

**FLORIDA SURPLUS ASSET FUND TRUST**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

**FLORIDA SURPLUS ASSET FUND TRUST  
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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, 2016 and 2015, 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, 2016 and 2015, 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 6 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.



**CliftonLarsonAllen LLP**

Denver, Colorado  
April 27, 2017

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016 AND 2015**

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. has served 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 Fund 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 \$186.85 million as of December 31, 2016, up from \$125.16 million on December 31, 2015. The increase is attributed to participant subscriptions in excess of redemptions for the year.
- The composition of investments for FL SAFE Fund shifted from corporate notes and collateralized bank deposits to certificates of deposit. As of December 31, 2016, approximately 1.7% of FL SAFE Fund's assets were invested in floating and fixed rate U.S. government agency securities, 3.2% in bank notes, 41.9% in certificates of deposit, 8.0% in commercial paper, 20.6% in corporate notes, 24.4% in collateralized bank deposits, and 0.2% in uncollateralized bank deposits.
- Net investment income for FL SAFE Fund increased in 2016 totaling \$0.82 million compared to 2015, totaling \$0.28 million. The average net yield of an investment in FL SAFE was 0.48% for 2016 and 0.11% for 2015.

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016 AND 2015**

**Term Series**

- There were seventeen Term Series with a net position totaling \$101.33 million that were opened during the year that remained outstanding as of December 31, 2016. There were fourteen Term Series with a net position totaling \$162.48 million that were opened during the year that remained outstanding as of December 31, 2015.
- As of December 31, 2016 and 2015, all of the Term Series' assets were invested in certificates of deposit.
- Net investment income for Term Series increased in 2016 when compared to 2015, totaling \$0.65 and \$0.15 million, respectively.

**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 December 31, 2016 were up 49% when compared to December 31, 2015 and assets as of December 31, 2015 were down 1% when compared to December 31, 2014. 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 2016, 2015 and 2014. Shown below is a summary of the net position of FL SAFE Fund.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
Investments			
US government agency securities	\$ 3.09	\$ 6.63	\$ 10.00
Bank notes	6.01	-	-
Banks acceptances	-	0.96	0.31
Certificates of deposit	78.21	22.64	17.21
Commercial paper	14.96	6.49	19.98
Corporate notes	38.48	30.51	6.66
Municipal bonds	-	3.63	-
Total investments	<u>140.75</u>	<u>70.86</u>	<u>54.16</u>
Cash	45.90	54.27	72.17
Other assets			
Accrued interest	0.31	0.28	0.06
Prepaid expenses	0.02	0.02	0.01
Total assets	<u><u>186.98</u></u>	<u><u>125.42</u></u>	<u><u>126.40</u></u>
<b>LIABILITIES</b>			
Accrued expenses	0.05	0.06	0.05
Deposit by investment advisor	0.08	0.20	0.20
Total liabilities	<u>0.13</u>	<u>0.26</u>	<u>0.25</u>
Net position applicable to shares outstanding	<u><u>\$ 186.85</u></u>	<u><u>\$ 125.16</u></u>	<u><u>\$ 126.15</u></u>
Net asset value per share	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 2016, 2015 and 2014. Shown below is a summary of the net position of Term Series.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
Certificates of deposit	\$ 101.17	\$ 162.23	\$ 38.28
Cash	-	-	8.37
Accrued interest	0.34	0.13	0.06
Prepaid expenses	0.09	0.22	0.03
Total assets	<u>101.60</u>	<u>162.58</u>	<u>46.74</u>
<b>LIABILITIES</b>			
Dividend payable	<u>0.28</u>	<u>0.10</u>	<u>0.04</u>
Net position applicable to shares outstanding	<u>\$ 101.32</u>	<u>\$ 162.48</u>	<u>\$ 46.70</u>
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</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, 2016 were mostly the result of participant transactions comprised of \$395.32 million of purchases, \$334.46 million of redemptions and \$0.82 million in net investment income resulting in net position of \$186.85 million. The FL SAFE Fund's net position increased by \$61.68 million as of December 31, 2016 compared to December 31, 2015. Changes in net position for the year ended December 31, 2015 were mostly the result of participant transactions comprised of \$318.95 million of purchases, \$320.21 million of redemptions and \$0.27 million of net investment income resulting in net position of \$125.16 million. FL SAFE Fund's net position decreased by \$0.99 million as of December 31, 2015 compared to December 31, 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Increase in net position attributed to operations - net income	\$ 0.83	\$ 0.27	\$ 0.16
Share transactions			
Net proceeds from sale of shares	395.32	318.95	150.56
Cost of shares redeemed	<u>(334.46)</u>	<u>(320.21)</u>	<u>(165.74)</u>
Net increase (decrease) in net position derived from share transactions	<u>60.86</u>	<u>(1.26)</u>	<u>(15.18)</u>
Net increase (decrease) in net position	61.69	(0.99)	(15.02)
Net position at beginning of year	<u>125.16</u>	<u>126.15</u>	<u>141.17</u>
<b>Net position at end of year</b>	<u>\$ 186.85</u>	<u>\$ 125.16</u>	<u>\$ 126.15</u>

