

Kativik Regional Government
Cash Flow Statement
Year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
OPERATING ACTIVITIES		
Surplus (deficit) for the year	132,561,493	63,011,331
Items not affecting liquidity		
Amortization of capital assets	6,303,273	13,846,967
Capital assets transferred to Northern Villages	10,383,885	22,226,416
	<u>149,248,651</u>	<u>99,084,714</u>
Net change in non-cash working capital items (Note 15)	<u>(24,344,695)</u>	<u>13,296,551</u>
Cash flows from operating activities	<u>124,903,956</u>	<u>112,381,265</u>
FINANCING ACTIVITIES		
Issuance of long-term debt	23,502,000	8,902,000
Refinancing of long-term debt	21,981,000	25,846,238
Capital repayment – long-term debt	(23,439,509)	(24,780,315)
Capital repayment – long-term debt refinancing	(21,981,000)	(25,846,238)
Long-term contributions to be recovered for repaying the long-term debt	(1,325,090)	14,650,314
Cash flows from financing activities	<u>(1,262,599)</u>	<u>(1,228,001)</u>
INVESTING IN CAPITAL ASSETS ACTIVITIES		
Acquisition of capital assets	(3,991,576)	(1,421,305)
Increase in capital projects in progress	(91,778,050)	(89,476,186)
Cash flows from investing in capital assets activities	<u>(95,769,626)</u>	<u>(90,897,491)</u>
INVESTING IN LOANS AND TERM DEPOSITS ACTIVITIES		
Decrease in term deposits	(60,182,259)	(18,367)
Investments and loans receivable	(714,821)	(1,267,385)
Cash flows from investing in loans and term deposits activities	<u>(60,897,080)</u>	<u>(1,285,752)</u>
Net increase in cash and cash equivalents	(33,025,349)	18,970,021
Cash and cash equivalents, beginning of year	<u>117,789,870</u>	<u>98,819,849</u>
Cash and cash equivalents, end of year	<u>84,764,521</u>	<u>117,789,870</u>
CASH AND CASH EQUIVALENTS		
Cash	<u>84,764,521</u>	<u>117,789,870</u>
	<u>84,764,521</u>	<u>117,789,870</u>

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

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

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Kativik Regional Government

Notes to Financial Statements

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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.

Appropriated surplus

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

Kativik Regional Government
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2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, a provision for doubtful loans of \$1,084,203 (\$605,071 as at December 31, 2021), 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, and office and housing furniture	5 years
Construction equipment	5 years
Marine infrastructure	40 years

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.

Kativik Regional Government
Notes to Financial Statements
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2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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's 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. 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 are 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, 2022

3 - INVESTMENTS AND LOANS RECEIVABLE

a) The investments and loans receivable are as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Loans receivable and investments approved under Regional and Local Development departments		
Makigiarutiit I and II (#77, #177 and #85) – loans receivable	2,058,493	2,494,081
Makigiarutiit I and II (#77, #177 and #85) – investments	2,871,881	2,879,059
Makigiarutiit III and IV (#88) – loans receivable	6,067,281	4,430,562
	10,997,655	9,803,702
Provision for doubtful loans	(1,084,203)	(605,071)
	9,913,452	9,198,631

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

	<u>\$</u>
2023	1,252,880
2024	860,499
2025	892,935
2026	640,441
2027	578,428
2028 and subsequent years	6,772,472
	<u>10,997,655</u>

All loans issued prior to January 1, 2022, for which the applicable repayment terms are not respected, have been classified under the 2028 and subsequent years.

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

b) The details of the investments and loans receivable 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)	62		62
Issued in 2008			
Fort Chimo Cooperative Association (\$215,000) (20 years – 3.5%)	80,006	238	80,244
Fort Chimo Cooperative Association – hotel expansion (\$250,000) (20 years – 3.5%)	69,784	207	69,991
Issued in 2010			
Dépanneur Newviq'vi Inc. (\$366,500) (15 years – 0.25%)	47,391	10	47,401
Les Magasins Tullik Inc. (\$386,500) (15 years – 0.25%)	49,688	11	49,699
Tasiujaq Cooperative Association (\$250,000) (15 years – 3%)	52,882	135	53,017
Ajapirvik Women's Shelter of Inukjuak (\$308,250) (15 years – 0.25%)	40,440	9	40,449
Issued in 2011			
Nayumivik Landholding Corporation (\$186,000) (14 years – 3.75%)	45,873	146	46,019
Great Whale Cooperative Association Kuujjuarapik (\$405,000) (15 years – 0.25%)	93,573	20	93,593
Quaqtaq Cooperative Association (\$370,000) (15 years – 0.25%)	87,535	19	87,554
Nayumivik Landholding Corporation (\$250,000) (14 years – 0.25%)	52,729	11	52,740
Issued in 2012			
Avataa Explorations & Logistics Inc. (\$421,426) (10 years – 1%)	211,534	180	211,714

