



Iowa Schools Joint Investment Trust

Annual Financial Report

June 30, 2006



Sponsored by the Iowa Association of School Boards – www.isjit.org

STATEMENT OF SPONSORING ASSOCIATION

The Iowa Schools Joint Investment Trust (ISJIT) continues to build on its tradition of assisting school districts, community colleges, area education agencies, and other eligible participants with their cash management needs.

Since 1986, ISJIT has served more than 360 authorized participants and has enabled them to safely increase their investment income. This has provided additional resources vital to increasing the quality of educational services available to students across the state. ISJIT welcomed six new participants during the 2005-2006 fiscal year.

The Iowa Association of School Boards and the ISJIT board work diligently to position ISJIT to continue to offer effective and efficient cash management services. To better meet the needs of all participants, the ISJIT Board of Trustees established the Diversified Plus Portfolio (DIV+) in April 2006. DIV+ includes commercial paper to enhance the yield of the

portfolio while increasing credit risk slightly.

Throughout the fiscal year ending June 30, 2006 the Federal Reserve increased the federal funds rate in measured increments. As the economy continued to expand at a moderate rate, the Federal Reserve focused on its primary objective of controlling inflation. Since June 30, 2005, the Federal Reserve has increased the federal funds rate by ¼ percent at each of its last eight meetings.

ISJIT has kept pace with these rate increases. The yield on both the ISJIT Diversified (Diversified) and Direct Government Obligation (DGO) Portfolios increased more than two percent over the course of the fiscal year. As a result, total funds invested in Diversified, DGO, and DIV+ reached a five-year high in May 2006.

ISJIT remains a leading choice among school corporations across the state.

The Iowa Association of School Boards is dedicated to achieving excellence in public education. By participating in ISJIT, our members join together to safely increase their investment income and provide additional dollars for student instruction needs. ISJIT plays an important role in the strong tradition of public education in Iowa.



Ronald M. Rice
Executive Director
Iowa Association of School Boards

Email: rice@ia-sb.org



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MESSAGE FROM THE CHAIR

The Iowa Schools Joint Investment Trust (ISJIT) is pleased to present this Annual Report of Trust operations for the period ended June 30, 2006. ISJIT enjoyed a record year of operation:

- Total funds for all investment alternatives reached a fiscal year high of \$563,054,951 in May 2006.
- Average combined daily investments in the Diversified and Direct Government Obligation Portfolios were \$273,476,670.
- The Diversified Plus Portfolio grew to over \$30 million in its first three months of operation.
- Use of ISJIT's Fixed-Term Automated (FTA) services increased during the year. Nineteen participants used the Flexible Withdrawal Certificate of Deposit (Flex-CD) to invest bond proceeds totaling over \$93 million during the construction phase of capital improvement projects. Total FTA assets were nearly \$190 million as of June 30, 2006.

The ISJIT Board is encouraged by these accomplishments and

we thank you for your loyal support over the past fiscal year. All of us on the ISJIT Board are committed to building on the strong tradition of ISJIT to serve participants' cash management needs safely, effectively, and efficiently. In particular, ISJIT has made several enhancements in recent years to allow participants to receive and withdraw funds electronically. This increases administrative efficiency of school staff and also allows funds to be invested on a more timely basis. The ISJIT Online system continues to be enhanced to meet participants' needs. We continue to explore further enhancements to better serve your cash management needs.

Your comments and suggestions are always appreciated and are a key element in the continual improvement of ISJIT. Please

feel free to contact me or any other Board member with your ideas and thoughts.

Together we can make ISJIT even better.

Cordially yours,

Richard Vande Kieft
Chair
Board of Trustees



“All of us on the ISJIT Board are committed to building on the strong tradition of ISJIT to serve participants' cash management needs safely, effectively, and efficiently.”

BOARD OF TRUSTEES



Tom Downs
Southeast Polk



Richard L. Vande Kieft
Cedar Falls



Chad Ingles
West Central



Jack Hill
North Scott



Don Friedrichsen
Galva-Holstein

The Iowa Schools Joint Investment Trust (ISJIT) Board of Trustees meets every quarter to review the program's operation and to consider program operating enhancements that might be of assistance to ISJIT participants. Each of the six members represents the interests of their school corporation as well as over 360 other ISJIT program members. Each board member has served as a school board member or school business official in their home district for many years prior to their ISJIT service. Together, the ISJIT Board provides an extensive network of experience and knowledge of members' cash management needs to the program's ongoing operation. The diversity of experience and attention to detail by each member of the Board ensures that the program's history of helpful cash management assistance will continue to be available to ISJIT members well into the future.