**FLORIDA SURPLUS ASSET FUND TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016 AND 2015**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Increase in net position attributed to Operations - net income	<u>\$ 0.65</u>	<u>\$ 0.15</u>	<u>\$ 0.04</u>
Share transactions			
Net proceeds from sale of shares	95.73	163.98	72.98
Cost of shares redeemed	<u>(157.54)</u>	<u>(48.35)</u>	<u>(61.97)</u>
Net increase (decrease) in net position derived from share transactions	<u>(61.81)</u>	<u>115.63</u>	<u>11.01</u>
Net increase (decrease) in net position	(61.16)	115.78	11.05
Net position at beginning of year	<u>162.48</u>	<u>46.70</u>	<u>35.65</u>
<b>Net position at end of year</b>	<u><u>\$ 101.32</u></u>	<u><u>\$ 162.48</u></u>	<u><u>\$ 46.70</u></u>

**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**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016		2015	
	FL SAFE Fund	Term Series	FL SAFE Fund	Term Series
<b>ASSETS</b>				
Investments in securities				
US government agency securities	\$ 1,090,346	\$ -	\$ 6,627,060	\$ -
US government agency securities - long-term	2,000,000	-	-	-
Bank notes	6,009,905	-	-	-
Bankers acceptances	-	-	957,172	-
Certificates of deposit	78,208,581	101,172,864	22,639,783	162,228,703
Commercial paper	14,960,489	-	6,490,419	-
Corporate notes	38,481,857	-	30,511,615	-
Municipal bonds	-	-	3,630,919	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments in securities	140,751,178	101,172,864	70,856,968	162,228,703
Cash and cash equivalents	45,897,922	-	54,272,802	-
Other assets				
Accrued interest	314,351	339,557	278,565	133,587
Prepaid expenses	16,396	89,826	16,188	217,092
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	186,979,847	101,602,247	125,424,523	162,579,382
<b>LIABILITIES</b>				
Accrued expenses	59,451	-	60,046	-
Dividend payable	-	277,247	-	95,882
Deposit by investment advisors	75,000	-	200,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	134,451	277,247	260,046	95,882
Net position applicable to shares outstanding	<hr/> <u>\$ 186,845,396</u>	<hr/> <u>\$ 101,325,000</u>	<hr/> <u>\$ 125,164,477</u>	<hr/> <u>\$ 162,483,500</u>
<b>SHARES OUTSTANDING</b>	\$ 186,895,417	\$ 101,325,000	\$ 125,245,897	\$ 162,483,500
<b>NET ASSET VALUE PER SHARE</b>	<hr/> <u>\$ 1.00</u>	<hr/> <u>\$ 1.00</u>	<hr/> <u>\$ 1.00</u>	<hr/> <u>\$ 1.00</u>

See accompanying Notes to Financial Statements.

**FLORIDA SURPLUS ASSET FUND TRUST  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>		<b>2015</b>	
	<b>FL SAFE Fund</b>	<b>Term Series</b>	<b>FL SAFE Fund</b>	<b>Term Series</b>
<b>CONTRIBUTIONS &amp; INVESTMENT INCOME</b>				
Investment income	\$ 1,126,761	\$ 849,923	\$ 490,313	\$ 213,173
Contributions	28,668	-	28,902	-
Gain on investments	296	-	72,246	-
	<u>1,155,725</u>	<u>849,923</u>	<u>591,461</u>	<u>213,173</u>
<b>Expenses</b>				
Audit fees	22,851	-	28,044	-
Advisory and operational fees	191,529	197,989	161,974	62,140
Administrator fees	74,353	-	89,392	-
Cash management expense	15,379	-	4,300	-
Insurance expense	18,300	-	18,554	-
Legal fees	3,914	-	1,368	-
Ratings expense	9,318	-	8,197	-
Miscellaneous expenses	526	-	550	-
	<u>336,170</u>	<u>197,989</u>	<u>312,379</u>	<u>62,140</u>
<b>NET INCREASE IN NET POSITION RESULTING FROM OPERATIONS - NET INCOME</b>	<u>\$ 819,555</u>	<u>\$ 651,934</u>	<u>\$ 279,082</u>	<u>\$ 151,033</u>

See accompanying Notes to Financial Statements.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>		<b>2015</b>	
	<b>FL SAFE Fund</b>	<b>Term Series</b>	<b>FL SAFE Fund</b>	<b>Term Series</b>
<b>Increase in net position attributed to</b>				
Operations - net income	\$ 819,555	\$ 651,934	\$ 279,082	\$ 151,033
Share transactions				
Net proceeds from sales of shares	395,320,811	95,725,000	318,946,096	163,983,500
Cost of shares redeemed	(334,459,447)	(157,535,434)	(320,207,063)	(48,351,033)
Net increase (decrease) in net position derived from share transactions	60,861,364	(61,810,434)	(1,260,967)	115,632,467
Net increase (decrease) in net position	61,680,919	(61,158,500)	(981,885)	115,783,500
<b>NET POSITION, BEGINNING OF YEAR</b>	125,164,477	162,483,500	126,146,362	46,700,000
<b>NET POSITION, END OF YEAR</b>	\$ 186,845,396	\$ 101,325,000	\$ 125,164,477	\$ 162,483,500

See accompanying Notes to Financial Statements.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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**

FL SAFE's net position values are required to follow GASB Statement No. 79 and values all securities at amortized cost, which approximate fair value, in an attempt to maintain a constant net asset value of \$1 per share. Fair values, for note disclosures are calculated using quoted market prices on at least a weekly basis. 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.

