
**PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
FINANCIAL STATEMENTS
MARCH 31, 2009**

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Nova Scotia

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AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Justice

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2009 and statements of income and continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2009 and the results of operations and continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA
Auditor General

Halifax, Nova Scotia
May 30, 2009

**Province of Nova Scotia
Public Trustee Trust Funds
Balance Sheet
March 31, 2009**



ASSETS

	2009	2008
Estates and Trusts		
Cash	\$ 249,197	\$ 800,844
Securities, real estate and other assets (Note 6)	34,554,373	34,708,700
Common Fund securities (Note 7)	2,884,570	2,482,175
Accrued interest	<u>530,623</u>	<u>520,838</u>
	<u>38,218,763</u>	<u>38,512,557</u>
 Special Reserve Fund (Note 8)		
Cash and securities	2,152,717	1,999,933
Accrued interest	<u>44,863</u>	<u>44,382</u>
	<u>2,197,580</u>	<u>2,044,315</u>
	<u>\$40,416,343</u>	<u>\$40,556,872</u>

LIABILITIES

Estates and Trusts		
Estates and trusts balances	<u>\$38,218,763</u>	<u>\$38,512,557</u>
 Special Reserve Fund (Note 8)		
Restricted funds	2,090,009	1,962,922
Funds transferable to Province of Nova Scotia	<u>107,571</u>	<u>81,393</u>
	<u>2,197,580</u>	<u>2,044,315</u>
	<u>\$40,416,343</u>	<u>\$40,556,872</u>

Approved:

Public Trustee
M. Estelle Theriault, Q.C.

(See accompanying notes to the financial statements.)

**Province of Nova Scotia
Public Trustee Trust Funds
Income Statement
For the Year Ended March 31, 2009**

	Estates and Trusts	Special Reserve Fund	2009 Total	2008 Total (Restated) (Notes 2&3)
Revenues				
Pension	\$ 4,358,718	\$ -	\$ 4,358,718	\$ 2,847,401
Annuities	379,079	-	379,079	-
Other	889,705	-	889,705	-
Investment income	1,084,577	-	1,084,577	1,047,885
Interest on Special Reserve Fund	<u>-</u>	<u>108,051</u>	<u>108,051</u>	<u>84,631</u>
	<u>6,712,079</u>	<u>108,051</u>	<u>6,820,130</u>	<u>3,979,917</u>
Expenses				
Accommodation	4,260,998	-	4,260,998	1,046,916
Allowances	88,764	-	88,764	217,494
Medical	277,772	-	277,772	80,849
Utilities	181,622	-	181,622	65,198
Taxes	601,159	-	601,159	160,096
Funeral	244,076	-	244,076	57,964
Real estate	122,780	-	122,780	-
Insurance	76,248	-	76,248	-
Legal costs	470,952	-	470,952	206,302
Property care	189,248	-	189,248	50,962
Other	27,691	-	27,691	7,030
Fees charged by the Public Trustee	<u>652,900</u>	<u>-</u>	<u>652,900</u>	<u>665,149</u>
	<u>7,194,210</u>	<u>-</u>	<u>7,194,210</u>	<u>2,557,960</u>
Income (loss) from operations	(482,131)	108,051	(374,080)	1,421,957
Realized loss	(9,779)	-	(9,779)	-
Unrealized losses	<u>(1,241,048)</u>	<u>-</u>	<u>(1,241,048)</u>	<u>-</u>
Net income (loss)	<u>\$ (1,732,958)</u>	<u>\$ 108,051</u>	<u>\$ (1,624,907)</u>	<u>\$ 1,421,957</u>

(See accompanying notes to financial statements)

Province of Nova Scotia
Public Trustee Trust Funds
Statement of Continuity of Assets
For the Year Ended March 31, 2009

	Estates and Trusts	Special Reserve Fund	2009 Total	2008 Total (Restated) (Notes 2&3)
Balance , beginning of year	<u>\$38,512,557</u>	<u>\$ 2,044,315</u>	<u>\$ 40,556,872</u>	<u>\$ 34,178,196</u>
Add: Assets acquired during the year	12,602,848	-	12,602,848	15,770,503
Net income earned	(1,732,958)	108,051	(1,624,907)	1,421,957
Excess interest transferred from Common Fund	<u>-</u>	<u>126,607</u>	<u>126,607</u>	<u>143,287</u>
	<u>10,869,890</u>	<u>234,658</u>	<u>11,104,548</u>	<u>17,335,747</u>
Less: Distributions of estates and trusts	11,110,821	-	11,110,821	10,472,043
Undistributable estates and trusts (per Section 28)	52,863	-	52,863	406,151
Investment income earned on Special Reserve Fund	<u>-</u>	<u>81,393</u>	<u>81,393</u>	<u>78,877</u>
	<u>11,163,684</u>	<u>81,393</u>	<u>11,245,077</u>	<u>10,957,071</u>
Balance , end of year	<u>\$38,218,763</u>	<u>\$ 2,197,580</u>	<u>\$ 40,416,343</u>	<u>\$ 40,556,872</u>

(See accompanying notes to the financial statements.)