MEMBERSHIP PROFILE

A-H-S-T, Adair-Casey, Adel-Desoto-Minburn, AEA 1-Keystone, AEA 4, AEA 8-Prairie Lakes, AEA 9-Mississippi Bend, AEA10-Grant Wood, AEA 11-Heartland, AEA 12-Western Hills, AEA 13-Loess Hills, AEA 14-Green Valley, AEA 15-Southern Prairie, AEA 16-Great River, AEA 267, AGWSR, Akron-Westfield, Albert City-Truesdale, Albia, Alden, Allamakee, Allison-Bristow, Alta, Ames, Anamosa, Andrew, Anita, Ankeny, Anthon-Oto, Aplington, Armstrong-Ringsted, Ar-We-Va, Atlantic, Audubon, Ballard, Battle Creek-Ida Grove, Baxter, BCLUW, Bedford, Belmond-Klemme, Bennett, Benton, Bettendorf, Bondurant-Farrar, Boone, Boyden-Hull, Boyer Valley, Brooklyn-Guernsey-Malcolm, Burlington, C & M, CAL, Calamus-Wheatland, Camanche, Cardinal, Carlisle, Carroll, Cedar Falls, Cedar Rapids, Center Point-Urbana, Centerville, Central Clinton, Central Decatur, Central Lee, Central Lyon, Chariton, Charles City, Cherokee, Clarinda, Clarke, Clarksville, Clay Central/Everly, Clear Creek-Amana, Clear Lake, Clearfield, Clinton, Colfax-Mingo, College, Collins-Maxwell, Columbus, Coon Rapids-Bayard, Corning, Council Bluffs, Creston, Dallas Center-Grimes, Danville, Davenport, Davis County, Decorah, Deep River-Millersburg, Delwood, Denison, Denver, Des Moines Area Community College, Des Moines Independent School, Diagonal, Dike-New Hartford, Dows, Dubuque, Dunkerton, Durant, Eagle Grove, Earlham, East Buchanan, East Central, East Greene, East Marshall, East Union, Eastern Allamakee, Eddyville-Blakesburg, Edgewood-Colesburg, Eldora-New Providence, English Valleys, Essex, Estherville Lincoln Central, Exira, Fairfield, Forest City, Fort Dodge, Fort Madison, Fox Valley, Fredericksburg, Fremont, Fremont-Mills, Galva-Holstein, Garnavillo, Garner-Hayfield, Gilbert, Gilmore City-Bradgate, Glenwood, Glidden-Ralston, GMG, Graettinger, Grand, Grinnell-Newburg, Griswold, Grundy Center, Guttenberg, H-L-V, Hamburg, Hampton-Dumont, Harlan, Harmony, Harris Lake Park, Hartley-Melvin-Sanborn, Highland, Hinton, Howard-Winneshiek, Hudson, IMPACC, Independence, Indian Hills Community College, Indian Hills-Dev. Corp., Indian Hills-Foundation, Indianola, Interstate 35, Iowa City, Iowa Falls, Iowa Lakes Community College, Iowa Schools Cash Anticipation Program, Iowa Employee Benefits Association, Iowa Valley, Iowa Valley Community College, Iowa Western Community College, Janesville, Jefferson-Scranton, Johnston, Keokuk, Keota, Kirkwood Community College, Knoxville, Lake Mills, Lamoni, Laurens-Marathon, Lawton-Bronson, LeMars,

