

FLORIDA SURPLUS ASSET FUND TRUST
Orlando, Florida

FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2011 and 2010



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	5
Statements of Operations	6
Statements of Changes in Net Assets	7
Notes to Financial Statements.....	8
FL SAFE Board of Trustees	15

Independent Auditor's Report

Board of Trustees
Florida Surplus Asset Fund Trust
Orlando, Florida

We have audited the accompanying statements of net assets of Florida Surplus Asset Fund Trust ("FL SAFE") as of December 31, 2011 and 2010, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of FL SAFE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FL SAFE as of December 31, 2011 and 2010, and the results of its operations and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Denver, Colorado
April 20, 2012

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

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 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. All of the local government assets entrusted to FL SAFE are held in a trust custody account at U.S. Bank N.A. CliftonLarsonAllen LLP serves as the independent auditor to FL SAFE. Davidson Fixed Income Management, Inc. ("DFIM") provided investment advisory and operational services to FL SAFE until October 31, 2011. DFIM also provided administration services to FL SAFE until May 31, 2011. Effective June 1, 2011, Florida Management and Administration Services, LLC ("FMAS") serves as FL SAFE's Administrator. Effective November 1, 2011, Prudent Man Advisors, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission, serves as FL SAFE's investment adviser. Also effective November 1, 2011, PMA Financial Network, Inc. serves as FL SAFE's operational manager and PMA Securities, Inc. serves as the distributor.

The primary objectives of FL SAFE are to provide safety, liquidity, transparency and yield for Florida government entities. Eligible FL SAFE 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's net assets totaled \$141.25 million as of December 31, 2011, down from \$183.35 million on December 31, 2010. The decrease is attributed to participant withdrawals in excess of contributions for the year.
- The composition of security investments shifted to a greater concentration of bank deposits. During the year, the percentage of assets in terms of commercial paper decreased and in terms of government agency securities increased. As of December 31, 2011, approximately 3.5% of FL SAFE's assets were invested in fixed rate U.S. government agency securities, 21.2% in floating rate U.S. government agency securities, 19.3% in commercial paper, 20.0% in collateralized bank deposits, 36.0% in uncollateralized bank deposits.
- Net investment income remained stable in 2011 compared to 2010, totaling \$0.33 million. The average net yield of an investment in FL SAFE was 0.11% for 2011 and 0.12% for 2010.

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

FL SAFE Asset Summary

The changes in FL SAFE's net assets are the result of investment earnings, combined with purchases and redemptions of shares by participants. Assets as of the year ended December 31, 2011 and 2010 were down 23% and 7%, respectively, from the prior year. FL SAFE primarily invests in certificates of deposit, U.S. treasury securities, U.S. agency securities, highly rated commercial paper, bank deposits, repurchase agreements and AAAm rated money market funds.

FL SAFE maintained a per share value of \$1.00 per share throughout 2010 and 2011. Shown below is a summary of the net assets of FL SAFE.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Investments			
U.S. Government agency securities	\$ 35.03	\$ 36.27	\$ 18.01
Bank certificates of deposit	-	-	7.00
Commercial paper	<u>27.23</u>	<u>53.29</u>	<u>7.98</u>
Total investments	62.26	89.56	32.99
Cash	79.18	93.88	164.18
Other assets			
Accrued interest	<u>0.03</u>	<u>0.04</u>	<u>0.15</u>
Total assets	<u>141.47</u>	<u>183.48</u>	<u>197.32</u>
LIABILITIES			
Accrued expenses	0.02	0.03	0.04
Deposit by investment advisor	<u>0.20</u>	<u>0.10</u>	<u>0.20</u>
Total liabilities	<u>0.22</u>	<u>0.13</u>	<u>0.24</u>
Net assets applicable to shares outstanding	<u>\$ 141.25</u>	<u>\$ 183.35</u>	<u>\$ 197.08</u>
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>

FL SAFE's ending net assets are the result of investment earnings combined with purchases and redemptions of shares by participants. Changes in net assets for the year ended December 31, 2011 were mostly the result of participant transactions comprised of \$84.03 million of purchases, \$126.46 million of redemptions and \$0.33 million of net investment income resulting in net assets of \$141.25 million. FL SAFE's net assets decreased by \$42.10 million as of December 31, 2011 compared to December 31, 2010. Changes in net assets for the year ended