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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.

**New accounting Pronouncements**

FL SAFE adopted new accounting guidance related to external investment pools and pool participants by adopting GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, in 2016. The standard did not change the accounting for FL SAFE.

FL SAFE also adopted new accounting guidance related to fair value disclosures by adopting GASB Statement No. 72, *Fair Value Measurements and Application*. Accordingly, the accounting change has been retrospectively applied to prior periods to conform to the 2016 presentation.

**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, 2016, FL SAFE had \$25,395,188 in deposit accounts that were fully collateralized by municipal securities and \$20,224,146 in a deposit account fully collateralized by an irrevocable letter of credit from the FHLB Atlanta. In addition, FL SAFE had \$278,588 in uncollateralized deposits at highly rated banks. At December 31, 2015, FL SAFE had \$31,069,657 in deposit accounts that were fully collateralized by U.S. government agency and municipal securities and \$10,020,074 in a deposit account fully collateralized by an irrevocable letter of credit from the FHLB San Francisco. In addition, FL SAFE had \$13,183,071 in uncollateralized deposits at highly rated banks.

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

**Deposits (Continued)**

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.

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 of the failure of the counterparty to a transaction. Investment securities for FL SAFE Fund are held at BMO Harris N.A. for safekeeping; as such, the Board believes there is minimal custodial credit risk for its investments. Investment Securities for Term Series are held at custodial banks held in the FL SAFE's name.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The FL SAFE Fund 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 starting on page 15 show 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, the FL SAFE Fund 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**  
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**NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

FLSAFE investments are carried at amortized cost, but fair value is reported in certain note disclosures required by GAAP. FLSAFE uses fair value measurements to determine fair value disclosures.

FLSAFE follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, FLSAFE has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

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

**Fair Value Measurements (Continued)**

Assets measured at fair value on a recurring basis:

**FLSAFE Fund**

	2016			
	Custodial Credit Risk Category			Total
	Level 1	Level 2	Level 3	
US government agency securities	\$ -	\$ 3,093,167	\$ -	\$ 3,093,167
Bank notes	-	6,006,659	-	6,006,659
Certificates of deposit	-	78,227,223	-	78,227,223
Commercial paper	-	14,964,567	-	14,964,567
Corporate notes	-	38,475,192	-	38,475,192
	\$ -	\$ 140,766,808	\$ -	\$ 140,766,808

	2015			
	Custodial Credit Risk Category			Total
	Level 1	Level 2	Level 3	
US government agency securities	\$ -	\$ 6,621,944	\$ -	\$ 6,621,944
Bank notes	-	-	-	-
Bankers acceptances	-	957,253	-	957,253
Certificates of deposit	-	22,637,746	-	22,637,746
Commercial paper	-	6,489,551	-	6,489,551
Corporate notes	-	30,492,192	-	30,492,192
Municipal bonds	-	3,629,971	-	3,629,971
	\$ -	\$ 70,828,657	\$ -	\$ 70,828,657

**Term Series**

	2016			
	Custodial Credit Risk Category			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	\$ -	\$ 101,172,864	\$ -	\$ 101,172,864
	\$ -	\$ 101,172,864	\$ -	\$ 101,172,864

	2015			
	Custodial Credit Risk Category			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	\$ -	\$ 162,228,703	\$ -	\$ 162,228,703
	\$ -	\$ 162,228,703	\$ -	\$ 162,228,703



**FLORIDA SURPLUS ASSET FUND TRUST**  
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**NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

