

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

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014

# Colorado Surplus Asset Fund Trust (CSAFE)

December 31, 2015 and 2014

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## Independent Auditor's Report

Board of Trustees  
Colorado Surplus Asset Fund Trust  
Denver, Colorado

We have audited the accompanying financial statements of Colorado Surplus Asset Fund Trust (CSAFE), as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, which collectively comprise CSAFE's basic financial statements as listed in the table of contents.

### ***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 from 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.

### ***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, 2015 and 2014, and the respective results of its operations and changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*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 financial statements that collectively comprise CSAFE's basic financial statements. The accompanying supplementary information and CSAFE Board of Trustees listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 2015 and 2014 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 and 2014 information is fairly stated in all material respects in relation to the basic financial statements as a whole. We have also previously audited in accordance with auditing standards generally accepted in the United States of America CSAFE's basic financial statements as of and for the years ended December 31, 2011, 2012 and 2013, which are not presented with the accompanying financial statements. In our reports dated March 19, 2012, March 13, 2013, and March 21, 2014, we expressed unmodified opinions on the respective basic financial statements. In our opinion the 2011, 2012 and 2013 information is fairly stated in all material respects in relation to the basic financial statements as of and for the years ended December 31, 2011, 2012 and 2013, as a whole.

The CSAFE Board of Trustees 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 any assurance on it.

*BKD, LLP*

Denver, Colorado  
March 24, 2016

# Colorado Surplus Asset Fund Trust (CSAFE)

## Management's Discussion and Analysis

(Unaudited)

December 31, 2015 and 2014

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. (DFIM), 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 position and a statement of changes in net position prepared on the economic resources measurement focus and the accrual basis of accounting. Additionally, CSAFE presents a statement of operations in its basic financial statements. All applicable GASB pronouncements are applied in these financial statements.

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

The statement of changes in net position presents information showing how CSAFE's net position changed during the fiscal years presented. All changes in net position 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 position resulting from operations, or net investment income, which is included in the statement of changes in net position.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Management's Discussion and Analysis

(Unaudited)

December 31, 2015 and 2014

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.

### **Financial Highlights**

- CSAFE's net position totaled \$1.47 billion as of December 31, 2015, an increase of 1.1% over the prior year.
- In the fourth quarter of 2015, the composition of investments shifted to less commercial paper and more in corporate bonds, securities and cash and cash equivalents. As of December 31, 2015, approximately 2.7% of CSAFE's total cash and cash equivalents and investments were invested in U.S. government agency securities (fixed rate note), 57.4% in commercial paper (including fixed and variable rate commercial paper, Bankers Acceptances and A-1 collateralized bank sweep accounts), 4.3% in corporate notes (including fixed and variable rate corporate notes), 3.4% in collateralized bank deposits, and 32.2% in AAAM money market funds. As of December 31, 2014, approximately 1.7% of CSAFE's cash and cash equivalents and investments were invested in U.S. government agency securities (floating rate notes), 65.3% in commercial paper (including fixed and variable rate commercial paper, Bankers Acceptances and A-1 collateralized bank sweep accounts), 16.6% in collateralized bank deposits, and 16.4% in AAAM money market funds.
- Net investment income increased \$1.3 million in 2015 compared to 2014, totaling \$3.2 million. The increase in investment income from 2014 through 2015 was primarily the result of a higher rate of return.

### **CSAFE Asset Summary**

From 2013 to 2015 CSAFE recorded an increase in net position. Year-end net position increased from \$1.45 billion in 2013, to \$1.46 billion in 2014 and \$1.47 billion in 2015. 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 2013, 2014 and 2015.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Management's Discussion and Analysis

(Unaudited)

December 31, 2015 and 2014

Shown below is a three-year summary of the net position of CSAFE as of December 31, 2015, 2014 and 2013:

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>			
Investments			
U.S. government agency securities	\$ 40.0	\$ 25.0	\$ 134.0
Commercial paper	844.7	950.0	673.6
Corporate bonds	63.6	-	-
Total investments	<u>948.3</u>	<u>975.0</u>	<u>807.6</u>
Cash and cash equivalents	523.0	480.4	642.8
Other assets			
Related-party contribution receivable	-	-	0.9
Accrued interest and other receivables	0.3	0.3	0.3
Total other assets	<u>0.3</u>	<u>0.3</u>	<u>1.2</u>
Total assets	1,471.6	1,455.7	1,451.6
<b>Liabilities</b>			
Accrued expenses and other payables	0.3	0.4	0.2
Total liabilities	<u>0.3</u>	<u>0.4</u>	<u>0.2</u>
Net position applicable to shares outstanding	<u>\$ 1,471.3</u>	<u>\$ 1,455.3</u>	<u>\$ 1,451.4</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, 2015 and 2014

### **CSAFE Changes in Net Position Summary**

The changes in CSAFE's net position is the result of increases in net investment income and purchases and redemptions of shares by participants.

