

Kativik Regional Government
Cash Flow Statement
Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
OPERATING ACTIVITIES		
Surplus (deficit) for the year	50,504,504	(3,432,147)
Items not affecting liquidity		
Amortization of capital assets	14,542,823	17,214,904
Capital assets transferred to Northern Villages	4,276,790	14,846,621
	<u>69,324,117</u>	<u>28,629,378</u>
Net change in non-cash working capital items (Note 15)	12,648,010	(7,961,824)
Cash flows from operating activities	<u>81,972,127</u>	<u>20,667,554</u>
FINANCING ACTIVITIES		
Issuance of long-term debt	31,759,000	12,519,933
Refinancing of long-term debt	31,661,637	17,402,000
Capital repayment – Long-term debt	(23,203,610)	(22,978,073)
Capital repayment – Long-term debt refinancing	(31,661,637)	(17,402,000)
Long-term contributions to be recovered for repaying the long-term debt	(9,701,289)	9,355,239
Cash flows from financing activities	<u>(1,145,899)</u>	<u>(1,102,901)</u>
INVESTING IN CAPITAL ASSETS ACTIVITIES		
Acquisition of capital assets	(2,835,093)	(2,087,978)
Increase in capital projects in progress	(32,510,836)	(38,396,558)
Cash flows from investing in capital assets activities	<u>(35,345,929)</u>	<u>(40,484,536)</u>
INVESTING IN LOANS AND TERM DEPOSITS ACTIVITIES		
Decrease in term deposits	(190,047)	(62,338)
Investments and loans receivable	474,340	666,674
Cash flows from investing in loans and term deposits activities	<u>284,293</u>	<u>604,336</u>
Net increase (decrease) in cash and cash equivalents	45,764,592	(20,315,547)
Cash and cash equivalents, beginning of year	<u>2,382,450</u>	<u>22,697,997</u>
Cash and cash equivalents, end of year	<u>48,147,042</u>	<u>2,382,450</u>
CASH AND CASH EQUIVALENTS		
Cash	<u>48,147,042</u>	<u>2,382,450</u>
	<u>48,147,042</u>	<u>2,382,450</u>

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

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Kativik Regional Government

Notes to Financial Statements

December 31, 2019

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.

Kativik Regional Government
Notes to Financial Statements
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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, 2019, a provision for doubtful loans of \$1,752,229 (\$2,406,832 as at December 31, 2018), 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

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

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.

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

3 - INVESTMENTS AND LOANS RECEIVABLE

a) The investments and loans receivable are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Loans receivable and investments approved under Regional and Local Development departments		
Makigiarutiit I and II (#77, #177 and #85) – Loans receivable	3,413,566	4,084,223
Makigiarutiit I and II (#77, #177 and #85) – Investments	3,023,010	3,020,491
Makigiarutiit III and IV (#88) – Loans receivable	3,699,780	4,160,585
	10,136,356	11,265,299
Provision for doubtful loans	(1,752,229)	(2,406,832)
	8,384,127	8,858,467

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

	<u>\$</u>
2020	899,334
2021	846,088
2022	739,071
2023	741,164
2024	573,707
2025 and subsequent years	6,336,992
	10,136,356

All loans issued prior to January 1, 2019, for which the applicable repayment terms are not respected, have been classified under the 2025 and subsequent years.

