



# Corporate Report

NO: R076

COUNCIL DATE: April 24, 2006

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## REGULAR COUNCIL

TO: Mayor & Council DATE: April 18, 2006  
FROM: General Manager, Finance, Technology & HR FILE: 1880-20  
SUBJECT: Quarterly Financial Report

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## RECOMMENDATION

That Council receive this report as information.

## INTENT

The intent of this report is to provide Council with a first quarter update of the City's financial activity as compared to the 2006 Financial Plan.

## DISCUSSION

### International – Economic Summary

Asia remains the World's fastest growing region as China and other Asian economies continue to grow at a fast pace. China's economy is expected to grow by 9.3% in 2006 followed by India at 7.3%. Japan is also showing signs of a long-term economic revival with real GDP set to expand by 2.5%. Market share gains and growth in domestic demand should keep these economies on the rise well beyond 2006. Energy and commodity prices are expected to remain healthy due to the requirements by China and India.

### United States – Economic Summary

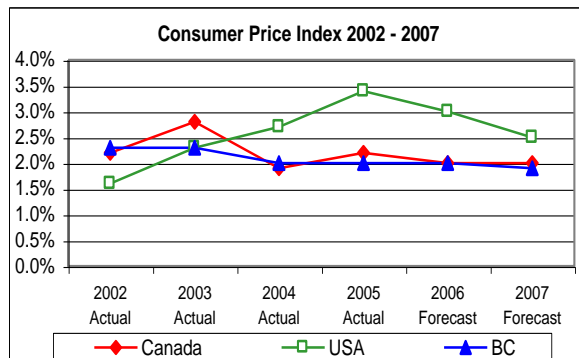
Consumer spending in the US is expected to slow down after a 2-year period of accumulation of durable goods. Most of the pent up demand on big-ticket items has already occurred as consumers took advantage of low financing costs in the last few years. Residential construction and business investment is expected to contribute less to growth in 2006.

Government initiatives in the past few years have provided a favourable environment for Business investment. These initiatives have led to a boost in profits and capital purchases for US companies when comparing to other industrialized countries. Therefore, investment in capital equipment is also set to slow modestly. The pressure on inflation due to high-energy prices is expected to cool off. However, any unforeseen disruption in the oil supply chain could lead to a shock in the economy. Overall the US GDP is expected to decrease modestly to 3.3% in 2006.

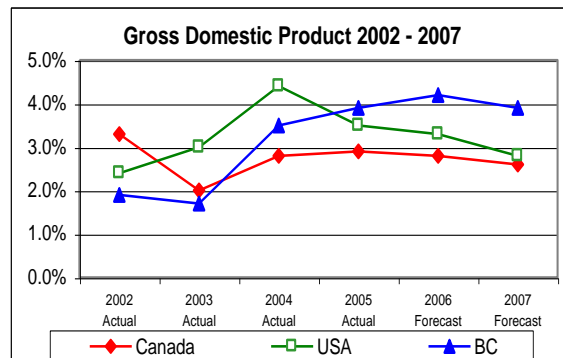
### Canada – Economic Summary

High corporate profits with a strong labour market are expected to support domestic demand in Canada for 2006. Pent up demand from the 1990's combined with wage increases and tax cuts indicate that consumer spending in Canada will outperform the US for a second year in a row. The stronger domestic demand is also expected to offset the drag on exports due to the high Canadian dollar.

Canada's economy is also benefiting from the housing boom, with home prices still on an upswing, contributing to an increase in household wealth and enabling the consumer to convert the increase in equity into spending power. With all of the foregoing, plus the energy demands from the emerging economies in Asia, Canada is expected to record a GDP of 2.8% in 2006.



Graph 1 Source: Nesbitt Burns Focus March/06  
RBC Provincial Outlook March/06



Graph 2 Source: Nesbitt Burns Focus March/06  
RBC Provincial Outlook March/06

### British Columbia – Economic Summary

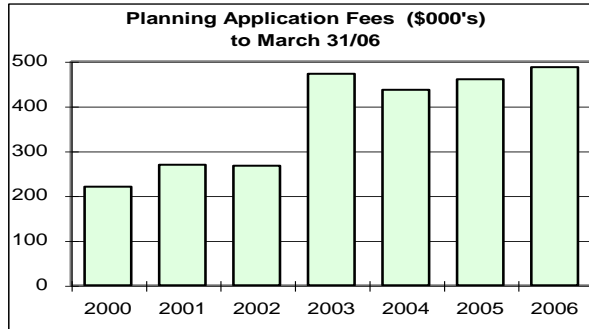
BC is in the middle an economic expansion that is supported by the Housing boom and private and public sector spending on infrastructure to prepare for the 2010 Winter Olympic games.

With construction, retail and health care leading employment growth, the unemployment rate is expected to be at 5% in 2006. The province is also gearing up to reap enormous benefits as Vancouver gets international coverage for Olympic games. BC may also be set to get a tourism boost if China grants Canada "approved destination status". The risk side of the equation include weaker US lumber demand, a higher dollar and possible venue cost overruns from the 2010 winter games.

