

# **Colorado Surplus Asset Fund Trust (CSAFE)**

Independent Auditor's Report and Financial Statements

December 31, 2012 and 2011

# Colorado Surplus Asset Fund Trust (CSAFE)

December 31, 2012 and 2011

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## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
Colorado Surplus Asset Fund Trust  
Denver, Colorado

We have audited the accompanying financial statements of Colorado Surplus Asset Fund Trust (CSAFE), which comprise the statements of net assets as of December 31, 2012 and 2011, and the related statements of operations and changes in net assets for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgment, 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees  
Colorado Surplus Asset Fund Trust

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Surplus Asset Fund Trust as of December 31, 2012 and 2011, and the results of its operations and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The CSAFE Board of Trustees listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

*BKD, LLP*

Denver, Colorado  
March 13, 2013

# **Colorado Surplus Asset Fund Trust (CSAFE)**

## **Management's Discussion and Analysis**

### **(Unaudited)**

### **December 31, 2012 and 2011**

Colorado Surplus Asset Fund Trust (CSAFE) is a local government investment pool trust fund organized under C.R.S. §24-75-701, *et seq.*, registered as such with the Colorado Securities Commissioner pursuant to the Local Government Investment Pool Trust Fund Administration and Enforcement Act, C.R.S. §11-51-901, *et seq.* As such a trust, CSAFE pools and invests the funds of its Colorado local government participants within the investment policies and limitations set forth in CSAFE's Indenture of Trust and C.R.S. §24-75-601, *et seq.*

CSAFE is overseen by a nine-member Board of Trustees predominately comprised of Colorado local government officials. All of the assets entrusted to CSAFE are held by its Custodian, U.S. Bank. BKD, LLP serves as the independent auditor to CSAFE. Davidson Fixed Income Management, Inc., an investment advisor registered with the U.S. Securities and Exchange Commission, serves as CSAFE's investment advisor and administrator.

CSAFE operates to provide daily liquidity for Colorado government entities. CSAFE participants include school districts, counties, municipalities, and special districts. In addition, CSAFE is rated AAAm by the Standard & Poor's Corporation (S&P). S&P has strict requirements that further govern the composition of investments, the average maturity of the investments and the types of investments. CSAFE reports to S&P on a weekly basis and is subject to an annual rating review.

CSAFE adheres to the maturity, liquidity, and eligibility guidelines set by S.E.C. rule 2a-7.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to CSAFE's basic financial statements. In accordance with Governmental Accounting Standards Board (GASB) Statements, including GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, CSAFE presents a statement of net assets and a statement of changes in net assets prepared on the economic resources measurement focus and the accrual basis of accounting. Additionally, CSAFE presents a statement of operations in its basic statements. All applicable GASB pronouncements are applied in these financial statements.

The statement of net assets presents information on all of CSAFE's assets and liabilities, with the difference between the two reported as net assets applicable to shares outstanding.

The statement of changes in net assets presents information showing how CSAFE's net assets changed during the fiscal years presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of operations reports a detail of the changes in net assets resulting from operations, or net investment income, which is included in the statements of changes in net assets.

The notes to the financial statements are required to be presented in accordance with accounting principles generally accepted in the United States of America and provide information about CSAFE's significant accounting policies used in the preparation of its basic financial statements as well as other explanatory information about amounts included in the basic financial statements. The notes to the financial statements should be read in connection with the basic financial statements.

**Colorado Surplus Asset Fund Trust (CSAFE)**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**December 31, 2012 and 2011**

