

## 23.2 Trust Funds

### Policy Statement

It is the policy of the Province of Nova Scotia to account for and report trust funds in the Public Accounts in compliance with Public Sector Accounting Board (PSAB) standards.

### Definitions

#### **GOVERNMENT REPORTING ENTITY**

Should comprise the organizations that are controlled by the government. These include the General Revenue Fund (through which all receipts and disbursements of public money flow) and other organizations that are owned and/or controlled by the Province.

#### **EXTERNAL RESTRICTIONS**

Stipulations imposed by an agreement with an external party, or through legislation of another government, to specify the purpose or purposes for which resources are to be used.

Trust funds are typically endowment monies, often created on the death of a contributor, or are funds held temporarily to serve as security under a performance or reclamation bond. A donor will entrust the Minister of Finance to administer the funds based on their explicit restrictions.

### Policy Objective

The objective of this policy is to explain what trust funds are and to describe their appropriate accounting treatment.

### Application

This policy applies to all trust funds as defined by this policy that are administered by any government department, agency, board or commission of the General Revenue Fund and by other members of the government reporting entity.

## Policy Directives

The involvement by the Province with trust funds is very limited, acting as trustee to administer the funds only. The involvement by the Province typically includes holding the funds in a separate bank account, investing excess funds when available, and disbursing funds in accordance with the trust indenture or other similar enabling documents.

### PROCESS AND PROCEDURES

Trust fund monies reside with the Department of Finance and are managed through Liability Management and Treasury Services (LMTS). Each fund has its own bank account and resulting administrative procedures connected to it.

Once a trust fund has been created, Liability Management and Treasury Services will obtain a signing authority form (Appendix 23-E) and open a bank account.

### ACCOUNTING FOR FUNDS

The Department of Finance is responsible for the administration, accounting and control over all trust funds on deposit with the Province.

LMTS opens a bank account and invests all excess funds. In cases where it is preferred that a cash balance be maintained (no investment) LMTS must be notified in writing. A continuity statement capturing the activity for the fiscal year will be prepared and reviewed by the appropriate departmental representative. The Department of Finance must maintain source records for all deposits into the fund and all expenditures out of the fund.

The Handbook requires consolidation of all entities which are controlled by the government. Control is determined on an individual basis and considers many factors. See 4.1 Government Reporting Entity for a full questionnaire to be used to assess if an entity should be considered to be part of the government reporting entity. Trust funds are not controlled by government and are therefore excluded from the government reporting entity. The total funds under administration by the Province are disclosed in Notes to the consolidated financial statements.

## Policy Guidelines

### BUDGETING AND FORECASTING

Trust funds are not part of the government reporting entity so have no financial impact on the revenues or expenses of the General Revenue Fund.

Government Accounting, Department of Finance is responsible for:

- Provide advice to departments in the creation and administration of funds
- Properly report trust funds in the Province's financial statements

Liability Management and Treasury Services, Department of Finance will manage the required bank accounts and invest excess funds.

## Monitoring

Government Accounting will monitor the policy's implementation, performance and effectiveness.

## Enquiries

Director, Government Accounting  
Department of Finance  
(902) 424-7021

---

Approval date:	<b>July 31, 2008</b>	Effective date:	<b>August 21, 2008</b>
Approved by:	<b>Executive Council</b>	Administrative update:	<b>October 7, 2010</b>

---

**Appendix 23-D**

**REQUEST AND AUTHORIZATION FORM**

**TO SET UP A TRUST FUND WITH THE DEPT OF FINANCE**

Trust Fund Name & No:

Please provide the following information and/or documents:

Tick off/fill in  
info by Finance:

RBC 215-

- 1. Copy of OIC or equivalent documentation authorizing the establishment of the trust fund.
- 2. Extract from the documentation naming Department of Finance as trustee.

Term: 30 days, 60 days, 90 days, Other: please specify:

---

Any additional guidelines:

---

- 3. Investment policy guidelines for the trust fund:
- 4. Amount and timing of payments to the fund.  
 Approximate amount of payments: \$ \_\_\_\_\_  
 Timing of payments: monthly, quarterly, semi-annually, annually, or other: please specify: \_\_\_\_\_

5. Contact name from the department requesting the trust fund for instructions, source of payments and receipt of withdrawals:

Contact Name:

Phone Number:

Fax Number:

6. Amount and timing of withdrawals from the fund.

Approximate amount of withdrawals: \$ \_\_\_\_\_

Timing of withdrawals: monthly, quarterly, semi-annually, annually, or other: please specify: \_\_\_\_\_

—

7. Set up signing authorities, using the form letter attached, in order for the trustee (Department of Finance) to know who it can accept instructions from in all matters relating to the trust fund. Also, for setting up signing authorities for withdrawals from the trust fund.

8. Does the department requesting the trust fund, wish to receive Continuity Statements for the trust fund? If yes, how often? Monthly \_\_\_\_\_, Yearly \_\_\_\_\_, or Both \_\_\_\_\_?

9. Are there any liability issues? That is, if the trustee invests funds in accordance with the instructions provided, but the amount realized on the due date is insufficient to meet the capital expense on that date – who is liable for the shortfall? \_\_\_\_\_

10. Is there any disposal instructions for the residual proceeds (if any) when the trust fund is closed? \_\_\_\_\_

Purpose: Performance Bond –

Principal:

Start Date:

Finish Date:

Note: Please put the attached form letter on your department's letterhead.

**Appendix 23-E**

# Establishment of Signing Authority for Trust Funds

(Date)

Ms. Vicki Harnish  
Deputy Minister  
NS Department of Finance  
P.O. Box 187  
Halifax, N.S. B3J 2N3

Dear Ms. Harnish:

The purpose of this letter is to set up the signing authority for the “MF – Trust Fund” for the Department of \_\_\_\_\_. The main objective of this trust fund is as follows: \_\_\_\_\_

Please find below signing authority with sample signatures. The signing authority to withdraw funds from this trust fund should be any two of the following:

1. Sample Signature  
Name and Title
2. Sample Signature  
Name and Title
3. Sample Signature  
Name and Title
4. Sample Signature  
Name and title

Thank you for your attention to this matter.

Yours sincerely,

Deputy Minister, Department of

c: Christina Swain