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

	Principal \$	Accrued interest \$	Total \$
Loans receivable (Continued)			
Issued in 2013			
Nunabec Inc. (\$30,182) (10 years – 4.5%)	3,711	14	3,725
Nunavik Enterprises (\$105,000) (10 years – 4.49%)	10,282	39	10,321
Hébergement Communautaire Uvatitut (\$205,000) (15 years – 3.75%)	90,245	287	90,532
Hébergement Communautaire Uvatitut (\$250,000) (15 years – 0.25%)	98,223	21	98,244
Pituvik Landholding Corporation of Inukjuak (\$500,000) (16 years – 1%)	200,062	335	200,397
Nunabec Inc. (\$197,718) (10 years – 1%)	23,503	20	23,523
Nunavik Enterprises (Kuujjuaq) (\$500,000) (10 years – 3%)	56,988	145	57,133
Auberge Kuujjuaq Inc. (\$250,000) (10 years – 4.49%)	35,336	135	35,471
Issued in 2014			
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	71,106	181	71,287
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	112,469	287	112,756
Auberge Kuujjuaq Inc. (\$420,000) (10 years – 3%)	57,272	146	57,418
Issued in 2015			
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	151,215	353	151,568
Issued in 2016			
Tivi Inc. (\$113,000) (10 years – 2.5%)	47,119	100	47,219
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	149,579	349	149,928
Issued in 2018			
Annituvik Landholding Corporation (\$427,900) (15 years – 3.5%)	316,093	940	317,033
Qiniqtiq Landholding Corporation (\$500,000) (20 years – 2.75%)	190,761	878	191,639
Payne Bay Cooperative Association (\$500,000) (15 years – 2.75%)	373,209	869	374,078

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2019			
Peter G. May (\$15,000) (5 years – 3.7%)	5,695	18	5,713
Pourvoirie Johnny and Billy Cain (\$20,900) (5 years – 3.75%)	17,142	1,565	18,707
Issued in 2020			
Société Kuujjuamiut Inc. (\$127,900) (5 years – 2.25%)	69,393	657	70,050
Issued in 2021			
Les Complexes Gadbois (\$670,000) (20 years – 3.25%)	640,639	5,262	645,901
Avataq Cultural Institute Inc. – Northern Delights Fine Inuit Herbal Tea (\$155,000) (7 years – 3.25%)	124,255	343	124,598
Nayumivik Landholding Corporation (\$1,000,000) (15 years – 3.75%)	929,278	2,960	932,238
Moorhouse Logistics and Expediting inc. (\$105,250) (6 years – 2.25%)	85,723	164	85,887
Holy Trinity Church (\$186,500) (20 years – 2.25%)	173,371	331	173,702
Issued in 2022			
Sakkuq Landholding Corporation (\$1,000,000) (15 years – 2.25%)	963,589	7,267	970,856
Tuvaaluk Landholding Corporation (\$1,000,000) (15 years – 2.25%)	964,562	1,843	966,405
Kayuk Enterprises inc. (\$90,000) (17 years – 4.5%)	88,005	336	88,341
Jeffrey Gordon (\$23,900) (7 years – 4.5%)	22,903	207	23,110
Ungava Polar Eco-Tours Inc. (\$29,500) (8 years – 3.5%)	28,052	83	28,135
	<u>6,931,277</u>	<u>27,121</u>	<u>6,958,398</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	182,409	335,883
Issued in 2014			
8523509 Canada Inc. (\$13,320) (1 year – 4.5%)	6,265	167	6,432
8523509 Canada Inc. (\$45,945) (7 years – 3%)	45,339	5,182	50,521
Ikumak Services Inc. (\$125,000) (15 years – 3%)	120,507	1,418	121,925
Arqivik Landholding Corporation – Iqaluppik Hotel (\$500,000) (15 years – 3%)	474,212	1,208	475,420

