



# Nebraska Liquid Asset Fund

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

## Annual Report

*May 31, 2020*

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

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*This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Fund's investment objectives, risks, charges and expenses before investing in the Fund. This and other information about the Fund is available in the Fund's current Information Statement, which should be read carefully before investing. A copy of the Fund's Information Statement may be obtained by calling 1-877-667-3523 or is available on the Fund's website at [www.nlafpool.org](http://www.nlafpool.org). While the Fund seeks to maintain a stable net asset value of \$1.00 per unit, it is possible to lose money investing in the Fund. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Units of the Fund are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://www.sipc.org)). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

# Independent Auditor's Report

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To the Board of Trustees of the Nebraska Liquid Asset Fund

## Report on the Financial Statements

We have audited the accompanying financial statements of the Nebraska Liquid Asset Fund (the "Fund"), which comprise the statement of net position as of May 31, 2020, the related statement of changes in net position for the year then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; 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.

## Auditor's 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. 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 auditor's 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 the Nebraska Liquid Asset Fund as of May 31, 2020, and the changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 4 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, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Investments of the Fund as of May 31, 2020, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*RSM US LLP*

Philadelphia, Pennsylvania

September 17, 2020

## Management's Discussion and Analysis

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We are pleased to present the Annual Report for the Nebraska Liquid Asset Fund (the "Fund") for the year ended May 31, 2020. Management's Discussion and Analysis is designed to focus the reader on significant financial items and provide an overview of the Fund's activities for the year ended May 31, 2020. The financial statements presented within this Annual Report 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 ended 2019 with strong fundamentals and capped off the longest period of consecutive gross domestic product ("GDP") growth in recent history. In addition, closely watched measures including consumer confidence and unemployment signaled economic health. Yet, concerns regarding U.S. and China trade talks, a slowing manufacturing sector, inflation below the Federal Reserve's (Fed) 2% target, and tepid global growth prompted three interest rate cuts in 2019. At year-end, the target policy range for the federal funds benchmark rate stood at 1.50% to 1.75%, with the recognition that growing concerns surrounding the coronavirus ("COVID-19") had begun to weigh on the markets.

The Fed's patient stance at year-end was supported by a strong labor market, robust consumer spending, solid GDP growth, and inflation below, but approaching, the Fed's symmetric 2% inflation target. The unemployment rate remained well below the Fed's 4.1% estimate of full employment, and fourth quarter GDP came in at 2.1%, above the longer-run estimate of 1.9%.<sup>1</sup>

In March, the economic impact of the COVID-19 pandemic became profound. The Fed held two emergency meetings, the first of their kind since 2008, and the monetary policy body lowered the federal funds rate to a target range of 0% to 0.25%. Since that time, the Fed's balance sheet has grown to more than \$7 trillion as it purchased U.S. Treasury and mortgage-backed securities in an attempt to provide liquidity to the increasingly volatile markets and broader economy. Moreover, Congress authorized nearly \$3 trillion in stimulus packages to bolster the U.S. economy and to help to mitigate the effects of the pandemic.

As "stay-at-home" lockdown orders were imposed across the United States, businesses were confronted with a dramatic slackening in consumer demand. April's unemployment rate of 14.7% was the highest on record since 1948, and retail sales dropped over 20% from the previous year's results. Meanwhile, first quarter 2020 GDP growth came in at -5.0%, the first negative reading since the first quarter 2014, and the lowest level since the fourth quarter 2008.

Markets remain volatile as numerous uncertainties around the pandemic, including the potential for a second wave and the timeline for a viable vaccine or treatment, persist. These concerns have also not surprisingly caused many economists and strategists to paint a grim picture with regard to the near-term economic outlook.

In the most recent Federal Open Market Committee ("FOMC") meeting on June 10, Chairman Jerome Powell stated that the Fed will continue to purchase U.S. Treasury and mortgage-backed securities over the coming months, at least at the current pace. This added liquidity will help to offset or somewhat mitigate conditions caused by the ongoing public health crisis which will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to longer-term outlooks.

