

Kativik Regional Government
Cash Flow Statement
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
OPERATING ACTIVITIES		
Surplus (deficit) for the year	51,921,578	132,561,493
Items not affecting liquidity		
Amortization of capital assets	6,591,338	6,303,273
Capital assets transferred to Northern Villages	68,465,662	10,383,885
	<u>126,978,578</u>	<u>149,248,651</u>
Net change in non-cash working capital items (Note 16)	(9,026,412)	(24,344,695)
Long-term contributions recovered for repaying the long-term debt	9,060,944	(1,325,090)
Cash flows from operating activities	<u>127,013,110</u>	<u>123,578,866</u>
FINANCING ACTIVITIES		
Issuance of long-term debt	13,659,000	23,502,000
Capital repayment – long-term debt	(23,973,444)	(23,439,509)
Cash flows from financing activities	<u>(10,314,444)</u>	<u>62,491</u>
INVESTING IN CAPITAL ASSET ACTIVITIES		
Acquisition of capital assets	(5,593,474)	(3,991,576)
Increase in capital projects in progress	(65,761,750)	(91,778,050)
Cash flows from investing in capital asset activities	<u>(71,355,224)</u>	<u>(95,769,626)</u>
INVESTING IN LOAN AND TERM DEPOSIT ACTIVITIES		
Increase in term deposits	(1,647,173)	(60,182,259)
Investments and loans receivable	(2,181,721)	(714,821)
Cash flows from investing in loan and term deposit activities	<u>(3,828,894)</u>	<u>(60,897,080)</u>
Net increase in cash and cash equivalents	41,514,548	(33,025,349)
Cash and cash equivalents, beginning of year	84,764,521	117,789,870
Cash and cash equivalents, end of year	<u>126,279,069</u>	<u>84,764,521</u>
CASH AND CASH EQUIVALENTS		
Cash	126,279,069	84,764,521
	<u>126,279,069</u>	<u>84,764,521</u>
Interest paid during the year	4,890,691	4,317,538
Interest received during the year	8,187,181	2,704,736

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

Kativik Regional Government
Notes to Financial Statements
December 31, 2023

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Kativik Regional Government

Notes to Financial Statements

December 31, 2023

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 - ACCOUNTING CHANGES

Asset retirement obligations

On January 1, 2023, the KRG should have adopted the recommendations of the Section PS 3280, Asset Retirement Obligations, of the CPA Canada Public Sector Accounting Handbook. In accordance with the requirements of new Section PS 3280, the KRG should recognize a liability and a corresponding increase in the cost of the capital asset in question with respect to the legal obligations related to the retirement of a capital asset that result from its acquisition, construction, development, or normal use. These recommendations apply to asset retirement obligations for capital assets controlled by the KRG that may or may not still be in productive use, including leased capital assets.

In accordance with the new requirements, the KRG should recognize such a liability when all of the following criteria are satisfied:

- There is a legal obligation to incur retirement costs in relation to a capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up;
- A reasonable estimate of the amount can be made.

The KRG has neither measured nor recognized any asset retirement obligation as December 31, 2023.

Financial instruments

On January 1, 2023, the KRG adopted the recommendations of new Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CPA Canada Public Sector Accounting Handbook.

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2 - ACCOUNTING CHANGES (Continued)

Section PS 3450 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The main features of this new section are as follows:

- Items within the scope of the Section are assigned to one of two measurement categories: fair value, or cost or amortized cost;
- Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value;
- Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market;
- Other financial assets and financial liabilities are generally measured at cost or amortized cost;
- Until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses;
- Budget-to-actual comparisons are not required within the statement of remeasurement gains and losses;
- When the entity defines and implements a risk management or an investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category;
- New requirements clarify when financial liabilities are derecognized;
- The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- New disclosure requirements of items reported on and the nature and extent of risks arising from financial instruments have been added.

Section PS 1201 provides a new financial statement (the statement of remeasurement gains and losses) for the recognition of remeasurement gains and losses, and provides that the accumulated surplus or deficit presented in the statement of financial position corresponds to the accumulated operating surplus or deficit and accumulated remeasurement gains and losses.

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after April 1, 2022, have been applied prospectively and, accordingly, comparative figures as at December 31, 2022 and for the year then ended are presented in accordance with the accounting policies applied by the KRG prior to the adoption of these new sections. The application of these changes had no impact on the carrying amounts of the KRG's financial assets and financial liabilities as at January 1, 2023.

