

IOWA PUBLIC AGENCY INVESTMENT TRUST



DIVERSIFIED FUND
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

DIRECT GOVERNMENT OBLIGATION FUND
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR ENDING
JUNE 30, 2006

The Funds are distributed by Investors Management Group.

Shares of the Funds are NOT INSURED BY THE FDIC. Investment products involve investment risk, including the possible loss of principal. Past performance is not predictive of future results, and the composition of each Fund's portfolio is subject to change.

Information not authorized for distribution unless accompanied or preceded by a current Information Statement also known as a prospectus. An investor should consider the Funds' investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the investment company can be found in the Fund's Information Statement. To obtain more information, please call 800-872-4024 or visit the website: IPAIT.org. Please read the Information Statement carefully before investing.

Iowa Public Agency Investment Trust
Diversified Fund
Comprehensive Annual Financial Report



Iowa Public Agency Investment Trust
Direct Government Obligation Fund
Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2006

www.IPAIT.org

Prepared by the
Iowa Public Agency Investment Trust
Board of Trustees



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INTRODUCTORY SECTION





Letter From The Chair

August 26, 2006

Dear Fellow IPAIT Participants:

The Iowa Public Agency Investment Trust (IPAIT) is pleased to submit the Diversified Fund and Direct Government Obligation Fund (DGO) Comprehensive Annual Financial Reports for the fiscal year ended June 30, 2006. The IPAIT Board of Trustees and service providers are responsible for the content of the reports.

IPAIT has been serving participants' needs since 1987 in accordance with Iowa Code. Fiscal year 2005-2006 was marked with the Federal Reserve raising interest rates, which continued throughout the year. The IPAIT Diversified and DGO Funds maintained yields comparable to other money market funds during this time while being an educational resource for IPAIT participants. For a detailed review of the Funds, please refer to the Management's Discussion and Analysis of each Fund located in the Financial Section.

Iowa Public Agency
Investment Trust
Diversified Fund

Iowa Public Agency
Investment Trust
Direct Government Obligation



c/o Investors Management Group
1415 28th Street, Suite 200
West Des Moines, IA 50266

Iowa Economy

Growth in the national economy has certainly been felt in the Midwest over the past few years. While Iowa tends to lag the national economy during times of rapid economic growth, it also benefits from a lag as the national economy reverts to more normalized growth patterns. While national GDP growth has slowed recently, Iowa is moving ahead. Among Midwest states Iowa looks strong with improving employment growth and continued strengthening of the housing market.

Iowa's May unemployment rate was 3.4 percent, less than most of its neighbors and well below the national level of 4.6 percent. Iowa has seen non-farm payroll growth of 1.8 percent over the past year and May's payroll level of 1,504,700 set a new record for the state. Unemployment claims have risen over the past year reflected in the high profile layoffs and eventual closure of the Newton Maytag facility. However, average hourly earnings have also risen indicating an improving consumer picture. Real personal income is expected to grow by 1.6 percent in 2006.

Midwest housing starts continued to rise over the past twelve months even as housing on a national scale has been declining. Iowa sales have risen 1.6 percent in the first half of 2006 while nationally sales have fallen 2.1 percent. Median Midwest housing prices rolled over in the first quarter of 2006 along with national prices as higher mortgage rates slowed activity. Farm values have also risen year-over-year (as of April) with land in the south-central and south-eastern parts of the state showing strongest growth.

The Federal Reserve's next move depends heavily on the inflation data received before the meeting. The national consumer price index inflation measure (CPI) rose 4.2 percent year-over-year whereas Midwest CPI rose only 3.3 percent. Like most states, although Iowa projects an increase in revenue in 2006 and 2007 the challenges of meeting rising education and healthcare costs will weigh on budgets.

Investment Policies and Strategies

IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to invest their available operating and reserve funds in a competitive rate environment, safely and effectively. Both the Diversified and DGO Funds have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception.

Investment Safeguards

Both Funds continue to be focused on their investment objectives as stated in the IPAIT Investment Policy. These goals, in order of priority are: safety of invested principal, maintenance of liquidity, and maximum yield. Within these objectives, each Fund strives to provide participants with the best available rates of return for legally authorized investments. All security settlements within either Fund are settled on a delivery-versus-payment (DVP) basis. DVP settlements greatly reduce the possibility of inappropriate transmission of funds or securities.

Reliability of Investment Section

All commentary and displays in the Investment Section were prepared by IPAIT's service provider, Investors Management Group (IMG), the program's Investment Adviser, Administrative Services Provider, and Program Support Provider. IMG has provided services to the IPAIT program since the program's inception in 1987. All services provided by IPAIT to participants are subject to rigorous and regular verification.



IMG and IPAIT have designed internal controls and procedures to ensure that material information is made known to the principal executive officers, Jeff Lorenzen and Amy Mitchell, respectively during the reporting period for the semi-annual and annual report to shareholders. The certifying CEO and CFO are required to report any deficiencies and any fraud to the Fund Auditor and to the Audit Committee immediately upon discovery.

Statement of Changes in Net Assets

For fiscal year 2005-2006 (FY 05/06) and fiscal year 2004-2005 (FY 04/05) total interest earned, total operating expenses, and net investment income for the IPAIT Diversified and the DGO Funds were as follows:

	<u>Interest Earned</u>	<u>Expenses</u>	<u>Net Investment Income</u>
Diversified Fund			
FY 05/06	\$9,590,801	\$1,118,335	\$8,472,466
FY 04/05	\$4,792,152	\$1,058,235	\$3,733,917
DGO Fund			
FY 05/06	\$647,800	\$80,459	\$567,341
FY 04/05	\$475,110	\$125,123	\$349,987

The increase in year-over-year interest earned for the Funds is primarily attributed to the higher interest rate environment throughout the year. The average net assets of the Diversified Fund were higher in FY 05/06 than FY 04/05, resulting in an increase in interest earned and expenses. The average net assets of the DGO Fund were lower in FY 05/06 than FY 04/05, resulting in lower expenses in FY 05/06 compared to FY 04/05. IPAIT operates pursuant to Service Provider agreements for all aspects of operation. Every agreement specifies the fees to be charged for each component of IPAIT services.

Financial and operating highlights from this past year include:

- Receipt of a ninth consecutive Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA).
- Average combined daily investments in the Diversified and DGO Funds of \$245,101,870 up from \$243,819,674 in the last fiscal year.
- Placement of 38 portfolio certificates of deposit in Iowa financial institutions by the Diversified Fund representing over \$31,250,000.
- An authorized membership total of 410 public bodies representing 185 municipalities, 82 counties, 92 municipal utilities, and 51 other eligible public agencies.
- Total funds invested in IPAIT's investment alternatives peaked for the fiscal year at \$438,268,928 on April 11, 2006.

Comprehensive Annual Financial Report Format and Contents

The report is presented in four sections as follows:

Introduction - Contains the Letter of Transmittal, Management Report, a listing of the IPAIT Board of Trustees and Service Providers and the IPAIT Organizational Chart.

Financial - Contains the reports of the independent registered public accounting firm, KPMG LLP, Management's Discussion and Analysis for the Diversified Fund and DGO Fund, and the Diversified Fund and DGO Fund financial statements.

Investment - Contains a comprehensive discussion of each Fund's investment performance and operations including the following:

- Fund Facts - a summary of IPAIT's Diversified Fund and DGO Fund investment strategy, individual fund performance comparison to other registered money market fund performance benchmarks including the iMoneyNet Money Fund Report TM and an Economic Environment Overview for the past fiscal year;



- Complete Portfolio Characteristics portfolio composition and summaries for each Fund to include portfolio ownership analysis, weighted average maturity illustrations and comparisons, maturity analysis, portfolio distribution by security type, historical portfolio asset growth; and
- The IPAIT Diversified Fund and DGO Fund Investment Policy.

Statistical - Includes trend data for the current and prior years for various program operating components, including total net asset value for each Fund by type of participant, monthly and annual yield highlights with benchmark comparisons, summary of changes in net assets, and a glossary of investment terms.

The GFOA awarded a ninth consecutive Certificate of Achievement for Excellence in Financial Reporting to the Iowa Public Agency Investment Trust for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Participant Meetings

The participants had two participant meetings (proxy votes) this year, details of which can be found on page 45 of this report. The participants elected the Board of Trustees, ratified the selection of auditors and approved changes to the Joint Powers Agreement in August. In December, the participants approved a new Investment Advisory Agreement with IMG. The second proxy vote was necessary because IMG was acquired by West Bancorporation on December 30, 2005. The change of ownership of the Investment Adviser legally terminates the investment advisory agreement. The investment advisory agreement is reviewed annually by the Board of Trustees, and the factors which the Board considers are set forth in the annual or semi-annual report following the Board action.

Summary

On behalf of IPAIT's Board of Trustees, sponsoring associations and service providers, we thank you for your continued support of the Iowa Public Agency Investment Trust. We encourage you to contact us with comments and suggestions regarding any improvements to the operation of IPAIT. Your involvement in IPAIT is essential in its ability to provide a competitive investment alternative, and ongoing program opportunities for association members.

As we begin fiscal year 2006-2007, IPAIT will continue to be guided by its objectives of: safety, liquidity, and competitive return. In addition, IPAIT will be an excellent resource as a user-friendly investment alternative and also an educational resource. The website provides monthly updates as well as access to the secure IPASonline™ system. We collectively pledge to continue working together to provide a safe source of interest income for every participant.

Respectfully,

Tom Hanafan
Chair, Board of Trustees



TO IPAIT PARTICIPANTS:

While IPAIT's Diversified Fund and DGO Fund financial statements and the related financial data contained in these Comprehensive Annual Financial Reports (CAFR) have been prepared in conformity with U.S. generally accepted accounting principles and have been audited by IPAIT's Independent Registered Public Accounting Firm, KPMG LLP, the ultimate accuracy and validity of this information is the responsibility of the management of the Iowa Public Agency Investment Trust Board of Trustees. To carry out this responsibility, the Board of Trustees maintains financial policies, procedures, accounting systems and internal controls, which the Board believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investment assets are safeguarded.

In addition, the three ex-officio trustees meet with the Program's service providers and legal counsel to review all aspects of IPAIT performance each month. The Board of Trustees meets quarterly to similarly review IPAIT's performance and compliance. In addition, the IPAIT Board of Trustees regularly subjects IPAIT to a comprehensive review of all services and costs of operation.

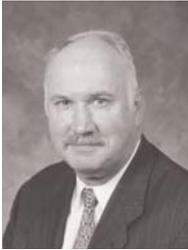
Again this year's CAFR will be submitted to the GFOA for consideration for a Certificate of Achievement for Excellence in Financial Reporting following receipt of a ninth consecutive Certificate of Achievement for the fiscal year ended June 30, 2005.

In the Board's opinion, IPAIT's internal controls are adequate to ensure that the financial information in this report presents fairly the IPAIT Diversified and DGO Fund operations and financial condition.

Robert D. Haug
Secretary, Board of Trustees
Iowa Public Agency Investment Trust



Board of Trustees



Mr. Thomas Bredweg
Executive Director,
Iowa League of Cities
IPAIT Treasurer to the Board



Mr. William Peterson
Executive Director,
Iowa State Association of Counties
IPAIT Assistant Secretary to the Board



Mr. Robert Haug
Executive Director,
Iowa Association of Municipal Utilities,
IPAIT Secretary to the Board



Mr. Jody Smith
Director of Administrative Services/
City Clerk
City of West Des Moines



Mr. Floyd Magnusson
Supervisor Webster County



Dr. Donald Kerker
Director, Finance and
Administrative Services
Muscatine Power and Water



Mr. Tom Hanafan
Mayor
City of Council Bluffs



Ms. Dianne Kiefer
County Treasurer
Wapello County



Mr. Leon Rodas
General Manager
Spencer Municipal Utility



Ms. Susan Vavroch
City Treasurer
City of Cedar Rapids



Mr. Robert Hagey
County Treasurer
Sioux County



Mr. Craig Hall
Manager
Brooklyn Municipal Utilities

The trustees and officers are not compensated for Board service.
Expenses incurred in attending meetings are paid by the Trust.



Board of Trustees

Name	Address	Age	Position held with IPAIT	Term of Office	Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios Overseen by Trustee	Outside Directorships
Robert Hagey	210 Central Ave. SW Orange City, IA 51041	55	Trustee	Term Ending 2008	Since 1993	Sioux County Treasurer	2	None
Thomas Hanafan	209 Pearl Street Council Bluffs, IA 51503	57	Trustee, Chair	Term Ending 2006	Since 1992	Council Bluffs Mayor	2	None
Donald Kerker	3205 Cedar Street Muscatine, IA 52761	55	Trustee	Term Ending 2008	Since 1999	Director, Finance & Administrative Services, Muscatine Power and Water	2	None
Dianne Kiefer	101 W. Fourth Street Ottumwa, IA 52501	56	Trustee, Vice Chair	Term Ending 2007	Since 2000	Wapello County Treasurer, College Instructor, Buena Vista University	2	None
Floyd Magnusson	703 Central Avenue Fort Dodge, IA 50501	79	Trustee	Term Ending 2006	Since 2000	Webster County Supervisor	2	None
Craig Hall	138 Jackson Street Brooklyn, IA 52211	54	Trustee	Term Ending 2007	Since 2004	Manager, Brooklyn Municipal Utilities	2	None
Leon Rodas	712 North Grand P.O. Box 222 Spencer, IA 51301	54	Trustee, Second Vice Chair	Term Ending 2006	Since 2003	General Manager, Spencer Municipal Utility	2	None
Jody Smith	P.O. Box 65320 West Des Moines, IA 50265	53	Trustee	Term Ending 2007	Since 1994	Director of Administrative Services/City Clerk, West Des Moines	2	None
Susan Vavroch	50 Second Ave. Bridge Cedar Rapids, IA 52401	47	Trustee	Term Ending 2008	Since 2003	Cedar Rapids City Treasurer	2	None
Thomas Bredeweg	317 Sixth Avenue, Ste 1400 Des Moines, IA 50309	58	IPAIT Treasurer		Since 1992	Iowa League of Cities Executive Director		
William Peterson	501 SW Seventh St, Ste Q Des Moines, IA 50309	55	IPAIT Assistant Secretary		Since 1994	Iowa State Association of Counties Executive Director		
Robert Haug	1735 NE 70th Avenue Ankeny, IA 50021	58	IPAIT Secretary		Since 1986	Iowa Association of Municipal Utilities Executive Director		



