

Financial Statements and Report of
Independent Certified Public Accountants
Colorado Surplus Asset Fund Trust (CSAFE)
December 31, 2005 and 2004

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REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Colorado Surplus Asset Fund Trust (CSAFE)

We have audited the accompanying statements of net assets of the Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2005 and 2004, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Trust's management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2005 and 2004, and the results of its operations and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B, CSAFE adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, effective January 1, 2005.



Denver, Colorado
January 20, 2006

Financial Statements

Colorado Surplus Asset Fund Trust (CSAFE)

STATEMENTS OF NET ASSETS

December 31,

ASSETS	<u>2005</u>	<u>2004</u>
Investment in securities (note B)		
U.S. government agency securities	\$ 133,096,077	\$ 193,861,792
Repurchase agreements (note C)	<u>250,000,000</u>	<u>401,625,000</u>
Total investment in securities	383,096,077	595,486,792
Cash (note B)	375,087,455	227,532,315
Other assets		
Accrued interest	<u>3,912,320</u>	<u>2,261,455</u>
Total assets	762,095,852	825,280,562
LIABILITIES		
Accrued expenses	<u>131,492</u>	<u>125,753</u>
Net assets applicable to shares outstanding	<u>\$ 761,964,360</u>	<u>\$ 825,154,809</u>
Net assets value per share	<u>\$1.00</u>	<u>\$1.00</u>

The accompanying notes are an integral part of these statements.

Colorado Surplus Asset Fund Trust (CSAFE)

STATEMENTS OF OPERATIONS

Year ended December 31,

	<u>2005</u>	<u>2004</u>
Investment income		
Interest	\$ 26,814,738	\$ 11,358,246
Expenses		
Advisory fees (note D)	1,294,981	1,178,669
Custodian fees	93,678	88,096
Client statements	41,457	37,043
Insurance	13,539	13,101
Transfer fees	36,433	33,502
Standard and Poor's fee	26,349	25,568
Accounting and auditing	23,191	21,758
Miscellaneous	4,791	6,470
Trustee board meeting expenses	8,342	9,839
	<u>1,542,761</u>	<u>1,414,046</u>
Total expenses		
	<u>1,542,761</u>	<u>1,414,046</u>
Net increase in net assets resulting from operations - net investment income	<u>\$ 25,271,977</u>	<u>\$ 9,944,200</u>

The accompanying notes are an integral part of these statements.

Colorado Surplus Asset Fund Trust (CSAFE)
STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31,

	2005	2004
Increase in net assets attributed to:		
Operations - net investment income	\$ 25,271,977	\$ 9,944,200
Share transactions		
Net proceeds from sale of shares	3,114,907,808	3,041,865,251
Cost of shares redeemed	(3,203,370,234)	(2,858,500,559)
Net increase in net assets derived from share transactions	(88,462,426)	183,364,692
NET INCREASE (DECREASE) IN NET ASSETS	(63,190,449)	193,308,892
Net assets at beginning of year	825,154,809	631,845,917
Net assets at end of year	\$ 761,964,360	\$ 825,154,809

The accompanying notes are an integral part of these statements.

Colorado Surplus Asset Fund Trust (CSAFE)

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Surplus Asset Fund Trust (CSAFE) was established under authority of and in conformity with Part 6 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.

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).

1. *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.

2. *Security Valuation*

Securities, other than repurchase agreements, are reported at amortized cost. Repurchase agreements are reported at cost, which approximates amortized cost.

3. *Net Asset Valuation*

For the purpose of calculating CSAFE's net asset value per share, the securities held by CSAFE are valued 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 amount to less than \$.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 \$.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.

Colorado Surplus Asset Fund Trust (CSAFE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *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.

5. *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.

6. *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.

NOTE B – CASH DEPOSITS AND INVESTMENTS

Effective January 1, 2005, CSAFE adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40). GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and foreign currency risk.

Colorado Surplus Asset Fund Trust (CSAFE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE B – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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. CSAFE's investments are not deemed to be exposed to custodial credit risk.