FL SAFE Fund investments at December 31, 2016 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value Amortized Cost	Market Value
<b>US Government Agencies</b>							
1,090,000	FNMA-Federal National Mortgage Assoc	10/05/17	0.77%	0.55%	A-1+	\$ 1,090,346	\$ 1,090,161
2,000,000	FHLB-Federal Home Loan Bank	03/01/18	1.42%	0.57%	A-1+	2,000,000	2,003,006
<b>Bank Notes</b>							
1,500,000	PNC Bank, N.A.	01/27/17	1.07%	0.90%	A-1	1,500,000	1,500,109
1,200,000	Branch Banking & Trust	04/03/17	0.85%	1.05%	A-1	1,199,818	1,199,681
1,300,000	Bank of Nova Scotia	04/11/17	0.92%	1.07%	A-1	1,300,608	1,300,399
2,000,000	MUFG Union Bank NA	06/16/17	1.43%	1.08%	A-1	2,009,479	2,006,470
<b>Certificates of Deposit</b>							
37,056,615	Bank of China	01/03/17	26.33%	0.93%	A-1+	37,056,615	37,056,615
3,000,000	State Street Bank & Trust	01/17/17	2.13%	0.93%	A-1+	3,000,000	3,000,822
1,500,000	Bank of America NA	01/19/17	1.07%	0.86%	A-1	1,500,000	1,500,418
4,000,000	Rabobank Nederland NV NY	02/03/17	2.84%	1.08%	A-1	4,000,000	4,002,456
1,000,000	Wells Fargo Bank NA	02/03/17	0.71%	0.90%	A-1+	1,000,132	1,000,534
3,500,000	Nordea Bank Finland NY	02/13/17	2.49%	0.89%	A-1+	3,500,221	3,501,977
2,000,000	Wells Fargo Bank NA	02/24/17	1.42%	0.95%	A-1+	1,999,973	2,001,582
600,000	Bank of Montreal Chicago	03/07/17	0.43%	1.10%	A-1	599,936	600,517
3,000,000	US Bank NA	03/15/17	2.13%	0.87%	A-1+	3,000,000	2,999,955
1,150,000	Sumitomo Mitsui Bank NY	04/05/17	0.82%	1.15%	A-1	1,150,290	1,150,847
1,500,000	State Street Bank & Trust	04/11/17	1.07%	1.06%	A-1+	1,500,453	1,501,524
2,000,000	Skandinav Enskilda Bank NY	04/13/17	1.42%	0.93%	A-1	2,000,000	2,000,900
2,000,000	Wells Fargo Bank NA	04/13/17	1.42%	1.03%	A-1+	2,000,000	2,002,320
3,000,000	BMO Harris Bank NA	04/24/17	2.13%	1.10%	A-1	2,998,958	3,001,923
3,000,000	DNB Bank ASA	05/26/17	2.13%	1.10%	A-1	3,001,652	3,002,127
1,500,000	Nordea Bank Finland NY	05/26/17	1.07%	1.10%	A-1+	1,500,297	1,500,597
4,900,000	DZ Bank NY	06/02/17	3.48%	1.19%	A-1+	4,900,000	4,897,661
2,500,000	Toronto Dominion Bank NY	07/12/17	1.78%	1.29%	A-1+	2,500,054	2,503,265
1,000,000	Westpac Banking Corp NY	09/28/17	0.71%	1.40%	A-1+	1,000,000	1,001,183
<b>Commercial Paper</b>							
2,000,000	Harvard University	01/10/17	1.42%	0.82%	A-1+	1,999,590	1,999,731
1,000,000	MUFG Union Bank NA	02/14/17	0.71%	1.06%	A-1	998,717	999,069
1,000,000	MUFG Union Bank NA	03/10/17	0.71%	1.04%	A-1	998,054	998,361
2,500,000	Toyota Motor Credit Corp.	03/20/17	1.77%	1.08%	A-1+	2,494,205	2,495,455
1,000,000	Toyota Motor Credit Corp.	03/30/17	0.71%	1.02%	A-1+	997,384	997,877
1,500,000	Abbey Natl Treasury Serv	03/30/17	1.06%	1.08%	A-1	1,496,260	1,496,625
2,000,000	ING (US) Funding LLC	04/03/17	1.42%	1.21%	A-1	1,993,867	1,994,757
2,000,000	Credit Agricole NY	04/07/17	1.42%	0.98%	A-1	1,994,773	1,994,692
2,000,000	JP Morgan Securities LLC	06/28/17	1.41%	1.26%	A-1	1,987,639	1,988,000

**FLORIDA SURPLUS ASSET FUND TRUST**  
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**NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value Amortized Cost	Market Value
<b>Corporate Notes</b>							
500,000	General Elec Capital Corp	01/09/17	0.36%	0.87%	A-1+	500,218	500,177
2,600,000	General Electric Co	01/09/17	1.85%	0.66%	A-1+	2,600,163	2,600,125
3,250,000	ANZ Banking Group	01/10/17	2.31%	0.93%	A-1+	3,250,230	3,250,075
2,860,000	Berkshire Hathaway Financial	01/10/17	2.03%	0.79%	A-1+	2,860,009	2,860,203
900,000	Royal Bank of Canada	01/23/17	0.64%	0.98%	A-1+	899,999	900,162
2,000,000	Royal Bank of Canada	01/23/17	1.42%	0.84%	A-1+	2,000,413	2,000,260
645,000	General Electric Co	02/15/17	0.46%	0.92%	A-1+	648,486	648,143
1,000,000	Toyota Motor Credit Corp.	02/16/17	0.71%	0.70%	A-1+	1,000,170	1,000,173
400,000	Chevron Corporation	02/22/17	0.28%	0.91%	A-1+	399,904	400,106
1,185,000	Cisco Systems Inc.	03/03/17	0.84%	0.88%	A-1+	1,185,360	1,184,840
2,000,000	Cisco Systems Inc.	03/14/17	1.43%	0.93%	A-1+	2,008,786	2,008,844
2,241,000	PACCAR Financial Corp	03/15/17	1.59%	0.86%	A-1	2,244,441	2,243,667
600,000	Wyeth LLC	04/01/17	0.43%	0.96%	A-1+	606,637	606,187
2,000,000	National Rural Utilities	04/24/17	1.42%	1.20%	A-1	1,998,388	1,998,420
1,750,000	Royal Bank of Canada	04/27/17	1.24%	1.06%	A-1+	1,749,628	1,749,156
1,350,000	TD Bank	05/02/17	0.96%	1.07%	A-1+	1,350,166	1,349,910
1,500,000	Apple Inc	05/05/17	1.07%	0.91%	A-1+	1,500,321	1,500,477
1,595,000	Apple Inc	05/12/17	1.13%	0.79%	A-1+	1,595,522	1,594,748
1,575,000	Berkshire Hathaway Financial	05/15/17	1.12%	0.81%	A-1+	1,579,029	1,577,937
2,540,000	Pfizer Inc.	05/15/17	1.81%	0.92%	A-1+	2,541,416	2,541,306
3,475,000	Westpac Banking Corp	05/19/17	2.47%	1.03%	A-1+	3,476,934	3,475,945
250,000	ANZ Banking Group	06/13/17	0.18%	1.13%	A-1+	250,120	250,130
1,300,000	3M Company	06/26/17	0.92%	0.86%	A-1+	1,300,641	1,298,859
935,000	Bank of Montreal	07/14/17	0.66%	1.14%	A-1	934,876	935,342
<b>Total Investments</b>						<b>\$ 140,751,178</b>	<b>\$ 140,766,808</b>