## Surrey's Financial Performance

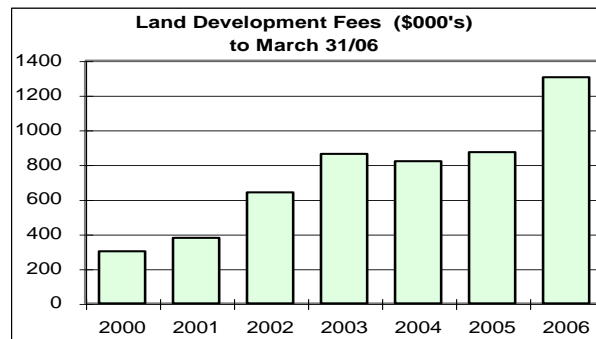
The level of development in the first quarter of the year continues to exceed expectations. This is primarily related to growth in the residential housing market. This pace of growth is expected to remain strong into 2006. However analysts predict that it should begin to slow down as pent-up demand is satisfied and if interests rise. Overall, it is expected that the revenue collected from development will exceed budget targets.

The following graphs show how the first quarter of the year compare to previous years' results for the same time period.

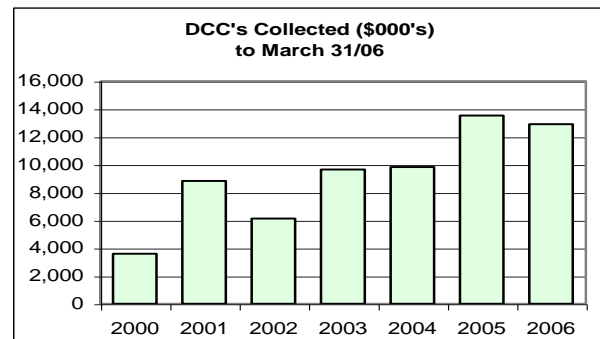


Graph 3

Graph 3 shows that application fees collected in the first quarter of this year have increased slightly as comparable to the value collected in the first quarter of 2004 & 2005. It is expected that we will exceed our 2006 budget figures.

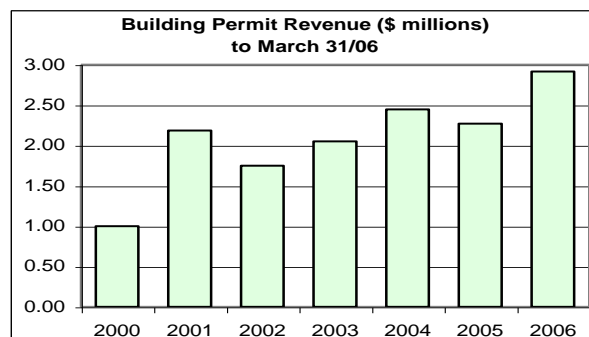


Graph 4



Graph 5

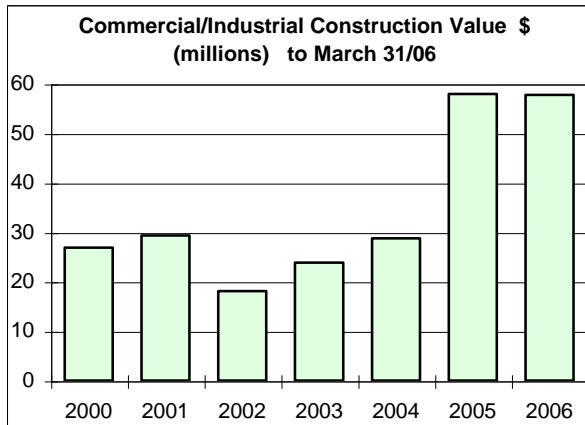
Graph 4 shows Land Development activity. The activity for the first part of the year has increased significantly from that of the first quarter in 2005, this is primarily due to fees collected in association with development on the Highway 99 Corridor. It is expected that Land Development fees will exceed budget expectations for 2006. The Development Cost Charges that have been collected in the first quarter are slightly lower than those collected in the first quarter of 2005. However, it is expected that the 2006 target will be met.



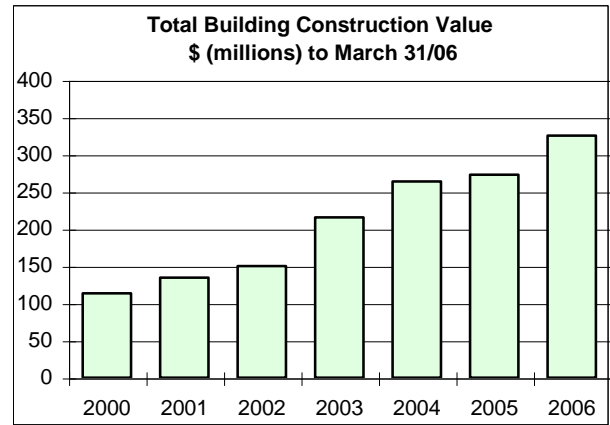
Graph 6

Building permit fees collected for the first quarter of the year has exceeded those collected in the same periods of 2004 and 2005. Activity in the housing market is still strong and it is expected that budget revenue targets will be exceeded again in 2006.

The value of new construction is converted into taxable assessed values and is considered to be the ‘growth’ component of our annual property tax levy. The number of permits issued may decline but this does not necessarily mean that our property tax growth will also decline. The tax rate for commercial/industrial properties is almost three times that of residential property. This means that a commercial property with the same assessed value as a residential property will generate three times the amount in property taxes. It is important to compare the mix of property classes from one year to the next, in order to determine whether or not the actual value of ‘growth’ is increasing or decreasing.

