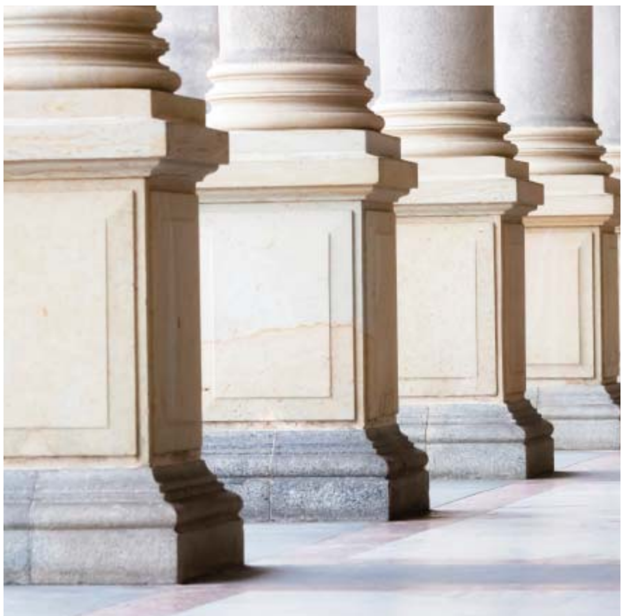

# Nebraska Liquid Asset Fund

Exclusively for School Districts,
Educational Service Units,
Community Colleges, Public Agencies and
Other Governmental Subdivisions

## Annual Report

*May 31, 2022*

**NLAF** is sponsored by the:
Nebraska Council of School Administrators
Nebraska Association of School Boards

NEBRASKA LIQUID ASSET FUND

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# Report of Independent Auditors

To the Board of Directors of the Nebraska Liquid Asset Fund

**Opinions**

We have audited the financial statements of the Nebraska Liquid Asset Fund (the "Fund"), which comprise the statement of net position as of May 31, 2022, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at May 31, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Portfolios' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about each of the Portfolio's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the schedule of investments but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

Philadelphia, Pennsylvania
September 12, 2022

# Management’s Discussion and Analysis

We are pleased to present the Annual Report for the Nebraska Liquid Asset Fund (the “Fund”) for the year ended May 31, 2022. Management’s Discussion and Analysis is designed to focus the reader on significant financial items and provides an overview of the Fund’s financial statements for the year ended May 31, 2022. The Fund’s financial statements have been prepared in conformity with the reporting framework prescribed by the Governmental Accounting Standards Board (“GASB”) for local government investment pools.

**Economic Update**

The U.S. economy grew strongly in 2021, experiencing a more complete economic reopening from the COVID-19 pandemic, supported by consumers returning in full force. However, new variants of COVID continued to emerge, and the growth story of 2021 has morphed into a significant inflation problem for the economy and policymakers.

Overall economic activity was robust in 2021, supported by massive levels of monetary support by the Federal Reserve (“Fed”) and numerous rounds of fiscal support from Congress to combat the effects of the pandemic. The labor market made remarkable progress, with businesses now challenged to find enough workers and wages rising at a healthy clip. Consumer spending reached record levels, especially for goods, which exacerbated supply shortages and triggered a surge in inflation. High inflation became a major issue for the economy, setting the stage for a significant pivot by the Fed late in 2021 when they announced plans to reverse the accommodative policies put in place in the early days of the pandemic.

Real U.S. gross domestic product (“GDP”) grew 5.7% in 2021, the strongest pace since 1984. Growth was driven by large increases in almost all categories, but was led by consumer spending, especially for durable goods, business investment in equipment, residential real estate, and inventories. Exports grew, but imports grew even more, resulting in a record trade deficit. Despite the strong momentum carried forward from last year, the U.S. witnessed a pullback in the first quarter 2022 GDP reading. That said, the underlying trends were holding up for the time being as U.S. consumers and households remain in solid shape and business spending remained positive. The Q1 reversal can mainly be attributed to a very large inflation adjustment coupled with a decline in inventories, a surge in imports (which subtracts from GDP) and a reduction in government spending. However, future growth is likely to decelerate and the risk of a future recession is growing.

Unemployment showed sustained improvement, falling from 6.7% at the beginning of 2021 to 3.6% in May 2022. The economy added more than 6.7 million new jobs in 2021, the largest annual gain on record. In addition, more than 2.4 million new jobs were added in the first five months of 2022. There were notable gains in the leisure and hospitality, education and health services, and transportation industries. Average hourly earnings, an important gauge of wages, rose a strong 5.2% over the year ended May 2022. In another sign of strength in the labor market, job openings reached record levels, with nearly two jobs for each unemployed person in the U.S. While these were indeed much-welcomed achievements, as of May 2022, there were still about 800,000 fewer people employed compared to pre-pandemic levels.

