

# COLO TRUST



## Annual Report

December 31, 2010

(With report of independent auditors within)

## Chairman's Letter (unaudited)

February 4, 2011

To the Participants of COLOTRUST

On behalf of the COLORUST Board of Trustees, we are pleased to present our annual audited financial statements for 2010.

Although the economic slowdown that is now being called the Great Recession is over, and 2010 witnessed slow but steady economic growth, there still remain a great many challenges facing the United States economy. Perhaps nowhere is this truer than in the local government investment pool (LGIP) space. The Federal Reserve has kept rates at close to zero for just over two years now and it is unlikely that we will see rates rise until the end of 2011 at the earliest. The good news is that the economy is incrementally growing stronger and most analysts believe that there will be healthy growth this year and then really pick up steam in 2012. In the meantime, COLOTRUST remains focused on our primary principles of safety and liquidity. Despite the economic turmoil of the last few years, COLOTRUST has incurred no losses in its portfolio and Participants have had and continue to have ready access to their funds. COLOTRUST has maintained both its value of \$1.00 per share and its triple-A ratings. COLOTRUST PRIME is rated AAAM (S&P), while COLOTRUST PLUS+ holds the highest standard set forth by S&P (AAAM), Fitch (AAA/V1+) and Moody's (Aaa).

COLOTRUST remains the first choice in local government investment pools in the State of Colorado. The pool finished the year with a combined total nearing \$4 billion in assets, with a peak of \$5.6 billion in June. COLOTRUST PLUS+ ended the year at approximately \$3.4 billion, and COLOTRUST PRIME closed 2010 with a little over \$550 million in assets.

COLOTRUST places safety and liquidity above all other investment priorities. Last year was COLOTRUST's 25th anniversary and we are pleased to say that in the quarter century that we have been managing your money, COLOTRUST has preserved principle and interest of the public's funds without incident. LGIPs nationwide have faced significant challenges since 2007 and unlike some investment pools, COLOTRUST has successfully navigated through them. These challenges include bank failures, collapses in the derivatives markets, and defaults in commercial paper issuances.

As a reminder, Participation in COLOTRUST is open to all local governments in the State of Colorado, without favor to any one participant type. The pool is governed by a Participant-elected Board of Trustees, which approves investment parameters and ensures they are in compliance with any and all Colorado State Laws.

The COLOTRUST Board is grateful for the confidence that Colorado local governments have placed in COLOTRUST. We look forward to a better year economically than the last. Regardless of rates, COLOTRUST and Cutwater Colorado Investor Services Corporation (CCISC), the program administrator and portfolio manager, will continue to emphasize the safety and liquidity above all else. On behalf of the Board of Trustees and the COLOTRUST staff, we wish to thank you for your business and for your continued faith in COLOTRUST.

Respectfully,



Al Dominguez, Jr., Chairman  
COLOTRUST Board of Trustees



## Report of Independent Auditors

To the Board of Trustees of Colorado Local Government Liquid Asset Trust:

In our opinion, the accompanying statements of net assets, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of COLOTRUST PRIME Portfolio and COLOTRUST PLUS+ Portfolio (constituting Colorado Local Government Liquid Asset Trust, hereafter referred to as the "Trust") at December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2010 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 7, 2011