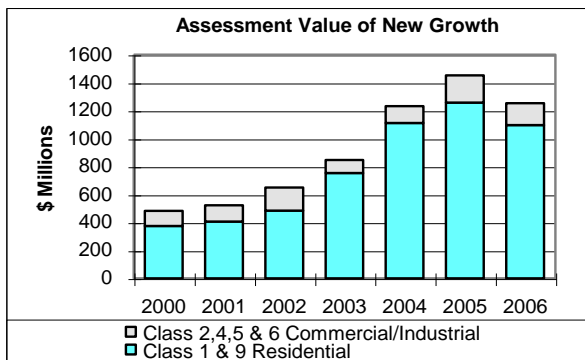


Graph 7

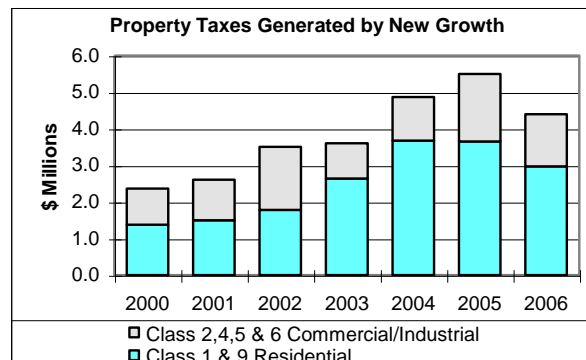


Graph 8

Graph 7 shows the construction value of commercial/industrial building permits for the first quarter of the year, which is comparable with last year’s experience. This is consistent with the efforts by Council to enhance commercial/industrial development opportunities within the City. Overall, the value of new construction in the City for the first quarter of the year exceeds the first quarter results for each time period for each of the last five years.

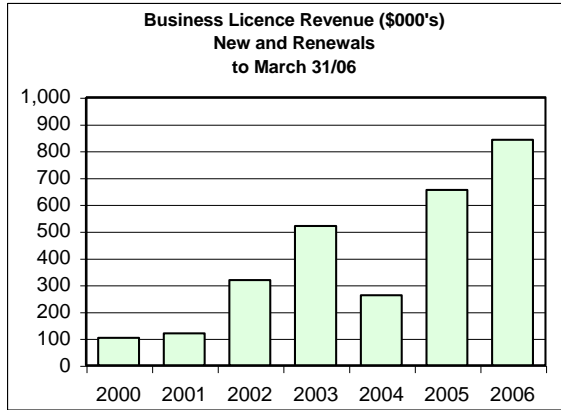


Graph 9

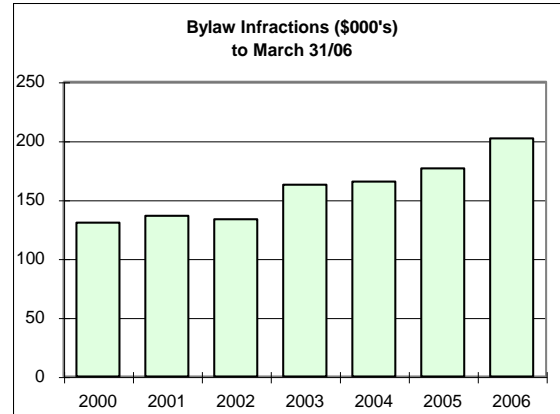


Graph 10

Graph 9 shows that the overall assessed value of new growth is less than 2005. This is due to the timing of the permit growth experienced in 2005. The majority of growth took place in the latter three quarters of the year, which missed the assessment cut off for 2006. Graph 10 shows the results when the tax rates are applied to these assessed values.



Graph 11

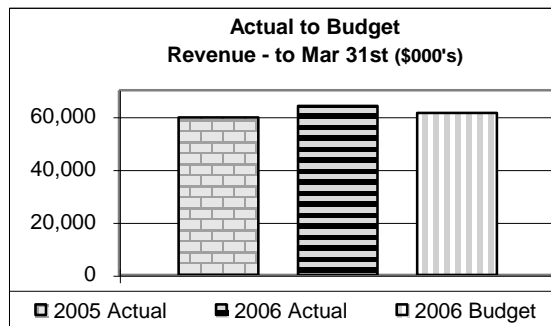


Graph 12

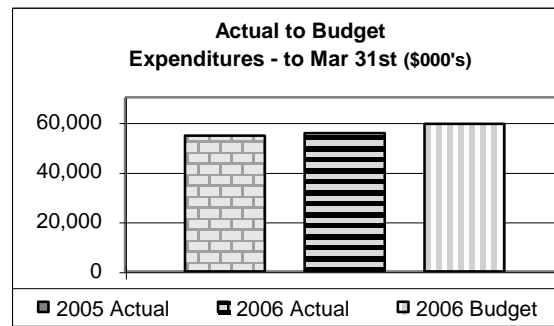
In 2006 we have continued to increase our business licensing revenues by renewing existing licences and also by actively pursuing new ones (Graph 11). Overall, we expect that our licencing revenue will meet our budgeted expectations.

