

Colorado Surplus Asset Fund Trust (CSAFE)

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

Colorado Surplus Asset Fund Trust (CSAFE)
December 31, 2016 and 2015

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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, 2016 and 2015, 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 respective financial position of CSAFE as of December 31, 2016 and 2015, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 audits 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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 2016 and 2015 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 2016 and 2015 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, 2012, 2013 and 2014, which are not presented with the accompanying financial statements. In our reports dated March 13, 2013, March 21, 2014, and March 24, 2015, we expressed unmodified opinions on the respective basic financial statements. In our opinion the 2012, 2013 and 2014 information is fairly stated in all material respects in relation to the basic financial statements as of and for the years ended December 31, 2012, 2013 and 2014, as a whole.

Board of Trustees
Colorado Surplus Asset Fund Trust

The listing of 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 17, 2017

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2016 and 2015

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

CSAFE is overseen by a nine-member Board of Trustees predominately comprised of Colorado local government officials. One of the nine trustee positions is open at December 31, 2016. All of the assets entrusted to CSAFE are held by its Custodian, U.S. Bank. BKD, LLP serves as the independent auditor to CSAFE. From January 1, 2014 to September 28, 2016, Davidson Fixed Income Management, Inc. (DFIM) an investment advisor registered with the U.S. Securities and Exchange Commission, served as CSAFE's investment advisor and funds administrator. Beginning September 28, 2016, Morgan Stanley Smith Barney, LLC an investment advisor registered with the U.S. Securities and Exchange Commission, serves as CSAFE's investment advisor and LT Trust Company serves as the administrator.

CSAFE operates to provide daily liquidity for Colorado government entities. CSAFE participants include school districts, counties, municipalities, and special districts, among others. 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.

For the years ended December 31, 2015 and 2014, CSAFE adhered to the maturity, liquidity, and eligibility guidelines set by S.E.C. Rule 2a-7. Beginning in 2016, CSAFE adheres to the maturity, liquidity and eligibility guidelines set by Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CSAFE's basic financial statements. In 2016, CSAFE adopted GASB 79 which establishes the accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure and report all of its investments at amortized cost. GASB 79 also incorporates certain disclosure requirements of GASB 72, *Fair Value Measurements and Application*. The financial statements presented within this Annual Report have been prepared in conformity with the reporting framework prescribed by GASB for local government investment pools. There was no impact on the net position of the Trust's portfolio as a result of adopting GASB 79.

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

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Management's Discussion and Analysis
(Unaudited)
December 31, 2016 and 2015

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. 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 \$1.99 billion as of December 31, 2016, an increase of 35.1% over the prior year.
- In the fourth quarter of 2016, the composition of investments shifted to more commercial paper and U.S. government agency securities and less corporate bonds, securities with relatively unchanged cash and cash equivalents. As of December 31, 2016, approximately 6.6% of CSAFE's total cash and cash equivalents and investments were invested in U.S. government agency securities (fixed and floating rate note), 62.2% in commercial paper (including fixed and variable rate commercial paper, and A-1 collateralized bank sweep accounts), 1.5% in corporate notes (including fixed and variable rate corporate notes), 4.3% in collateralized bank deposits, and 25.4% in AAAM money market funds. As of December 31, 2015, approximately 2.7% of CSAFE's cash and cash equivalents and investments were invested in U.S. government agency securities (floating rate notes), 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.
- Net investment income increased \$8.4 million in 2016 compared to 2015, totaling \$11.6 million. The increase in investment income from 2015 through 2016 was primarily the result of a higher rate of return.

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2016 and 2015

CSAFE Asset Summary

From 2014 to 2016 CSAFE recorded an increase in net position. Year-end net position increased from \$1.46 billion in 2014, to \$1.47 billion in 2015 and \$1.99 billion in 2016. 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 2014, 2015 and 2016.

