



**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 300  
1212 N. 96th Street  
Omaha, NE 68114-2274

Suite 1120  
1248 O Street  
Lincoln, NE 68508-1493

## 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, 2020 and 2019, 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.

#### *Management's 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 audit. We conducted our audit 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.

#### *Opinions*

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, 2020 and 2019, 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 management's discussion and analysis on pages 3–5 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 and Other 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 September 11, 2020 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 solely 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 the effectiveness of the Trust's 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**

Omaha, Nebraska  
September 11, 2020

## **NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

### **Management's Discussion and Analysis**

June 30, 2020 and 2019

(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, 2020 (FY 2020) and June 30, 2019 (FY 2019) for the Nebraska Public Agency Investment Trust (NPAIT) Daily 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 2020 and FY 2019, 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 daily 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 Daily portfolio and the NPAIT Fixed-Term Account. NPAIT is comprised of comprises the following components: NPAIT Daily portfolio and NPAIT Fixed-Term Account. The statements of net position display the financial position (assets and liabilities) of NPAIT as of June 30, 2020 and 2019. The statements of changes in net position display the results of operations (revenue and expenses) and participant/unitholder 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 Daily portfolio are caused by a single variable—the level of average net position (which fluctuates based on the overall levels of participant/unitholder 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. During FY 2020, the Federal Reserve decreased the Fed Funds rate a total of 225 basis points bringing the current rate range to 0.00% to 0.25%. The three-month Treasury Bill traded in a range of 0.09% to 2.10% and 1.94% to 2.52% during the FY

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

2020 and FY 2019, respectively. Condensed financial information and explanations for changes in the NPAIT Daily portfolio and the NPAIT Fixed-Term Account for FY 2020 and FY 2019 are as follows:

**NPAIT Fixed-Term Account**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total assets	\$ 53,770,116	43,420,110	36,345,506
Fixed-term investment income	801,246	434,969	359,934
Fixed-term administrative expenses	93,774	75,363	54,230
Net operating income	707,472	359,606	305,704
Participant distributions	707,472	359,606	305,704

**NPAIT Daily Portfolio**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total assets	\$ 279,770,900	363,005,087	244,439,204
Net position	279,689,688	362,358,902	241,758,232
Short-term investment income	4,848,290	7,191,931	3,494,763
Total expenses	1,080,659	1,392,242	1,106,364
Net operating income	3,767,631	5,799,689	2,388,399
Participant distributions	3,767,631	5,799,689	2,388,399
Units sold (\$1 per unit)	781,605,855	880,915,090	734,721,203
Units bought (\$1 per unit)	864,275,069	760,314,420	713,396,573
Total return	1.21 %	1.81 %	0.97 %
Ratio of expenses to average net position	0.34	0.44	0.45
Ratio of net investment income to average net position	1.19	1.81	0.97
Net position value per unit, beginning of period	1.00	1.00	1.00
Net investment income per unit	1.1900	1.8100	0.0097
Dividends distributed per unit	(1.1900)	(1.8100)	(0.0097)
Net position value per unit, end of period	1.00	1.00	1.00

## **NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Net position at June 30, 2020 decreased by 22.81% to \$280 million from net position at June 30, 2019 of \$362 million for the NPAIT Daily portfolio. Short-term investment income decreased in the NPAIT Daily portfolio during FY 2020 by \$2,343,641, or 32.59%, compared to an increase in FY 2019 of \$3,697,168, or 105.00%. Rates decreased during FY 2020 leading to a decrease in total return from 1.81% in FY 2019 to 1.21% in FY 2020. In May 2010, the sponsoring organizations began voluntarily reducing their fees on a temporary basis and continued to do so in FY 2020. The NPAIT Fixed-Term Account assets experienced a 23.84% increase in assets year over year due to rates comparative to competing products.

Net position at June 30, 2019 increased approximately 50.00% to \$362 million from net position at June 30, 2018 of \$242 million for the NPAIT Daily portfolio. Short-term investment income increased in the NPAIT Daily portfolio during FY 2019 by \$3,697,168, or 105.00%, compared to an increase in FY 2018 of \$1,893,622, or 118.00%. While the extremely low-rate environment continued during FY 2019, rates did increase over the course of the year leading to an increase in total return from 0.97% in FY 2018 to 1.81% in FY 2019. In May 2010, the sponsoring organizations also began voluntarily reducing their fees on a temporary basis and continued to do so in FY 2019. The NPAIT Fixed-Term Account assets experienced a 19.50% increase in assets year over year due to rates comparative to competing products.