Shown below is a three-year summary of changes in net position of CSAFE for the years ended December 31, 2015, 2014 and 2013:

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Increase in net position attributed to operations – net investment income	<u>\$ 3.2</u>	<u>\$ 1.9</u>	<u>\$ 2.2</u>
Share transactions			
Net proceeds from sales of shares	4,789.9	3,835.0	3,679.6
Cost of shares redeemed	<u>(4,777.1)</u>	<u>(3,833.0)</u>	<u>(3,504.6)</u>
Net increase in net position derived from share transactions	<u>12.8</u>	<u>2.0</u>	<u>175.0</u>
Net increase in net position	16.0	3.9	177.2
Net position at beginning of year	<u>1,455.3</u>	<u>1,451.4</u>	<u>1,274.2</u>
Net position at end of year	<u>\$ 1,471.3</u>	<u>\$ 1,455.3</u>	<u>\$ 1,451.4</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 position and changes in net position.

### **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, 1550 Market Street, Suite 300, Denver, Colorado 80202.



# Colorado Surplus Asset Fund Trust (CSAFE)

## Statements of Net Position

December 31, 2015 and 2014

### Assets

	<u>2015</u>	<u>2014</u>
Investments		
U.S. government agency securities	\$ 39,997,886	\$ 25,000,000
Commercial paper	844,678,032	950,004,037
Corporate bonds	63,611,612	-
	<u>948,287,530</u>	<u>975,004,037</u>
Cash and cash equivalents	523,063,710	480,394,489
Other assets		
Accrued interest	290,330	280,545
	<u>290,330</u>	<u>280,545</u>
Total assets	<u>\$ 1,471,641,570</u>	<u>\$ 1,455,679,071</u>

### Liabilities

Accrued expenses	316,346	391,611
Participant distributions payable	21,749	11,291
	<u>338,095</u>	<u>402,902</u>
Total liabilities	<u>338,095</u>	<u>402,902</u>
Net position applicable to shares outstanding	<u>\$ 1,471,303,475</u>	<u>\$ 1,455,276,169</u>
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>

**Colorado Surplus Asset Fund Trust (CSAFE)**  
**Statements of Operations**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues		
Investment income	\$ 5,130,742	\$ 3,781,738
Total revenues	<u>5,130,742</u>	<u>3,781,738</u>
Expenses		
Advisory fees	1,542,528	1,575,582
Custodian fees	161,375	167,595
Insurance	15,538	15,494
Activity and transaction fees	49,172	38,017
Legal fees	17,501	2,500
Rating agency fee	42,000	42,000
Accounting and auditing	42,500	32,225
Miscellaneous	4,217	2,676
Trustee board meeting expenses	10,807	25,891
Internet/web page	<u>7,169</u>	<u>6,158</u>
Total expenses	<u>1,892,807</u>	<u>1,908,138</u>
Net increase in net position resulting from operations – net investment income	<u>\$ 3,237,935</u>	<u>\$ 1,873,600</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Statements of Changes in Net Position Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Increase in net position attributed to operations – net investment income	\$ 3,237,935	\$ 1,873,600
Share transactions		
Net proceeds from sales of shares	4,789,923,963	3,835,035,288
Cost of shares redeemed	<u>(4,777,134,592)</u>	<u>(3,833,025,144)</u>
Net increase in net position derived from share transactions	<u>12,789,371</u>	<u>2,010,144</u>
Net increase in net position	16,027,306	3,883,744
Net position at beginning of year	<u>1,455,276,169</u>	<u>1,451,392,425</u>
Net position at end of year	<u>\$ 1,471,303,475</u>	<u>\$ 1,455,276,169</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

### **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. CSAFE follows the strict investment parameters of Standard and Poor's to maintain its AAAM rating (Principal Stability Fund Rating). 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 (U.S. 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, 2015 and 2014, cash equivalents consisted of money market funds and bank deposits.

