

ANNUAL REPORT
OF THE
PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION
FOR THE YEAR ENDING
31 MARCH 2023

TO HER HONOUR

THE HONOURABLE ANTOINETTE PERRY
Lieutenant Governor of The Province of
Prince Edward Island

May It Please Your Honour:

I respectfully submit herewith, for the information of Your Honour and the Legislature of Prince Edward Island, the Annual Report of the Prince Edward Island Crown Building Corporation for the fiscal year ended 31 March 2023.

Respectfully submitted,



Ernie Hudson
Minister
Department of Transportation and
Infrastructure

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Charlottetown
Prince Edward Island
April 29, 2024

Honourable Ernie Hudson
Prince Edward Island
Crown Building Corporation
Charlottetown, P.E.I.

Sir:

I have the honour to submit herewith a report of the activities of the Prince Edward Island Crown Building Corporation for the year ended 31 March 2023.

An Act to establish the Prince Edward Island Crown Building Corporation was passed on 5 April 1962. Subsequently, Orders-in-Council appointed successive Presidents and Directors. During the period 1962-66, the Corporation functioned as an administrative and financing agency for site preparation, planning, design and construction of the Provincial Administrative Buildings in Charlottetown, and from 1966 to 1984 the Corporation generally limited its activities to that of financial agency responsible for amortizing construction costs of the Administrative Buildings.

An amendment to the Prince Edward Island Crown Building Corporation Act (RSPEI 1974, Cap. C-30), assented to 11 May 1984, enabled the Corporation to plan, design, and construct the buildings, facilities, and equipment necessary to accommodate the veterinary teaching facility, known as the College, to be established as part of the University of Prince Edward Island; and to assume the financial obligation of Prince Edward Island, all pursuant to the Agreement of 3 June 1983, on behalf of the government of Canada and the Governments of the Provinces of Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland.

Bylaws of the Corporation were approved by Lieutenant Governor-in-Council on 30 August, 1984, and subsequently, amended bylaws were approved on 15 November 1984.

Objects and powers of the Corporation were approved by the Lieutenant Governor-in-Council on 30 August 1984.

The financial statements of this Report cover details of costs.

Respectfully submitted,



Brian Matheson
Secretary
PEI Crown Building Corporation

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Financial Statements
March 31, 2023

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

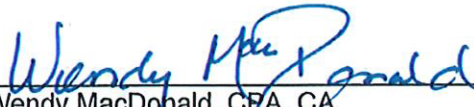
The Minister of the Department of Transportation and Infrastructure is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Minister reviews externally audited financial statements yearly.

The Office of the Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. The Office of the Auditor General has full and free access to financial information and management of the Prince Edward Island Crown Building Corporation and can meet as required.

On behalf of the Prince Edward Island Crown Building Corporation.



Brian Matheson
Deputy Minister
Transportation and Infrastructure



Wendy MacDonald, CFA, CA
Director of Finance and Human Resources
Transportation and Infrastructure

February 21, 2024



Prince Edward Island

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du
vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Minister of the
Department of Transportation and Infrastructure

Disclaimer of Opinion

We were engaged to audit the financial statements of the **Prince Edward Island Crown Building Corporation** (the Corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated deficit and changes in net debt for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Effective April 1, 2022, the Corporation adopted the new Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The Corporation recognized a liability for asset retirement obligations and increased the tangible capital assets in the statement of financial position as at March 31, 2023, and reported the related expenses in the statement of operations and accumulated deficit for the year then ended. Prior year comparative figures have been restated using the modified retroactive approach as disclosed in Note 2 of these financial statements. Implementation of PS 3280 *Asset Retirement Obligations* is the only transaction recorded for the Corporation in the reporting period.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. During the year of initial adoption, the Corporation was required to identify all legal obligations associated with the retirement of its tangible capital assets to ensure completeness of the asset retirement obligations recorded, and estimate the future costs of remediation for these obligations to determine their valuation. The Corporation has not provided sufficient appropriate audit evidence to support the completeness and valuation of the asset retirement obligations.