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans and investments in default (Continued)</u>			
Issued in 2015			
8523509 Canada Inc. – Kuujjuaq sports lounge (\$35,000) (8 years – 5.5%)	34,549	9,871	44,420
Issued in 2016			
Angngutigiarvik Services Inc. (\$25,700) (5 years – 2.5%)	1,353	61	1,414
Issued in 2018			
Raymond Mickpegak (\$12,000) (4 years – 5.5%)	7,456	1,256	8,712
Issued in 2019			
Richard Moorhouse (\$50,000) (10 years – 3.75%)	49,981	5,901	55,882
Issued in 2020			
Bobby Cain (\$64,261) (5 years – 2.25%)	64,261	2,505	66,766
	<u>957,397</u>	<u>209,978</u>	<u>1,167,375</u>
<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

Kativik Regional Government
Notes to Financial Statements

December 31, 2022

3 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	<u>Principal</u>	<u>Accrued interest</u>	<u>Total</u>
	\$	\$	\$
<u>Investments (Continued)</u>			
Issued in 2013 (Continued)			
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	25,088	191,888
Issued in 2017			
Tasiujaq Cooperative Association (\$180,000) (shares – 10 years)	180,000		180,000
	<u>2,846,794</u>	<u>25,088</u>	<u>2,871,882</u>
	10,735,468	262,187	10,997,655
Provision for doubtful loans	<u>(879,870)</u>	<u>(204,333)</u>	<u>(1,084,203)</u>
	<u>9,855,598</u>	<u>57,854</u>	<u>9,913,452</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

4 - CAPITAL ASSETS

	<u>2022</u>			<u>2021</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
	\$	\$	\$	\$
Allavik building	13,081,832	11,733,549	1,348,283	1,648,541
Police stations	19,654,326	16,014,256	3,640,070	4,453,339
Other buildings and houses	46,744,948	31,049,860	15,695,088	17,943,151
Vehicles	11,775,116	9,249,751	2,525,365	1,794,218
Equipment and office furniture	3,480,643	3,359,524	121,119	50,608
Housing furniture	3,127,610	2,917,352	210,258	192,190
Telecommunication infrastructure	58,561,488	58,561,488		
Construction equipment	2,616,785	2,207,379	409,406	344,333
Vehicles – transport (Note 9 a))	1,982,114	1,678,259	303,855	172,331
Heavy equipment – transport (Note 9 a))	12,158,876	7,716,193	4,442,683	3,244,677
Marine infrastructure	46,577,450	13,973,235	32,604,215	33,768,651
	<u>219,761,188</u>	<u>158,460,846</u>	<u>61,300,342</u>	<u>63,612,039</u>
Water points and plans for Northern Villages	545,000	545,000		
Capital projects in progress (Appendix D)	266,270,157		266,270,157	184,875,992
	<u>486,576,345</u>	<u>159,005,846</u>	<u>327,570,499</u>	<u>248,488,031</u>

The amortization expense for the year ended December 31, 2022 amounted to \$6,303,273 (\$13,846,967 in 2021).

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5 - INVESTING ACTIVITIES

- a) The transfers to investing activities related to the acquisition of capital assets in 2022 are detailed as follows:

	Housing furniture and tools	Office furniture and equipment	Vehicles, immovable and major renovations	Total
	\$	\$	\$	\$
Administration (#12)		(13,412)	(152,652)	(166,064)
Capital Projects Management (#28)			(54,296)	(54,296)
NPS – Operations (#205 to #223)		(21,535)	(606,693)	(628,228)
Civil Security – Operations (#25)	(19,916)		(57,508)	(77,424)
Transports Québec Airports (#310, #311, #313 to #324)	(87,378)		(2,175,810)	(2,263,188)
Transport Canada Airport (#312)	(31,142)			(31,142)
Allavik Building (#17)		(12,052)		(12,052)
KRG Houses (#74)	(94,796)			(94,796)
KRG other Nunavik Buildings (#75)		(31,381)		(31,381)
Police Stations – Building Operations (#14 and #204)		(8,419)		(8,419)
Building maintenance (#27)	(43,815)		(179,220)	(223,035)
Uumajuit (#53)			(322,730)	(322,730)
Environment (#64)			(48,634)	(48,634)
Development of Parks in Nunavik (#56)	(8,426)			(8,426)
Pingualuit Park – Operations (#59)	(5,697)			(5,697)
Kuururjuaq Park – Operations (#63)	(9,157)			(9,157)
Tursujuq Park – Operations (#62)	(6,907)			(6,907)
	<u>(307,234)</u>	<u>(86,799)</u>	<u>(3,597,543)</u>	<u>(3,991,576)</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Makigiarutiit I and II (#77, #177 and #85) – loans and investments		186,500
Makigiarutiit III and IV (#88) – loans and investments	<u>2,143,400</u>	<u>1,783,200</u>
	<u>2,143,400</u>	<u>1,969,700</u>

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Notes to Financial Statements
December 31, 2022

6 - BANK OVERDRAFT

The KRG has authorized lines of credit that bear interest at prime rate (6.45%; 2.45% as at December 31, 2021) 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, \$12,000,000 for Isurruutiit Projects, \$5,000,000 for Tamaani Phase V, \$7,000,000 for Pivallutiit III, \$23,326,400 for the police stations construction, \$500,000 for Sustainable Employment Programs, \$500,000 for the Nunavik Police Service and \$10,000,000 for the Fire Safety Cover Plan projects.

Also, the KRG has entered into a credit agreement for foreign exchange contracts for an amount of \$15,000,000 for Tamaani Phase V. This facility was not used as at December 31, 2022.

7 - DEFERRED REVENUES

The deferred revenues are detailed as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Québec emploi (Sustainable Employment)	1,465,656	1,037,819
Employment and Social Development Canada (Sustainable Employment)	23,233,447	15,054,217
Makivik Corporation (#78)		1,445,808
Ministère de la Sécurité publique (#205 to #223)	3,911,625	4,681,029
Ministère de la Sécurité publique (#201)	59,720	16,577
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#69)	2,570,005	2,570,005
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#58)	1,866,651	1,842,038
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#64)	2,137,512	5,024,798
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#55)	12,900	
Environment and Climate Change Canada (#54)		77,205
Secrétariat aux relations avec les Premières Nations et les Inuit (#88)	1,787,145	1,831,419
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (#86)	25,000	
Ministère des Transports et de la Mobilité durable (#310, #311, #313 to #324)	400,000	
Ministère de la Justice (#89)	756,366	483,817
Public Safety Canada (#205 to #223)		2,963,844
Transport Canada (#331)	40,118	452,204
Indigenous and Northern Affairs Canada (Sustainable Employment – Illiviq)		137,264
Indigenous and Northern Affairs Canada (#76)		137,688
Makivik Corporation (#51)		1,870,000
Other (#31)		36,346
	<u>38,266,145</u>	<u>39,662,078</u>

Kativik Regional Government Notes to Financial Statements

December 31, 2022

8 - LONG-TERM DEBT

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

		<u>2022</u>	<u>2021</u>
		\$	\$
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	<u>6,850,000</u>	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	<u>2,696,000</u>	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	<u>3,936,000</u>	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	<u>3,385,000</u>	3,385,000	3,385,000
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	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	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>	1,920,000	1,920,000
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, 2023	260,221		
Loans, due November 3, 2024	267,948		
Loans, due November 3, 2025	<u>275,905</u>	804,074	1,056,790