### Comparison of Actual versus Budget

The graphs below illustrate the variances between the actual and the budgeted revenues and expenditures for the first quarter.



Graph 13



Graph 14

Appendix 1 shows these revenues and expenditures at a more detailed level. Departments are closely monitoring their actual results on a monthly basis. Following are explanations of significant variances from the adopted 2006 Financial Plan:

City Manager's Department is currently reporting a favourable variance of \$199,000. This is primarily due to departmental expenditure savings as a result of timing as well as revenue increases from licenses, fines and clean-up activities.

Engineering is reporting a \$328,000 favourable variance, due to increased Land Development activities, Solid Waste contract savings and seasonal fluctuations for Roads activities.

Finance & Technology is currently under budget by \$211,000. This is primarily due to temporary departmental vacancies and timing for insurance premiums.

Fire Services has a favourable variance of \$300,000 due to improved use of the staffing pool, and temporary vacancies as well as timing for departmental supplies.

Human Resources has a minor savings of \$6,000 due to the timing of expenditures.

Library Services has also incurred minor savings amounting to \$13,000 due to the timing of security expenditures.

Parks, Recreation & Culture is showing a favourable departmental variance of \$248,000. This is primarily due to timing variances and temporary vacancies.

Planning and Development which also includes Civic Facilities Management, is reporting a favourable variance of \$461,000 due primarily to increased development activity

RCMP is currently showing a small, favourable variance of \$442,000. This is a result of the timing in filling new positions approved in the 2006 budget.

Mayor and Council is currently showing a small favourable variance of \$11,000. This is due to the timing of expenditures.

Council Projects: As additional information, we have also included an update of allocations that have been made by Council to date in 2006. The details of those allocations are located in Appendix 2.

### **City Investment Portfolio**

The schedules in Appendix 3 include a summary of our investment portfolio. Schedule 1 is a summary of investments by issuer type, with comparative totals for each month-end from January through March. Schedule 2 is a detailed listing of securities as at March 31, 2006 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$548 million, most of these funds have either been committed to specific capital projects or else they are operating funds that have already been collected and invested until the appropriate expenditures are required.

The City's investment portfolio is currently earning a combined rate of approximately 4.15%, while maintaining investment security as outlined in the investment policy. Although this is currently less than the investment interest return of 4.25% that was anticipated in our 2006 Financial Plan, it is expected that interest revenue will meet the budgeted projections this year.

### **CONCLUSION**

The development activity experienced in 2005 has continued in the first quarter of 2006 and is expected to continue for the remainder of the year. The 2006 adopted budget required a transfer from surplus of \$2.9 million. Based on the favourable first quarter financial results and the anticipated continuation of development activity, it is expected that this transfer will not be required at the end of the year.

Vivienne Wilke, CGA  
General Manager, Finance,  
Technology & HR



**2006 1st QUARTER COUNCIL REPORT**  
**EXECUTIVE SUMMARY - REVENUES & EXPENDITURES**  
**\$ 000's**

<b>REVENUE SUMMARY</b>	<b>2005 1st Qtr Actual</b>	<b>2006 1st Qtr Actual</b>	<b>2006 1st Qtr Budget</b>	<b>2006 1st Qtr Variance</b>	<b>2006 Total Budget</b>
Net Taxation	38,664	40,900	40,892	(8)	163,567
Non-Tax Revenues	3,729	3,035	3,032	(3)	13,927
Utility Recoveries	823	856	857	1	3,430
Program Revenues	16,433	16,993	16,079	(914)	61,631
<b>TOTAL REVENUES</b>	\$ 59,649	\$ 61,784	\$ 60,860	\$ (924 )	\$ 242,555

<b>EXPENDITURE SUMMARY</b>	<b>2005 1st Qtr Actual</b>	<b>2006 1st Qtr Actual</b>	<b>2006 1st Qtr Budget</b>	<b>2006 1st Qtr Variance</b>	<b>2006 Total Budget</b>
Program Expenditures	\$ 51,880	\$ 55,755	\$ 57,062	\$ 1,307	\$ 238,136
Council Projects	115	62	62	0	250
Social Well-Being	0	0	145	145	579
Debt Servicing	148	242	170	(72)	681
Interest Allocations	138	143	147	4	587
<b>TOTAL EXPENDITURES</b>	\$ 52,281	\$ 56,202	\$ 57,586	\$ 1,384	\$ 240,233

<b>TRANSFER SUMMARY</b>	<b>2005 1st Qtr Actual</b>	<b>2006 1st Qtr Actual</b>	<b>2006 1st Qtr Budget</b>	<b>2006 1st Qtr Variance</b>	<b>2006 Total Budget</b>
Transfer to Capital Program	\$ 2,231	\$ 2,151	\$ 1,275	\$ (876 )	\$ 5,100
Transfers To(From) Own Sources	74	48	48	0	187
	<b>2,305</b>	<b>2,199</b>	<b>1,323</b>	<b>(876)</b>	<b>5,287</b>
Surplus(Deficit)	5,063	3,383	1,951	(1,432)	(2,965)
Transfer (to)from Surplus	(5,063)	(3,383)	(1,951)	1,432	2,965
<b>BALANCED BUDGET</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0