As a result, we were unable to determine a reasonable estimate of the liability to retire tangible capital assets. We were also unable to determine the extent of potential adjustments necessary with respect to the asset retirement obligations, tangible capital assets and accumulated deficit as at March 31, 2022 and March 31, 2023, and the related expenses for the years then ended along with the related disclosures in Notes 2, 4 and 6.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or cease the operations of the Corporation, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Corporation's financial statements in accordance with Canadian generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Darren Noonan, CPA, CA
Auditor General



Elvis Alisic, CPA, CA
Assistant Auditor General


Charlottetown, Prince Edward Island
February 21, 2024

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**
Statement of Financial Position
March 31, 2023

	2023	Restated (Note 2) 2022
	\$	\$
Financial Assets	<u>-</u>	<u>-</u>
Liabilities		
Asset retirement obligations (Note 6)	<u>335,335</u>	<u>321,541</u>
	<u>335,335</u>	<u>321,541</u>
Net Debt	<u>335,335</u>	<u>321,541</u>
Non Financial Assets		
Tangible capital assets (Note 4)	<u>297,541</u>	<u>299,288</u>
Accumulated Deficit	<u>(37,794)</u>	<u>(22,253)</u>

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Crown Building Corporation



Minister
Department of Transportation and Infrastructure

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**
Statement of Operations and Accumulated Deficit
For the year ended March 31, 2023

	2023	Restated (Note 2) 2022
	\$	\$
Revenues	—	—
Expenses		
Accretion expense	13,794	13,227
Amortization of tangible capital assets	<u>1,747</u>	<u>1,747</u>
	<u>15,541</u>	<u>14,974</u>
Annual Deficit	<u>(15,541)</u>	<u>(14,974)</u>
Accumulated Deficit, beginning of year	<u>(22,253)</u>	<u>(7,279)</u>
Accumulated Deficit, end of year	<u>(37,794)</u>	<u>(22,253)</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Statement of Changes in Net Debt
For the year ended March 31, 2023

	2023	Restated (Note 2) 2022
	\$	\$
Net Debt, beginning of year	321,541	-
Restatement of prior year (Note 2)	<u>-</u>	<u>308,314</u>
Restated Net Debt, beginning of year	321,541	308,314
Changes in year:		
Annual deficit	15,541	14,974
Amortization of tangible capital assets	<u>(1,747)</u>	<u>(1,747)</u>
	<u>13,794</u>	<u>13,227</u>
Net Debt, end of year	<u>335,335</u>	<u>321,541</u>

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND CROWN BUILDING CORPORATION

Notes to Financial Statements
March 31, 2023

1. Description of Business

The Prince Edward Island Crown Building Corporation (the Corporation) is a Crown corporation established under the *Crown Building Corporation Act*.

The Corporation owns the Shaw and Sullivan buildings, which house various provincial departments, agencies, Crown corporations, and equipment used by the Province. Rent is not charged for space occupied.

2. Adoption of PS 3280 *Asset Retirement Obligations*

Effective April 1, 2022, the Corporation adopted the new Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations* (ARO). This standard requires public sector entities to recognize legally obligated costs associated with the retirement of tangible capital assets on acquisition, construction or development, and expense those costs systematically over the life of the asset.

The Corporation applied the modified retroactive application approach with restatement of prior year comparatives. On initial application of the standard, the Corporation recognized:

- a liability for existing asset retirement obligations;
- an asset retirement obligation cost, capitalized as an increase to the carrying amount of the related tangible capital assets;
- accumulated amortization on the capitalized asset retirement cost from the date the liability was deemed to occur; and
- an adjustment to the opening balance of accumulated deficit.

These amounts were measured using information, assumptions, and discount rates that were current at the beginning of the fiscal year. The amount recognized as an asset retirement cost was measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization were measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect, to the date as of which this standard is first applied.

A reconciliation of the restatement for the financial statement line items follows:

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Notes to Financial Statements
March 31, 2023

2. **Adoption of PS 3280 Asset Retirement Obligations (continued...)**

Statement of Financial Position

	2022 as Previously Reported	ARO Adjustment	2022 Restated
	\$	\$	\$
Liabilities			
Asset retirement obligations	-	<u>321,541</u>	<u>321,541</u>
	-	<u>321,541</u>	<u>321,541</u>
Net Debt	-	<u>321,541</u>	<u>321,541</u>
Non Financial Assets			
Tangible capital assets	<u>271,340</u>	<u>27,948</u>	<u>299,288</u>
Accumulated Surplus (Deficit)	<u>271,340</u>	<u>(293,593)</u>	<u>(22,253)</u>

Statement of Operations and Accumulated Surplus (Deficit)

	2022 as Previously Reported	ARO Adjustment	2022 Restated
	\$	\$	\$
Expenses			
Accretion expense	-	13,227	13,227
Amortization of tangible capital assets	-	<u>1,747</u>	<u>1,747</u>
	-	<u>14,974</u>	<u>14,974</u>
Annual Deficit	-	<u>(14,974)</u>	<u>(14,974)</u>
Accumulated Surplus (Deficit), beginning of year	<u>271,340</u>	<u>(278,619)</u>	<u>(7,279)</u>
Accumulated Surplus (Deficit), end of year	<u>271,340</u>	<u>(293,593)</u>	<u>(22,253)</u>

For the year ended March 31, 2022, the impact of the restatement is an increase in liabilities of \$321,541, an increase in the cost of tangible capital assets of \$83,844 and an increase in accumulated amortization of tangible capital assets of \$55,896, with the difference of \$293,593 recognized through accumulated deficit.