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

December 31, 2010 were mostly the result of participant transactions comprised of \$91.86 million of purchases, \$105.90 million of redemptions and \$0.31 million of net investment income resulting in net assets of \$183.35 million. FL SAFE's net assets decreased by \$13.73 million as of December 31, 2010 compared to December 31, 2009.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Increase in net assets attributed to operations - net income	\$ 0.33	\$ 0.31	\$ 0.53
Share transactions			
Net proceeds from sale of shares	84.03	91.86	237.82
Cost of shares redeemed	<u>(126.46)</u>	<u>(105.90)</u>	<u>(276.51)</u>
Net increase in net assets derived from share transactions	<u>(42.43)</u>	<u>(14.04)</u>	<u>(38.69)</u>
Net increase (decrease) in net assets	(42.10)	(13.73)	(38.16)
Net assets at beginning of year	<u>183.35</u>	<u>197.08</u>	<u>235.24</u>
Net assets at end of year	<u>\$ 141.25</u>	<u>\$ 183.35</u>	<u>\$ 197.08</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 assets and changes in net assets.

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.

FLORIDA SURPLUS ASSET FUND TRUST (FL SAFE)
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments in securities		
US government agency securities	\$ 35,026,792	\$ 36,268,587
Commercial paper	<u>27,229,909</u>	<u>53,288,760</u>
Total investments in securities	62,256,701	89,557,347
Cash and cash equivalents	79,184,740	93,880,134
Other assets		
Accrued interest	<u>31,970</u>	<u>45,794</u>
Total assets	141,473,411	183,483,275
LIABILITIES		
Accrued expenses	24,221	33,050
Deposit by investment advisors	<u>200,000</u>	<u>97,002</u>
Total liabilities	<u>224,221</u>	<u>130,052</u>
Net assets applicable to shares outstanding	<u>\$ 141,249,190</u>	<u>\$ 183,353,223</u>
SHARES OUTSTANDING	141,568,512	183,812,755
NET ASSET VALUE PER SHARE	<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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CONTRIBUTIONS & INVESTMENT INCOME		
Interest	\$ 570,799	\$ 650,897
Contributions	97,002	102,998
Gain (loss) on investments	<u>-</u>	<u>(39,557)</u>
 Total income	 <u>667,801</u>	 <u>714,338</u>
 Expenses		
Audit	42,020	28,350
Activity and transaction fees	11,286	8,357
Advisory and operational fees	129,684	294,543
Administrator fees	53,394	-
Custodian fees	27,112	24,739
Filing fees	775	765
Insurance	27,087	26,581
Internet	7,624	8,581
Legal	26,009	6,798
Standard & Poor's fee	9,943	8,500
Miscellaneous	1,501	1,068
Board expenses	<u>2,597</u>	<u>295</u>
 Total expenses	 <u>339,032</u>	 <u>408,577</u>
 NET INCREASE IN NET ASSETS RESULTING FROM		
OPERATIONS - NET INCOME		
	<u>\$ 328,769</u>	<u>\$ 305,761</u>

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

FLORIDA SURPLUS ASSET FUND TRUST (FL SAFE)
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
Increase in net assets attributed to		
Operations - net income	<u>\$ 328,769</u>	<u>\$ 305,761</u>
Share transactions		
Net proceeds from sales of shares	84,033,382	91,864,484
Cost of shares redeemed	<u>(126,466,184)</u>	<u>(105,900,005)</u>
Net increase (decrease) in net assets derived from share transactions	<u>(42,432,802)</u>	<u>(14,035,521)</u>
Net increase (decrease) in net assets	(42,104,033)	(13,729,760)
NET ASSETS, BEGINNING OF YEAR	<u>183,353,223</u>	<u>197,082,983</u>
NET ASSETS, END OF YEAR	<u><u>\$ 141,249,190</u></u>	<u><u>\$ 183,353,223</u></u>

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

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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.*

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 Governmental Accounting Standards Board (GASB). Pursuant to GASB Standards on *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, FL SAFE has elected to apply the provisions of all relevant standards 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 standards.

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

U.S. Bank N.A. is the custodian for FL SAFE. The custodian is responsible for the safekeeping of all securities, cash and cash equivalents.

Valuation of Investments

For the purpose of calculating FL SAFE’s net asset 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

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

the securities. In the event that the difference between the aggregate market price and aggregate amortized cost of the portfolio securities exceeds .25%, the FL SAFE operations manager will notify the FL SAFE Administrator, who will consider, in consultation with the FL SAFE Board, what action, if any, should be initiated.