#### ***Security Valuation***

As CSAFE adheres to the guidelines set by S.E.C. rule 2a-7, securities are reported at amortized cost.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

### ***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 U.S. 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.

### ***Risk Management***

CSAFE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have been no significant decreases in insurance coverage. CSAFE requires vendors to carry errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

### Note 2: Cash Deposits and Investments

CSAFE's cash and cash equivalents and investments at December 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Deposits	\$ 49,421,478	\$ 241,803,164
Money market funds	473,642,232	238,591,325
U.S. government agency securities	39,997,886	25,000,000
Commercial paper	844,678,032	950,004,037
Corporate bonds	63,611,612	-
Total	<u>\$ 1,471,351,240</u>	<u>\$ 1,455,398,526</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, 2015 and 2014 had a bank value of \$49,527,272 and \$240,422,491, respectively, and a carrying value of \$49,421,478 and \$241,803,164, respectively. The differences between the bank value and carrying value are due to outstanding reconciling items at year-end.

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.

#### *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 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.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

### **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.

#### *Custodial Credit Risk*

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.

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. Concentration risk as defined by the Governmental Accounting Standards Board is any investment that represents 5% or more of the total investments to any one issuer. CSAFE may invest up to 10% of its assets in any money market fund rated AAAM by Standard & Poor's. CSAFE places no other limits on the amount of money that may be invested in any one issuer.

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

As of December 31, 2015 no investments in money market funds exceeded the 10% limit. Commercial paper of \$844,678,032, corporate bonds of \$63,611,612 and U.S. government agency securities implicitly guaranteed by the federal government of \$39,997,886 represent 59.4%, 4.5% and 2.8%, respectively, of CSAFE's total investments as of December 31, 2015, and have maturities ranging from January 1, 2016 to November 17, 2016. Commercial paper includes fixed and variable rate commercial paper, Banker's Acceptances, and A-1 collateralized bank sweep accounts. The maximum amount of commercial paper held for one issuer is 5% of total investments.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

As of December 31, 2014, no investments in money market funds exceeded the 10% limit. Commercial paper of \$950,004,037 and U.S. government agency securities implicitly guaranteed by the federal government of \$25,000,000 represent 78.3% and 2.1%, respectively, of CSAFE's total investments as of December 31, 2014, and have maturities ranging from January 2, 2015 to October 23, 2015. Commercial paper includes fixed and variable rate commercial paper, Banker's Acceptances, and A-1 collateralized bank sweep accounts. The maximum amount of commercial paper held for one issuer is 5% of total investments.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, CSAFE's investments as of December 31, 2015, 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.

### *Credit Risk*

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is CSAFE's policy to limit its investments to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs), except for money market funds which must be AAAM rated by Standard & Poor's.

Investments in U.S. government agency securities implicitly guaranteed by the federal government rated Aaa by Moody's at December 31, 2015, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value – Amortized Cost</u>	<u>Market Value</u>
\$ 40,000,000	0.400% FFCB due November 3, 2016	0.400%	\$ 39,997,886	\$ 39,884,800
			<u>\$ 39,997,886</u>	<u>\$ 39,884,800</u>



## Colorado Surplus Asset Fund Trust (CSAFE)

### Notes to Financial Statements

December 31, 2015 and 2014

Investments in commercial paper rated A+, A-1 or A-1+ by Standard & Poor's at December 31, 2015, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 14,533,777	U.S. Bank overnight commercial paper sweep due January 1, 2016	0.250%	\$ 14,533,777	\$ 14,533,777
25,000,000	Ricoh Finance Corp due January 5, 2016	0.456%	24,998,750	24,999,750
15,000,000	Midea International due January 6, 2016	0.750%	14,998,438	14,999,700
20,000,000	Catholic Health Initiatives due January 20, 2016	0.487%	19,994,933	19,996,400
20,000,000	Canadian National Railway Co. due January 22, 2016	0.477%	19,994,517	19,996,000
15,000,000	Toyota Motor Credit Corp due January 29, 2016	0.356%	14,995,917	14,995,800
25,000,000	National Australia Bank Ltd. due February 9, 2016	0.443%	25,000,000	25,000,000
25,000,000	Air Liquide US LLC due February 11, 2016	0.350%	24,990,035	24,987,000
37,600,000	Salvation Army due February 18, 2016	0.254%	37,587,467	37,577,064
20,000,000	Torchmark Corp due February 25, 2016	0.579%	19,982,583	19,985,800
25,000,000	Macquarie Bank Ltd. due February 26, 2016	0.725%	24,972,389	24,982,000
15,155,000	Chevron Corp due February 29, 2016	0.305%	15,147,549	15,143,482
30,000,000	Henkel of America Inc. due March 3, 2016	0.406%	29,980,514	29,976,000
60,000,000	Chevron Corp due March 7, 2016	0.305%	59,967,000	59,940,000
40,000,000	Henkel of America Inc. due March 9, 2016	0.416%	39,969,022	39,958,800