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3 - 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 (MAMH). This information includes the surplus (deficit) for the year for fiscal purposes presented on pages 10 and 11, the statement of accumulated operating surplus (deficit) presented on page 6 and the statement of financial reserves and reserved funds presented on page 7.

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.

Appropriated surplus

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

A) Accrual basis of accounting

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.

B) Financial assets

Unless otherwise stated, financial assets are recognized at cost.

Cash and cash equivalents

The KRG's policy is to present in cash and cash equivalents bank balances and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Investments and loans receivable

Upon initial measurement, loans receivable are measured at cost (which generally corresponds to the cash transferred).

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

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 revenue 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. As at December 31, 2023, a provision for doubtful loans of \$714,613 (\$1,084,203 as at December 31, 2022), equivalent to 50% to 100% of loans in default, was recorded.

C) Non-financial assets

Non-financial assets are, by nature, normally employed to provide future services.

Capital assets

Amortization

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<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

Current capital assets are amortized as soon as they are put into service. The amortization of capital assets is included in expenses in the statement of surplus (deficit) for the year, but is withdrawn for the purposes of calculating operating surplus (deficit) for fiscal purposes.

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Write-down

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 expenses 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'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.

Inventories

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

D) Revenue

Revenue recognition

Transfer revenue is recognized as revenue in the financial statements in the year in which the facts giving rise to the transfer occur, provided they have been authorized, the eligibility criteria have been satisfied and it is possible to make a reasonable estimate of the amounts, unless the agreement provisions create an obligation that meets the definition of a liability. In that case, the transfer is recognized as a liability in Deferred revenue.

Revenue from services provided and other revenue are recognized when the service has been provided and gives rise to an account receivable.

Interest income on investments and other interest income are recognized on a time apportionment basis.

Kativik Regional Government Notes to Financial Statements

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Financial instruments

Initial measurement

The KRG recognizes a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

Subsequent measurement

At each reporting date, the KRG measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The KRG determines whether there is any objective evidence of impairment of the financial assets. Any financial asset impairment is recognized in the statement of surplus (deficit) for the year.

For a portfolio investment, if there is objective evidence of impairment, the investment is written down when there is a loss in value that is other than a temporary decline. Any subsequent increase in value of a portfolio investment that has been written down is recognized in the statement of surplus (deficit) for the year only when realized.

4 - INVESTMENTS AND LOANS RECEIVABLE

a) The investments and loans receivable are as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Loans receivable and investments approved under Regional and Local Development departments		
Makigiarutiit I and II (#77, #177 and #85) – loans receivable	1,263,010	2,058,493
Makigiarutiit I and II (#77, #177 and #85) – investments	2,679,994	2,871,881
Makigiarutiit III and IV (#88) – loans receivable	8,866,779	6,067,281
	12,809,783	10,997,655
Provision for doubtful loans	(714,613)	(1,084,203)
	12,095,170	9,913,452

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

	<u>\$</u>
2024	882,647
2025	860,722
2026	700,778
2027	873,897
2028	3,115,711
2029 and subsequent years	6,376,028
	12,809,783

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

All loans issued prior to January 1, 2023, for which the applicable repayment terms are not respected, have been classified under the 2029 and subsequent years.

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

	Principal	Accrued interest	Total
	\$	\$	\$
<u>Loans receivable</u>			
Issued in 2008			
Fort Chimo Cooperative Association (\$215,000) (20 years – 3.5%)	67,645	201	67,846
Fort Chimo Cooperative Association – hotel expansion (\$250,000) (20 years – 3.5%)	54,585	162	54,747
Issued in 2010			
Dépanneur Newviq'vi Inc. (\$366,500) (15 years – 0.25%)	22,584	5	22,589
Les Magasins Tullik Inc. (\$386,500) (15 years – 0.25%)	23,493	5	23,498
Tasiujaq Cooperative Association (\$250,000) (15 years – 3%)	33,486	85	33,571
Ajapirvik Women's Shelter of Inukjuak (\$308,250) (15 years – 0.25%)	19,578	4	19,582
Issued in 2011			
Great Whale Cooperative Association Kuujjuarapik (\$405,000) (15 years – 0.25%)	66,264	14	66,278
Quaqtaq Cooperative Association (\$370,000) (15 years – 0.25%)	62,591	13	62,604
Nayumivik Landholding Corporation (14 years – 0.25%)	1,324	1	1,325
Issued in 2013			
Nunabec Inc. (\$30,182) (10 years – 4.5%)	362	3	365
Hébergement communautaire Uvatinut (\$205,000) (15 years – 3.75%)	73,944	236	74,180
Hébergement communautaire Uvatinut (\$250,000) (15 years – 0.25%)	81,467	17	81,484
Pituvik Landholding Corporation of Inukjuak (\$500,000) (16 years – 1%)	165,399	140	165,539
Nunabec Inc. (\$197,718) (10 years – 1%)	4,590	8	4,598
Nunavik Enterprises (Kuujjuaq) (\$500,000) (10 years – 3%)	712	4	716
Auberge Kuujjuaq Inc. (\$250,000) (10 years – 4.49%)	5,230	20	5,250

