

FLORIDA SURPLUS ASSET FUND TRUST  
Orlando, Florida

FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Florida Surplus Asset Fund Trust  
Orlando, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the FL SAFE Fund and Term Series of the Florida Surplus Asset Fund Trust (FL SAFE), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise FL SAFE'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 auditors' 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FL SAFE Fund and Term Series as of December 31, 2013 and 2012, and the respective results of operations and the changes in 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 on pages 3 through 8 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 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.



Denver, Colorado  
April 25, 2014

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

Florida Surplus Asset Fund Trust (FL SAFE) is a local government investment pool (LGIP) trust fund which began operations on February 5, 2008. FL SAFE is organized under Florida Statutes §163-01, *et seq.* As such a LGIP trust, FL SAFE pools and invests the funds of its Florida local government participants within the Investment Policy, established by the FL SAFE Board, and limitations set forth in the Indenture of Trust, as amended, and Florida Statutes §218-415, *et seq.* See [flsafe.org](http://flsafe.org) for further information.

FL SAFE includes a liquid money market portfolio (FL SAFE Fund) and one or more Term Series portfolios. FL SAFE trustees also have arranged for a Fixed Income Investment Program (FIIP) to be offered to the participants in FL SAFE, and additional investment support services. These financial statements and related notes encompass the FL SAFE Fund and Term Series.

FL SAFE is overseen by a Board of Trustees comprised of Florida local government officials, who are themselves participants in FL SAFE as the investment officer or designee for their own local government. Investment securities are held in a trust custody account at BMO Harris N.A. CliftonLarsonAllen LLP serves as the independent auditor. Florida Management and Administration Services, LLC (FMAS), Orlando, Florida has served as Administrator since May 2011. Prudent Man Advisors, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission, serves as investment adviser, PMA Financial Network, Inc. serves as operational manager and PMA Securities, Inc. serves as the distributor since November 1, 2011.

The primary objectives of FL SAFE are to provide safety, liquidity, transparency and yield for Florida government entities. Eligible participants include all Florida governments, including but not limited to, school districts, higher education institutions, counties, municipalities and special districts. In addition, FL SAFE is rated AAAM by the Standard & Poor's Corporation (S&P). S&P has requirements that further govern the composition of investments, the average maturity of the investments and the types of investments. FL SAFE reports to S&P on a weekly basis and is subject to an annual rating review.

## **FINANCIAL HIGHLIGHTS**

### **FL SAFE Fund**

- FL SAFE Fund's net position totaled \$141.17 million as of December 31, 2013, down from \$150.04 million on December 31, 2012. The decrease is attributed to participant redemptions in excess of subscriptions for the year.
- The composition of investments for FL SAFE Fund shifted from commercial paper and a repurchase agreement to certificates of deposit. As of December 31, 2013, approximately 2.1% of FL SAFE Fund's assets were invested in fixed rate U.S. government agency securities, 10.6% in floating rate U.S. government agency securities, 1.7% in bankers acceptances, 11.6% in certificates of deposit, 7.8% in commercial paper, 3.0% in corporate notes, 39.0% in collateralized bank deposits, and 24.2% in uncollateralized bank deposits.
- Net investment income for FL SAFE Fund decreased in 2013 when compared to 2012, totaling \$0.16 and \$0.17 million, respectively. The average net yield of an investment in FL SAFE was 0.10% for 2013 and 2012.

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

**Term Series**

- There were two Term Series with a net position totaling \$35.65 million that were opened during the year that remained outstanding as of December 31, 2013. There were no Term Series opened during 2012 or outstanding as of December 31, 2012.
- As of December 31, 2013, approximately 67.7% of the Term Series' assets were invested in certificates of deposit and 32.3% in collateralized bank deposits.
- Net investment income for Term Series was \$.02 million.

**FL SAFE Fund Asset Summary**

The changes in FL SAFE Fund's net position are the result of investment earnings, combined with purchases and redemptions of shares by participants. Assets as of the year ended December 31, 2013 were down 6% and for 2012 were up 6%, from the prior year. FL SAFE Fund primarily invests in U.S. agency securities, highly rated commercial paper, bank deposits, certificates of deposit, corporate notes and bankers acceptances.

FL SAFE Fund maintained a per share value of \$1.00 per share throughout 2013 and 2012. Shown below is a summary of the net position of FL SAFE Fund.

