



FLORIDA SURPLUS ASSET FUND TRUST
Denver, Colorado

FINANCIAL STATEMENTS
December 31, 2008

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Independent Auditor's Report

Board of Trustees
Florida Surplus Asset Fund Trust
Denver, Colorado

We have audited the accompanying statement of net assets of Florida Surplus Asset Fund Trust ("FLSAFE") as of December 31, 2008, and the related statements of operations and changes in net assets for the period then ended. These financial statements are the responsibility of FLSAFE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 FLSAFE as of December 31, 2008, and the results of its operations and the changes in its net assets for the period 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.

Clifton Gunderson LLP

April 1, 2009
Denver, Colorado

FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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

FLSAFE is overseen by a Board of Trustees comprised of Florida local government officials. All of the local government assets entrusted to FLSAFE are held in a trust custody account at Regions Bank. Clifton Gunderson, LLP serves as the independent auditor to FLSAFE. Davidson Fixed Income Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission, serves as FLSAFE's investment adviser and administrator.

FLSAFE operates to provide daily liquidity for Florida government entities. FLSAFE participants include school districts, counties, municipalities and special districts. In addition, FLSAFE 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. FLSAFE 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 FLSAFE'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*, FLSAFE 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, FLSAFE presents a statement of operations in its basic statements. All applicable GASB pronouncements are applied in these reports.

The statement of net assets presents information on all of FLSAFE'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 FLSAFE's net assets changed during the fiscal period 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, that 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 FLSAFE'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.

FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

FINANCIAL HIGHLIGHTS

- FLSAFE's net assets totaled \$235.2 million for the period ended December 31, 2008. Assets at the end of each quarter totaled as follows: March 31, 2008: \$162 million, June 30, 2008: \$200 million, September 30, 2008: \$218 million. Much of the increase in assets is the result of the addition of new participants each quarter.
- Throughout the period, the composition of security investments shifted to a greater portion of security holdings. Initially, 100% of FLSAFE investments were held in a diversified portfolio of AAAM rated money market funds. As the number of participants and assets increased this provided for an increased percentage in term securities investments in U.S. Treasury bills, U.S. Agency securities and highly rated commercial paper. As of December 31, 2008, approximately 2.2% of FLSAFE's assets were invested in U.S. agency securities, 9.3% in commercial paper and 88.5% in AAAM rated money market funds.
- Net investment income totaled \$4.0 million in 2008 and the net yield of an investment in FLSAFE was 2.1% in 2008.
- In September 2008 FLSAFE experienced liquidity issues with two money market funds in which it invested. This caused the FLSAFE Board of Trustees to implement temporary redemption restrictions from September 23, 2008 to December 16, 2008. By December 31, 2008, FLSAFE had returned to normal operations. As of December 31, 2008, FLSAFE had received two partial distributions from the Reserve Primary fund totaling \$44.2 million, representing approximately 80% of its assets in that fund. The third partial distribution of the outstanding balance of \$11.9 million owed to FLSAFE was received on February 20, 2009 totaling \$3.7 million, with the remainder expected to be distributed to FLSAFE under the Reserve's final plan of liquidation.

FLSAFE Asset Summary

FLSAFE recorded an increase in assets at the end of each quarter of the period. FLSAFE investments primarily include U.S. treasury securities, U.S. agency securities, highly rated commercial paper, bank deposits, repurchase agreements and AAAM rated money market funds.

By following the AAAM rating guidelines of Standard & Poor's Corporation, FLSAFE maintained a per share value of \$1.00 per share throughout 2008.

Shown below is a summary of the net assets of FLSAFE.

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

**Table 1
Net Assets
(in Millions)**

		2008
ASSETS		
Investment in securities	\$	5.00
U.S. Government agency securities		21.66
Total investment in securities		26.66
Cash and cash equivalents		208.19
Other assets		
Accrued interest		.42
Total assets		235.27
LIABILITIES		
Accrued expenses		.03
Net assets applicable to shares outstanding	\$	235.24
Net asset value per share	\$	1.00

FLSAFE's net assets are the result of increases in net investment income and purchases and redemptions of shares by participants. Assets as of the period ended December 31, 2008 were comprised of \$398.99 million of purchases, \$167.73 million of redemptions and \$3.98 million of net investment income resulting in net assets of \$235.24 million.

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

**Table 2
Net Assets
(in Millions)**

	2008
ASSETS	
Increase in net assets attributed to Operations – net investment income	\$ <u>3.98</u>
Share transactions	
Net proceeds from sales of shares	398.99
Cost of shares redeemed	<u>(167.73)</u>
Net increase in net assets derived from share transactions	<u>231.26</u>
Net increase (decrease) in net assets	235.24
Net assets beginning of year	<u>-</u>
Net assets at end of year	<u>\$ 235.24</u>

Currently Known Facts, Decisions or Conditions

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

Requests for Information

This financial report is designed to provide a general overview of FLSAFE'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 Chris Blackwood, Portfolio Manager and fund Administrator 1600 Broadway Suite 1100, Denver, Colorado 80202.