***Financial Highlights***

- CSAFE's net assets totaled \$1.3 billion as of December 31, 2012, an increase of 61.5% over the prior year.
- In the fourth quarter of 2012, the composition of investments remains relatively unchanged compared to 2011. Approximately 22.2% of CSAFE's total cash and cash equivalents and investments were invested in U.S. government agency securities (fixed and floating rate notes), 58.2% in commercial paper (including fixed and variable rate commercial paper, Bankers Acceptances and A-1 collateralized bank sweep accounts), 0.9% in corporate fixed notes, and 18.7% in collateralized bank deposits. As of December 31, 2011, approximately 25.7% of CSAFE's cash and cash equivalents and investments were invested in U.S. government agency securities, 48.7% in commercial paper (including fixed commercial paper and an A-1 collateralized bank sweep account), 3.0% in corporate bonds, 16.9% in collateralized bank deposits, and 5.7% in AAAM money market funds.
- With the passage of HB 12-1005, the Board took affirmative action on March 22, 2012, as required by the statute, to allow commercial paper not domiciled in the U.S. that otherwise conforms with current commercial paper guidelines.
- Net investment income increased \$1.6 million in 2012 compared to 2011, totaling \$2.3 million. The increase in investment income from 2011 through 2012 was primarily the result of increased asset levels. The decrease of \$2.0 million in investment income from 2010 through 2011 was primarily the result of the low yield rate environment. The net yield of an investment in CSAFE was 0.15% in 2010, 0.08% in 2011 and 0.18% in 2012.

***CSAFE Asset Summary***

From 2011 to 2012 CSAFE recorded an increase in net assets. Year-end net assets increased from \$707.7 million in 2010, to \$788.8 million in 2011, and to \$1,274.2 million in 2012. CSAFE invests primarily in U.S. government agency securities, highly rated commercial paper, highly rated corporate bonds, collateralized bank deposits, and AAAM rated money market funds.

By following the AAAM rating guidelines of Standard & Poor's Corporation, CSAFE maintained a per share value of \$1.00 per share in 2010, 2011 and 2012.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Management's Discussion and Analysis

(Unaudited)

December 31, 2012 and 2011

Shown below is a three-year summary of the net assets of CSAFE as of December 31, 2012, 2011 and 2010:

**Table 1: Condensed Statements of Net Assets  
(in Millions)**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>			
Investments			
U.S. government agency securities	\$ 282.5	\$ 202.0	\$ 154.0
Commercial paper	740.6	382.8	215.2
Corporate fixed notes	11.5	23.5	6.3
Total investments	<u>1,034.6</u>	<u>608.3</u>	<u>375.5</u>
Cash and cash equivalents	237.4	177.5	328.3
Other assets			
Related party contribution receivable	1.8	2.7	3.6
Receivables - other	-	-	-
Accrued interest	0.5	0.4	0.4
Total other assets	<u>2.3</u>	<u>3.1</u>	<u>4.0</u>
Total assets	<u>1,274.3</u>	<u>788.9</u>	<u>707.8</u>
<b>Liabilities</b>			
Accrued expenses	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Net assets applicable to shares outstanding	<u>\$ 1,274.2</u>	<u>\$ 788.8</u>	<u>\$ 707.7</u>
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Management's Discussion and Analysis

(Unaudited)

December 31, 2012 and 2011

### CSAFE Changes in Net Assets Summary

The changes in CSAFE's net assets are the net result of net investment income and purchases and redemptions of shares by participants.

Shown below is a three-year summary of changes in net assets of CSAFE for the years ended December 31, 2012, 2011 and 2010:

**Table 2: Condensed Statements of Changes  
in Net Assets (in Millions)**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Increase in net assets attributed to operations – net investment income	\$ 2.3	\$ 0.7	\$ 2.8
Share transactions			
Net proceeds from sales of shares	3,610.0	1,810.3	1,863.4
Cost of shares redeemed	(3,126.9)	(1,729.9)	(1,769.1)
Net increase in net assets derived from share transactions	483.1	80.4	94.3
Net increase in net assets	485.4	81.1	97.1
Net assets at beginning of year	788.8	707.7	610.6
Net assets at end of year	\$ 1,274.2	\$ 788.8	\$ 707.7

### Currently Known Facts, Decisions or Conditions

Because CSAFE operates in a fiduciary capacity on behalf of various Colorado government entities, changes in interest rates, changes in the number of participating governments and investment decisions of those Colorado government entities are the primary drivers of CSAFE's net assets and changes in net assets.

### Requests for Information

This financial report is designed to provide a general overview of CSAFE's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Trisha Mingo, Fund Administrator, 1600 Broadway, Suite 1100, Denver, Colorado 80202.



