

Colorado Surplus Asset Fund Trust (CSAFE)

Accountants' Report and Financial Statements

December 31, 2010 and 2009

Colorado Surplus Asset Fund Trust (CSAFE)

December 31, 2010 and 2009

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Colorado Surplus Asset Fund Trust
Denver, Colorado

We have audited the accompanying statements of net assets of Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2010 and 2009, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of CSAFE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Surplus Asset Fund Trust as of December 31, 2010 and 2009, and the results of its operations and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

\s\ BKD, LLP

February 21, 2011

Colorado Surplus Asset Fund Trust (CSAFE)
Management's Discussion and Analysis
(Unaudited)
December 31, 2010 and 2009

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

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

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

Overview of the Financial Statements

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

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

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

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

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

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2010 and 2009

Financial Highlights

- CSAFE's net assets totaled \$707.7 million as of December 31, 2010, an increase of 15.9% over the prior year. The credit watch issued by Standard & Poor's Corporation in 2009 was removed on February 2, 2010, boosting investor confidence. Additionally, the third Amended and Restated Capital Support Agreement signed on December 8, 2010 increased Davidson Fixed Income Management's support to bring CSAFE's NAV to \$1.00.
- In the fourth quarter of 2010, the composition of investments shifted to more securities and commercial paper and less in cash and cash equivalents. Approximately 21.9% of CSAFE's total cash and cash equivalents and investments were invested in U.S. government agency securities (fixed and floating rate notes), 30.5% in commercial paper, 0.9% in corporate fixed notes, 24.4% in collateralized bank deposits, and 22.3% in AAAM money market funds. As of December 31, 2009 approximately 14.3% of CSAFE's cash and cash equivalents and investments were invested in U.S. government agency securities, 5.8% in bank certificate of deposits, 1.3% in commercial paper, 1.7% in corporate bonds, 48.7% in collateralized bank deposits, excluding certificates of deposit and 28.2% in AAAM money market funds.
- Net investment income increased \$1.5 million in 2010 compared to 2009, totaling \$2.7 million. The increase in investment income from 2009 through 2010 was primarily the result of the loss on the Reserve Primary Fund being recognized in 2009. The decrease in investment income from 2008 through 2010 was primarily the result of a) falling market interest rates and b) decreased asset levels. The net yield of an investment in CSAFE was 2.73% in 2008, 0.42% in 2009 and 0.15% in 2010.

CSAFE Asset Summary

From 2009 to 2010 CSAFE recorded an increase in net assets. Year-end net assets decreased from \$1.017 billion in 2008, to \$610.6 million in 2009 and increased to \$707.7 million in 2010. CSAFE invests primarily in U.S. government agency securities, highly rated commercial paper, highly rated corporate bonds, bank deposits, and AAAM rated money market funds.

By following the AAAM rating guidelines of Standard & Poor's Corporation, CSAFE maintained a per share value of \$1.00 per share in 2008, 2009 and 2010.

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2010 and 2009

Shown below is a three-year summary of the net assets of CSAFE as of December 31, 2010, 2009 and 2008:

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

	2010	2009	2008
Assets			
Investments in securities			
U.S. government agency securities	\$ 154.0	\$ 87.2	\$ 67.0
Commercial paper	215.2	8.0	-
Corporate fixed notes	6.3	10.4	-
Total investments in securities	375.5	105.6	67.0
Certificates of deposit	-	35.0	-
Total investments	375.5	140.6	67.0
Cash and cash equivalents	328.3	466.7	949.3
Other assets			
Related party contribution receivable	3.6	2.8	-
Accrued interest	0.4	0.6	0.6
Total other assets	4.0	3.4	0.6
Total assets	707.8	610.7	1,016.9
Liabilities			
Accrued expenses	0.1	0.1	0.2
Net assets applicable to shares outstanding	\$ 707.7	\$ 610.6	\$ 1,016.7
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, 2010 and 2009

CSAFE Changes in Net Assets Summary

The changes in CSAFE's net assets are 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 assets of CSAFE for the years ended December 31, 2010, 2009 and 2008:

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

	2010	2009	2008
Increase in net assets attributed to			
Operations – net investment income	\$ 2.8	\$ 1.2	\$ 50.0
Share transactions			
Net proceeds from sales of shares	1,863.4	2,447.8	5,930.2
Cost of shares redeemed	(1,769.1)	(2,855.1)	(6,457.2)
Net increase (decrease) in net assets derived from share transactions	94.3	(407.3)	(527.0)
Net increase (decrease) in net assets	97.1	(406.1)	(477.0)
Net assets at beginning of year	610.6	1,016.7	1,493.7
Net assets at end of year	\$ 707.7	\$ 610.6	\$ 1,016.7

Currently Known Facts, Decisions or Conditions

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

Requests for Information

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

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Net Assets December 31, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Investments		
Investments in securities		
U.S. government agency securities	\$ 153,990,780	\$ 87,214,896
Commercial paper	215,175,050	7,990,111
Corporate fixed notes	<u>6,283,930</u>	<u>10,378,489</u>
Total investments in securities	375,449,760	105,583,496
Certificates of deposit	<u>-</u>	<u>35,000,000</u>
Total investments	<u>375,449,760</u>	<u>140,583,496</u>
Cash and cash equivalents	328,325,813	466,712,901
Other assets		
Related party contribution receivable	3,600,000	2,830,585
Accrued interest	<u>432,338</u>	<u>649,632</u>
Total other assets	<u>4,032,338</u>	<u>3,480,217</u>
Total assets	707,807,911	610,776,614
Liabilities		
Accrued expenses	<u>135,605</u>	<u>137,922</u>
Net assets applicable to shares outstanding	<u>\$ 707,672,306</u>	<u>\$ 610,638,692</u>
Net assets value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Operations

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Investment income		
Interest	\$ 2,440,562	\$ 5,174,089
Realized loss on investment	-	(5,042,400)
Total investment income	2,440,562	131,689
Contribution revenue	1,669,415	2,830,585
Total revenues	<u>4,109,977</u>	<u>2,962,274</u>
Expenses		
Advisory fees	1,119,266	1,288,481
Custodian fees	89,110	91,775
Insurance	13,437	15,128
Activity and transaction fees	26,181	34,782
Legal fees	17,764	184,635
Rating agency fee	28,200	27,500
Accounting and auditing	30,432	28,300
Miscellaneous	3,929	3,618
Trustee board meeting expenses	29,009	8,844
Internet/Web page	9,067	13,889
Total expenses	<u>1,366,395</u>	<u>1,696,952</u>
Net increase in net assets resulting from operations – net investment income	<u>\$ 2,743,582</u>	<u>\$ 1,265,322</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Changes in Net Assets Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Increase in net assets attributed to		
Operations – net investment income	\$ 2,743,582	\$ 1,265,322
Share transactions		
Net proceeds from sales of shares	1,863,409,095	2,447,764,920
Cost of shares redeemed	<u>(1,769,119,063)</u>	<u>(2,855,142,608)</u>
Net increase (decrease) in net assets derived from share transactions	<u>94,290,032</u>	<u>(407,377,688)</u>
Net increase (decrease) in net assets	97,033,614	(406,112,366)
Net assets at beginning of year	<u>610,638,692</u>	<u>1,016,751,058</u>
Net assets at end of year	<u>\$ 707,672,306</u>	<u>\$ 610,638,692</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

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

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

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

Measurement Focus

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

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

Custodian

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

Cash Equivalents

CSAFE considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash equivalents consisted of money market and bank deposits, excluding certificates of deposit.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

Security Valuation

Securities are reported at amortized cost.

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 amount to less than \$.005 per share.

CSAFE will endeavor to minimize the amount of such gains or losses. However, if net realized or unrealized gains or losses should exceed \$.005 per share, a portfolio's net asset value per share may change from \$1.00 or be maintained at \$1.00 per share by reducing on a pro rata basis each participant's shares in the event of losses, or by a distribution of additional shares in the event of gains.

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

Investment Income

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

Income Taxes

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

Use of Estimates

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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

Note 2: Cash Deposits and Investments

Custodial Credit Risk

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

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. CSAFE's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk.

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

Concentration of Credit Risk

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

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

Commercial paper of \$215,175,050 and corporate securities of \$6,283,930 represent 57.3% and 1.67%, respectively, of CSAFE's total investments in securities as of December 31, 2010, and have maturities ranging from January 5, 2011 to August 1, 2011.

