



NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Nebraska Public Agency Investment Trust:

Report on the Financial Statements

We have audited the accompanying statements of net position of the Nebraska Public Agency Investment Trust (the Trust) as of June 30, 2016 and 2015, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 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 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 opinion.

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, 2016 and 2015, and the changes in financial position for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 5 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The Financial Highlights for a Unit of the Trust are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Highlights for a Unit of the Trust are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Highlights for a Unit of the Trust are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

KPMG LLP

Lincoln, Nebraska
August 29, 2016

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

This section of the financial statements presents management's discussion and analysis of the financial position and results of operations for the fiscal years ended June 30, 2016 (FY 2016) and June 30, 2015 (FY 2015) for the Nebraska Public Agency Investment Trust (NPAIT) portfolio and the NPAIT Fixed Term Account. This information is being presented to provide additional information regarding the activities of NPAIT. This discussion and analysis should be read in conjunction with the independent auditors' report by KPMG LLP for FY 2016 and FY 2015, the financial statements, and the accompanying notes.

NPAIT is primarily responsible for providing proactive cash management practices and responsiveness to the unique needs of public bodies throughout the State of Nebraska. NPAIT was established in June 1996 through the Interlocal Cooperation Act, and commenced operations on July 25, 1996. NPAIT currently operates one portfolio and a fixed term account. 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 (SEC) for money market funds designed to offer acceptable yield while maintaining liquidity. NPAIT is not registered with the SEC as an investment company and is not rated by any money market rating services.

Overview of the Financial Statements

The management's discussion and analysis provides an introduction and overview of the financial statements of the NPAIT portfolio and the NPAIT Fixed Term Account. The NPAIT fund is comprised of the following components: NPAIT portfolio and NPAIT Fixed Term Account. The statements of net position displays the financial position (assets and liabilities) of the NPAIT fund as of June 30, 2016 and 2015. The statements of changes in net position displays the results of operations (revenues and expenses) and participant/unit holder activity (contributions and withdrawals) for each of the two most recent fiscal years. The notes to financial statements describe significant accounting policies of the portfolios.

Condensed Financial Information and Financial Analysis

Year-to-year changes in most financial statement amounts reported in the NPAIT portfolio are caused by a single variable – the level of average net position (which fluctuates based on the overall levels of participant/unit holder invested balances) in the portfolio. Additionally, changes in the short-term interest rate environment (which follows the general trend established by monetary policy set by the Federal Reserve) also contribute to year-over-year changes in the amount of investment income earned. Throughout FY 2016 and FY 2015, the benchmark Fed Funds rate remained at 25 basis points (0.25%) as the Federal Reserve targeted a rate of 0.25% to 0.50%. The three-month Treasury Bill traded in a range of 0.000% to 0.356% and 0.010% to 0.056% during the FY 2016 and FY 2015,

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Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

respectively. Condensed financial information and explanations for changes in the NPAIT portfolio and the NPAIT Fixed Term Account for FY 2016 and FY 2015 are as follows:

NPAIT Fixed Term Account

Condensed information for the account as of and for year ended June 30 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total assets	\$ 39,105,740	51,082,029	60,452,543
Fixed investment income	358,046	344,642	367,279
Total expenses	358,046	344,642	367,279

NPAIT Portfolio

Condensed information for the account as of and for year ended June 30 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total assets	\$ 239,118,426	231,050,162	226,365,089
Net position	238,947,614	231,012,181	226,339,049
Short-term investment income	767,307	371,295	279,505
Total expenses	650,402	347,622	242,299
Net operating income	116,905	23,673	37,206
Units sold (\$1 per unit)	711,493,006	726,293,930	678,626,097
Units bought (\$1 per unit)	703,674,478	721,644,471	685,028,856
Total return	0.05%	0.01%	0.02%
Ratio of expenses to average net position	0.27	0.15	0.11
Ratio of net investment income to average			

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June 30, 2016 and 2015

(Unaudited)

Net position at June 30, 2016 increased 3.44% to \$239 million from net position at June 30, 2015 of \$231 million for the NPAIT portfolio. Short-term investment income increased in the NPAIT portfolio during FY 2016 by \$396,012 or 106.66% compared to an increase in FY 2015 of \$91,790 or 32.84%. While the extremely low rate environment continued during FY 2016, NPAIT's service providers continued to voluntarily waive a significant portion of their fees, which they began doing in January 2010 as short-term rates approached zero. In May 2010, the sponsoring organizations also began voluntarily reducing their fees on a temporary basis and continued to do so in FY 2016. The NPAIT Fixed Term Account assets experienced a 23% decrease in assets year over year.