Lenox, Lewis Central, Lineville-Clio, Linn-Mar, Logan-Magnolia, Lone Tree, Louisa-Muscatine, LuVerne, Lynnville-Sully, Madrid, Manning, Manson Northwest Webster, Maple Valley, Maquoketa, Maquoketa Valley, Marcus-Meriden-Cleghorn, Martensdale-St. Marys, Marion Independent, Marshalltown, Mason City, Mediapolis, Melcher-Dallas, Meservey Thornton, Mid-Prairie, Missouri Valley, MOC-Floyd Valley, Montezuma, Monticello, Moravia, Mormon Trail, Morning Sun, Moulton-Udell, Mount Ayr, Mount Pleasant, Mount Vernon, Murray, Muscatine, Nevada, New Hampton, New London, New Market, Newton, Nishna Valley, Nodaway Valley, Nora Springs-Rock Falls, North Cedar, North Central, North Fayette, North Iowa, North Kossuth, North-Linn, North Mahaska, North Polk, North Scott, North Winneshiek, Northeast (Goose Lake), Northeast Hamilton, Northeast Iowa Community College, North-Linn, Northwest Iowa Community College, Norwalk, Odebolt-Arthur, Oelwein, Ogden, Okoboji, Olin, Orient-Macksburg, Osage, Oskaloosa, Ottumwa, Panorama, Paton Churdan, PCM, Pekin, Pella, Perry, Pleasant Valley, Pleasantville, Pocahontas, Prairie Valley, Prescott, Preston, Red Oak, River Valley, Rock Valley, Rockwell City-Lytton, Rockwell-Swaledale, Roland-Story, Rudd-Rockford-Marble Rock, Sac, Saydel, Sentral, Sergeant Bluff-Luton, Seymour, Sheffield-Chapin, Sheldon, Shenandoah, Sibley-Ocheydean, Sidney, Sigourney, Sioux Central, Sioux City, Solon, South Hamilton, South O'Brien, South Page, South Tama County, South Winneshiek, Southeast Iowa Schools Health Care Plan, Southeast Polk, Southeast Warren, Southeast Webster, Southeastern Community College, Southern Cal, Spencer, Spirit Lake, Springville, St. Ansgar, Stanton, Starmont, Storm Lake, Stratford, Sumner, Terril, Tipton, Treynor, Tri-Center, Tri-County, Tripoli, Turkey Valley, Twin Cedars, Underwood, Union, United, Urbandale, Valley (Elgin), Van Buren, Van Meter, Ventura, Villisca, Vinton-Shellsburg, Waco, Wall Lake, Walnut, Wapello, Wapsie Valley, Washington, Waterloo, Waukee, Wayne, Webster City, West Burlington, West Central, West Central Valley, West Delaware, West Des Moines, West Hancock, West Harrison, West Liberty, West Lyon, West Marshall, West Monona, West Sioux, Western Dubuque, Western Iowa Tech Community College, Westwood, Whiting, Williamsburg, Wilton, Winfield-Mt. Union, Winterset, Woden-Crystal Lake, Woodbine, Woodbury Central, Woodward Granger

PROGRAM SERVICES AND FEATURES

ISJIT's operation is sponsored by the Iowa Association of School Boards. IASB's management team meets regularly with the program's service providers to monitor all elements of program operation.

ISJIT's unique internet-based reporting system, *ISJITOnline*, provides participants with real-time account inquiry and transaction capabilities via the internet. Participants may invest or withdraw funds, verify account balances or transaction histories, and direct inquiries to any ISJIT service provider with this unique service.

ISJIT provides three daily liquid investment alternatives: Diversified, Direct Government Obligation (DGO), and Diversified Plus Portfolios. Each alternative is tailored to meet specific participant investment needs. Each offers rates that typically exceed those available for other liquid account structures and fixed-term investments with limited liquidity.

ISJIT provides toll-free telephone access to experienced ISJIT representatives who can personally assist with any investment related inquiry or request offer.

ISJIT invests available funds with Iowa financial institutions offering competitive rates of interest, whenever possible.



Glenwood Community High School

“ISJIT has made several enhancements to allow participants to receive and withdraw funds electronically. The Flex CD option has been a great benefit to the Glenwood district. The Flex CD option not only provides an excellent rate of interest but allows the district to draw down funds after each Board meeting, which allows the district to manage the cash and the project more effectively. The employees of ISJIT go out of their way to make this a rewarding experience.”

Judy Picker
Business Manager
Glenwood Schools

ISJIT's Flexible Withdrawal Certificate of Deposit or Flex CD offers the perfect investment capability for bond proceeds. Each Flex CD is tailored to the specific needs of the project by offering:

- Payment of an excellent fixed rate of interest
- No penalty, monthly liquidity for project needs
- An extended maturity to accommodate any unanticipated project delays

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Iowa Schools Joint Investment Trust (ISJIT) Diversified, Direct Government Obligation (DGO), and Diversified Plus Portfolios' annual Financial Statements presents management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2006 (FY 2006). This information is being presented to provide additional information regarding the activities of the Trust, 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 Independent Auditor's Report of Brooks Lodden P.C., the Financial Statements, and the accompanying notes.