Shown below is a three-year summary of the net position of CSAFE as of December 31, 2016, 2015 and 2014:

	2016	2015	2014
Assets			
Investments			
U.S. government agency securities	\$ 131.8	\$ 40.0	\$ 25.0
Commercial paper	1,236.4	844.7	950.0
Corporate bonds	30.0	63.6	-
Total investments	1,398.2	948.3	975.0
Cash and cash equivalents	589.6	523.0	480.4
Other assets - accrued interest	0.4	0.3	0.3
Total assets	1,988.2	1,471.6	1,455.7
Liabilities			
Accrued expenses and other payables	0.3	0.3	0.4
Total liabilities	0.3	0.3	0.4
Net position applicable to shares outstanding	\$ 1,987.9	\$ 1,471.3	\$ 1,455.3
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, 2016 and 2015

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, 2016, 2015 and 2014:

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Increase in net position attributed to operations – net investment income	<u>\$ 11.6</u>	<u>\$ 3.2</u>	<u>\$ 1.9</u>
Share transactions			
Net proceeds from sales of shares	5,646.4	4,789.9	3,835.0
Cost of shares redeemed	<u>(5,141.4)</u>	<u>(4,777.1)</u>	<u>(3,833.0)</u>
Net increase in net position derived from share transactions	<u>505.0</u>	<u>12.8</u>	<u>2.0</u>
Net increase in net position	516.6	16.0	3.9
Net position at beginning of year	<u>1,471.3</u>	<u>1,455.3</u>	<u>1,451.4</u>
Net position at end of year	<u>\$ 1,987.9</u>	<u>\$ 1,471.3</u>	<u>\$ 1,455.3</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 csafe@csafe.org or LT Trust Company Fund Administrator, 1675 Broadway Suite 500, Denver, Colorado 80202.

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Net Position December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Investments		
U.S. government agency securities	\$ 131,802,606	\$ 39,997,886
Commercial paper	1,236,399,115	844,678,032
Corporate bonds	<u>30,002,379</u>	<u>63,611,612</u>
Total investments	1,398,204,100	948,287,530
Cash and cash equivalents	589,600,608	523,063,710
Other assets - accrued interest	<u>428,014</u>	<u>290,330</u>
Total assets	<u>1,988,232,722</u>	<u>1,471,641,570</u>

Liabilities

Accrued expenses	289,630	316,346
Participant distributions payable	<u>71,712</u>	<u>21,749</u>
Total liabilities	<u>361,342</u>	<u>338,095</u>
Net position applicable to shares outstanding	<u>\$ 1,987,871,380</u>	<u>\$ 1,471,303,475</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Investment income	\$ 13,796,091	\$ 5,130,742
Total revenues	<u>13,796,091</u>	<u>5,130,742</u>
Expenses		
Advisory fees	1,827,700	1,542,528
Custodian fees	158,587	161,375
Insurance	15,632	15,538
Activity and transaction fees	53,615	49,172
Legal fees	49,004	17,501
Rating agency fee	42,000	42,000
Accounting and auditing	30,500	42,500
Trustee board meeting expenses	18,570	10,807
Marketing	807	-
Internet/web page	4,408	7,169
Miscellaneous	2,794	4,217
Total expenses	<u>2,203,617</u>	<u>1,892,807</u>
Net increase in net position resulting from operations – net investment income	<u>\$ 11,592,474</u>	<u>\$ 3,237,935</u>

Colorado Surplus Asset Fund Trust (CSAFE)
Statements of Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016	2015
Increase in net position attributed to operations – net investment income	\$ 11,592,474	\$ 3,237,935
Share transactions		
Net proceeds from sales of shares	5,646,408,660	4,789,923,963
Cost of shares redeemed	(5,141,433,229)	(4,777,134,592)
Net increase in net position derived from share transactions	504,975,431	12,789,371
Net increase in net position	516,567,905	16,027,306
Net position at beginning of year	1,471,303,475	1,455,276,169
Net position at end of year	\$ 1,987,871,380	\$ 1,471,303,475

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

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 to help Colorado governments meet daily cash management needs. 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, 2016 and 2015, cash equivalents consisted of money market funds.