### Portfolio Strategy

We actively managed the Fund in an effort to better navigate the volatile markets that we have witnessed over the past 12 months. The strategy during much of 2019 and into the first quarter of 2020 focused on positioning the weighted average maturity of the portfolio to take advantage of anticipated rate cuts by the Fed, and identifying relative value between allowable sectors, as well as selecting securities that fit the objectives of NLAF. Over the period, our sector preferences adapted as market conditions evolved. For example, during the second half of 2019, we saw value in FDIC-insured certificates of deposit and Federal Agencies. In August, agency floating rate notes provided value over comparable fixed-rate securities. As repurchase agreements saw increased volatility in autumn and winter, we positioned the portfolio to take advantage of mispricing opportunities ahead of the Fed's intervention to stabilize the market.

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<sup>1</sup> *Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2019.*

With regard to federal agency notes, toward the end of 2019 and into the first part of 2020, these securities offered minimal relative value to comparable Treasuries, which has been the general theme for the sector over the past few years. As the COVID-19 pandemic spread, the corresponding market volatility presented opportunities to find value in the sector. In late March, federal agency bonds offered strong value, but weakened as markets stabilized and spreads narrowed. The panic-inducing flight-to-safety pushed U.S. Treasuries lower as stimulus measures provided much needed liquidity for financial markets.

As always, our primary objectives are to protect the value of the portfolio's shares and to provide liquidity for investors. We will continue to work hard to achieve these goals, while also focusing on increasing and/or maintaining investment yields in a prudent manner during these trying and volatile times.

## Financial Statement Overview

Management's Discussion and Analysis provides an overview of the financial statements of the Fund. 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

Yearly variances in the gross income generated by the Fund are impacted by the overall rate environment described in the preceding paragraphs. Average net assets also impact the net investment income, as well as certain of the expense line items that are based on a percentage of the Fund's net assets. Other fixed costs are accrued that are not correlated with average net assets. The Statement of Net Position presents the financial position of the Fund at May 31, 2020 and includes all assets and liabilities of the Fund. The difference between total assets and total liabilities, which is equal to the investors' interest in the Fund's net position, is shown in the table that follows for the current and prior fiscal year-end dates:

	<b>May 31, 2020</b>	<b>May 31, 2019</b>
Total Assets	\$ 663,313,707	\$ 597,755,117
Total Liabilities	(5,257,258)	(10,266,695)
<b>Net Position</b>	<b>\$ 658,056,449</b>	<b>\$ 587,488,422</b>

Total assets of the Fund fluctuate as investable assets rise and fall when capital shares are issued and redeemed. The increase in total assets of the Fund is primarily comprised of an \$88,220,405 increase in investments and a \$4,999,358 increase in receivable for securities sold. These increases were offset by a \$27,289,892 decrease in cash and cash equivalents. The cash and cash equivalents as of May 31, 2020 includes \$48,000,000 of time deposits yielding 0.30%–1.80%, which were reclassified from investments to cash equivalents since they are available on demand with one-day notice. The decrease in total liabilities of the Fund is primarily related to a \$5,002,406 decrease in the payable for securities purchased.

The Statement of Changes in Net Position presents the activity within the net position for the year ended May 31, 2020. Yearly variances in the gross income generated by the Fund are impacted by the overall rate environment described in the preceding paragraphs. The changes in the Fund's net position for the year primarily relate to a net capital share issuance for the year, as well as net investment income and realized gains on sale of investments, as outlined below for the current and prior fiscal years:

	<b>Year Ended May 31, 2020</b>	<b>Year Ended May 31, 2019</b>
Investment Income	\$ 8,997,053	\$ 10,557,215
Net Expenses	(1,863,217)	(1,812,239)
Net Investment Income	7,133,836	8,744,976
Net Realized Gain on Sale of Investments	28,787	3,402
Net Capital Shares Issued	63,405,404	78,355,236
<b>Change in Net Position</b>	<b>\$ 70,568,027</b>	<b>\$ 87,103,614</b>

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 on sale of investments occur whenever investments are sold for more than their carrying value. A rising short-term

interest rate environment which started in late 2015 reversed course in the later half of 2019, causing yields on the investments the Fund could purchase to fall on a year-over-year basis.