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

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)	6,362		6,362
Issued in 2008			
Fort Chimo Cooperative Association (\$215,000) (20 years – 3.5%)	114,516	340	114,856
Iniitsiaq Women's Shelter (\$210,704) (15 years – 3.25%)	66,209	183	66,392
Fort Chimo Cooperative Association – Hotel expansion (\$250,000) (20 years – 3.5%)	112,226	334	112,560
Issued in 2009			
Laval Fortin Adams Inc. (\$363,700) (15 years – 3.25%)	125,958	1,035	126,993
Povungnituk Cooperative Association – Hotel expansion (\$500,000) (10 years – 3%)	1,581	8	1,589
Salluit Cooperative Association (\$450,000) (10 years – 3%)	1,520	11	1,531
Jobie Peters – Heavy equipment rental (\$119,000) (8 years – 0.25%)	2,464	2	2,466
Issued in 2010			
Dépanneur Newviq'vi Inc. (\$366,500) (15 years – 0.25%)	121,556	26	121,582
Les Magasins Tullik Inc. (\$386,500) (15 years – 0.25%)	127,766	27	127,793
Tasiujaq Cooperative Association (\$250,000) (15 years – 3%)	107,607	274	107,881
Ajapirvik Women's Shelter of Inukjuak (\$308,250) (15 years – 0.25%)	102,717	22	102,739
Issued in 2011			
Nayumivik Landholding Corporation (\$186,000) (14 years – 3.75%)	89,427	285	89,712
Great Whale Cooperative Association Kuujjuarapik (15 years – 0.25%) (\$405,000)	175,082	37	175,119

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
Loans receivable (Continued)			
Issued in 2011			
Quaqtaq Cooperative Association (\$370,000) (15 years – 0.25%)	161,986	34	162,020
Tuvaaluk Landholding Corporation (\$210,000) (20 years – 0.25%)	108,374	68	108,442
Nayumivik Landholding Corporation (\$250,000) (14 years – 0.25%)	106,644	23	106,667
Issued in 2013			
Nunabec Inc. (\$30,182) (10 years – 4.5%)	13,741	53	13,794
Nunavik Enterprises (\$105,000) (10 years – 4.49%)	43,291	325	43,616
Hébergement Communautaire Uvatinut (\$205,000) (15 years – 3.75%)	143,502	457	143,959
Hébergement Communautaire Uvatinut (\$250,000) (15 years – 0.25%)	151,051	32	151,083
Pituvik Landholding Corporation of Inukjuak (\$500,000) (16 years – 1%)	297,026	252	297,278
Nunabec Inc. (\$197,718) (10 years – 1%)	84,192	71	84,263
Nunavik Enterprises (Kuujuuaq) (\$500,000) (10 years – 3%)	203,874	519	204,393
Saputik Landholding Corporation of Kangirsuk (\$250,000) (8 years – 3%)	71,702	183	71,885
Auberge Kuujuuaq Inc. (\$250,000) (10 years – 4.49%)	113,142	431	113,573
Issued in 2014			
Nunavik Rotors Inc. (\$474,650) (7 years – 1%)	127,295	213	127,508
Auberge Kuujuuaq Inc. (\$500,000) (10 years – 3%)	221,810	565	222,375
Auberge Kuujuuaq Inc. (\$500,000) (10 years – 3%)	229,618	585	230,203
Auberge Kuujuuaq Inc. (\$420,000) (10 years – 3%)	174,155	444	174,599
Issued in 2015			
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	201,474	471	201,945
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	192,625	450	193,075
Plein Nord Inc. (\$29,000) (5 years – 2.75%)	2,932	7	2,939
Taqramiut Nipingat (\$158,000) (10 years – 2.5%)	96,551	205	96,756
Arqivik Landholding Corporation (\$75,000) (5 years – 6%)	41,066	624	41,690