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 Pronouncement

The GASB has approved Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. This statement establishes guidance for reporting deferred outflows of resources and deferred inflow of resources. The Statement also discusses how net position – no longer net assets – should be displayed. The provisions for this statement will become effective for financial statement reporting period beginning January 1, 2012 and will affect the presentation of the 2012 audited financial statements.

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 has established investment policies 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.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

At December 31, 2011, FL SAFE had \$28,271,438 in deposit accounts that were at least fully collateralized by U.S. government agency securities. In addition, FL SAFE had \$50,913,302 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, 2010, FL SAFE had \$56,984,077 in collateralized deposits.

FL SAFE had investments in institutional money market funds included as cash and cash equivalents as of December 31, 2010, totaling \$36,896,057 which were rated AAAM by Standard & Pools.

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. FL SAFE investment securities are held at U.S. Bank N.A. for safekeeping; as such, management believes there is minimal custodial credit risk for FL SAFE's 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 schedule of investments below 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 schedule below by specific identification.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Investments at December 31, 2011 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
U.S. Agencies							
15,000,000	FHLMC FRN	04/03/12	24.09%	0.28%	A-1+	\$ 14,998,848	\$ 15,003,315
5,000,000	FNMA	06/22/12	8.07%	0.25%	A-1+	5,023,746	5,026,330
15,000,000	FNMA FRN	12/03/12	24.10%	0.24%	A-1+	15,004,198	15,011,145
Commercial Paper							
6,000,000	Bank of Nova Scotia NY	05/10/12	9.62%	0.43%	A-1+	5,990,900	5,992,520
6,000,000	FCAR A-1+	01/17/12	9.64%	0.40%	A-1+	5,998,934	5,999,595
2,000,000	General Electric Capital Corp	02/27/12	3.21%	0.21%	A-1+	1,999,336	1,999,741
4,000,000	General Electric Capital Corp	05/07/12	6.42%	0.37%	A-1+	3,994,779	3,996,660
500,000	General Electric Capital Corp	05/21/12	0.80%	0.38%	A-1+	499,275	499,436
6,000,000	Natl Australia Fdg DE	02/01/12	9.63%	0.34%	A-1+	5,998,243	5,999,846
2,750,000	National Bank of Canada NY	03/09/12	4.41%	0.30%	A-1	2,748,442	2,747,610
Total Investments						\$ 62,256,701	\$ 62,276,198

Investments at December 31, 2010 were as follows:

Face Amount	Security	Due Date	Percent of Total	Yield	Rating	Carrying Value- Amortized Cost	Market Value
U.S. Agencies							
2,250,000	FHLMC	01/07/11	2.54%	0.35%	A-1+	\$ 2,273,625	\$ 2,266,851
4,000,000	FFCB FRN	03/21/11	4.47%	0.20%	A-1+	4,000,371	3,999,579
4,000,000	FFCB FRN	05/03/11	4.47%	0.27%	A-1+	4,000,400	4,000,932
6,000,000	FHLB FRN	06/13/11	6.70%	0.36%	A-1+	6,000,000	6,002,503
5,000,000	FHLB FRN	05/27/11	5.58%	0.28%	A-1+	5,000,000	5,000,920
15,000,000	FHLMC FRN	04/03/12	16.74%	0.26%	A-1+	14,994,191	14,995,459

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

<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>
Commercial Paper							
1,780,000	FCAR A-1+	07/08/11	1.98%	0.61%	A-1+	1,771,887	1,774,482
7,000,000	Toyota Motor Credit	06/14/11	7.80%	0.41%	A-1+	6,981,664	6,983,200
2,770,000	FCAR A-1+	02/01/11	3.09%	0.50%	A-1+	2,763,806	2,769,446
3,000,000	FCAR A-1+	02/02/11	3.34%	0.50%	A-1+	2,993,333	2,999,100
2,000,000	Credit Agricole North America	05/27/11	2.22%	0.59%	A-1+	1,991,258	1,996,200
6,000,000	Societe General North America	06/13/11	6.67%	0.51%	A-1	5,977,275	5,985,600
6,000,000	National Bank of Canada NY	06/17/11	6.68%	0.45%	A-1	5,979,750	5,985,000
5,500,000	Credit Agricole North America	06/24/11	6.11%	0.64%	A-1+	5,473,796	5,485,700
7,000,000	General Electric Capital Corp	07/15/11	7.79%	0.40%	A-1+	6,979,000	6,977,600
3,000,000	Societe General North America	07/15/11	3.34%	0.50%	A-1	2,988,750	2,990,400
1,400,000	FCAR A-1+	08/01/11	1.56%	0.60%	A-1+	1,394,027	1,395,100
3,000,000	Toyota Motor Credit	05/02/11	3.34%	0.35%	A-1+	2,995,625	2,995,800
5,000,000	National Rural Utilities	01/07/11	5.58%	0.29%	A-1	4,998,589	5,000,000
Total Investments						<u>\$ 89,557,347</u>	<u>\$ 89,603,872</u>