Security Valuation

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, CSAFE meets the criteria to be considered a qualifying external investment pool that elects to measure for financial reporting purposes all of their investments at amortized cost.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

Net Asset Valuation

For the purpose of calculating CSAFE's net asset value per share, the securities held by CSAFE are valued daily 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, 2016 and 2015

Related Parties

All trustees of CSAFE are officers of participating governments.

Note 2: Cash Deposits and Investments

CSAFE's cash and cash equivalents and investments at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Deposits	\$ 84,272,752	\$ 49,421,478
Money market funds	505,327,856	473,642,232
U.S. government agency securities	131,802,606	39,997,886
Commercial paper	1,236,399,115	844,678,032
Corporate bonds	<u>30,002,379</u>	<u>63,611,612</u>
Total	<u>\$ 1,987,804,708</u>	<u>\$ 1,471,351,240</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, 2016 and 2015 had a bank value of \$84,337,806 and \$49,527,272, respectively, and a carrying value of \$84,272,752 and \$49,421,478, 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, 2016 and 2015

Investments

Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields. Pursuant to CSAFE's 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, 2016, no investments in money market funds exceeded the 10% limit. Commercial paper of \$1,236,399,115, corporate bonds of \$30,002,379 and U.S. government agency securities implicitly guaranteed by the federal government of \$131,802,606 represent 65.0%, 1.6% and 6.9%, respectively, of CSAFE's total investments (including cash equivalents) as of December 31, 2016, and have maturities ranging from January 1, 2017 to August 4, 2017. 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, 2016 and 2015

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 (including cash equivalents) 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.

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, 2016, all mature within one year of that date, with the exception of floating rate note securities which, according to GASB Statement No. 79 guidelines, have a maturity equal to the shorter of the period remaining until the next readjustment of the interest rate or the maturity of the investment. 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, 2016, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair Value
\$ 50,000,000	Federal Home Loan Bank due March 10, 2017	0.688%	\$ 50,000,461	\$ 50,015,000
10,000,000	Federal Farm Credit due March 27, 2017	0.642%	10,002,145	10,002,800
50,000,000	Federal Home Loan Bank due July 5, 2017	0.699%	50,000,000	50,060,000
21,800,000	Federal Home Loan Bank due August 4, 2017	0.679%	21,800,000	21,816,786
			<u>\$ 131,802,606</u>	<u>\$ 131,894,586</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

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Investments in commercial paper rated A-1 or A-1+ by Standard & Poor's at December 31, 2016, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair Value
\$ 10,988,625	U.S. Bank overnight commercial paper sweep due January 1, 2017	0.400%	\$ 10,988,625	\$ 10,988,625
10,000,000	Massachusetts Mutual Life due January 10, 2017	0.659%	9,998,375	9,998,600
25,000,000	Ontario Teachers' Finance Trust due January 13, 2017	0.609%	24,995,000	24,995,000
25,000,000	Westpac Banking Corp due January 18, 2017	1.183%	25,000,226	25,007,250
25,000,000	Australia and New Zealand Banking Group due January 19, 2017	0.937%	24,988,500	24,992,000
35,000,000	Coca-Cola Company due January 19, 2017	0.609%	34,989,500	34,988,800
20,000,000	Toyota Motor Credit Corp due January 27, 2017	1.079%	20,000,000	20,007,800
28,400,000	Salvation Army due February 1, 2017	0.813%	28,380,436	28,383,812
52,000,000	British Columbia due February 9, 2017	0.711%	51,960,567	51,955,800
22,690,000	Salvation Army due February 9, 2017	0.823%	22,670,089	22,670,714
19,750,000	Coca-Cola Company due February 13, 2017	0.857%	19,730,184	19,731,238
35,000,000	Commonwealth Bank of Australia due February 13, 2017	1.146%	35,000,000	35,020,300
50,000,000	Pfizer, Inc due February 13, 2017	0.866%	49,949,236	49,952,500
7,488,000	Salvation Army due February 14, 2017	0.803%	7,480,770	7,480,737

(continued)