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Income Statement

Assets acquired for the year ended March 31, 2008 included unrealized gains and losses on trust assets, gains and losses on disposition of trust assets and various miscellaneous income and expenses. Generally accepted accounting principles require that unrealized gains and losses and gains and losses on dispositions have separate classification on the financial statements. This information could not readily be obtained from the Public Trustee's accounting system for March 31, 2008 financial statements. This resulted in a qualified audit opinion.

During the year, the Public Trustee analyzed both cash receipts and cash disbursements to properly classify transactions and reflect activities of amounts held in trust. The result of this analysis is that the financial statements at March 31, 2009 include an Income Statement. Because of the difficulties encountered in the preparation of the financial statements at March 31, 2008, not all amounts on the Income Statement for the year ended March 31, 2009 have comparative amounts in the prior year.

3. Correction of an Error

The Office of the Public Trustee charges a fee to each trust fund under administration. During the year it was determined that these fees should not be reflected in these financial statements as they are revenues of the Office of the Public Trustee, and not of the Trust Funds.

As a result, the Income Statement for the year ended March 31, 2008 has been restated to remove these fees from revenues of the Trust Funds. Because the fees earned are transferred each year to the Department of Justice, they were not included in the balance of Estates and Trusts. Therefore, no adjustment is necessary to the opening balance in the Statement of Continuity of Assets for correction of this error.

4. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the most significant of which are noted below.

a) Revenue Recognition

Investment income is recognized as earned. Pensions, annuities and other revenues are recorded when received.

4. Accounting Policies (continued)

b) Financial Instruments

The Public Trustee is required to designate its financial instruments into the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables or (v) other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net income or net assets, respectively. All other financial instruments are measured at amortized cost using the effective interest method.

Financial instruments of the Public Trustee consist of cash, securities, and accrued interest. The Public Trustee has designated its financial instruments as held for trading. Transaction costs associated with the transfer of financial assets and financial liabilities to the Public Trustee are expenses at the time of transfer. Transaction costs incurred on the disposition of securities are netted against the proceeds.

c) Adoption of New Accounting Pronouncements

Effective April 1, 2008, the Public Trustee adopted the Canadian Institute of Chartered Accountants' Handbook Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation.

Section 3862, Financial Instruments – Disclosure, describes the required disclosures related to the significance of financial instruments on the Public Trustee's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, Financial Instruments – Presentation, establishes standards for presentation of financial instruments and non financial derivatives.

As required by the transition provisions, these new standards have been applied without restatement of prior period amounts. The required disclosure of Sections 3862 and 3863 are included in Note 5.

d) Estates and Trusts

New estates are recognized when received. Final dispositions of estates and trusts remain in trust and estate balances until disbursed.

5. Fair Value of Financial Assets and Financial Liabilities

The fair value of the Public Trustee's cash and accrued interest approximates their carrying value due to their short term to maturity.

5. Fair Value of Financial Assets and Financial Liabilities (continued)

Investments and other assets held by the Public Trustee are adjusted to fair value at year end using observable market results. Real estate is adjusted to fair value using assessed or appraised value, if available at year end. Other assets for which there is not an observable market remain valued at a nominal amount (\$1).

Financial assets held in trust by the Public Trustee are exposed to market risk, mainly in the form of interest rate and price risks.

Investment in guaranteed investment certificates and other term deposits with a maturity greater than one year are subject to interest rate risk. The effect on net income of a 1% change in interest rates on term deposits with a maturity of greater than one year would be approximately \$75,600. Because most term deposits held by the Public Trustee have a term to maturity of one year or less, interest rate risk is not considered significant. These risks are mitigated by investing in a diversified portfolio, including investing in fixed rate securities.

The maximum exposure related to price risk is reflected in the unrealized losses of \$1,241,048 at March 31, 2009.

6. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels.

7. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at market value as of March 31, 2009.

8. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to the estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

8. Special Reserve Fund (continued)

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

9. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by the Nova Scotia Department of Justice and are not reflected in the Income Statement. These costs are offset by fees charged for administering estates and by investment income.

	2009	2008
Department of Justice		
Salaries and benefits	\$ 1,303,583	\$ 1,081,724
Other operating costs	148,256	121,562
Rent	<u>99,855</u>	<u>73,162</u>
	<u>1,551,694</u>	<u>1,276,448</u>
Less transfers to the Province		
Fees	652,900	665,149
Special Reserve Fund income	<u>81,393</u>	<u>78,877</u>
	<u>734,293</u>	<u>744,026</u>
Net cost to the Province	<u>\$ 817,401</u>	<u>\$ 532,422</u>

10. Comparative Figures

Certain of the prior period comparative figures have been reformatted to conform to the financial statement presentation adopted in the current period.