In addition to the historical information, the Management's Discussion and Analysis includes certain forward-looking statements, which involve certain risks and uncertainties. The actual results of ISJIT's Diversified, DGO, and Diversified Plus Portfolios may differ materially from the results expressed or implied in such forward-looking statements due to a wide range of factors including changes in general economic conditions, fluctuations in interest rates, and legislative changes.

ISJIT is primarily responsible for providing proactive cash management practices and responsiveness to the unique needs of school corporations across the state. ISJIT is a common law trust established under Iowa law pursuant to Chapter 28E and Section 279.29, Iowa Code (1985), as amended, which authorizes Iowa schools to jointly invest moneys pursuant to a joint investment agreement. ISJIT operates the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio. The objective of the portfolios is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa schools under Iowa law. Activities of the Diversified, DGO, and Diversified Plus Portfolios are described in the Management's Discussion and Analysis and accompanying financial statements and notes to financial statements.

Overview of the Financial Statements

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

- The Statement of Net Assets shows the financial position (assets and liabilities) of the portfolios as of the date of the current fiscal year end.
- The Statement of Operations displays the results of operations (income and expenses) of the portfolios for the most recent fiscal year.
- The Statements of Changes in Net Assets portray participant/unitholder activity (distributions, sales, reinvestments, redemptions) of the portfolios for the two most recent fiscal years.
- The Financial Highlights depict per share/per unit information (net investment income, dividends distributed, net asset value, total return, ratio of expenses, and net investment income to average net assets) and summary total net assets of the portfolios for the five most recent fiscal years.
- The Notes to Financial Statements describe significant accounting policies and disclose summary security transaction amounts of the portfolios.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONT.)

Condensed Financial Information and Financial Analysis

Year-to-year variances in most financial statement amounts reported in ISJIT's Diversified, DGO, and Diversified Plus Portfolios are caused by a single variable—the level of average net assets (which fluctuates based on the overall levels of participant/unit holder invested balances) in each portfolio. 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 portfolios. Throughout the fiscal year ending June 30, 2006, the Federal Reserve increased the federal funds rate in measured increments.

During the fiscal year ended June 30, 2006 (FY 2006), average net assets increased 8.98 percent to \$259,178,816 from average net assets of \$237,816,996 during the fiscal year ended June 30, 2005 (FY 2005), for the Diversified Portfolio. During FY 2006, average net assets decreased 33.78 percent to \$24,192,225 from average net assets of \$36,533,547 during FY 2005 for the DGO Portfolio. The Diversified Plus Portfolio opened in April 2006. The average net assets for Diversified Plus from April 2006 through June 30, 2006 were \$15,709,312.

Condensed financial information and variance explanations for each portfolio for FY 2006 and FY 2005 follows.

Diversified Portfolio:

	FY 2006	FY 2005	Percentage Change
Total Investments	\$ 278,484,931	\$ 296,020,575	-5.92%
Net Assets	\$ 278,890,339	\$ 296,657,674	-5.99%
Investment Income	\$ 10,980,325	\$ 5,434,000	102.07%
Total Expenses	\$ 904,269	\$ 1,120,726	-19.31%
Net Investment Income	\$ 10,076,056	\$ 4,313,274	133.61%
Units Sold	\$ 1,165,087,056	\$ 1,105,412,332	5.40%
Units Redeemed	\$ 1,192,930,447	\$ 1,065,362,928	11.97%

Total investments and net assets decreased by 5.92% and 5.99%, respectively, comparing June 30, 2006 and June 30, 2005 amounts, due to the creation of the Diversified Plus Portfolio in April 2006. Investment income and net investment income increased 102.07% and 133.61%, respectively, during FY 2006 compared to FY 2005, primarily due to the higher interest rate environment throughout FY 2006. Total expenses decreased 19.31% during FY 2006 compared to FY 2005 primarily due to the service providers waiving fees over a period of four months during FY 2006. Units sold and redeemed increased 5.40% and 11.97%, respectively, caused by an increase in participant transaction activity during FY 2006 compared to FY 2005.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONT.)