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

**Table 1  
Net Position FL SAFE Fund  
(in Millions)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Investments			
US government agency securities	\$ 18.00	\$ 30.32	\$ 35.03
Banks acceptances	2.34	7.15	-
Certificates of deposit	16.41	-	-
Commercial paper	11.00	22.99	27.23
Corporate notes	4.29	-	-
Repurchase agreement	-	10.00	-
Total investments	<u>52.04</u>	<u>70.46</u>	<u>62.26</u>
Cash	89.31	79.64	79.18
Other assets			
Accrued interest	0.05	0.17	0.03
Prepaid expenses	<u>0.01</u>	<u>0.02</u>	<u>-</u>
Total assets	<u>141.41</u>	<u>150.29</u>	<u>141.47</u>
<b>LIABILITIES</b>			
Accrued expenses	0.04	0.05	0.02
Deposit by investment advisor	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>
Total liabilities	<u>0.24</u>	<u>0.25</u>	<u>0.22</u>
Net position applicable to shares outstanding	<u>\$ 141.17</u>	<u>\$ 150.04</u>	<u>\$ 141.25</u>
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>

**Term Series Asset Summary**

The Term Series net position is the result of investment earnings, combined with purchases of shares by participants. Term Series primarily invests in certificates of deposit.

Term Series maintained a per share value of \$1.00 per share throughout 2013. Shown below is a summary of the net position of Term Series.

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

**Table 1  
Net Position Term Series  
(in Millions)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Certificates of deposit	\$ 24.14	\$ -	\$ -
Cash	11.49	-	-
Other assets			
Accrued interest	0.03	-	-
Prepaid expenses	<u>0.01</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>35.67</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>LIABILITIES</b>			
Dividend payable	<u>0.02</u>	<u>-</u>	<u>-</u>
Net position applicable to shares outstanding	<u><u>\$ 35.65</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net asset value per share	<u><u>\$ 1.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FL SAFE Fund's ending net position is the result of investment earnings combined with purchases and redemptions of shares by participants. Changes in net position for the year ended December 31, 2013 were mostly the result of participant transactions comprised of \$105.2 million of purchases, \$114.24 million of redemptions and \$0.16 million of net investment income resulting in net position of \$141.17 million. FL SAFE Fund's net position decreased by \$8.9 million as of December 31, 2013 compared to December 31, 2012. Changes in net position for the year ended December 31, 2012 were mostly the result of participant transactions comprised of \$94.99 million of purchases, \$86.37 million of redemptions and \$0.17 million of net investment income resulting in net position of \$150.04 million. FL SAFE Fund's net position increased by \$8.79 million as of December 31, 2012 compared to December 31, 2011.



**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

**Table 2  
Changes in Net Position FL SAFE Fund  
(in Millions)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Increase (decrease) in net position attributed to			
Operations - net income	\$ 0.16	\$ 0.17	\$ 0.33
Share transactions			
Net proceeds from sale of shares	105.20	94.99	84.03
Cost of shares redeemed	<u>(114.23)</u>	<u>(86.37)</u>	<u>(126.46)</u>
Net increase (decrease) in net position derived from share transactions	<u>(9.03)</u>	<u>8.62</u>	<u>(42.43)</u>
Net increase (decrease) in net position	(8.87)	8.79	(42.10)
Net position at beginning of year	<u>150.04</u>	<u>141.25</u>	<u>183.35</u>
<b>Net position at end of year</b>	<b><u>\$ 141.17</u></b>	<b><u>\$ 150.04</u></b>	<b><u>\$ 141.25</u></b>

Term Series' ending net position is the result of investment earnings combined with purchases of shares by participants.

**Table 2  
Changes in Net Position Term Series  
(in Millions)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Increase in net position attributed to			
Operations - net income	\$ 0.02	\$ -	\$ -
Share transactions			
Net proceeds from sale of shares	35.65	-	-
Cost of shares redeemed	<u>(0.02)</u>	<u>-</u>	<u>-</u>
Net increase in net position derived from share transactions	<u>35.63</u>	<u>-</u>	<u>-</u>
Net increase in net position	35.65	-	-
Net position at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position at end of year</b>	<b><u>\$ 35.65</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013 and 2012**

**Currently Known Facts, Decisions or Conditions**

Changes in interest rates, changes in the number of participating governments and investment decisions of those Florida government entities are the primary drivers of FL SAFE's net position and changes in net positions.

**Requests for Information**

This financial report is designed to provide a general overview of FL SAFE's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Jeffrey T. Larson, President, Florida Management and Administrative Services, Administrator, FL SAFE, 10151 University Blvd., #227, Orlando, Florida 32817, [JLarson@floridamanagementservices.com](mailto:JLarson@floridamanagementservices.com) or 407-496-1597.