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENT OF NET ASSETS
December 31, 2008

ASSETS

Investment in securities	
US government agency securities	\$ 5,000,000
Commercial paper	<u>21,661,676</u>
Total investment in securities	26,661,676
Cash and cash equivalents	208,188,063
Other assets	
Accrued interest	<u>418,706</u>
Total assets	235,268,445

LIABILITIES

Accrued expenses	<u>27,305</u>
Net assets applicable to shares outstanding	<u>\$ 235,241,140</u>

NET ASSETS VALUE PER SHARE \$ 1.00

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

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENT OF OPERATIONS
For the Period ended December 31, 2008

INVESTMENT INCOME

Interest \$ 4,179,191

Expenses

Activity and transaction fees 5,547

Advisory fees 172,002

Custodian fees 10,578

Filing fees 588

Insurance 527

Standard & Poor's fee 10,475

Miscellaneous 162

Trustee board meeting expenses 300

Total expenses 200,179

**NET INCREASE IN NET ASSETS RESULTING FROM
OPERATIONS - NET INVESTMENT INCOME**

\$ 3,979,012

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

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENT OF CHANGES IN NET ASSETS
For the Period ended December 31, 2008

Increase in net assets attributed to	
Operations - net investment income	\$ <u>3,979,012</u>
Share transactions	
Net proceeds from sales of shares	398,987,426
Cost of shares redeemed	<u>(167,725,298)</u>
Net increase in net assets derived from share transactions	<u>231,262,128</u>
Net increase in net assets	235,241,140
NET ASSETS, BEGINNING OF YEAR	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 235,241,140</u>

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

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

The Florida Surplus Asset Fund Trust (“FLSAFE”) was established under authority of, and in conformity with, Florida Statutes §163-01, *et seq.* FLSAFE began operations on February 5, 2008. FLSAFE was formed by and for Florida local governmental entities as a means of investing funds. FLSAFE operates as a liquid money market fund with each share equal in value to \$1.00. The State of Florida provides regulatory oversight over FLSAFE, and FLSAFE is not registered with the U.S. Securities and Exchange Commission.

Following is a summary of significant accounting policies consistently applied by FLSAFE 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

FLSAFE 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, FLSAFE has elected to apply the provisions of all relevant 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.

In accordance with GASB Statement 31 entitled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”, FLSAFE is an external investment pool and reports its investments at amortized cost. In accordance with GASB Statement 40 entitled “Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3,” FLSAFE 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 Statement No. 34, the financial statements of FLSAFE are presented as a fiduciary fund type-investment trust fund. The economic resources measure focus and accrual basis of accounting is followed as required by GASB Statement No. 34.

Custodian

Regions Bank serves as custodian for FLSAFE pursuant to a custody agreement. The custodian is responsible for the safekeeping of all securities, cash and cash equivalents and trust accounting. All securities and cash and cash equivalents owned by FLSAFE are held by Regions Bank.

Valuation of Investments

FLSAFE’s investments are stated at amortized cost.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

Net Asset Valuation

For the purpose of calculating FLSAFE's net asset value per share, the securities held by FLSAFE 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.

FLSAFE 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 FLSAFE not to invest in securities to realize capital gains.

Income Taxes

FLSAFE 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.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS CUSTODIAL CREDIT RISK

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. FLSAFE's cash and cash equivalents and securities are held in trust with Regions Bank for safekeeping; as such, management believes there is no credit risk for FLSAFE's assets.

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. Individually significant assets that represent 5% or more of FLSAFE's investments in securities are as follows for December 31, 2008:

<u>Security</u>	<u>Amortized Value</u>	<u>% of FLSAFE's Investments in Securities</u>
General Electric Capital Corporation due February 2, 2009	\$ 1,962,343	7%
General Electric Capital Corporation due March 5, 2009	1,956,258	7%
Toyota Motor Credit Corporation due April 30, 2009	1,958,615	7%
Toyota Motor Credit Corporation due April 3, 2009	2,944,200	11%
Toyota Motor Credit Corporation due January 21, 2009	2,962,760	11%
Household Finance due January 8, 2009	3,958,933	15%
Household Finance due January 28, 2009	2,963,267	11%
Household Finance due February 25, 2009	2,955,300	11%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FLSAFE's investments as of December 31, 2008, all mature within one year of that date.

FLSAFE's cash and investments at December 31, 2008 consisted of the following:

Money market funds	\$ 208,188,063
U.S. government agency securities	5,000,000
Commercial paper	<u>21,661,676</u>
Total Deposits	<u>\$ 234,849,739</u>

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS CUSTODIAL CREDIT RISK (CONTINUED)

FLSAFE 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.

FLSAFE maintains an operating checking account for payment of operating expenses that is not included in FLSAFE's financial statements because it is an account that is not held in FLSAFE. At December 31, 2008, the account had a value of \$32,326. This amount has been transferred from the FLSAFE trust account and is included in expenses on the statement of operations.

Investments in Securities

Pursuant to its investment policy, FLSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper 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, FLSAFE's investments in securities are held by Regions Bank. The custodian's internal records identify the specific investments owned by FLSAFE.

Pursuant to the Indenture of Trust, FLSAFE 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.

