

Colorado Surplus Asset Fund Trust (CSAFE)

Accountants' Report and Financial Statements

December 31, 2011 and 2010

Colorado Surplus Asset Fund Trust (CSAFE)

December 31, 2011 and 2010

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Colorado Surplus Asset Fund Trust
Denver, Colorado

We have audited the accompanying statements of net assets of Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2011 and 2010, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of CSAFE'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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Colorado Surplus Asset Fund Trust as of December 31, 2011 and 2010, 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.

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.

BKD, LLP

March 19, 2012

Colorado Surplus Asset Fund Trust (CSAFE)
Management's Discussion and Analysis
(Unaudited)
December 31, 2011 and 2010

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 ten-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, 2011 and 2010

Financial Highlights

- CSAFE's net assets totaled \$788.8 million as of December 31, 2011, an increase of 11.5% over the prior year.
- In the fourth quarter of 2011, the composition of investments remain relatively unchanged compared to 2010. Approximately 25.7% of CSAFE's total cash and cash equivalents and investments were invested in U.S. government agency securities (fixed and floating rate notes), 44.9% in commercial paper, 3.0% in corporate fixed notes, 20.7% in collateralized bank deposits, and 5.7% in AAAM money market funds. As of December 31, 2010, approximately 21.9% of CSAFE's cash and cash equivalents and investments were invested in U.S. government agency securities, 30.5% in commercial paper, 0.9% in corporate bonds, 24.4% in collateralized bank deposits, and 22.3% in AAAM money market funds.
- Net investment income decreased \$2 million in 2011 compared to 2010, totaling \$0.7 million. The decrease in investment income from 2010 through 2011 was primarily the result of the low yield rate environment. The increase in investment income from 2009 through 2010 was primarily the result of the loss on the Reserve Primary Fund being recognized in 2009. The net yield of an investment in CSAFE was 0.42% in 2009, 0.15% in 2010 and 0.08% in 2011.

CSAFE Asset Summary

From 2010 to 2011 CSAFE recorded an increase in net assets. Year-end net assets increased from \$610.6 million in 2009, to \$707.7 million in 2010, and to \$788.8 million in 2011. CSAFE invests primarily in U.S. government agency securities, highly rated commercial paper, highly rated corporate bonds, 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 2009, 2010 and 2011.

Colorado Surplus Asset Fund Trust (CSAFE)
Management's Discussion and Analysis
(Unaudited)
December 31, 2011 and 2010

Shown below is a three-year summary of the net assets of CSAFE as of December 31, 2011, 2010 and 2009:

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

	2011	2010	2009
Assets			
Investments in securities			
U.S. government agency securities	\$ 202.0	\$ 154.0	\$ 87.2
Commercial paper	352.4	215.2	8.0
Corporate fixed notes	23.5	6.3	10.4
Total investments in securities	577.9	375.5	105.6
Certificates of deposit	-	-	35.0
Total investments	577.9	375.5	140.6
Cash and cash equivalents	207.9	328.3	466.7
Other assets			
Related party contribution receivable	2.7	3.6	2.8
Receivables - other	-	-	-
Accrued interest	0.4	0.4	0.6
Total other assets	3.1	4.0	3.4
Total assets	788.9	707.8	610.7
Liabilities			
Accrued expenses	0.1	0.1	0.1
Net assets applicable to shares outstanding	\$ 788.8	\$ 707.7	\$ 610.6
Net asset value per share	\$ 1.00	\$ 1.00	\$ 1.00

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2011 and 2010

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, 2011, 2010 and 2009:

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Increase in net assets attributed to operations – net investment income	<u>\$ 0.7</u>	<u>\$ 2.8</u>	<u>\$ 1.2</u>
Share transactions			
Net proceeds from sales of shares	1,810.3	1,863.4	2,447.8
Cost of shares redeemed	<u>(1,729.9)</u>	<u>(1,769.1)</u>	<u>(2,855.1)</u>
Net increase (decrease) in net assets derived from share transactions	<u>80.4</u>	<u>94.3</u>	<u>(407.3)</u>
Net increase (decrease) in net assets	81.1	97.1	(406.1)
Net assets at beginning of year	<u>707.7</u>	<u>610.6</u>	<u>1,016.7</u>
Net assets at end of year	<u>\$ 788.8</u>	<u>\$ 707.7</u>	<u>\$ 610.6</u>

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, 2011 and 2010

Assets

	<u>2011</u>	<u>2010</u>
Investments		
U.S. government agency securities	\$ 202,021,570	\$ 153,990,780
Commercial paper	352,410,269	215,175,050
Corporate fixed notes	<u>23,499,593</u>	<u>6,283,930</u>
Total investments	577,931,432	375,449,760
Cash and cash equivalents	207,842,537	328,325,813
Other assets		
Related party contribution receivable	2,700,000	3,600,000
Receivables - other		
Related party	8,515	-
Other	32,120	-
Accrued interest	<u>420,158</u>	<u>432,338</u>
Total other assets	<u>3,160,793</u>	<u>4,032,338</u>
Total assets	788,934,762	707,807,911