**FLORIDA SURPLUS ASSET FUND TRUST (FL SAFE)**  
**STATEMENTS OF NET POSITION**  
**December 31, 2013 and 2012**

	<b>2013</b>		<b>2012</b>
	<b>FL SAFE</b>		<b>FL SAFE</b>
	<b>Fund</b>	<b>Term Series</b>	<b>Fund</b>
<b>ASSETS</b>			
Investments in securities			
US government agency securities	\$ 15,001,176	\$ -	\$ 23,010,052
US government agency securities - long-term	3,002,405	-	7,311,517
Bankers acceptances	2,343,710	-	7,153,149
Certificates of deposit	16,406,159	24,137,908	-
Commercial paper	10,995,864	-	22,985,129
Corporate notes	4,291,852	-	-
Repurchase agreement	<u>-</u>	<u>-</u>	<u>10,000,000</u>
Total investments in securities	52,041,166	24,137,908	70,459,847
Cash and cash equivalents	89,312,349	11,494,266	79,646,157
Other assets			
Accrued interest	52,629	32,950	166,760
Prepaid expenses	<u>10,624</u>	<u>12,902</u>	<u>16,946</u>
Total assets	<u>141,416,768</u>	<u>35,678,026</u>	<u>150,289,710</u>
<b>LIABILITIES</b>			
Accrued expenses	45,287	-	45,248
Dividend payable	-	28,026	-
Deposit by investment advisors	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total liabilities	<u>245,287</u>	<u>28,026</u>	<u>245,248</u>
Net position applicable to shares outstanding	<u>\$ 141,171,481</u>	<u>\$ 35,650,000</u>	<u>\$ 150,044,462</u>
<b>SHARES OUTSTANDING</b>	141,417,133	35,650,000	150,321,180
<b>NET ASSET VALUE PER SHARE</b>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>

The accompanying notes are an integral part of the basic financial statements.

**FLORIDA SURPLUS ASSET FUND TRUST (FL SAFE)**  
**STATEMENTS OF OPERATIONS**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>		<b>2012</b>
	<b>FL SAFE</b>	<b>Term Series</b>	<b>FL SAFE</b>
	<b>Fund</b>	<b>Term Series</b>	<b>Fund</b>
<b>CONTRIBUTIONS AND INVESTMENT INCOME</b>			
Investment income	\$ 381,265	\$ 32,950	\$ 391,351
Contributions	3,879	-	16,446
Gain on investments	220	-	849
Total income	385,364	32,950	408,646
<b>Expenses</b>			
Audit fees	22,649	-	43,056
Advisory and operational fees	79,097	4,924	42,963
Administrator fees	90,000	-	89,854
Cash management expense	3,247	-	8,757
Custodian expense	-	-	17,786
Insurance expense	20,289	-	15,671
Legal fees	-	-	10,566
Ratings expense	7,665	-	9,102
Miscellaneous expenses	-	-	1,517
Board expenses	-	-	1,940
Total fees and expenses	222,947	4,924	241,212
<b>NET INCREASE IN NET POSITION RESULTING FROM OPERATIONS - NET INCOME</b>	<b>\$ 162,417</b>	<b>\$ 28,026</b>	<b>\$ 167,434</b>

The accompanying notes are an integral part of the basic financial statements.

**FLORIDA SURPLUS ASSET FUND TRUST (FL SAFE)**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>		<u>2012</u>
	<u>FL SAFE</u>	<u>FL SAFE</u>	
	<u>Fund</u>	<u>Term Series</u>	<u>Fund</u>
<b>Increase (decrease) in net position attributed to</b>			
Operations - net income	\$ 162,417	\$ 28,026	\$ 167,434
Share transactions			
Net proceeds from sales of shares	105,204,044	35,650,000	94,993,311
Cost of shares redeemed	<u>(114,239,442)</u>	<u>(28,026)</u>	<u>(86,365,473)</u>
Net increase (decrease) in net position derived from share transactions	<u>(9,035,398)</u>	<u>35,621,974</u>	<u>8,627,838</u>
Net increase (decrease) in net position	(8,872,981)	35,650,000	8,795,272
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>150,044,462</u>	<u>-</u>	<u>141,249,190</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 141,171,481</u>	<u>\$ 35,650,000</u>	<u>\$ 150,044,462</u>

The accompanying notes are an integral part of the basic financial statements.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Florida Surplus Asset Fund Trust (FL SAFE) is a local government investment pool (LGIP) trust fund which began operations on February 5, 2008. FL SAFE is organized under Florida Statutes §163-01, *et seq.* As such a LGIP trust, FL SAFE pools and invests the funds of its Florida local government participants within the Investment Policy, established by the FL SAFE Board, and limitations set forth in FL SAFE's Indenture of Trust and Florida Statutes §218-415, *et seq.*

FL SAFE includes a liquid money market portfolio (FL SAFE Fund) and one or more Term Series portfolios.