## 2006 1st QUARTER COUNCIL REPORT DEPARTMENTAL SUMMARY

PROGRAM REVENUES	2005 1st Qtr Actual	2006 1st Qtr Actual	2006 1st Qtr Budget	2006 1st Qtr Variance	2006 Total Budget
<b>R.C.M.P.</b>	\$ 1,016	\$ 1,325	\$ 1,261	\$ (64)	\$ 5,048
Fire	34	29	29	0	645
Engineering Services	6,915	6,393	6,192	(201)	24,942
Parks, Recreation & Culture	3,359	3,739	3,645	(94)	11,304
Surrey Public Library	383	390	441	51	1,510
Planning & Development	3,397	3,553	3,124	(429)	12,495
City Manager	1,173	1,349	1,230	(119)	4,869
Finance & Technology	156	215	157	(58)	818
<b>TOTAL PROGRAM REVENUES</b>	<b>\$ 16,433</b>	<b>\$ 16,993</b>	<b>\$ 16,079</b>	<b>\$ (914)</b>	<b>\$ 61,631</b>

PROGRAM EXPENDITURES	2005 1st Qtr Actual	2006 1st Qtr Actual	2006 1st Qtr Budget	2006 1st Qtr Variance	2006 Total Budget
<b>R.C.M.P.</b>	\$ 15,662	\$ 17,429	\$ 17,807	\$ 378	\$ 74,396
Fire	8,750	9,270	9,570	300	41,004
Engineering Services	7,569	7,909	8,036	127	32,730
Parks, Recreation & Culture	7,045	7,902	8,056	154	36,731
Surrey Public Library	2,628	2,694	2,758	64	11,162
Planning & Development	3,214	3,289	3,321	32	14,501
Mayor & Council	295	191	202	11	861
City Grants	325	490	490	0	600
City Manager	2,098	2,389	2,469	80	9,643
Finance & Technology	3,666	3,640	3,793	153	14,077
Human Resources	405	404	410	6	1,834
Operating Contingency	222	148	150	2	597
<b>TOTAL PROGRAM EXPENDITURES</b>	<b>\$ 51,880</b>	<b>\$ 55,755</b>	<b>\$ 57,062</b>	<b>\$ 1,307</b>	<b>\$ 238,136</b>

NET PROGRAM	2005 1st Qtr Actual	2006 1st Qtr Actual	2006 1st Qtr Budget	2006 1st Qtr Variance	2006 Total Budget
<b>R.C.M.P.</b>	\$ 14,646	\$ 16,104	\$ 16,546	\$ 442	\$ 69,348
Fire	8,716	9,241	9,541	300	40,359
Engineering Services	655	1,516	1,844	328	7,788
Parks, Recreation & Culture	3,686	4,163	4,411	248	25,427
Surrey Public Library	2,245	2,304	2,317	13	9,652
Planning & Development	(183)	(264)	197	461	2,006
Mayor & Council	295	191	202	11	861
City Grants	325	490	490	0	600
City Manager	925	1,040	1,239	199	4,774
Finance & Technology	3,510	3,425	3,636	211	13,258
Human Resources	405	404	410	6	1,834
Operating Contingency	222	148	150	2	597
<b>NET PROGRAM TOTAL</b>	<b>\$ 35,447</b>	<b>\$ 38,762</b>	<b>\$ 40,983</b>	<b>\$ 2,221</b>	<b>\$ 176,504</b>





## 2006 FINANCIAL PLAN COUNCIL INITIATIVES

Description	Amount	Allocation	
		to date	Remaining
Carried Forward from Prior Year	\$ 444,500		
<b>2006 Adopted Budget</b>	<u>\$ 250,000</u>		<b>\$ 694,500</b>
Surrey Crime Prevention Society - Graffiti Removal	25,000		
2010 Community Opportunities Strategy	20,000		
Surrey RCMP Veterans Project - Operation Remembrance	2,550		
Whalley Athletic Park Capital Improvement	125,000		
"I Love Surrey" Campaign (Feb 13 Council Meeting)	30,000		
Surrey Soccer Club (March 27 Council Meeting)	5,000		
<b>Recommended Allocations for 2006</b>		<u><u>\$ 207,550</u></u>	<u><u>\$ 486,950</u></u>