Consumers, weary from months of pandemic-induced shutdowns, sprung to life and opened their pocketbooks, driving strong demand for goods, and more recently services. Global supply chains remained clogged, leading to shortages of both raw materials and finished goods, and ultimately higher prices. For example, semiconductor chip shortages limited automobile production. The combination of high demand and supply shortages led to sharply higher inflation. The consumer price index rose 8.6% year-over-year in May 2022, a 40-year high. Gasoline and fuel oil prices were up 50% or more, the cost of both new and used cars surged, and prices for food, clothing, housing and transportation were also up strongly. Russia’s invasion of Ukraine exacerbated the inflation problem, pushing up prices for oil, key agricultural products, and some industrial metals. Inflation has become the most worrisome issue for both households and policymakers.

Interest rates began the period at historically low levels as the Fed remained committed to a very accommodative policy with both low rates and continued bond purchases. Short-term rates under two years were anchored to the Fed’s near-zero rate policy, and longer-term rates reflected the market’s uncertainty towards future economic growth. As the labor markets strengthened and inflation became a paramount concern, the Federal Reserve reversed course and pivoted to tighter monetary policy, first tapering its asset purchases, then kicking off what is likely an aggressive set of rate hikes, followed by announcing a reduction in its balance sheet.

In response to the Fed’s dramatic policy shift, interest rates climbed at the fastest pace seen in recent history. The yield on two-year Treasury notes rose from 0.28% last September, to 0.73% by year end, and reaching 2.56% at the end of May 2022. However, very short-term rates remained ultra-low until the Fed actually followed through with rate hikes in three consecutive meetings which included a 75-basis point hike in June 2022, the largest increment seen since 1994. The surge in longer-term interest rates created challenges for bond investors, but also now present opportunities for short-term investors to earn higher yields.

Looking forward, economists expect positive but decelerating growth, a tight labor market, and persistent inflationary pressures. Geopolitical concerns, including the war in Ukraine and China’s zero-COVID policy, will serve as additional catalysts for volatility. Inflation remains the biggest challenge for the economy and the Fed will try to thread the policy needle to slow demand-driven inflation while simultaneously engineering a soft landing for the economy. The market is watching closely as the Fed attempts to control inflation, leading to additional rate hikes that are widely expected to push short-term rates above 3% by the end of the calendar year.

**Portfolio Strategy**

The ultra-low short-term interest rate environment presented unique challenges in managing the Fund. In the beginning of the year, short-term rates were near record lows and supply of attractively priced investment opportunities was limited at times. As always, we prioritized safety of principal and liquidity for investors. We then actively managed the Fund's portfolio as we worked hard to sustain the portfolio's yield. The strategy during much of 2021 focused on carefully positioning the portfolio's weighted average maturity, identifying relative value between allowable sectors, as well as selecting securities that fit the portfolio's objectives.

For the first half of the Fund's fiscal year, because there were few identifiable catalysts to push rates higher, we sought investments in somewhat longer maturities to capture incremental yield and positioned the portfolio with a longer weighted average maturity, within portfolio limits. Our sector preferences shifted as market conditions evolved. For example, a technical adjustment by the Federal Reserve in June 2021 made overnight repurchase agreements more attractive.

As it became clear in the third quarter of 2021 that the Fed was beginning a major shift in policy, and short-term interest rates began to rise, we moved to a more defensive posture, shortening the maturity profile of the portfolio. The rise in rates also presented attractive opportunities in the Federal Agency sector as widening yield spreads offered relative value over comparable U.S. Treasury securities. The portfolio was well-positioned at fiscal year-end in anticipation of continued rate hikes in 2022.

Given that short-term interest rates are highly dependent on the economic outlook and monetary policy, we continually monitor these factors and stand ready to adjust the portfolio accordingly. As always, our primary objectives are to protect the value of the portfolio's shares and to provide liquidity for Fund investors. We will continue to work hard to achieve these goals, while also seeking to increase investment yields in a prudent manner as conditions evolve over coming quarters.

**Financial Statement Overview**

The financial statements for the Fund include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements. In addition, a Schedule of Investments for the Fund is included as unaudited Other Information following the Notes to Financial Statements.

**Condensed Financial Information and Analysis**

**Statement of Net Position:** The Statement of Net Position presents the financial position of the Fund as of May 31, 2022 and includes all assets and liabilities of the Fund. Total assets of the Fund fluctuate as investable assets rise and fall when capital shares are issued and redeemed. The difference between total assets and total liabilities, which is equal to the investors' interest in the Fund's net position, is shown below for the current and prior fiscal year-end dates:

| | May 31, 2022 | May 31, 2021 |
|---|---|---|
| Total Assets | $ 874,013,862 | $ 795,957,941 |
| Total Liabilities | (305,530) | (98,915) |
| Net Position | $ 873,708,332 | $ 795,859,026 |

The increase in total assets of the Fund is primarily due to a $175,959,843 increase in investments, which was offset by a $75,000,000 decrease in receivables for securities matured and a $21,721,052 decrease in cash and cash equivalents. The cash and cash equivalents as of May 31, 2022 includes $42,000,000 of bank time deposits yielding 0.23%-0.55%, which were classified as cash equivalents since they are available on demand with one-day notice. The increase in total liabilities is primarily due to an increase in the net assets coupled with decreases in investment advisory, administration, marketing and consulting fee waivers, for the last month of the current fiscal year versus the last month of the prior fiscal year due to the rise in rates noted previously.