Following is a summary of significant accounting policies consistently applied by FL SAFE 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**

FL SAFE prepares its financial statements as a special-purpose government entity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

In accordance with GASB Standards on *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, FL SAFE is an external investment pool and reports its investments at amortized cost. In accordance with GASB *Standards on Deposit and Investment Risk Disclosures*, FL SAFE discloses certain information regarding credit risk, concentration of credit risk, interest rate risk and custodial credit risk of its deposits and investments. As provided for in GASB standards, the financial statements of FL SAFE are presented as a fiduciary fund type-investment trust fund. The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting which is required by GASB.

**Custodian**

BMO Harris Bank N.A. is the custodian for FL SAFE. The custodian is responsible for the safekeeping of all securities.

**Valuation of Investments**

For the purpose of calculating FL SAFE's net position value per share, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The market values of the securities held by FL SAFE are determined on at least a weekly basis using prices supplied from an independent pricing service. These values are then compared to the amortized cost of the securities. In the event that the difference between the aggregate market price and aggregate amortized cost of the portfolio securities exceeds .25%, FL SAFE's Operations Manager will notify the FL SAFE Administrator, who will consider, in consultation with FL SAFE's Board, what action, if any, should be initiated.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Income**

Investment income is recognized on an accrual basis. Distributions from net investment income are declared daily and paid monthly.

**Income Taxes**

FL SAFE was organized to provide pooling of public funds for local governmental entities in Florida, 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.

**Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* specifies that the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

**Investment Risk Factors**

There are many factors that can affect the value of investments, including custodial credit risk, concentration of credit risk and interest rate risk. FL SAFE via its Board of Trustees has established an Investment Policy to provide the basis for the management of a prudent investment program appropriate to maintain a net asset value per share (NAV) of \$1.00 and a AAAM rating by Standard and Poors.

**Deposits**

At December 31, 2013, FL SAFE had \$55,098,378 in deposit accounts that were fully collateralized by U.S. Treasury notes and U.S. government agency securities. In addition, FL SAFE had \$34,213,971 in uncollateralized deposits at highly rated banks. Uncollateralized deposits are only utilized within the allowable limits of the Standard & Poor's rating guidelines for the maintenance of the AAAM rating, and per the Board authorized Investment Policy. At December 31, 2012, FL SAFE had \$58,452,913 in deposit accounts that were fully collateralized by municipal securities and \$21,193,244 in uncollateralized deposits at highly

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

rated banks. At December 31, 2013, the Term Series had \$11,494,266 in a non-interest bearing deposit account that was fully collateralized by municipal and U.S. government agency securities.

All arrangements that include non-interest bearing deposit accounts also include a component that earns interest or earns credits which offset fees. When considered in total, these arrangements have the impact of increasing the net income of the Fund.

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, FL SAFE 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, FL SAFE will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities for FL SAFE are held at BMO Harris N.A. for safekeeping; as such, the Board believes there is minimal custodial credit risk for its investments.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. FL SAFE's investment policy calls for diversifying the investment portfolio according to the Standard & Poor's AAAM rating guidelines, so the impact of potential losses from any one type of security or from any one individual issuer will be contained.

The schedules of investments on the following page shows the concentration of each investment held by FL SAFE.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FL SAFE attempts to mitigate its interest rate risk by limiting the maturities of its investments.

The maturities of all investments held by FL SAFE are shown in the investment schedules below by specific identification.

**Investments in Securities**

Pursuant to its Investment Policy, FL SAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper, repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount, certificates of deposit and other evidences of deposit with approved financial institutions, obligations of state and local governments and public authorities rated in the two highest rating tiers by a nationally recognized rating agency, and money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities. With the exception of U.S. government agency securities, the maximum maturity allowed for any investment is 397 days