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

8 - LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
Bonds, ninety-sixth series, issued June 22, 2016, bearing interest from 1.2% to 2.55% and maturing as follows Bonds, renewable as at June 22, 2026	<u>2,550,000</u>	2,550,000
Bonds, ninety-ninth series, issued March 22, 2017, bearing interest from 1.2% to 2.85% and maturing as follows Bonds, renewable as at March 22, 2027	<u>2,646,000</u>	13,463,000
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, 2023 Bonds, renewable as at March 7, 2023	<u>1,704,000</u> <u>1,569,000</u>	3,273,000 4,930,000
Bonds, hundred and third series, issued June 6, 2018, bearing interest from 2% to 2.8% and maturing as follows Bonds, due June 6, 2023 Bonds, renewable as at June 6, 2023	<u>1,043,000</u> <u>2,606,000</u>	3,649,000 4,663,000
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, 2023 Loans, due October 3, 2024 Loans, renewable as at October 3, 2028	<u>320,127</u> <u>332,249</u> <u>1,459,668</u>	2,112,044 2,420,491
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, 2023 Bonds, renewable as at November 1, 2023	<u>1,570,000</u> <u>2,078,000</u>	3,648,000 5,171,000
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, 2023 Bonds, due March 20, 2024 Bonds, renewable as at March 20, 2024 Bonds, renewable as at March 20, 2029	<u>2,138,000</u> <u>2,213,000</u> <u>4,749,000</u> <u>3,540,000</u>	12,640,000 14,706,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

8 - LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
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, 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	4,261,000	
	15,492,000	17,480,000
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, 2023	202,728	
Loans, due September 30, 2024	202,725	
	405,453	608,181
Bonds, hundred and ninth series, issued November 27, 2019, bearing interest from 2% to 2.15% and maturing as follows		
Bonds, due November 27, 2023	2,648,000	
Bonds, due November 27, 2024	2,705,000	
Bonds, renewable as at November 27, 2024	9,487,000	
	14,840,000	17,430,000
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, 2023	898,000	
Bonds, due April 1, 2024	918,000	
Bonds, due April 1, 2025	939,000	
Bonds, renewable as at April 1, 2025	5,511,000	
	8,266,000	9,143,000
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, 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	9,536,000	
	13,439,000	14,699,000
Bonds, hundred and twelfth series, issued December 8, 2020, bearing interest from 0.7% to 1% and maturing as follows		
Bonds, due December 8, 2023	950,000	
Bonds, due December 8, 2024	963,000	
Bonds, due December 8, 2025	977,000	
Bonds, renewable as at December 8, 2025	1,693,000	
	4,583,000	5,520,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

8 - LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
Bonds, hundred and thirteenth series, issued March 10, 2021, bearing interest from 0.5% to 1.1% and maturing as follows		
Bonds, due March 10, 2023	2,198,000	
Bonds, due March 10, 2024	2,223,000	
Bonds, due March 10, 2025	2,249,000	
Bonds, due March 10, 2026	2,275,000	
Bonds, renewable as at March 10, 2026	<u>5,445,000</u>	16,563,000
Bonds, hundred and fourteenth series, issued May 31, 2021, bearing interest from 0.5% to 1.1% and maturing as follows		
Bonds, due May 31, 2023	1,157,000	
Bonds, due May 31, 2024	1,180,000	
Bonds, due May 31, 2025	1,203,000	
Bonds, due May 31, 2026	1,226,000	
Bonds, renewable as at May 31, 2026	<u>1,245,000</u>	7,146,000
Loans with Fédération des caisses Desjardins du Québec, issued August 31, 2021, bearing interest at 1.59% and maturing as follows		
Loans, due August 31, 2023	177,368	
Loans, due August 31, 2024	180,203	
Loans, due August 31, 2025	183,083	
Loans, due August 31, 2026	<u>185,966</u>	901,238
Bonds, hundred and sixteenth series, issued October 12, 2021, bearing interest from 0.65% to 1.4% and maturing as follows		
Bonds, due October 12, 2023	1,049,000	
Bonds, due October 12, 2024	1,067,000	
Bonds, due October 12, 2025	1,086,000	
Bonds, due October 12, 2026	1,105,000	
Bonds, renewable as at October 12, 2026	<u>4,800,000</u>	10,138,000
Bonds, hundred and seventeenth series, issued April 11, 2022, bearing interest from 2.25% to 3.5% and maturing as follows		
Bonds, due April 11, 2023	2,826,000	
Bonds, due April 11, 2024	2,902,000	
Bonds, due April 11, 2025	2,980,000	
Bonds, due April 11, 2026	3,061,000	
Bonds, due April 11, 2027	3,143,000	
Bonds, renewable as at April 11, 2027	4,137,000	
Bonds, renewable as at April 11, 2032	<u>6,716,000</u>	25,765,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