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair Value
25,000,000	CDP Financial, Inc due February 16, 2017	1.204%	24,962,306	24,974,750
13,325,000	Ohio Higher Education due February 16, 2017	0.813%	13,311,379	13,311,542
25,000,000	Toyota Motor Credit Corp due February 17, 2017	1.223%	25,000,000	25,016,000
32,900,000	British Columbia due February 28, 2017	0.782%	32,859,186	32,857,559
45,000,000	CDP Financial, Inc due March 1, 2017	1.234%	44,910,762	44,941,050
20,000,000	Coca-Cola Company due March 1, 2017	0.993%	19,968,206	19,973,800
30,000,000	Chevron Corp due March 3, 2017	1.001%	29,950,183	29,959,200
7,000,000	Toyota Motor Credit Corp due March 3, 2017	1.092%	7,000,000	7,004,900
21,964,000	Kaiser Foundation Hospital due March 16, 2017	0.967%	21,921,109	21,921,829
70,000,000	Toronto Dominion HDG due March 27, 2017	0.991%	69,839,681	69,845,300
75,000,000	Microsoft Corp due March 30, 2017	0.794%	74,857,000	74,828,250
40,000,000	National Australia Bank Ltd. due March 31, 2017	1.298%	40,000,000	40,039,600
25,550,000	Pfizer, Inc due April 6, 2017	0.834%	25,494,713	25,478,716
25,000,000	PSP Capital Inc due April 24, 2017	0.937%	24,927,806	24,916,750
75,000,000	Nordea Bank AB due April 25, 2017	1.096%	74,744,687	74,748,000
50,000,000	PSP Capital Inc due April 26, 2017	0.937%	49,853,056	49,830,500

(continued)

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair Value
50,000,000	Export Development Canada due May 1, 2017	0.927%	49,848,333	49,823,000
50,000,000	Canadian Imperial Bank of Commerce due May 18, 2017	1.117%	50,000,000	50,016,000
25,000,000	Dexia Credit Local due May 18, 2017	1.225%	24,885,833	24,887,500
25,000,000	Dexia Credit Local due May 19, 2017	1.091%	24,897,458	24,886,750
25,000,000	Canadian Imperial Bank of Commerce due May 23, 2017	1.136%	25,000,000	25,006,750
21,145,000	Ontario Teachers' Finance Trust due June 1, 2017	1.254%	21,035,909	21,039,909
30,000,000	Commonwealth Bank of Australia due June 5, 2017	1.221%	30,000,000	30,020,100
35,000,000	Toyota Motor Credit Corp due June 6, 2017	1.190%	35,000,000	35,025,900
30,000,000	National Australia Bank Ltd. due June 15, 2017	1.241%	30,000,000	30,019,200
			\$ 1,236,399,115	\$ 1,236,546,031

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

Investments in corporate securities rated A-1+ by Standard & Poor's at December 31, 2016, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair Value
\$ 30,000,000	Royal Bank of Canada due January 23, 2017	1.084%	\$ 30,002,379	\$ 30,003,900
			\$ 30,002,379	\$ 30,003,900
			\$ 30,002,379	\$ 30,003,900

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:

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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

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	Fair 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, 2016 and 2015

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Fair 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
			<u>\$ 844,678,032</u>	<u>\$ 844,518,208</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

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	Fair 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>

CSAFE's investments in money market funds at December 31, 2016 and 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 years ended December 31, 2016 and 2015 ranged from 0.14% to 0.21% and 0.10% to 0.21%, respectively. These fees are in addition to the fees paid by CSAFE participants to its advisors.

Fair Value Measurement

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* a qualifying external investment pool is required to disclose additional information relating to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2** Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

The following tables present what the fair value measurements of assets held by CSAFE would be if they were recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

Investments by Fair Value Level as of December 31, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 505,327,856	\$ 505,327,856	\$ -	\$ -
U.S. government agency securities	131,894,586	-	131,894,586	-
Commercial paper	1,236,546,031	-	1,236,546,031	-
Corporate bonds	<u>30,003,900</u>	<u>-</u>	<u>30,003,900</u>	<u>-</u>
Total investments by fair value level	<u>\$ 1,903,772,373</u>	<u>\$ 505,327,856</u>	<u>\$ 1,398,444,517</u>	<u>\$ -</u>