(continued)

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
25,000,000	Ontario Teachers' Finance Trust due March 14, 2016	0.507%	24,975,409	24,972,250
40,000,000	National Australia Bank Ltd. due March 16, 2016	0.371%	39,969,583	39,954,400
8,998,934	US Bank NA Bankers Acceptance due March 28, 2016	0.479%	8,988,713	8,986,965
10,000,000	Macquarie Bank Ltd. due March 31, 2016	0.704%	9,982,750	9,986,200
10,000,000	Westpac Banking Corp due April 4, 2016	0.376%	10,000,000	10,000,000
25,000,000	Bank of Nova Scotia due April 6, 2016	0.394%	25,000,000	25,000,000
10,000,000	Westpac Banking Corp due April 14, 2016	0.443%	10,000,000	10,000,000
12,000,000	Commonwealth Bank of Australia due April 29, 2016	0.413%	12,000,000	12,000,000
30,000,000	Toyota Motor Credit Corp due May 13, 2016	0.507%	30,000,000	30,000,000
40,000,000	Commonwealth Bank Australia due June 7, 2016	0.336%	40,000,000	40,000,000
50,000,000	Toronto Dominion Bank due June 14, 2016	0.611%	49,862,500	49,824,500
15,000,000	Commonwealth Bank of Australia due June 16, 2016	0.553%	15,001,885	15,000,000
40,000,000	Coca-Cola Co. due July 11, 2016	0.673%	39,859,200	39,821,600
17,000,000	Coca-Cola Co. due August 22, 2016	0.694%	16,925,101	16,900,720
25,000,000	Toyota Motor Credit Corp due September 2, 2016	0.608%	25,000,000	25,000,000
50,000,000	Westpac Banking Corp due September 16, 2016	0.593%	50,000,000	50,000,000
50,000,000	National Bank of Canada due November 17, 2016	0.700%	50,000,000	50,000,000
			\$ 844,678,032	\$ 844,518,208

## Colorado Surplus Asset Fund Trust (CSAFE)

### Notes to Financial Statements

December 31, 2015 and 2014

Investments in corporate securities rated AA- by Standard & Poor's at December 31, 2015, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 40,000,000	Wells Fargo Bank NA due June 2, 2016	0.533%	\$ 40,006,945	\$ 39,968,000
11,500,000	Royal Bank of Canada due July 20, 2016	0.637%	11,605,084	11,573,945
12,000,000	Wells Fargo due August 19, 2016	0.782%	11,999,583	11,994,120
			<u>\$ 63,611,612</u>	<u>\$ 63,536,065</u>

Investments in U.S. government agency securities implicitly guaranteed by the federal government rated A-1+ by Standard & Poor's at December 31, 2014, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 25,000,000	0.163% FFCB float note due April 1, 2015	0.163%	\$ 25,000,000	\$ 25,003,250
			<u>\$ 25,000,000</u>	<u>\$ 25,003,250</u>

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

Investments in commercial paper rated A-1 or A-1+ by Standard & Poor's at December 31, 2014, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 17,000,000	Union Bank N.A. due January 2, 2015	0.244%	\$ 16,999,887	\$ 17,000,000
11,000,000	Suncorp Metway Ltd. due January 8, 2015	0.509%	10,998,930	10,999,670
7,000,000	Midea International due January 9, 2015	0.371%	6,999,456	6,999,790
10,000,000	Suncorp Metway Ltd. due January 14, 2015	0.355%	9,998,736	9,999,400
20,000,000	Nordea Bank AB due January 28, 2015	0.215%	19,996,850	19,997,400
6,000,000	Suncorp Metway Ltd. due January 29, 2015	0.499%	5,997,690	5,999,220
25,000,000	Bank of Tokyo Mitsubishi UFJ NY due January 30, 2015	0.213%	24,996,778	24,996,500
10,000,000	Standard Chartered Bank due January 30, 2015	0.295%	9,997,664	9,998,600
25,000,000	Macquarie Bank Ltd. due February 6, 2015	0.376%	24,990,750	24,995,000
25,000,000	Australia & NZ Banking Group due February 10, 2015	0.226%	25,000,000	25,000,000
6,500,000	Midea International due February 12, 2015	0.468%	6,496,588	6,498,440
6,000,000	Suncorp Metway Ltd. due February 12, 2015	0.509%	5,996,500	5,998,560
19,000,000	Commonwealth Bank of Australia due February 13, 2015	0.241%	19,000,000	19,000,000
20,000,000	Nordea Bank AB due February 17, 2015	0.212%	19,994,517	19,994,600