The Fund's average net position increased approximately 10% year-over-year, which is reflected in the increase in the net capital shares issued above. While this resulted in higher investable assets on average, the decrease in overall short-term interest rates resulted in lower investment income year-over-year. The increase in net position also led to an increase in the net expenses as well since a large portion of the Fund's expenses are calculated as a percentage of average net position.

The return of the Fund for the year ended May 31, 2020 was 1.44%, down from 1.91% for the year ended May 31, 2019. Select financial highlights for the Fund for the current fiscal year, as compared to the prior fiscal year, are as follows:

	<b>Year Ended May 31, 2020</b>	<b>Year Ended May 31, 2019</b>
Ratio of Expenses to Average Net Position	0.37%	0.40%
Ratio of Expenses to Average Net Position, Before Fees Waived/Restored and Expenses Paid Indirectly	0.37%	0.38%
Ratio of Net Investment Income to Average Net Position	1.42%	1.92%
Ratio of Net Investment Income to Average Net Position Before Fees Waived/Restored and Expenses Paid Indirectly	1.42%	1.94%

The ratio of expenses to average net position before factoring in fees waived/restored and expenses paid indirectly, slightly decreased from prior year as certain fixed expenses were spread over higher average net assets. In addition, in the prior year \$102,409 of previously waived investment advisor, administration and consulting fees were restored, but there were no such fee waivers restored in the current year. The ratio of net investment income to average net assets, after factoring in fees restored and expenses paid indirectly, decreased from the prior year due to the changes in fees restored, as previously noted. Expenses paid indirectly, which represent compensating cash earnings credits on funds left on deposit at the Fund's custodian bank, did not change significantly year-over-year.

## Statement of Net Position

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May 31, 2020

<b>Assets</b>	
Investments.....	\$ 606,741,813
Cash and Cash Equivalents <sup>(1)</sup> .....	51,088,226
Accrued Interest Receivable.....	473,662
Receivable for Securities Sold.....	4,999,358
Prepaid Expenses.....	10,648
Total Assets.....	<u>663,313,707</u>
<b>Liabilities</b>	
Payable for Securities Purchased.....	4,997,594
Redemptions Payable.....	24,743
Investment Advisory Fees Payable.....	50,735
Administration Fees Payable.....	50,735
Marketing Fees Payable.....	45,662
Consulting Fees Payable.....	30,441
Custodian Fees Payable.....	7,243
Audit Fees Payable.....	27,018
Other Expenses Payable.....	23,087
Total Liabilities.....	<u>5,257,258</u>
<b>Net Position</b> .....	<b>\$ 658,056,449</b>
(applicable to 658,056,449 outstanding shares of beneficial interest; unlimited authorization; no par value; equivalent to \$1.00 per share)	

<sup>(1)</sup> Includes cash and bank deposit accounts which are subject to a 1 day put. Guaranteed by Federal Home Loan Bank letters of credit. The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Net Position

For the Year Ended May 31, 2020

<b>Income</b>	
Investment Income .....	\$ 8,997,053
<b>Expenses</b>	
Investment Advisory Fees .....	501,461
Administration Fees .....	501,461
Marketing Fees .....	451,315
Consulting Fees .....	300,877
Custodian Fees .....	50,452
Legal Fees .....	19,942
Audit Fees .....	27,443
Other Expenses .....	16,691
Total Expenses .....	1,869,642
Expenses Paid Indirectly .....	(6,425)
Net Expenses.....	1,863,217
<b>Net Investment Income</b> .....	7,133,836
<b>Other Income</b>	
Net Realized Gain on Sale of Investments .....	28,787
<b>Net Increase from Investment Operations Before Capital Transactions</b> .....	7,162,623
Capital Shares Issued .....	946,806,931
Capital Shares Redeemed .....	(883,401,527)
<b>Change in Net Position</b> .....	70,568,027
<b>Net Position – Beginning of Year</b> .....	587,488,422
<b>Net Position – End of Year</b> .....	\$ 658,056,449

The accompanying notes are an integral part of these financial statements.