The Statement of Changes in Net Position presents the Fund's activity for the year ended May 31, 2022. Yearly changes in the Fund's net position primarily relate to net capital shares issued/(redeemed) and net investment income for the year. The investment income of the Fund is driven by a combination of the amount of investable assets and the general short-term interest rate environment that impacts the yields on investments the Fund can purchase. Realized gains or losses on sale of investments occur whenever investments are sold for more or less than their carrying value. Activity within the Fund is outlined below for the current and prior fiscal years:

| | Year Ended | |
|---|---|---|
| | May 31, 2022 | May 31, 2021 |
| Investment Income | $ 1,321,875 | $ 1,282,316 |
| Net Expenses | (951,828) | (1,149,728) |
| Net Investment Income | 370,047 | 132,588 |
| Net Realized Gain on Sale of Investments | 12,628 | 9,042 |
| Net Capital Shares Issued | 77,466,631 | 137,660,947 |
| Change in Net Position | $ 77,849,306 | $ 137,802,577 |

The Fund's net position increased approximately 10% year-over-year, which is reflected above in the net capital shares issued. Its average net assets increased approximately 3% year-over-year. The slight increase in investable assets, coupled with the cumulative 100 basis point increase in the federal funds target rate during the final quarter of the current fiscal year, resulted in investment income increasing approximately 3% year-over-year. A significant portion of the Fund's gross expenses are calculated as a percentage of net assets, and as such, gross expenses increased approximately 3% from the prior fiscal year. However, the Fund’s net expenses decreased approximately 17% due to an increase in total fees waived year-over-year. Due to market conditions, gross expenses were reduced by waivers of investment advisory fees, administration fees, marketing fees, consulting fees and custodian fees totaling $529,293, $595,667, $225,438, $300,936 and $1,200, respectively, for the year ended May 31, 2022, as opposed to $433,074, $611,767, $65,529, $272,709 and $4,200, respectively, for the year ended May 31, 2021.

The total return of the Fund for the year ended May 31, 2022 was 0.05%, up from 0.02% for the year ended May 31, 2021. Select financial highlights for the Fund for the current fiscal year, as compared to the prior fiscal year, are as follows:

| | Year Ended | |
|---|---|---|
| | **May 31, 2022** | **May 31, 2021** |
| Ratio of Net Investment Income to Average Net Assets | 0.05% | 0.02% |
| Ratio of Net Investment Income to Average Net Assets, Before Fees Waived and Expenses Paid Indirectly | (0.18%) | (0.18%) |
| Ratio of Expenses to Average Net Assets | 0.14% | 0.17% |
| Ratio of Expenses to Average Net Assets, Before Fees Waived and Expenses Paid Indirectly | 0.37% | 0.37% |

The ratio of net investment income to average net assets, after factoring in fees waived and expenses paid indirectly, increased 0.03%, primarily due to the increase in short-term interest rates at the end of the fiscal year noted previously. The ratio of expenses to average net assets, after factoring fees waived and expenses paid indirectly, decreased by 0.03% from the prior year due to the changes in fees waived noted previously.

# Statement of Net Position

May 31, 2022

| | |
|---|---|
| **Assets** | |
| Investments | $ 831,206,221 |
| Cash and Cash Equivalents[1] | 42,342,043 |
| Accrued Interest Receivable | 454,275 |
| Prepaid Expenses | 11,323 |
| Total Assets | 874,013,862 |
| **Liabilities** | |
| Redemptions Payable | 12,417 |
| Investment Advisory Fees Payable | 71,596 |
| Administration Fees Payable | 71,572 |
| Marketing Fees Payable | 64,437 |
| Consulting Fees Payable | 42,958 |
| Custodian Fees Payable | 3,655 |
| Audit Fees Payable | 28,618 |
| Other Expenses Payable | 10,277 |
| Total Liabilities | 305,530 |
| **Net Position** | $ 873,708,332 |
| (applicable to 873,708,332 outstanding shares of beneficial interest; unlimited authorization; no par value; equivalent to $1.00 per share) | |

[1] *Includes cash and bank time deposit accounts which are subject to a one-day put. Guaranteed by Federal Home Loan Bank letters of credit.*