Liabilities

Accrued expenses	<u>119,834</u>	<u>135,605</u>
Net assets applicable to shares outstanding	<u>\$ 788,814,928</u>	<u>\$ 707,672,306</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Investment income	\$ 2,243,365	\$ 2,440,562
Contribution revenue	-	1,669,415
	<u>2,243,365</u>	<u>4,109,977</u>
Expenses		
Advisory fees	1,231,081	1,119,266
Custodian fees	100,016	89,110
Insurance	13,420	13,437
Activity and transaction fees	33,904	26,181
Legal fees	2,502	17,764
Rating agency fee	29,718	28,200
Accounting and auditing	34,675	30,432
Miscellaneous	8,407	3,929
Trustee board meeting expenses	45,596	29,009
Internet/Web page	12,008	9,067
	<u>1,511,327</u>	<u>1,366,395</u>
Net increase in net assets resulting from operations – net investment income	<u>\$ 732,038</u>	<u>\$ 2,743,582</u>

Colorado Surplus Asset Fund Trust (CSAFE)
Statements of Changes in Net Assets
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Increase in net assets attributed to operations – net investment income	\$ 732,038	\$ 2,743,582
Share transactions		
Net proceeds from sales of shares	1,810,288,551	1,863,409,095
Cost of shares redeemed	<u>(1,729,877,967)</u>	<u>(1,769,119,063)</u>
Net increase in net assets derived from share transactions	<u>80,410,584</u>	<u>94,290,032</u>
Net increase in net assets	81,142,622	97,033,614
Net assets at beginning of year	<u>707,672,306</u>	<u>610,638,692</u>
Net assets at end of year	<u>\$ 788,814,928</u>	<u>\$ 707,672,306</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

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). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, CSAFE applies all GASB pronouncements as well as the provisions of all applicable pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, to the extent they do not conflict with or contradict GASB pronouncements. Under GASB 20, CSAFE has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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, 2011 and 2010, cash equivalents consisted of money market and bank deposits.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

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.

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.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

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.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$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 \$352,410,269 and corporate fixed notes of \$23,499,593 represent 61.0% and 4.1%, respectively, of CSAFE's total investments in securities as of December 31, 2011, and have maturities ranging from January 4, 2012 to October 19, 2012.

Commercial paper of \$215,175,050 and corporate fixed notes of \$6,283,930 represent 57.3% and 1.7%, respectively, of CSAFE's total investments in securities as of December 31, 2010, and had maturities ranging from January 5, 2011 to August 1, 2011.

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, 2011, 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, 2011 and 2010

CSAFE's investments, cash and cash equivalents at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Deposits	\$ 162,907,091	\$ 171,652,213
Money market funds	44,935,446	156,673,600
U.S. government agency securities	202,021,570	153,990,780
Commercial paper	352,410,269	215,175,050
Corporate fixed notes	<u>23,499,593</u>	<u>6,283,930</u>
Total	<u>\$ 785,773,969</u>	<u>\$ 703,775,573</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, 2011 and 2010 had a bank value of \$162,907,015 and \$171,681,574, respectively, and a carrying value of \$162,907,091 and \$171,652,213, 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, 2011 and 2010

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

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

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

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Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
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
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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

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Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
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
			<u>\$ 352,410,269</u>	<u>\$ 352,241,326</u>

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>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

Investments in U.S. government agency securities at December 31, 2010, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 6,000,000	0.880% FHLB note due January 20, 2011	0.880%	\$ 6,001,639	\$ 6,025,345
18,000,000	0.250% FHLB discount float note due February 22, 2011	0.250%	17,998,455	18,002,739
5,000,000	0.157% FFCB premium float note due March 15, 2011	0.157%	5,000,145	5,002,931
10,000,000	0.213% FFCB premium float note due March 21, 2011	0.213%	10,000,219	9,992,331
5,000,000	0.218% FFCB premium float note due March 21, 2011	0.218%	5,000,215	4,999,829
6,000,000	0.351% FHLMC premium float note due April 1, 2011	0.351%	6,001,781	6,009,448
10,000,000	0.280% FFCB premium float note due May 3, 2011	0.280%	10,000,334	10,002,330
8,000,000	0.540% FHLB note due May 24, 2011	0.540%	8,000,000	8,015,875
10,000,000	0.280% FHLB float note due May 27, 2011	0.280%	10,000,000	10,001,840
14,000,000	0.360% FHLB note due June 13, 2011	0.360%	14,000,000	14,005,839
42,000,000	0.261% FHLMC discount float note due April 3, 2012	0.261%	41,984,115	41,987,286
20,000,000	0.280% FFCB premium float note due December 13, 2012	0.280%	20,003,877	19,991,699
			\$ 153,990,780	\$ 154,037,492