# Notes to Financial Statements

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## 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 are 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 their 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 measurement) 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, 2020 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 NAV and are distributed to each investor's account by purchase of additional shares of the Fund on the last day of each month. For the year ended May 31, 2020, the Fund distributed dividends totaling \$7,162,623.

### **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 of 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 the value of its net assets.

### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements 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 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 17, 2020, the date through which procedures were performed to prepare the financial statements for issuance. With the exception of the new Fee Deferral Agreements described in Note D, no 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, 2020 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, 2020, the Fund's investment portfolio was comprised of investments which were, in aggregate, rated by Standard & Poor's ("S&P") as follows:

<b>S&amp;P Rating</b>	<b>%</b>
AA+( <sup>1</sup> )	22.87%
A-1+	24.48%
Exempt( <sup>2</sup> )	50.34%
Not Rated( <sup>3</sup> )	2.31%

<sup>(1)</sup> Represents investments in obligations of the U.S. government or its agencies or instrumentalities, which are rated Aaa and AAA by Moody's Investor Service and Fitch Ratings, Inc., respectively, which are the highest category of credit ratings by each of those statistical rating organizations.

<sup>(2)</sup> Represents investments in U.S. Treasury securities, which are not considered to be subject to overall credit risk per GASB.

<sup>(3)</sup> Represents investments in certificates of deposit insured by the FDIC.

The ratings of the investments in the preceding table include the ratings of collateral underlying repurchase agreements in effect at May 31, 2020.

### 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. At May 31, 2020, the Fund's portfolio included the following issuers, which individually represented greater than 5% of the Fund's total investment portfolio:

<b>Issuer</b>	<b>%</b>
Credit Agricole Corporate & Investment Bank (NY)( <sup>1</sup> )	10.83%
Federal Farm Credit Bank	18.46%
Federal Home Loan Bank	23.49%
U.S. Treasury	37.56%

<sup>(1)</sup> This issuer is counterparty to a repurchase agreement entered into by the fund. This repurchase agreement is collateralized by U.S. Treasuries.

### Interest Rate Risk

The Fund's investment policy limits 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. At May 31, 2020, the weighted average maturity of the Fund's portfolio, including cash and cash equivalents and certificates of deposit, was 50 days.

The range of yields to maturity, actual maturity dates, principal values, fair values and weighted average maturities of the types of investments the Fund held at May 31, 2020 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	\$51,088,226	\$51,088,226	1 Day
Certificates of Deposit – Non-negotiable	0.95%-2.40%	6/18/20-2/25/21	14,000,000	14,000,000	116 Days
Repurchase Agreements	0.06%-1.59%	6/1/20-6/7/20	80,700,000	80,700,000	2 Days
Government Agency and Instrumentality Obligations:					
Agency Discount Notes	0.13%-1.58%	6/22/20-1/8/21	148,700,000	148,506,669	85 Days
Agency Notes	0.09%-0.51%	6/26/20-10/18/21	135,527,000	135,638,645	22 Days
U.S. Treasury Bills	0.08%-0.19%	6/4/20-11/19/20	215,000,000	214,941,666	68 Days
U.S. Treasury STRIPS	1.69%	8/15/20	13,000,000	12,954,833	76 Days
			<u>\$658,015,266</u>	<u>\$657,830,039</u>	

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, 2020. 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 security 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 ("PFM") provides investment advice and generally supervises the investment program of the Fund. PFM 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, PFM 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). PFM 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., a wholly owned subsidiary of PFM, 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 PFM, 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.