# Colorado Surplus Asset Fund Trust (CSAFE)

## Statements of Net Assets

December 31, 2012 and 2011

### Assets

	<u>2012</u>	<u>2011</u>
Investments		
U.S. government agency securities	\$ 282,524,887	\$ 202,021,570
Commercial paper	740,607,579	382,833,806
Corporate fixed notes	<u>11,505,045</u>	<u>23,499,593</u>
Total investments	1,034,637,511	608,354,969
Cash and cash equivalents	237,423,007	177,419,000
Other assets		
Related party contribution receivable	1,800,000	2,700,000
Receivables - other		
Related party	-	8,515
Other	30,564	32,120
Accrued interest	<u>514,362</u>	<u>420,158</u>
Total other assets	<u>2,344,926</u>	<u>3,160,793</u>
Total assets	1,274,405,444	788,934,762

### Liabilities

Accrued expenses	<u>172,074</u>	<u>119,834</u>
Net assets applicable to shares outstanding	<u>\$ 1,274,233,370</u>	<u>\$ 788,814,928</u>
Net assets value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Statements of Operations

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Investment income	\$ 3,999,667	\$ 2,243,365
Total revenues	<u>3,999,667</u>	<u>2,243,365</u>
Expenses		
Advisory fees	1,389,584	1,231,081
Custodian fees	136,761	100,016
Insurance	14,645	13,420
Activity and transaction fees	27,042	33,904
Legal fees	4,738	2,502
Rating agency fee	27,148	29,718
Accounting and auditing	31,250	34,675
Miscellaneous	6,151	8,407
Trustee board meeting expenses	19,734	45,596
Internet/web page	<u>17,238</u>	<u>12,008</u>
Total expenses	<u>1,674,291</u>	<u>1,511,327</u>
Net increase in net assets resulting from operations – net investment income	<u>\$ 2,325,376</u>	<u>\$ 732,038</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Statements of Changes in Net Assets

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Increase in net assets attributed to operations – net investment income	\$ 2,325,376	\$ 732,038
Share transactions		
Net proceeds from sales of shares	3,609,990,362	1,810,288,551
Cost of shares redeemed	<u>(3,126,897,296)</u>	<u>(1,729,877,967)</u>
Net increase in net assets derived from share transactions	<u>483,093,066</u>	<u>80,410,584</u>
Net increase in net assets	485,418,442	81,142,622
Net assets at beginning of year	<u>788,814,928</u>	<u>707,672,306</u>
Net assets at end of year	<u>\$ 1,274,233,370</u>	<u>\$ 788,814,928</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

Colorado Surplus Asset Fund Trust (CSAFE or the Trust) was established under authority of, and in conformity with, Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes. CSAFE began operations on October 3, 1988. The Trust was formed by and for Colorado local governmental entities as a means of investing funds. CSAFE operates as a liquid money market fund with each share equal in value to \$1.00. The State of Colorado provides regulatory oversight over CSAFE and CSAFE is not registered with the U.S. Securities and Exchange Commission.

Following is a summary of significant accounting policies consistently applied by CSAFE in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (US GAAP).

#### **Measurement Focus**

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of related cash flows.

CSAFE prepares its financial statements as a special-purpose government in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

#### **Custodian**

U.S. Bank Trust Department serves as custodian for CSAFE pursuant to a custody agreement. The custodian is responsible for the safekeeping of all securities and trust accounting. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the U.S. Bank Trust Department.

#### **Cash Equivalents**

CSAFE considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012, cash equivalents consisted of bank deposits. At December 31, 2011, cash equivalents consisted of money market and bank deposits.

#### **Security Valuation**

Securities are reported at amortized cost. For the year ended December 31, 2011, CSAFE adopted GASB Statement No. 59, *Financial Instruments Omnibus* (GASB 59), which modified the definition of a 2a-7 like pool. Adoption of GASB 59 had no impact on CSAFE.

# **Colorado Surplus Asset Fund Trust (CSAFE)**

## **Notes to Financial Statements**

**December 31, 2012 and 2011**

### ***Net Asset Valuation***

For the purpose of calculating CSAFE's net asset value per share, the securities held by CSAFE are valued weekly as follows: securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities, except that any such securities maturing within 60 days of the valuation date may be valued at cost, plus or minus any amortized discount or premium.