8 - LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
Bonds, hundred and eighteenth series, issued November 28, 2022, bearing interest from 4.5% to 4.9% and maturing as follows		
Bonds, due November 28, 2023	1,521,000	
Bonds, due November 28, 2024	1,600,000	
Bonds, due November 28, 2025	1,683,000	
Bonds, due November 28, 2026	1,770,000	
Bonds, due November 28, 2027	1,862,000	
Bonds, renewable as at November 28, 2027	6,896,000	
Bonds, renewable as at November 28, 2032	4,386,000	
	19,718,000	
Loans reimbursed or renewed during the year		15,414,000
	188,800,191	188,737,700

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

	<u>\$</u>
2023	43,708,444
2024	50,824,125
2025	31,557,988
2026	23,662,966
2027	18,684,000
2028 and subsequent years	20,362,668
	188,800,191

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

8 - LONG-TERM DEBT (Continued)

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation	159,996,000	152,760,792
Contribution from Northern Villages financed by the Ministère de l'Éducation – sports facilities	804,074	1,056,791
Contribution from Northern Villages financed by the Secrétariat aux relations avec les Premières Nations et les Inuit – sports facilities	3,244,117	3,929,910
Contribution from Northern Villages financed by the Ministère de la Sécurité publique – Fire Safety Cover Plan	1,353,400	1,597,600
Contribution from the Ministère des Transports et de la Mobilité durable	14,448,700	18,591,700
Contribution from the Ministère de la Sécurité publique	405,100	741,000
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation – Programme d'infrastructures Québec-Municipalités – sports facilities		225,600
Contribution from the Ministère des Affaires municipales et de l'Habitation		22,908
	<u>180,251,391</u>	<u>178,926,301</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

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 et de la Mobilité durable 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 et de la Mobilité durable for the amount of the difference. To that effect and in order to comply with its obligations, the KRG has appropriated an amount of \$6,643,752 to the financial reserves as at December 31, 2022.
- b) In accordance with the Transport 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 Transport 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, 2022 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)	
Kangirsuk Anglican Vestry	50,659
Qimutjuit Men Association of Kuujjuaraapik	300,000
Puvirnituq Coop Association – apartment for employees	500,000
	<u>850,659</u>
Makigiarutiit III and IV (#88) (b)	
Johnny and Billy Cain outfitters	20,000
Nunavik Rotors Inc. – construction of an 8-room staff	1,000,000
Puvirnituq 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
YVP Pub & Grill	24,000
	<u>2,544,000</u>
	<u><u>3,394,659</u></u>

- (a) An equivalent amount totalling \$850,659 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, 2022

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

- (b) As at December 31, 2022, no financial reserve was set aside for the financing of these loans. However, the funding balance remaining in the agreement with the Secrétariat aux relations avec les Premières Nations et les Inuit for future loans amounted to \$14,381,340 with an accumulated surplus of \$2,735,475 as at December 31, 2022.

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, 2022, a total of \$1,235,075 was disbursed by the KRG to 13 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, 2022, funding applications totalling \$11,980,000 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, 2022, funding applications totalling \$8,375,000 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2022

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;
- 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.

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

11 - SANARRUTIK AGREEMENT (Continued)

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.

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 2022, the KRG received \$9,301,668 (\$8,599,860 in 2021) 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.

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

11 - SANARRUTIK AGREEMENT (Continued)

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.

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 ("the half-way house") in Kangirsuk and to fund the operation costs. The construction of the Makitautik Centre was completed in September 2004.

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

11 - SANARRUTIK AGREEMENT (Continued)

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 ("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.

12 - ISURRUUTIIT PROGRAM

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.

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 relations avec les Premières Nations et les Inuit 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, 2022, 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 have been financed.

Kativik Regional Government
Notes to Financial Statements
December 31, 2022

12 - ISURRUUTIIT PROGRAM (Continued)

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 relations avec les Premières Nations et les Inuit 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. In 2021, an amendment was signed and an additional amount of \$20 million was committed. As at December 31, 2022, the total value of approved projects was \$120,000,000. The total expenditures incurred by the KRG under the agreement were \$110,369,725 (\$98,426,286 as at December 31, 2021), \$100,495,000 (\$76,993,000 as at December 31, 2021) have been financed through bonds and \$2 million have been disbursed by the Secrétariat aux relations avec les Premières Nations et les Inuit.

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 KRG 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.