Term Series investments at December 31, 2016 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value Amortized Cost	Market Value
<b>Term Series 20170125AA07</b>							
<b>Certificate of deposit</b>							
2,295,406	Pentagon Federal Credit Union	01/25/17	2.27%	0.85%	A-1+	\$ 2,295,406	\$ 2,295,406
<b>Term Series 20170125AB07</b>							
<b>Certificate of deposit</b>							
39,496,443	Pentagon Federal Credit Union	01/25/17	39.04%	1.00%	A-1+	39,496,443	39,496,443
<b>Term Series 20170327AA07</b>							
<b>Certificate of deposit</b>							
6,245,342	BankUnited, NA	03/27/17	6.17%	0.80%	A-1+	6,245,342	6,245,342
<b>Term Series 20170330AA07</b>							
<b>Certificate of deposit</b>							
5,741,318	BankUnited, NA	03/30/17	5.67%	0.95%	A-1+	5,741,318	5,741,318

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

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value Amortized Cost	Market Value
<b>Term Series 20170626AA07</b>							
<b>Certificate of deposit</b>							
4,345,157	BankUnited, NA	06/26/17	4.29%	0.75%	A-1+	4,345,157	4,345,157
<b>Term Series 20170628AA07</b>							
<b>Certificate of deposit</b>							
3,296,671	BankUnited, NA	06/28/17	3.26%	0.90%	A-1+	3,296,671	3,296,671
<b>Term Series 20170928AA07</b>							
<b>Certificate of deposit</b>							
4,575,697	Pentagon Federal Credit Union	09/28/17	4.52%	1.06%	A-1+	4,575,697	4,575,697
<b>Term Series 20170929AA07</b>							
<b>Certificate of deposit</b>							
8,140,057	BankUnited, NA	09/29/17	8.05%	0.87%	A-1+	8,140,057	8,140,057
<b>Term Series 20171220AA07</b>							
<b>Certificate of deposit</b>							
649,001	BankUnited, NA	12/20/17	0.64%	1.00%	A-1+	649,001	649,001
<b>Term Series 20171226AA07</b>							
<b>Certificate of deposit</b>							
8,940,530	BankUnited, NA	12/26/17	8.84%	1.11%	A-1+	8,940,530	8,940,530
<b>Term Series 20180328AA07</b>							
<b>Certificate of deposit</b>							
5,190,326	BankUnited, NA	03/28/18	5.13%	0.97%	A-1+	5,190,326	5,190,326
<b>Term Series 20480621AA07</b>							
<b>Certificate of deposit</b>							
1,148,977	BankUnited, NA	06/21/18	1.14%	1.20%	A-1+	1,148,977	1,148,977
<b>Term Series 20180628AA07</b>							
<b>Certificate of deposit</b>							
1,347,084	BankUnited, NA	06/28/18	1.33%	1.10%	A-1+	1,347,084	1,347,084
<b>Term Series 20180928AA07</b>							
<b>Certificate of deposit</b>							
1,983,479	Pentagon Federal Credit Union	09/28/18	1.96%	1.36%	A-1+	1,983,479	1,983,479
<b>Term Series 20181001AA07</b>							
<b>Certificate of deposit</b>							
2,069,698	BankUnited, NA	10/01/18	2.05%	1.02%	A-1+	2,069,698	2,069,698
<b>Term Series 20181123AA07</b>							
<b>Certificate of deposit</b>							
4,958,657	Pentagon Federal Credit Union	11/23/18	4.90%	1.36%	A-1+	4,958,657	4,958,657
<b>Term Series 20181226AA07</b>							
<b>Certificate of deposit</b>							
749,021	BankUnited, NA	12/26/18	0.74%	1.30%	A-1+	749,021	749,021
<b>Total Investments</b>						<u>\$ 101,172,864</u>	<u>\$ 101,172,864</u>

**FLORIDA SURPLUS ASSET FUND TRUST**  
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**NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