## STATEMENTS OF NET ASSETS - December 31, 2010

### INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	COLOTRUST PRIME Market Value	COLOTRUST PLUS+ Market Value
<b>Repurchase Agreements</b> (16%, 6%, respectively)*						
BMO Captial Markets Corp. (16%, 0%, respectively)* (Collateralized by U.S. Government Agency Securities with coupon rates between 0.00% and 0.80%, and maturing between 04/20/2011 and 05/06/2011.) Market Value: \$91,794,801.	\$ 90,000,000	0.20%	01/03/11	0.20%	\$ 90,000,000	\$ -
UBS Financial Services (0%, 6%, respectively)* (Collateralized by U.S. Government Agency Securities and U.S. Treasury Securities with coupon rates of 1.00% to 4.625%, and maturing between 07/31/2011 and 09/08/2020.) Market Value: \$204,063,507.	200,062,260	0.20	01/03/11	0.20	-	200,062,260
(Cost of \$90,000,000 and \$200,062,260, respectively)					<u>90,000,000</u>	<u>200,062,260</u>
<b>U.S. Government Agency Securities</b> (41%, 11%, respectively)*						
Freddie Mac Notes (7%, 0%, respectively)*						
	9,900,000	0.59 - Var.	04/01/11	0.25	9,903,544	-
	30,000,000	0.17 - Var.	11/09/11	0.26	29,965,320	-
Federal Home Loan Bank Notes (30%, 9%, respectively)*						
	50,000,000	0.29 - Var.	05/27/11	0.23	-	49,996,450
	39,000,000	0.37 - Var.	05/27/11	0.31	-	39,008,736
	20,000,000	0.29 - Var.	05/27/11	0.23	19,998,580	-
	15,000,000	0.37 - Var.	05/27/11	0.31	15,003,360	-
	25,000,000	0.33 - Var.	07/20/11	0.27	25,002,575	-
	50,000,000	0.33 - Var.	07/20/11	0.27	-	50,005,150
	25,000,000	0.30 - Var.	08/12/11	0.24	24,998,150	-
	50,000,000	0.30 - Var.	08/12/11	0.24	-	49,996,300
	20,000,000	0.40	11/25/11	0.40	19,996,360	-
	20,000,000	0.29 - Var.	12/01/11	0.23	19,994,880	-
	50,000,000	0.29 - Var.	12/01/11	0.23	-	49,987,200
	20,000,000	0.45	12/16/11	0.45	19,991,820	-
	30,000,000	0.45	12/16/11	0.45	-	29,987,730
	20,000,000	0.50	12/23/11	0.50	19,980,980	-
	50,000,000	0.50	12/23/11	0.50	-	49,952,450
Federal Farm Credit Bank (4%, 2%, respectively)*						
	20,000,000	0.32 - Var.	07/01/11	0.25	19,999,020	-
	70,000,000	0.32 - Var.	07/01/11	0.25	-	69,996,570
(Cost of \$224,881,692 and \$389,000,000, respectively)					<u>224,834,589</u>	<u>388,930,586</u>
<b>Corporate Securities</b> (0%, 6%, respectively)*						
UBS AG Stamford CT	75,000,000	0.62 - Var.	01/20/11	0.62	-	75,015,000
New York Life Global Funding	30,065,000	0.26 - Var.	04/01/11	0.26	-	30,055,680
UBS AG Stamford CT	50,000,000	0.65 - Var.	09/28/11	0.65	-	50,075,000
Toyota Motor Credit Corp	50,000,000	0.44 - Var.	12/14/11	0.38	-	49,976,500
(Cost of \$0 and \$205,065,000, respectively)					-	<u>205,122,180</u>

\* Denotes percentage of net assets \*\* Denotes securities purchased at a discount from par



