
**PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
FINANCIAL STATEMENTS
MARCH 31, 2011**

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Nova Scotia

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly; and to the Minister of Justice:

Report on the Financial Statements

I have audited the accompanying financial statements of the Public Trustee Trust Funds, which comprise the balance sheet as at March 31, 2011, and the statements of income and continuity of assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

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.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2011, and its financial performance and its changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques Lapointe, CA
Auditor General

Halifax, Nova Scotia
June 28, 2011

Province of Nova Scotia
Public Trustee Trust Funds
Balance Sheet
March 31, 2011



ASSETS

	2011	2010
Estates and Trusts		
Cash	\$ 2,381,759	\$ 2,336,315
Securities, real estate and other assets (Note 4)	45,125,572	41,908,987
Common Fund securities (Note 5)	2,966,442	2,905,037
Accounts receivable and accrued interest	<u>697,009</u>	<u>340,171</u>
	<u>51,170,782</u>	<u>47,490,510</u>
 Special Reserve Fund (Note 6)		
Cash and securities	2,417,570	2,328,867
Accrued interest	<u>47,257</u>	<u>44,883</u>
	<u>2,464,827</u>	<u>2,373,750</u>
	<u>\$53,635,609</u>	<u>\$49,864,260</u>

LIABILITIES

Estates and Trusts		
Estates and trusts balances	<u>51,170,782</u>	<u>47,490,510</u>
 Special Reserve Fund (Note 6)		
Restricted funds	2,370,705	2,218,101
Funds transferable to Province of Nova Scotia	<u>94,122</u>	<u>155,649</u>
	<u>2,464,827</u>	<u>2,373,750</u>
	<u>\$53,635,609</u>	<u>\$49,864,260</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, 2011**

	Estates and Trusts	Special Reserve Fund	2011 Total	2010 Total
Revenues				
Pension	\$ 5,244,114	\$ -	\$ 5,244,114	\$ 4,760,837
Annuities	485,169	-	485,169	413,031
Other	1,075,592	-	1,075,592	727,038
Investment income	704,946	-	704,946	806,745
Interest on Special Reserve Fund	<u>-</u>	<u>96,495</u>	<u>96,495</u>	<u>155,669</u>
	<u>7,509,821</u>	<u>96,495</u>	<u>7,606,316</u>	<u>6,863,320</u>
Expenses				
Accommodation	5,182,415	-	5,182,415	4,911,242
Allowances	261,302	-	261,302	94,670
Medical	482,726	-	482,726	380,482
Utilities	166,084	-	166,084	102,386
Taxes	1,205,858	-	1,205,858	748,871
Funeral	390,940	-	390,940	389,022
Real estate	118,185	-	118,185	351,915
Insurance	117,964	-	117,964	87,274
Legal costs	289,683	-	289,683	1,471,399
Property care	258,369	-	258,369	199,595
Other	25,368	-	25,368	72,074
Fees charged by the Public Trustee	<u>887,302</u>	<u>-</u>	<u>887,302</u>	<u>824,226</u>
	<u>9,386,196</u>	<u>-</u>	<u>9,386,196</u>	<u>9,633,156</u>
Income (loss) from operations	(1,876,375)	96,495	(1,779,880)	(2,769,836)
Realized (loss)	(34,528)	-	(34,528)	(71,250)
Unrealized (loss) gain	<u>514,889</u>	<u>-</u>	<u>514,889</u>	<u>1,360,132</u>
Net income (loss)	<u>\$ (1,396,014)</u>	<u>\$ 96,495</u>	<u>\$ (1,299,519)</u>	<u>\$ (1,480,954)</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, 2011

	Estates and Trusts	Special Reserve Fund	2011 Total	2010 Total
Balance , beginning of year	\$47,490,510	\$ 2,373,750	\$ 49,864,260	\$ 40,416,343
Add: Net change in assets held	5,166,494	-	5,166,494	11,066,522
Net income (loss)	(1,396,014)	96,495	(1,299,519)	(1,480,954)
Excess interest transferred from Common Fund	<u>-</u>	<u>150,231</u>	<u>150,231</u>	<u>128,072</u>
	<u>3,770,480</u>	<u>246,726</u>	<u>4,017,206</u>	<u>9,713,640</u>
Less: Undistributable estates and trusts (per Section 28)	90,208	-	90,208	158,152
Payment to Province	<u>-</u>	<u>155,649</u>	<u>155,649</u>	<u>107,571</u>
	<u>90,208</u>	<u>155,649</u>	<u>245,857</u>	<u>265,723</u>
Balance , end of year	<u>\$ 51,170,782</u>	<u>\$ 2,464,827</u>	<u>\$ 53,635,609</u>	<u>\$ 49,864,260</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. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies

a) Revenue Recognition

Revenue is recognized as earned. Realized gains and losses on the sale of assets is recognized at the time of sale. Unrealized gains and losses on assets are recognized in the income statement at the end of each fiscal year.

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 expensed at the time of transfer. Transaction costs incurred on the disposition of securities are netted against the proceeds.

c) Estates and Trusts

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

2. Accounting Policies (continued):

d) Use of Estimates and Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. 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.

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) until they are sold or an appraised value is available.

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 \$103,119 (2010 – \$96,009). 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 gains of \$514,889 at March 31, 2011 (2010 – \$1,360,132).

The Public Trustee is not exposed to significant credit or liquidity risk.

4. 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.

5. 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, 2011.

6. 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.

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

7. 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.

	2011	2010
Department of Justice		
Salaries and benefits	\$ 1,813,214	\$ 1,693,712
Other operating costs	123,377	132,204
Rent	<u>126,548</u>	<u>126,548</u>
	<u>2,063,139</u>	<u>1,952,464</u>
Less transfers to the Province		
Fees	861,842	824,226
Special Reserve Fund income, prior year	<u>155,649</u>	<u>107,571</u>
	<u>1,017,491</u>	<u>931,797</u>
Net cost to the Province	<u>\$ 1,045,648</u>	<u>\$ 1,020,667</u>

8. Change in Accounting policies

For fiscal years beginning on or after January 1, 2011, government organizations are required to determine which accounting framework to adopt for financial statement reporting purposes based on guidance provided by the Canadian Institute of Chartered Accountants (CICA). As of April 1, 2011, the Public Trustee has determined it will follow the accounting standards included in the International Financial Reporting Standards (IFRS), which will replace the accounting standards included in the CICA Handbook for publicly accountable entities. Although the full scope of the changes has not been determined by the Public Trustee, it is anticipated that adoption of these accounting standards will result in changes to the presentation of these financial statements. Adoption of these standards should not result in significant changes to the recognition, measurement and reporting of financial transactions undertaken by the Public Trustee.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.