**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

FL SAFE Investments at December 31, 2013 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
<b>US Government Agencies</b>							
3,000,000	FFCB	07/16/14	5.77%	0.29%	A-1+	\$ 3,001,289	\$ 3,001,188
5,000,000	FHLMC	12/15/14	9.59%	0.18%	A-1+	4,991,542	4,993,260
7,000,000	FFCB	01/26/15	13.47%	0.23%	A-1+	7,008,345	7,009,653
3,000,000	FFCB	04/27/15	5.77%	0.18%	A-1+	3,002,405	3,001,422
<b>Bankers Acceptances</b>							
500,000	US Bank	10/08/13	0.96%	0.34%	A-1+	499,880	499,925
400,000	US Bank	10/11/13	0.77%	0.31%	A-1+	399,796	399,739
764,307	US Bank	10/16/13	1.47%	0.32%	A-1+	763,859	763,708
300,000	US Bank	10/17/13	0.58%	0.32%	A-1+	299,796	299,695
380,642	US Bank	03/10/14	0.73%	0.31%	A-1+	380,379	380,221
<b>Certificates of Deposit</b>							
249,500	Far East National Bank	01/13/14	0.48%	0.40%	A-1+	249,500	249,500
249,000	Beal Bank	01/22/14	0.48%	0.40%	A-1+	248,985	248,978
249,000	Oriental Bank & Trust	02/05/14	0.48%	0.35%	A-1+	248,989	248,959
249,000	Cole Taylor Bank (N)	02/11/14	0.48%	0.38%	A-1+	249,000	249,000
249,000	Bank of India	02/12/14	0.48%	0.35%	A-1+	248,942	248,912
249,300	Landmark Community Bank	04/14/14	0.48%	0.40%	A-1+	249,300	249,300
249,000	Comenity Capital Bank	04/25/14	0.48%	0.32%	A-1+	248,948	248,812
249,200	IDB Bank NY	05/05/14	0.48%	0.45%	A-1+	249,200	249,400
249,400	Sterling National Bank	05/05/14	0.48%	0.30%	A-1+	249,400	249,200
249,400	The First, NA	05/05/14	0.48%	0.30%	A-1+	249,400	249,400
249,000	First Niagara Bank NY	05/08/14	0.48%	0.35%	A-1+	248,956	248,830
249,000	GE Capital Bank	05/09/14	0.48%	0.45%	A-1+	248,866	248,828
249,000	GE Capital Retail Bank	05/09/14	0.48%	0.45%	A-1+	248,866	248,828
249,200	Bank of New England	05/16/14	0.48%	0.40%	A-1+	249,200	249,200
249,300	Financial Federal Bank	05/16/14	0.48%	0.34%	A-1+	249,300	249,400
249,400	Orrstown Bank	05/16/14	0.48%	0.30%	A-1+	249,400	249,300
248,900	Banco Popular North America	07/16/14	0.48%	0.42%	A-1+	248,900	248,900
248,900	Bank of the West	07/16/14	0.48%	0.40%	A-1+	248,900	248,900
248,500	Onewest Bank	07/16/14	0.48%	0.60%	A-1+	248,500	248,500
248,800	Plainscapital Bank	07/16/14	0.48%	0.45%	A-1+	248,800	248,800
248,800	Private Bank - MI	07/16/14	0.48%	0.45%	A-1+	248,800	248,800