*The accompanying notes are an integral part of this financial statement.*

# Statement of Changes in Net Position

For the Year Ended May 31, 2022

| | |
|---|---|
| **Income** | |
| Investment Income | $ 1,321,875 |
| **Expenses** | |
| Investment Advisory Fees | 714,813 |
| Administration Fees | 714,813 |
| Marketing Fees | 643,332 |
| Consulting Fees | 428,888 |
| Custodian Fees | 68,682 |
| Legal Fees | 21,661 |
| Audit Fees | 28,096 |
| Other Expenses | 16,639 |
| Total Expenses | 2,636,924 |
| Investment Advisory Fees Waived | (529,293) |
| Administration Fees Waived | (595,667) |
| Marketing Fees Waived | (225,438) |
| Consulting Fees Waived | (300,936) |
| Custodian Fees Waived | (1,200) |
| Expenses Paid Indirectly | (32,562) |
| Net Expenses | 951,828 |
| **Net Investment Income** | 370,047 |
| **Other Income** | |
| Net Realized Gain on Sale of Investments | 12,628 |
| **Net Increase from Investment Operations Before Capital Transactions** | 382,675 |
| Capital Shares Issued | 894,816,074 |
| Capital Shares Redeemed | (817,349,443) |
| **Change in Net Position** | 77,849,306 |
| **Net Position – Beginning of Year** | 795,859,026 |
| **Net Position – End of Year** | $ 873,708,332 |

*The accompanying notes are an integral part of this financial statement.*

# Notes to Financial Statements

## A. Organization and Reporting Entity

The Nebraska Liquid Asset Fund (the "Fund"), was established on March 23, 1988 as the Nebraska School District Liquid Asset Fund Plus, pursuant to the Interlocal Cooperation Act and Article XV, Section 18 of the Nebraska State Constitution. Under its original Declaration of Trust and Interlocal Agreement ("Declaration of Trust") establishing the Fund, shares of the Fund were offered exclusively to Nebraska school districts, educational service units and technical community colleges. The Declaration of Trust was amended, restated and readopted effective February 5, 2008, to change the name of the Fund to Nebraska Liquid Asset Fund and to expand the authorized Participants of the Fund to add Nebraska public agencies and other political subdivisions. The objective of the Fund is to provide a high yield for the Participants while maintaining liquidity and preserving capital by investing only in instruments permitted by Nebraska law. The Fund commenced operations on May 27, 1988.

An objective of the Fund is to maintain a net asset value of $1 per share, but there can be no assurance that the net asset value will not vary from $1. Shares are issued and redeemed at the net asset value per share next determined after receipt of a request. The Fund has not provided or obtained any legally binding guarantees to support the value of the shares. All participation in the Fund is voluntary. The Fund is not required to register as an investment company with the Securities & Exchange Commission ("SEC").

## B. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in preparation of its financial statements.

**Measurement Focus and Basis of Accounting**

The Fund reports transactions and balances using the economic resources management focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Cash and Cash Equivalents**

The Fund reflects cash on deposit in bank accounts which is available within one business day as cash and cash equivalents. Certificates of deposit are disclosed separately as investments in the financial statements.

**Valuation of Investments**

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB Statement No. 72, as amended, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

**Level 3** – Unobservable inputs for the assets, including the Fund's own assumption for determining fair value.

The Fund's investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. In accordance with GASB Statement No. 79, the Fund's securities are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the Fund's investments on an amortized cost basis to fair values determined on a market value basis at least monthly. The market prices used to determine fair values in this comparison are derived from closing bid prices as of the last business day of the month as supplied by third-party pricing services. Where prices are not available from these generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Since the value is not obtained from a quoted price in an active market, all securities held by the Fund at May 31, 2022 are categorized as Level 2.

**Investment Transactions**

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Interest income is recorded using the accrual method. Discounts and premiums are accreted and amortized, respectively, to interest income over the lives of the respective securities.

### Repurchase Agreements

Repurchase agreements entered into with broker-dealers are secured by U.S. government or agency obligations. The Fund's custodian takes possession of the collateral pledged for investments in repurchase agreements. The Fund also enters into tri-party repurchase agreements. Collateral pledged for tri-party repurchase agreements is held for the Fund by an independent third-party custodian bank until the maturity of the repurchase agreement. Repurchase agreements are collateralized at 102% of the obligation's principal and interest value. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. If the seller defaults and the value of the collateral declines, realization of the value of the obligation by the Fund may be delayed. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to delays from legal proceedings.

### Share Valuation and Participant Transactions

The net asset value ("NAV") per share of the Nebraska Liquid Asset Fund is calculated as of the close of business each business day by dividing the net position of the Fund by the number of outstanding shares. It is the Fund's objective to maintain a NAV of $1.00 per share; however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

### Dividends and Distributions

On a daily basis, the Fund declares dividends and distributions from its net investment income and net realized gains or losses from securities transactions, if any. Such dividends and distributions are payable to investors of record at the time of the previous computation of the Fund's net asset value and are distributed to each investor's account by purchase of additional shares of the Fund on the last business day of each month. For the year ended May 31, 2022, the Fund distributed dividends totaling $382,675.

### Redemption Restrictions

Shares of the Fund are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as an investor has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees may temporarily suspend the right of withdrawal or postpone the date of payment of redemption proceeds for the whole or any part of any period: (1) during which there shall have occurred any state of war, national emergency, banking moratorium or suspension of payments by banks in the State of Nebraska or any general suspension of trading or limitation or prices on the New York or American Stock Exchange or (2) during which any financial emergency situation exists as a result of which disposal by the Fund of fund property is not reasonably practicable because of the substantial losses which might be incurred or it is not reasonably practicable for the Fund to determine value of its net assets.