The result of this calculation will be a per-share value, which is rounded to the nearest penny. Accordingly, the price at which portfolio shares are sold and redeemed will not reflect net realized or unrealized gains or losses on portfolio securities which amounts to less than \$0.005 per share. CSAFE will endeavor to minimize the amount of such gains or losses. However, if net realized or unrealized gains or losses should exceed \$0.005 per share, a portfolio's net asset value per share may change from \$1.00 or be maintained at \$1.00 per share by reducing on a pro rata basis each participant's shares in the event of losses, or by a distribution of additional shares in the event of gains.

There has been no involuntary participation (required by legal provisions) in the pool.

### ***Investment Income***

Investment income is recognized on an accrual basis. Distributions from net investment income are declared and payable on a daily basis. It is currently the policy of CSAFE not to invest in securities to realize capital gains.

### ***Income Taxes***

CSAFE was organized to provide pooling of public funds for local governmental entities in Colorado, which are exempt from federal and state income taxation. Accordingly, no provision for income or other taxes is required in the accompanying financial statements.

### ***Use of Estimates***

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Reclassifications***

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

### Note 2: Cash Deposits and Investments

#### ***Custodial Credit Risk***

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The FDIC's insurance limit is \$250,000. CSAFE's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk.

None of CSAFE's investments are deemed to be exposed to custodial credit risk as they are either considered open-ended money market mutual funds (*i.e.* a fund that does not have restrictions on the number of shares it can issue) or are insured and held in CSAFE's name by the trust.

#### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Investments issued or explicitly guaranteed by the U.S. government are excluded from this disclosure requirement.

Commercial paper of \$740,607,579 and corporate fixed notes of \$11,505,045 represent 71.5% and 1.1%, respectively, of CSAFE's total investments in securities as of December 31, 2012, and have maturities ranging from January 1, 2013 to December 6, 2013. Commercial paper includes fixed and variable rate commercial paper, Banker's Acceptances, and A-1 collateralized bank sweep accounts.

Commercial paper of \$382,833,806 and corporate fixed notes of \$23,499,593 represent 62.9% and 3.8%, respectively, of CSAFE's total investments in securities as of December 31, 2011, and had maturities ranging from January 4, 2012 to October 19, 2012. Commercial paper includes fixed rate commercial paper and an A-1 collateralized bank sweep account.

#### ***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. CSAFE's investments as of December 31, 2012, all mature within one year of that date, with the exception of floating rate note securities which, according to 2a-7 guidelines, have a maturity equal to the next readjustment of the interest rate. Reset periods may not exceed 397 days.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

CSAFE's investments, cash and cash equivalents at December 31, 2012 and 2011, consisted of the following:

	<b>2012</b>	<b>2011</b>
Deposits	\$ 237,423,007	\$ 132,483,554
Money market funds	-	44,935,446
U.S. government agency securities	282,524,887	202,021,570
Commercial paper	740,607,579	382,833,806
Corporate fixed notes	11,505,045	23,499,593
Total	<u>\$ 1,272,060,518</u>	<u>\$ 785,773,969</u>

### **Deposits**

Colorado statutes require that local governments use eligible public depositories as defined by the Public Deposit Protection Act (PDPA or the Act) of 1989. Under the Act, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation. Eligible collateral as defined by the Act primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado or any political subdivision thereof and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

CSAFE's deposits of cash held in PDPA eligible public depositories at December 31, 2012 and 2011 had a bank value of \$237,422,921 and \$132,483,478, respectively, and a carrying value of \$237,423,007 and \$132,483,554, respectively.

CSAFE maintains a controlled disbursement account for the use of its participants. Participants can use the account as a demand deposit account and may make withdrawals in amounts up to their share account total.

### **Investments**

Pursuant to the Trust investment policy, CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper, corporate fixed notes and repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount. The maximum maturity allowed for any investment is 397 days.

As discussed in Note 1, CSAFE's investments in securities are held by the Federal Reserve Bank in the account maintained for the custodian. The custodian's internal records identify the specific investments owned by CSAFE.

