

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

ASSETS

Investments at Fair Value		
Par Value	Description	Maturity Date
	Government Agency Securities - 29.82%	
5,000,000	Federal Home Loan Bank Discount Note	7/18/08 4,992,361
2,000,000	Federal Home Loan Bank Discount Note	7/30/08 1,994,256
500,000	Federal Home Loan Bank, 4.35%	11/19/08 505,105
2,230,000	Federal Home Loan Bank, 5.79%	4/27/09 2,297,725
7,000,000	Federal Home Loan Bank, 2.60%	5/14/09 7,012,020
550,000	Federal Home Loan Bank, 4.75%	3/13/09 559,950
4,000,000	Federal Home Loan Bank, 2.56%	2/13/09 4,008,720
3,000,000	Federal Home Loan Bank, 2.32%	4/28/09 2,996,820
3,000,000	Federal Home Loan Bank, 5.25%	3/13/09 3,077,250
3,000,000	Federal Home Loan Bank, 2.26%	3/25/09 2,999,610
2,500,000	Federal Home Loan Bank, 5.00%	9/12/08 2,509,100
890,000	Federal Home Loan Bank, 5.25%	8/14/08 894,931
2,000,000	Federal Home Loan Bank, 3.375%	7/21/08 1,979,680
750,000	Federal Home Loan Bank, 3.10%	7/16/08 740,843
1,255,000	Federal Home Loan Bank, 2.625%	7/15/08 1,235,271
3,000,000	Federal Home Loan Bank, 4.125%	1/7/09 3,014,460
1,500,000	Federal Home Loan Bank, 3.25%	8/1/08 1,502,670
1,500,000	Federal National Mortgage Association, 4.00%	4/29/09 1,520,715
3,000,000	Federal National Mortgage Association, 4.90%	11/3/08 3,027,810
1,500,000	Federal National Mortgage Association, 4.10%	1/27/09 1,509,570
2,674,000	Federal National Mortgage Corp., 4.625%	12/19/08 2,695,552
4,000,000	Federal National Mortgage Corp., 2.265%	4/14/09 3,996,400
3,000,000	Federal National Mortgage Corp., 4.625%	9/15/08 3,033,630
5,000,000	Federal National Mortgage Corp., 5.125%	8/14/08 5,023,350
650,000	Federal National Mortgage Corp., 5.25%	1/12/09 <u>660,621</u>
	Total Government Agency Securities	<u>63,766,420</u>
	Certificates of Deposit - 7.20%	
15,409,911	Certificates of Deposit (CDARS) - matched maturity investments (cost \$15,409,911)	15,409,911
	Repurchase Agreements (Collateralized by U.S. Government Securities) - 62.98%	
32,000,000	Bank of America repurchase agreement (cost \$32,000,000)	32,000,000
33,000,000	Barclay Capital repurchase agreement (cost \$33,000,000)	33,000,000
34,000,004	Morgan Stanley repurchase agreement (cost \$34,000,004)	34,000,004
34,210,401	Matched maturity investments (cost \$34,210,401)	34,210,401
	Other Assets	
	Interest Receivable and Discount	
	Fixed-term investments	961,170
	Short-term investments	<u>524,420</u>
TOTAL ASSETS		<u>213,894,326</u>
	LIABILITIES	
	Matched maturity obligations	49,620,311
	Interest payable on matched maturity obligations	961,170
	Fees payable	<u>83,077</u>
TOTAL LIABILITIES		<u>50,664,558</u>
UNRESTRICTED NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS		<u>163,229,768</u>