## STATEMENTS OF NET ASSETS - December 31, 2010

### INVESTMENTS, AT VALUE (cont.)

	Principal Amount	Coupon Rate	Maturity	Effective Yield	COLOTRUST PRIME Market Value	COLOTRUST PLUS+ Market Value
Commercial Paper (0%, 52%, respectively)*						
Citigroup Funding Corp.	\$ 50,000,000	Disc. **	01/05/11	0.25%	\$ -	\$ 49,998,800
Barton Capital Corp.	25,025,000	Disc. **	01/07/11	0.27	-	25,023,974
Amsterdam Funding Corp.	50,000,000	Disc. **	01/10/11	0.27	-	49,995,950
Barton Capital LLC	35,025,000	Disc. **	01/11/11	0.27	-	35,022,758
Citigroup Funding Corp.	50,000,000	Disc. **	01/11/11	0.25	-	49,997,400
Sheffield Receivables Corp.	40,000,000	Disc. **	01/12/11	0.30	-	39,996,400
Straight-A Funding LLC	50,000,000	Disc. **	01/12/11	0.25	-	49,997,250
Amsterdam Funding Corp.	40,000,000	Disc. **	01/13/11	0.27	-	39,995,800
Windmill Funding I Corp.	50,000,000	Disc. **	01/13/11	0.26	-	49,995,150
Credit Suisse New York, NY	50,000,000	Disc. **	01/14/11	0.25	-	49,995,350
Royal Bank of Scotland PLC	50,000,000	Disc. **	01/14/11	0.79	-	49,995,350
Sheffield Receivables Corp.	50,000,000	Disc. **	01/14/11	0.63	-	49,994,750
Variable Funding Capital Corp. LLC	40,000,000	Disc. **	01/14/11	0.27	-	39,995,960
Windmill Funding Corp.	100,000,000	Disc. **	01/14/11	0.31	-	99,989,500
Scaldis Capital LLC	50,000,000	Disc. **	01/19/11	0.29	-	49,992,900
Starbird Funding Corp.	50,000,000	Disc. **	01/21/11	0.28	-	49,991,550
CRC Funding LLC	50,000,000	Disc. **	01/27/11	0.25	-	49,992,150
Toyota Motor Credit Corp.	42,500,000	Disc. **	01/31/11	0.40	-	42,492,945
Sheffield Receivables Corp.	50,000,000	Disc. **	02/01/11	0.36	-	49,987,950
Amsterdam Funding Corp.	50,000,000	Disc. **	02/02/11	0.36	-	49,986,600
ING US Funding	40,000,000	Disc. **	02/10/11	0.38	-	39,987,160
ING US Funding	40,000,000	Disc. **	02/11/11	0.56	-	39,986,760
Surrey Funding Corp.	39,700,000	Disc. **	02/14/11	0.30	-	39,686,105
Toyota Motor Credit Corp.	12,500,000	Disc. **	02/14/11	0.31	-	12,496,250
Royal Bank of Scotland PLC	50,000,000	Disc. **	02/15/11	0.39	-	49,981,400
Royal Bank of Scotland PLC	50,000,000	Disc. **	03/01/11	0.48	-	49,974,150
Starbird Funding Corp.	50,000,000	Disc. **	03/01/11	0.29	-	49,974,150
Surrey Funding Corp.	41,500,000	Disc. **	03/09/11	0.30	-	41,476,387
Old Line Funding LLC	50,000,000	Disc. **	03/10/11	0.27	-	49,980,250
Societe Generale North America	40,000,000	Disc. **	03/14/11	0.36	-	39,974,120
Surrey Funding Corp.	45,000,000	Disc. **	03/21/11	0.30	-	44,968,320
Scaldis Capital LLC	50,000,000	Disc. **	03/23/11	0.33	-	49,963,650
Surrey Funding Corp.	45,000,000	Disc. **	03/24/11	0.34	-	44,966,700
Royal Bank of Scotland PLC	50,000,000	Disc. **	04/08/11	0.48	-	49,954,700
ING US Funding	50,000,000	Disc. **	04/14/11	0.40	-	49,951,600
Fairway Finance Corp.	50,000,000	0.30 - Var.**	05/23/11	0.30	-	49,995,000
Toyota Motor Credit Corp.	45,000,000	Disc. **	05/23/11	0.36	-	44,946,720
UBS Finance Delaware LLC	25,000,000	Disc. **	06/21/11	0.54	-	24,949,400
(Cost of \$0 and \$1,745,529,472, respectively)					-	1,745,651,309
Total Investments in Securities (Cost of \$314,881,692 and \$2,539,656,732, respectively)					314,834,589	2,539,766,335

\* Denotes percentage of net assets \*\* Denotes securities purchased at a discount from par