Pursuant to the Indenture of Trust, CSAFE may not borrow money or incur indebtedness with the intent to purchase investments, except as a temporary measure to facilitate withdrawal requests that would otherwise require selling investments before their maturity.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Investments in U.S. government agency securities at December 31, 2012, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 40,000,000	0.280% FHLMC premium float note due January 10, 2013	0.280%	\$ 40,001,214	\$ 40,001,600
35,000,000	0.196% FFCB discount float note due March 1, 2013	0.196%	34,999,370	35,005,250
12,535,000	0.246% FNMA premium float note due March 14, 2013	0.246%	12,535,721	12,538,510
30,000,000	0.140% FHLB float note due May 15, 2013	0.140%	30,000,000	30,004,200
10,000,000	0.316% FFCB discount float note due June 14, 2013	0.316%	9,999,645	10,008,600
\$50,000,000	0.300% FFCB discount float note due July 10, 2013	0.300%	49,989,383	50,028,000
25,000,000	0.220% FFCB float note due August 6, 2013	0.220%	25,000,000	25,003,500
25,000,000	0.280% FFCB discount float note due August 28, 2013	0.280%	24,998,348	25,013,250
30,000,000	0.280% FHLB premium float note due January 2, 2014	0.280%	30,001,520	30,018,000
5,000,000	0.210% FHLB discount float note due March 6, 2014	0.210%	4,999,686	5,003,700
20,000,000	0.310% FFCB float note due August 1, 2014	0.310%	20,000,000	20,020,400
			\$ 282,524,887	\$ 282,645,010



# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Investments in commercial paper rated A-1 or A-1+ by Standard & Poor's at December 31, 2012, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 43,367,048	JP Morgan overnight commercial paper sweep due January 1, 2013	0.170%	\$ 43,367,048	\$ 43,367,048
54,412,450	U.S. Bank overnight commercial paper sweep due January 1, 2013	0.200%	54,412,450	54,412,450
20,000,000	National Australia Funding DE due January 2, 2013	0.386%	19,999,786	20,000,000
22,000,000	Bank of Nova Scotia NY due January 11, 2013	0.351%	21,997,861	21,998,900
5,000,000	Suncorp Metway Ltd. due January 15, 2013	0.280%	4,999,456	4,999,650
20,000,000	Westpac Banking Corporation due January 17, 2013	0.492%	19,995,644	19,998,400
15,000,000	Bank of Tokyo Mitsubishi UFJ NY due January 17, 2013	0.531%	14,996,467	14,998,800
22,000,000	Suncorp Metway Ltd. due January 22, 2013	0.400%	21,994,622	21,997,580
12,000,000	Suncorp Metway Ltd. due January 29, 2013	0.350%	11,996,733	11,998,200
9,750,000	Westpac Banking Corporation due February 1, 2013	0.492%	9,745,886	9,748,343
7,000,000	Toyota Motor Credit Corp due February 6, 2013	0.331%	6,997,690	6,998,390
1,600,000	U.S. Bank NA Bankers Acceptance due February 19, 2013	0.200%	1,599,564	1,599,488
10,000,000	Toyota Motor Credit Corp due February 20, 2013	0.321%	9,995,556	9,996,700
1,300,000	U.S. Bank NA Bankers Acceptance due February 20, 2013	0.200%	1,299,639	1,299,571

(continued)

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
1,200,000	U.S. Bank NA Bankers Acceptance due February 25, 2013	0.200%	1,199,633	1,199,568
10,000,000	Toyota Motor Credit Corp due February 26, 2013	0.310%	9,995,178	9,996,300
27,800,000	FCAR A-1+ due March 1, 2013	0.401%	27,781,776	27,789,158
20,000,000	Union Bank due March 1, 2013	0.331%	19,989,183	19,992,200
22,690,000	Salvation Army due March 6, 2013	0.240%	22,680,319	22,678,428
10,000,000	Toronto Dominion Holdings due March 15, 2013	0.341%	9,993,106	9,994,200
25,000,000	Bank of Nova Scotia NY due March 18, 2013	0.260%	24,986,278	24,985,000
35,000,000	Australia & New Zealand Banking Group due March 19, 2013	0.482%	34,964,067	34,978,650
9,200,000	Suncorp Metway Ltd. due March 20, 2013	0.451%	9,191,030	9,194,296
3,850,000	FCAR A-1+ due April 1, 2013	0.310%	3,847,016	3,847,228
15,655,000	Salvation Army due April 8, 2013	0.220%	15,645,720	15,639,971
20,000,000	Sumitomo Mitsubishi Trust NY due April 9, 2013	0.401%	19,978,222	19,980,600
20,000,000	Coca-Cola Company due April 15, 2013	0.250%	19,985,556	19,979,400
18,000,000	Toyota Motor Credit Corp due April 17, 2013	0.270%	17,985,690	17,981,100
15,000,000	Toronto Dominion Holdings due April 19, 2013	0.300%	14,986,500	14,983,950