NOTE 3 – INVESTMENT ADVISORY AND ADMINISTRATIVE FEES

Davidson Fixed Income Management, Inc. (“DFIM”) provided investment advisory and operational services to FL SAFE until October 31, 2011. DFIM also provided administration services to FL SAFE until May 31, 2011. Fees for such services were calculated daily and paid monthly at a rate of 0.15% of the average daily net assets up to \$500 million, 0.12% of the average daily net assets up to \$1 billion, 0.10% of the average daily net assets up to \$4 billion, and 0.08% of the average daily net assets in excess of \$5 billion. Fees paid to DFIM in 2011 and 2010 totaled \$118,168 and \$294,543, respectively. Fees paid to DFIM for administration services are included in advisory and operational fees on the statements of operations.

Florida Management and Administration Services LLC. (“FMAS”) began providing administration services to FL SAFE beginning May 31, 2011. 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 assets are above \$200 million. These amounts will be calculated at a rate of 0.05% of the average daily net assets over \$200 million up to \$500 million, 0.04% of the average daily net assets up to \$1 billion, 0.03% of the average daily net assets up to \$5 billion, and 0.02% of the average daily net assets in excess of \$5 billion. Fees paid to FMAS in 2011 totaled \$53,394.

As of November 1, 2011, Prudent Man Advisors, Inc., PMA Financial Network, Inc. and PMA Securities, Inc. began providing investment advisory and operational management and distribution services to FL SAFE. Fees for the investment advisory services are calculated daily and paid monthly, at a rate of 0.07% of the average daily net assets up to \$500 million, and 0.0525% of the average daily net assets over \$500 million. Investment advisory fees paid in 2011 totaled \$11,516. 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 and were waived for 2011.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 – ADDITIONAL INFORMATION

Selected data for each share outstanding at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Investment income	\$ 0.003508	\$ 0.003323
Amortization of losses	(0.000368)	-
Expenses	<u>(0.002084)</u>	<u>(0.002086)</u>
Net investment income distributed	<u>\$ 0.001056</u>	<u>\$ 0.001237</u>

Additional data on the investment portfolio as of December 31, 2011 and 2010 is as below:

	<u>2011</u>	<u>2010</u>
Weighted-average maturity in days	22	43

FL SAFE's net average yields for the years ended December 31, 2011 and 2010 was 0.11% and 0.12%. For example, \$1,000 invested in FL SAFE on January 1, 2011 or 2010 would have been worth \$1,001 at December 31, 2011 or 2010. 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. ("PMA") under which PMA provided \$200,000 in a money market account at U.S. Bank N.A. under FL SAFE's name. The amounts held at U.S. Bank N.A. 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 2011.

NOTE 6 – RESERVE PRIMARY MONEY MARKET FUND

FL SAFE 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 DFIM 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, 2011 and 2010

NOTE 6 – RESERVE PRIMARY MONEY MARKET FUND (CONTINUED)

Under the Revenue Recognition Policy adopted by FL SAFE 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, 2011 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>59,936</u>
Shortfall as of December 31, 2011 to be amortized over the next seven years	<u>\$ (319,322)</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. (“PMA”) under which PMA may work with the Board and the Administrator to market the PMA Fixed Income Investment Program and other specific PMA FL SAFE value added service and investment programs 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 5). 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. There were no sales made by PMA to FL SAFE participants during 2011.

NOTE 8 – 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 assets 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 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 basic financial statements.

Florida Surplus Asset Fund Trust (“FL SAFE”)

FL SAFE Board of Trustees

as of December 31, 2011

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Jerry D. Boop, CPA, CGFO, Vice Chairman

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