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
Loans receivable (Continued)			
Issued in 2016			
Angngutigiarvik Services Inc. (\$25,700) (5 years – 2.5%)	8,894	19	8,913
Tivic Inc. (\$113,000) (10 years – 2.5%)	80,616	171	80,787
Vincent Renaud (\$24,500) (6 years – 2.5%)	10,844	23	10,867
Issued in 2018			
Les Entreprises Kayuk Inc. (\$28,000) (4 years – 3.75%)	23,265	443	23,708
Anniturvik LHC (\$427,900) (15 years – 3.5%)	390,514	1,161	391,675
Qiniqtiq LHC (\$500,000) (20 years – 2.75%)	466,841	3,243	470,084
Qaqqalik LHC (\$71,321) (3 years – 2.5%)	40,376	425	40,801
Payne Bay Cooperative Association (\$500,000) (15 years – 2.75%)	460,633	1,076	461,709
Raymond Mickpegak (\$12,000) (4 years – 5.5%)	9,468	400	9,868
Issued in 2019			
Pouvoirie Johnny and Billy Cain (\$20,900) (5 years – 3.75%)	20,900	268	21,168
Allen Gordon (\$4,455) (1 year – 3.75%)	4,455	69	4,524
Peter G. May (\$15,000) (5 years – 3.7%)	11,534		11,534
Richard Moorhouse (\$50,000) (10 years – 3.75%)	50,000	642	50,642
Winifred Designs Inc. (\$6,993) (1 year – 3.75%)	4,094	13	4,107
Pirnoma Technologies Inc. (\$20,000) (2 years – 3.75%)	20,000	63	20,063
	5,543,476	16,612	5,560,088
Loans and investments in default			
Issued in 2003			
Charlie's Restaurant (\$38,988) (5 years – 5.75%)	37,082	53,098	90,180
Samisa Epoo Pool Hall (\$19,761) (4 years – 6%)	17,619	23,634	41,253
Issued in 2004			
Emma's Café (\$13,639) (2 years – 5.25%)	13,639	16,884	30,523
Issued in 2005			
Ida Amagoaluk – Hair Dresser Shop – Puvirnituk (\$16,258) (4 years – 6.25%)	16,258	23,542	39,800
Punnik Camp Ltd. – Kuujjuaq – Camp acquisition (\$173,000) (10 years – 5.75%)	153,474	129,307	282,781

Kativik Regional Government
Notes to Financial Statements
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3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans and investments in default (Continued)</u>			
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%)	278,434	236	278,670
Issued in 2013			
Mary Johannes (\$4,900) (1 year – without interest)	4,651		4,651
Alacie Suruslia (\$5,454) (3 years – without interest)	5,454		5,454
Issued in 2014			
Ikumak Services Inc. (\$125,000) (15 years – 3%)	123,377	3,081	126,458
8523509 Canada Inc. (\$13,320) (1 year – 4.5%)	6,398	122	6,520
8523509 Canada Inc. (\$45,945) (7 years – 3%)	45,339	1,770	47,109
Isa Sivuraapik (\$3,150) (2 years – 3%)	2,868	29	2,897
Arqivik Landholding Corporation Iqaluppik Hotel (\$500,000) (15 years – 3%)	492,893	4,171	497,064
Issued in 2015			
8523509 Canada Inc. – Kuujjuaq sports lounge (\$35,000) (8 years – 5.5%)	34,549	4,006	38,555
Putulik and Sons – Fish haversting and sales (\$37,000) (6 years – 5.75%)	29,886	3,955	33,841
Issued in 2016			
Entreprises Munick Watkins (\$20,285) (3 years – 2.5%)	20,285	1,645	21,930
Rita Inukpuk Tukai Restaurant Inukjuak (\$5,000) (3 years – 3%)	5,000	572	5,572
Avataa Explorations & Logistics Inc. (\$166,800) (preferred shares, December 31, 2025 – 5.5%)	166,800	21,216	188,016
	1,609,006	287,268	1,896,274

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Notes to Financial Statements
December 31, 2019

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 2017			
Tasiujaq Cooperative Association (\$180,000) (shares – 10 years)	180,000		180,000
	<u>2,679,994</u>	<u>–</u>	<u>2,679,994</u>
	9,832,476	303,880	10,136,356
Provision for doubtful loans	<u>(1,486,358)</u>	<u>(265,871)</u>	<u>(1,752,229)</u>
	<u>8,346,118</u>	<u>38,009</u>	<u>8,384,127</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