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
248,700	United Texas Bank	07/16/14	0.48%	0.56%	A-1+	248,700	248,700
249,000	Bank of Baroda	07/23/14	0.48%	0.45%	A-1+	248,722	249,135
3,000,000	Bank of China	07/24/14	5.76%	0.40%	A-1+	3,000,000	3,000,000
249,000	Bank of China	07/24/14	0.48%	0.55%	A-1+	248,791	248,958
249,000	Discover Bank (N)	07/24/14	0.48%	0.45%	A-1+	248,861	249,162
249,000	Mizuho Corp Bank	07/24/14	0.48%	0.45%	A-1+	248,930	249,183
248,000	State Bank of India (CA)	07/29/14	0.48%	0.65%	A-1+	247,716	247,999
249,000	First Commercial Bank MS	07/30/14	0.48%	0.30%	A-1+	248,928	249,000
249,000	Key Bank NA	07/31/14	0.48%	0.30%	A-1+	248,928	249,154
249,000	Safra National Bank	07/31/14	0.48%	0.45%	A-1+	248,711	248,803
249,100	GBC International Bank	09/10/14	0.48%	0.34%	A-1+	249,100	249,100
249,100	Luana Savings Bank	09/10/14	0.48%	0.35%	A-1+	249,100	248,800
249,000	Premier Bank	09/10/14	0.48%	0.36%	A-1+	249,000	249,100
248,800	Sonabank NA	09/10/14	0.48%	0.45%	A-1+	248,800	249,000
249,000	Enterprise Bank	09/19/14	0.48%	0.38%	A-1+	248,955	248,723
249,100	Affiliated Bank	09/30/14	0.48%	0.34%	A-1+	249,100	249,100
2,000,000	Bank of China	10/09/14	3.84%	0.35%	A-1+	2,000,000	2,000,000
249,000	Southern First Bank NA	10/09/14	0.48%	0.40%	A-1+	248,808	248,628
248,980	Bridgewater Bank	11/05/14	0.48%	0.41%	A-1+	248,980	249,000
249,100	Capital Bank NA	11/05/14	0.48%	0.35%	A-1+	249,100	203,940
203,940	East Boston Savings Bank Boston, MA	11/05/14	0.39%	0.35%	A-1+	203,940	248,980
249,000	Granite Community Bank / First NB of Cold Springs	11/05/14	0.48%	0.39%	A-1+	249,000	249,100
248,980	ONB Bank and Trust Company	11/05/14	0.48%	0.40%	A-1+	248,980	248,980
249,000	Enerbank USA	11/13/14	0.48%	0.45%	A-1+	248,784	248,415
249,000	Wex Bank	11/14/14	0.48%	0.50%	A-1+	248,566	248,390
249,000	Bank of North Carolina	11/21/14	0.48%	0.30%	A-1+	248,889	248,397
249,000	Compass Bank	12/15/14	0.48%	0.56%	A-1+	248,618	248,434
<b>Commercial Paper</b>							
6,000,000	Bank of Nova Scotia	01/06/14	11.53%	0.21%	A-1	5,999,825	5,999,970
5,000,000	Union Bank NA	05/05/14	9.60%	0.23%	A-1	4,996,039	4,995,712
<b>Corporate Notes</b>							
237,000	General Elec Capital Corp	01/07/14	0.46%	0.26%	A-1+	237,035	237,024
288,000	General Elec Capital Corp	04/07/14	0.55%	0.29%	A-1+	288,477	288,460
2,939,000	General Elec Capital Corp	06/20/14	5.65%	0.29%	A-1+	2,940,888	2,940,769
825,000	John Deere Capital Corp	10/08/14	1.59%	0.28%	A-1	825,452	825,460
<b>Total Investments</b>						<u>\$ 52,041,166</u>	<u>\$ 52,042,134</u>

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

Term Series Investments at December 31, 2013 were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Due Date</u>	<u>Percent of Total</u>	<u>Yield</u>	<u>Rating</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
<b>Term Series 20140512AA07</b>							
<b>Certificate of deposit</b>							
12,643,692	Citibank, NA	05/12/14	52.38%	0.37%	A-1+	\$ 12,643,692	\$ 12,643,692
<b>Term Series 20140618AA07</b>							
<b>Certificate of deposit</b>							
11,494,216	BankUnited, NA	06/18/14	47.62%	0.70%	A-1+	<u>11,494,216</u>	<u>11,494,216</u>
<b>Total Investments</b>						<b><u>\$ 24,137,908</u></b>	<b><u>\$ 24,137,908</u></b>

FL SAFE Investments at December 31, 2012 were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Due Date</u>	<u>Percent of Total</u>	<u>Yield</u>	<u>Rating</u>	<u>Value- Amortized Cost</u>	<u>Market Value</u>
<b>US Government Agencies</b>							
15,000,000	FFCB FRN	06/14/13	21.30%	0.18%	A-1+	\$ 15,006,058	\$ 15,012,855
8,000,000	FHLB FRN	12/27/13	11.36%	0.20%	A-1+	8,003,993	8,003,200
7,000,000	FHLMC	01/15/14	10.38%	0.20%	A-1+	7,311,517	7,310,940
<b>Bankers Acceptances</b>							
139,000	JP Morgan Chase	01/03/13	0.20%	0.33%	A-1	138,998	138,998
340,000	JP Morgan Chase	01/18/13	0.48%	0.33%	A-1	339,948	339,966
165,000	JP Morgan Chase	01/22/13	0.23%	0.33%	A-1	164,970	164,980
261,150	US Bank	01/25/13	0.37%	0.29%	A-1+	261,099	261,114
173,000	JP Morgan Chase	01/28/13	0.25%	0.33%	A-1	172,959	172,973
234,613	US Bank	01/28/13	0.33%	0.56%	A-1+	234,516	234,576
188,000	JP Morgan Chase	02/04/13	0.27%	0.30%	A-1	187,947	187,958
187,000	JP Morgan Chase	02/11/13	0.27%	0.31%	A-1	186,936	186,942
237,000	JP Morgan Chase	03/04/13	0.34%	0.31%	A-1	236,878	236,841
500,721	US Bank	03/18/13	0.71%	0.35%	A-1+	500,362	500,245
526,835	US Bank	04/01/13	0.75%	0.30%	A-1+	526,440	526,165
180,000	JP Morgan Chase	04/15/13	0.26%	0.27%	A-1	179,860	179,711
274,674	US Bank	04/17/13	0.39%	0.41%	A-1+	274,350	274,219
284,552	US Bank	04/22/13	0.40%	0.35%	A-1+	284,254	284,045
203,852	US Bank	04/29/13	0.29%	0.36%	A-1+	203,618	203,450
1,020,195	US Bank	05/06/13	1.45%	0.32%	A-1+	1,019,097	1,017,981
245,000	JP Morgan Chase	05/07/13	0.35%	0.27%	A-1	244,769	244,462
236,652	US Bank	05/17/13	0.34%	0.34%	A-1+	236,357	236,060
1,062,295	US Bank	05/20/13	1.51%	0.35%	A-1+	1,060,900	1,059,540
700,000	US Bank	06/05/13	0.99%	0.38%	A-1+	698,892	697,839