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. Repurchase agreements of \$180,000,000 and \$70,000,000 represent 47% and 18% of CSAFE's total investments, as of December 31, 2005, and have maturities of January 2, 2006.

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, 2005 all mature within one year of that date.

CSAFE's cash and investments at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Deposits	\$ 375,087,455	\$ 227,532,315
U.S. government agency securities	133,096,077	193,861,792
Repurchase agreements	<u>250,000,000</u>	<u>401,625,000</u>
Total	<u>\$ 758,183,532</u>	<u>\$ 823,019,107</u>

Colorado Surplus Asset Fund Trust (CSAFE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE B – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Colorado statutes require that local governments use eligible public depositories as defined by the Public Deposit Protection Act (PDPA) 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 cash deposits at December 31, 2005 and 2004 had a carrying value of \$375,087,455 and \$227,532,315, 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 in Securities

Pursuant to the Trust investment policy, CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper 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 A1, 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 (CONTINUED)

December 31, 2005 and 2004

NOTE B – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Securities (Continued)

Investments in U.S. government agency securities at December 31, 2005, were as follows:

<u>Face amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying value - Amortized Cost</u>	<u>Market value</u>
\$ 4,700,000	FNMA callable note due May 10, 2006	3.620%	\$ 4,651,612	\$ 4,711,422
10,000,000	FNMA discount note due March 31, 2006	3.480%	9,717,394	9,897,000
10,000,000	FNMA coupon note due February 15, 2006	3.580%	10,127,400	10,104,055
10,000,000	FMC discount note due April 4, 2006	3.614%	9,713,350	9,889,999
10,000,000	FNMA discount note due March 17, 2006	3.596%	9,732,639	9,914,000
25,000,000	FHLB callable note due June 28, 2006	3.710%	25,000,000	24,891,706
7,000,000	FHLB note due May 15, 2006	3.730%	6,941,270	6,951,875
15,000,000	FNMA callable note due August 8, 2006	4.000%	15,000,000	15,213,339
10,000,000	FMC discount note due July 25, 2006	4.087%	9,616,825	9,745,000
10,000,000	FMC discount note due August 22, 2006	3.810%	9,639,117	9,707,001
3,000,000	FNMA callable note due June 9, 2006	3.930%	2,956,470	2,989,403
10,000,000	FHLB callable note due October 20, 2006	4.170%	10,000,000	10,061,357
10,000,000	FHLB callable note due November 14, 2006	4.390%	<u>10,000,000</u>	<u>10,059,439</u>
			\$ <u>133,096,077</u>	\$ <u>134,135,596</u>

Colorado Surplus Asset Fund Trust (CSAFE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE B – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Securities (Continued)

Investments in U.S. government agency securities at December 31, 2004, were as follows:

<u>Face amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying value - Amortized Cost</u>	<u>Market value</u>
\$ 15,000,000	FNMA callable note due April 19, 2005	1.300%	\$ 15,000,000	\$ 14,952,000
10,000,000	FHLMC discount note due January 6, 2005	1.230%	9,909,000	9,999,000
10,000,000	FNMA discount note due February 4, 2005	1.260%	9,895,139	9,989,000
10,000,000	FMC discount note due March 8, 2005	1.300%	9,880,317	9,962,000
15,000,000	FNMA callable note due May 9, 2005	1.500%	15,000,000	14,950,500
15,000,000	FNMA callable note due May 16, 2005	1.650%	15,000,000	14,956,500
10,000,000	FNMA discount note due April 29, 2005	1.860%	9,817,100	9,930,000
15,000,000	FHLB callable note due June 7, 2005	1.860%	15,000,000	14,956,500
10,000,000	FHLB discount note due June 13, 2005	2.120%	9,792,122	9,900,000
15,550,000	FHLB coupon note due August 15, 2005	2.160%	15,689,281	15,567,105
10,000,000	FMC discount note due August 26, 2005	2.140%	9,788,833	9,836,000
11,590,000	FHLB callable note due September 29, 2005	2.375%	11,590,000	11,547,117
15,000,000	FHLB callable note due November 2, 2005	2.500%	15,000,000	14,953,500
15,000,000	FHLB callable note due November 29, 2005	2.550%	15,000,000	14,944,500
7,500,000	FHLB callable note due November 28, 2005	2.700%	7,500,000	7,482,750
10,000,000	FHLB callable note due December 30, 2005	2.875%	<u>10,000,000</u>	<u>9,988,000</u>
			\$ <u>193,861,792</u>	\$ <u>193,914,472</u>