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

ASSETS

Investments at Fair Value		
Par Value	Description	Maturity Date
	Government Agency Securities - 22.07%	
1,000,000	Federal Home Loan Bank Discount Note	10/5/07 950,690
2,000,000	Federal Home Loan Bank Discount Note	10/5/07 1,908,840
2,000,000	Federal Home Loan Bank Discount Note	12/17/07 1,906,196
1,900,000	Federal National Mortgage Corp. Discount Note	4/28/08 1,817,602
2,000,000	Federal National Mortgage Corp. Discount Note	11/15/05 1,926,214
2,000,000	Federal National Mortgage Association, 5.15%	11/21/07 1,999,740
1,500,000	Federal National Mortgage Association, 4.375%	8/17/07 1,488,276
2,000,000	Federal National Mortgage Association, 3.25%	1/28/08 1,973,980
1,000,000	Federal National Mortgage Association, 5.75%	2/15/08 1,004,000
235,000	Federal National Mortgage Association, 3.375%	2/1/08 232,065
300,000	Federal National Mortgage Association, 4.00%	2/25/08 296,631
500,000	Federal Home Loan Bank, 4.625%	7/18/07 497,815
1,000,000	Federal Home Loan Bank, 4.25%	9/14/07 991,190
1,000,000	Federal Home Loan Bank, 2.86%	1/30/08 982,340
650,000	Federal Home Loan Bank, 3.00%	8/31/07 641,251
600,000	Federal Home Loan Bank, 3.07%	12/24/07 592,848
2,000,000	Federal Home Loan Bank, 3.30%	12/28/07 1,975,800
200,000	Federal Home Loan Bank, 3.625%	11/30/07 197,132
1,000,000	Federal Home Loan Bank, 4.44%	10/10/07 993,610
500,000	Federal Home Loan Bank, 4.625%	10/24/07 497,365
2,000,000	Federal Home Loan Bank, 4.625%	2/1/08 1,990,420
1,780,000	Federal Home Loan Bank, 3.625%	11/30/07 1,760,358
1,560,000	Federal Home Loan Bank, 2.75%	3/14/08 1,467,105
2,000,000	Federal Home Loan Bank, 5.00%	3/19/08 1,996,280
1,300,000	Federal Home Loan Bank, 4.25%	8/20/07 1,288,794
800,000	Federal National Mortgage Corp., 2.70%	7/16/07 785,048
1,300,000	Federal National Mortgage Corp., 3.375%	8/23/07 1,278,172
1,000,000	Federal National Mortgage Corp., 4.15%	12/7/07 990,260
500,000	Federal National Mortgage Corp., 5.00%	9/7/07 499,335
500,000	Federal National Mortgage Corp., 4.00%	8/17/07 495,007
1,000,000	Federal National Mortgage Corp., 4.625%	2/21/08 995,360
440,000	Federal National Mortgage Corp., 2.80%	9/24/07 <u>430,060</u>
	Total Government Agency Securities	<u>36,849,784</u>
	Certificates of Deposit - 0.30%	
508,937	Certificates of Deposit (CDARS) - matched maturity investments (cost \$508,937)	508,937
	Repurchase Agreements (Collateralized by U.S. Government Securities) - 77.63%	
36,000,000	Bear Stearns repurchase agreement (cost \$36,000,000)	36,000,000
32,432,033	Barclay Capital repurchase agreement (cost \$32,432,033)	32,432,033
30,000,000	Morgan Stanley repurchase agreement (cost \$30,000,000)	30,000,000
31,171,234	Matched maturity investments (cost \$31,171,234)	31,171,234
	Other Assets	
	Interest Receivable and Discount	
	Fixed-term investments	866,670
	Short-term investments	<u>688,899</u>
TOTAL ASSETS		<u>168,517,557</u>
	LIABILITIES	
	Matched maturity obligations	31,680,171
	Interest payable on matched maturity obligations	866,670
	Fees payable	<u>77,526</u>
TOTAL LIABILITIES		<u>32,624,367</u>
UNRESTRICTED NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS		<u>135,893,190</u>

NEBRASKA PUBLIC AGENCY  
INVESTMENT TRUST  
Auditors' Report and Financial Statements  
June 30, 2008 and 2007

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Unitholders  
Nebraska Public Agency Investment Trust  
Lincoln, Nebraska

We have audited the accompanying statement of net assets of the Nebraska Public Agency Investment Trust (the Trust) as of and for the years ended June 30, 2008 and 2007, and the related statement of changes in net assets for the years then ended, as listed in the table of contents. These 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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Nebraska Public Agency Investment Trust as of June 30, 2008 and 2007, 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.

The Trust has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Dana Cole + Company, LLP*

Lincoln, Nebraska  
August 12, 2008

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**  
NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations

The Nebraska Public Agency Investment Trust (NPAIT) was established in June 1996 through the Interlocal Cooperation Act, and commenced operations July 25, 1996. NPAIT was established to assist public bodies throughout the State of Nebraska with the investment of their available cash reserves. Participation in the investment trust is voluntary for its members. The objective of NPAIT is to provide its owner members with a conservative and effective investment alternative tailored to the needs of its members. NPAIT portfolio management generally follows established investment criteria developed by the Securities and Exchange Commission for money market funds designed to offer acceptable yield while maintaining liquidity. NPAIT is not registered with the Securities and Exchange Commission (SEC) as an investment company.

Measurement Focus

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of related cash flows.