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
<b>Commercial Paper</b>							
6,000,000	Bank of Nova Scotia NY	01/07/13	7.10%	0.36%	A-1	4,999,708	4,999,884
5,000,000	General Electric Capital Crop	02/25/13	7.09%	0.32%	A-1+	4,997,632	4,999,184
5,000,000	Toronto Dominion Holding Corp	03/28/13	7.09%	0.32%	A-1+	4,996,297	4,997,704
3,000,000	JP Morgan Chase	05/15/13	4.25%	0.28%	A-1	2,996,873	2,998,763
5,000,000	Union Bank	06/05/13	7.09%	0.25%	A-1	4,994,619	4,990,467
<b>Repurchase Agreement</b>							
10,000,000	Goldman Sachs	01/07/13	14.19%	0.21%	A-1	<u>10,000,000</u>	<u>10,000,000</u>
<b>Total Investments</b>						<u>\$ 70,459,847</u>	<u>\$ 70,461,062</u>

**NOTE 3 – INVESTMENT ADVISORY AND ADMINISTRATIVE FEES**

Florida Management and Administration Services LLC. (FMAS) provides administration services to FL SAFE. Fees for such services are accrued daily and paid monthly in the amount of a base administrative fee of \$7,500 per month. Additional fees may be paid if the daily average net positions are above \$200 million. These amounts will be calculated at a rate of 0.05% of the average daily net position over \$200 million up to \$500 million, 0.04% of the average daily net position up to \$1 billion, 0.03% of the average daily net position up to \$5 billion, and 0.02% of the average daily net position in excess of \$5 billion. Fees paid to FMAS in 2013 totaled \$90,000, and \$89,854 for 2012.

Prudent Man Advisors, Inc., PMA Financial Network, Inc. and PMA Securities, Inc. (collectively PMA) provide investment advisory, operational management and distribution services to The Fund. Fees for the investment advisory services for FL SAFE are calculated daily and paid monthly, at a rate of 0.07% of the average daily net asset up to \$500 million, and 0.0525% of the average daily net position over \$500 million. Fees for the operational services and distributor services are calculated at 0.13% on the first \$500 million of assets and 0.0975% for assets in excess of \$500 million. FL SAFE paid PMA \$79,097 for 2013, and \$42,963 for 2012. Fees for operational services and distributor services were waived for 2012.

Each Term Series individually pays Prudent Man Advisors, Inc. a fee of up to 0.25% annualized on any investments in the Term Series. An additional fee, not to exceed 0.10% annualized, will be charged on any assets of the Term Series that require management and administration of collateral, letters of credit and other third-party guarantees. Such fees are accrued daily. \$4,924 was paid during 2013.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 4 – ADDITIONAL INFORMATION**

Selected data for each share of FL SAFE Fund outstanding at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Investment income	\$ 0.002788	\$ 0.002994
Amortization of losses	(0.000200)	(0.000200)
Expenses	<u>(0.001629)</u>	<u>(0.001841)</u>
<b>Net investment income distributed</b>	<b><u>\$ 0.000959</u></b>	<b><u>\$ 0.000953</u></b>

Additional data on the investment portfolio of FL SAFE Fund as of December 31, 2013 and 2012 is as below:

	<u>2013</u>	<u>2012</u>
Weighted-average maturity in days	46	38

FL SAFE Fund's net average yield was 0.10% for both the year ended December 31, 2013 and 2012. As such, \$1,000 invested in FL SAFE on January 1, 2013 or 2012 would have been worth \$1,001 at December 31, 2013 or 2012. See note 5 for net losses amortized to participants.