## STATEMENTS OF NET ASSETS - December 31, 2010

INVESTMENTS, AT VALUE (cont.)	Principal Amount	Coupon Rate	Maturity	Effective Yield	COLOTRUST	COLOTRUST
					PRIME	PLUS+
					Market Value	Market Value
Deposit Balances in Custodian Banks (43%, 25%, respectively)*						
Wells Fargo Bank, N.A. (25%, 9%, respectively)*		0.21%		0.21%	\$ 138,442,149	\$ 309,937,929
Compass Bank (18%, 0%, respectively)*		0.20		0.20	100,000,000	-
Compass Bank (0%, 8%, respectively)*		0.41		0.41	-	250,000,000
JPMorgan Chase Bank, N.A. (0%, 8%, respectively)*		0.35		0.35	-	275,000,000
					<u>238,442,149</u>	<u>834,937,929</u>
Other Assets						
Accrued Interest Receivable					86,960	471,657
Total Assets					<u>553,363,698</u>	<u>3,375,175,921</u>
Less liabilities						
Administration and Investment Advisory Fees					75,936	467,854
Net Assets					<u>\$ 553,287,762</u>	<u>\$ 3,374,708,067</u>
Components of capital						
Capital (Par Value)					\$ 553,334,866	\$ 3,374,598,463
Unrealized Appreciation (Depreciation) on Investments					(47,104)	109,604
Net assets					<u>\$ 553,287,762</u>	<u>\$ 3,374,708,067</u>
Outstanding Participant Shares					<u>553,334,866</u>	<u>3,374,598,463</u>
Net Asset Value per Share					<u>\$1.00</u>	<u>\$1.00</u>

\* Denotes percentage of net assets \*\* Denotes securities purchased at a discount from par



## STATEMENTS OF OPERATIONS

(Year Ended December 31, 2010)

	COLOTRUST PRIME	COLOTRUST PLUS+
Investment Income	\$ 2,091,520	\$ 14,755,197
Expenses:		
Administration and Investment Advisory Fees	1,288,412	6,276,467
Net Investment Income	<u>803,108</u>	<u>8,478,730</u>
Net Gain on Investments	-	5,316
Change in Net Unrealized (Depreciation) on Investments	(85,793)	(306,668)
Net Realized and Unrealized (Loss) on Investments	<u>(85,793)</u>	<u>(301,352)</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 717,315</u>	<u>\$ 8,177,378</u>

## STATEMENTS OF CHANGES IN NET ASSETS

(Years Ended December 31, 2010 and December 31, 2009)

	COLOTRUST PRIME		COLOTRUST PLUS+	
	2010	2009	2010	2009
From Investment Activities:				
Net Investment Income	\$ 803,108	\$ 2,337,624	\$ 8,478,730	\$ 16,728,139
Net Change in Unrealized Appreciation (Depreciation) on Investments	(85,793)	(437,259)	(306,668)	540,436
Realized Gain on Investments	<u>-</u>	<u>-</u>	<u>5,316</u>	<u>21,644</u>
Net Increase in Net Assets Resulting from Operations	717,315	1,900,365	8,177,378	17,290,219
Distributions to Participants from Net Investment Income	(803,108)	(2,337,624)	(8,478,730)	(16,728,139)
Distributions to Participants from Net Realized Gain	-	-	(5,316)	(21,644)
Net Increase (Decrease) in Net Assets from Share Transactions	<u>(364,452,959)</u>	<u>92,443,497</u>	<u>(94,866,895)</u>	<u>365,795,515</u>
Net Increase (Decrease) in Net Assets	(364,538,752)	92,006,238	(95,173,563)	366,335,951
Net Assets:				
Beginning of Period	917,826,514	825,820,276	3,469,881,630	3,103,545,679
End of Period	<u>\$ 553,287,762</u>	<u>\$ 917,826,514</u>	<u>\$3,374,708,067</u>	<u>\$3,469,881,630</u>



# Notes to Financial Statements

December 31, 2010

## Note 1. Summary of Significant Accounting Policies

The Colorado Local Government Liquid Asset Trust (the Trust) began operations on January 1, 1985, as an investment trust established for local government entities in Colorado to pool surplus funds for investment purposes under the provision of Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust presently offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME began operations on January 1, 1985 and COLOTRUST PLUS+ began operations on May 16, 1994. Both portfolios operate like money market mutual funds with each share valued at \$1.00.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following significant accounting policies are also in conformity with accounting principles generally accepted in the United States of America for investment companies. Such policies are consistently followed by the Trust in the preparation of the financial statements.

### Securities Valuation

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates market value. Securities and the financial statements are valued in United States dollars only.