## APPENDIX 3

## SCHEDULE 1

DESCRIPTION	INVESTMENT	INVESTMENT	INVESTMENT
	(MILLIONS) JAN. 31/06	(MILLIONS) FEB. 28/06	(MILLIONS) MARCH 31/06
<i>CALL LOAN</i>	10.0	10.0	8.0
<b>MAJOR BANKS</b>			
Bank of Montreal	33.7	29.3	24.2
Bank of Nova Scotia	32.8	32.8	32.7
Canadian Imperial Bank of Commerce	20.7	20.7	20.7
Manulife Bank of Canada	15.0	15.0	15.0
National Bank of Canada	38.5	37.3	37.2
Royal Bank of Canada	30.9	28.4	33.6
Toronto Dominion	36.5	36.5	39.9
<b><i>SUB TOTAL - MAJOR BANKS</i></b>	<u>208.0</u>	<u>200.1</u>	<u>203.4</u>
<b>SCHEDULE B BANKS</b>			
Hong Kong Bank of Canada (HSBC)	9.8	9.8	9.8
<b><i>SUB TOTAL - SCHEDULE B BANKS</i></b>	<u>9.8</u>	<u>9.8</u>	<u>9.8</u>
<b>CREDIT UNIONS</b>			
Coast Capital Credit Union	2.0	2.0	2.0
Envision Credit Union	2.0	2.0	2.0
Vancity Savings	4.0	4.0	4.0
<b><i>SUB TOTAL - CREDIT UNIONS</i></b>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
<b>GOVERNMENT OF CANADA</b>			
Gov't Cda Bonds/Cpns	106.2	106.2	106.2
<b><i>SUB TOTAL - GOV'T OF CANADA</i></b>	<u>106.2</u>	<u>106.2</u>	<u>106.2</u>
<b>PROVINCES</b>			
Alberta	21.2	21.2	21.3
British Columbia	23.8	23.8	23.7
Manitoba	39.2	39.2	39.2
New Brunswick	8.3	8.3	8.3
Newfoundland	20.4	20.4	20.3
Nova Scotia	2.7	2.7	2.7
Ontario	27.1	27.1	27.1
Quebec	60.4	60.4	60.3
Saskatchewan	5.1	5.1	5.1
<b><i>SUB TOTAL - PROVINCES</i></b>	<u>208.3</u>	<u>208.3</u>	<u>208.0</u>
<b>OTHER</b>			
MFA	5.0	5.0	5.0
<b><i>SUB TOTAL - OTHER</i></b>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
<b>TOTAL PORTFOLIO .....</b>	<u><u>555.3</u></u>	<u><u>547.3</u></u>	<u><u>548.3</u></u>

**SCHEDULE 2**

<b>MATURITY DATE</b>	<b>PURCHASE DATE</b>	<b>SECURITY</b>	<b># OF DAYS</b>	<b>PRINCIPAL</b>	<b>TOTAL</b>
<b>CALL LOAN</b>					
03-Apr-06	31-Mar-06	VanCity Credit Unioncall	3	8,000,000.00	
		<b>*** CALL LOAN</b>			<b>8,000,000.00</b>
<b>MAJOR BANKS</b>					
29-Feb-12	04-Mar-05	Bank of Montreal futures certificate of deposit	2553	3,000,000.00	
09-May-06	09-Jun-03	Bank of Montreal fixed floaters	1065	5,023,157.00	
20-Dec-08	23-Mar-04	Bank of Montreal residuals	1733	4,207,500.00	
21-Jan-10	28-Jan-05	Bank of Montreal fixed floater	1819	2,010,560.51	
15-Jul-06	15-Jul-05	Bank of Montreal step up	365	9,980,695.21	
		<b>*** BANK OF MONTREAL</b>			<b>24,221,912.72</b>
24-Sep-06	24-Mar-04	Bank of Nova Scotia mtn step up	914	10,000,000.00	
19-Apr-06	19-Apr-04	Bank of Nova Scotia step up	730	8,000,000.00	
16-Jul-07	30-Jun-03	Bank of Nova Scotia fixed floaters	1477	2,489,577.08	
16-Jul-07	18-Jun-03	Bank of Nova Scotia fixed floaters	1489	5,148,315.89	
16-Jul-07	01-Dec-00	Bank of Nova Scotia fixed floaters	2418	3,994,037.60	
22-Jul-08	21-Nov-05	Bank of Nova Scotia fixed floaters	974	3,108,662.83	
		<b>*** BANK OF NOVA SCOTIA</b>			<b>32,740,593.40</b>
10-Sep-06	10-Mar-04	CIBC step up	914	5,000,000.00	
25-Apr-06	23-Jan-03	CIBC fixed floaters	1188	5,013,178.64	
23-Oct-06	02-Jul-03	CIBC fixed floaters	1209	514,807.38	
26-Feb-08	27-Mar-02	CIBC fixed floaters	2162	2,433,534.14	
15-Oct-09	13-Jun-05	CIBC fixed floaters	1585	2,563,678.36	
15-Oct-09	17-Jun-05	CIBC fixed floaters	1581	5,139,958.25	
		<b>*** CIBC</b>			<b>20,665,156.77</b>
03-Aug-06	03-Aug-05	Manulife Bank step up	365	10,000,000.00	
18-Aug-06	18-Aug-05	Manulife Bank step up	365	5,000,000.00	
		<b>*** MANULIFE BANK OF CANADA</b>			<b>15,000,000.00</b>
31-Oct-07	03-Apr-01	National Bank fixed floaters	2402	2,508,330.55	
04-Jun-08	20-Feb-06	National Bank bearer deposit note	835	1,089,264.00	
16-Apr-09	13-Jun-05	National Bank fixed floaters	1403	1,737,229.13	
16-Apr-09	14-Jun-05	National Bank fixed floaters	1402	5,316,467.89	
16-Apr-09	04-Jul-05	National Bank fixed floaters	1382	5,324,065.14	
16-Apr-09	06-Jul-05	National Bank fixed floaters	1380	3,194,479.13	
30-Jun-09	20-Feb-06	National Bank bearer deposit note	1226	2,767,392.00	
10-Sep-09	10-Sep-03	National Bank bearer deposit note	2192	4,997,010.95	
10-Sep-09	19-Mar-04	National Bank bearer deposit note	2001	5,121,995.35	
10-Sep-09	17-Jun-05	National Bank bearer deposit note	1546	5,170,201.18	
		<b>*** NATIONAL BANK OF CANADA</b>			<b>37,226,435.32</b>
26-Apr-06	05-Apr-02	Royal Bank fixed floaters	1482	3,007,505.38	
04-Jun-07	10-Dec-02	Royal Bank fixed floaters	1637	5,115,148.36	
22-Jan-08	21-Jun-04	Royal Bank fixed floaters	1310	5,145,286.25	
22-Jan-08	19-Jul-04	Royal Bank fixed floaters	1282	4,134,878.62	
25-Jan-10	02-Jun-03	Royal Bank fixed floaters	2429	5,401,270.86	
25-Jan-10	14-Jan-04	Royal Bank fixed floaters	2203	5,429,319.11	
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	1842	5,410,107.49	
		<b>*** ROYAL BANK OF CANADA</b>			<b>33,643,516.07</b>
26-Jul-06	27-Sep-02	Toronto Dominion fixed floaters	1398	5,023,000.06	
26-Jul-06	06-Jun-03	Toronto Dominion fixed floaters	1146	5,034,700.20	
26-Jul-06	09-Jul-03	Toronto Dominion fixed floaters	1113	937,013.99	
26-Jul-06	10-Jun-05	Toronto Dominion fixed floaters	411	9,091,362.47	
04-Sep-07	27-Sep-02	Toronto Dominion fixed floaters	1803	5,027,846.92	
04-Sep-07	26-May-03	Toronto Dominion fixed floaters	1562	5,061,440.79	
05-Sep-08	09-Sep-03	Toronto Dominion fixed floaters	1823	5,003,173.34	
05-Sep-08	01-Dec-03	Toronto Dominion fixed floaters	1740	1,204,143.09	
18-Jan-11	27-Mar-06	Toronto Dominion fixed floaters	4.481	3,475,206.54	
		<b>*** TORONTO DOMINION</b>			<b>39,857,887.40</b>