FL SAFE Fund investments at December 31, 2015 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
<b>US Government Agencies</b>							
1,640,000	FFCB-Federal Farm Credit Bank	05/25/16	2.32%	0.34%	A-1+	\$ 1,640,798	1,640,225
3,485,000	FNMA-Federal National Mortgage Assoc	08/26/16	4.92%	0.21%	A-1+	3,486,262	3,483,742
1,500,000	FHLB-Federal Home Loan Bank	11/25/16	2.12%	0.55%	A-1+	1,500,000	1,497,977
<b>Bankers Acceptances</b>							
729,681	US Bank NA	02/22/16	1.03%	0.30%	A-1+	729,365	729,425
227,923	US Bank NA	02/29/16	0.32%	0.31%	A-1+	227,807	227,828
<b>Certificates of Deposit</b>							
1,500,000	Bank of China (ICS)	01/04/16	2.12%	0.30%	A-1+	1,500,000	1,500,000
248,700	CFG Community Bank	02/04/16	0.35%	0.50%	A-1+	248,700	248,700
248,600	Drake Bank	02/04/16	0.35%	0.55%	A-1+	248,600	248,600
248,700	Enerbank USA	02/04/16	0.35%	0.51%	A-1+	248,700	248,700
248,500	Financial Federal Bank	02/04/16	0.35%	0.60%	A-1+	248,500	248,500
248,700	Millbury National Bank	02/04/16	0.35%	0.50%	A-1+	248,700	248,700
248,700	Premier Bank	02/04/16	0.35%	0.51%	A-1+	248,700	248,700
248,500	Sonabank NA	02/04/16	0.35%	0.60%	A-1+	248,500	248,500
248,600	T Bank, NA	02/04/16	0.35%	0.55%	A-1+	248,600	248,600
249,500	Luana Savings Bank	02/08/16	0.35%	0.40%	A-1+	249,500	249,500
249,300	Orrstown Bank	02/08/16	0.35%	0.51%	A-1+	249,300	249,300
249,500	Western Alliance Bank / Torrey Pines Bank	02/08/16	0.35%	0.40%	A-1+	249,500	249,500
249,100	Bank 7	02/12/16	0.35%	0.45%	A-1+	249,100	249,100
150,000	BLC Community Bank	02/12/16	0.21%	0.39%	A-1+	150,000	150,000
249,200	Home Federal Bank	02/12/16	0.35%	0.41%	A-1+	249,200	249,200
249,000	Pacific Western Bank	02/12/16	0.35%	0.40%	A-1+	249,000	249,000
248,800	Royal Business Bank	02/12/16	0.35%	0.45%	A-1+	248,800	248,800
249,000	Bank of India	02/17/16	0.35%	0.45%	A-1+	248,984	248,952
249,100	Talmer Bank and Trust	03/21/16	0.35%	0.45%	A-1+	249,100	249,100
249,000	Tomatobank, NA	03/21/16	0.35%	0.41%	A-1+	249,000	249,000
2,000,000	DNB Bank ASA	03/24/16	2.82%	0.54%	A-1	1,999,354	2,000,269
249,000	Bank of China	05/05/16	0.35%	0.50%	A-1+	248,943	248,882
249,000	Sallie Mae Bank	05/05/16	0.35%	0.50%	A-1+	248,915	248,882
1,000,000	Rabobank Nederland NV NY	05/06/16	1.41%	0.72%	A-1	1,000,652	1,000,429
248,600	Access National Bank	05/17/16	0.35%	0.55%	A-1+	248,600	248,600
248,900	Bank of Virginia	05/17/16	0.35%	0.41%	A-1+	248,900	248,900
248,800	East Boston Savings Bank Boston, MA	05/17/16	0.35%	0.45%	A-1+	248,800	248,800
248,500	Fieldpoint Private Bank & Trust	05/17/16	0.35%	0.60%	A-1+	248,500	248,500
248,900	First National Bank - AR	05/17/16	0.35%	0.43%	A-1+	248,900	248,900
221,351	Industrial & Commercial Bank of China	05/17/16	0.31%	0.70%	A-1+	221,351	221,351
248,600	Metropolitan Commercial Bank	05/17/16	0.35%	0.54%	A-1+	248,600	248,600
248,900	Middlefield Banking Company	05/17/16	0.35%	0.44%	A-1+	248,900	248,900
248,700	ONB Bank and Trust Company	05/17/16	0.35%	0.50%	A-1+	248,700	248,700
248,700	State Bank of India (CA)	05/17/16	0.35%	0.51%	A-1+	248,700	248,700
248,800	Summit Bank - OR	05/17/16	0.35%	0.44%	A-1+	248,800	248,800
1,500,000	Bank of Nova Scotia Houston, TX	06/10/16	2.12%	0.51%	A-1	1,500,056	1,498,928