(continued)

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
20,000,000	Sumitomo Mitsubishi Trust NY due April 25, 2013	0.361%	19,977,200	19,977,400
10,000,000	Sumitomo Mitsubishi Trust NY due May 6, 2013	0.361%	9,987,500	9,985,200
20,000,000	Toronto Dominion Holdings due May 24, 2013	0.301%	19,976,167	19,966,000
10,000,000	Sumitomo Mitsubishi Trust NY due June 3, 2013	0.361%	9,984,700	9,978,000
5,000,000	U.S. Bank NA Bankers Acceptance due June 4, 2013	0.371%	4,992,086	4,988,950
10,000,000	Bank of Tokyo Mitsubishi UFJ NY due June 18, 2013	0.321%	9,985,067	9,975,900
35,000,000	Bank of Tokyo Mitsubishi UFJ NY due June 21, 2013	0.321%	34,946,800	34,913,900
10,400,000	FCAR A-1+ due August 16, 2013	0.502%	10,367,211	10,356,216
18,000,000	Toyota Motor Credit Corp due August 19, 2013	0.270%	17,968,950	17,923,320
20,000,000	National Australia Funding DE due August 27, 2013	0.427%	19,943,806	19,911,800
15,000,000	National Australia Funding DE due October 9, 2013	0.326%	14,961,948	14,921,850
44,000,000	Commonwealth Bank of Australia due December 2, 2013	0.310%	44,000,000	44,000,000
27,000,000	Westpac Banking Corporation due December 6, 2013	0.361%	26,908,468	26,830,170
			<u>\$ 740,607,579</u>	<u>\$ 740,362,275</u>

## Colorado Surplus Asset Fund Trust (CSAFE)

### Notes to Financial Statements

December 31, 2012 and 2011

Investment in corporate securities rated A-1+ by Standard & Poor's at December 31, 2012, is as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 4,500,000	GE Capital Services Corp due January 8, 2013	0.506%	\$ 4,501,974	\$ 4,501,260
7,000,000	GE Capital Services Corp due January 8, 2013	0.485%	7,003,071	7,001,960
			\$ 11,505,045	\$ 11,503,220

Investments in U.S. government agency securities at December 31, 2011, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 42,000,000	0.241% FHLMC discount float note due April 3, 2012	0.241%	\$ 41,996,775	\$ 42,009,240
10,000,000	0.500% FFCB premium float note due May 2, 2012	0.500%	10,010,491	10,008,500
40,000,000	0.100% FHLB discount float note due July 19, 2012	0.100%	39,997,779	39,995,600
20,000,000	0.297% FFCB premium float note due December 13, 2012	0.297%	20,001,889	20,020,800
40,000,000	0.230% FHLMC premium float note due January 10, 2013	0.230%	40,045,536	40,024,400
50,000,000	0.170% FFCB discount float note due July 10, 2013	0.170%	49,969,100	49,955,500
			\$ 202,021,570	\$ 202,014,040