#### **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 website [www.npait.com](http://www.npait.com).

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Statement of Net Position

June 30, 2020

Par value	Description	Maturity date	
Assets:			
Investments at amortized cost:			
Government agency securities – 36.92%:			
1,000,000	Federal Farm Credit Bank 2.69%	09/04/2020	\$ 1,004,469
2,500,000	Federal Farm Credit Bank 1.75%	10/26/2020	2,500,757
500,000	Federal Farm Credit Bank	11/05/2020	499,735
1,500,000	Federal Farm Credit Bank 2.55%	03/11/2021	1,524,321
3,000,000	Federal Farm Credit Bank 2.54%	04/05/2021	3,053,959
2,075,000	Federal Home Loan Bank	07/15/2020	2,074,935
5,000,000	Federal Home Loan Bank	07/20/2020	4,999,683
3,740,000	Federal Home Loan Bank	07/22/2020	3,739,738
5,000,000	Federal Home Loan Bank	08/03/2020	4,999,771
5,000,000	Federal Home Loan Bank	08/07/2020	4,991,993
400,000	Federal Home Loan Bank 1.63%	09/11/2020	401,122
4,195,000	Federal Home Loan Bank 1.38%	09/28/2020	4,192,381
2,000,000	Federal Home Loan Bank 2.63%	10/01/2020	2,012,417
500,000	Federal Home Loan Bank	11/24/2020	499,635
3,040,000	Federal Home Loan Bank 1.88%	12/11/2020	3,047,305
2,000,000	Federal Home Loan Bank 1.38%	02/18/2021	2,008,989
600,000	Federal Home Loan Bank	04/06/2021	599,023
3,945,000	Federal Home Loan Mortgage Corporation 1.63%	09/29/2020	3,945,248
1,128,420	Federal Home Loan Mortgage Corporation 4.33%	10/25/2020	1,136,335
1,766,178	Federal Home Loan Mortgage Corporation 3.03%	10/20/2020	1,768,167
2,850,000	Federal Home Loan Mortgage Corporation 1.88%	11/17/2020	2,867,957
500,000	Federal Home Loan Mortgage Corporation 2.25%	11/24/2020	504,102
1,029,118	Federal Home Loan Mortgage Corporation 4.08%	11/25/2020	1,037,157
1,000,000	Federal Home Loan Mortgage Corporation 3.97%	01/25/2021	1,012,246
926,795	Federal Home Loan Mortgage Corporation 2.86%	01/25/2021	933,604
5,118,107	Federal Home Loan Mortgage Corporation 3.13%	06/25/2021	5,218,737
1,984,000	Federal Home Loan Mortgage Corporation 2.38%	02/16/2021	2,010,543
3,469,601	Federal National Mortgage Association 4.07%	07/01/2020	3,469,601
8,275,000	Federal National Mortgage Association 1.50%	07/30/2020	8,274,430
1,540,000	Federal National Mortgage Association 1.25%	08/28/2020	1,539,179
129,279	Federal National Mortgage Association 3.90%	09/01/2020	129,269
1,000,000	Federal National Mortgage Association 1.75%	09/25/2020	1,000,239
131,252	Federal National Mortgage Association 3.76%	10/01/2020	131,240
2,000,000	Federal National Mortgage Association 2.88%	10/30/2020	2,007,959
2,000,000	Federal National Mortgage Association 1.50%	11/30/2020	1,998,758
361,744	Federal National Mortgage Association 4.33%	01/01/2021	363,331
334,975	Federal National Mortgage Association 4.46%	04/01/2021	337,682
1,000,000	Federal National Mortgage Association 2.50%	04/13/2021	1,017,160
3,691,000	Tennessee Valley Authority 3.88%	02/15/2021	3,770,185
3,000,000	United States Treasury	07/09/2020	2,999,924
3,000,000	United States Treasury	08/11/2020	2,999,556
5,000,000	United States Treasury	08/18/2020	4,999,233
3,000,000	United States Treasury	08/25/2020	2,999,397
3,000,000	United States Treasury	09/01/2020	2,999,271
2,000,000	United States Treasury	09/08/2020	1,999,401
2,000,000	United States Treasury	09/15/2020	1,999,406
3,000,000	United States Treasury	10/06/2020	2,998,953
4,000,000	United States Treasury	10/13/2020	3,998,394
3,000,000	United States Treasury	10/20/2020	2,998,612
3,000,000	United States Treasury	11/19/2020	2,998,208
2,000,000	United States Treasury	11/27/2020	1,998,800
	Total government agency securities		<u>122,612,517</u>