Net position at June 30, 2015 increased 2.07% to \$231 million from net position at June 30, 2014 of \$226 million for the NPAIT portfolio. Short-term investment income increased in the NPAIT portfolio during FY 2015 by \$91,790 or 32.84% compared to a decrease FY 2014 of \$109,385 or 28.13%. While the extremely low rate environment continued during FY 2015, NPAIT's service providers continued to voluntarily waive a significant portion of their fees, which they began doing in January 2010 as short-term rates approached zero. In May 2010, the sponsoring organizations also began voluntarily reducing their fees on a temporary basis and continued to do so in FY 2015. The NPAIT Fixed Term Account assets experienced a 15% decrease in assets year over year.

Contacting NPAIT's Financial Management

This financial report provides the unitholders of NPAIT with a general overview of NPAIT's finances and operations. If you have questions about this report, please contact NPAIT via the Web site www.npait.com.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Statement of Net Position

June 30, 2016

Par value	Description	Maturity date	Amortized cost
Assets:			
Investments at amortized cost:			
Government agency securities – 43.00%:			
4,000,000	Federal Farm Credit Bank 0.40%	8/11/2016	\$ 3,998,883
6,050,000	Federal Farm Credit Bank Floating	4/17/2017	6,052,416
5,000,000	Federal Farm Credit Bank Floating	4/3/2017	4,998,553
10,000,000	Federal Farm Credit Bank Floating	5/30/2017	9,998,129
1,200,000	Federal Home Loan Bank 0.375%	9/1/2016	1,199,792
10,000,000	Federal Home Loan Bank 0.50%	11/25/2016	9,997,688
6,000,000	Federal Home Loan Bank 0.59%	2/15/2017	5,998,434
6,000,000	Federal Home Loan Bank 0.625%	11/23/2016	6,001,058
5,000,000	Federal Home Loan Bank 1.125%	3/10/2017	5,019,198
5,000,000	Federal Home Loan Bank 2.00%	9/9/2016	5,014,606
5,000,000	Federal Home Loan Bank Floating	1/17/2017	4,996,294
5,000,000	Federal Home Loan Bank Floating	8/12/2016	5,000,133
10,000,000	Federal Home Loan Bank Floating	4/25/2017	10,000,000
10,000,000	Federal Home Loan Bank Floating	5/16/2017	9,998,715
5,000,000	Federal Home Loan Bank Floating	2/17/2017	5,000,064
5,000,000	Federal Home Loan Mortgage Corp 0.875%	2/22/2017	5,008,165
1,000,000	Federal Home Loan Mortgage Corp 0.875%	10/14/2016	1,000,762
5,000,000	Federal Home Loan Mortgage Corp 5.50%	7/18/2016	5,011,883
5,000,000	Federal Natl Mortg Assn 0.625%	8/26/2016	5,001,290
5,000,000	Federal Natl Mortg Assn 1.125%	4/27/2017	5,016,949
5,000,000	Federal Natl Mortg Assn Discount	12/1/2016	4,985,550
	Total government agency securities		<u>119,298,562</u>
Certificates of deposit – 12.06%:			
	Certificates of deposit investments		9,471,077
	Certificates of deposit (CDARS) – matched maturity investments		<u>23,990,683</u>
	Total certificates of deposit		<u>33,461,760</u>
Demand deposit accounts, money market accounts – 30.65%:			
	Arbor Bank Insured Cash Sweep		2,505,128
	Butte State Bank Insured Cash Sweep		351,675
	First National Bank of Omaha Demand Deposit Account		8,000,000
	First National Bank of Omaha Insured Cash Sweep		69,423,524
	Wells Fargo Demand Deposit Account		1,000,000
	York State Bank Demand Deposit Account		259,114
	York State Bank Insured Cash Sweep		<u>3,500,000</u>
	Total demand deposit accounts, money market accounts		<u>85,039,441</u>
Repurchase agreements (collateralized by U.S. government securities) – 14.29%:			
	Wells Fargo		24,910,280
	Matched maturity investments		<u>14,740,521</u>
	Total repurchase agreements		<u>39,650,801</u>
Other assets:			
Interest receivable:			
	Fixed term investments		374,536
	Short-term investments		299,066
	Contributions receivable		<u>100,000</u>
	Total assets		<u>278,224,166</u>
Liabilities:			
	Matched maturity obligations		38,731,204
	Interest payable on matched maturity obligations		374,536
	Fees payable		<u>170,812</u>
	Total liabilities		<u>39,276,552</u>
	Unrestricted net position held in trust for pool participants		\$ <u>238,947,614</u>
	Units of beneficial interest outstanding		238,947,614
	Net position value – price per share		\$ 1.00