4 - CAPITAL ASSETS

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Allavik building	13,081,832	10,364,722	2,717,110	3,485,423
Police stations	19,654,326	13,499,799	6,154,527	7,110,217
Other buildings and houses	46,743,908	24,271,673	22,472,235	24,746,964
Vehicles	8,929,974	7,306,462	1,623,512	884,913
Equipment and office furniture	3,357,792	3,309,661	48,131	46,761
Housing furniture	2,857,630	2,713,077	144,553	157,246
Telecommunication infrastructure	58,561,488	43,194,623	15,366,865	23,050,298
Construction equipment	2,061,886	1,801,247	260,639	240,746
Vehicles – Transport (Note 9 a))	1,622,410	1,397,132	225,278	227,624
Heavy equipment – Transport (Note 9 a))	8,941,674	5,720,034	3,221,640	2,827,589
Marine infrastructure	46,577,450	10,479,931	36,097,519	37,261,960
	212,390,370	124,058,361	88,332,009	100,039,741
Water points and plans for Northern Villages	545,000	545,000		
Capital projects in progress (Appendix D)	90,664,360		90,664,360	62,430,318
	303,599,730	124,603,361	178,996,369	162,470,059

The amortization expense for the year ended December 31, 2019 amounted to \$14,542,823 (\$17,214,904 in 2018).

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

5 - INVESTING ACTIVITIES

- a) The transfers to investing activities related to the acquisition of capital assets in 2019 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)	(99,852)		(1,230,345)	(1,330,197)
Allavik Building (#17)		(22,763)		(22,763)
Capital projects management (#28)			(12,358)	(12,358)
Building maintenance (#27)	(5,272)		(85,988)	(91,260)
KRG Houses (#74)	(65,398)			(65,398)
KRPF – Operations (#205 to #223)			(1,205,719)	(1,205,719)
Kuururjuaq Park – Operations (#63)	(6,388)			(6,388)
Uumajuit (#53)			(48,103)	(48,103)
Development of Parks in Nunavik (#56)	(6,145)			(6,145)
Tursujuq Park – Operations (#62)				
Pingualuit Park – Operations (#59)	(23,767)			(23,767)
Civil security – Operations (#25)	(5,034)			(5,034)
Police stations – Building Operations (#14 and #204)		(10,983)		(10,983)
	<u>(211,856)</u>	<u>(33,746)</u>	<u>(2,582,513)</u>	<u>(2,828,115)</u>

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

	2019	2018
	\$	\$
Makigiarutiit I and II (#77, #177 and #85) – Loans and investments		12,000
Makigiarutiit III and IV (#88) – Loans and investments	<u>117,347</u>	<u>1,527,221</u>
	<u>117,347</u>	<u>1,539,221</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

6 - BANK OVERDRAFT

The KRG has authorized lines of credit that bear interest at prime rate (3.95%; 3.95% as at December 31, 2018) 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; \$15,000,000 for Tamaani Phase V; \$9,047,000 for Pivallutiit III; \$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 for an amount of \$5,000,000 for Tamaani Phase V. This facility was not used as at December 31, 2019.

7 - DEFERRED REVENUES

The deferred revenues are detailed as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Indigenous and Northern Affairs Canada (Sustainable Employment – Illiviq)	246,443	249,498
Indigenous and Northern Affairs Canada (#76)	137,688	137,688
Indigenous and Northern Affairs Canada (#175)	95,000	95,000
Emploi-Québec (Sustainable Employment)	847,385	96,444
Employment and Social Development Canada (Sustainable Employment)	122,210	961,789
Employment and Social Development Canada (#43)	509,076	
Glencore Canada Corporation (#61)	80,055	84,999
Ministère de la Sécurité publique (#205 to #223)	4,036,544	90,097
Ministère de la Justice (#89)		227,372
Ministère des Affaires municipales et de l'Habitation (#172)	324,979	208,070
Ministère de l'Environnement et de la Lutte contre les changements climatiques (#69)	2,597,546	2,515,735
Nunavik Regional Board of Health and Social Services (#201)	18,918	
Public Safety Canada (#205 to #223)	2,807,318	
Transports Canada (#312)	229,742	
	<u>12,052,904</u>	<u>4,666,692</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT

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

		<u>2019</u>	<u>2018</u>
		\$	\$
Bonds, seventy-first series, issued July 7, 2010, bearing interest from 1.6% to 4.55% and maturing as follows			
Bonds, due July 7, 2020	726,000		
Bonds, renewable as at July 7, 2020	4,087,000	4,813,000	4,813,000
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

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT (Continued)

		<u>2019</u>	<u>2018</u>
		\$	\$
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	<u>3,385,000</u>	3,385,000	10,914,000
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	8,001,000
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	9,592,000
Bonds, ninety-first series, issued April 1, 2015, bearing interest from 1.3% to 1.75% and maturing as follows			
Bonds, due April 1, 2020	528,000		
Bonds, renewable as at April 1, 2020	<u>6,121,000</u>	6,649,000	7,165,000
Bonds, ninety-second series, issued June 16, 2015, bearing interest from 1.3% to 2% and maturing as follows			
Bonds, due June 16, 2020	313,000		
Bonds, renewable as at June 16, 2020	<u>3,785,000</u>	4,098,000	5,081,000
Bonds, ninety-third series, issued October 28, 2015, bearing interest from 1.4% to 3.25% and maturing as follows			
Bonds, due October 28, 2020	999,000		
Bonds, renewable as at October 28, 2020	3,971,000		
Bonds, renewable as at October 28, 2025	<u>1,920,000</u>	6,890,000	7,862,000
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, 2020	238,351		
Loans, due November 3, 2021	245,428		
Loans, due November 3, 2022	252,716		
Loans, due November 2, 2023	260,221		
Loans, due November 2, 2024	267,948		
Loans, due November 2, 2025	<u>275,905</u>	1,540,569	1,772,046

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
Bonds, ninety-fifth series, issued March 9, 2016, bearing interest from 1.3% to 2% and maturing as follows		
Bonds, due March 9, 2020	3,117,000	
Bonds, due March 9, 2021	1,274,000	
Bonds, renewable as at March 9, 2021	<u>7,662,000</u>	15,075,000
Bonds, ninety-sixth series, issued June 22, 2016, bearing interest from 1.2% to 2.55% and maturing as follows		
Bonds, due June 22, 2020	925,000	
Bonds, due June 22, 2021	948,000	
Bonds, renewable as at June 22, 2021	4,573,000	
Bonds, renewable as at June 22, 2026	<u>2,550,000</u>	9,900,000
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, 2020	571,212	
Loans, due August 31, 2021	581,966	
Loans, renewable as at August 31, 2021	<u>901,238</u>	2,615,072
Bonds, ninety-eighth series, issued October 12, 2016, bearing interest from 1.2% to 1.75% and maturing as follows		
Bonds, due October 12, 2020	1,471,000	
Bonds, due October 12, 2021	623,000	
Bonds, renewable as at October 12, 2021	<u>3,501,000</u>	7,034,000
Bonds, ninety-ninth series, issued March 22, 2017, bearing interest from 1.2% to 2.85% and maturing as follows		
Bonds, due March 22, 2020	1,964,000	
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	<u>2,646,000</u>	19,357,000
Bonds, hundredth series, issued May 24, 2017, bearing interest from 1.15% to 1.85% and maturing as follows		
Bonds, due May 24, 2020	671,000	
Bonds, due May 24, 2021	684,000	
Bonds, due May 24, 2022	699,000	
Bonds, renewable as at May 24, 2022	<u>3,909,000</u>	6,619,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
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, 2020	1,405,000	
Bonds, due December 5, 2021	1,446,000	
Bonds, due December 5, 2022	1,489,000	
Bonds, renewable as at December 5, 2022	<u>1,889,000</u>	7,593,000
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, 2020	1,567,000	
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	<u>1,569,000</u>	9,631,000
Bonds, hundred and third series, issued June 6, 2018, bearing interest from 2% to 2.8% and maturing as follows		
Bonds, due June 6, 2020	958,000	
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	<u>2,606,000</u>	7,540,000
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, 2020	286,349	
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, 2025 and subsequent years	<u>1,459,668</u>	3,279,933
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, 2020	1,432,000	
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>	9,471,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
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, 2020	1,929,000	
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, 2020	1,906,000	
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, 2020	202,728	
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>	1,013,637
Bonds, hundred and ninth series, issued November 27, 2019, bearing interest from 2% to 2.15% and maturing as follows		
Bonds, due November 27, 2020	2,480,000	
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
Loans reimbursed or renewed during the year		19,003,213
	<u><u>213,886,654</u></u>	<u><u>205,331,264</u></u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