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Statement of Net Position

June 30, 2020

<u>Par value</u>	<u>Description</u>	<u>Maturity date</u>
	Certificates of deposit – 17.38%:	
	Certificates of deposit (CDARS)	\$ 5,000,000
	Certificates of deposit (CDARS) – fixed-term investments	27,164,947
	Certificates of deposit – fixed-term investments	<u>25,577,919</u>
	Total certificates of deposit	<u>57,742,866</u>
	Demand deposit accounts, money market accounts – 43.89%:	
	Federated Government Obligations Tax-Managed Fund 0.08%	19,576,995
	Federated Treasury Obligations Fund 0.09%	26,759,722
	Federated U.S. Treasury Cash Reserves Fund 0.07%	23,496
	Fidelity Investments Money Market Fund Government Portfolio 0.06%	10,640,050
	Goldman Sachs Financial Square Government Fund 0.05%	21,758,436
	Great Plains State Bank Insured Cash Sweep	14,965,111
	First National Bank of Omaha Insured Cash Sweep	12,023,089
	First National Bank of Omaha Insured Cash Sweep – Savings	4,209
	First State Bank Insured Cash Sweep	30,007,535
	Morgan Stanley Institutional Liquidity Funds Government Portfolio 0.05%	3,765
	UMB Bank	500
	US Bank NA	20,587
	West Gate Bank Insured Cash Sweep	<u>10,011,513</u>
	Total demand deposit accounts, money market accounts	<u>145,795,008</u>
	Repurchase agreements (collateralized by U.S. government securities) – 1.81%:	
	Goldman Sachs & Co	<u>6,000,000</u>
	Total repurchase agreements	<u>6,000,000</u>
	Total investments	332,150,391
	Other assets:	
	Interest receivable:	
	Fixed-term investments	1,027,250
	Short-term investments	<u>363,375</u>
	Total assets	<u>333,541,016</u>
	Liabilities:	
	Fixed-term obligations	52,742,866
	Interest payable on fixed-term obligations	1,027,250
	Fees payable	<u>81,212</u>
	Total liabilities	<u>53,851,328</u>
	Unrestricted net position held in trust for pool participants	\$ <u>279,689,688</u>
	Units of beneficial interest outstanding	279,689,688
	Net position value – price per share	\$ 1.00

See accompanying notes to financial statements.