### 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 and disclosures in the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

### Income Tax Status

The Fund is not subject to Federal or State income tax upon the income realized by it. Accordingly, no provision for income taxes is required in the Fund's financial statements.

### Representations and Indemnifications

In the normal course of business, the Fund may enter into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

### Subsequent Events Evaluation

The Fund has evaluated subsequent events through September 12, 2022, the date through which procedures were performed to prepare the financial statements for issuance. With the exception of the Transaction noted in Footnote D, no other events have taken place that meet the definition of a subsequent event requiring adjustment or disclosure in these financial statements.

## C. Investment Risks

Under GASB Statement No. 40, as amended, State and Local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. The following risk disclosures of the Fund as of May 31, 2022 have been provided for the information of the Fund's investors.

**Credit Risk**

The Fund's investment policy, as outlined in its Information Statement, limits the Fund's investments to certain fixed income instruments which school entities are permitted to invest in under Nebraska law.

As of May 31, 2022, the Fund's investment portfolio was comprised of investments which were, in aggregate, rated by S&P Global Ratings ("S&P") as follows:

| S&P Rating | % |
|---|---|
| AA+ | 51.30% |
| A-1+ | 15.00% |
| Exempt(1) | 33.70% |

*(1) Represents investments in U.S. Treasury securities, which are not considered to be subject to overall credit risk per GASB.*

The ratings of the investments in the preceding table include the ratings of collateral underlying repurchase agreements in effect as of May 31, 2022. Securities with a long-term rating of A or higher are equivalent to the highest short-term rating category based on S&P rating methodology.

**Concentration of Credit Risk**

As outlined in the Fund's Information Statement, the Fund's investment policy establishes certain restrictions on investments and limitations on portfolio composition. As of May 31, 2022, the Fund included the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the Fund's total investment portfolio:

| Issuer | % |
|---|---|
| BNP Paribas (NY)(1) | 15.64% |
| Credit Agricole Corporate & Investment Bank (NY)(1) | 12.25% |
| Federal Farm Credit Bank | 22.45% |
| Federal Home Loan Bank | 28.36% |
| U.S. Treasury | 12.05% |

*(1) These issuers are also counterparties to repurchase agreements entered into by the Fund. These repurchase agreements are collateralized by U.S. government and agency obligations.*

**Interest Rate Risk**

The Fund's investment policies limit its exposure to market value fluctuations due to changes in interest rates by requiring that it maintain a dollar-weighted average maturity of not greater than 60 days. As of May 31, 2022, the weighted average maturity of the Fund's portfolio, including cash and cash equivalents and certificates of deposit, was 20 days.

The range of yields, actual maturity dates, principal values, fair values and weighted average maturities of the types of investments the Fund held as of May 31, 2022 are as follows:

| Type of Deposits and Investments | Yield-to-Maturity Range | Maturity Range | Principal | Fair Value | Weighted Average Maturity |
|---|---|---|---|---|---|
| Cash and Cash Equivalents | n/a | n/a | $ 42,342,043 | $ 42,342,043 | 1 Day |
| Certificates of Deposit – Non-negotiable | 0.92%-1.10% | 6/14/22-7/7/22 | 37,000,000 | 37,000,000 | 1 Day |
| Government Agency and Instrumentality Obligations: | | | | | |
| Agency Discount Notes | 0.90%-1.24% | 7/29/22-8/26/22 | 87,900,000 | 87,692,457 | 76 Days |
| Agency Notes | 0.44%-1.29% | 6/1/22-9/8/23 | 334,587,000 | 334,574,383 | 3 Days |
| U.S. Treasury Bills | 0.28%-1.28% | 7/14/22-9/27/22 | 69,800,000 | 69,557,010 | 109 Days |
| U.S. Treasury Notes | 0.08%-0.13% | 6/30/22-8/31/22 | 25,550,000 | 25,583,449 | 55 Days |
| U.S. Treasury STRIPS – Principal Only | 0.11% | 8/15/22 | 5,000,000 | 4,998,922 | 76 Days |
| Repurchase Agreements | 0.75%-1.14% | 6/1/22-8/5/22 | 271,800,000 | 271,800,000 | 3 Days |
| | | | $ 873,979,043 | $ 873,548,264 | |

The yields shown in the preceding table represent the yield-to-maturity at original cost except for adjustable rate instruments, for which the rate shown is the coupon rate in effect at May 31, 2022. The weighted average maturities shown in the preceding table are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the security's interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (3) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the instrument may be recovered through the demand features; and (4) the effective maturity of cash and cash equivalents is assumed to be one day. Refer to the Schedule of Investments included in the unaudited Other Information that follows for further information.