See accompanying notes to financial statements.

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Statement of Net Position

June 30, 2015

<u>Par value</u>	<u>Description</u>	<u>Maturity date</u>	<u>Amortized cost</u>
	Assets:		
	Investments at amortized cost:		
	Government agency securities – 19.59%:		
4,000,000	Federal Farm Credit Bank 0.50%	05/04/2016	\$ 4,004,841
1,449,000	Federal Farm Credit Bank 4.875%	12/16/2015	1,479,898
4,000,000	Federal Home Loan Bank 0.14%	11/05/2015	3,999,862
4,000,000	Federal Home Loan Bank 0.16%	10/13/2015	3,999,724
4,000,000	Federal Home Loan Bank 0.20%	09/25/2015	4,000,303
4,375,000	Federal Home Loan Bank 0.25%	05/20/2016	4,371,307
2,000,000	Federal Home Loan Bank 0.27%	01/15/2016	2,000,185
4,035,000	Federal Home Loan Bank 0.375%	06/24/2016	4,034,960
3,000,000	Federal Home Loan Bank 5.00%	12/21/2015	3,067,804
3,320,000	Federal Home Loan Mortgage Corp 0.40%	05/27/2016	3,321,781
11,322,000	Federal Home Loan Mortgage Corp 0.50%	05/13/2016	11,336,267
3,000,000	Federal Home Loan Mortgage Corp 1.75%	09/10/2015	3,009,264
4,000,000	Federal Home Loan Mortgage Corp 2.50%	05/27/2016	4,077,780
2,481,000	Federal Natl Mortgage Assn 0.375%	12/21/2015	2,483,250
	Total government agency securities		<u>55,187,226</u>
	Certificates of deposit – 18.29%:		
	Certificates of deposit investments		10,956,269
	Certificates of deposit (CDARS) – matched maturity investments		<u>40,586,648</u>
	Total certificates of deposit		<u>51,542,917</u>
	Demand deposit accounts, money market accounts – 32.87%:		
	Butte State Bank Insured Cash Sweep		351,067
	First National Bank of Omaha Demand Deposit Account		8,000,000
	First National Bank of Omaha Insured Cash Sweep		69,198,905
	Wells Fargo Demand Deposit Account		11,330,000
	York State Bank Demand Deposit Account		248,083
	York State Bank Insured Cash Sweep		<u>3,500,000</u>
	Total demand deposit accounts, money market accounts		<u>92,628,055</u>
	Repurchase agreements (collateralized by U.S. government securities) – 29.25%:		
	Wells Fargo		72,177,539
	Matched maturity investments		<u>10,230,900</u>
	Total repurchase agreements		<u>82,408,439</u>
	Other assets:		
	Interest receivable:		
	Fixed term investments		264,481
	Short-term investments		<u>101,073</u>
	Total assets		<u>282,132,191</u>
	Liabilities:		
	Matched maturity obligations		50,817,548
	Interest payable on matched maturity obligations		264,481
	Fees payable		<u>37,981</u>
	Total liabilities		<u>51,120,010</u>
	Unrestricted net position held in trust for pool participants		\$ <u>231,012,181</u>
	Units of beneficial interest outstanding		231,012,181
	Net position value – price per share		\$ 1.00