Commercial paper of \$7,990,111 and corporate securities of \$10,378,489 represented 7.6% and 9.8%, respectively, of CSAFE's total investments in securities as of December 31, 2009, and had maturities ranging from February 26, 2010 to December 1, 2010.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. CSAFE's investments as of December 31, 2010, all mature within one year of that date, with the exception of floating rate note securities which according to 2a-7 guidelines have a maturity equal to the next readjustment of the interest rate. Reset periods may not exceed 397 days.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

CSAFE's cash and investments at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Deposits	\$ 171,652,213	\$ 330,705,924
Money market funds	156,673,600	171,006,977
U.S. government agency securities	153,990,780	87,214,896
Commercial paper	215,175,050	7,990,111
Corporate fixed notes	<u>6,283,930</u>	<u>10,378,489</u>
Total	<u>\$ 703,775,573</u>	<u>\$ 607,296,397</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 and certificates of deposit held in PDPA eligible public depositories at December 31, 2010 and 2009 had a bank value of \$171,681,574 and \$330,785,666, respectively and a carrying value of \$171,652,213 and \$330,705,924, respectively.

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

Investments

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

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

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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

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

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 6,000,000	0.880% FHLB note due January 20, 2011	0.880%	\$ 6,001,639	\$ 6,025,345
18,000,000	0.250% FHLB discount float note due February 22, 2011	0.250%	17,998,455	18,002,739
5,000,000	0.157% FFCB premium float note due March 15, 2011	0.292%	5,000,145	5,002,931
10,000,000	0.213% FFCB premium float note due March 21, 2011	0.221%	10,000,219	9,992,331
5,000,000	0.218% FFCB premium float note due March 21, 2011	0.221%	5,000,215	4,999,829
6,000,000	0.351% FHLMC premium float note due April 1, 2011	0.350%	6,001,781	6,009,448
10,000,000	0.280% FFCB premium float note due May 3, 2011	0.280%	10,000,334	10,002,330
8,000,000	0.540% FHLB note due May 24, 2011	0.540%	8,000,000	8,015,875
10,000,000	0.280% FHLB float note due May 27, 2011	0.280%	10,000,000	10,001,840
14,000,000	0.360% FHLB note due June 13, 2011	0.360%	14,000,000	14,005,839
42,000,000	0.261% FHLMC discount float note due April 3, 2012	0.261%	41,984,115	41,987,286
20,000,000	0.280% FFCB premium float note due December 13, 2012	0.281%	20,003,877	19,991,699
			<u>\$ 153,990,780</u>	<u>\$ 154,037,492</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

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

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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

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

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

Investments in U.S. government agency securities at December 31, 2009, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 20,000,000	1.000% FHLB note due February 5, 2010	1.000%	\$ 20,000,000	\$ 20,092,822
5,000,000	0.160% FMC discount note due March 11, 2010	0.160%	4,998,467	4,997,967
5,000,000	0.183% FMC discount note due April 13, 2010	0.183%	4,997,450	4,995,951
7,000,000	4.125% FNMA note due May 15, 2010	0.220%	7,100,618	7,133,069
5,000,000	4.250% FHLB note due June 11, 2010	0.310%	5,086,895	5,125,638
10,000,000	0.540% FFCB callable note due September 15, 2010	0.540%	10,000,000	10,015,978
7,000,000	0.250% FHLB note due October 28, 2010	0.250%	7,000,000	7,003,116
20,000,000	0.500% FHLB note due October 29, 2010	0.500%	20,000,000	20,013,753
8,000,000	0.710% FFCB float note due November 12, 2010	0.260%	8,031,466	8,068,123
			\$ 87,214,896	\$ 87,446,417

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

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Investments in commercial paper rated A-1+ by Standard & Poor's at December 31, 2009, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 4,000,000	Ford Credit Auto Owner Trust due February 26, 2010	0.450%	\$ 3,997,200	\$ 3,999,000
4,000,000	Ford Credit Auto Owner Trust due April 27, 2010	0.551%	<u>3,992,911</u>	<u>3,996,644</u>
			<u>\$ 7,990,111</u>	<u>\$ 7,995,644</u>

Investments in corporate securities rated A-1+ by Standard & Poor's at December 31, 2009, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 9,975,000	GE Capital Services Corp due December 1, 2010	0.559%	<u>\$ 10,378,489</u>	<u>\$ 10,394,861</u>
			<u>\$ 10,378,489</u>	<u>\$ 10,394,861</u>