### Other Fund Expenses

The Fund pays expenses incurred by its Trustees and officers (in connection with the discharge of their duties), fees of the Custodian ("U.S. Bank"), audit fees and legal fees. During the year ended May 31, 2020, the Custodian's fees were reduced by \$6,425 as a result of earnings credits from cash balances.

### **Fee Reduction Agreements**

Effective April 16, 2009, the Fund entered into separate Fee Reduction Agreements with PFM, the Custodian and each Consultant (each a “Service Provider”) pursuant to which each Service Provider individually may, but shall not be obligated to, temporarily reduce 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 reduction, such fee reduction 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 on the rate of the fee reduction to be applied in calculating the NAV. A fee reduction shall remain in effect until notice is provided to the Fund by the Service Provider regarding its intent to terminate its fee reduction or revise, upward or downward, the rate of its fee reduction.

At any time after a fee reduction has occurred, and if the monthly distribution yield of the Fund was in excess of 1.00% per annum for the preceding calendar month, the relevant Service Provider may elect to have the amount of its accumulated reduced fees restored in whole or in part under the conditions described in the Service Provider’s Fee Reduction Agreement with the Fund by way of a payment of fees in excess of the rate it was entitled to, prior to any fee reduction, all as set forth in the respective Fee Reduction Agreement. In all cases, the amount of accumulated reduced fees to be restored in a given month may not exceed 115% of the fees payable under the terms of each Service Provider’s related agreement with the Fund. At May 31, 2020, there were no previously waived fees by PFM, US Bank, NASB and NCSA subject to potential recovery pursuant to the Fee Reduction Agreement.

Effective August 1, 2020, the Fund entered into separate Fee Deferral Agreements with PFM and each Consultant which replaced the prior Fee Reduction Agreements. The terms of the Fee Deferral Agreements are generally consistent with the prior Fee Reduction Agreements with the exception that the threshold for the prior monthly distribution yield exceeding 1.00% in order for fee waivers to be restored has been lowered to 0.50%.

**Other  
Information  
(unaudited)**

## Schedule of Investments (unaudited)

May 31, 2020

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
<b>Certificates of Deposit<sup>(5)</sup> (2.13%)</b>			
Anchor D Bank (OK)			
0.95%	10/15/20	\$156,932	\$156,932
AVB Bank (OK)			
1.75%	7/23/20	174,065	174,065
Bank Hapoalim B.M. (NY)			
1.75%	7/23/20	244,500	244,500
Bank of America (NC)			
1.75%	7/23/20	244,500	244,500
Bank of Belleville (IL)			
2.40%	6/18/20	83,760	83,760
Bank of China (NY)			
0.95%	10/15/20	246,000	246,000
Bank of Oak Ridge (NC)			
1.05%	9/3/20	246,000	246,000
Bank of the Flint Hills (KS)			
2.40%	2/4/20	131,711	131,711
Bank of The West (CA)			
1.75%	7/23/20	244,500	244,500
Bankers Bank (WI)			
1.60%	2/25/21	241,000	241,000
Banterra Bank (IL)			
1.75%	7/23/20	187,139	187,139
Beneficial State Bank (CA)			
2.40%	6/18/20	241,000	241,000
BOKF (OK)			
2.40%	6/18/20	241,000	241,000
Broadway Federal Bank (CA)			
1.75%	7/23/20	244,500	244,500
CIT Bank (CA)			
1.60%	2/25/21	241,000	241,000
Citizens Alliance Bank (MN)			
1.05%	9/3/20	246,000	246,000
Citizens Savings Bank and Trust Co. (TN)			
0.95%	10/15/20	32,084	32,084
Community Bank of the Chesapeake (MD)			
2.40%	6/18/20	39,383	39,383
Community Financial Services Bank (KY)			
0.95%	10/15/20	246,000	246,000
CUSB Bank (IA)			
1.05%	9/3/20	246,000	246,000
DNB National Bank (SD)			
1.05%	9/3/20	246,000	246,000
Farmers Bank & Trust Company (AR)			
1.60%	2/25/21	70,282	70,282
First Community Bank (NE)			
0.95%	10/15/20	246,000	246,000
First Federal Bank of the Midwest (OH)			
2.40%	6/18/20	241,000	241,000
First Liberty Bank (OK)			
2.40%	6/18/20	241,000	241,000
First Oklahoma Bank (OK)			
0.95%	10/15/20	246,000	246,000