In 2022, the indexed amount of \$121,115,077 (\$96,953,960 in 2021) 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.

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14 - NET INVESTMENT IN LONG-TERM ASSETS

	<u>2022</u>	<u>2021</u>
	\$	\$
Investment in capital assets	327,570,499	248,488,031
Investment in loans receivable	9,913,452	9,198,631
Investment in long-term debt	<u>(8,548,800)</u>	<u>(9,811,399)</u>
Net investment in long-term assets, end of year	<u><u>328,935,151</u></u>	<u><u>247,875,263</u></u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance, beginning of year	<u>247,875,263</u>	<u>190,555,768</u>
Additions		
Acquisition of capital assets	3,991,576	1,421,305
Increase in capital projects in progress	91,778,049	89,476,187
Acquisition of investments and loans receivable	2,143,400	1,969,700
Recovery (provision) for doubtful loans	(451,014)	274,721
Recovery (provision) for interest on loans receivable	(9,063)	27,039
Recovery (write-off) of doubtful loans	20,285	
Increase in long-term contributions to be recovered for repaying the long-term debt	1,325,090	(14,650,314)
Capital repayments of long-term debt	45,420,509	50,626,553
	<u>144,218,832</u>	<u>129,145,191</u>
Disposals		
Capital projects closed during the year	10,383,885	22,226,416
Amortization of capital assets	6,303,273	13,846,967
Capital repayments – loans receivable	988,786	1,004,075
Issuance of long-term debt	23,502,000	8,902,000
Refinancing of long-term debt	21,981,000	25,846,238
	<u>63,158,944</u>	<u>71,825,696</u>
Balance, end of year	<u><u>328,935,151</u></u>	<u><u>247,875,263</u></u>

15 - NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2022</u>	<u>2021</u>
	\$	\$
Contributions receivable	(5,108,456)	(7,492,171)
Accounts receivable	(1,996,073)	(972,942)
Other non-financial assets – prepaid expenses and inventories	(3,555,954)	(1,175,393)
Accounts payable and accrued liabilities	(12,288,279)	18,923,967
Deferred revenues	(1,395,933)	4,013,090
	<u><u>(24,344,695)</u></u>	<u><u>13,296,551</u></u>

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16 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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 2022 financial year, and amounting to \$5,201,897, a balance of \$3,308,797 was recorded as payable as at December 31, 2022 and is detailed as follows:

	\$
Northern Village of Kangiqsualujjuaq	188,846
Northern Village of Kuujjuaq	404,891
Northern Village of Tasiujaq	82,384
Northern Village of Aupaluk	114,832
Northern Village of Kangirsuk	123,998
Northern Village of Quaqaq	97,122
Northern Village of Kangiqsujuaq	163,184
Northern Village of Salluit	600,327
Northern Village of Ivujivik	96,776
Northern Village of Akulivik	136,583
Northern Village of Puvirnituq	345,418
Northern Village of Inukjuak	700,547
Northern Village of Umiujaq	106,832
Northern Village of Kuujjuaraapik	147,057
	<u>3,308,797</u>

During the 2023 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 of these internal loans as at December 31, 2022 is detailed as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
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)	154,753	188,896
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2026 (\$3,165,163)	904,069	1,103,532
Issued in 2007		
Warehouse (to be reimbursed by Warehouse (#73)), bearing interest at 5% and maturing in December 2027 (\$2,888,682)	1,007,137	1,180,404
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2027 (\$550,000)	191,758	224,747
Issued in 2009		
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2029 (\$4,374,301)	2,037,207	2,274,908
Courthouse renovations (to be reimbursed by Courthouse (#18)), bearing interest at 5% and maturing in December 2029 (\$357,724)	166,600	186,039
Issued in 2013		
Police stations in Kuujjuaq and Kuujjuaraapik (to be reimbursed by Police Stations – Building Operations (#14)), bearing interest at 5% and maturing in December 2033 (\$1,828,728)	1,218,899	1,300,610
	<u>5,680,423</u>	<u>6,459,136</u>

The reimbursements for the next years are detailed as follows:

	<u>\$</u>
2023	818,084
2024	859,446
2025	902,899
2026	948,549
2027	697,473
2028 and subsequent years	1,453,972
	<u>5,680,423</u>

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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 \$1,071,076 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.