**SCHEDULE 2**

<b>MATURITY DATE</b>	<b>PURCHASE DATE</b>	<b>SECURITY</b>	<b># OF DAYS</b>	<b>PRINCIPAL</b>	<b>TOTAL</b>
<b>SCHEDULE B BANKS</b>					
26-Sep-06	26-Mar-04	HSBC step up deposit note	914	5,000,000.00	
17-Nov-06	17-Nov-05	HSBC bearer deposit note	365	4,816,950.00	
		<b>*** Hong Kong Bank of Canada (HSBC)</b>			<b>9,816,950.00</b>
<b>CREDIT UNIONS</b>					
21-Jun-06	23-Mar-06	Coast Capital Credit Union	90	2,000,000.00	
05-Jun-06	06-Mar-06	Envision Credit Union	91	2,000,000.00	
23-May-06	20-Feb-06	Vancity Savings	92	4,000,000.00	
		<b>*** CREDIT UNIONS</b>			<b>8,000,000.00</b>
<b>FEDERAL GUARANTEED PAPER</b>					
23-Apr-06	23-Apr-04	Export Dev. Corp. step up	730	10,000,000.00	
01-Oct-06	01-Oct-04	Farm Credit Corp. dyno	730	2,000,000.00	
25-Apr-06	25-Apr-05	Farm Credit Corp. dyno step up frn	365	5,000,000.00	
31-Jan-07	08-Feb-05	Export Dev. Corp. accrual note	722	5,583,324.95	
10-Aug-06	10-Feb-05	Farm Credit Corp. step up accrual note	546	10,000,000.00	
06-Jul-06	06-Jul-05	Farm Credit Corp. accrual note	365	10,000,000.00	
06-Jul-06	06-Jul-05	Farm Credit Corp. accrual note	365	10,000,000.00	
03-Aug-06	03-Aug-05	Export Dev. Corp. accrual note	365	10,000,000.00	
01-Dec-06	01-Jun-04	Farm Credit Corp. targeted redemption note	913	5,000,000.00	
01-Dec-06	02-Jun-04	Farm Credit Corp. targeted redemption note	912	5,000,000.00	
11-Jun-06	11-Jun-04	Farm Credit Corp. targeted redemption note	730	10,000,000.00	
17-Jun-06	17-Jun-05	Export Dev. Corp. accrual note	365	9,972,263.21	
01-Dec-06	30-May-01	CMHC	2011	4,535,822.57	
03-Dec-07	02-Jul-03	CMHC	1615	2,558,975.16	
15-Sep-08	13-Jun-05	Canada Mortgage Bond residuals	1190	4,522,100.00	
15-Mar-10	28-Jan-05	Canada Mortgage Bonds	1872	2,000,000.00	
		<b>*** OTHER FEDERAL GUARANTEED</b>			<b>106,172,485.89</b>
<b>PROVINCIAL GUARANTEED PAPER</b>					
23-Jun-06	23-Jun-05	Alberta Capital Finance step up accrual note	365	10,000,000.00	
28-Jun-06	28-Jun-05	Alberta Capital Finance accrual note	365	9,970,371.47	
20-Aug-10	21-Nov-03	Alberta Capital Finance bond	2464	1,290,267.93	
		<b>*** ALBERTA</b>			<b>21,260,639.40</b>
25-Sep-06	21-Jun-00	BC Municipal Finance Authority bond	2287	3,412,284.63	
24-Mar-08	04-Jun-03	BC Municipal Finance Authority bond	1755	5,142,459.40	
18-Jun-09	05-Apr-02	Prov. BC coupons	2631	1,849,474.07	
01-Dec-09	05-Apr-02	Prov. BC bonds	2797	5,044,213.56	
03-Oct-09	03-Oct-03	BC Municipal Finance Authority bond	2192	798,854.65	
03-Oct-10	03-Oct-03	BC Municipal Finance Authority bond	2557	1,796,827.45	
03-Oct-10	10-Oct-03	BC Municipal Finance Authority bond	2550	698,190.42	
01-Jun-11	11-Apr-01	BC Municipal Finance Authority bond	3703	4,990,996.27	
		<b>*** BRITISH COLUMBIA</b>			<b>23,733,300.45</b>
15-Apr-06	15-Apr-05	Manitoba step up	365	10,000,000.00	
30-Jun-06	30-Jun-05	Manitoba step up	365	10,000,000.00	
02-Mar-09	10-Mar-05	Manitoba bond	1453	5,225,920.56	
15-Mar-10	15-Mar-05	Manitoba accrual note	1826	9,952,519.16	
05-Sep-10	01-Dec-03	Manitoba residuals	2,470	3,972,705.00	
		<b>*** MANITOBA</b>			<b>39,151,144.72</b>
19-Jun-06	03-Jun-03	New Brunswick bond	1,112	5,422,084.25	
17-Dec-07	17-Dec-03	New Brunswick Municipal Finance Authority bond	1,461	2,098,884.12	
17-Dec-10	17-Dec-03	New Brunswick Municipal Finance Authority bond	2,557	763,146.68	
		<b>*** NEW BRUNSWICK</b>			<b>8,284,115.05</b>
01-Dec-06	30-Jul-02	Newfoundland/Labrador Hydro	1585	4,672,876.40	
01-Dec-06	25-Jun-04	Newfoundland/Labrador Hydro	889	5,040,649.60	
12-Dec-07	18-Jun-03	Newfoundland/Labrador Bond	1638	5,195,504.70	
03-Nov-09	02-Feb-04	Newfoundland/Labrador Bond	2101	5,407,773.68	
		<b>*** NEWFOUNDLAND/LABRADOR</b>			<b>20,316,804.38</b>
19-Aug-06	01-Apr-04	Nova Scotia step up	870	2,700,000.00	
		<b>***NOVA SCOTIA</b>			<b>2,700,000.00</b>