## D. Fees and Charges

**Investment Advisory Fees**

Pursuant to an Investment Advisory Agreement with the Fund, PFM Asset Management LLC ("PFMAM") provides investment advice and generally supervises the investment program of the Fund. PFMAM is paid a fee at an annual rate equal to 0.10% of the Fund's average daily net assets. Such fee is calculated daily and paid monthly.

**Administration Fees**

Under an Administration Agreement with the Fund, PFMAM services all Participant accounts, determines and allocates income of the Fund, provides administrative personnel, equipment and office space, determines the net asset value of the Fund on a daily basis and performs all related administrative services. The Administrator also pays the Fund's expenses for printing certain documents and for administrative costs of the Fund (such as postage, telephone charges and computer time). PFMAM is paid a fee at an annual rate equal to 0.10% of the Fund's average daily net assets. Such fee is calculated daily and paid monthly.

**Marketing Fees**

Under a Marketing Agreement with the Fund, PFM Fund Distributors, Inc. ("PFMFD"), a wholly owned subsidiary of PFMAM, provides marketing services for which it is paid a fee at an annual rate equal to 0.09% of the Fund's average daily net assets. Such fee is calculated daily and paid monthly.

**Consulting Fees**

The Fund has separate consulting agreements with the Nebraska Council of School Administrators ("NCSA") and Nebraska Association of School Boards ("NASB"), referred to as the Consultants. Pursuant to these agreements, the Consultants advise PFMAM, as a representative of the Fund, on applicable and pending state laws affecting the Fund, schedule and announce through their publications informational meetings and seminars at which representatives of the Fund will speak, provide mailing lists of potential Participants and permit the use of their logos. The Consultants are each paid a fee at an annual rate equal to 0.03% of the Fund's average daily net assets. Such fee is calculated daily and paid monthly.

**Fee Deferral Agreements**

Effective August 1, 2020, the Fund entered into a Fee Deferral Agreement with PFMAM and PFMFD and a Fee Deferral Agreement with each Consultant (each a "Fee Deferral Agreement" or, collectively, the "Fee Deferral Agreements") pursuant to which each of PFMAM, PFMFD and each Consultant (each a "Service Provider") individually may, but shall not be obligated to, temporarily waive a portion of its fees to assist the Fund in an attempt to maintain a positive yield. In the event that a Service Provider elects to initiate a fee deferral, such fee deferral shall be applicable to the computation of the NAV of the Fund on the business day immediately following the date on which the Service Provider gives notice to the Fund of the rate of the fee deferral to be applied in calculating the NAV. A fee deferral shall remain in effect until notice is provided to the Fund by the Service Provider regarding its intent to terminate its fee deferral or revise, upward or downward, the rate of its fee deferral.

Under the terms of the Fee Deferral Agreement with each Service Provider, at any time after a fee deferral has occurred, and if the monthly distribution yield of the Fund was in excess of 0.50% per annum for the preceding calendar month, the relevant Service Provider may elect to have the amount of its accumulated deferred fees recaptured in whole or in part under the conditions described in the Service Provider's Fee Deferral Agreement with the Fund by way of a payment of fees in excess of the rate it was entitled to, prior to any fee deferral, all as set forth in the respective Fee Deferral Agreement. In all cases, the total fees paid to each Service Provider in a given month, inclusive of the amount of any accumulated deferred fees to be recaptured, may not exceed 115% of the fees payable under the terms of each Service Provider's related agreement with the Fund. Any fees recaptured under the Fee Deferral Agreements may only be recaptured during the three-year period following the calendar month to which they relate.

The chart that follows depicts the cumulative fees voluntarily waived by PFMAM, PFMFD and each Sponsor subject to the Fee Deferral Agreements during the year ended May 31, 2022, as well as the year by which any fees not recaptured will be deemed permanently unrecoverable.

| | PFMAM / PFMFD | | | | |
|---|---|---|---|---|---|
| | **Investment Advisory Fees** | **Administration Fees** | **Marketing Fees** | **NCSA** | **NASB** |
| Fee Deferrals | | | | | |
| Current Year | $ 529,293 | $ 595,667 | $ 225,438 | $ 150,468 | $ 150,468 |
| Previous Year | 433,074 | 611,767 | 65,529 | 136,355 | 136,354 |
| Amounts Reimbursed | - | - | - | - | - |
| Amounts Unrecoverable | - | - | - | - | - |
| Remaining Recoverable | $ 962,367 | $ 1,207,434 | $ 290,967 | $ 286,823 | $ 286,822 |
| Fee Deferrals Not Reimbursed Become Unrecoverable in Fiscal Year-End: | | | | | |
| May 31, 2024 | $ 433,074 | $ 611,767 | $ 65,529 | $ 136,355 | $ 136,354 |
| May 31, 2025 | $ 529,293 | $ 595,667 | $ 225,438 | $ 150,468 | $ 150,468 |

**Change in Control of Investment Adviser, Administrator and Distributor**

On December 7, 2021, U.S. Bancorp Asset Management Inc. ("USBAM"), a subsidiary of U.S. Bank, National Association ("U.S. Bank"), acquired PFMAM, as well as its subsidiary PFMFD (the "Transaction"). In conjunction with the Transaction, the Fund's Board of Trustees approved the assignment to USBAM of the Fund's investment advisory agreement and administration agreement with PFMAM, the Fund's marketing agreement with PFMFD and the Fee Deferral Agreement between the Fund and PFMAM and PFMFD, effective upon closing of the Transaction. The terms of these agreements were not changed by their assignment. U.S. Bank serves as the Fund's custodian. During the year ended May 31, 2022, the Fund accrued custodial fees totaling $34,920, after factoring in fees waived and earnings credits on cash balances, and $3,655 of these fees remain payable by the Fund as of May 31, 2022.