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

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
247,600	Modern Bank, National	06/22/16	0.35%	0.60%	A-1+	247,600	247,600
248,000	BMW Bank of North America	06/24/16	0.35%	0.45%	A-1+	247,881	247,882
248,000	Bank of Baroda	06/29/16	0.35%	0.45%	A-1+	247,818	247,883
248,000	Berkshire Bank	06/30/16	0.35%	0.50%	A-1+	247,878	247,880
249,000	Enterprise Bank	06/30/16	0.35%	0.50%	A-1+	248,938	248,882
248,000	Everbank	06/30/16	0.35%	0.55%	A-1+	247,939	247,880
248,000	S&T Bank	06/30/16	0.35%	0.55%	A-1+	247,939	247,880
247,800	Onewest Bank	07/27/16	0.35%	0.86%	A-1+	247,800	247,800
248,480	Private Bank - MI	07/27/16	0.35%	0.60%	A-1+	248,480	248,480
248,400	Stearns Bank NA	07/27/16	0.35%	0.64%	A-1+	248,400	248,400
247,400	United Community Bank	07/27/16	0.35%	0.64%	A-1+	247,400	247,400
248,400	United Texas Bank	07/27/16	0.35%	0.64%	A-1+	248,400	248,400
248,000	TCF National Bank	08/05/16	0.35%	0.55%	A-1+	247,927	247,772
248,000	Santander Bank NA	08/12/16	0.35%	0.65%	A-1+	247,924	247,762
2,000,000	Royal Bank of Canada NY	08/31/16	2.82%	0.68%	A-1+	1,998,922	1,999,740
1,331,000	Nordea Bank Finland NY	11/14/16	1.88%	0.50%	A-1+	1,331,207	1,330,420
2,000,000	Wells Fargo Bank NA	11/16/16	2.82%	0.61%	A-1+	2,000,175	1,999,092
<b>Commercial Paper</b>							
1,500,000	ING (US) Funding LLC	02/01/16	2.12%	0.44%	A-1	1,499,431	1,499,393
1,000,000	ING (US) Funding LLC	03/03/16	1.41%	0.40%	A-1	999,311	999,078
2,000,000	ING (US) Funding LLC	04/15/16	2.82%	0.64%	A-1	1,996,267	1,996,308
2,000,000	Toyota Motor Credit Corp.	06/02/16	2.82%	0.54%	A-1+	1,995,410	1,994,772
<b>Corporate Notes</b>							
1,000,000	General Elec Capital Corp	01/08/16	1.41%	0.67%	A-1+	1,000,108	1,000,016
3,015,000	Toyota Motor Credit Corp.	01/11/16	4.26%	0.38%	A-1+	3,016,984	3,015,868
2,837,000	Bank of New York Mellon	01/15/16	4.01%	0.42%	A-1	2,839,244	2,838,464
1,500,000	PNC Bank, N.A.	01/28/16	2.12%	0.49%	A-1	1,500,301	1,499,974
3,000,000	PNC Bank, N.A.	01/28/16	4.23%	0.51%	A-1	3,000,528	2,999,949
1,500,000	Home Depot Inc.	03/01/16	2.13%	0.50%	A-1	1,512,017	1,510,548
3,000,000	Credit Suisse USA Inc	03/02/16	4.27%	0.74%	A-1	3,023,100	3,020,472
1,000,000	Bank of New York Mellon	03/04/16	1.41%	0.42%	A-1	1,000,383	999,823
1,277,000	Wells Fargo Bank NA	03/15/16	1.80%	0.69%	A-1+	1,276,972	1,276,677
2,370,000	Rabobank Nederland NV NY	03/18/16	3.35%	0.32%	A-1	2,372,226	2,369,668
1,940,000	US Bank NA	04/22/16	2.74%	0.45%	A-1+	1,940,056	1,940,109
1,000,000	Wells Fargo & Company	06/15/16	1.43%	0.71%	A-1	1,013,353	1,012,499
2,000,000	Bank of Nova Scotia	07/15/16	2.83%	0.52%	A-1	2,004,276	2,002,092
2,000,000	Bank of Nova Scotia	07/15/16	2.83%	0.83%	A-1	2,002,346	2,002,092
1,000,000	Royal Bank of Canada	09/09/16	1.42%	0.66%	A-1+	1,005,408	1,002,099
2,000,000	Toronto Dominion Bank NY	09/09/16	2.83%	0.52%	A-1+	2,004,313	2,001,842
<b>Municipal Bonds</b>							
375,000	New York State Dormitory Authority	02/15/16	0.53%	0.45%	A-1+	375,253	375,341
2,000,000	Niagara Falls NY City School District	06/23/16	2.83%	0.65%	A-1	2,004,482	2,004,040
750,000	County of Orange CA	06/30/16	1.06%	0.48%	A-1+	751,184	750,330
500,000	Indiana Bond Bank	07/15/16	0.71%	0.78%	A-1+	500,000	500,260
<b>Total Investments</b>						<b>\$ 70,856,968</b>	<b>\$ 70,828,657</b>