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

## Schedule of Investments (unaudited)

May 31, 2020

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
1.60%	2/25/21	\$45,486	\$45,486
1.05%	9/3/20	246,000	246,000
0.95%	10/15/20	235,702	235,702
1.05%	9/3/20	246,000	246,000
2.40%	6/18/20	241,000	241,000
0.95%	10/15/20	246,000	246,000
1.75%	7/23/20	244,500	244,500
0.95%	10/15/20	246,000	246,000
1.75%	7/23/20	244,500	244,500
0.95%	10/15/20	246,000	246,000
2.40%	6/18/20	94,146	94,146
1.60%	2/25/21	241,000	241,000
0.95%	10/15/20	246,000	246,000
2.40%	6/18/20	241,000	241,000
1.60%	2/25/21	241,000	241,000
2.40%	6/18/20	241,000	241,000
1.60%	2/25/21	241,000	241,000
0.95%	10/15/20	246,000	246,000
2.40%	6/18/20	241,000	241,000
1.60%	2/25/21	241,000	241,000
1.05%	9/3/20	246,000	246,000
1.60%	2/25/21	241,000	241,000
1.75%	7/23/20	244,500	244,500
2.40%	6/18/20	241,000	241,000
1.75%	7/23/20	244,500	244,500

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



## Schedule of Investments (unaudited)

May 31, 2020

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
<b>Southeast Bank (TN)</b>			
0.95%	10/15/20 .....	\$139,908	\$139,908
<b>Southern States Bank (AL)</b>			
1.60%	2/25/21 .....	241,000	241,000
<b>St. Louis Bank (MO)</b>			
1.05%	9/3/20 .....	32,000	32,000
1.60%	7/23/20 .....	186,028	186,028
<b>The Bank of Fayette County (TN)</b>			
0.95%	10/15/20 .....	221,374	221,374
<b>The First National Bank of Bastrop (TX)</b>			
1.05%	9/3/20 .....	246,000	246,000
<b>The Park National Bank (OH)</b>			
1.75%	7/23/20 .....	193,796	193,796
1.60%	2/25/21 .....	47,204	47,204
<b>The Provident Bank (NJ)</b>			
1.75%	7/23/20 .....	244,500	244,500
<b>The State Bank and Trust Company (OH)</b>			
1.60%	2/25/21 .....	241,000	241,000
<b>Tristar Bank (TN)</b>			
2.40%	6/18/20 .....	241,000	241,000
<b>Union Bank &amp; Trust (NE)</b>			
2.40%	6/18/20 .....	241,000	241,000
<b>Valley National Bank (NJ)</b>			
1.75%	7/23/20 .....	244,500	244,500
<b>Waterford Bank (OH)</b>			
1.60%	2/25/21 .....	241,000	241,000
<b>Total Certificates of Deposit</b> .....			<b>14,000,000</b>
<b>Government Agency &amp; Instrumentality Obligations (77.81%)</b>			
<b>Fannie Mae Notes</b>			
0.14% <sup>(4)</sup>	10/30/20 .....	10,000,000	10,000,000
<b>Federal Farm Credit Bank Discount Notes</b>			
1.24%	9/15/20 .....	10,000,000	9,963,783
0.25%	10/29/20 .....	4,000,000	3,995,833
0.31%	11/2/20 .....	10,000,000	9,986,739
0.27%	11/20/20 .....	5,000,000	4,993,550
0.34%	1/8/21 .....	5,000,000	4,989,564
<b>Federal Farm Credit Bank Notes</b>			
0.17% <sup>(4)</sup>	6/26/20 .....	10,000,000	10,000,000
0.14% <sup>(4)</sup>	7/30/20 .....	5,000,000	5,000,328
0.27% <sup>(4)</sup>	9/10/20 .....	3,000,000	3,000,000
0.14% <sup>(4)</sup>	1/14/21 .....	4,000,000	4,000,000
0.14% <sup>(4)</sup>	3/10/21 .....	3,000,000	2,996,589
0.34% <sup>(4)</sup>	4/1/21 .....	5,000,000	5,000,000
0.36% <sup>(4)</sup>	5/3/21 .....	4,050,000	4,050,169
0.36% <sup>(4)</sup>	5/5/21 .....	10,000,000	9,999,434
0.14% <sup>(4)</sup>	6/10/21 .....	5,000,000	5,000,000
0.25% <sup>(4)</sup>	6/21/21 .....	4,000,000	4,003,332
0.30% <sup>(4)</sup>	7/7/21 .....	15,000,000	14,997,497
0.22% <sup>(4)</sup>	7/13/21 .....	5,000,000	5,000,000
0.18% <sup>(4)</sup>	10/18/21 .....	5,000,000	4,998,931