Sponsoring Associations



**IOWA
ASSOCIATION OF MUNICIPAL
UTILITIES**

Iowa Association of Municipal Utilities
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Robert Haug, Executive Director
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**Investors
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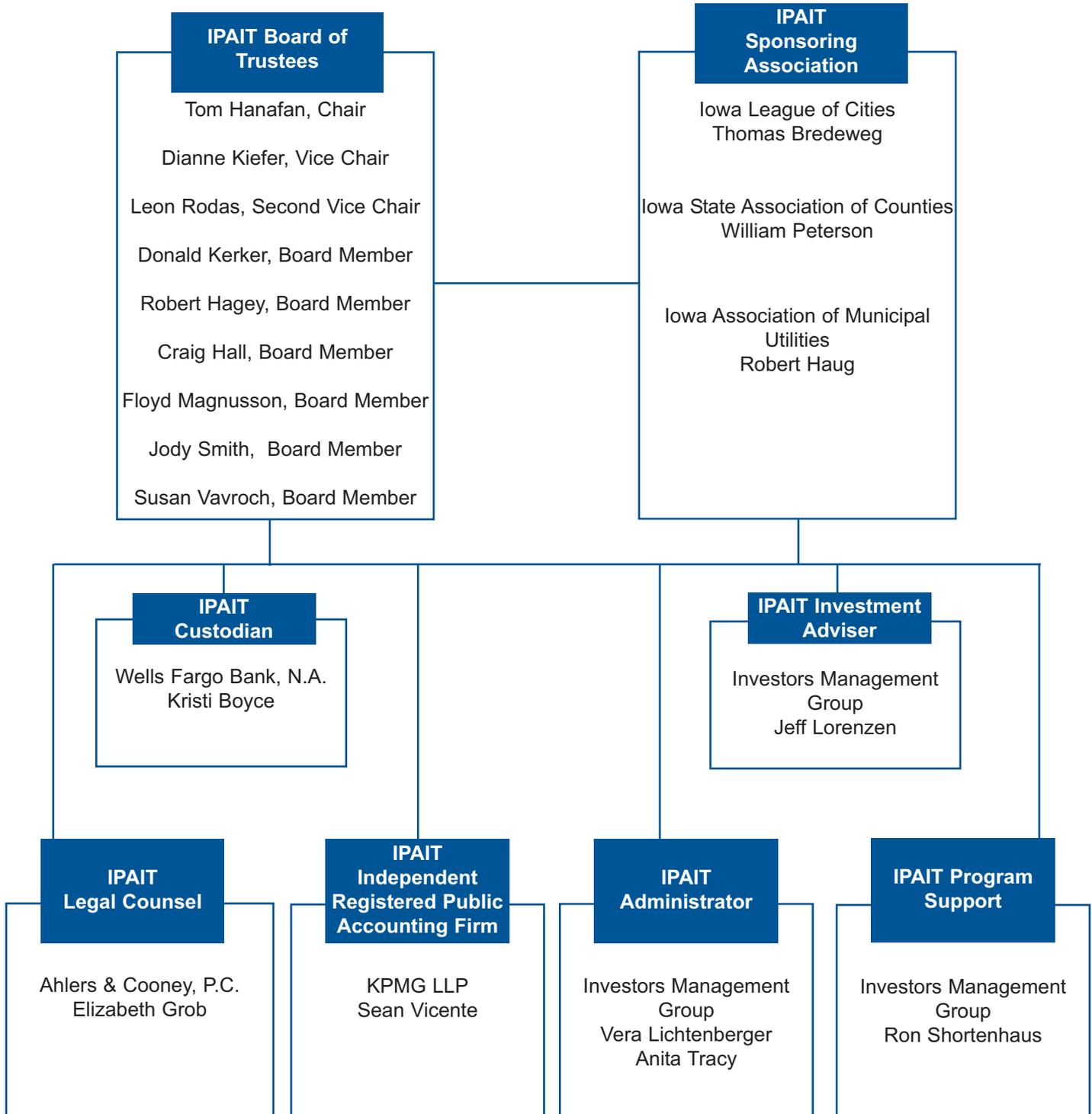
**Independent Registered
Public Accounting Firm**



KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309
Sean Vicente 515-697-1108
msvicente@kpmg.com



Organization Chart





Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Iowa Public Agency Investment
Trust Diversified Fund/Direct
Government Obligation Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the higher standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION





Independent Registered Public Accounting Firm Report



KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Unitholders
Iowa Public Agency Investment Trust:

We have audited the accompanying statement of net assets, including schedule of investments, of the Diversified Portfolio of the Iowa Public Agency Investment Trust (the Portfolio) as of June 30, 2006, and the related statements of operations, and changes in net assets for each of the years in the two-year period then ended, and financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diversified Portfolio of the Iowa Public Agency Investment Trust at June 30, 2006, and the results of its operations and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years presented, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2006 on our compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Portfolio's financial statements. The introductory section, other supplementary information, investment section and statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements. The introductory section, other supplementary information, investment section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

The management's discussion and analysis on pages 17 to 19 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management discussion and analysis information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Des Moines, Iowa
August 21, 2006



Management's Discussion and Analysis

This section of the IPAIT Diversified Portfolio's annual Financial Statements presents management's discussion and analysis of the financial position and results of operations for the fiscal years ended June 30, 2006 (FY 06) and 2005 (FY 05). This information is being presented to provide additional information regarding the activities of IPAIT, pursuant to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures (Statements Nos. 34, 37, and 38). This discussion and analysis should be read in conjunction with the Report of Independent Registered Public Accounting Firm, KPMG LLP, the Financial Statements, and the accompanying notes.

Overview of the Financial Statements

The Management's Discussion and Analysis provides an introduction to and overview of the basic financial statements of IPAIT's Diversified Portfolio. The following components comprise the basic financial statements: 1) Schedule of Investments, 2) Statement of Net Assets, 3) Statement of Operations, 4) Statement of Changes in Net Assets, and 5) Notes to Financial Statements.

- The Schedule of Investments lists each security held by the portfolio as of the date of current fiscal year end.
- The Statement of Net Assets shows the financial position (assets and liabilities) of the portfolio as of the date of the current fiscal year end.
- The Statements of Operations display the results of operations (income and expenses) of the portfolio for the two most recent fiscal years.
- The Statements of Changes in Net Assets display the results of additions (net investment income, unit sales, and reinvestments) and deductions (dividends and unit redemptions) of the portfolio for the two most recent fiscal years.
- The Notes to Financial Statements describe significant accounting policies and disclose summary security transaction amounts of the portfolio.

Condensed Financial Information and Financial Analysis

Year-over-year changes in most financial statement amounts reported in IPAIT's Diversified Portfolio are most significantly impacted by the level of average net assets (which fluctuates based on the overall levels of participant/unitholder invested balances). Additionally, changes in the short-term interest rate environment (which follows the general trend established by monetary policy set by the Federal Reserve) contribute to year-over-year variances in the amount of investment income earned by the portfolio. Over the last twelve months, the Federal Reserve's Federal Open Market Committee increased the Federal Funds target rate eight times, from 3.25 percent to 5.25 percent. In the preceding twelve months, the Federal Funds target was increased nine times, from 1.00 percent to 3.25 percent.



Management's Discussion and Analysis (cont.)

Condensed financial information and changes explanations for FY 06, as compared to FY 05 follows.

Diversified Portfolio

Net Assets

	<u>June 30, 2006</u>	<u>Percent Change</u>	<u>June 30, 2005</u>
Total investments	\$209,699,643	-9%	\$229,759,603
Excess of other liabilities over other assets	(6,218,102)	-6686%	(91,637)
Net assets held in trust for pool participants	<u>203,481,541</u>	-11%	<u>229,667,966</u>
Average Net Assets	<u>\$229,267,241</u>	5%	<u>\$218,666,940</u>

Total investments and net assets decreased 9 and 11 percent, respectively, comparing June 30, 2006 and June 30, 2005 amounts. During FY 06, average net assets increased 5 percent to \$229,267,241 from average net assets of \$218,666,940 during FY 05. The significant increase in excess of other liabilities over other assets is due to a liability for securities purchased on June 30, 2006 and settled on July 3, 2006 in the amount of \$6,235,663. No such liability existed on June 30, 2005. The Diversified portfolio experienced a net redemption of assets in FY 06 due to investors withdrawals of assets out of the Diversified portfolio for other investment opportunities. During FY 06, bank investment options, specifically certificates of deposit continued to be appealing versus money market funds.

Change in Net Assets for the years ended	<u>June 30, 2006</u>	<u>Percent Change</u>	<u>June 30, 2005</u>
Investment Income	\$9,590,801	100%	\$4,792,152
Total Expenses	(1,118,335)	6%	(1,058,235)
Dividends to unitholders from net investment income	(8,472,466)	127%	(3,733,917)
Net decrease in assets derived from unit transactions	(26,186,425)	-4%	(25,150,144)
Net assets held in trust for pool participants at beginning of period	<u>229,667,966</u>	-10%	<u>254,818,110</u>
Net assets held in trust for pool participants at end of period	<u>\$203,481,541</u>	-11%	<u>\$229,667,966</u>

Investment income and net investment income increased 100 percent and 127 percent, respectively, during FY 06 compared to FY 05 due to the higher interest rate environment. With the increase in Fed Fund rates, money market fund returns have improved during FY 06. Total expenses are derived based on net assets held by the Fund. These expenses increased 6 percent during FY 06 compared to FY 05 due to higher average net assets throughout FY 06. Also, the other fees and expenses accrual of 0.025 percent had been temporarily suspended for the 16 month period ended December 31, 2004 and reinstated at 0.02 percent January 1, 2005 through June 30, 2005. These full fees and expenses applied for the entire FY 06. The accrual was at the full 0.025 percent for the entire FY 06. During FY 06 compared to FY 05, units sold and redeemed increased 9 percent and 9 percent, respectively.



Management's Discussion and Analysis (cont.)

Condensed financial information and changes explanations for FY 05 as compared to the fiscal year ended June 30, 2004 (FY 04) follows.

Net Assets

	<u>June 30, 2005</u>	Percent Change	<u>June 30, 2004</u>
Total investments	\$229,759,603	-10%	\$254,078,254
Excess of other liabilities over other assets	(91,637)	-112%	739,856
Net assets held in trust for pool participants	<u>229,667,966</u>	-10%	<u>254,818,110</u>
Average Net Assets	<u>\$218,666,940</u>		<u>\$248,770,769</u>

Diversified Portfolio

Total investments and net assets decreased 10 and 10 percent, respectively, comparing June 30, 2005 and June 30, 2004 amounts. During FY 05, average net assets decreased 12 percent to \$218,666,940 from average net assets of \$248,770,769 during FY 04. The Diversified portfolio experienced a net redemption of assets in FY 05 due to investors withdrawals of assets out of the Diversified portfolio for other investment opportunities. During FY 05, bank investment options, specifically certificates of deposit were exceptionally appealing versus money market funds.

Change in Net Assets for the years ended	<u>June 30, 2005</u>	Percent Change	<u>June 30, 2004</u>
Investment Income	\$4,792,152	79%	\$2,680,795
Total Expenses	(1,058,235)	-12%	(1,202,977)
Dividends to unitholders from net investment income	(3,733,917)	153%	(1,477,818)
Net decrease in assets derived from unit transactions	(25,150,144)	-357%	9,793,059
Net assets held in trust for pool participants at beginning of period	<u>254,818,110</u>	4%	<u>245,025,051</u>
Net assets held in trust for pool participants at end of period	<u>\$229,667,966</u>	-10%	<u>\$254,818,110</u>

Investment income and net investment income increased 79 percent and 153 percent, respectively, during FY 05 compared to FY 04 due to the higher interest rate environment. With the increase in Fed Fund rates, money market fund returns have improved during FY 05. Total expenses are derived based on net assets held by the Fund. These expenses decreased 12 percent during FY 05 compared to FY 04 due to lower net assets throughout FY 05. Also, the other fees and expenses accrual of 0.025 percent had been temporarily suspended for the 16 month period ended December 31, 2004 and reinstated at 0.02 percent January 1, 2005 through June 30, 2005. During FY 05 compared to FY 04, units sold and redeemed increased 12 percent and 16 percent, respectively.

Contacting the Portfolio's Financial Management

This financial report is designed to provide IPAIT participants and prospective investors with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the resources it receives and manages. If you have questions about the report or need additional financial information, contact IPAIT at 800-872-4024 or visit the website at IPAIT.org.



Iowa Public Agency Investment Trust - Diversified Portfolio
 Schedule of Investments - June 30, 2006
 (Showing Percentage of Net Assets)

<u>Par Value</u>	<u>Description</u>	<u>Yield Time of Purchase</u>	<u>Due Date</u>	<u>Amortized Cost</u>
DISCOUNTED GOVERNMENT SECURITIES -- 4.88%				
\$ 3,000,000	Federal National Mortgage Association Discount Note	4.85%	08/09/06	\$ 2,984,806
4,000,000	Federal National Mortgage Association Discount Note	4.99%	08/23/06	3,971,557
3,000,000	Federal National Mortgage Association Discount Note	5.34%	08/28/06	2,974,770
	TOTAL (cost -- \$9,931,133)			<u>\$ 9,931,133</u>
COUPON SECURITIES -- 25.92%				
\$ 2,000,000	Federal Home Loan Bank, 2.13%	4.72%	07/07/06	\$ 1,999,150
500,000	Federal Home Loan Bank, Step Coupon	4.46%	07/21/06	499,616
4,000,000	Federal Home Loan Bank, 2.88%	5.04%	08/15/06	3,989,522
1,220,000	Federal Home Loan Bank, 2.50%	4.64%	09/28/06	1,213,784
2,000,000	Federal Home Loan Bank, 4.01%	5.50%	10/27/06	1,990,345
1,000,000	Federal Home Loan Bank, 3.24%	5.17%	11/22/06	992,594
700,000	Federal Home Loan Bank, 2.02%	5.26%	12/29/06	689,107
1,210,000	Federal Home Loan Bank, 3.18%	5.22%	12/29/06	1,198,117
500,000	Federal Home Loan Bank, 4.30%	5.32%	01/18/07	497,320
3,000,000	Federal Home Loan Bank, 2.62%	5.20%	02/07/07	2,955,009
4,000,000	Federal Home Loan Bank, 4.88%	5.56%	02/15/07	3,983,380
3,000,000	Federal Home Loan Mortgage Corporation, 5.50%	4.74%	07/15/06	3,000,769
3,000,000	Federal Home Loan Mortgage Corporation, 3.88%	4.78%	09/15/06	2,992,906
4,500,000	Federal Home Loan Mortgage Corporation, 2.75%	5.16%	10/15/06	4,469,365
940,000	Federal Home Loan Mortgage Corporation, 2.75%	4.60%	10/15/06	935,127
4,000,000	Federal Home Loan Mortgage Corporation, 3.75%	5.25%	11/15/06	3,978,251
2,200,000	Federal Home Loan Mortgage Corporation, 2.88%	5.52%	12/15/06	2,174,370
1,347,000	Federal Home Loan Mortgage Corporation, 2.25%	5.21%	12/18/06	1,329,017
3,000,000	Federal Home Loan Mortgage Corporation, 5.25%	5.26%	04/27/07	2,999,877
4,000,000	Federal National Mortgage Association, 3.30%	4.57%	07/14/06	3,998,216
520,000	Federal National Mortgage Association, 3.13%	4.60%	07/15/06	519,711
1,000,000	Federal National Mortgage Association, 2.41%	5.42%	08/04/06	997,203
2,235,000	Federal National Mortgage Association, 2.75%	4.29%	08/11/06	2,231,228
1,000,000	Federal National Mortgage Association, 4.38%	5.53%	10/15/06	996,587
2,150,000	Federal National Mortgage Association, 2.63%	5.16%	01/19/07	2,120,939
	TOTAL (cost -- \$52,751,510)			<u>\$ 52,751,510</u>



Iowa Public Agency Investment Trust - Diversified Portfolio
Schedule of Investments - June 30, 2006
(Showing Percentage of Net Assets)