### Securities Transactions and Investment Income

Securities transactions are accounted for on a trade date basis. Realized gains and losses from securities transactions are recorded on a specific identification basis. Interest income is recognized on the accrual basis and includes amortization of premiums and accretion of discounts. Amortization of premium and accretion of discount accrual method utilized is straight line and it is deemed that there is no significant difference compared to the effective interest method.

### Derivative Instruments

The Trust's investment policies do not allow for investments in derivatives and, for the periods ended December 31, 2010 and December 31, 2009, the Trust held no financial instruments which meet the definition of a derivative according to Financial Accounting Standards Board ("FASB") issued "Disclosure about Derivative Instruments and Hedging Activities" (the "Derivatives Statement").

### Dividends to Participants

Distributions from net investment income are declared and paid daily. The Trust's policy is to distribute net realized capital gains, if any, annually. Net realized gains have not been significant since the inception of the Trust.

### Income Taxes

There is no provision for income taxes in the financial statements of the Trusts as the Trusts are not subject to income tax. Each trust is individually liable for its own tax payments.

Beginning with the December 31, 2010 audited financial statements, the Trusts adopted the authoritative guidance for uncertainty in income taxes included in accounting guidance. This guidance requires the Trusts to recognize a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the Trusts should measure the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Management has determined that there is no cumulative effect to the Trust's financial statements as a result of adopting this guidance.

## Note 2. Fair Value Measurements

In accordance with FASB guidance, the Trusts utilize the "Fair Value Measurements" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements. The Fair Value Measurement Standard does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Various inputs are used in determining the value of the Trust's portfolio investments defined pursuant to this standard.

These inputs are summarized into three broad levels:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S government agency securities, corporate securities, and commercial paper.

Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Trusts since the beginning of the fiscal year. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2010 to value the Trusts' investments in securities and other financial instruments is included in the "Valuation Inputs Summary" and "Level 3 Valuation Reconciliation of Assets" (if applicable) as noted below.

#### PRIME Portfolio

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Repurchase Agreements	\$ -	\$ 90,000,000	\$ -	\$ 90,000,000
U.S. Government Agency Securities	-	224,834,589	-	224,834,589
Total	\$ -	\$ 314,834,589	\$ -	\$ 314,834,589

#### PLUS+ Portfolio

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Repurchase Agreements	\$ -	\$ 200,062,260	\$ -	\$ 200,062,260
U.S. Government Agency Securities	-	388,930,586	-	388,930,586
Corporate Securities	-	155,047,180	50,075,000	205,122,180
Commercial Paper	-	1,745,651,309	-	1,745,651,309
Total	\$ -	\$ 2,489,691,335	\$50,075,000	\$ 2,539,766,335

\* For the year ended December 31, 2010, the Trust had one position which fell in Level 3 of the Valuation Inputs. This corporate floating note security required manual pricing via a broker quote.

#### Level 3 Valuation Reconciliation of Assets (for the fiscal period ended December 31, 2010)

	Balance as of December 31, 2009	Accrued Discounts / Premiums	Realized Gain / (Loss)	Change in Unrealized Appreciation / (Depreciation) *	Net Purchases/ (Sales)	Transfers In and/or Out of Level 3	Balance as of December 31, 2010
Investments in Securities:							
Corporate Floater							
UBS AG Stamford CT (CUSIP # 90261XGLO)	\$ -	\$ -	\$ -	\$75,000	\$50,000,000	\$ -	\$50,075,000

\* - included in "Change in Net Unrealized (Depreciation) on Investments" on the Statements of Operations.

In April 2009, FASB issued "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," which provides additional guidance for estimating fair value in accordance with Fair Value Measurements when the volume and level of activity for the asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly. Additionally, it amends the Fair Value Measurement Standard by expanding disclosure requirements for reporting entities surrounding the major categories of assets and liabilities carried at fair value. The required disclosures have been incorporated into the "Valuation Inputs Summary" below. Management believes applying this guidance does not have a material impact on the financial statements. The Trusts adopted FASB Accounting Standards Update "Fair Value Measurements and Disclosures" (the "Update"), effective September 30, 2010. This Update applies to a Fund's disclosures about transfers in and out of Level 1 and Level 2 of the fair value hierarchy and the reasons for the transfers. Disclosures about the valuation techniques and inputs used to measure fair value for investments that fall in either Level 2 or Level 3 fair value hierarchy are summarized under the Level 2 and Level 3 categories listed above.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period.