See accompanying notes to financial statements.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Statements of Changes in Net Position

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Short-term investment income	\$ 767,307	371,295
Matched maturity investment income	358,046	344,642
Total operating revenues	<u>1,125,353</u>	<u>715,937</u>
Operating expenses:		
Matched maturity interest expense	358,046	344,642
Administrative fees	222,578	96,226
Custodial fees	35,415	15,514
Investment advisory fees	191,215	83,793
Marketing expense	177,059	77,582
Sponsor expense	24,135	23,652
Trustee fee expense	—	50,855
Total operating expenses	<u>1,008,448</u>	<u>692,264</u>
Net operating income	116,905	23,673
Nonoperating capital transactions:		
Contributions	711,493,006	726,293,930
Withdrawals	<u>(703,674,478)</u>	<u>(721,644,471)</u>
Total change in net position	7,935,433	4,673,132
Net position, beginning of year	<u>231,012,181</u>	<u>226,339,049</u>
Net position, end of year	<u>\$ 238,947,614</u>	<u>231,012,181</u>

See accompanying notes to financial statements.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) *Nature of Operations*

The Nebraska Public Agency Investment Trust (NPAIT or the Trust) was established in June 1996 through the Interlocal Cooperation Act, and commenced operations on 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 currently consists of and operates one portfolio and a fixed term account. NPAIT portfolio management generally follows established investment criteria developed by the United States Securities and Exchange Commission (SEC) for money market funds designed to offer acceptable yield while maintaining liquidity. NPAIT is not registered with the SEC as an investment company.

(b) *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 investment income 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 fiduciary investment trust fund and a special-purpose government entity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

(c) *Investments in Securities*

NPAIT's short-term investment portfolio consists of cash and short-term investments valued at amortized cost, which approximates 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 that would be amortized to income under the interest method. Procedures are followed to maintain a constant net position 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.

In connection with transactions in repurchase agreements, it is NPAIT's policy that an authorized custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller defaults and the value of the collateral declines, realization of the collateral by NPAIT may be delayed or limited. At June 30, 2016 and 2015, the portfolio contained repurchase agreements of \$39,650,801 and \$82,408,439, respectively.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

Certificate of deposit amounts up to \$250,000 are insured by the Federal Depository Insurance Company (FDIC). As of June 30, 2016 and 2015, there were no public funds invested in certificates of deposit not covered by FDIC insurance.

Currently, Demand Deposit Accounts (DDAs) are funded with public funds that earn a rate of return less than 0.30% and are insured by the FDIC. At June 30, 2016 and 2015, the portfolio had \$85,039,441 and \$92,628,055 invested in DDAs, respectively.

Management attempts to limit NPAIT's exposure to interest rate risk and believes this is addressed by Section 2.2 (Permitted Investments) in the NPAIT Declaration of Trust. Hence, it is not expected that any significant increase in market interest rates would present long-term risk to NPAIT.

(d) *Matched Maturity Investments*

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 24 months, and a simultaneous repurchase agreement that matches the terms of the customer agreement.

(e) *Net Position Classification*

Net position is required to be classified into three components: net investment in capital assets, restricted, and unrestricted. All net position of NPAIT is considered to be unrestricted at June 30, 2016 and 2015.

(f) *Operating Revenue and Expenses*

As a special-purpose government entity, NPAIT distinguishes operating revenue and expenses from nonoperating. Operating revenue and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenue of NPAIT are investment income. Operating expenses include interest, investment fees, administrative charges, and other charges.

(g) *Unit Issues, Redemptions, and Distributions*

NPAIT determines the net position value of each portfolio daily. Units are issued and redeemed daily at the daily net position value. Dividends from net investment income for each portfolio are declared daily and distributed in the form of reinvestments monthly. These transactions are reflected as nonoperating capital transactions within the accompanying statements of changes in net position.

(h) *Withdrawals*

Withdrawals from the fund are subject to terms outlined in section 6.5 through 6.8 in the Interlocal Agreement and also to the Investments by Bank Transfer section of the Information Statement.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

(i) ***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 its respective contributions pursuant to Internal Revenue Code Section 677(a).