<u>Par</u> <u>Value</u>	<u>Description</u>	<u>Yield</u> <u>Time of</u> <u>Purchase</u>	<u>Due Date</u>	<u>Amortized Cost</u>
CERTIFICATES OF DEPOSIT -- 7.84%				
\$ 3,000,000	Freedom Bank-Elkader	5.09%	07/05/06	\$ 3,000,000
800,000	Exchange Bank-Collins	4.20%	07/06/06	800,000
1,000,000	Premier Bank-Dubuque	4.10%	07/10/06	1,000,000
500,000	Ft. Madison Bank & Trust	4.64%	07/24/06	500,000
500,000	Ft. Madison Bank & Trust	4.67%	07/24/06	500,000
300,000	Farmers State Bank-Hawarden	4.35%	07/25/06	300,000
1,000,000	Quad City Bank & Trust	5.27%	08/21/06	1,000,000
900,000	First State Bank-Ida Grove	5.09%	08/23/06	900,000
500,000	Farmers State Bank-Hawarden	5.31%	08/30/06	500,000
1,000,000	St Ansgar State Bank	5.14%	09/05/06	1,000,000
1,500,000	Union State Bank-Winterset	4.26%	09/07/06	1,500,000
200,000	Farmers State Bank-Hawarden	5.52%	09/19/06	200,000
1,000,000	Community State Bank-Ankeny	4.85%	09/26/06	1,000,000
250,000	Citizens Bank-Sac City	4.61%	10/02/06	250,000
1,000,000	Premier Bank-Dubuque	5.32%	10/18/06	1,000,000
500,000	First American Bank-Ames	5.29%	12/08/06	500,000
2,000,000	Community State Bank-Ankeny	4.87%	12/29/06	2,000,000
	TOTAL (cost -- \$15,950,000)			<u>\$ 15,950,000</u>
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. Securities) -- 64.41%				
\$ 46,000,000	Barclays Capital Inc.	5.10%	07/03/06	\$ 46,000,000
40,067,000	J.P. Morgan Securities Inc.	5.05%	07/03/06	40,067,000
45,000,000	Bear Stearns and Company Inc.	5.10%	07/03/06	45,000,000
	TOTAL (cost -- \$131,067,000)			<u>\$ 131,067,000</u>
TOTAL INVESTMENTS -- 103.05% (cost -- \$209,699,643)				\$ 209,699,643
EXCESS OF OTHER LIABILITIES OVER OTHER ASSETS -- (3.05%) (includes \$6,235,663 payable for securities purchased, \$55,346 payable to IMG and \$798,354 dividends payable to unitholders)				<u>(\$6,218,102)</u>
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS -- 100% Applicable to 203,481,541 outstanding units				<u>\$ 203,481,541</u>



Iowa Public Agency Investment Trust - Diversified Portfolio
Statement of Net Assets - June 30, 2006

ASSETS

Investments in securities at amortized cost:	
Discounted Government Securities	\$ 9,931,133
Coupon Securities	52,751,510
Certificates of Deposit	15,950,000
Repurchase Agreements	131,067,000
Cash	569
Interest receivable	901,545
Total Assets	<u>210,601,757</u>

LIABILITIES

Investment advisory, administrative, and program support fees payable	55,346
Custody fees payable	8,620
Distribution fees payable	17,786
Other fees and expenses payable	4,447
Dividends payable	798,354
Other accrued expenses	
Securities payable	6,235,663
Total Liabilities	<u>7,120,216</u>

NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS \$ 203,481,541

Shares of beneficial interest outstanding 203,481,541

Net asset value - offering and redemption price per share \$ 1.00



Iowa Public Agency Investment Trust - Diversified Portfolio

**Statements of Operations
For the Years Ended June 30,**

	<u>2006</u>	<u>2005</u>
INVESTMENT INCOME:		
Interest	\$9,590,801	\$4,792,152
EXPENSES:		
Investment advisory, administrative, and program support fees	721,082	711,837
Custody Fees	110,670	105,900
Distribution fees	229,267	218,667
Other fees and expenses	57,316	21,831
Total Expenses	<u>1,118,335</u>	<u>1,058,235</u>
NET INVESTMENT INCOME	<u>\$8,472,466</u>	<u>\$3,733,917</u>

**Statements of Changes in Net Assets
For the Years Ended June 30,**

	<u>2006</u>	<u>2005</u>
ADDITIONS:		
From Investment Activities:		
Net Investment income	\$8,472,466	\$3,733,917
From Unit Transactions:		
(at constant net asset value of \$1 per unit)		
Units sold	1,151,719,716	1,055,083,090
Units issued in reinvestment of dividends from net investment income	7,815,349	3,596,059
TOTAL ADDITIONS	<u>1,168,007,531</u>	<u>1,062,413,066</u>
DEDUCTIONS:		
Dividends to unitholders from:		
Net investment income	(8,472,466)	(3,733,917)
From Unit Transactions:		
Units redeemed	(1,185,721,490)	(1,083,829,293)
TOTAL DEDUCTIONS	<u>(1,194,193,956)</u>	<u>(1,087,563,210)</u>
Net decrease in net assets	(26,186,425)	(25,150,144)
Net assets held in trust for pool participants at beginning of period	<u>229,667,966</u>	<u>254,818,110</u>
Net assets held in trust for pool participants at end of period	<u>\$203,481,541</u>	<u>\$229,667,966</u>



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Iowa Public Agency Investment Trust (IPAIT) is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331.555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940 as required by Iowa Statute and files reports with the Securities and Exchange Commission under Regulation S-X. IPAIT was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of October 1, 1987, and commenced operations on November 13, 1987. The Joint Powers Agreement and Declaration of Trust was amended September 1, 1988, May 1, 1993, and again on September 1, 2005. As amended, IPAIT is authorized to operate and now operates investment programs, one of which is the Diversified Portfolio. The accompanying financial statements include activities of the Diversified Portfolio. The objective of the portfolio is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa public agencies under Iowa law. Wells Fargo Bank, N.A. (Wells Fargo), serves as the Custodian, and Investors Management Group (IMG) serves as the Investment Adviser, Administrator, and Program Support Provider.

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net investment income during the year. Actual results could differ from those estimates.

In reporting financial activity, IPAIT applies applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board and predecessor statements and interpretations not in conflict with GASB pronouncements.

IPAIT is exposed to various risks in connection with operation of the Diversified Portfolio and adheres to policies which mitigate market risk in the portfolio and maintains insurance coverage for fidelity and errors and omissions exposures. IPAIT has had no claims or settlements under its insurance coverage since its organization in 1987.

Investments in Securities

The Diversified Portfolio consists of cash and short-term investments valued at amortized cost, which approximates fair value, pursuant to Rule 2a-7 under the Investment Company Act of 1940. This involves valuing a portfolio security at its original cost on the date of purchase, and thereafter amortizing any premium or discount on a straight-line basis to maturity. The amount of premium or discount amortized to income under the straight-line method does not differ materially from the amount which would be amortized to income under the interest method. Procedures are followed to maintain a constant net asset value of \$1.00 per unit for the portfolio.

Security transactions are accounted for on the trade date. Interest income, including the accretion of discount and amortization of premium, is recorded daily on an accrual basis.

IPAIT is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 12 of the Code of Iowa; and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that IPAIT's custodian takes delivery of the collateral either directly or through an authorized custodian.

In connection with transactions in repurchase agreements, it is IPAIT's policy that its Custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller defaults and the value of the collateral declines, realization of the collateral by IPAIT may be delayed or limited. At June 30, 2006 and 2005, the securities purchased under overnight agreements to resell were collateralized by government agency securities with a value of \$134,409,317 and \$148,431,013, respectively.

Certificate of deposit amounts up to \$100,000 are insured by the Federal Depository Insurance Company (FDIC). For public funds deposited in Iowa financial institutions in excess of the \$100,000 FDIC insurance, the local financial institution must comply with Iowa Code Section 12c.22 to insure appropriate collateralization. As of June 30, 2006, public funds invested in certificates of deposit not covered by FDIC insurance were \$14,750,000. Public funds not covered by FDIC or collateralization are covered by the state sinking fund in accordance with Chapter 12C of the Code of Iowa, which provides for additional assessments against depositories to ensure there will be no loss of public funds.



Under Governmental Accounting Standards as to custodial credit risk, IPAIT's investments in securities are classified as Category One. Category One consists of insured or registered securities or securities held by IPAIT or its agent in IPAIT's name and is the most secure investment category description. As of June 30, 2006, the Diversified Portfolio security credit ratings were 25.2 percent AAA, 7.6 percent not rated (representing all Certificates of Deposit from Iowa financial institutions), and 67.2 percent NA. Securities which carry an NA rating are government securities which are deemed to carry the equivalent of A1+/P1 ratings by the IPAIT Board of Trustees.

IPAIT's exposure to interest rate risk is mitigated by the fact that securities are limited under Rule 2a-7 as well as by investment policy and statute to investments of high quality with durations not to exceed 397 days. Hence any significant change in market interest rates would not present long term risk to IPAIT.

Unit Issues, Redemptions and Distributions

IPAIT determines the net asset value of the Diversified Portfolio daily. Units are issued and redeemed daily at the daily net asset value. Dividends from net investment income are declared daily and distributed monthly.

Income Taxes

IPAIT is exempt from both state and federal income taxes pursuant to Section 115 of the Internal Revenue Code.

Fees and Expenses

Under separate agreements with IPAIT, IMG and Wells Fargo are paid an annual fee for operating the investment program.

During the period of July 1, 2005 to October 31, 2005, IMG received 0.260 percent of the average daily net asset value up to \$150 million, 0.215 percent from \$150 to \$250 million, and 0.170 percent exceeding \$250 million for investment adviser and administrative fees. IMG also received 0.080 percent of the average daily net asset value for program support fees. By contract amendment, fees were reduced beginning November 1, 2005 to the following: IMG receives 0.250 percent of the average daily net asset value up to \$100 million, 0.215 percent from \$100 to \$250 million and 0.170 percent exceeding \$250 million for investment adviser and administrative fees. In addition, IMG receives 0.080 percent of the average daily net asset value for program support fees.

Wells Fargo receives 0.050 percent of the average daily net asset value up to \$150 million, 0.045 percent from \$150 to \$300 million, and 0.040 percent exceeding \$300 million for custodial services. For the years ended June 30, 2006 and 2005, the Diversified Portfolio paid \$110,670 and \$105,900, respectively, to Wells Fargo for services provided.

Under a distribution plan the public agency associations collectively receive an annual fee of 0.100 percent of the daily net asset value of the portfolio. For the years ended June 30, 2006 and 2005, the Diversified Portfolio paid \$121,928 and \$129,271 to the Iowa League of Cities, \$74,269 and \$57,372 to the Iowa State Association of Counties, and \$33,070 and \$32,024 to the Iowa Association of Municipal Utilities, respectively.

IPAIT is responsible for other fees and expenses incurred directly by IPAIT. The other fees and expenses accrual is 0.025 percent on the average daily net asset value, and amounted to \$57,316 and \$21,831 for the years ended June 30, 2006 and 2005, respectively. The other fees and expenses accrual of 0.025 percent had been temporarily suspended for the 16 month period ended December 31, 2004 and reinstated at 0.02 percent January 1, 2005 through June 30, 2005 and reinstated fully to 0.025 percent on July 1, 2005. All fees are computed daily and paid monthly.

(2) SECURITIES TRANSACTIONS

Purchases of portfolio securities for the Diversified Portfolio aggregated \$37,888,478,441 and \$35,918,040,369, for the years ended June 30, 2006 and 2005, respectively. Proceeds from maturities of securities for the Diversified Portfolio aggregated \$37,909,798,000 and \$35,941,769,240 for the years ended June 30, 2006 and 2005, respectively.



Iowa Public Agency Investment Trust - Diversified

**Selected Data for Each Unit of Portfolio
Outstanding Through Each Year Ended
June 30**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net Asset Value, Beginning of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Net Investment Income	0.037	0.017	0.006	0.009	0.021
Dividends Distributed	(0.037)	(0.017)	(0.006)	(0.009)	(0.021)
Net Asset Value, End of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Return*	3.76%	1.70%	0.60%	0.95%	2.14%
Ratio of Expenses to Average Net Assets**	0.49%	0.48%	0.48%	0.56%	0.56%
Ratio of Net Investment Income to Average Net Assets	3.70%	1.71%	0.59%	0.94%	2.07%
Net Assets, End of Period (000 Omitted)	\$203,482	\$229,668	\$254,818	\$245,025	\$253,948

* Total return is calculated by taking the ending value of an initial \$1,000 investment including monthly reinvested dividends, minus the initial investment, divided by the initial \$1,000 investment.

** A portion of Other Fees and Expenses was reduced beginning September 1, 2004 through June 30, 2005.



Independent Registered Public Accounting Firm Report



KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Unitholders
Iowa Public Agency Investment Trust:

We have audited the accompanying statement of net assets, including schedule of investments, of the Direct Government Obligation Portfolio of the Iowa Public Agency Investment Trust (the Portfolio) as of June 30, 2006, and the related statements of operations, and changes in net assets for each of the years in the two-year period then ended, and financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Direct Government Obligation Portfolio of the Iowa Public Agency Investment Trust at June 30, 2006, and the results of its operations and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years presented, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2006 on our compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Portfolio's financial statements. The introductory section, other supplementary information, investment section and statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements. The introductory section, other supplementary information, investment section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

The management's discussion and analysis on pages 28 to 30 is not a required part of the financial statement but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management discussion and analysis information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Des Moines, Iowa
August 21, 2006



Management's Discussion and Analysis

This section of the IPAIT DGO Portfolio's annual Financial Statements presents management's discussion and analysis of the financial position and results of operations for the fiscal years ended June 30, 2006 (FY 06) and 2005 (FY 05). This information is being presented to provide additional information regarding the activities of the IPAIT, pursuant to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures (Statements Nos. 34, 37, and 38). This discussion and analysis should be read in conjunction with the Report of Independent Registered Public Accounting Firm, KPMG LLP, the Financial Statements, and the accompanying notes.

Overview of the Financial Statements

The Management's Discussion and Analysis provides an introduction to and overview of the basic financial statements of IPAIT's DGO Portfolio. The following components comprise the basic financial statements: 1) Schedule of Investments, 2) Statement of Net Assets, 3) Statement of Operations, 4) Statement of Changes in Net Assets, and 5) Notes to Financial Statements.

- The Schedule of Investments lists each security held by the portfolio as of the date of current fiscal year end.
- The Statement of Net Assets shows the financial position (assets and liabilities) of the portfolio as of the date of the current fiscal year end.
- The Statements of Operations display the results of operations (income and expenses) of the portfolio for the two most recent fiscal years.
- The Statements of Changes in Net Assets display the results of additions (net investment income, unit sales, and reinvestments) and deductions (dividends and unit redemptions) of the portfolio for the two most recent fiscal years.
- The Notes to Financial Statements describe significant accounting policies and disclose summary security transaction amounts of the portfolio.

Condensed Financial Information and Financial Analysis

Year-over-year changes in most financial statement amounts reported in IPAIT's DGO Portfolio are most significantly impacted by the level of average net assets (which fluctuates based on the overall levels of participant/unitholder invested balances). Additionally, changes in the short-term interest rate environment (which follows the general trend established by monetary policy set by the Federal Reserve) contribute to year-over-year variances in the amount of investment income earned by the portfolio. Over the last twelve months, the Federal Reserve's Federal Open Market Committee increased the Federal Funds target rate eight times, from 3.25 percent to 5.25 percent. In the preceding twelve months, the Federal Funds target was increased nine times, from 1.00 percent to 3.25 percent.



Management's Discussion and Analysis (cont.)

Condensed financial information and changes explanations for the FY 06 as compared to FY 05 follows.

Net Assets

	<u>June 30, 2006</u>	Percent Change	<u>June 30, 2005</u>
Total investments	\$17,646,380	19%	\$14,805,041
Excess of other liabilities over other assets	(697,225)	-7351%	(9,358)
Net assets held in trust for pool participants	<u>\$16,949,155</u>	15%	<u>\$14,795,683</u>
 Average Net Assets	 <u>\$15,834,629</u>	 -37%	 <u>\$25,125,734</u>

Direct Government Obligation Portfolio

Total investments and net assets increased 19 percent and 15 percent, respectively, comparing June 30, 2006 and June 30, 2005 amounts. During FY 06, average net assets decreased 37 percent to \$15,834,629 from average net assets of \$25,125,734 during FY 05 for the DGO portfolio. The significant increase in excess of other liabilities over other assets is due to a liability for securities purchased on June 30, 2006 and settled on July 3, 2006 in the amount of \$701,296. The DGO portfolio experienced a net purchase of assets in FY 06 partially due to the transfer of assets from the Diversified portfolio.