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

Investments in commercial paper rated A-1+ by Standard & Poor's at December 31, 2010, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 20,000,000	Toyota Motor Credit Corp due January 5, 2011	0.310%	\$ 19,999,311	\$ 20,000,000
20,000,000	National Cooperative Services due January 7, 2011	0.300%	19,999,000	20,000,000
4,000,000	General Electric Capital Corp due January 18, 2011	0.602%	3,998,867	3,999,600
27,000,000	Ford Credit Auto Owner Trust due February 2, 2011	0.500%	26,988,000	26,991,900
4,000,000	General Electric Capital Corp due February 14, 2011	0.603%	3,997,067	3,998,400
16,000,000	National Cooperative Services due March 2, 2011	0.360%	15,990,400	15,990,400
8,000,000	Toyota Motor Credit Corp due May 2, 2011	0.351%	7,990,589	7,988,800
8,000,000	Credit Agricole North America Inc due May 27, 2011	0.588%	7,981,020	7,984,800
20,000,000	Societe Generale North America Inc due June 13, 2011	0.505%	19,954,269	19,952,000
10,000,000	Toyota Motor Credit Corp due June 14, 2011	0.410%	9,981,322	9,976,000
20,000,000	National Bank of Canada/NY due June 17, 2011	0.452%	19,958,250	19,950,000
24,500,000	Credit Agricole North America Inc due June 24, 2011	0.643%	24,424,213	24,436,300
15,000,000	General Electric Capital Corp due July 15, 2011	0.400%	14,967,500	14,952,000
15,000,000	Societe Generale North America Inc due July 15, 2011	0.502%	14,959,375	14,952,000
4,000,000	Ford Credit Auto Owner Trust due August 1, 2011	0.603%	<u>3,985,867</u>	<u>3,986,000</u>
			<u>\$ 215,175,050</u>	<u>\$ 215,158,200</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

Investments in corporate securities rated A-1+ by Standard & Poor's at December 31, 2010, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 5,000,000	Wells Fargo & Co due February 1, 2011	0.712%	\$ 5,024,235	\$ 5,154,360
1,250,000	GE Capital Services Corp due February 22, 2011	0.654%	1,259,695	1,286,504
			\$ 6,283,930	\$ 6,440,864

CSAFE's investments in institutional money market funds 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 years ended December 31, 2011 and 2010, related to these money market funds ranged between 0.04% and 0.14% for each year. 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, 2011, 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 2011 and 2010 totaled \$1,231,081 and \$1,119,266, 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, 2011 and 2010

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, 2011 and 2010:

2011			
Beginning Balance	Additions	Reductions	Ending Balance
\$ 3,600,000	\$ -	\$ 900,000	\$ 2,700,000

2010			
Beginning Balance	Additions	Reductions	Ending Balance
\$ 2,830,585	\$ 1,669,415	\$ 900,000	\$ 3,600,000

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

Scheduled maturities for the related party contribution receivable are as follows as of December 31, 2011:

Year Ending December 31,	Amount
2012	\$ 900,000
2013	900,000
2014	900,000
	<u>\$ 2,700,000</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, which in some cases has resulted in large declines in the fair value of investments, declines in net assets from increased share redemptions and constraints on liquidity. The financial statements have been prepared using values and information currently available to CSAFE.

Current economic and financial market conditions could adversely affect our activities in future periods. The current instability in the financial markets may reduce the amount of funds Colorado local governmental entities have available for investment in the Trust, which in turn, would have an impact on funds available for investment and total net assets.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2011 and 2010

Note 6: Additional Information

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

	2011	2010	2009	2008	2007
Investment income	\$ 0.002561	\$ 0.003358	\$ 0.006304	\$ 0.028893	\$ 0.052760
Expenses	<u>0.001756</u>	<u>0.001900</u>	<u>0.002068</u>	<u>0.001551</u>	<u>0.001709</u>
Net investment income	<u>\$ 0.000805</u>	<u>\$ 0.001458</u>	<u>\$ 0.004236</u>	<u>\$ 0.027342</u>	<u>\$ 0.051051</u>
	2011	2010	2009	2008	2007
Weighted-average maturity in days	35	38	36	7	29
Number of participant shares at December 31	788,814,928	707,656,823	612,850,507	1,016,420,022	1,493,737,986

The Trust's net average yield for 2011 and 2010 was 0.08% and 0.15%, respectively. For example, \$1,000 invested in the Trust on January 1, 2011, would have been worth \$1,000.80 at December 31, 2011 and \$1,000 invested on January 1, 2010 would have been worth \$1,001.46 at December 31, 2010. For 2011 and 2010 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
December 31, 2011 and 2010**

YOUR CSAFE BOARD OF TRUSTEES

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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.