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

## Schedule of Investments (unaudited)

May 31, 2020

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
<b>Federal Home Loan Bank Discount Notes</b>			
0.19%	6/22/20 .....	\$10,000,000	\$9,998,892
0.13%	7/15/20 .....	10,000,000	9,998,411
1.52%	7/17/20 .....	18,000,000	17,965,168
1.58%	7/24/20 .....	15,000,000	14,965,329
0.14%	7/29/20 .....	25,000,000	24,994,563
0.18%	7/30/20 .....	15,000,000	14,995,575
1.55%	7/31/20 .....	10,000,000	9,974,333
0.32%	11/13/20 .....	8,000,000	7,988,267
0.16%	12/21/20 .....	3,700,000	3,696,662
<b>Federal Home Loan Bank Notes</b>			
0.09% <sup>(4)</sup>	8/5/20 .....	15,000,000	15,000,000
0.16% <sup>(4)</sup>	10/1/20 .....	4,000,000	4,000,000
0.51%	2/18/21 .....	2,430,000	2,444,907
0.19%	3/12/21 .....	1,500,000	1,525,465
0.29% <sup>(4)</sup>	4/13/21 .....	5,000,000	5,000,000
<b>Freddie Mac Notes</b>			
0.10% <sup>(4)</sup>	12/4/20 .....	10,000,000	10,000,000
0.41%	2/16/21 .....	5,247,000	5,319,717
0.38% <sup>(4)</sup>	9/23/21 .....	4,300,000	4,302,276
<b>U.S. Treasury Bills</b>			
0.11%	6/4/20 .....	20,000,000	19,999,816
0.08%	6/16/20 .....	15,000,000	14,999,484
0.12%	6/18/20 .....	10,000,000	9,999,457
0.10%	7/2/20 .....	25,000,000	24,997,933
0.12%	7/7/20 .....	30,000,000	29,996,512
0.10%	7/14/20 .....	5,000,000	4,999,391
0.18%	8/6/20 .....	25,000,000	24,991,750
0.13%	8/25/20 .....	15,000,000	14,995,289
0.14%	9/8/20 .....	10,000,000	9,996,150
0.14%	9/10/20 .....	15,000,000	14,994,235
0.17%	9/15/20 .....	5,000,000	4,997,594
0.19%	9/22/20 .....	10,000,000	9,994,193
0.17%	9/24/20 .....	5,000,000	4,997,309
0.13%	11/12/20 .....	5,000,000	4,996,993
0.15%	11/19/20 .....	20,000,000	19,985,560
<b>U.S. Treasury STRIPS - Principal Only</b>			
1.69%	8/15/20 .....	13,000,000	12,954,833
<b>Total Government Agency &amp; Instrumentality Obligations</b> .....			<b>512,041,813</b>