Change in Net Assets for the years ended	<u>June 30, 2006</u>	Percent Change	<u>June 30, 2005</u>
Investment Income	\$647,800	36%	\$475,110
Total Expenses	(80,459)	-36%	(125,123)
Dividends to unitholders from net investment income	(567,341)	62%	(349,987)
Net increase (decrease) in assets derived from unit transactions	2,153,472	109%	(22,736,565)
Net assets held in trust for pool participants at beginning of period	<u>14,795,683</u>	-61%	<u>37,532,248</u>
Net assets held in trust for pool participants at end of period	<u>\$16,949,155</u>	15%	<u>\$14,795,683</u>

Investment income increased 36 percent during FY 06 compared to FY 05 due to the higher interest rate environment. With the increase in Fed Fund rates, money market fund returns have improved during FY 06. Net investment income increased 62 percent during FY 06 compared to FY 05. Total expenses are derived based on net assets held by the Fund. These expenses decreased 36 percent during FY 06 compared to FY 05 due to lower average net assets throughout FY 06. Units sold increased 77 percent and units redeemed decreased 20 percent from FY 05 to FY 06.



Management's Discussion and Analysis (cont.)

Condensed financial information and changes explanations for FY 05 as compared to FY 04 follows.

Net Assets

	<u>June 30, 2005</u>	<u>Percent Change</u>	<u>June 30, 2004</u>
Total investments	\$14,805,041	-60%	\$37,465,472
Excess of other liabilities over other assets	(9,358)	-114%	66,776
Net assets held in trust for pool participants	<u>14,795,683</u>	-61%	<u>37,532,248</u>
 Average Net Assets	 <u>\$25,125,734</u>	 -50%	 <u>\$50,490,269</u>

Direct Government Obligation Fund

Total investments and net assets declined 61 percent and 61 percent, respectively, comparing June 30, 2005 and June 30, 2004 amounts. During FY 05, average net assets decreased 50 percent to \$25,125,734 from average net assets of \$50,490,269 during FY 04 for the DGO portfolio. The DGO portfolio experienced a net purchase of assets in FY 05 due to a combination of the transfer of assets to the Diversified portfolio and transfer of assets to other investment options. During FY 05, bank investment options, especially certificates of deposit, were exceptionally appealing versus money market funds.

Change in Net Assets for the years ended	<u>June 30, 2005</u>	<u>Percent Change</u>	<u>June 30, 2004</u>
Investment Income	\$475,110	-9%	\$520,560
Total Expenses	(125,123)	-51%	(255,306)
Dividends to unitholders from net investment income	(349,987)	32%	(265,254)
Net decrease in assets derived from unit transactions	(22,736,565)	-54%	(14,758,993)
Net assets held in trust for pool participants at beginning of period	<u>37,532,248</u>	-28%	<u>52,291,241</u>
Net assets held in trust for pool participants at end of period	<u>\$14,795,683</u>	-61%	<u>\$37,532,248</u>

Investment income decreased 9 percent during FY 05 compared to FY 04. Although the interest rate environment was higher in FY 05 than FY 04, the reduction in net assets of the DGO portfolio caused a decrease in investment income. Net investment income increased 32 percent during FY 05 compared to FY 04 due to the higher interest rate environment. With the increase in Fed Fund rates, money market fund returns improved during FY 05. Total expenses are derived based on net assets held by the Fund. These expenses decreased 51 percent during FY 05 compared to FY 04 due to lower net assets. Also, the other fees and expenses accrual of 0.025 percent had been temporarily suspended for the 16 month period ended December 31, 2004 and reinstated at 0.02 percent January 1, 2005 through June 30, 2005. Both units sold and units redeemed decreased 30 percent and 2 percent.

Contacting the Portfolio's Financial Management

This financial report is designed to provide IPAIT participants and prospective investors with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the resources it receives and manages. If you have questions about the report or need additional financial information, contact IPAIT at 800-872-4024 or visit the website at IPAIT.org.



Iowa Public Agency Investment Trust - Direct Government Obligation Portfolio
 Schedule of Investments - June 30, 2006
 (Showing Percentage of Net Assets)

<u>Par Value</u>	<u>Description</u>	<u>Yield at Time of Purchase</u>	<u>Due Date</u>	<u>Amortized Cost</u>
DISCOUNTED GOVERNMENT SECURITIES -- 8.46%				
\$ 500,000	United States Treasury Bill	4.71%	08/17/06	\$ 497,026
400,000	United States Treasury Bill	4.91%	08/24/06	397,117
50,000	United States Treasury Bill	4.87%	09/21/06	49,464
500,000	United States Treasury Bill	4.96%	11/16/06	490,848
	TOTAL (cost -- \$1,434,455)			<u>\$ 1,434,455</u>
COUPON SECURITIES -- 37.05%				
\$ 300,000	United States Treasury Note, 7.00%	4.67%	07/15/06	\$ 300,261
500,000	United States Treasury Note, 7.00%	4.77%	07/15/06	500,409
500,000	United States Treasury Note, 2.38%	4.74%	08/15/06	498,552
300,000	United States Treasury Note, 2.38%	4.03%	08/31/06	299,193
300,000	United States Treasury Note, 2.38%	4.64%	08/31/06	298,851
500,000	United States Treasury Note, 2.38%	4.89%	08/31/06	497,942
500,000	United States Treasury Note, 2.50%	4.64%	09/30/06	497,397
500,000	United States Treasury Note, 2.50%	4.91%	09/30/06	497,065
500,000	United States Treasury Note, 6.50%	4.92%	10/15/06	502,225
300,000	United States Treasury Note, 6.50%	4.98%	10/15/06	301,260
400,000	United States Treasury Note, 6.50%	5.22%	10/15/06	401,409
300,000	United States Treasury Note, 6.50%	5.20%	10/15/06	301,031
500,000	United States Treasury Note, 2.63%	5.02%	11/15/06	495,650
500,000	United States Treasury Note, 3.00%	5.03%	12/31/06	495,055
400,000	United States Treasury Note, 2.25%	5.31%	02/15/07	392,625
	TOTAL (cost -- \$6,278,925)			<u>\$ 6,278,925</u>
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. Securities) -- 58.60%				
\$ 5,000,000	Bear Stearns and Company Inc.	4.40%	07/03/06	\$ 5,000,000
4,933,000	Barclays Capital Inc.	4.35%	07/03/06	4,933,000
	TOTAL (cost -- \$9,933,000)			<u>\$ 9,933,000</u>
TOTAL INVESTMENTS -- 104.11% (cost -- \$17,620,676)				\$ 17,646,380
EXCESS OF OTHER LIABILITIES OVER OTHER ASSETS -- (4.11%) (includes \$701,296 payable for securities purchased, \$4,671 payable to IMG and \$61,560 dividends payable to unitholders)				<u>(\$697,225)</u>
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS -- 100% Applicable to 16,949,155 outstanding units				<u>\$ 16,949,155</u>



Iowa Public Agency Investment Trust - Direct Government Obligation Portfolio
Statement of Net Assets - June 30, 2006

ASSETS

Investments in securities at amortized cost:		
Discounted Government Securities	\$	1,434,455
Coupon Securities		6,278,925
Repurchase Agreements		9,933,000
Cash		634
Interest receivable		72,145
Total Assets		<u>17,719,159</u>

LIABILITIES

Investment advisory, administrative, and program support fees payable		4,671
Custody fees payable		708
Distribution fees payable		1,416
Other fees and expenses payable		353
Dividends payable		61,560
Other accrued expenses		
Securities payable		701,296
Total Liabilities		<u>770,004</u>

NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	\$	<u>16,949,155</u>
Shares of beneficial interest outstanding		<u>16,949,155</u>
Net asset value - offering and redemption price per share	\$	<u>1.00</u>



Iowa Public Agency Investment Trust - Direct Government Obligation Portfolio

**Statements of Operations
For the Years Ended June 30,**

	<u>2006</u>	<u>2005</u>
INVESTMENT INCOME:		
Interest	\$647,800	\$475,110
EXPENSES:		
Investment advisory, administrative, and program support fees	52,748	85,519
Custody Fees	7,917	12,576
Distribution fees	15,835	25,153
Other fees and expenses	3,959	1,875
Total Expenses	<u>80,459</u>	<u>125,123</u>
NET INVESTMENT INCOME	<u>\$567,341</u>	<u>\$349,987</u>

**Statements of Changes in Net Assets
For the Years Ended June 30,**

	<u>2006</u>	<u>2005</u>
ADDITIONS:		
From Investment Activities:		
Net Investment income	\$567,341	\$349,987
From Unit Transactions:		
(at constant net asset value of \$1 per unit)		
Units sold	36,963,154	20,937,983
Units issued in reinvestment of dividends from net investment income	536,894	349,987
TOTAL ADDITIONS	<u>38,067,389</u>	<u>21,637,957</u>
DEDUCTIONS:		
Dividends to unitholders from:		
Net investment income	(567,341)	(349,987)
From Unit Transactions:		
Units redeemed	<u>(35,346,576)</u>	<u>(44,024,535)</u>
TOTAL DEDUCTIONS	<u>(35,913,917)</u>	<u>(44,374,522)</u>
Net increase/(decrease) in net assets	2,153,472	(22,736,565)
Net assets held in trust for pool participants at beginning of period	<u>14,795,683</u>	<u>37,532,248</u>
Net assets held in trust for pool participants at end of period	<u>\$16,949,155</u>	<u>\$14,795,683</u>



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Iowa Public Agency Investment Trust (IPAIT) is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331.555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940 as required by Iowa Statute and files reports with the Securities and Exchange Commission under Regulation S-X. IPAIT was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of October 1, 1987, and commenced operations on November 13, 1987. The Joint Powers Agreement and Declaration of Trust was amended September 1, 1988, May 1, 1993 and again on September 1, 2005. As amended, IPAIT is authorized to operate and now operates investment programs, one of which is the Direct Government Obligation Portfolio. The accompanying financial statements include activities of the Direct Government Obligation Portfolio. The objective of the portfolio is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa public agencies under Iowa law. Wells Fargo Bank, N.A. (Wells Fargo), serves as the Custodian, and Investors Management Group (IMG) serves as the Investment Adviser, Administrator, and Program Support Provider.

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net investment income during the year. Actual results could differ from those estimates.

In reporting financial activity, IPAIT applies applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board and predecessor statements and interpretations not in conflict with GASB pronouncements.

IPAIT is exposed to various risks in connection with operation of the Direct Government Obligation Portfolio and adheres to policies which mitigate market risk in the portfolio and maintains insurance coverage for fidelity and errors and omissions exposures. IPAIT has had no claims or settlements under its insurance coverage since its organization in 1987.

Investments in Securities

The Direct Government Obligation Portfolio consists of cash and short-term investments valued at amortized cost, which approximates market value, pursuant to Rule 2a-7 under the Investment Company Act of 1940. This involves valuing a portfolio security at its original cost on the date of purchase, and thereafter amortizing any premium or discount on a straight-line basis to maturity. The amount of premium or discount amortized to income under the straight-line method does not differ materially from the amount which would be amortized to income under the interest method. Procedures are followed to maintain a constant net asset value of \$1.00 per unit for the portfolio.

Security transactions are accounted for on the trade date. Interest income, including the accretion of discount and amortization of premium, is recorded daily on an accrual basis.

IPAIT is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that IPAIT's custodian takes delivery of the collateral either directly or through an authorized custodian.

In connection with transactions in repurchase agreements, it is IPAIT's policy that its Custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller defaults and the value of the collateral declines, realization of the collateral by IPAIT may be delayed or limited. At June 30, 2006 and 2005, the securities purchased under overnight agreements to resell were collateralized by government securities with a value of \$10,211,923 and \$4,431,730, respectively.

Under Governmental Accounting Standards as to custodial credit risk, IPAIT's investments in securities are classified as Category One. Category One consists of insured or registered securities or securities held by IPAIT or its agent in IPAIT's name and is the most secure investment category description. As of June 30, 2006, the Direct Government Obligation Portfolio security credit ratings were 43.7 percent AAA and 56.3 percent NA. Securities which carry an NA rating are government securities which are deemed to carry the equivalent of A1+/P1 ratings by the IPAIT Board of Trustees.

IPAIT's exposure to interest rate risk is mitigated by the fact that securities are limited under Rule 2a-7 as well as by investment policy and statute to investment of high quality with durations not to exceed 397 days. Hence any significant change in market interest rates would not present long-term risk to IPAIT.



Unit Issues, Redemptions and Distributions

IPAIT determines the net asset value of the DGO Portfolio daily. Units are issued and redeemed daily at the daily net asset value. Dividends from net investment income are declared daily and distributed monthly.

Income Taxes

IPAIT is exempt from both state and federal income taxes pursuant to Section 115 of the Internal Revenue Code.

Fees and Expenses

Under separate agreements with IPAIT, IMG and Wells Fargo are paid an annual fee for operating the investment programs.

During the period of July 1, 2005 to October 31, 2005, IMG received 0.260 percent of the average daily net asset value up to \$150 million, 0.215 percent from \$150 to \$250 million, and 0.170 percent exceeding \$250 million for investment adviser and administrative fees. IMG also received 0.080 percent of the average daily net asset value for program support fees. By contract amendment, fees were reduced beginning November 1, 2005 to the following: IMG receives 0.250 percent of the average daily net asset value up to \$100 million, 0.215 percent from \$100 to \$250 million and 0.170 percent exceeding \$250 million for investment adviser and administrative fees. In addition, IMG receives 0.080 percent of the average daily net asset value for program support fees.

Wells Fargo receives 0.050 percent of the average daily net asset value up to \$150 million, 0.045 percent from \$150 to \$300 million, and 0.040 percent exceeding \$300 million for custodial services. For the years ended June 30, 2006 and 2005, the DGO Portfolio paid \$7,917 and \$12,576, respectively, to Wells Fargo for services provided.

Under a distribution plan the public agency associations collectively receive an annual fee of 0.100 percent of the daily net asset value of the portfolio. For the years ended June 30, 2006 and 2005, the DGO Portfolio paid \$15,835 and \$23,258, respectively, to the Iowa League of Cities and \$1,895 to the Iowa Association of Municipal Utilities for the fiscal year ended June 30, 2005 only.

IPAIT is responsible for other fees and expenses incurred directly by IPAIT. The other fees and expenses accrual is 0.025 percent on the average daily net asset value, and amounted to \$3,959 and \$1,872 for the years ended June 30, 2006 and 2005, respectively. The other fees and expenses accrual of 0.025 percent had been temporarily suspended for the 16 month period ended December 31, 2004 and reinstated at 0.02 percent January 1, 2005 through June 30, 2005 and reinstated fully to 0.025 percent on July 1, 2005. All fees are computed daily and paid monthly.

(2) SECURITIES TRANSACTIONS

Purchases of portfolio securities for the DGO Portfolio aggregated \$2,489,623,074 and \$3,733,248,538 for the years ended June 30, 2006 and 2005, respectively. Proceeds from maturities of securities for the DGO Portfolio aggregated \$2,486,901,000 and \$3,755,763,650 for the years ended June 30, 2006 and 2005, respectively.

(3) PARTICIPANT CONCENTRATION

As of June 30, 2006, two participants hold all outstanding units of the DGO Portfolio.



Iowa Public Agency Investment Trust - Direct Government Obligation Portfolio

**Selected Data for Each Unit of Portfolio
Outstanding Through Each Year Ended
June 30**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net Asset Value, Beginning of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Net Investment Income	0.035	0.015	0.005	0.009	0.018
Dividends Distributed	<u>(0.035)</u>	<u>(0.015)</u>	<u>(0.005)</u>	<u>(0.009)</u>	<u>(0.018)</u>
Net Asset Value, End of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Return*	3.58%	1.54%	0.53%	0.91%	1.85%
Ratio of Expenses to Average Net Assets**	0.51%	0.50%	0.51%	0.58%	0.58%
Ratio of Net Investment Income to Average Net Assets	3.58%	1.39%	0.53%	0.92%	1.79%
Net Assets, End of Period (000 Omitted)	\$16,949	\$14,796	\$37,532	\$52,291	\$66,461

* Total return is calculated by taking the ending value of an initial \$1,000 investment including monthly reinvested dividends, minus the initial investment, divided by the initial \$1,000 investment.