**Other Fund Expenses**

The Fund pays expenses incurred by its Trustees and officers (in connection with the discharge of their duties), insurance fees for Trustees, fees of the Custodian ("U.S. Bank"), audit fees, legal fees, rating fees and other operating expenses. During the year ended May 31, 2022, the Custodian's fees were reduced by $32,562 as a result of earnings credits from cash balances and the Custodian also waived $1,200 of the fees to which it was entitled during the year. These fee waivers are not subject to potential recovery pursuant to a fee deferral agreement.

# Other Information (unaudited)

## Schedule of Investments (unaudited)

May 31, 2022

| Rate[1] | Maturity Date[2] | | Principal | Fair Value[3] |
|---|---|---|---|---|
| **Certificates of Deposit (4.24%)** | | | | |
| Axos Bank[4] | | | | |
| 1.10% | 7/7/22 | | $32,000,000 | $32,000,000 |
| NexBank, Inc[4] | | | | |
| 0.92% | 6/14/22 | | 5,000,000 | 5,000,000 |
| *Total Certificates of Deposit* | | | | 37,000,000 |
| **Government Agency and Instrumentality Obligations (59.79%)** | | | | |
| Federal Farm Credit Banks Notes | | | | |
| 0.82% [5] | 6/1/22 | | 8,000,000 | 8,000,000 |
| 0.82% [5] | 7/11/22 | | 15,000,000 | 14,999,916 |
| 0.87% [5] | 8/1/22 | | 5,000,000 | 5,000,600 |
| 0.82% [5] | 8/22/22 | | 5,000,000 | 4,999,971 |
| 1.29% | 9/15/22 | | 4,500,000 | 4,484,402 |
| 0.84% [5] | 10/21/22 | | 12,000,000 | 12,002,324 |
| 0.84% [5] | 11/18/22 | | 10,000,000 | 10,002,788 |
| 0.79% [5] | 1/12/23 | | 26,000,000 | 25,997,000 |
| 0.83% [5] | 2/3/23 | | 18,000,000 | 18,000,000 |
| 0.83% [5] | 2/17/23 | | 10,000,000 | 10,000,000 |
| 0.79% [5] | 3/3/23 | | 10,000,000 | 9,999,807 |
| 0.82% [5] | 3/17/23 | | 8,087,000 | 8,086,675 |
| 0.79% [5] | 5/2/23 | | 10,000,000 | 9,999,534 |
| 0.82% [5] | 5/19/23 | | 10,000,000 | 10,001,220 |
| 0.84% [5] | 8/10/23 | | 5,000,000 | 4,999,080 |
| 0.80% [5] | 9/8/23 | | 3,000,000 | 2,999,797 |
| Federal Farm Credit Banks Notes (Callable) | | | | |
| 0.80% [5] | 12/14/22 | | 27,000,000 | 26,998,542 |
| Federal Home Loan Bank Discount Notes | | | | |
| 0.90% | 7/29/22 | | 5,500,000 | 5,492,025 |
| 1.00% | 8/3/22 | | 32,400,000 | 32,343,582 |
| 1.24% | 8/24/22 | | 20,000,000 | 19,942,133 |
| 1.19% | 8/26/22 | | 30,000,000 | 29,914,717 |
| Federal Home Loan Bank Notes | | | | |
| 0.44% | 6/10/22 | | 5,000,000 | 5,002,360 |
| 0.79% [5] | 7/13/22 | | 20,000,000 | 20,000,000 |
| 0.78% [5] | 7/19/22 | | 25,000,000 | 25,000,000 |
| 0.79% [5] | 7/25/22 | | 30,000,000 | 30,000,000 |
| 0.79% [5] | 7/26/22 | | 48,000,000 | 48,000,367 |
| 0.79% [5] | 8/2/22 | | 20,000,000 | 20,000,000 |
| U.S. Treasury Bills | | | | |
| 0.28% | 7/14/22 | | 4,800,000 | 4,798,423 |
| 0.70% | 9/8/22 | | 10,000,000 | 9,980,750 |
| 1.23% | 9/20/22 | | 20,000,000 | 19,924,304 |
| 1.28% | 9/27/22 | | 35,000,000 | 34,853,533 |
| U.S. Treasury Notes | | | | |
| 0.08% | 6/30/22 | | 12,550,000 | 12,550,454 |
| 0.11% | 7/31/22 | | 5,000,000 | 5,000,130 |
| 0.13% | 8/31/22 | | 3,000,000 | 3,011,168 |
| 0.13% | 8/31/22 | | 5,000,000 | 5,021,697 |
| U.S. Treasury STRIPS - Principal Only | | | | |
| 0.11% | 8/15/22 | | 5,000,000 | 4,998,922 |
| *Total Government Agency and Instrumentality Obligations* | | | | 522,406,221 |