NPAIT prepares its financial statements as a special-purpose government in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, NPAIT has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 to the extent they do not conflict with or contradict GASB pronouncements.

Investments in Securities

NPAIT's short-term investment portfolio consists of cash and short-term investments valued at amortized cost, which is determined to approximate fair value due to the short-term nature of the instruments. This involves valuing a portfolio security at its original cost on the date of purchase and thereafter amortizing any premium or discount on the straight-line basis to maturity. The amount of premium or discount amortized to income under the straight-line method does not differ materially from the amount which would be amortized to income under the interest method. Procedures are followed to maintain a constant net asset value of \$1.00 per unit in NPAIT.

Security transactions are recorded on a trade-date basis. Interest income, including the accretion of discount and amortization of premium, is recorded on the accrual basis.

Net Asset Classification

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. All net assets of NPAIT are considered to be unrestricted.

Operating Revenues and Expenses

As a special-purpose government entity, NPAIT distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of NPAIT are investment income. Operating expenses include interest, investment fees and administrative charges. All revenues and expenses not meeting this definition are reported as nonoperating or capital transactions.

Unit Issues, Redemptions and Distributions

NPAIT determines the net asset value of each portfolio daily. Units are issued and redeemed daily at the daily net asset value. Dividends from net investment income for each portfolio are declared daily and distributed in the form of reinvestments monthly.

Income Taxes

NPAIT is exempt from federal and state income taxes since the trust is a grantor trust. Therefore, each participating public agency will be treated as the owner of NPAIT in proportion to their respective contributions pursuant to Internal Revenue Code Section 677(a).

Fees and Expenses

Under separate agreements with NPAIT, WB Capital Management, Inc., the investment advisor, and Union Bank & Trust Co. (UB&T), the custodian, administrator, and marketing agent are paid annual fees for operating the investment program. WB Capital and UB&T receive 0.1425% and 0.1925%, respectively, of the average daily net asset value of NPAIT, up to \$100 million in net assets. Such fees adjust if average daily net assets exceed \$100 million. Other fees incurred by NPAIT are administrative in nature and are mainly

comprised of accounting, legal and marketing fees. All fees are computed daily and paid as billed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Deposit and Investment Risk Disclosures

In 2005, NPAIT adopted the provisions of Governmental Accounting Standards Board Statement No. 40 (GASB No. 40), "Deposit and Investment Risk Disclosures." This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASB No. 40 had no effect on net assets or change in net assets in the current or prior period.

**NOTE 2. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. NPAIT's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits.

The Trust is authorized to invest in legally permissible investments as provided by Nebraska statute which include securities and obligations issued by the United States government, repurchase agreements, collateralized time deposit accounts and certificates of deposit.

At June 30, 2008 and 2007, respectively, all of NPAIT's deposits of \$15,409,911 and \$508,937 were insured and collateralized by securities held by the pledging financial institution in other than NPAIT's name.

Investments

NPAIT may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agency and instrumentalities and in bank repurchase agreements. It may also invest in guaranteed student loans, loans guaranteed by the Small Business Administration, Farmers Home Administration or any other agency of the United States, as well as any other type of investment permitted for Public Agencies by state law.

At June 30, 2008 and 2007, all of the Trust's investments in U.S. agencies and repurchase agreements matured in a period of less than one year.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, all of the Trust's investments have maturities of less than one year.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings of the guaranteed student loan participations are not available; however, these loans are guaranteed by the U.S. government. At June 30, 2008 and 2007, the Trust's investments in government agency securities were rated by Standard & Poors as follows:

	2008	2007
AAA	56,801,803	28,340,242
Not rated	<u>6,986,617</u>	<u>8,509,542</u>
Total government agency securities	<u>63,788,420</u>	<u>36,849,784</u>

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. The Trust has no specific policy as to credit risk. All of the underlying securities for the Trust's investments in repurchase agreements at June 30, 2008 and 2007 are held by the counterparties in the Trust's name.