(continued)

## Colorado Surplus Asset Fund Trust (CSAFE)

### Notes to Financial Statements

December 31, 2015 and 2014

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
10,000,000	Midea International due February 18, 2015	0.470%	9,994,000	9,997,300
15,000,000	Macquarie Bank Ltd. due February 20, 2015	0.376%	14,992,292	14,995,650
30,000,000	Coca-Cola Company due February 24, 2015	0.213%	29,990,550	29,990,700
25,000,000	Bank of Nova Scotia NY due March 11, 2015	0.228%	24,989,219	24,989,250
50,000,000	National Australia Funding DE due March 11, 2015	0.226%	50,000,000	50,000,000
17,000,000	Suncorp Metway Ltd. due March 12, 2015	0.591%	16,980,828	16,992,520
15,000,000	Skandinaviska Enskilda Banken AB due March 13, 2015	0.274%	14,991,852	14,993,250
10,000,000	Skandinaviska Enskilda Banken AB due March 18, 2015	0.274%	9,994,300	9,995,200
15,000,000	Skandinaviska Enskilda Banken AB due March 19, 2015	0.274%	14,991,338	14,992,650
25,000,000	Sumitomo Mitsubishi Trust NY due March 23, 2015	0.254%	24,985,937	24,987,250
20,000,000	DNB Bank ASA due April 1, 2015	0.234%	20,000,000	20,000,000
25,000,000	Mizuho Funding LLC due April 13, 2015	0.231%	24,984,063	24,981,750
10,000,000	Prudential PLC due April 16, 2015	0.305%	9,991,250	9,992,500
10,000,000	Toyota Motor Credit Corp due April 17, 2015	0.207%	10,000,000	10,000,000
25,000,000	Prudential PLC due April 28, 2015	0.305%	24,975,625	24,979,000
35,000,000	Mizuho Funding LLC due May 18, 2015	0.255%	34,967,367	34,962,900

(continued)

## Colorado Surplus Asset Fund Trust (CSAFE)

### Notes to Financial Statements

December 31, 2015 and 2014

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
23,000,000	Australia & NZ Banking Group due May 29, 2015	0.233%	23,000,000	23,000,000
63,093,532	U.S. Bank overnight commercial paper sweep due June 1, 2015	0.170%	63,093,141	63,093,532
10,000,000	Macquarie Bank Ltd. due June 8, 2015	0.489%	9,978,933	9,986,900
40,000,000	Commonwealth Bank of Australia due June 15, 2015	0.238%	40,000,000	40,000,000
30,000,000	Toronto Dominion Holdings due June 26, 2015	0.275%	29,960,400	29,956,200
25,000,000	Sumitomo Mitsubishi Trust NY due July 2, 2015	0.305%	24,962,083	24,958,500
15,000,000	Suncorp Metway Ltd. due July 6, 2015	0.479%	14,963,575	14,974,500
10,000,000	Commonwealth Bank of Australia due July 20, 2015	0.236%	10,000,000	10,000,000
35,000,000	Toronto Dominion Holdings due July 24, 2015	0.264%	34,948,433	34,934,900
25,000,000	Westpac Banking Corp due July 30, 2015	0.250%	25,000,000	25,000,000
5,000,000	U.S. Bank NA Bankers Acceptance due August 17, 2015	0.402%	4,987,333	4,988,950
15,000,000	Toyota Motor Credit Corp due August 21, 2015	0.282%	14,973,900	14,966,250
25,000,000	Nordea Bank AB due August 25, 2015	0.277%	24,956,569	24,943,000
20,000,000	Westpac Banking Corp due September 17, 2015	0.260%	20,000,000	20,000,000
25,000,000	Westpac Banking Corp due September 18, 2015	0.260%	25,000,000	25,000,000
30,000,000	Coca-Cola Company due September 21, 2015	0.340%	29,927,675	29,923,500
10,000,000	Macquarie Bank Ltd. due October 23, 2015	0.517%	9,959,028	9,971,400
			\$ 950,004,037	\$ 950,024,732