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

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2014			
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	14,528	37	14,565
Auberge Kuujjuaq Inc. (\$500,000) (10 years – 3%)	57,150	146	57,296
Auberge Kuujjuaq Inc. (\$420,000) (10 years – 3%)	14,606	37	14,643
Issued in 2015			
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	133,520	312	133,832
Issued in 2016			
Tivi Inc. (\$113,000) (10 years – 2.5%)	35,379	75	35,454
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	134,423	314	134,737
Issued in 2018			
Annituvik Landholding Corporation (\$427,900) (15 years – 3.5%)	289,343	860	290,203
Qiniqtiq Landholding Corporation (\$500,000) (20 years – 2.75%)	166,028	764	166,792
Payne Bay Cooperative Association (\$500,000) (15 years – 2.75%)	342,365	800	343,165
Issued in 2019			
Peter G. May (\$15,000) (5 years – 3.7%)	2,568	8	2,576
Issued in 2021			
Les Complexes Gadbois (\$670,000) (20 years – 3.25%)	611,716	5,025	616,741
Avataq Cultural Institute Inc. – Northern Delights Fine Inuit Herbal Tea (\$155,000) (7 years – 3.25%)	103,239	285	103,524
Nayumivik Landholding Corporation (\$1,000,000) (15 years – 3.75%)	875,993	2,790	878,783
Moorhouse Logistics and Expediting Inc. (\$105,250) (6 years – 2.25%)	18,155	103	18,258
Holy Trinity Church (\$186,500) (20 years – 2.25%)	165,603	316	165,919
Issued in 2022			
Sakkuq Landholding Corporation (\$1,000,000) (15 years – 2.25%)	908,149	5,160	913,309
Tuvaaluk Landholding Corporation (\$1,000,000) (15 years – 2.25%)	907,063	1,733	908,796
Kayuk Enterprises Inc. (\$90,000) (17 years – 4.5%)	83,074	318	83,392
Jeffrey Gordon (\$23,900) (7 years – 4.5%)	13,198	50	13,248
Ungava Polar Eco-Tours Inc. (\$29,500) (8 years – 3.5%)	24,397	73	24,470

Kativik Regional Government Notes to Financial Statements

December 31, 2023

4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2023			
William Eetuk JR (\$23,362) (3 years – 8.25%)	21,509	189	21,698
Nunavik Rotors Inc. (\$1,000,000) (1 year – 2.25%)	989,164	3,723	992,887
Peter G. May (\$5,000) (3 years – 6.5%)	4,087	23	4,110
Auberge Kuujjuaq Inc. (\$58,000) (7 years – 6.5%)	53,771	297	54,068
9248-6273 Québec Inc. (\$125,665) (15 years – 6.5%)	123,740	2,710	126,450
	<u>6,776,022</u>	<u>27,066</u>	<u>6,803,088</u>
<u>Loans and investments in default</u>			
Issued in 2014			
8523509 Canada Inc. (\$13,320) (1 year – 4.5%)	6,265	463	6,728
8523509 Canada Inc. (\$45,945) (7 years – 3%)	45,339	6,719	52,058
Ikumak Services Inc. (\$125,000) (15 years – 3%)	110,220	2,160	112,380
Arqivik Landholding Corporation – Iqaluppik Hotel (\$500,000) (15 years – 3%)	468,211	2,350	470,561
Issued in 2019			
Pourvoirie Johnny and Billy Cain (\$20,900) (5 years – 3.75%)	17,142	2,279	19,421
Richard Moorhouse (\$50,000) (10 years – 3.75%)	49,981	8,032	58,013
Issued in 2015			
8523509 Canada Inc. – Kuujjuaq sports lounge (\$35,000) (8 years – 5.5%)	34,549	12,377	46,926
Issued in 2018			
Raymond Mickpegak (\$12,000) (4 years – 5.5%)	7,456	1,747	9,203
Issued in 2020			
Bobby Cain (\$64,261) (5 years – 2.25%)	63,509	239	63,748
Issued in 2023			
La pourvoirie du Lac Diana (\$36,720) (7 years – 6.75%)	35,376	237	35,613
Pourvoirie Johnny and Billy Cain (\$20,000) (4 years – 5.25%)	20,000	797	20,797
Ungava Polar Eco-Tours Inc. (\$100,000) (8 months – 8.5%)	100,000	4,125	104,125
	<u>958,048</u>	<u>41,525</u>	<u>999,573</u>