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Investments in commercial paper rated A-1+ by Standard & Poor's at December 31, 2011, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 30,423,537	JP Morgan overnight commercial paper sweep due January 1, 2012	0.200%	\$ 30,423,537	\$ 30,423,537
25,000,000	Nationwide Life Insurance Company due January 4, 2012	0.230%	24,999,521	24,999,750
20,000,000	Texas Department of Economic Development due January 5, 2012	0.150%	19,999,667	19,999,600
6,000,000	Nationwide Life Insurance Company due January 9, 2012	0.230%	5,999,693	5,999,700
17,000,000	National Australia Funding DE due January 9, 2012	0.245%	16,999,074	16,999,150
14,756,000	Mass College of Pharmacy due January 11, 2012	0.230%	14,755,057	14,755,115
35,000,000	Bank of Nova Scotia (NY) due January 12, 2012	0.265%	34,997,166	34,997,550
4,000,000	Bank of Nova Scotia (NY) due January 17, 2012	0.265%	3,999,529	3,999,560
25,000,000	National Australia Funding DE due February 1, 2012	0.341%	24,992,681	24,994,250
14,487,000	Northwestern University due February 16, 2012	0.150%	14,484,223	14,480,046
9,000,000	Sumitomo Trust & Bank due February 17, 2012	0.260%	8,996,945	8,995,590
17,900,000	University of California due February 23, 2012	0.250%	17,893,412	17,890,155
15,000,000	Baylor University due March 6, 2012	0.220%	14,994,042	14,985,900
24,000,000	National Bank of Canada NY due March 9, 2012	0.301%	23,986,400	23,976,240

(continued)

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
12,100,000	Cornell University due March 13, 2012	0.220%	12,094,676	12,087,295
9,360,000	Duke University due March 22, 2012	0.220%	9,355,367	9,348,955
7,000,000	National Bank of Canada NY due March 27, 2012	0.270%	6,995,485	6,991,180
5,000,000	Ford Credit Auto Owner Trust due April 2, 2012	0.421%	4,994,633	4,993,250
10,000,000	Salvation Army due April 4, 2012	0.250%	9,993,472	9,982,900
10,000,000	General Electric Capital Corporation due April 5, 2012	0.280%	9,992,611	9,982,700
30,000,000	Salvation Army due May 1, 2012	0.250%	29,974,792	29,933,700
14,000,000	General Electric Capital Corporation due May 21, 2012	0.371%	13,979,712	13,958,980
8,000,000	Ford Credit Auto Owner Trust due June 19, 2012	0.502%	7,981,111	7,969,760
20,000,000	Toyota Motor Credit Corporation due June 29, 2012	0.491%	19,951,000	19,920,000
			\$ 382,833,806	\$ 382,664,863

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Investments in corporate securities rated AA- and A-1+, respectively, by Standard & Poor's at December 31, 2011, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 11,053,000	Metlife Institute premium float note due March 27, 2012	0.974%	\$ 11,060,409	\$ 11,051,895
12,000,000	GE Capital Services Corp due October 19, 2012	0.640%	12,439,184	12,419,640
			<u>\$ 23,499,593</u>	<u>\$ 23,471,535</u>

CSAFE's investments in institutional money market funds at December 31, 2011 are rated AAAM by Standard & Poor's. These investments are made principally when the net rate of the money market fund exceeds the rate that can be obtained on a repurchase agreement. Money market management fees for the year ended December 31, 2011, related to these money market funds ranged between 0.04% and 0.14%. These fees are in addition to the fees paid by CSAFE participants to the Trust's advisor.

In 2009, CSAFE held shares in the Reserve Primary money market fund totaling \$42,442,140 prior to the recording of a realized loss of \$5,042,400. The Reserve Primary fund incurred liquidity issues in 2008 due to its holding of debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection in 2008. As of December 31, 2012, CSAFE had received distributions representing approximately 99% of its assets in the fund. CSAFE does not expect any further distributions from the Reserve Primary fund other than accrued interest earned as addressed in the fund's final plan of liquidation. The remaining 1% of the assets will be received in accordance with the Standby Capital Agreement with Davidson Fixed Income Management, Inc. (Note 4).

### Note 3: Investment Advisory and Administrative Fees

Davidson Fixed Income Management, Inc. provides investment advisory services to CSAFE. Fees for such services are calculated daily and paid monthly, at a rate equal to 0.18% of the average daily net assets up to \$200 million, and 0.15% of the average daily net assets in excess of \$200 million. Fees paid in 2012 and 2011 totaled \$1,389,584 and \$1,231,081, respectively.