Concentration of Credit Risk - The Trust places no limit on the amount that may be invested in any one issuer. In addition to the statements of net assets, see Notes 3 and 5 for additional information regarding concentrations of credit.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net assets at June 30, 2008 and 2007 as follows:

	2008	2007
Carrying Value		
Deposits	15,409,911	508,937
Investments	<u>196,998,825</u>	<u>166,453,051</u>
	<u>212,408,736</u>	<u>166,961,988</u>

Included in the following statement of net asset captions:

	2008	2007
Government agency securities	63,788,420	36,849,784
Certificates of deposit	15,409,911	508,637
Repurchase agreements	<u>133,210,405</u>	<u>129,603,567</u>
	<u>212,408,736</u>	<u>166,961,988</u>

**NOTE 3. MATCHED MATURITY AGREEMENTS**

Repurchase Agreements

NPAIT has matched agreements with various participants. These fixed-term investments occur when NPAIT enters into an agreement with the customer to pay a specified interest rate for a determined period of time, not to exceed 12 months, and a simultaneous repurchase agreement with UB&T that matches the terms of the customer agreement. At June 30, 2008 and 2007, the matched maturity investments and obligations matured at various dates through June 2008 and June 2007 and were interest-bearing at rates ranging from 2.60% to 5.30% and 5.00% to 5.60%, respectively.

Certificate of Deposit Account Registry Services (CDARS)

In 2005, NPAIT began participating in the Certificate of Deposit Account Registry Services (CDARS). The service allows the Agency to allocate funds into certificates of deposit in increments which insure the funds are eligible for full FDIC insurance.

At June 30, 2008 and 2007, the certificates of deposit purchased through CDARS matured at various dates through June 2009 and June 2008 and were interest bearing at rates ranging from 2.575% to 3.50% and 5.15%, respectively.

**NOTE 4. SECURITIES TRANSACTIONS**

Purchases of and proceeds from the sale or maturity of portfolio securities for NPAIT aggregated \$27,924,200,828 and \$18,936,509,834 and \$27,871,318,000 and \$11,647,082,510 for the years ended June 30, 2008 and 2007, respectively.

**NOTE 5. STUDENT LOAN PARTICIPATIONS**

The Investment Trust Division of UB&T has a commitment to NPAIT to provide cash liquidity in relation to the student loan participations. The trustee charges a fee which at June 30, 2008 was equal to the difference between the income on the asset and owner's yield on an annual basis of 0.6% above the average bond equivalent rates of the quotes of three-month commercial paper rates in effect for each of the days in such quarter as reported by the Federal Reserve. At June 30, 2008, NPAIT had no investment in student loan participations.

**NOTE 6. MAJOR PARTICIPANTS**

Information regarding major participants is provided for those participants who individually exceed 10% of NPAIT's fixed-term and short-term investment balance as of June 30, 2008 and 2007.

At June 30, 2008 and 2007, \$24,546,396 and \$15,683,169, or 49% and 50%, of total fixed-term investments was held by three and four participants, respectively. At June 30, 2008, \$16,370,798 or 10% of total short-term investments was held by one participant.

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**  
STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
INVESTMENT INCOME		
Short-term investments	6,219,140	6,760,861
Matched maturity investments	<u>2,008,888</u>	<u>1,478,685</u>
Total investment income	<u>8,228,028</u>	<u>8,239,546</u>
EXPENSES		
Matched maturity interest expense	2,008,888	1,478,685
Administrative fees	180,830	114,702
Custodial fees	142,928	136,633
Investment advisory fees	242,453	186,501
Other fees and expenses	<u>402,979</u>	<u>316,642</u>
Total expenses	<u>2,978,078</u>	<u>2,233,163</u>
NET INVESTMENT INCOME	5,249,950	6,006,383
FROM CAPITAL TRANSACTIONS		
Contributions	660,255,234	529,198,153
Withdrawals	<u>(638,168,606)</u>	<u>(522,846,295)</u>
INCREASE (DECREASE) IN NET ASSETS	27,336,578	12,358,241
NET ASSETS, beginning of year	135,893,190	<u>123,534,949</u>
NET ASSETS, end of year	163,229,768	<u>135,893,190</u>

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**  
FINANCIAL HIGHLIGHTS FOR A UNIT OF THE TRUST  
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
NET ASSET VALUE, beginning of year	1.000	1.000
NET INVESTMENT INCOME	0.031	0.047
DIVIDENDS DISTRIBUTED	<u>(0.031)</u>	<u>(0.047)</u>
NET ASSET VALUE, end of year	<u>1.000</u>	<u>1.000</u>
TOTAL RETURN (%)	<u>3.12</u>	<u>4.74</u>
RATIOS		
Ratio of expenses to average net assets (%)*	<u>0.61</u>	<u>0.59</u>
Ratio of net investment income to average net assets (%)	<u>3.51</u>	<u>4.63</u>
NET ASSETS, end of year	<u>135,893,190</u>	<u>123,543,949</u>

\* Excludes interest expense on fixed term obligations.