8 - LONG-TERM DEBT (Continued)

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

	<u>\$</u>
2020	41,653,639
2021	47,605,553
2022	37,832,891
2023	31,652,076
2024	38,489,922
2025 and subsequent years	16,652,573
	<u>213,886,654</u>

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

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation	159,311,917	141,026,418
Contribution from Northern Villages financed by the Ministère de l'Éducation et de l'Enseignement supérieur – Sports facilities	5,237,170	7,217,847
Contribution from Northern Villages financed by the Secrétariat aux affaires autochtones – Sports facilities	6,072,085	7,180,219
Contribution from Northern Villages financed by the Ministère de la Sécurité publique – Fire Safety Cover Plan	2,328,800	2,955,200
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation – Programme d'infrastructures Québec – Municipalités – Sports facilities	657,600	864,300
Contribution from the Ministère des Affaires municipales et de l'Habitation	66,783	87,782
Contribution from the Ministère des Transports	26,591,500	30,925,700
Contribution from the Ministère de la Sécurité publique	1,384,500	1,691,600
	<u>201,650,355</u>	<u>191,949,066</u>

Kativik Regional Government
Notes to Financial Statements
 December 31, 2019

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 \$5,245,893. 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 \$5,138,312 to the financial reserves as at December 31, 2019.
- 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, 2019 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)	
Puvirnitug Coop Association – Apartment for employees	500,000
	<u>500,000</u>
Makigiarutiit III and IV (#88)	
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>

An equivalent amount totalling \$2,000,000 was set aside in the financial reserves for the financing of these loans and reimbursable contributions.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2019

**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, 2019, 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, 2019, funding applications totalling \$12,280,000 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, 2019, funding applications totalling \$6,370,000 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, 2019

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.

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 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.

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 2019, the KRG received \$7,886,027 (\$7,682,011 in 2018) from the Sanarrutik Agreement.

Kativik Regional Government
Notes to Financial Statements
December 31, 2019

11 - SANARRUTIK AGREEMENT (Continued)

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 Kuujuaaraapik 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, 2019

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, 2019

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, 2019, total expenditures incurred by the KRG under the agreement were \$66,879,880, the total value of approved projects is \$97,524,526 and \$53,672,000 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, 2019, 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 12 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.

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13 - BLOCK FUNDING AGREEMENT (Continued)

In 2019, the indexed amount of \$79,351,732 (\$69,721,513 in 2018) 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

	<u>2019</u>	<u>2018</u>
	\$	\$
Investment in capital assets	178,996,369	162,470,059
Investment in loans receivable	8,384,127	8,858,467
Investment in long-term debt	(12,236,299)	(13,382,198)
Net investment in long-term assets, end of year	<u>175,144,197</u>	<u>157,946,328</u>