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Statement of Net Position

June 30, 2019

<u>Par value</u>	<u>Description</u>	<u>Maturity date</u>		
	Assets:			
	Investments at amortized cost:			
	Government agency securities – 18.80%:			
15,450,000	Federal Farm Credit Bank Floating 2.33%	09/23/2019	\$	15,459,766
14,640,000	Federal Home Loan Bank 1.38%	09/13/2019		14,614,556
6,000,000	Federal Home Loan Mortgage Corporation Floating 2.43%	07/05/2019		6,000,058
20,000,000	United States Treasury Float Rate Note	08/31/2019		19,948,182
20,000,000	United States Treasury Float Rate Note	08/31/2019		19,968,331
	Total government agency securities			<u>75,990,893</u>
	Certificates of deposit – 9.98%:			
	Certificates of deposit (CDARS) – fixed-term investments			<u>40,363,437</u>
	Total certificates of deposit			<u>40,363,437</u>
	Demand deposit accounts, money market accounts – 32.24%:			
	Arbor Bank Insured Cash Sweep-Savings			3,614,259
	Great Plains State Bank Insured Cash Sweep			62,229,802
	First National Bank of Omaha Insured Cash Sweep			54,406,370
	First National Bank of Omaha Insured Cash Sweep – Savings			10,064,014
	Total demand deposit accounts, money market accounts			<u>130,314,445</u>
	Repurchase agreements (collateralized by U.S. government securities) – 38.98%:			
	BMO			74,559,268
	Royal Bank of Canada			80,559,269
	Fixed-term investments			2,429,320
	Total repurchase agreements			<u>157,547,857</u>
	Total investments			404,216,632
	Other assets:			
	Interest receivable:			
	Fixed-term investments			627,353
	Short-term investments			581,212
	Contribution receivable			1,000,000
	Total assets			<u>406,425,197</u>
	Liabilities:			
	Fixed-term obligations			42,792,757
	Interest payable on fixed-term obligations			627,353
	Withdrawals payable			500,000
	Fees payable			146,185
	Total liabilities			<u>44,066,295</u>
	Unrestricted net position held in trust for pool participants		\$	<u>362,358,902</u>
	Units of beneficial interest outstanding			362,358,902
	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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Short-term investment income	\$ 4,848,290	7,191,931
Fixed-term investment income	801,246	434,969
Total operating revenue	<u>5,649,536</u>	<u>7,626,900</u>
Operating expenses:		
Fixed-term administrative fees	93,774	75,363
Administrative fees	418,710	519,374
Custodial fees	62,605	75,461
Investment advisory fees	297,337	390,094
Marketing expense	270,134	377,307
Sponsor expense	31,873	30,006
Total operating expenses	<u>1,174,433</u>	<u>1,467,605</u>
Net operating income	4,475,103	6,159,295
Nonoperating capital transactions:		
Contributions	781,605,855	880,915,090
Withdrawals	(864,275,069)	(760,314,420)
Distributions to participants – Daily	(3,767,631)	(5,799,689)
Distributions to participants – Fixed term	<u>(707,472)</u>	<u>(359,606)</u>
Total change in unrestricted net position held in trust for pool participants	(82,669,214)	120,600,670
Unrestricted net position held in trust for pool participants, beginning of year	<u>362,358,902</u>	<u>241,758,232</u>
Unrestricted net position held in trust for pool participants, end of year	\$ <u><u>279,689,688</u></u>	<u><u>362,358,902</u></u>

See accompanying notes to financial statements.

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

Notes to Financial Statements

June 30, 2020 and 2019

### (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 daily portfolio and a fixed-term account. NPAIT portfolio management generally follows established investment criteria developed by the U.S. 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 in accordance with U.S. generally accepted accounting principles. 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.

#### (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 settlement 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, 2020 and 2019, the portfolio contained repurchase agreements of \$6,000,000 and \$157,547,857, respectively.

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

### Notes to Financial Statements

June 30, 2020 and 2019

Certificate of deposit amounts up to \$250,000 are insured by the Federal Depository Insurance Company (FDIC). As of June 30, 2020 or 2019, 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 0.45% and are insured by the FDIC. At June 30, 2020 and 2019, the portfolio had \$67,032,544 and \$130,314,445 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 a long-term risk to NPAIT.

#### **(d) Fixed-Term Investments**

NPAIT makes the Fixed-Term Investment Service available to participants. This service enables participants to direct investments in specific Permitted Investments, which are selected by the participant and are held specifically for its individual account.

#### **(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, 2020 and 2019.

#### **(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 is 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 Sections 6.5 through 6.8 in the Interlocal Agreement and also to the Investments by Bank Transfer section of the Information Statement.

#### **(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).

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

### Notes to Financial Statements

June 30, 2020 and 2019

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

For fiscal year 2019 and fiscal year 2020 through December 1, 2019 and under separate agreements with NPAIT, Miles Capital, Inc., the investment adviser, 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 0.110% 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.

Effective December 2, 2019 and under separate agreements with NPAIT, Prudent Man Advisors, LLC serves as investment adviser, PMA Financial Network, LLC serves as administrator, PMA Securities, LLC serves as marketing agent, and UMB Bank serves as custodian. Prudent Man Advisors, LLC receives investment advisory fees calculated on the average daily net position of NPAIT as follows: 0.08% on the first \$300 million, 0.07% on the next \$200 million, and 0.06% over \$500 million.

PMA Financial Network, LLC receives administration fees calculated on the average daily net position of NPAIT as follows: 0.06% on the first \$500 million and 0.05% over \$500 million.

PMA Securities, LLC receives marketing fees calculated on the average daily net position of NPAIT as follows: 0.06% on the first \$500 million and 0.05% over \$500 million.

UMB Bank receives custody fees calculated on the average daily net position of NPAIT as follows: 0.01% on the first \$250 million, 0.005% on the next \$250 million, and 0.004% over \$500 million. In addition, UMB receives fees for portfolio transactions.

Other fees incurred by NPAIT are administrative in nature and mainly comprise 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 revenue 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.