Investments in certificates of deposit at December 31, 2009, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 15,000,000	JP Morgan due February 27, 2010	0.760%	\$ 15,000,000	\$ 15,066,838
10,000,000	BBVA Compass due March 2, 2010	1.15%	10,000,000	10,066,164
10,000,000	BBVA Compass due June 2, 2010	1.31%	<u>10,000,000</u>	<u>10,074,795</u>
			<u>\$ 35,000,000</u>	<u>\$ 35,207,797</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

CSAFE's investments in institutional money market funds are rated AAAM by Standard & Poor's. These investments are made principally when the net rate of the money market fund exceeds the rate that can be obtained on a repurchase agreement. Money market management fees for the years ended December 31, 2010 and 2009, related to these money market funds ranged between 0.06% and 0.23% for each year. These fees are in addition to the fees paid by CSAFE participants to the Trust's advisor.

In 2009, CSAFE held shares in the Reserve Primary money market fund totaling \$42,442,140 prior to the recording of a realized loss of \$5,042,400. The Reserve Primary fund incurred liquidity issues in 2008 due to its holding of debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection in 2008. As of December 31, 2010, CSAFE had received distributions representing approximately 99% of its assets in the fund. CSAFE does not expect any further distributions from the Reserve Primary fund other than accrued interest earned as addressed in the fund's final plan of liquidation. The remaining 1% of the assets will be received in accordance with the Standby Capital Agreement with Davidson Fixed Income Management, Inc. (Note 4).

Note 3: Investment Advisory and Administrative Fees

Davidson Fixed Income Management, Inc. provides investment advisory services to CSAFE. Fees for such services are calculated daily and paid monthly, at a rate equal to .18% of the average daily net assets up to \$200 million, and .15% of the average daily net assets in excess of \$200 million. Fees paid in 2010 and 2009 totaled \$1,119,266 and \$1,288,481, respectively.

In addition, the Administrator accrued 0.04% of average daily net assets of the Trust in both 2010 and 2009, to meet administrative and custodial expenses.

Note 4: Standby Capital Agreement

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

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

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

Changes in the related party contribution receivable were as follows for the years ended December 31, 2010 and 2009:

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

2009			
Beginning Balance	Additions	Reductions	Ending Balance
<u>\$ -</u>	<u>\$ 2,830,585</u>	<u>\$ -</u>	<u>\$ 2,830,585</u>

Scheduled maturities for the related party contribution receivable are as follows as of December 31, 2010:

Year Ending December 31,	Amount
2011	\$ 900,000
2012	900,000
2013	900,000
2014	<u>900,000</u>
	<u>\$ 3,600,000</u>

Note 5: Significant Estimates and Concentrations

Current Economic Conditions

The current protracted economic decline continues to present local government investment pool trust funds with difficult circumstances and challenges, which in some cases has resulted in large declines in the fair value of investments, declines in net assets from increased share redemptions and constraints on liquidity. The financial statements have been prepared using values and information currently available to CSAFE.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2010 and 2009

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

Note 6: Additional Information

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

	2010	2009	2008	2007	2006
Investment income	\$ 0.003358	\$ 0.006304	\$ 0.028893	\$ 0.052760	\$ 0.050104
Expenses	<u>0.001900</u>	<u>0.002068</u>	<u>0.001551</u>	<u>0.001709</u>	<u>0.001847</u>
Net investment income	<u>\$ 0.001458</u>	<u>\$ 0.004236</u>	<u>\$ 0.027342</u>	<u>\$ 0.051051</u>	<u>\$ 0.048257</u>
	2010	2009	2008	2007	2006
Weighted-average maturity in days	38	36	7	29	27
Number of participant shares	707,656,823	612,850,507	1,016,420,022	1,493,737,986	1,072,816,606

The Trust's net average yield for 2010 and 2009 was 0.15% and 0.42%, respectively. For example, \$1,000 invested in the Trust on January 1, 2010, would have been worth \$ 1,001.46 at December 31, 2010 and \$1,000 invested on January 1, 2009 would have been worth \$1,004.24 at December 31, 2009. For 2010 and 2009 the unamortized portion of realized losses on investments is excluded from the above calculations, because it did not impact participant valuation calculations.

Colorado Surplus Asset Fund Trust (CSAFE)

**CSAFE Board of Trustees
December 31, 2010 and 2009**

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