Investments by Fair Value Level as of December 31, 2015	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 473,642,232	\$ 473,642,232	\$ -	\$ -
U.S. government agency securities	39,884,800	-	39,884,800	-
Commercial paper	844,518,208	-	844,518,208	-
Corporate bonds	<u>63,536,065</u>	<u>-</u>	<u>63,536,065</u>	<u>-</u>
Total investments by fair value level	<u>\$ 1,421,581,305</u>	<u>\$ 473,642,232</u>	<u>\$ 947,939,073</u>	<u>\$ -</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. CSAFE does not hold any Level 3 securities.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2016 and 2015

Note 3: Investment Advisory and Administrative Fees

From January 1, 2015 to September 28, 2016, DFIM provided 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. Beginning, September 28, 2016, LT Trust Company provides administrative advisory services and Morgan Stanley Smith Barney, LLC (Morgan Stanley) provides investment advisory services. Fees for administrative advisory services are calculated daily and paid monthly, at a rate equal to 0.0025% on assets under management, with a minimum quarterly fee of \$95,000. Fees for investment advisory services are calculated daily and paid monthly, at a rate equal to 0.155% of the average daily net assets up to \$200 million, and 0.125% of the average daily net assets in excess of \$200 million, less fees voluntarily waived by Morgan Stanley. Actual fees paid in 2016 and 2015 totaled \$1,827,700 and \$1,542,528, respectively, representing 0.089% and 0.086% of average daily net assets, respectively. Total fees voluntarily waived by DFIM and Morgan Staley in 2016 and by DFIM 2015 were \$1,317,968 and \$1,213,741, respectively.

During the year, the administrator accrues an estimate of average daily net assets of CSAFE to meet administrative and custodial expenses. The actual administrative and custodial expenses incurred in 2016 and 2015 totaled \$375,917 and \$350,279, respectively, representing 0.018% and 0.019% of average daily net assets, respectively.

Note 4: Share Transactions

There are no limitations or restrictions on participant withdrawals. At December 31, 2016 and 2015, five and four participants, respectively, held more than a 5% participation interest in CSAFE. The holdings of these participants is approximately 40.77% and 34.11%, respectively, of the portfolio at December 31, 2016 and 2015. Investment activities of these participants could have a material impact on CSAFE.

Note 5: Implementation of New Accounting Principle

CSAFE implemented Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79) which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in the statement, which includes how the external investment pool transacts with participants, requirements for portfolio maturity, quality, diversification and liquidity and calculation and requirements of a shadow price. The implementation of GASB 79 had no effect on net position; however, it did change the requirements for information disclosed in the footnotes included within this financial report.

Supplementary Information

Colorado Surplus Asset Fund Trust (CSAFE)
Supplementary Information
Last Five Fiscal Years

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

	2016	2015	2014	2013	2012
Investment income	\$ 0.006707	\$ 0.002854	\$ 0.002274	\$ 0.002662	\$ 0.003075
Expenses	<u>0.001071</u>	<u>0.001053</u>	<u>0.001147</u>	<u>0.001324</u>	<u>0.001287</u>
Net investment income	<u>\$ 0.005636</u>	<u>\$ 0.001801</u>	<u>\$ 0.001127</u>	<u>\$ 0.001338</u>	<u>\$ 0.001788</u>
	2016	2015	2014	2013	2012
Weighted-average maturity in days	38	44	51	57	54
Number of participant shares at December 31	1,987,871,380	1,471,303,475	1,455,276,169	1,451,392,425	1,274,233,370

The Trust's net average yield for 2016 and 2015 was 0.56% and 0.18%, respectively. For example, \$1,000 invested in the Trust on January 1, 2016, would have been worth \$1,005.60 at December 31, 2016 and \$1,000 invested on January 1, 2015 would have been worth \$1,001.80 at December 31, 2015. For 2016 and 2015 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, 2016

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

Former Administrator Town of Firestone

Jay Valentine, Trustee

City of Grand Junction Internal Services Manager

Sue Sandstrom, Trustee

Arapahoe County Treasurer

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