** A portion of Other Fees and Expenses was reduced beginning September 1, 2004 through June 30, 2005.

INVESTMENT SECTION





Diversified Fund Facts as of June 30, 2006

Investment Strategy/Goals: To provide a safe, liquid, effective investment alternative for the operating and reserve funds for Iowa's municipalities, counties, municipal utilities and other eligible public agencies by jointly investing participant funds in a professionally managed portfolio of short-term, high-quality, legally authorized marketable securities.

Date of Inception: November 13, 1987

Total Net Assets: \$203 million

Benchmarks: iMoneyNet U.S. Government & Agencies Money Fund Report™, Iowa Code Chapter 74A 32-89 day Public Fund Rates, and Iowa Code Chapter 74A 90-179 day Public Fund Rates.

Performance Objective: To provide the highest level of current income from investment in a portfolio of U.S. government and agency securities, certificates of deposit in Iowa financial institutions, and other authorized securities collateralized by U.S. government and agency securities as is consistent with, in order of priority, preservation of principal and provision of necessary liquidity.

Investment Adviser:
Investors Management Group

Management Fees:
Sliding scale from twelve basis points (0.12%) to seven basis points (0.07%)

Total Expense Ratio:
Sliding scale from forty-one and one-half basis points (0.415%) to fifty and one-half basis points (0.505%)

DGO Fund Facts as of June 30, 2006

Investment Strategy/Goals: To provide a safe, liquid, effective investment alternative for the bond proceeds, operating and reserve funds for Iowa's municipalities, counties, municipal utilities and other eligible public agencies that are limited to investments in only direct obligations of the U.S. government by jointly investing participant funds into a professionally managed portfolio of short-term, eligible marketable securities.

Date of Inception: September 1, 1988

Total Net Assets: \$17 million

Benchmarks: iMoneyNet U.S. Treasury & Repo Money Fund Report™, Iowa Code Chapter 74A 32-89 day Public Fund Rates, and Iowa Code Chapter 74A 90-179 day Public Fund Rates.

Performance Objective: To provide the highest level of income from investment in a portfolio of U.S. government securities as is consistent with, in order of priority, preservation of principal and provision of necessary liquidity.

Investment Adviser: Investors Management Group

Management Fees: Sliding Scale from twelve basis points (0.12%) to seven basis points (0.07%)

Total Expense Ratio: Sliding scale from forty-one and one-half basis points (0.415%) to fifty and one-half basis points (0.505%)



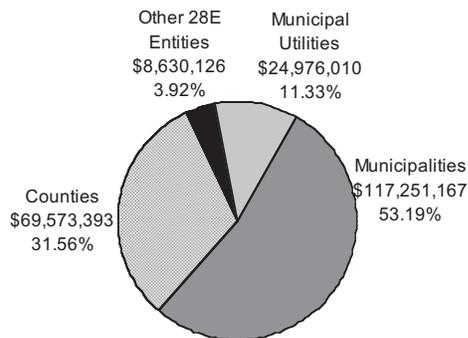
Diversified Fund and Direct Government Obligation Fund

Introduction

The Diversified Fund and the DGO Fund are each short-term investment pools of high-quality money market instruments. Each pool has been registered since May of 1993 with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940. Each is operated in accordance with 17 C.F.R. Section 270.2a-7 (Rule 2a-7). Each pool complied voluntarily with all Rule 2a-7 money market fund operating guidelines from inception.

The Diversified Fund is made up of a professionally managed portfolio of U.S. government and federal agency securities, certificates of deposit issued by Iowa financial institutions, and perfected repurchase agreements, the latter collateralized by U.S. government and federal agency securities. The Diversified Fund is typically used for the investment of all public funds subject to the Iowa public funds statutory provisions invested by a participant unless other participant-specific investment restrictions exist.

Ownership Analysis as of June 30, 2006 IPAIT Diversified Fund and DGO Fund

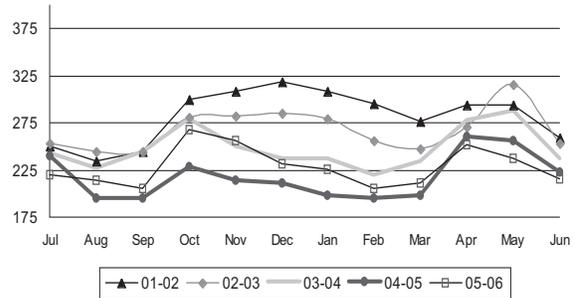


The DGO Fund is identical in every respect to the Diversified Fund except that it is invested exclusively in direct U.S. government obligations and repurchase agreements collateralized by direct U.S. government obligations. The DGO Fund is typically used to invest those public funds of a participant that are subject to more stringent investment restrictions than those provided by Iowa public fund statutes, for example bond proceeds whose investment alternatives may be limited to the types of securities found in the DGO Fund.

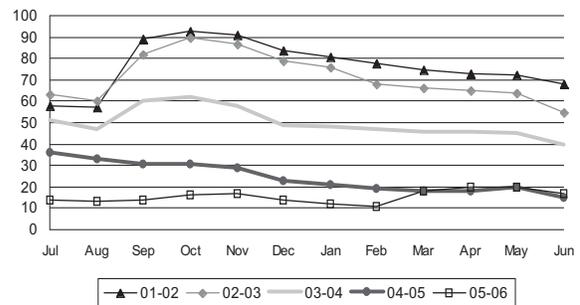
The investment objective of both the Diversified Fund and the DGO Fund is to provide as high a level of current income as is consistent with preservation of invested principal and provision of adequate liquidity to meet participants' daily cash flow needs. As a general policy, all purchased securities will be held until they mature. However, in an effort to increase yields, IPAIT may sell securities and realize capital gains when there are perceived disparities between maturities for various categories of authorized investments. Summaries of all security trades for each Fund are provided quarterly to the IPAIT Board of Trustees for review.

Historical Portfolio Cash Flow (expressed in millions)

IPAIT Diversified Fund



IPAIT DGO Fund



Both portfolios have been managed by IMG, IPAIT's Des Moines, Iowa-based investment adviser, since inception. Aggregate cash flows for each Fund are monitored daily and compared to respective Fund cash flow patterns of previous periods. Fund cash flow patterns throughout the fiscal period, as compared to previous years, have traditionally been repetitive. Eighteen years of operating history create a very helpful tool to gauge necessary pool liquidity needs.

The Diversified Fund actively monitors rates offered by Iowa financial institutions for public fund certificates of deposit. Institutions experiencing strong loan demand typically offer rates that are at or above those available for marketable securities, presenting a helpful portfolio investment alternative.

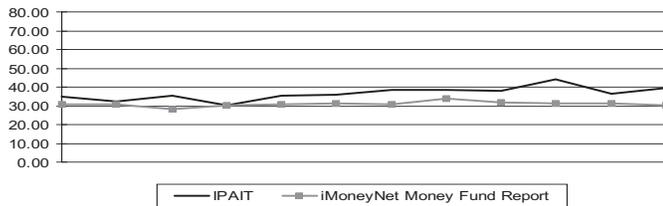
To assure adequate liquidity for anticipated and unanticipated participant withdrawals, IPAIT continually monitors the weighted average maturity (WAM) of both the Diversified Fund and the DGO Fund. Each Fund's WAM is similarly compared to the iMoneyNet Money Fund Report™ average for registered money market funds. Presented next is the WAM for each Fund as compared to the iMoneyNet Money Fund Report™ average for all similar registered money market funds for the fiscal period.



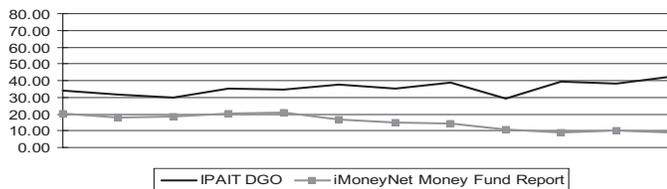
Diversified Fund and Direct Government Obligation Fund (cont.)

Weighted Average Maturity (WAM) Comparison July 2005 - June 2006

IPAIT Diversified Fund vs. iMoneyNet Money Fund Report™ - US Government & Agency



IPAIT DGO Fund vs. iMoneyNet Money Fund Report™ - US Treasury & Repo

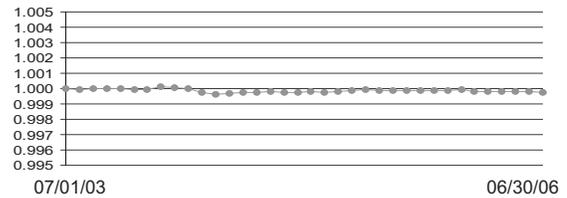


Each Fund accrues interest income daily and pays accrued income monthly to participant accounts. Interest is paid on the first business day of the month following accrual. Daily income amounts and investment returns are calculated by the amortized cost method. Under this method, a security is initially valued at cost on the date of purchase and, thereafter, any premium or discount is amortized on a straight-line basis to maturity.

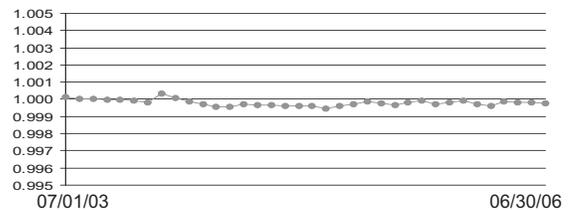
The IPAIT Adviser values each Fund's portfolio weekly at current market value, based upon actual market quotations. Each Fund's current market valuation is compared to that Fund's current amortized cost basis. In accordance with the established operating parameters of Rule 2a-7 and IPAIT's internal controls and procedures, any deviation in net asset value based upon available market quotations from each Fund's \$1.00 amortized cost per unit is carefully monitored. Deviations may never exceed 0.5 percent. Illustrated next are the amortized cost versus market value per unit comparisons for the past three fiscal years for each Fund.

Amortized Cost vs. Market Value Per Share July 1, 2003 - June 30, 2006

IPAIT Diversified Fund



IPAIT DGO Fund



The Diversified Fund's investment performance is regularly compared to three established benchmarks, the iMoneyNet Money Fund Report™ average rate for all registered Rule 2a-7 money market funds investing in U.S. government and federal agency securities and the Iowa Code Chapter 74A rate for 32-89 and 90-179 day certificates of deposit issued by Iowa financial institutions for public funds in the state.

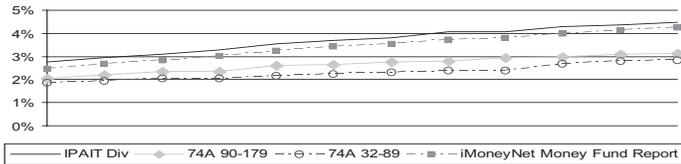
The DGO Fund is similarly compared to the iMoneyNet Money Fund Report™ average rate for all Rule 2a-7 money market funds that invest in only direct obligations of the U.S. government as well as the Iowa Code Chapter 74A rates for 32-89 and 90-179 day certificates of deposit.

The Iowa Code Chapter 74A rates are distributed monthly by the state Treasurer's office for various investment periods and are intended to be the minimum rates at which Iowa financial institutions can accept public funds for timed deposits. While a public body must commit funds for minimum periods of time to access Chapter 74A rates, IPAIT's Diversified Fund and the DGO Fund may offer rates at or above the Chapter 74A benchmarks with complete daily liquidity.

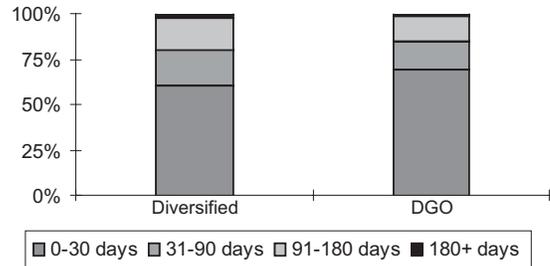


Diversified Fund and Direct Government Obligation Fund (cont.)

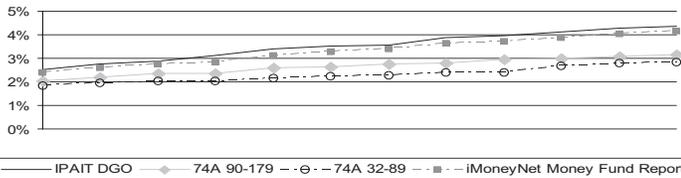
IPAIT Diversified Fund vs. Iowa Chapter 74A (90-179 & 32-89 Day) & iMoneyNet Money Fund Report™ US Government & Agency Fund July 2005 - June 2006



Maturity Analysis as of June 30, 2006



IPAIT DGO Fund vs. Iowa Chapter 74A (90-179 & 32-89 Day) & iMoneyNet Money Fund Report™ US Treasury & Repo Fund July 2005 - June 2006

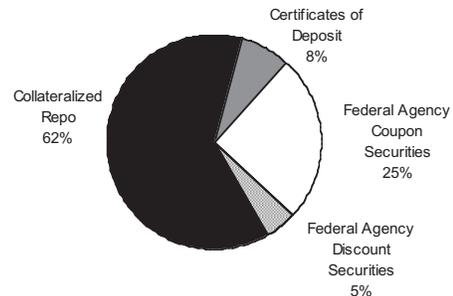


IPAIT Diversified Fund and DGO Fund

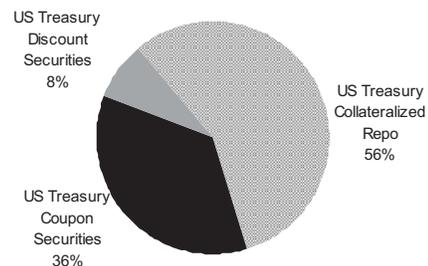
As noted previously, both the Diversified Fund and the DGO Fund carefully limit themselves to high credit-quality securities. In addition, IPAIT monitors a broad array of economic indicators as well as activities of the Federal Reserve Board to be able to position each Fund's WAM to take advantage of projected interest rate environments.

Distribution by Security Type as of June 30, 2006

IPAIT Diversified Fund



IPAIT DGO Fund



Risk Profile

Both the Diversified Fund and the DGO Fund are low in risk profile. Both Funds limit portfolio investments to:

1. No single portfolio investment may exceed the 397 days to maturity as outlined in Rule 2a-7.
2. The weighted average maturity of the portfolio may never exceed 90 days.

In addition to the above investment maturity restrictions common to both Funds, the Diversified Fund limits itself to U.S. government and federal agency securities, perfected repurchase agreements collateralized by U.S. government and federal agency securities, and Iowa financial institution certificates of deposit. The DGO Fund further limits itself to only direct obligations of the U.S. government and perfected repurchase agreements collateralized by direct obligations of the U.S. government. This combination of those average maturities and extremely high-quality credit instruments provides eligible Iowa public fund investors with a safe, effective investment alternative.



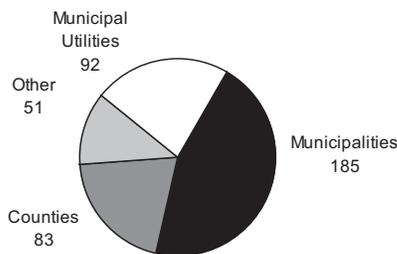
Diversified Fund and Direct Government Obligation Fund (cont.)

It is important to note that portfolio liquidity needs for the IPAIT must control evaluation of alternative portfolio management opportunities at all times. For example, if historical cash flow analysis indicates that participants will need to withdraw funds, material extension of either Fund's portfolio is not a viable alternative.

Participation membership by affiliation concentration for both the Diversified and DGO Portfolios are illustrated in the following graphs.