Kativik Regional Government
Notes to Financial Statements

December 31, 2023

4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Investments</u>			
Issued in 2013			
Nunavik Cooperative Development Fund (\$2,500,000)			
Fort Chimo Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Aupaluk Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Payne Bay Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
George River Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Wakeham Bay Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Puvirnituk Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Akudlivik Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Great Whale River Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Tasiujaq Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Koartak Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Salluit Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Ivujivik Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Inukjuak Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Umiujaq Cooperative Association (\$178,571) (shares – 15 years)	178,571		178,571
Issued in 2016			
Avataa Explorations & Logistics Inc. (\$166,800) (preferred shares, December 31, 2025 – 5.5%)	116,815	26,313	143,128
Issued in 2017			
Tasiujaq Cooperative Association (\$180,000) (shares – 10 years)	180,000		180,000

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
Investments (Continued)			
Issued in 2023			
Nunavik Cooperative Development Fund (\$2,184,000)			
Great Whale River Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Koartak Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Ivujivik Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Wakeham Bay Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Akudlivik Cooperative Association (\$156,000) (\$156,000) (shares – 15 years)	156,000		156,000
Aupaluk Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
George River Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Inukjuak Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Umiujaq Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Puvirnituk Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Tasiujaq Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Fort Chimo Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Salluit Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
Payne Bay Cooperative Association (\$156,000) (shares – 15 years)	156,000		156,000
	<u>4,980,809</u>	<u>26,313</u>	<u>5,007,122</u>
	12,714,879	94,904	12,809,783
Provision for doubtful loans	(674,496)	(40,117)	(714,613)
	<u>12,040,383</u>	<u>54,787</u>	<u>12,095,170</u>

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5 - CAPITAL ASSETS

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
	\$	\$	\$	\$
Allavik building	13,081,832	12,033,806	1,048,026	1,348,283
Police stations	19,654,326	16,827,524	2,826,802	3,640,070
Other buildings and houses	46,744,948	33,297,924	13,447,024	15,695,088
Vehicles	14,043,407	10,014,157	4,029,250	2,525,365
Equipment and office furniture	3,529,452	3,390,187	139,265	121,119
Housing furniture	3,307,407	2,991,785	315,622	210,258
Telecommunication infrastructure	58,561,488	58,561,488		
Construction equipment	2,836,702	2,374,009	462,693	409,406
Vehicles – transport (Note 10 a))	2,193,664	1,772,792	420,872	303,855
Heavy equipment – transport (Note 10 a))	14,823,986	8,650,840	6,173,146	4,442,683
Marine infrastructure	46,577,450	15,137,671	31,439,779	32,604,215
	<u>225,354,662</u>	<u>165,052,183</u>	<u>60,302,478</u>	<u>61,300,342</u>
Water points and plans for Northern Villages				
Capital projects in progress (Appendix D)	<u>263,566,245</u>		<u>263,566,245</u>	<u>266,270,157</u>
	<u><u>488,920,907</u></u>	<u><u>165,052,183</u></u>	<u><u>323,868,723</u></u>	<u><u>327,570,499</u></u>

The amortization expense for the year ended December 31, 2023 amounted to \$6,591,338 (\$6,303,273 in 2022).

Kativik Regional Government
Notes to Financial Statements

December 31, 2023

6 - INVESTING ACTIVITIES

a) The transfers to investing activities related to the acquisition of capital assets in 2023 are detailed as follows:

	Housing furniture and tools	Office furniture and equipment	Vehicles, immovable and major renovations	Total
	\$	\$	\$	\$
Tamaani Internet Service (#7)			(61,194)	(61,194)
Elected Members and Officers (#10-11)			(149,092)	(149,092)
Administration (#12)		(15,416)	(116,956)	(132,372)
Capital Projects Management (#28)			(73,804)	(73,804)
NPS – Operations (#205 to #223)	(20,532)		(1,198,262)	(1,218,794)
Transports Québec Airports (#310, #311, #313 to #324)	(139,994)		(2,868,424)	(3,008,418)
Transport Canada Airport (#312)	(12,264)			(12,264)
Allavik Building (#17)		(33,393)		(33,393)
KRG Houses (#74)	(159,265)			(159,265)
Building maintenance (#27)	(45,989)		(222,286)	(268,275)
Uumajuit (#53)			207,068	207,068
Environment (#64)			(548,634)	(548,634)
Development of Parks in Nunavik (#56)	(9,503)		(113,367)	(122,870)
Pingualuit Park – Operations (#59)	(5,816)			(5,816)
Tursujuq Park – Operations (#62)	(6,351)			(6,351)
	<u>(399,714)</u>	<u>(48,809)</u>	<u>(5,144,951)</u>	<u>(5,593,474)</u>

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Makigiarutiit I and II (#77, #177 and #85) – loans and investments	100,000	
Makigiarutiit III and IV (#88) – loans and investments	3,882,747	2,143,400
	<u>3,982,747</u>	<u>2,143,400</u>

Kativik Regional Government Notes to Financial Statements

December 31, 2023

7 - BANK OVERDRAFT

The KRG has authorized lines of credit that bear interest at prime rate (7.2%; 6.45% as at December 31, 2022) 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 station 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, 2023.

8 - DEFERRED REVENUE

The deferred revenue is detailed as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Québec emploi (Sustainable Employment)	351,996	1,465,656
Employment and Social Development Canada (Sustainable Employment)	25,944,709	23,233,447
Employment and Social Development Canada (#44)	3,010,548	
Ministère de la Sécurité publique (#205 to #223)	4,127,255	3,911,625
Ministère de la Sécurité publique (#201)	59,720	59,720
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)	1,666,323	1,866,651
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#64)	51,718	2,137,512
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#55)	12,900	12,900
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#61)	1,050,000	
Environment and Climate Change Canada (#54)	25,000	
Ministère des Transports et de la Mobilité durable (#310, #311, #313 to #324)	400,000	400,000
Ministère de la Justice (#89)	878,559	756,366
Transport Canada (#312)	107,396	
Transport Canada (#331)	40,118	40,118
Secrétariat aux relations avec les Premières Nations et les Inuit (#88)		1,787,145
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (#86)		25,000
	<u>40,296,247</u>	<u>38,266,145</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2023

9 - LONG-TERM DEBT

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

		<u>2023</u>	<u>2022</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	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, 2024	267,948		
Loans, due November 3, 2025	<u>275,905</u>	543,853	804,074
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	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>	2,646,000	2,646,000
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, 2024	332,249		
Loans, renewable as at October 3, 2028	<u>1,459,668</u>	1,791,917	2,112,044

Kativik Regional Government
Notes to Financial Statements

December 31, 2023

9 - LONG-TERM DEBT (Continued)

		<u>2023</u>	<u>2022</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, 2024	2,213,000		
Bonds, renewable as at March 20, 2024	4,749,000		
Bonds, renewable as at March 20, 2029	3,540,000	10,502,000	12,640,000
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, 2024	2,075,000		
Bonds, renewable as at July 3, 2024	7,125,000		
Bonds, renewable as at July 3, 2029	4,261,000	13,461,000	15,492,000
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, 2024	202,725	202,725	405,453
Bonds, hundred and ninth series, issued November 27, 2019, bearing interest from 2% to 2.15% and maturing as follows			
Bonds, due November 27, 2024	2,705,000		
Bonds, renewable as at November 27, 2024	9,487,000	12,192,000	14,840,000
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, 2024	918,000		
Bonds, due April 1, 2025	939,000		
Bonds, renewable as at April 1, 2025	5,511,000	7,368,000	8,266,000
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, 2024	1,301,000		
Bonds, due June 30, 2025	1,322,000		
Bonds, renewable as at June 30, 2025	9,536,000	12,159,000	13,439,000
Bonds, hundred and twelfth series, issued December 8, 2020, bearing interest from 0.7% to 1% and maturing as follows			
Bonds, due December 8, 2024	963,000		
Bonds, due December 8, 2025	977,000		
Bonds, renewable as at December 8, 2025	1,693,000	3,633,000	4,583,000

Kativik Regional Government
Notes to Financial Statements

December 31, 2023

9 - LONG-TERM DEBT (Continued)