Colorado Surplus Asset Fund Trust (CSAFE)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE B – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Securities (Continued)

CSAFE periodically invests in institutional, AAA rated, money market funds. 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 years ended December 31, 2005 and 2004 related to these money market funds ranged between .11% and .17% for each year. These fees are in addition to the fees paid by CSAFE participants to the trust's advisor.

NOTE C – REPURCHASE AGREEMENTS

Funds are released by CSAFE for repurchase agreements only when collateral valued at 102% of the repurchase amount has been wired to the custodian bank. There were no uncollateralized repurchase agreements outstanding at December 31, 2005 and 2004. Market values are not presented since market value approximates cost and there is no active secondary market for the repurchase agreements.

Repurchase agreements owned by CSAFE and the related collateral securities at December 31, 2005 were as follows:

Principal amount	Yield	Maturity date	Collateral description	Market value of collateral
\$ 180,000,000	4.27%	1/2/2006	FNMA	\$ 183,600,087
<u>70,000,000</u>	4.25%	1/2/2006	FGST & FNST	<u>71,400,000</u>
<u>\$ 250,000,000</u>				<u>\$ 255,000,087</u>

Repurchase agreements owned by CSAFE and the related collateral securities at December 31, 2004 were as follows:

Principal amount	Yield	Maturity date	Collateral description	Market value of collateral
\$ 195,000,000	2.28%	1/3/2005	FGPC, FNMS	\$ 198,900,758
<u>206,625,000</u>	2.28%	1/3/2005	FMAR, FNAR	<u>210,758,494</u>
<u>\$ 401,625,000</u>				<u>\$ 409,659,252</u>

Colorado Surplus Asset Fund Trust (CSAFE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005 and 2004

NOTE D – INVESTMENT ADVISORY AND ADMINISTRATIVE FEES

Davidson Fixed Income Management provides investment advisory services to CSAFE. Fees for such services are calculated daily and paid monthly, at a rate equal to .18% of the average daily net assets up to \$200 million, and .15% of the average daily net assets in excess of \$200 million. Fees paid in 2005 and 2004 totaled \$1,294,981 and \$1,178,669, respectively.

In addition, the Administrator accrued 0.04% of average daily net assets of the Trust in both 2005 and 2004, to meet administrative and custodial expenses.

NOTE E – ADDITIONAL INFORMATION

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Investment income	\$.033136	\$.015065	\$.01274	\$.01903	\$.04034
Expenses	<u>.001881</u>	<u>.001876</u>	<u>.00186</u>	<u>.00198</u>	<u>.00198</u>
Net investment income	\$ <u>.031255</u>	\$ <u>.013189</u>	\$ <u>.01088</u>	\$ <u>.01705</u>	\$ <u>.03836</u>

Additional data on the investment portfolio as of December 31, for each of the last five years is as below:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Weighted average maturity in days	38	46	57	9	41

The Trust's net average yield for 2005 and 2004 was 3.126% and 1.319%, respectively. For example, \$1,000 invested in the Trust on January 1, 2005 would have been worth \$1,031.26 at December 31, 2005, and \$1,000 invested on January 1, 2004 would have been worth \$1,013.19 at December 31, 2004. For 2005, 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

YOUR CSAFE BOARD OF TRUSTEES

George Turtle, Chairman

Foothills Park & Recreation District

John Sjursen, Vice Chairman

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