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

CSAFE's investments in money market funds at December 31, 2015 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, 2015 related to these money market funds ranged from 0.10% to 0.21%. 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 (the money market fund) totaling \$42,442,140 prior to the recording of a realized loss of \$5,042,400. The money market 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, 2015, CSAFE has received distributions representing 100% of its assets in the money market fund. Approximately 1% of the assets were received in accordance with the Standby Capital Agreement with DFIM (Note 4). CSAFE does not expect any further distributions from the money market fund other than accrued interest earned as addressed in the fund's final plan of liquidation. On September 23, 2014, the Federal Court approved the Final Distribution of Fund Assets for the Primary Fund-In Liquidation. CSAFE received the final distribution in January 2015 in the amount of \$212,727.

### **Note 3: Investment Advisory and Administrative Fees**

DFIM 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, less fees voluntarily waived by DFIM. Actual fees paid in 2015 and 2014 totaled \$1,542,528 and \$1,575,582, respectively, representing 0.086% and 0.095% of average daily net assets, respectively. Total fees voluntarily waived by DFIM in 2015 and 2014 were \$1,213,741 and \$978,583, respectively.

During the year, the administrator accrues an estimate of average daily net assets of the Trust to meet administrative and custodial expenses. The actual administrative and custodial expenses incurred in 2015 and 2014 totaled \$350,279 and \$332,556, respectively, representing 0.019% and 0.020% of average daily net assets, respectively.

# Colorado Surplus Asset Fund Trust (CSAFE)

## Notes to Financial Statements

December 31, 2015 and 2014

### Note 4: Standby Capital Agreement

On December 11, 2008, CSAFE entered into a Standby Capital Agreement (the Agreement) with 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 and final payment was received in 2014.

There was not a related party contribution receivable in 2015. Changes in the related party contribution receivable were as follows for the year ended December 31, 2014:

2014			
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ -</u>



## **Supplementary Information**

## Colorado Surplus Asset Fund Trust (CSAFE)

### Supplementary Information

December 31, 2015 and 2014

Per share data for average daily net positions is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Investment income	\$ 0.002854	\$ 0.002274	\$ 0.002662	\$ 0.003075	\$ 0.002561
Expenses	<u>0.001053</u>	<u>0.001147</u>	<u>0.001324</u>	<u>0.001287</u>	<u>0.001756</u>
Net investment income	<u>\$ 0.001801</u>	<u>\$ 0.001127</u>	<u>\$ 0.001338</u>	<u>\$ 0.001788</u>	<u>\$ 0.000805</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Weighted-average maturity in days	44	51	57	54	35
Number of participant shares at December 31	1,471,303,475	1,455,276,169	1,451,392,425	1,274,233,370	788,814,928

The Trust's net average yield for 2015 and 2014 was 0.18% and 0.11%, respectively. For example, \$1,000 invested in the Trust on January 1, 2015, would have been worth \$1,001.80 at December 31, 2015 and \$1,000 invested on January 1, 2014 would have been worth \$1,001.10 at December 31, 2014. For 2015 and 2014 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, 2015 and 2014**

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

**Alan Krcmarik, Trustee and Chairman**  
City of Loveland Executive Fiscal Advisor

**Diane Holbert, Trustee and Vice-Chair**  
Douglas County Treasurer

**Brenden Morgan, Trustee and Treasurer**  
Regional Transportation District Manager of Debt & Investments

**Tim Kauffman, Trustee and Secretary**  
Jefferson County Treasurer

**Jeff Hansen, Trustee**  
City of Golden Finance Director

**Wes LaVanchy, Trustee**  
Town of Firestone Town Administrator

**Scott Myers, Trustee**  
City of Federal Heights Finance Director

**Jay Valentine, Trustee**  
City of Grand Junction Internal Services Manager

**Sue Sandstrom, Trustee**  
Arapahoe County Treasurer

**George Turtle, Trustee**  
Special District Management Services, Inc. Financial Manager

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.