(j) ***Fees and Expenses***

Under separate agreements with NPAIT, Miles Capital, 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. Miles Capital, Inc. receives 0.135% of the average daily net position value of NPAIT. UB&T receives 0.025% of the average daily net position value of NPAIT as custodian, 0.155% of the average daily net position of NPAIT as administrator, and 0.125% of the average daily net position value of NPAIT as the marketing agent. During fiscal years 2016 and 2015, the NPAIT service providers waived an average of 40.94% and 73.58%, respectively, of their stated fee schedule due to the low interest rate environment.

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 incurred.

(k) ***Use of Estimates***

The preparation of financial statements in accordance with U.S. 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.

(2) **Deposits and Investments**

(a) ***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 U.S. government, repurchase agreements, collateralized time deposit accounts, and certificates of deposit.

At June 30, 2016 and 2015, all of NPAIT's deposits of \$118,501,201 and \$144,170,972, respectively, were insured and collateralized by securities held by the pledging financial institution in other than NPAIT's name.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

(b) 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, Federal 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, 2016 and 2015, all of the Trust's investments in U.S. agencies and repurchase agreements mature in a period of less than two years.

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 two years.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016 and 2015, the Trust's investments in government agency securities were rated as follows:

	<u>2016</u>	<u>2015</u>
AA+	\$ 119,298,562	55,187,226

Custodial Credit Risk – 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, 2016 and 2015 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.

(c) Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position at June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Carrying value:		
Deposits	\$ 118,501,201	144,170,972
Investments	158,949,363	137,595,665
	<u>\$ 277,450,564</u>	<u>281,766,637</u>

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

Included in the following statements of net position captions:

	2016	2015
Government agency securities	\$ 119,298,562	55,187,226
Certificates of deposit	33,461,760	51,542,917
Demand deposits accounts/money market accounts	85,039,441	92,628,055
Repurchase agreements	39,650,801	82,408,439
	\$ 277,450,564	281,766,637

(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 24 months, and a simultaneous repurchase agreement that matches the terms of the customer agreement. At June 30, 2016 and 2015, the matched maturity investments and obligations mature at various dates through June 2018 and March 2017, respectively, and were interest-bearing at rates ranging from 0.25% to 1.05% and 0.15% to 0.60%, 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 NPAIT to allocate funds into certificates of deposit in increments, which ensure the funds are eligible for FDIC insurance.

At June 30, 2016 and 2015, the certificates of deposit purchased through CDARS mature at various dates through June 2017, and were interest-bearing at rates ranging from 0.25% to 0.65%.

(4) Securities Transactions

Purchases of and proceeds from the sale or maturity of portfolio securities for NPAIT, excluding money market accounts, demand deposit accounts, and repurchase agreements, aggregated \$153,217,605 and \$89,800,848 for the year ended June 30, 2016 and \$66,714,167 and \$51,775,026 for the year ended June 30, 2015.

(5) Major Participants

At June 30, 2016 and 2015, \$30,064,695 and \$43,627,068 or 78% and 86%, respectively, of total fixed term investments were individual participants which held greater than 5% of the total fixed term investments. At June 30, 2016 and 2015, \$59,427,347 and \$85,401,666 or 25% and 37%, respectively, of total short-term investments were individual participants which held greater than 5% of the total short-term investments.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2016 and 2015

(6) Subsequent Events

NPAIT has evaluated subsequent events from the date of the statement of net position through August 29, 2016, the date the financial statements were available to be issued, and did not identify any subsequent events requiring disclosure, except as noted below.

NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Financial Highlights for a Unit of the Trust

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net position value, beginning of year	\$ 1.0000	1.0000
Net investment income	0.0005	0.0001
Dividends distributed	<u>(0.0005)</u>	<u>(0.0001)</u>
Net position value, end of year	<u>\$ 1.0000</u>	<u>1.0000</u>
Total return (%)	0.05%	0.01%
Ratios:		
Ratio of expenses to average net position (%)*	0.27%	0.15%
Ratio of net investment income to average net position (%)	0.05%	0.01%
Net position, end of year	\$ 238,947,614	231,012,181

* Excludes interest expense on fixed term obligations

See accompanying independent auditors' report.