**NOTE 5 – STAND BY CAPITAL SUPPORT AGREEMENT**

Effective November 1, 2011, FL SAFE entered into a Standby Capital Support Agreement with PMA Financial Network, Inc. under which PMA provided \$200,000 in a deposit account, currently at BMO Harris Bank N.A., under FL SAFE's name. The amounts held in this account are to be used as contributions as necessary to bring the FL SAFE's NAV to \$0.9975 per share. There have been no contributions necessary from the Standby Capital Support Agreement with PMA during 2013, 2012, or 2011.

**NOTE 6 – RESERVE PRIMARY MONEY MARKET FUND**

FL SAFE Fund held shares in the Reserve Fund which incurred solvency issues in 2008 due to its holding of debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection in 2008. Losses associated with the Reserve Fund were \$39,557 and \$539,701 in 2010 and 2009 for a total loss of \$579,258.

On December 11, 2008, FL SAFE entered into a Standby Capital Agreement with Davidson Fixed Income Management (DFIM), the prior Investment Advisor, under which DFIM agreed to contribute amounts, as necessary, to bring the FL SAFE's NAV to \$0.9975 per share, subject to a maximum of \$200,000. Under this agreement, DFIM contributed \$102,998 in 2010 and an additional \$97,002 during 2011.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 6 – RESERVE PRIMARY MONEY MARKET FUND (CONTINUED)**

Under the Revenue Recognition Policy adopted by the FL SAFE Board on November 14, 2008, the shortfall from the net loss associated with the Reserve Fund was to be amortized over no more than 8 years as a reduction of participant earnings. Per Board action, this amortization began on January 1, 2011. The amortization will also be affected by revenue from the Royalty Agreement described in Note 7 below. A schedule of the shortfall and amortization to participants through December 31, 2013 is as follows:

Total loss associated with the Reserve Fund as of December 31, 2010	\$ (579,258)
Standby Capital Agreement contributions from DFIM during 2010	102,998
Standby Capital Agreement contributions from DFIM during 2011	97,002
Amortization of loss and other items	<u>133,781</u>
Shortfall as of December 31, 2013 to be amortized over the next five years	\$ <u>(245,477)</u>

**NOTE 7 – ROYALTY AGREEMENT**

Effective November 1, 2011, FL SAFE entered into a Royalty Agreement with PMA Financial Network, Inc. and PMA Securities, Inc. under which PMA may work with the Board and the Administrator to market the PMA Fixed Income Investment Program (FIIP) and other specific PMA FL SAFE value added service and investment programs, including the Term Series, to FL SAFE participants. Royalty fees are paid to FL SAFE of 20% of the total gross revenue earned by PMA from sales to FL SAFE participants. Of the royalty revenue paid to FL SAFE at least 50% shall be used to amortize the loss associated with the Reserve Fund (see Note 6). Upon full amortization of the shortfall, the royalty fee shall be reduced to 15% of the total gross revenue earned by PMA for sale of the programs to FL SAFE participants. Sales made by PMA to FL SAFE participants during 2013 and 2012 resulted in deposits of \$3,879 and \$16,446, respectively, into FL SAFE and were used to amortize the loss.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

PMA may execute investment transactions with related parties on a best execution basis. The Board of Trustees has approved the Fund's use of PMA as a potential investment provider. On occasion during the year, the Fund held investments placed through PMA. All fees for placement of these investments were waived by PMA.

**NOTE 9 – TERM SERIES**

The Fund had two Term Series that were opened during the year and that had not matured as of December 31, 2013. These Term Series are presented combined on the Financial Statements, including the Statement of Net Position, and Statements of Operations and Changes in Net Position. The Term Series are optional to any FL SAFE Fund participant and designed for participants who will not need access to their investment prior to the termination date of the Series. Each Term Series is independent from all other Term Series. If one Term Series loses value, no other Term Series is impacted by such loss.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 10 – CURRENT ECONOMIC CONDITIONS**

The current economic environment presents local government investment pool trust funds with challenging circumstances, which in some cases have resulted in large declines in the fair value of investments, declines in net position from increased share redemptions, constraints on liquidity and reduced investment earnings. The financial statements have been prepared using values and information currently available to FL SAFE.

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

This information is an integral part of the accompanying basic financial statements.

**Florida Surplus Asset Fund Trust (FL SAFE)**

**FL SAFE Board of Trustees**

**as of December 31, 2013**

**Mark C. Mason, CPA, Chairman  
City of Tamarac, Florida**

**Linda Senne, CPA, CGFM, Vice Chairman  
City of Venice, Florida**

**Jerry Boop, CPA, CGFO, Secretary/Treasurer  
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**Robert Clinger, CPA, Board Member  
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