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

Term Series investments at December 31, 2015 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value Amortized Cost	Market Value
<b>Term Series 20160121AA07</b>							
<b>Certificate of deposit</b>							
1,796,940	BankUnited, NA	01/21/16	1.11%	0.50%	A-1+	\$ 1,796,940	\$ 1,796,940
<b>Term Series 20160321AA07</b>							
<b>Certificate of deposit</b>							
38,160,345	Pentagon Federal Credit Union	03/21/16	23.52%	0.55%	A-1+	38,160,345	38,160,345
<b>Term Series 20160328AA07</b>							
<b>Certificate of deposit</b>							
12,538,847	Pentagon Federal Credit Union	03/28/16	7.73%	0.48%	A-1+	12,538,847	12,538,847
<b>Term Series 20160523AA07</b>							
<b>Certificate of deposit</b>							
7,994,031	Pentagon Federal Credit Union	05/23/16	4.93%	0.45%	A-1+	7,994,031	7,994,031
<b>Term Series 20160608AA07</b>							
<b>Certificate of deposit</b>							
1,247,269	BankUnited, NA	06/08/16	0.77%	0.55%	A-1+	1,247,269	1,247,269
<b>Term Series 20160624AA07</b>							
<b>Certificate of deposit</b>							
35,378,038	Pentagon Federal Credit Union	06/27/16	21.81%	0.70%	A-1+	35,378,038	35,378,038
<b>Term Series 20160919AA07</b>							
<b>Certificate of deposit</b>							
27,561,170	Pentagon Federal Credit Union	09/19/16	16.99%	0.75%	A-1+	27,561,170	27,561,170
<b>Term Series 20160928AA07</b>							
<b>Certificate of deposit</b>							
19,351,619	Pentagon Federal Credit Union	09/28/16	11.93%	0.85%	A-1+	19,351,619	19,351,619
<b>Term Series 20161122AA07</b>							
<b>Certificate of deposit</b>							
1,995,019	Pentagon Federal Credit Union	11/22/16	1.23%	0.85%	A-1+	1,995,019	1,995,019
<b>Term Series 20161215AA07</b>							
<b>Certificate of deposit</b>							
1,495,565	BankUnited, NA	12/15/16	0.92%	0.65%	A-1+	1,495,565	1,495,565
<b>Term Series 20161221AA07</b>							
<b>Certificate of deposit</b>							
3,192,027	Pentagon Federal Credit Union	12/21/16	1.97%	0.90%	A-1+	3,192,027	3,192,027
<b>Term Series 20170928AA07</b>							
<b>Certificate of deposit</b>							
4,575,697	Pentagon Federal Credit Union	09/28/17	2.82%	1.06%	A-1+	4,575,697	4,575,697
<b>Term Series 20180928AA07</b>							
<b>Certificate of deposit</b>							
1,983,479	Pentagon Federal Credit Union	09/28/18	1.22%	1.36%	A-1+	1,983,479	1,983,479
<b>Term Series 20181123AA07</b>							
<b>Certificate of deposit</b>							
4,958,657	Pentagon Federal Credit Union	11/23/18	3.06%	1.36%	A-1+	4,958,657	4,958,657
<b>Total Investments</b>						<b>\$ 162,228,703</b>	<b>\$ 162,228,703</b>

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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 position of the FL SAFE Fund is 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. During 2016 and 2015, Fees paid to FMAS totaled \$74,353 and \$89,392, respectively.

Prudent Man Advisors, Inc., PMA Financial Network, Inc. and PMA Securities, Inc. (collectively PMA) provide investment advisory, operational management and distribution services to FL SAFE. Fees for the investment advisory services for the FL SAFE Fund are calculated daily and paid monthly, at a rate of 0.07% of the average daily net position 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. During 2016 and 2015, FL SAFE paid PMA \$191,529 and \$161,974, respectively.

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. During the 2016 and 2015, fees paid by Term Series to PMA totaled \$197,989 and \$62,140, respectively.

**NOTE 4 ADDITIONAL INFORMATION**

Selected data for each share of FL SAFE Fund outstanding at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 0.006030	\$ 0.004492
Amortization of losses	(0.000011)	(0.000810)
Expenses	<u>(0.001799)</u>	<u>(0.002494)</u>
Net investment income distributed	<u>\$ 0.004220</u>	<u>\$ 0.001188</u>

Additional data on the investment portfolio of FL SAFE Fund as of December 31, 2016 and 2015 is as below:

	<u>2016</u>	<u>2015</u>
Weighted-Average Maturity in Days	41	46

**FLORIDA SURPLUS ASSET FUND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 ADDITIONAL INFORMATION (CONTINUED)**

FL SAFE Fund's net average yield was 0.48% and 0.11% for the years ended December 31, 2016 and 2015, respectively. As such, \$1,000 invested in the FL SAFE Fund on January 1, 2016 or 2015 would have been worth \$1005 at December 31, 2016 or would have been worth \$1,001 at December 31, 2015. See Note 6 for net losses amortized to participants.

Selected data for each share of Term Series Fund outstanding at December 31, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Investment income	\$ 0.008388	\$ 0.001312
Expenses	(0.001954)	(0.000382)
Net investment income distributed	\$ 0.006434	\$ 0.000930

**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 2016 or 2015. Per Board action in January 2016 and in accordance with the terms of the Standby Capital Support Agreement, \$125,000 of the deposit was returned to PMA Financial Network, Inc.

**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 NAV of the FL SAFE Fund 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. FL SAFE received a distribution from the Reserve Primary Fund of \$70,749 on July 6, 2015.

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.



**FLORIDA SURPLUS ASSET FUND TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

In January 2016, the Board voted to suspend the accrual under the Revenue Recognition Policy. The remaining shortfall will continue to be reduced by contributions under the Royalty Agreement as described in Note 7 below.

A schedule of the shortfall and amortization to participants through December 31, 2016 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 during 2011-2016	<u>329,289</u>
Shortfall as of December 31, 2016 to be amortized over the next two years	<u>\$ (49,969)</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 2016 and 2015 resulted in deposits of \$28,668 and \$28,902, 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 seventeen Term Series that were opened during the year and that had not matured as of December 31, 2016. 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 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  
FL SAFE BOARD OF TRUSTEES  
AS OF DECEMBER 31, 2016 AND 2015**

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

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

**Jerry Boop, CPA, CGFO, Secretary  
City of Oviedo, Florida**

**William Kleinsorge, CPA, Treasurer  
Sumter County, Florida**

**Elaine Edmunds, CGFO, Board Member  
City of St. Pete Beach, Florida**

**Harold J. (Harry) Kyne, Board Member  
City of Seminole, Florida**  
(Effective January 1, 2017 per Florida Participant ballots)