During the year, the Administrator accrues 0.04% of average daily net assets of the Trust to meet administrative and custodial expenses. This accrual is adjusted at year-end to actual.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

### Note 4: Standby Capital Agreement

On December 11, 2008, CSAFE entered into a Standby Capital Agreement (the Agreement) with Davidson Fixed Income Management, Inc. (DFIM) whereby DFIM placed into escrow with U.S. Bank (CSAFE's custodian) \$3 million to fund potential losses related to the Reserve Primary money market fund (Note 2). On January 22, 2010, the Agreement was amended and restated with the "Amended and Restated Standby Capital Agreement" and was subsequently amended on February 2, 2010. On December 8, 2010, the Agreement was amended and restated with the "Third Amended and Restated Standby Capital Agreement" (the Amended Agreement). The Amended Agreement provides for the following:

- DFIM will make an irrevocable contribution to CSAFE to bring the CSAFE NAV to \$1.00 as a result of losses due to the Reserve Primary investment, subject to a maximum dollar cap of \$4.5 million. The contribution will be paid in increments of \$900,000 starting on the date of, and continuing through the fourth anniversary date of, the Amended Agreement. The initial payment required under the Amended Agreement of \$900,000 was received by CSAFE during 2010.

Changes in the related party contribution receivable were as follows for the years ended December 31, 2012 and 2011:

2012			
<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 1,800,000</u>

  

2011			
<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<u>\$ 3,600,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 2,700,000</u>



# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

Scheduled maturities for the related party contribution receivable are as follows as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 900,000
2014	<u>900,000</u>
	<u>\$ 1,800,000</u>

### Note 5: Significant Estimates and Concentrations

#### *Current Economic Conditions*

The current protracted economic decline continues to present local government investment pool trust funds with difficult circumstances and challenges, including finding value in short-term fixed income securities due to the Federal Reserve's monetary policies of keeping the federal funds rate and interest rates at all-time lows. The financial statements have been prepared using values and information currently available to CSAFE.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2012 and 2011

### Note 6: Additional Information

Selected data for each share outstanding at December 31 for each of the last five years is as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Investment income	\$ 0.003075	\$ 0.002561	\$ 0.003358	\$ 0.006304	\$ 0.028893
Expenses	<u>0.001287</u>	<u>0.001756</u>	<u>0.001900</u>	<u>0.002068</u>	<u>0.001551</u>
Net investment income	<u>\$ 0.001788</u>	<u>\$ 0.000805</u>	<u>\$ 0.001458</u>	<u>\$ 0.004236</u>	<u>\$ 0.027342</u>
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Weighted-average maturity in days	54	35	38	36	7
Number of participant shares at December 31	1,274,233,370	788,814,928	707,656,823	612,850,507	1,016,420,022

The Trust's net average yield for 2012 and 2011 was 0.18% and 0.08%, respectively. For example, \$1,000 invested in the Trust on January 1, 2012, would have been worth \$1,001.80 at December 31, 2012 and \$1,000 invested on January 1, 2011 would have been worth \$1,000.80 at December 31, 2011. For 2012 and 2011 the unamortized portion of realized losses on investments is excluded from the above calculations, because it did not impact participant valuation calculations.

# **Colorado Surplus Asset Fund Trust (CSAFE)**

**CSAFE Board of Trustees (Unaudited)**

**December 31, 2012 and 2011**

## ***YOUR CSAFE BOARD OF TRUSTEES***

**Gerry Schulte, Chairman**

Evergreen Metropolitan District

**Alan Krcmarik, Vice-Chairman**

City of Loveland

**Wes LaVanchy, Treasurer**

Town of Firestone

**Tim Kauffman, Secretary**

Jefferson County Treasurer

**George Turtle, Director**

Special District Management Services, Inc.

**Jeff Hansen, Director**

City of Golden

**Scott Myers, Director**

Littleton Public Schools

**Maria Ostrom, Director**

City of Thornton

**Diane Holbert, Director**

Douglas County Treasurer

Pursuant to Article IX of CSAFE's Indenture of Trust, as amended, a majority of Trustees must be members of the Board of Participants (treasurers of the respective participants) and any non-treasurer trustee must be appointed or elected as a non-treasurer trustee.