Participant Membership

IPAIT Diversified Fund and DGO Fund



Performance Summary

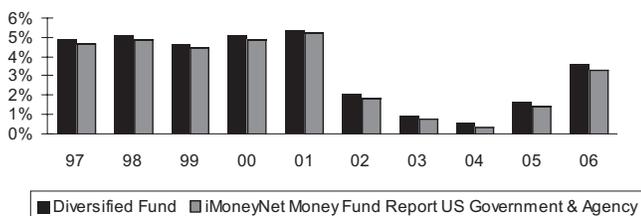
For the one-year period ended June 30, 2006 the Diversified Fund and DGO Fund reported a ratio of net investment income to average net assets of 3.70 percent and 3.59 percent, respectively, net of all operating expenses. These figures exceeded the iMoneyNet Money Fund Report™ averages for each Fund, which returned 3.43 percent and 3.33 percent respectively for the fiscal period.

Although both the Diversified Fund and the DGO Fund are liquidity pools, their performance over time has consistently exceeded the iMoneyNet Money Fund Report™ as illustrated below.

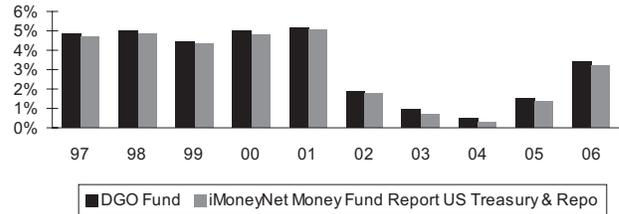
Annual Total Returns

IPAIT Diversified Fund vs. iMoneyNet Fund Report™ US Government & Agency

Annual Total Returns



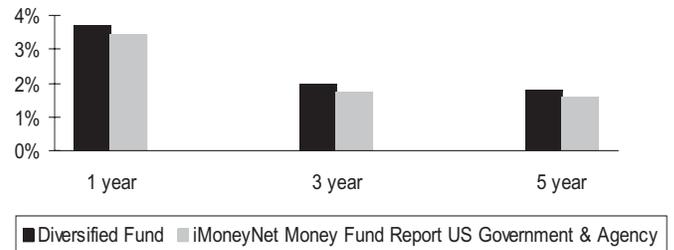
IPAIT DGO Fund vs. iMoneyNet Fund Report™ US Treasury & Repo



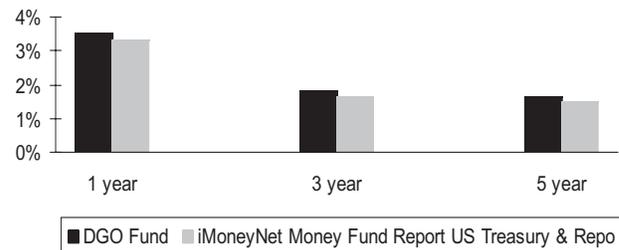
Also illustrated below are the historical returns for both the Diversified Fund and the DGO Fund for the most recent one, three, and five year periods.

Annualized Total Returns

IPAIT Diversified Fund vs. iMoneyNet Money Fund Report™ US Government & Agency



IPAIT DGO Fund vs. iMoneyNet Money Fund Report™ US Treasury & Repo





Diversified Fund and Direct Government Obligation Fund (cont.)

Fund Expenses

It is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the fund, you incur ongoing costs, including management fees, distribution and service fees, and other fund expenses. Expenses, which are deducted from a fund's investment income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period and held for the entire period from January 1, 2006 to June 30, 2006. The table illustrates your fund's costs in two ways:

1. Based on actual fund return. This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

2. Based on hypothetical 5 percent return. This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a return of 5 percent before expenses during the period shown, but that the expense ratio is unchanged. In this case, because the return used is not the fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5 percent return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Your fund does not carry a "sales load" or transaction fee. The calculations assume no shares were not bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and timing of any purchases or redemptions.

You can find more information about the fund's expenses, including annual expense ratios for the past five years, in the Financial Highlights section of this report. For additional information on operating expenses and other shareholder costs, please refer to the appropriate fund Information Statement.

Example	Beginning Account Value 1/1/2006	Ending Account Value 6/30/2006	Expenses Paid During Period* 1/1/06 to 6/30/06	Annualized Expense Ratio*
<i>Based on Actual Fund Return</i>				
IPAIT Diversified Fund	\$1,000.00	\$1,020.90	\$2.41	0.48%
IPAIT DGO Fund	\$1,000.00	\$1,020.14	\$2.50	0.50%
<i>Based on Hypothetical 5 Percent Return</i>				
IPAIT Diversified Fund	\$1,000.00	\$1,022.41	\$2.41	0.48%
IPAIT DGO Fund	\$1,000.00	\$1,022.32	\$2.51	0.50%

*Expenses are equal to the fund's annualized expense ratio listed in the table above, multiplied by the average account value over the period, multiplied by 181, the number of days in the most recent fiscal half-year, divided by 365, to reflect the one-half year period.



Diversified Fund and Direct Government Obligation Fund (cont.)

Fees and Expenses

All fees are calculated by basis points per net assets.

<u>Entity</u>	<u>Fee Type</u>	<u>Fee</u>
IMG	Adviser	0.120% up to \$100MM; 0.095% on \$100 - \$250MM; 0.070% on assets exceeding \$250MM
IMG	Administrator	0.130% up to \$100MM; 0.120% on \$100 - \$250MM; 0.100% on assets exceeding \$250MM
IMG	Program Support	0.080%
Sponsoring Associations*	Sponsoring Associations	0.100%
Wells Fargo	Custody	0.050% up to \$150MM; 0.045% on \$150 - \$300MM; 0.040% on assets exceeding \$300MM
Administration Fund	Other fees & expenses	0.025%

*Includes Iowa League of Cities, Iowa State Association of Counties, Iowa Association of Municipal Utilities

This fiscal year's actual expense for the IPAIT Diversified Fund and DGO Fund was 0.49 percent and 0.51 percent, respectively based on a sliding fee scale

Actual:

For the fiscal year ended June 30, 2006, the following actual expenses were incurred by the Funds:

	<u>Diversified</u>	<u>DGO</u>
Adviser	\$246,344	\$19,002
Administrator	\$291,324	\$21,078
Program Support	\$183,414	\$12,668
Distribution	\$229,267	\$15,835
Custody	\$110,670	\$7,917
Other fees and expenses	\$57,316	\$3,959
Total	<u>\$1,118,335</u>	<u>\$80,459</u>



Diversified Fund and Direct Government Obligation Fund (cont.)

Statement of Additional Information (SAI)

The SAI has additional information about the Funds and is available without charge, upon request, by calling 800-872-4024.

Schedule of Portfolio Holdings

A complete schedule of portfolio holdings is filed with the SEC for the first and third quarters on Form N-Q. The portfolio holding for the second and fourth quarter are available in the semi-annual and annual reports. It is available at www.sec.gov, or by phone at 800-SEC-0330, or by mail at Public Reference Section / SEC / Washington / DC / 20549 (duplicating fee required) or upon request from IPAIT at 800-872-4024 or at IPAIT.org.

Proxy Voting

The SEC requires an annual report of the proxy voting record of the Trust. Because the investments allowable under Iowa law restrict the investment for IPAIT to securities to which proxy voting does not apply, IPAIT does not have a proxy voting policy and will report no proxy votes on the Form N-PX. The law requires the filing of the Form N-PX, and this disclosure, even though the Form N-PX will contain no votes. Form N-PX is available at www.sec.gov, or by phone at 800-SEC-0330, or by mail at Public Reference Section SEC / Washington / DC / 20549 (duplicating fee required) or upon request from IPAIT at 800-872-4024.

Participant Meeting Results

I. On August 26, 2005, a participant meeting was held at the Wakonda Club in Des Moines Iowa.

	<u>Diversified Fund</u>	<u>DGO Fund</u>
Proposals	Favorable responses in units (59% responding)	Favorable responses in units (100% responding)
Election of the Board of Trustees	131,748,404.94	13,643,116.43
Ratification of the Selection of KPMG LLP as IPAIT's Auditors	132,037,766.20	13,643,116.43
Approval of Restated Joint Powers Agreement	130,279,340.11	13,643,116.43
Approval of changes to the Joint Powers Agreement	131,525,819.36	13,643,116.43

All proposals were approved by the participants of both funds.

II. On December 9, 2005 a participant meeting was held at the offices of Investors Management Group, 1415 28th Street, West Des Moines Iowa.

Proposal

Approval of a new Investment Advisory Agreement with Investors Management Group, Ltd. To be effective upon the closing of the acquisition of Investors Management Group, Ltd. by West Bancorporation, Inc.

The proposal was approved at the meeting, with the results outlined below:

<u>Diversified Fund</u>	<u>DGO Fund</u>
Favorable responses	Favorable responses
in units (62% responding)	in units (100% responding)
157,824,285	17,377,655



With a new Chairman at the head of the Federal Reserve, the markets are trying to navigate the end of this rate hike cycle. Chairman Bernanke has declared himself even more an inflation hawk than former Chairman Greenspan, and investors are grappling with how aggressive the Fed will be in fighting inflation while the economy is visibly slowing. With high energy prices and capacity utilization, inflation will spark significantly higher interest rates unless growth is curtailed. However, global growth is also moderating and higher overnight interest rates could push the U.S. toward recession. In today's world it is a battle of inches as inflation and rates remain in historically low ranges. After 17 straight increases in the Fed Funds target rate we believe the Fed is nearing the end of this cycle. Whether the target rate stops at 5.25% (as is currently the case) or higher depends entirely on growth and inflation numbers produced between Fed meetings.

The U.S. economy has persistently surprised economists on the upside in recent years led by a booming housing market and buoyant consumer spending. Widespread forecasts of a slowdown in the past six months have been premature, leading to skepticism about current projections of a moderation in growth. Economic recoveries ebb and flow as do financial markets. Economic reports oscillate between far better and far worse than consensus, when in reality perhaps the economy changes very little. We believe the current state of the economy reflects a milder tone with higher inflation. The current volatility in the financial markets is likely an early sign of softer growth. However, while growth will likely soften we are not heading for a recession.

Our optimism surrounding the economy stems from several factors. First, the consumer remains healthy. While opportunities for mortgage equity withdrawals due to refinancing have waned, overall income growth continues to move higher. The job market continues to show solid signs of strength with unemployment falling to 4.6 percent and year-over-year wages growing at 3.5 percent. The consumer balance sheet remains strong with the ratios of assets and net worth to income not far below the peaks of 1999. As long as jobs remain plentiful we believe the consumer will continue to support economic growth.

Second, the corporate sector has remained very strong. Balance sheets remain healthy with debt ratios low and cash balances high. Profits, for the third year in a row, exceed 10 percent growth on the heels of rising industrial production. Net cash flow to capital spending ratios remain at the highest levels in 20 years, suggesting the corporate sector is capable of boosting growth with a tide of business spending. It's hard to imagine any disruption in the corporate sector with balance sheet financials as healthy as they are today.

Third, the federal budget deficit continues to improve, while the trade deficit weakens. As the federal budget deficit improves less pressure exists to boost taxes to support future expenditures, which keeps the consumer and corporate sector active. In terms of the trade deficit, an increasing negative trade deficit is a direct subtraction from GDP growth as imports exceed exports. Typically when the US dollar has weakened against foreign currencies we have seen the trade deficit improve as competition is reduced. With the recent weakening in the US dollar, one would expect the trade deficit to improve and add to economic growth. However in today's dollar, 28 percent of our trade deficit is tied to China which does not allow its currency to free float, dampening the trade deficit benefits of a weaker dollar. If China becomes more open in its currency valuation process, the US could see a boost in GDP as a result of extending the recovery.

Lastly is inflation. Inflation, while still relatively low from historical standards, has drifted higher as measured by most common indexes. The Consumer Price Index, Personal Consumption Expenditure Deflator, and the Gross Domestic Product Deflator all have reached a 15 year high. When inflation historically reached current levels, 10 year treasury yields were a full percent higher than they are today. The market has established a lower threshold for inflation risk than has been seen historically. If the Fed loses its battle to control inflation, the current risk premium will likely increase, pushing long-term yields significantly higher. While we do not see this as the ultimate outcome, we remain cautious with regard to the potential impact the current inflationary trend can have on the bond and stock market.

We remain optimistic that the moderate growth economy will endure. While inflationary pressures are rising, we see this as a temporary shift rather than a permanent state. We look for short-term interest rates to moderate as we near the end of the Fed tightening cycle and interest rates to stabilize near current levels.

Jeffrey D. Lorenzen, CFA
Investors Management Group



SECTION 1 - SCOPE OF INVESTMENT POLICY

The Investment Policy of the Iowa Public Agency Investment Trust (IPAIT) shall apply to all funds invested on behalf of participants accounted for in the IPAIT financial statements. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

This Investment Policy is intended to comply with Iowa Code chapters 28E, 12B, 12C and sections 331.555 and 384.21.

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The IPAIT Board of Trustees.
2. All IPAIT depository institutions or fiduciaries.
3. The auditor engaged to audit any fund of IPAIT.

SECTION 2 – FUNDAMENTAL INVESTMENT RESTRICTIONS

A. Unless otherwise specified below, none of the portfolios will:

1. Invest more than 5 percent of the value of their total assets in the securities of any one federally insured Iowa depository institution (other than securities of the U.S. government or its agencies or instrumentalities).
2. Invest 25 percent or more of the value of their total assets in the securities of issuers conducting their principal business activities in any one industry, including financial institutions. This restriction does not apply to securities of the U.S. Government or its agencies and instrumentalities and repurchase agreements relating thereto.
3. Issue any senior securities (as defined in the Investment Company Act of 1940, as amended).
4. Mortgage, pledge or hypothecate their assets.
5. Make short sales of securities or maintain a short position.
6. Purchase any securities on margin.
7. Write, purchase or sell puts, calls or combinations thereof.
8. Purchase or sell real estate or real estate mortgage loans.
9. Invest in restricted securities or invest more than 10 percent of the Portfolio's net assets in repurchase agreements with a maturity of more than seven days, and other liquid assets, such as securities with no readily available market quotation.
10. Underwrite the securities of other issuers.
11. Invest in any securities in contravention of the provisions of Rule 2a-7 of the Investment Company Act of 1940 as it presently exists or as it may hereafter be amended.

B. Prohibited Investments

Assets of IPAIT shall not be invested in the following:

1. Reverse repurchase agreements.
2. Futures and options contracts.
3. Any security with a remaining maturity exceeding 397 days as provided in Rule 2a-7.



C. Prohibited Investment Practices

The following investment practices are prohibited:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. Investing pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
3. If a fiduciary or other third party with custody of public investment transaction records of IPAIT fails to produce requested records when requested by IPAIT or its agents within a reasonable time, IPAIT shall make no new investment with or through the fiduciary or third party and shall not renew maturity investments with or through the fiduciary or third party.

D. Management Policies and Procedures

Following are the fundamental management policies and procedures for IPAIT. All investments shall be maintained in separate IPAIT custodial accounts, segregated by Portfolio on behalf of IPAIT Participants.