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

## Schedule of Investments (unaudited)

May 31, 2020

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
<b>Repurchase Agreements (12.26%)</b>			
BNP Paribas (NY)			
1.59%	6/7/2020 <sup>(6)</sup>	\$15,000,000	\$15,000,000
(Dated 2/20/20, repurchase price \$15,079,500, collateralized by U.S. Treasury securities, 0.00%-2.62%, maturing 5/31/21-11/15/49, fair value \$12,148,443; Ginnie Mae securities, 3.00%-5.50%, maturing 12/20/38-4/20/48, fair value \$2,899,973; Fannie Mae security, 4.00%, maturing 10/1/40, fair value \$21,831; Federal Home Loan Bank security, 3.15% maturing 7/17/34, fair value \$218,159; Freddie Mac securities, 6.50%-7.00%, 11/1/28-10/1/31, fair value			
Credit Agricole Corporate & Investment Bank (NY)			
0.06%	6/1/20	65,700,000	65,700,000
(Dated 5/29/20, repurchase price \$65,700,329, collateralized by a U.S. Treasury security, 1.50%, maturing 11/30/24, fair value \$67,014,347)			
<i>Total Repurchase Agreements</i>			80,700,000
<b>Total Investments (92.20%) (Amortized Cost \$606,741,813)</b>			606,741,813
<b>Other Assets and Liabilities, Net (7.80%)</b>			51,314,636
<b>Net Position (100.00%)</b>			<b>\$658,056,449</b>

(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) Adjustable rate security. Rate shown is that which was in effect at May 31, 2020.

(5) FDIC insurance coverage up to \$250,000 of principal & accrued interest per issuing bank.

(6) Subject to put with 7-day notice.

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



### **Trustees and Officers**

#### **Chris Nelson, Chairperson & Trustee**

Director of Finance  
*Kearney Public Schools*

#### **Dr. Liz Standish, Vice Chairperson & Trustee**

Associate Superintendent  
*Lincoln Public Schools*

#### **Dr. Michael Dulaney, Secretary**

Executive Director  
*Nebraska Council of School Administrators*

#### **Amy Poggenklass, Assistant Secretary**

Finance and Membership Director  
*Nebraska Council of School Administrators*

#### **Virgil Harden, Treasurer & Trustee**

Chief Financial Officer  
*Grand Island Public Schools*

#### **Jan Glenn, Trustee**

Chief Financial Officer  
*Educational Service Unit #3*

#### **Andy Grosshans, Trustee**

School Board Member  
*Waverly School District #145*

#### **Chris Hughes, Trustee**

Accounting Manager  
*Millard Public Schools*

#### **Doug Lewis, Trustee**

Assistant Superintendent  
*Papillion-LaVista Schools*

#### **Brandon Maly, Trustee**

Associate Director of Accounting Services  
*Northeast Community College*

#### **Scott Roberts, Trustee**

Chief Financial Officer  
*Omaha Public Schools*

#### **Jeff Schneider, Trustee**

Superintendent  
*Hastings Public Schools*

### **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**

213 Market Street  
Harrisburg, Pennsylvania 17101

77 West Port Plaza, Suite 220  
St. Louis, Missouri 63146

#### Distributor

##### **PFM Fund Distributors, Inc.**

213 Market Street  
Harrisburg, Pennsylvania 17101

5377 State Highway N, Suite 220  
Cottleville, Missouri 63304

#### Custodian

##### **U.S. Bank, N.A.**

One U.S. Bank Plaza  
St. Louis, Missouri 63101

#### Independent Auditors

##### **RSM US LLP**

30 S. 17<sup>th</sup> Street, Suite 710  
Philadelphia, Pennsylvania 19103

1299 Farnam Street, Suite 530  
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#### General Counsel

##### **Perry, Guthery, Haase & Gessford, P.C.**

1400 US Bank Building  
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#### Securities Counsel

##### **Gilmore & Bell, P.C.**

450 Regency Parkway, Suite 320  
Omaha, Nebraska 68114

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### **Nebraska Liquid Asset Fund**

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