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

### Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, all of NPAIT's deposits of \$124,775,410 and \$170,677,882, respectively, were insured and collateralized by securities held by the pledging financial institution in other than NPAIT's name.

#### **(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, 2020 and 2019, all of the Trust's investments in U.S. agencies and repurchase agreements mature 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 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, 2020 and 2019, the Trust's investments in government agency securities were rated as follows:

	<u>2020</u>	<u>2019</u>
AA+	\$ 122,612,517	75,990,893

*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, 2020 and 2019 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.

**NEBRASKA PUBLIC AGENCY INVESTMENT TRUST**

Notes to Financial Statements

June 30, 2020 and 2019

**(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, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Carrying value:		
Deposits	\$ 124,775,410	170,677,882
Investments	<u>207,374,981</u>	<u>233,538,750</u>
	<u>\$ 332,150,391</u>	<u>404,216,632</u>

Included in the following statements of net position captions:

	<u>2020</u>	<u>2019</u>
Government agency securities	\$ 122,612,517	75,990,893
Certificates of deposit	57,742,866	40,363,437
DDAs/money market accounts	145,795,008	130,314,445
Repurchase agreements	<u>6,000,000</u>	<u>157,547,857</u>
	<u>\$ 332,150,391</u>	<u>404,216,632</u>

**(3) Fixed-Term Investment Service**

*Repurchase Agreements*

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 and NPAIT enters into a simultaneous repurchase agreement that matches the terms of the customer agreement. At June 30, 2019, these fixed-term investments and obligations matured at various dates through March 2020 and were interest bearing at rates ranging from 1.00% to 2.45%. As of June 30, 2020, there were no outstanding repurchase agreements.

*Certificate of Deposit Account Registry Services*

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.

As of June 30, 2020, participants were invested in certificates of deposit through the fixed-term investment service. These investments mature on various dates through June 2024 and had rates ranging from 0.50% to 3.23%.

At June 30, 2019, the certificates of deposit purchased through CDARS mature at various dates through June 2024 and were interest bearing at rates ranging from 2.10% to 3.05%.

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

### Notes to Financial Statements

June 30, 2020 and 2019

#### **(4) Securities Transactions**

Purchases of and proceeds from the sale or maturity of portfolio securities for NPAIT, excluding money market accounts, DDAs, and repurchase agreements, aggregated \$428,330,995 and \$381,730,983 respectively, for the year ended June 30, 2020 and \$179,167,195 and \$130,492,000, respectively, for the year ended June 30, 2019.

#### **(5) Major Participants**

At June 30, 2020 and 2019, \$34,656,373 and \$28,511,407, or 66% and 67%, respectively, of total fixed-term investments were individual participants, which held greater than 5% of the total fixed-term investments. At June 30, 2020 and 2019, \$110,288,514 and \$87,832,547, or 39% and 24%, respectively, of total short-term investments were individual participants, which held greater than 5% of the total short-term investments.

#### **(6) Related-Party Disclosure**

For fiscal year 2019 and for fiscal year 2020 through December 1, 2019, Union Bank & Trust Co. (UB&T) served as custodian, administrator, and marketing agent for NPAIT. NPAIT participants may have had deposits with UB&T and/or either NPAIT product offering.

#### **(7) Subsequent Events**

NPAIT has evaluated subsequent events from the date of the statement of net position through September 11, 2020, the date the financial statements were available to be issued, and determined there are no other items to disclose except for the matter listed below.

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a “public health emergency of international concern,” and on March 13, 2020, the President of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets. The ultimate impact of the COVID-19 outbreak is highly uncertain. NPAIT’s business and investment values are likely to be impacted by COVID-19. Management does not yet know the full extent of potential financial impacts on NPAIT.

## NEBRASKA PUBLIC AGENCY INVESTMENT TRUST

### Financial Highlights for a Unit of the Trust

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net position value, beginning of year	\$ 1.0000	1.0000
Net investment income	1.1900	1.8100
Dividends distributed	<u>(1.1900)</u>	<u>(1.8100)</u>
Net position value, end of year	<u>\$ 1.0000</u>	<u>1.0000</u>
Total return (%)	1.21%	1.81%
Ratios:		
Ratio of expenses to average net position (%)	0.34%	0.44%
Ratio of net investment income to average net position (%)	1.19%	1.81%
Net position, end of year	\$ 279,689,688	362,358,902

See accompanying independent auditors' report.