*The notes to the financial statements are an integral part of the schedule of investments.*

## Schedule of Investments (unaudited)

May 31, 2022

| Rate[1] | Maturity Date[2] | | Principal | Fair Value[3] |
|---|---|---|---|---|
| **Repurchase Agreements (31.11%)** | | | | |
| BNP Paribas (NY) | | | | |
| 0.77% | 6/1/22 | (Dated 5/31/22, repurchase price $80,001,711, collateralized by U.S. Treasury securities, 0.00%-2.00%, maturing 6/28/22-5/15/33, fair value $81,601,745) | $80,000,000 | $80,000,000 |
| 0.79% | 6/7/22[6] | (Dated 5/17/22, repurchase price $5,003,292, collateralized by U.S. Treasury securities, 0.00%-4.375%, maturing 11/15/24-8/15/46, fair value $5,101,679) | 5,000,000 | 5,000,000 |
| 0.80% | 6/7/22[6] | (Dated 5/10/22, repurchase price $10,008,222, collateralized by U.S. Treasury securities, 1.625%-2.125%, maturing 2/29/24-5/15/31, fair value $10,205,061) | 10,000,000 | 10,000,000 |
| 1.05% | 6/7/22[6] | (Dated 5/17/22, repurchase price $15,027,125, collateralized by U.S. Treasury securities, 0.125%-0.25%, maturing 6/15/23-6/30/23, fair value $15,306,727) | 15,000,000 | 15,000,000 |
| 1.14% | 6/7/22[6] | (Dated 5/5/22, repurchase price $20,058,267, collateralized by U.S. Treasury securities, 0.125%-1.875%, maturing 8/15/23-2/15/32, fair value $20,417,498) | 20,000,000 | 20,000,000 |
| BNP Paribas Securities Corp. | | | | |
| 0.97% | 6/7/22[6] | (Dated 5/5/22, repurchase price $10,016,436, collateralized by U.S. Treasury securities, 0.00%-3.00%, maturing 11/15/22-11/15/50, fair value $10,207,421) | 10,000,000 | 10,000,000 |
| BofA Securities, Inc. | | | | |
| 0.77% | 6/7/22[6] | (Dated 5/5/22, repurchase price $10,008,983, collateralized by U.S. Treasury securities, 0.00%, maturing 11/15/31, fair value $10,205,891) | 10,000,000 | 10,000,000 |
| Credit Agricole Corporate & Investment Bank (NY) | | | | |
| 0.79% | 6/1/22 | (Dated 5/5/22, repurchase price $10,008,983, collateralized by Freddie Mac securities, 0.00%, maturing 11/15/31, fair value $10,205,891) | 91,800,000 | 91,800,000 |
| 0.75% | 6/3/22 | (Dated 5/5/22, repurchase price $10,006,042, collateralized by U.S. Treasury securities, 4.25%, maturing 11/15/40, fair value $10,189,541) | 10,000,000 | 10,000,000 |
| Goldman Sachs & Company | | | | |
| 0.80% | 6/7/22[6] | (Dated 5/5/22, repurchase price $20,018,667, collateralized by U.S. Treasury securities, 0.00%, maturing 11/15/34, fair value $20,412,240) | 20,000,000 | 20,000,000 |
| *Total Repurchase Agreements* | | | | 271,800,000 |
| **Total Investments (95.14%) (Amortized Cost $831,206,221)** | | | | 831,206,221 |
| **Other Assets and Liabilities, Net (4.86%)** | | | | 42,502,111 |
| **Net Position (100.00%)** | | | | $873,708,332 |

*(1) Yield-to-maturity at original cost unless otherwise noted.*
*(2) Actual maturity dates, unless otherwise noted.*
*(3) See Note B to the financial statements.*
*(4) Guaranteed by Federal Home Loan Bank Letter of Credit and subject to put with 1-day notice.*
*(5) Adjustable rate security. Rate shown is that which was in effect at May 31, 2022.*
*(6) Subject to put with 7-day notice.*

*The notes to the financial statements are an integral part of the schedule of investments.*

NEBRASKA LIQUID ASSET FUND



### *Consultants*

**Nebraska Association of School Boards**
John Spatz, Executive Director

**Nebraska Council of School Administrators**
Dr. Michael Dulaney, Executive Director

### *Service Providers*

Investment Adviser & Administrator
**PFM Asset Management LLC**
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Harrisburg, Pennsylvania 17101

Distributor
**PFM Fund Distributors, Inc.**
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Custodian
**U.S. Bank, N.A.**
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Independent Auditors
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