		<u>2023</u>	<u>2022</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, 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	5,445,000	12,192,000	14,390,000
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, 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	1,245,000	4,854,000	6,011,000
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, 2024	180,203		
Loans, due August 31, 2025	183,083		
Loans, due August 31, 2026	185,966	549,252	726,620
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, 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	4,800,000	8,058,000	9,107,000
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, 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	6,716,000	22,939,000	25,765,000

Kativik Regional Government
Notes to Financial Statements

December 31, 2023

9 - LONG-TERM DEBT (Continued)

	<u>2023</u>	<u>2022</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, 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
	18,197,000	
Bonds, hundred and nineteenth series, issued April 3, 2023, bearing interest from 4.1% to 4.7% and maturing as follows		
Bonds, due April 3, 2024	1,194,000	
Bonds, due April 3, 2025	1,248,000	
Bonds, due April 3, 2026	1,304,000	
Bonds, due April 3, 2027	1,365,000	
Bonds, due April 3, 2028	1,426,000	
Bonds, renewable as at April 3, 2028	6,946,000	13,483,000
	13,483,000	
Bonds, hundred and twentieth series, issued June 5, 2023, bearing interest from 4.2% to 5% and maturing as follows		
Bonds, due June 5, 2024	448,000	
Bonds, due June 5, 2025	468,000	
Bonds, due June 5, 2026	489,000	
Bonds, due June 5, 2027	511,000	
Bonds, due June 5, 2028	533,000	
Bonds, renewable as at June 5, 2028	2,853,000	5,302,000
	5,302,000	
Bonds, hundred and twenty first series, issued November 21, 2023, bearing interest from 4.8% to 5.25% and maturing as follows		
Bonds, due November 21, 2024	1,123,000	
Bonds, due November 21, 2025	1,185,000	
Bonds, due November 21, 2026	1,251,000	
Bonds, due November 21, 2027	1,320,000	
Bonds, due November 21, 2028	1,393,000	
Bonds, renewable as at November 21, 2028	5,895,000	
Bonds, renewable as at November 21, 2029	2,442,000	14,609,000
	14,609,000	
Loans reimbursed or renewed during the year		24,052,000
	178,485,747	188,800,191

Kativik Regional Government
Notes to Financial Statements
December 31, 2023

9 - LONG-TERM DEBT (Continued)

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

	<u>\$</u>
2024	53,589,125
2025	34,458,988
2026	26,706,966
2027	21,880,000
2028	20,505,668
2029 and subsequent years	<u>21,345,000</u>
	<u><u>178,485,747</u></u>

c) The long-term contributions to be recovered for repaying the long-term debt are detailed as follows and bear interest at the same rate as the related long-term debt:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Contribution from Northern Villages financed by the Ministère des Affaires municipales et de l'Habitation	156,712,900	159,996,000
Contribution from Northern Villages financed by the Ministère de l'Éducation – sports facilities	543,853	804,074
Contribution from Northern Villages financed by the Secrétariat aux relations avec les Premières Nations et les Inuit – sports facilities	2,543,894	3,244,117
Contribution from Northern Villages financed by the Ministère de la Sécurité publique – Fire Safety Cover Plan	1,105,800	1,353,400
Contribution from the Ministère des Transports et de la Mobilité durable	10,224,400	14,448,700
Contribution from the Ministère de la Sécurité publique	59,600	405,100
	<u>171,190,447</u>	<u><u>180,251,391</u></u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2023

10 - 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 \$6,947,434 to the financial reserves as at December 31, 2023.
- 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.

11 - 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, 2023 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)	
Nialitalik leasing and rental	47,000
	<u>47,000</u>
Makigiarutiit III and IV (#88) (b)	
Saputik Landholding Corporation – multipurpose facility	1,000,000
Nialitalik leasing and rental	1,000,000
YVP Pub & Grill	24,000
	<u>2,024,000</u>
	<u><u>2,071,000</u></u>

- (a) An equivalent amount totalling \$47,000 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, 2023

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

- (b) As at December 31, 2023, 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 \$22,497,891 with an accumulated surplus of \$4,052,839 as at December 31, 2023.

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, 2023, 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, 2023, 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, 2023, 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.