**SCHEDULE 2**

<b>MATURITY DATE</b>	<b>PURCHASE DATE</b>	<b>SECURITY</b>	<b># OF DAYS</b>	<b>PRINCIPAL</b>	<b>TOTAL</b>
05-May-06	05-May-04	Ontario step up	730	5,000,000.00	
07-Sep-06	07-Sep-04	Ontario step up	730	5,000,000.00	
12-Sep-07	02-Jul-03	Ontario bond	1533	5,159,681.02	
02-Dec-07	18-Jun-03	Ontario coupon	1628	1,962,684.21	
19-May-10	04-Apr-05	Ontario bond	1871	4,982,244.30	
19-Nov-10	21-Nov-03	Ontario bond	2555	4,999,999.53	
		<b>*** ONTARIO</b>			<b>27,104,609.06</b>
15-Jan-07	19-Jul-04	Hydro Quebec coupon	910	4,578,450.00	
15-Feb-07	24-Jan-97	Hydro Quebec coupon	3674	1,000,000.00	
01-Oct-07	11-Jul-03	Prov. Quebec bond	1543	5,175,871.68	
29-Nov-07	02-Jul-03	Prov. Quebec bond	1611	3,485,137.08	
15-Apr-08	24-Jun-04	Hydro Quebec coupon	1391	4,242,500.00	
01-Dec-08	28-Jan-05	Quebec MFA	1403	10,550,260.86	
01-Dec-08	08-Feb-05	Quebec MFA	1392	4,214,832.18	
01-Jun-09	13-Jun-05	Prov. Quebec bond	1449	5,321,267.08	
01-Dec-09	21-Oct-03	Quebec MFA	2233	4,005,697.33	
01-Dec-09	21-Oct-03	Quebec MFA	2233	3,000,000.00	
01-Dec-09	09-Jan-04	Quebec MFA	2153	5,043,630.77	
16-Aug-10	05-Mar-04	Hydro Quebec coupon	2355	5,305,300.00	
01-Dec-10	28-Jan-05	Prov. Quebec bond	2133	4,370,473.10	
		<b>*** QUEBEC</b>			<b>60,293,420.08</b>
09-Mar-07	03-Jun-03	Saskatchewan bond	1375	5,112,581.80	
		<b>*** SASKATCHEWAN</b>			<b>5,112,581.80</b>
open	17-Dec-03	<b>MFA investment pool - money market fund</b>	1113	1,000,000.00	
	17-Dec-03	<b>MFA investment pool - intermediate fund</b>	1113	4,000,000.00	
					<b>5,000,000.00</b>
		<b>TOTAL</b>			<b>548,301,552.51</b>