1. Each purchase or sale of a security must be handled on a delivery versus payment (DVP) basis. Funds for the purchase of an investment shall not be released to the seller until the security is delivered to the IPAIT Custodian. Conversely, a sold security shall not be released to the buyer until funds for the purchase price of the security have been received by the IPAIT Custodian.
2. "Free delivery" transactions are prohibited. The Custodian shall never release assets from the IPAIT custodial accounts until the funds for the investment are delivered.
3. Any material deviation (greater than .5%) from the amortized cost of investments shall be promptly reported by the Adviser to the Board of Trustees. If such deviation exceeds .5%, the Adviser will consider what action, if any, should be initiated to reasonably eliminate or reduce material dilution or other unfair results to Participants. Such action may include redemption of Trust Units in kind, selling portfolio securities prior to maturity, withholding distributions or utilizing a net asset value per Trust Unit based upon available market quotations.
4. The frequent trading of securities, including day trading for the purpose of realizing short-term gains, the purchase and sale of futures and options to buy or sell authorized investments, reverse repurchase agreements, and other similar speculative transactions are expressly prohibited.
5. IPAIT may not make any investment other than Permitted Investments authorized by the provisions of the law applicable to the investment of funds by the Participants, as such laws may be amended from time to time.
6. IPAIT may not purchase any Permitted Investment if the effect of such purchase by IPAIT would be to make the average dollar weighted maturity of a portfolio greater than ninety (90) days.
7. IPAIT may not borrow money or incur indebtedness whether or not the proceeds thereof are intended to be used to purchase Permitted Investments.
8. IPAIT may not make loans, provided that IPAIT may make Permitted Investments.
9. IPAIT may not purchase securities or shares of investment companies or any entities similar to IPAIT.

The restrictions set forth above are fundamental to the operation and activities of IPAIT and may not be changed without the affirmative approval, in writing, of a majority of the Participants entitled to vote, except that such restrictions may be changed by the Trustees so as to make them more restrictive when necessary to conform the investment program and activities of IPAIT to the laws of the State of Iowa and the United States of America as they may from time to time be amended.

The above investment restrictions shall not be changed without the vote of a majority of the Participants in a Portfolio. "Majority" means the lesser of (a) 67 percent of the Trust's or a Portfolio's outstanding Trust Units voting at a meeting of the Participants at which more than 50 percent of the outstanding Trust Units are represented in person or by proxy or (b) a majority of the Trust's or a Portfolio's outstanding Trust Units.



Management Policies and Procedures Continued

Provided, however, the Trust may invest Portfolio assets pursuant to the maximum extent possible by Iowa law governing investments by public agencies and Rule 2a-7 and any change in the restrictions of the Iowa law governing investments by public agencies and Rule 2a-7 shall be deemed to be adopted by the Trust, and such change shall not require the approval of the Participants.

Any investment restrictions or limitations referred to above which involves a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after an acquisition of securities or utilization of assets and results there from.

Section 3 – DELEGATION OF AUTHORITY

The responsibility for conducting IPAIT investment transactions resides with the IPAIT Board of Trustees. Certain responsibilities have been delegated to the Administrator, the Adviser, and the Custodian (the “Service Providers”) pursuant to the Administrator Agreement, the Adviser Agreement, the Custodian Agreement, with amendments as may be adopted from time to time, and the current Information Statement (the “Documents”).

Each Service Provider shall individually notify the IPAIT Board of Trustees in writing within thirty days of receipt of all communications from the auditor of any Service Provider or any regulatory authority of the existence of a material weakness in internal control structure of the Service Provider or regulatory orders or sanctions regarding the type of services being provided to IPAIT by the Service Provider.

The records of investment transactions made by or on behalf of IPAIT are public records and are the property of IPAIT whether in the custody of IPAIT or in the custody of a fiduciary or other third party.

Section 4 – OBJECTIVES OF INVESTMENT POLICY

The primary objectives, in order of priority, of all investment activities involving the financial assets of IPAIT shall be the following:

1. **Safety:** Safety and preservation of principal in the overall portfolio is the foremost investment objective.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
3. **Return:** Obtaining a reasonable return is the third investment objective.

Section 5 – PRUDENCE

The Board of Trustees, when providing for the investment of deposit of public funds in the IPAIT program, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Section 4 investment objectives.

Section 6 – INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of IPAIT may be invested in the following, all as more fully described in the IPAIT Information Statement:

- Obligations of the United States government, its agencies and instrumentalities.
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to chapter 12C.
- Repurchase agreements, provided that the underlying collateral consists of obligations of the United States government, its agencies and instrumentalities and that the Custodian takes delivery of the collateral either directly or through an authorized custodian.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including Section 8, Diversification and Investment Maturity Limitations.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including Section 8, Diversification and Investment Maturity Limitations.



Section 7 – DIVERSIFICATION AND INVESTMENT MATURITY LIMITATIONS

It is the policy of IPAIT to diversify portfolio investments in the Diversified Portfolio and the Direct Government Obligation (DGO) Portfolio. As described in the Information Statement, portfolio investments in the Diversified Portfolio and the Direct Government Obligation Portfolio are limited to the following:

1. No individual investment with maturity in excess of 397 days as provided in Rule 2a-7.
2. The maximum average maturity of all portfolio investments may not exceed 90 days. Pursuant to IPAIT policies as disclosed in the Documents, Participants may also individually invest in Fixed Term Program investments.

Section 8 – SAFEKEEPING AND CUSTODY

All invested assets of Participants in the Portfolios or in the Fixed Term Program shall be held in accordance with the Custodian Agreement.

All invested assets eligible for physical delivery shall be secured by having them held at a third party custodian. All purchased investments shall be held pursuant to a written third party custodial agreement requiring delivery versus payment. No assets may be delivered out of the IPAIT account without full payment (no “free deliveries” shall be permitted).

Section 9 – REPORTING

The Service Providers shall submit all reports required in the Documents.

Section 10 – INVESTMENT POLICY REVIEW AND AMENDMENT

This Investment Policy shall be reviewed on or before December 31, 2005 or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

Section 11 – EFFECTIVE DATE

This Investment Policy shall be effective as of May 1, 1993.
Passed and approved this 20th day of April, 1993.

Amended effective September 1, 2004.



Investing and Non-Investing Participants Diversified and Direct Government Obligation Funds

\$0-\$50,000 Assets Invested

Cascade Municipal Utilities
City of Ames
City of Badger
City of Burlington
City of Callender
City of Corydon
City of Dayton
City of Earlham
City of Earlville
City of Evansdale
City of Fairbank
City of Fairfield
City of Grand Mound
City of Grimes
City of Grundy Center
City of Jefferson
City of Letts
City of Lovilia
City of Mallard
City of Maquoketa
City of Martensdale
City of Massena
City of Melcher-Dallas
City of Middletown
City of New Virginia
City of Orange City
City of Panora
City of Red Oak
City of Ringsted
City of Spragueville
City of Springbrook
City of Wesley
City of Westfield
City Utility of Epworth
City Utility of Fredericksburg
City Utility of Harlan
City Utility of Mallard
City Utility of Martensdale
City Utility of Murray
City Utility of New Hampton
City Utility of Orange City
City Utility of Pella
City Utility of Prairie City
Corning Municipal Utilities
County of Adair
County of Chickasaw
County of Clarke
County of Fremont
County of Greene
County of Hardin
County of Howard
County of Sac
County of Union
Fontanelle Municipal Utility
Geode Resource
Conserv. & Develop, Inc.
Gilbertville Community Day, Inc.
Gowrie Municipal Utilities
IPPA Administrative
IPPA CMMPA
IPPA IMTG
IPPA ISEP
IPPA MMUA
Johnson Township Barnum Community Fire
Department
Manilla Municipal Gas Dept.
Manning Municipal Gas Department
North Central Reg. Emerg. Resp. Com.
Northwest Iowa Area Solid Waste Agency
Stuart Municipal Utilities
Waverly Health Center
Webster County Telecommunications Board

\$50,000-\$250,000 Assets Invested

Brooklyn Municipal Utilities
Buena Vista County Solid Waste Commiss
Cass County Environment Control Agency
Central IA Juvenile Detention Commission
City of Ackley
City of Agency
City of Albert City
City of Bondurant
City of Boone
City of Brandon
City of Corning
City of Dike
City of Fort Dodge
City of Griswold
City of Lake Mills
City of Lewis
City of Maynard
City of Montezuma Fire Department
City of Morning Sun
City of Moulton
City of Murray
City of Nora Springs
City of Parnell
City of Readlyn
City of Urbana
City Utility of Corydon
City Utility of Dike
City Utility of Eagle Grove
City Utility of Melcher-Dallas
City Utility of Middletown
City Utility of Orient
City Utility of Urbandale
Clay Regional Water District
County of Boone
County of Buena Vista
County of Carroll
County of Crawford
County of Des Moines
County of Franklin
County of Jasper
County of Kossuth
County of Plymouth
County of Wright
Denison Municipal Utilities
Des Moines Area MPO
Evansdale Water Works
Hiawatha Water Department
IPAIT Administration Fund
IPPA MMTG
Lamoni Municipal Utilities
North Iowa Area Council of Govts.
Palo Alto County Hospital
South Iowa Detention Service Agency
Southwest Iowa Planning Council
Villisca Municipal Power Plant
Warren County
Warren Lakewood Benefitted Rec.
Lake District

\$250,000-\$500,000 Assets Invested

City of Algona
City of Early
City of Keystone
City of Orleans
City of Pella
City of Prairie City
City of Shelby
City of Shenandoah
City of Spencer
City of Walnut
City of Windsor Heights
City Utility of Lake Mills
City Utility of Readlyn

City Utility of Shelby
County of Audubon
County of Cedar
County of Mills
County of Ringgold
County of Tama
Grundy Center Municipal Utilities
La Porte City Utility
Poweshiek Water Association
Second Judicial Dist Dept. of Correct
South Iowa Area Crime Commission
Urbandale Sanitary Sewer District
Webster County Solid Waste Commission

\$500,000-\$1,000,000 Assets Invested

City of Adel
City of Altoona
City of Denison
City of Eagle Grove
City of Epworth
City of Gilbertville
City of La Porte City
City of Riverdale
City of Sheldon
City of Van Meter
City Utility of Maquoketa
City Utility of Montezuma
City Utility of Traer
County of Calhoun
County of Emmet
County of Hamilton
County of Linn
County of Madison
County of O'Brien
County of Osceola
County of Washington
County of Winneshiek
Knoxville Utility
Orange City Hospital and Clinic
Resale Power Group of Iowa
SIMECA

\$1,000,000-\$5,000,000 Assets Invested

Algona Municipal Utilities
Bluestem Solid Waste Agency
Broadlawns Medical Center
Cedar Falls Utilities
City of Council Bluffs
City of Davenport
City of Forest City
City of Grinnell
City of Iowa City
City of Keokuk
City of Knoxville
City of Marion
City of Mason City
City of Mitchellville
City of Montezuma
City of Mount Pleasant
City of Oskaloosa
City of Polk City
City of Sioux City
City of Traer
City of Washington
City of Waterloo
City of Waverly
City Utility of Lenox
Clay County
Clayton County
County of Black Hawk
County of Buchanan
County of Cass
County of Decatur
County of Henry

County of Jackson
County of Louisa
County of Lyon
County of Monona
County of Muscatine
County of Poweshiek
County of Sioux
County of Wapello
County of Wayne
County of Webster
Dallas County
Dallas County Hospital
Fifth Judicial District
IAMU Insurance Trust
Lucas County
Montezuma Municipal Light and Power
NIMECA
North Central Iowa Regional SWA
Waverly Light and Power
West Des Moines Water Works
Xenia Rural Water District

Over \$5,000,000 Assets Invested

City of Ankeny
City of Bettendorf
City of Cedar Rapids
City of Clinton
City of Coralville
City of Hiawatha
City of Johnston
City of Muscatine
City of Ottumwa
City of West Des Moines
County of Appanoose
County of Dickinson
IMWCA Group C
Spencer Municipal Utility
West Bank as Escrow Agent for Coralville

Non-Investing Participants

Audubon County Memorial Hospital
City of Alton
City of Anamosa
City of Anthon
City of Atlantic
City of Audubon
City of Bellevue
City of Bloomfield
City of Bussey
City of Camanche
City of Carlisle
City of Carson
City of Carter Lake
City of Cedar Falls
City of Center Point
City of Centerville
City of Charles City
City of Cherokee
City of Clarinda
City of Clive
City of Colfax
City of Colo
City of Creston
City of Denver
City of Des Moines
City of Dubuque
City of Dunkerton
City of Eldon
City of Eldridge
City of Elk Run Heights
City of Ellsworth
City of Fort Madison
City of Grand River
City of Greenfield



Investing and Non-Investing Participants Diversified and Direct Government Obligation Funds

City of Harlan
City of Hawarden
City of Hazleton
City of Hudson
City of Humboldt
City of Huxley
City of Independence
City of Indianola
City of Lamont
City of Lehigh
City of Lenox
City of Leon
City of Lisbon
City of Lohrville
City of Manchester
City of Manning
City of Marble Rock
City of Marshalltown
City of Monroe
City of Mount Vernon
City of Nevada
City of New Hampton
City of New London
City of Newton
City of Oelwein
City of Osage
City of Ossian
City of Peosta
City of Perry
City of Pleasant Hill
City of Pleasantville
City of Pocahontas
City of Prescott
City of Preston
City of Rockwell City
City of Sac City
City of Slater
City of Spirit Lake
City of St. Charles
City of Storm Lake
City of Sumner
City of Tipton
City of Urbandale
City of Villisca
City of Vinton
City of Webster City
City of Wilton
City of Woodbine
City Utility of Alton
City Utility of Ames
City Utility of Anamosa
City Utility of Anthon
City Utility of Aplington
City Utility of Bloomfield
City Utility of Colfax
City Utility of Coon Rapids
City Utility of Creston
City Utility of Denver
City Utility of Fairbank
City Utility of Graettinger
City Utility of Hawarden
City Utility of Laurens
City Utility of LeClaire
City Utility of Lohrville
City Utility of Preston
City Utility of Sac City
City Utility of Sanborn
City Utility of Slater
City Utility of St. Charles
City Utility of Story City
City Utility of Vinton
City Utility of Wahpeton
Clear Lake Sanitary District
Council Bluffs Airport Authority
County of Butler
County of Cerro Gordo
County of Clinton
County of Davis
County of Dubuque
County of Floyd
County of Greene-Medical Center
County of Grundy
County of Hancock
County of Harrison
County of Iowa
County of Johnson
County of Jones
County of Marion
County of Marshall
County of Mitchell
County of Monroe
County of Page
County of Polk
County of Scott
County of Story
County of Winnebago
County of Worth
Crawford County Memorial Hospital
Des Moines Metropolitan Transit Authorit
Des Moines Utility
Eighth Judicial Dist. Dept. of Correct.
Fort Madison Utility
Greenfield Municipal Utilities
Heart of Iowa Reg. Transit Agency
Iowa Northland Reg. Council of Gov.
Iowa Public Employer Health Care Cover
Jefferson County Hosp. Foundation, Inc.
Jefferson County Hospital
Lee County
Manning Municipal Utilities
Midas Council of Governments
Mid-Iowa Development Association COG
Mid-Iowa Regional Housing Authority
Missouri River Energy Services
Mitchell County Regional Health Center
Monroe County Hospital
Mt. Pleasant Municipal Utilities
Muscatine Power and Water
Newton Waterworks
Ogden Municipal Utility
Page County Landfill Association
Plymouth County Solid Waste Agency
Pottawattamie County
Seventh Judicial District
Third Judicial District
Van Buren County Hospital
Washington County Hospital
Winterset Municipal Utilities

STATISTICAL SECTION





MAJOR PARTICIPANTS

Diversified	Top Ten Participants		Top Twenty Participants		Top Fifty Participants	
	Percent	Total Assets	Percent	Total Assets	Percent	Total Assets
2006	32%	65,432,579	47%	95,702,772	75%	152,227,092
2005	48%	112,257,335	63%	144,716,918	83%	191,099,445
2004	59%	151,601,053	72%	182,708,595	88%	225,109,501
2003	56%	137,395,976	68%	166,268,864	85%	209,040,889
2002	47%	120,630,674	61%	157,746,696	81%	207,622,556
2001	43%	115,107,270	58%	152,529,065	79%	208,785,428
2000	40%	87,517,107	56%	122,092,377	79%	170,953,598

DGO	Top Ten Participants	
	Percent	Total Assets
2006	100%	16,949,155
2005	100%	14,795,683
2004	100%	37,532,248
2003	100%	81,053,164
2002	100%	66,461,330
2001	100%	59,975,661
2000	100%	45,366,390

INVESTMENT ADVISER

Investors Management Group (IMG) has served as the sole Investment Adviser to all investment alternatives within IPAIT since the program's inception in 1987. As of June 30, 2006 IMG had a total of \$3.7 billion in assets under management, representing a diverse group of institutional clients.