The Trusts recognize transfers between the levels as of the beginning of the fiscal year.



## Note 3. Deposits and Investments

### Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government (including the Trust) deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by the depository. The eligible collateral is determined by PDPA. PDPA allows the eligible depository to create a single collateral pool for all public funds. The pool is to be maintained by another depository or held in trust for all amounts of local government deposits in excess of federal insurance levels as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Trust has received rulings from the Federal Deposit Insurance Corporation that deposits made by the Trust are actually the deposits of the participants and thus each participant in the Trust is insured for its proportionate share of any deposit, up to the limit of \$250,000 for the participant's accounts in the custodian bank and its pro rata share of the Trust's deposits.

At December 31, 2010, the deposit balances at the custodian bank were \$238,442,149 and \$834,937,929 for the COLOTRUST PRIME portfolio and COLOTRUST PLUS+ portfolio, respectively. As a result, approximately 25% of the total assets held by the COLOTRUST PLUS+ portfolio are concentrated at three custodian banks, Wells Fargo, Compass Bank, and JPMorgan Chase Bank. Approximately 43% of the total assets held by the COLOTRUST PRIME portfolio are concentrated at two custodian banks, Wells Fargo and Compass Bank. The amount of deposits fully collateralized to the extent of each participant cannot be reasonably determined by the Trust as the balances of participants' separate deposits in the custodian bank are not available. Deposits not fully collateralized, if any, would be subject to inclusion in the custodian bank's single institution collateral pool for public deposits. Interest earned on cash sweep investment vehicles as a percentage of total income earned accounted for 32% on the COLOTRUST PRIME portfolio and 17% on the COLOTRUST PLUS+ portfolio for the year ending December 31, 2010.

### Custodian

Wells Fargo Bank, N.A. serves as the custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust may also use JPMorgan Chase Bank and Compass Bank as a safekeeping agent for repurchase agreements and other deposit balances.

### Risk Disclosure

- **Counterparty Risk** - Counterparty risk is the risk that the counterparty or a third party will not fulfill its obligation to a Trust.
- **Interest Rate Risk** - Interest rate risk is the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause a Trust's NAV to likewise decrease, and vice versa.
- **Market Risk** - Market risk is the daily potential for an investor to experience losses from fluctuations in securities prices. This risk cannot be diversified away.
- **Credit Risk** - Credit risk is the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.

### Investment in Securities

Colorado statutes specify investments meeting defined rating and risk criteria in which local government investment pools may invest. The Board of Trustees has further limited investment instruments for the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios. COLOTRUST PRIME may invest in U.S. Treasury securities, certain approved obligations of agencies of the U.S. government, and written repurchase agreements collateralized by U.S. Treasury securities, or certain approved obligations of U.S. government agencies. COLOTRUST PLUS+ may invest in U.S. Treasury securities, certain approved obligations of agencies of the U.S. government, commercial paper rated in the highest rating category and any security allowed under CRS 24-75-601 and written repurchase agreements collateralized by U.S. Treasury securities or certain approved obligations of U.S. government agencies.

Investments may be categorized as follows: (1) insured or registered or for which the securities are held by the Trust or the custodian bank in the Trust's name (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the Trust's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Trust's name.

Investment securities are categorized to give an indication of the level of risk, including credit risk.



#### Note 4. Guarantee

On February 8, 2010 MBIA Municipal Investors Services Corporation ("MBIA Inc.") changed its name to Cutwater Investor Services Corp. ("CISC"). Additionally, Colorado Investor Services Corporation ("CISC") changed its name to Cutwater Colorado Investor Services Corporation ("CCISC"). This name change has no impact on the operations of the Trust. CISC and MBIA Insurance Corporation, a financial guarantor and provider of specialized financial services to the public sector, has issued a written commitment to protect participants' principal and interest during the term of their investment in the Trust and upon liquidation of funds. This commitment provides that CISC will pay to the Trust the amount of any realized loss which results in a material decline in the constant net asset value per share maintained by each portfolio, including any reductions in participant balances adjusted to maintain the constant net asset value.