Investments in U.S. government agency securities at December 31, 2008, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$5,000,000	FHLB callable note due April 21, 2009	2.45%	\$ 5,000,000	\$ 5,030,247

Investments in commercial paper rated A-1+ at December 31, 2008, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$2,000,000	General Electric Capital Corporation due February 4, 2009	2.92%	\$ 1,962,343	\$ 2,002,440
2,000,000	General Electric Capital Corporation due March 5, 2009	3.03%	1,956,258	1,984,167
2,000,000	Toyota Motor Credit Corporation due April 30, 2009	2.85%	1,958,615	1,993,659
3,000,000	Toyota Motor Credit Corporation due April 3, 2009	2.84%	2,944,200	2,993,765

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS CUSTODIAL CREDIT RISK (CONTINUED)

Face Amount	Security	Yield	Carrying Value- Amortized Cost	Market Value
3,000,000	Toyota Motor Credit Corporation due January 21, 2009	2.69%	2,962,760	2,999,790
4,000,000	Household Finance Discount due January 8, 2009	2.83%	3,958,933	3,999,994
3,000,000	Household Finance Discount due January 28, 2009	2.94%	2,963,267	2,999,528
3,000,000	Household Finance Discount due February 25, 2009	3.03%	<u>2,955,300</u>	<u>2,997,673</u>
			<u>\$21,661,676</u>	<u>\$21,971,016</u>

FLSAFE's investments in institutional money market funds except for those funds in The Reserve Primary Money Market Fund ("Reserve Fund") are rated 'AAAm' by Standard & Poor's.

The Reserve Fund was rated 'AAAm' prior to September 17, 2008 by Standard & Poor's. Standard & Poor's lowered its rating of the Reserve Fund to 'Dm' on September 17, 2008 due to exposure from Lehman Brothers bankruptcy and its investments within the Reserve Fund and a material decline in net assets causing the NAV of the Reserve Fund to fall below \$1.00. Standard & Poor's subsequently withdrew the rating on January 6, 2009. The Reserve Fund accepted FLSAFE's redemption request on September 16, 2008 at \$1.00. The Reserve Fund began liquidating assets in October 2008. As of December 31, 2008 FLSAFE had \$11,864,214 in the Reserve Fund that had not been liquidated. Funds received from the Reserve Fund prior to December 31, 2008 were received at \$1.00 NAV. The Reserve Fund has announced intentions to liquidate all assets throughout 2009 to its investors. See Note 5 for possible contingencies related to the Reserve Fund liquidations.

NOTE 3 – INVESTMENT ADVISORY AND ADMINISTRATIVE FEES

Davidson Fixed Income Management, Inc. ("DFIM") provides investments advisory services to FLSAFE. Fees for such services are calculated daily and paid monthly, at a rate of .15% of the average daily net assets up to \$500 million. Fees paid in 2008 totaled \$172,000.

NOTE 4 – ADDITIONAL INFORMATION

Selected data for each share outstanding at December 31, 2008 is as follows:

Investment income	\$ 0.022056
Expenses	<u>0.001056</u>
Net investment income	<u>\$ 0.021000</u>

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 – ADDITIONAL INFORMATION (CONTINUED)

Additional data on the investment portfolio as of December 31, 2008 is as below:

Weighted-average maturity in days 8

FLSAFE's net average yield for period of operation in 2008 was 2.1%. For example, \$1,000 invested in FLSAFE on February 5, 2008 would have been worth \$1,021 at December 31, 2008. For 2008, the unamortized portion of realized losses on investments is excluded from the above calculations, because it did not impact participant valuation calculations.

NOTE 5 – RESERVE PRIMARY MONEY MARKET FUND

On December 11, 2008, DFIM entered into a Standby Capital Agreement with FLSAFE whereby DFIM provided \$200,000 to fund potential losses related to the Reserve Fund. These funds are held by Regions Bank, the custodian for FLSAFE.

As described in Note 2 regarding the Reserve Fund, its NAV fell below \$1.00 on September 16, 2008. There are potential losses related to the Reserve Fund stemming from defaulted Lehman Brothers investments. The Reserve Fund has been liquidating at \$1.00 NAV since the later part of 2008 and early part of 2009. On February 20, 2009, FLSAFE received a \$3,720,369 distribution from the Reserve Fund leaving a balance of \$8,143,845. On February 26, 2009, the Reserve Fund stated that it would set aside \$3.5 billion in a special reserve to cover potential damages and legal fees and that it would continue to make interim distributions up to \$0.9172 per share. FLSAFE has not filed litigation against the Reserve Fund.

NOTE 6 – CURRENT ECONOMIC CONDITIONS

The current economic environment presents local government investment pool trust funds with unprecedented circumstances and challenges, which in some cases have 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 FLSAFE.

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 the trust, which in turn would have an impact on funds available for investment and total net assets.

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

Florida Surplus Asset Fund Trust (“FLSAFE”)

FLSAFE Board of Trustees

Dr. Henry Fishkind, Chairman

Jim Anderson, Vice Chairman

Joe MacLaren, Esq., Secretary/Treasurer

Mark Mason, Board Member

Harry Dressler, Board Member