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning of year	<u>157,946,328</u>	<u>149,087,088</u>
Additions		
Acquisition of capital assets	2,835,093	2,087,978
Increase in capital projects in progress	32,517,808	38,505,872
Acquisition of investments and loans receivable	117,347	1,539,221
Provision (recovery) for doubtful loans	682,215	(1,073,692)
Provision for interest on loans receivable	4,541	(20,132)
Write-off of doubtful loans		(54,439)
Increase in long-term contributions to be recovered for repaying the long-term debt	9,701,289	(9,355,239)
Capital repayments of long-term debt	54,865,247	40,380,073
	<u>100,723,540</u>	<u>72,009,642</u>

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Disposals		
Capital projects closed during the year	4,283,769	14,955,933
Amortization of capital assets	14,542,823	17,214,904
Capital repayments – Loans receivable	1,278,443	1,057,632
Issuance of long-term debt	31,759,000	12,519,933
Refinancing of long-term debt	31,661,637	17,402,000
	<u>83,525,672</u>	<u>63,150,402</u>
Balance, end of year	<u>175,144,196</u>	<u>157,946,328</u>

15 - NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2019</u>	<u>2018</u>
	\$	\$
Contributions receivable	10,767,967	(7,508,183)
Accounts receivable	1,539,454	(4,797,767)
Other non-financial assets – Prepaid expenses and inventories	(460,724)	2,100,012
Accounts payable and accrued liabilities	(6,584,899)	3,933,715
Deferred revenues	7,386,212	(1,689,601)
	<u>12,648,010</u>	<u>(7,961,824)</u>

16 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

- a) The KRG has entered into contractual obligations which, as at December 31, 2019, are as follows for the next years:

	<u>\$</u>
2020	5,423,816
2021	3,953,280
	<u>9,377,096</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 2019, and amounting to \$4,729,678, a balance of \$2,355,355 was recorded as payable as at December 31, 2019 and is detailed as follows:

	<u>\$</u>
Northern Village of Kangiqsualujjuaq	175,277
Northern Village of Kuujjuaq	375,267
Northern Village of Tasiujaq	73,485
Northern Village of Aupaluk	53,552
Northern Village of Kangirsuk	117,765
Northern Village of Quaqtaq	87,537
Northern Village of Kangiqsujuaq	147,338
Northern Village of Salluit	274,945
Northern Village of Ivujivik	86,066
Northern Village of Akulivik	122,991
Northern Village of Puvirnituq	297,983
Northern Village of Inukjuak	313,669
Northern Village of Umiujaq	96,851
Northern Village of Kuujjuaraapik	132,629
	<u>2,355,355</u>

During the 2019 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, 2019 of these internal loans is detailed as follows:

	<u>2019</u> \$	<u>2018</u> \$
Issued in 2000		
Building extension (to be reimbursed by Allavik Building (#17)), bearing interest at 5% and maturing in December 2021 (\$3,600,000)	360,000	540,000
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)	252,326	281,767
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2026 (\$3,165,163)	1,474,086	1,646,082
Issued in 2007		
Warehouse (to be reimbursed by Warehouse (#73)), bearing interest at 5% and maturing in December 2027 (\$2,888,682)	1,502,294	1,651,702
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2027 (\$550,000)	286,035	314,482
Issued in 2009		
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2029 (\$4,374,301)	2,716,500	2,921,468
Courthouse renovations (to be reimbursed by Courthouse (#18)), bearing interest at 5% and maturing in December 2029 (\$357,724)	222,152	238,914
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)	36,957	54,098
Issued in 2013		
Police stations Kuujuaq and Kuujjuaraapik (to be reimbursed by Police Stations – Building operations (#14)), bearing interest at 5% and maturing in December 2033 (\$1,828,728)	1,452,545	1,523,130
	<u>8,302,895</u>	<u>9,171,643</u>

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17 - FINANCIAL RESERVE – TREASURY (Continued)

The reimbursements for the next years are detailed as follows:

	<u>\$</u>
2020	903,581
2021	940,176
2022	778,713
2023	818,084
2024	859,446
2025 and subsequent years	<u>4,002,895</u>
	<u><u>8,302,895</u></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 \$1,055,130 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.