Pivallutiit V

The total amount available under the Pivallutiit program is \$21,000,000 (\$18,900,000 for projects and \$2,100,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2023, no funding applications 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, 2023

12 - SANARRUTIK AGREEMENT

In April 2002, the Quebec Government (hereafter "Quebec"), the Makivvik Corporation (hereafter "Makivvik") 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, Makivvik 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 Makivvik, others to the KRG, and still others concern both Makivvik 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, 2023

12 - 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 Makivvik 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, Makivvik and the KRG distribute the funding for community and economic development. Makivvik is responsible for allocating a third of the annual funding to Inuit organizations, and the balance is divided equally between Makivvik and the KRG for allocation to community and economic development projects. In 2023, the KRG received \$10,195,680 (\$9,301,668 in 2022) 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, 2023

12 - 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 Makivvik in all the Northern Villages. The additional funding required for the Kuujjuaraapik project was committed in 2010 by the governments of Canada and Quebec, as well as the Grand Council of the Crees of Quebec. On completion of the project in each Northern Village, ownership of the marine infrastructure has been transferred to the KRG by council resolution. Quebec committed to fund the daily maintenance costs, including major reparations subject to federal contribution, under conditions to be agreed upon between Canada and the parties. Over the years, some annual funding for basic maintenance costs was provided by Quebec. The commitment for permanent funding by Quebec and Canada has not yet been fulfilled.

Police Services (Section 4.3)

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

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, Makivvik and the KRG agreed to amend the Sanarrutik Agreement in order to make available to Makivvik 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 Makivvik and the KRG signed on May 23, 2007, Makivvik 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, Makivvik 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.

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12 - 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, Makivvik 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.

13 - 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, 2023, 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.

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13 - 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, 2023, the total value of approved projects was \$120,000,000. The total expenditures incurred by the KRG under the agreement were \$116,154,000 (\$110,369,725 as at December 31, 2022), \$114,154,000 (\$100,495,000 as at December 31, 2022) have been financed through bonds and \$2 million have been disbursed by the Secrétariat aux relations avec les Premières Nations et les Inuit.

Fifth Capital Plan (Isurruutiit V)

On April 7, 2023, 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 \$163 million over an estimated five-year period. An additional amount of \$3,846 000 was transferred from Isurruutiit IV to Isurruutiit V in 2023. As at December 31, 2023, the total value of approved projects was \$104,918,470. The total expenditures incurred by the KRG under the agreement were \$6,222,590 and no amount has been financed.

14 - 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.

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14 - BLOCK FUNDING AGREEMENT (Continued)

In 2023, the indexed amount of \$133,999,988 (\$121,115,077 in 2022) 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.

15 - NET INVESTMENT IN LONG-TERM ASSETS

	<u>2023</u>	<u>2022</u>
	\$	\$
Investment in capital assets	323,868,723	327,570,499
Investment in loans receivable	12,095,173	9,913,452
Investment in long-term debt	(7,295,300)	(8,548,800)
Net investment in long-term assets, end of year	<u>328,668,597</u>	<u>328,935,151</u>

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance, beginning of year	<u>328,935,151</u>	<u>247,875,263</u>
Additions		
Acquisition of capital assets	5,593,474	3,991,576
Increase in capital projects in progress	65,761,750	91,778,049
Acquisition of investments and loans receivable	3,982,747	2,143,400
Recovery (provision) for doubtful loans	205,373	(451,014)
Recovery (provision) for interest on loans receivable	179,489	(9,063)
Recovery (write-off) of doubtful loans	(337,381)	20,285
Increase in long-term contributions to be recovered for repaying the long-term debt	(9,060,944)	1,325,090
Capital repayments of long-term debt	43,708,444	45,420,509
	<u>110,032,952</u>	<u>144,218,832</u>
Disposals		
Capital projects closed during the year	68,465,662	10,383,885
Amortization of capital assets	6,591,338	6,303,273
Capital repayments – loans receivable	1,848,507	988,786
Issuance of long-term debt	13,659,000	23,502,000
Refinancing of long-term debt	19,735,000	21,981,000
	<u>110,299,507</u>	<u>63,158,944</u>
Balance, end of year	<u>328,668,596</u>	<u>328,935,151</u>

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16 - NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2023</u>	<u>2022</u>
	\$	\$
Contributions receivable	(4,607,321)	(5,108,456)
Accounts receivable	(5,047,184)	(1,996,073)
Other non-financial assets – prepaid expenses and inventories	(1,899,334)	(3,555,954)
Accounts payable and accrued liabilities	497,325	(12,288,279)
Deferred revenue	2,030,102	(1,395,933)
	<u>(9,026,412)</u>	<u>(24,344,695)</u>

17 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

- a) 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 2023 financial year, and amounting to \$5,311,774, a balance of \$3,873,184 was recorded as payable as at December 31, 2023 and is detailed as follows:

	<u>\$</u>
Northern Village of Kangiqsualujuaq	194,547
Northern Village of Kuujuaq	417,743
Northern Village of Tasiujaq	87,901
Northern Village of Aupaluk	114,832
Northern Village of Kangirsuk	247,996
Northern Village of Quaqaq	98,690
Northern Village of Kangiqsujuaq	172,794
Northern Village of Salluit	314,104
Northern Village of Ivujivik	193,552
Northern Village of Akulivik	273,167
Northern Village of Puvirnituq	690,837
Northern Village of Inukjuak	700,547
Northern Village of Umiujaq	213,665
Northern Village of Kuujuaaraapik	152,809
	<u>3,873,184</u>

During the 2024 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.

- b) The KRG has also entered into long-term service agreement for the satellite bandwidth which expires on January 31, 2026 and calls for lease payments as follows:

	<u>\$</u>
2024	5,896,800
2025	5,896,800
2026	491,400
	<u>12,285,000</u>

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Notes to Financial Statements

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18 - 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, 2023 is detailed as follows:

	<u>2023</u>	<u>2022</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)	118,882	154,753
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2026 (\$3,165,163)	694,509	904,069
Issued in 2007		
Warehouse (to be reimbursed by Warehouse (#73)), bearing interest at 5% and maturing in December 2027 (\$2,888,682)	825,098	1,007,137
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2027 (\$550,000)	157,097	191,758
Issued in 2009		
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2029 (\$4,374,301)	1,787,474	2,037,207
Courthouse renovations (to be reimbursed by Courthouse (#18)), bearing interest at 5% and maturing in December 2029 (\$357,724)	146,177	166,600
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)	1,133,102	1,218,899
	<u>4,862,339</u>	<u>5,680,423</u>

The reimbursements for the next years are detailed as follows:

	<u>\$</u>
2024	859,446
2025	902,899
2026	948,549
2027	697,473
2028	455,325
2029 and subsequent years	998,647
	<u>4,862,339</u>

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19 - 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 \$2,284,034 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.

20 - FINANCIAL INSTRUMENTS

Risk management policy

The KRG is exposed to various financial risks arising from its financial instruments. The KRG's management manages financial risks.

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The following provides a measure of risk at the year-end date.

Financial risks

Credit risk

Credit risk is the risk of a counterparty defaulting on contractual obligations. The KRG's credit risk is primarily due to contributions receivable, investments and loans receivable, long-term contributions to be recovered for repaying the long-term debt as well as accounts receivable, excluding sales taxes receivable. The KRG considers that the credit risk for the amounts receivable from the Quebec and Canadian governments is not significant. In order to reduce its credit risk, the KRG regularly analyzes its receivables balance, excluding the amounts receivable from the Quebec and Canadian governments, and, where required, a provision for doubtful accounts is taken based on the estimated realizable value.

The carrying amount of the KRG's main financial assets represents its maximum exposure to credit risk.

Accounts receivable that are past due total \$1,779,446 (\$908,490 as at December 31, 2022), all mature under one year and are presented net of an allowance for doubtful accounts of \$1,779,446 (\$908,490 as at December 31, 2022).

Investments and loans receivable that are past due total \$714,613 (\$1,084,203 as at December 31, 2022) and are presented net of an allowance for doubtful accounts of \$714,613 (\$1,084,203 as at December 31, 2022).

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20 - FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The interest rate risk is the risk that the financial instruments will vary unfavourably according to interest rate fluctuations, whether the interest rates are fixed or variable. Instruments with fixed interest rates expose the KRG to a fair value risk and those with variable interest rates to a cash flow risk.

Financial instruments with fixed interest rates are long-term debt and loans receivable. With regard to long-term debt, 96% of the balance is receivable from the Quebec Government (Note 9 c)).

The KRG does not use derivative financial instruments to reduce its interest rate risk exposure.

A reasonably possible increase or decrease in interest rates of 1% (1% as at December 31, 2022) would not have a significant impact on operating surplus (deficit) for the year.

Liquidity risk

The KRG's liquidity risk represents the risk that it could encounter difficulty in meeting obligations associated with its financial liabilities.

The KRG is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

The KRG manages its liquidity risk by maintaining a sufficient level of cash and cash equivalents and establishes cash estimates to ensure it has the necessary funds to fulfil its obligations.

The contractual maturities of the accounts payable and accrued liabilities are less than one year and the maturity of the long-term debt is described in Note 9.