CISC's payment commitment is effective, subject to certain conditions agreed to by the Trust, so long as CCISC serves as Investment Advisor and Administrator for the Trust until the current contract expires on December 31, 2011 or earlier when a new contract is executed.

#### Note 5. Repurchase Agreements

Funds are released from the Trust's portfolios for repurchase agreements only when collateral has been wired to the custodian bank, and for the period ended December 31, 2010, the Trust held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to the Trust at least on a weekly basis. If the seller of the agreement defaults and the value of the collateral declines, the immediate realization of the full amount of the agreement by the Trust may be limited. All repurchase agreements must be initially collateralized at 102% and additional securities must be provided if the market value of the collateral falls below 101.5%. All outstanding repurchase agreements throughout this financial reporting period and at December 31, 2010 have been collateralized at 102%. Interest earned on repurchase agreements as a percentage of total income earned accounted for 16% on the COLOTRUST PRIME portfolio and 2% on the COLOTRUST PLUS+ portfolio for the year ending December 31, 2010.

#### Note 6. Administration and Investment Advisory Fees

Investment advisory services and administration and marketing services are provided by CCISC. Trust fees are calculated daily and paid monthly. The total fees for the Trust are as follows: 0.180% of the average daily net assets of the portfolios up to \$1,500,000,000; and 0.150% of the average daily net assets exceeding \$1,500,000,000. The fees are collected by CCISC and used to pay all expenses related to the Trust.

#### Note 7. Share Transactions

Transactions in shares during the twelve months ended December 31, 2010 and 2009 for the COLOTRUST PRIME portfolio were as follows:

	2010	2009
Shares sold	4,206,831,616	2,667,871,262
Shares issued on reinvestment of distributions	801,971	2,332,626
Shares redeemed	(4,572,086,546)	(2,577,760,391)
Net increase / decrease	<u>(364,452,959)</u>	<u>92,443,497</u>

Transactions in shares during the twelve months ended December 31, 2010 and 2009 for the COLOTRUST PLUS+ portfolio were as follows:

	2010	2009
Shares sold	11,098,650,212	15,144,937,240
Shares issued on reinvestment of distributions	8,473,151	16,741,224
Shares redeemed	(11,201,990,258)	(14,795,882,949)
Net increase / decrease	<u>(94,866,895)</u>	<u>365,795,515</u>



## Note 8. Financial Highlights for a Share Outstanding Throughout Each Period

### COLOTRUST PRIME

	2010	2009	Years Ended 2008	2007	2006
Per Share Data					
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.001	\$0.003	\$0.020	\$0.050	\$0.048
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	0.100%	0.281%	2.225%	5.075%	4.928%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$553,288	\$917,827	\$825,820	\$508,944	\$457,554
Ratio of Expenses to Average Net Assets	0.158%	0.159%	0.161%	0.162%	0.165%
Ratio of Net Investment Income to Average Net Assets	0.099%	0.280%	1.994%	4.953%	4.842%

### COLOTRUST PLUS+

	2010	2009	Years Ended 2008	2007	2006
Per Share Data					
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.002	\$0.004	\$0.026	\$0.051	\$0.049
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	0.214%	0.423%	2.609%	5.253%	5.007%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$3,374,708	\$3,469,882	\$3,103,546	\$2,906,532	\$2,636,501
Ratio of Expenses to Average Net Assets	0.158%	0.159%	0.161%	0.162%	0.165%
Ratio of Net Investment Income to Average Net Assets	0.215%	0.413%	2.555%	5.122%	4.920%

## Note 9. Subsequent Events

In accordance with the provisions set forth in ASC 855-10, Subsequent Events, management has evaluated the possibility of subsequent events existing in the Trust's financial statements. Management has determined that there were no material events that would require disclosure in the Trust's financial statements as of February 7, 2011.



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