the year of the financial year in which the settlement occurs.