CONSULTANTS

IPAIT does not employ the use of any professional consultants beyond those service providers detailed in the Notes to Financial Statement Section.

BROKERS

IPAIT does not employ the use of brokers in the operation of its various investment alternatives.



**Changes in Participant Assets Under Management
Diversified Fund and
Direct Government Obligation Fund**

Date	IPAIT Div Fund *	Annual Change	IPAIT DGO Fund **	Annual Change
06/06	\$203,481,541	-11.40%	\$16,949,155	14.55%
03/06	\$237,141,015	-1.43%	\$19,677,059	3.74%
12/05	\$242,636,140	9.50%	\$13,266,181	-40.13%
09/05	\$250,171,968	13.12%	\$15,329,259	-51.02%
06/05	\$229,667,966	-9.87%	\$14,795,683	-60.58%
03/05	\$240,589,826	-12.58%	\$18,967,804	-58.52%
12/04	\$221,582,170	-10.52%	\$22,157,021	-54.54%
09/04	\$221,163,016	-18.75%	\$31,294,779	-49.15%
06/04	\$254,818,110	-1.84%	\$37,532,248	-28.22%
03/04	\$275,215,747	10.58%	\$45,727,070	-40.88%
12/03	\$247,626,021	-16.67%	\$48,744,871	-25.40%
09/03	\$272,187,641	7.83%	\$61,548,710	17.70%
06/03	\$259,601,282	2.23%	\$52,291,241	-21.32%
03/03	\$248,884,686	-10.42%	\$77,348,955	2.26%
12/02	\$297,172,601	-6.16%	\$65,341,840	-20.73%
09/02	\$252,426,230	-4.62%	\$52,291,241	-44.28%
06/02	\$253,948,247	-4.20%	\$66,461,330	10.81%
03/02	\$277,835,614	-8.83%	\$75,641,831	19.10%
12/01	\$316,690,866	32.71%	\$82,432,865	22.23%
09/01	\$264,646,237	2.53%	\$93,847,685	30.47%
06/01	\$265,090,819	22.47%	\$59,975,661	32.20%
03/01	\$304,760,387	22.97%	\$63,510,582	16.53%
12/00	\$238,634,980	11.98%	\$67,438,029	9.11%
09/00	\$258,112,751	22.59%	\$71,931,497	-1.98%
06/00	\$216,459,830	14.80%	\$45,366,390	-48.21%
03/00	\$247,826,392	4.02%	\$54,500,308	-21.87%
12/99	\$213,110,138	10.58%	\$61,810,064	-15.01%
09/99	\$210,543,469	10.06%	\$73,381,984	-5.63%
06/99	\$188,558,836	6.52%	\$87,596,381	5.71%
03/99	\$238,242,744	24.18%	\$69,752,928	48.18%
12/98	\$192,712,021	19.02%	\$72,730,352	39.38%
09/98	\$191,295,081	2.07%	\$77,758,459	35.23%
06/98	\$177,018,714	-11.07%	\$82,865,033	40.87%
03/98	\$191,859,267	-20.16%	\$47,073,726	-5.27%
12/97	\$161,914,498	-24.50%	\$52,182,763	-5.28%
09/97	\$187,412,776	-9.27%	\$57,501,838	-2.32%
06/97	\$199,049,090	3.43%	\$58,825,680	-9.94%
03/97	\$240,303,292	6.54%	\$49,692,437	18.91%
12/96	\$214,444,033	14.52%	\$55,091,929	21.40%
09/96	\$206,557,219	12.61%	\$58,868,709	15.62%

*IPAIT Div Fund inception date 11/13/87

**IPAIT DGO Fund inception date 9/1/88



Monthly Comparative Yields

Diversified Fund

<u>Date</u>	<u>Div Fund Rate ⁽¹⁾</u>	<u>iMoneyNet US Gov't & Agency Index ⁽²⁾</u>	<u>Chapter 74A 32-89 Day ⁽³⁾</u>	<u>Chapter 74A 90-179 Day ⁽³⁾</u>
06/06	4.49	4.25	2.85	3.15
05/06	4.38	4.14	2.80	3.10
04/06	4.29	3.99	2.70	3.00
03/06	4.06	3.82	2.40	2.95
02/06	4.05	3.75	2.40	2.80
01/06	3.80	3.56	2.30	2.75
12/05	3.69	3.43	2.25	2.65
11/05	3.53	3.25	2.15	2.60
10/05	3.30	3.01	2.05	2.35
9/05	3.10	2.84	2.05	2.35
8/05	2.93	2.69	1.95	2.20
7/05	2.75	2.47	1.85	2.05

(1) Actual earnings less expenses

(2) iMoneyNet U.S. Government & Agencies Money Fund Report™

(3) low a Code Chapter 74A minimum public funds deposit rates

DGO Fund

<u>Date</u>	<u>DGO Fund Rate ⁽¹⁾</u>	<u>iMoneyNet US Treasury & Repo Index ⁽²⁾</u>	<u>Chapter 74A 32-89 Day ⁽³⁾</u>	<u>Chapter 74A 90-179 Day ⁽³⁾</u>
06/06	4.35	4.17	2.85	3.15
05/06	4.27	4.06	2.80	3.10
04/06	4.11	3.89	2.70	3.00
03/06	3.95	3.72	2.40	2.95
02/06	3.87	3.62	2.40	2.80
01/06	3.58	3.39	2.30	2.75
12/05	3.50	3.29	2.25	2.65
11/05	3.40	3.13	2.15	2.60
10/05	3.12	2.85	2.05	2.35
09/05	2.88	2.77	2.05	2.35
08/05	2.75	2.62	1.95	2.20
07/05	2.54	2.40	1.85	2.05

(1) Actual earnings less expenses

(2) iMoneyNet U.S. Treasury & Repo Money Fund Report™

(3) low a Code Chapter 74A minimum public funds deposit rates



Annual Comparative Yields

Average Annual Yield for the Fiscal Years Ended June 30,

	<u>Diversified Fund</u> ⁽¹⁾	<u>iMoneyNet U.S. Govt. & Agency Index</u> ⁽²⁾	<u>DGO Fund</u> ⁽¹⁾	<u>iMoneyNet U.S. Treasury & Repo Index</u> ⁽³⁾
2006	3.70	3.33	3.53	3.21
2005	1.69	0.01	1.53	0.01
2004	0.59	0.37	0.48	0.31
2003	0.95	0.80	0.90	0.74
2002	2.11	1.87	1.83	1.76
2001	5.33	5.26	5.15	5.06
2000	5.13	4.94	4.98	4.78
1999	4.61	4.47	4.43	4.35
1998	5.10	4.90	4.98	4.85
1997	4.92	4.72	4.84	4.68

⁽¹⁾ Actual earnings less expenses

⁽²⁾ iMoneyNet U.S. Government & Agencies Money Fund Report™

⁽³⁾ iMoneyNet U.S. Treasury and Repo Money Fund Report™

Annual Net Investment Income

Total Net Investment Income for the Fiscal Year Ended June 30,

	<u>Diversified Fund</u> ⁽¹⁾	<u>DGO Fund</u> ⁽¹⁾
2006	8,472,466	567,341
2005	3,733,917	349,987
2004	1,477,818	265,254
2003	2,531,693	658,073
2002	5,854,955	1,381,159
2001	13,455,641	3,216,209
2000	11,001,463	3,199,662
1999	8,975,481	3,374,792
1998	9,260,578	2,723,297
1997	10,527,618	2,709,406

⁽¹⁾ Actual earnings less expenses



Changes in Net Assets

For the Years Ended June 30,
(dollars in thousands)

DIVERSIFIED PORTFOLIO

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ADDITIONS:					
From Investment Activities:					
Net Investment income	\$8,472	\$3,734	\$1,478	\$2,532	\$5,855
From Unit Transactions:					
Units sold	1,151,720	1,055,083	941,862	912,308	895,986
Units issued in reinvestment of dividends from net investment income	7,815	3,596	1,478	2,532	5,855
TOTAL ADDITIONS	<u>1,168,007</u>	<u>1,062,413</u>	<u>944,818</u>	<u>917,372</u>	<u>907,696</u>
DEDUCTIONS:					
Dividends to unitholders from:					
Net investment income	(8,472)	(3,734)	(1,478)	(2,532)	(5,855)
From Unit Transactions:					
Units redeemed	(1,185,721)	(1,083,829)	(933,547)	(923,763)	(912,984)
TOTAL DEDUCTIONS	<u>(1,194,193)</u>	<u>(1,087,563)</u>	<u>(935,025)</u>	<u>(926,295)</u>	<u>(918,839)</u>
Changes in net assets	(26,186)	(25,150)	9,793	(8,923)	(11,143)
Net assets at beginning of period	<u>229,668</u>	<u>254,818</u>	<u>245,025</u>	<u>253,948</u>	<u>265,091</u>
Net assets at end of period	<u>\$203,482</u>	<u>\$229,668</u>	<u>\$254,818</u>	<u>\$245,025</u>	<u>\$253,948</u>

DIRECT GOVERNMENT OBLIGATION PORTFOLIO

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ADDITIONS:					
From Investment Activities:					
Net Investment income	\$567	\$350	\$265	\$658	\$1,381
From Unit Transactions:					
Units sold	36,963	20,938	30,121	43,658	48,029
Units issued in reinvestment of dividends from net investment income	537	350	265	658	1,381
TOTAL ADDITIONS	<u>38,067</u>	<u>21,638</u>	<u>30,651</u>	<u>44,974</u>	<u>50,791</u>
DEDUCTIONS:					
Dividends to unitholders from:					
Net investment income	(567)	(350)	(265)	(658)	(1,381)
From Unit Transactions:					
Units redeemed	(35,347)	(44,024)	(45,145)	(58,486)	(42,924)
TOTAL DEDUCTIONS	<u>(35,914)</u>	<u>(44,374)</u>	<u>(45,410)</u>	<u>(59,144)</u>	<u>(44,305)</u>
Changes in net assets	2,153	(22,736)	(14,759)	(14,170)	6,486
Net assets at beginning of period	<u>14,796</u>	<u>37,532</u>	<u>52,291</u>	<u>66,461</u>	<u>59,975</u>
Net assets at end of period	<u>\$16,949</u>	<u>\$14,796</u>	<u>\$37,532</u>	<u>\$52,291</u>	<u>\$66,461</u>



Changes in Net Assets

For the Years Ended June 30,
(dollars in thousands)

DIVERSIFIED PORTFOLIO

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ADDITIONS:					
From Investment Activities:					
Net investment income	\$13,456	\$11,002	\$8,975	\$9,261	\$10,528
From Unit Transactions:					
Units sold	1,024,910	1,032,835	912,337	735,508	690,468
Units issued in reinvestment of dividends from net investment income	13,456	11,002	8,975	9,261	10,528
TOTAL ADDITIONS	<u>1,051,822</u>	<u>1,054,839</u>	<u>930,287</u>	<u>754,030</u>	<u>711,524</u>
DEDUCTIONS:					
Dividends to unitholders from:					
Net investment income	(13,456)	(11,002)	(8,975)	(9,261)	(10,528)
From Unit Transactions:					
Units redeemed	(989,735)	(1,015,936)	(909,772)	(766,799)	(694,398)
TOTAL DEDUCTIONS	<u>(1,003,191)</u>	<u>(1,026,938)</u>	<u>(918,747)</u>	<u>(776,060)</u>	<u>(704,926)</u>
Changes in net assets	48,631	27,901	11,540	(22,030)	6,598
Net assets at beginning of period	<u>216,460</u>	<u>188,559</u>	<u>177,019</u>	<u>199,049</u>	<u>192,451</u>
Net assets at end of period	<u>\$265,091</u>	<u>\$216,460</u>	<u>\$188,559</u>	<u>\$177,019</u>	<u>\$199,049</u>

DIRECT GOVERNMENT OBLIGATION PORTFOLIO

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ADDITIONS:					
From Investment Activities:					
Net investment income	\$3,216	\$3,200	\$3,375	\$2,723	\$2,709
From Unit Transactions:					
Units sold	38,973	12,830	38,064	53,493	20,561
Units issued in reinvestment of dividends from net investment income	3,216	3,200	3,375	2,723	2,709
TOTAL ADDITIONS	<u>45,405</u>	<u>19,230</u>	<u>44,814</u>	<u>58,939</u>	<u>25,979</u>
DEDUCTIONS:					
Dividends to unitholders from:					
Net investment income	(3,216)	(3,200)	(3,375)	(2,723)	(2,709)
From Unit Transactions:					
Units redeemed	(27,580)	(58,260)	(36,708)	(32,177)	(29,762)
TOTAL DEDUCTIONS	<u>(30,796)</u>	<u>(61,460)</u>	<u>(40,083)</u>	<u>(34,900)</u>	<u>(32,471)</u>
Changes in net assets	14,609	(42,230)	4,731	24,039	(6,492)
Net assets at beginning of period	<u>45,366</u>	<u>87,596</u>	<u>82,865</u>	<u>58,826</u>	<u>65,318</u>
Net assets at end of period	<u>\$59,975</u>	<u>\$45,366</u>	<u>\$87,596</u>	<u>\$82,865</u>	<u>\$58,826</u>



Glossary of Investment Terms

Accrued interest - interest accumulated on all securities in a portfolio since the most recent payment date for each security.

Administrator - entity that carries out IPAIT policies and provides participant recordkeeping services.

Amortized Cost - method of accounting that gradually reduces a security's discount or premium on a straight-line basis.

Assets - items in financial statement with current market value owned by IPAIT.

Certificate of Deposit - debt instrument issued by a financial institution with an interest rate set by competitive forces in the marketplace.

Collateral - U.S. government or agency securities pledged to IPAIT until investment is repaid. For instance, the security for a collateralized certificate of deposit issued by an Iowa financial institution.

Compound Rate - interest calculation based upon investment of principal plus reinvestment of interest earned from previous period(s). IPAIT portfolio interest is compounded or reinvested monthly.

Custodian - bank that maintains custody of all IPAIT assets.

Discount - the dollar amount by which the par value of a bond exceeds its market price.

Diversified - spreading of risk by investing assets in several different categories of investment and assorted maturities within those categories.

Investment Adviser - Securities and Exchange Commission registered firm that provides investment advice to IPAIT.

Iowa Code Chapter 74A Rates - Minimum rates at which Iowa financial institutions may accept deposits of public funds for various periods.

Liabilities - claims on the assets of IPAIT.

Market Value - the current price or value of a security.

Net Investment Income - income from IPAIT investments distributed to participants after payment of program operating expenses.

Nominal Rate - simple interest calculation based only upon the principal amount invested without reinvestment of earned interest

Par Value - value of IPAIT investments at maturity.

Portfolio - all investments owned by IPAIT.

Premium - the dollar amount by which the market price of a bond exceeds its par value.

Redemptions - withdrawal of funds by participants from IPAIT.

Repurchase Agreement - agreement between IPAIT and a seller of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price at a stated time. The transaction is collateralized by U.S. government or U.S. agency securities with a market value of at least 102% of the value of the repurchase agreement.

Straight-Line - conservative accounting procedure to reduce a security's premium or discount in equal daily increments over its remaining period to maturity.

U.S. Government Agencies - securities issued by U.S. government sponsored corporations such as the Federal Home Loan Bank and Federal National Mortgage Association.

U.S. Government Securities - direct obligations of the U.S. government, such as Treasury bills, notes and bonds.

Yield Curve - graph plotting yields of securities of similar quality on vertical axis and maturities ranging from shortest to longest on horizontal axis.

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