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Notes to Financial Statements
March 31, 2023

3. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2023 have been prepared by management in accordance with Canadian Public Sector Accounting Standards.

Since the Corporation has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments designated to the fair value category, a statement of remeasurement gains and losses has not been prepared. The Corporation has no financial instruments. There were no transactions in the Corporation besides the implementation of the ARO standard; therefore, a budget was not approved. A statement of cash flow is not presented since there were no cash transactions during the reporting period.

The following accounting policies are considered significant.

a) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, and/or construction of the assets. The Province is responsible for the development, improvement, and/or betterment of the assets.

The cost of the tangible capital assets, excluding land, is amortized using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Equipment	5 years

b) Asset Retirement Obligations

Asset retirement obligations (AROs) are provisions for legal obligations for the cost of retiring the Corporation's tangible capital assets, whether they are in productive use or not. The legal obligation giving rise to an ARO can result from various sources, including regulations set by governments or regulatory bodies, contracts, legislation or promissory estoppel.

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Notes to Financial Statements
March 31, 2023

3. Summary of Significant Accounting Policies (continued...)

b) Asset Retirement Obligations (continued...)

An ARO is recognized when all of the following criteria have been met:

- there is a legal obligation to incur retirement costs in relation to a tangible 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; and
- a reasonable estimate of the amount of the asset retirement obligation can be made.

The estimated liability is the total of the estimated discounted cash flows required to settle the retirement obligation. The liability is recorded on the statement of financial position and is recognized in the period in which the obligation arises.

For assets that are still in productive use, there is a corresponding increase to the carrying value of the related asset. These assets are amortized over the estimated useful life of the underlying asset. For assets fully amortized but still in productive use, the ARO cost is amortized over the period until which time it is estimated to be retired. If the asset is not in productive use and is not recorded, the ARO cost is expensed in the period. For assets that are no longer in productive use, the ARO cost is expensed in the period.

c) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

d) Use of Estimates and Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used, it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted to reflect new information as it becomes available.

Measurement uncertainty exists in these financial statements in the estimate of useful life of tangible capital assets and the asset retirement obligations.

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**

Notes to Financial Statements
March 31, 2023

4. Tangible Capital Assets

	<u>2023</u> \$	Restated <u>2022</u> \$
Land - cost	271,340	271,340
Buildings and equipment - cost	6,199,983	6,199,983
Less: accumulated amortization	<u>(6,173,782)</u>	<u>(6,172,035)</u>
Net book value	<u>297,541</u>	<u>299,288</u>

5. Building Remediation

The materials within some building components in the Shaw and Sullivan buildings contain levels of asbestos requiring remediation. The Province monitors the condition of those materials containing asbestos to ensure they are not posing a risk to the occupants of the buildings and will remove the material as the buildings are repaired and/or renovated. Total cost to remediate has been included in the estimate of asset retirement obligations (Note 6); however, these liabilities are expected to be funded by the Province in the future.

6. Asset Retirement Obligations

Asset retirement obligations (AROs) relate primarily to the removal and disposal of designated substances, such as asbestos in buildings. The measurement of the liability for asset retirement obligations is impacted by new information about activities required to settle the liability, the activities that settled all or part of the obligation, changes in the legal obligation, and any changes to the discount rate used in the measurement.

To estimate the liability for asbestos and other designated substances in buildings, assessment reports that include the type and quantity of the substances were used with experience and expert advice to determine the cost of retiring the substance.

The discount rate used for the ARO calculation was 4.29% for the 2022 restated and the 2023 fiscal years. Total estimated undiscounted expenditures are \$629,678 at the date of expected outlay, with the estimated retirement year of 2038.

Below is a reconciliation of the beginning and ending aggregate carrying amount of the liability:

	<u>2023</u> \$	Restated <u>2022</u> \$
Asset Retirement Obligations, beginning of year	321,541	308,314
Accretion expense	<u>13,794</u>	<u>13,227</u>
Asset Retirement Obligations, end of year	<u>335,335</u>	<u>321,541</u>

**PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION**
Notes to Financial Statements
March 31, 2023

7. Related Party Transactions

Resources such as maintenance, operating costs, office facilities, support services, salaries, and employee future benefits are provided by the Province. These costs are assumed by the Province and are not reflected in these financial statements.