Direct Government Obligation Portfolio:

	FY 2006	FY 2005	Percentage Change
Total Investments	\$ 19,818,197	\$ 27,953,950	-29.10%
Net Assets	\$ 19,813,163	\$ 27,956,283	-29.13%
Investment Income	\$ 955,910	\$ 737,266	29.66%
Total Expenses	\$ 75,543	\$ 183,053	-58.73%
Net Investment Income	\$ 880,367	\$ 554,213	58.85%
Units Sold	\$ 30,302,242	\$ 39,243,536	-22.78%
Units Redeemed	\$ 39,325,730	\$ 46,034,281	-14.57%

Total investments and net assets declined 29.10% and 29.13%, respectively, comparing June 30, 2006 and June 30, 2005 amounts, due to lower aggregate participant balances at fiscal year end 2006. Investment income and net investment income increased 29.66% and 58.85%, respectively, during FY 2006 compared to FY 2005, due to the higher interest rate environment throughout FY 2006. Total expenses decreased 58.73% during FY 2006 compared to FY 2005 primarily due to the service providers waiving fees over a period of four months during FY 2006. Units sold and redeemed decreased 22.78% and 14.57%, respectively, caused by a decrease in participant transaction activity during FY 2006 compared to FY 2005.

Diversified Plus Portfolio:

	FY 2006	FY 2005	Percentage Change
Total Investments	\$ 30,857,071	\$ -	n/a
Net Assets	\$ 30,857,154	\$ -	n/a
Investment Income	\$ 188,611	\$ -	n/a
Total Expenses	\$ 4,585	\$ -	n/a
Net Investment Income	\$ 184,026	\$ -	n/a
Units Sold	\$ 39,112,411	\$ -	n/a
Units Redeemed	\$ 8,439,283	\$ -	n/a

There is no comparison information since the Diversified Plus Portfolio was created in April 2006. Total investments and net assets have grown steadily over the past three months.

FINANCIAL STATEMENTS

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIVERSIFIED PORTFOLIO STATEMENT OF NET ASSETS -- June 30, 2006 (SHOWING PERCENTAGE OF NET ASSETS)

Par Value	Description	Yield at Time of Purchase	Due Date	Amortized Cost
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. securities) -- 3.34%				
\$ 9,320,000	Banc America, Repurchase Agreement	5.19%	07/03/06	\$ 9,320,000
	TOTAL (amortized cost -- \$9,320,000)			<u>9,320,000</u>
CERTIFICATES OF DEPOSIT -- 2.17%				
1,000,000	First Central State Bank, DeWitt	4.55%	07/06/06	1,000,000
2,000,000	St. Ansgar State Bank, St. Ansgar	4.58%	07/26/06	2,000,000
500,000	First Central State Bank, DeWitt	4.82%	08/15/06	500,000
500,000	Tri County Bank and Trust, Cascade	4.82%	08/15/06	500,000
250,000	Citizens Bank, Sac City	4.85%	08/21/06	250,000
500,000	Farmers State Bank, Hawarden	5.00%	09/27/06	500,000
1,300,000	People's Bank, Rock Valley	5.30%	12/06/06	1,300,000
	TOTAL (amortized cost -- \$6,050,000)			<u>6,050,000</u>
U.S. GOVERNMENT AGENCY OBLIGATIONS -- 94.34%				
20,000,000	Federal Home Loan Mortgage Co., Discount Note	5.16%	07/11/06	19,971,861
15,000,000	Federal National Mortgage Assn., Discount Note	5.06%	07/12/06	14,977,267
25,000,000	Federal Home Loan Bank, Discount Note	5.24%	07/14/06	24,953,534
25,000,000	Federal National Mortgage Assn., Discount Note	5.04%	07/19/06	24,938,500
35,000,000	Federal Home Loan Bank, Discount Note	5.27%	07/26/06	34,874,097
5,000,000	Federal Home Loan Bank, Discount Note	5.04%	07/28/06	4,981,588
2,675,000	Federal Home Loan Bank, 2.300%	4.63%	07/28/06	2,670,507
10,000,000	Federal Farm Credit Bank, Floating Rate Note 5.049%	5.10%	08/04/06	10,000,177
20,000,000	Federal Home Loan Mortgage Co., Discount Note	5.07%	08/08/06	19,895,711
11,375,000	Federal National Mortgage Assn., 2.750%	4.64%	08/11/06	11,351,285
20,000,000	Federal Home Loan Mortgage Co., Discount Note	5.07%	08/15/06	19,876,625
10,000,000	Federal Home Loan Bank, Discount Note	5.24%	09/08/06	9,902,250
12,000,000	Federal Home Loan Mortgage Co., Discount Note	4.94%	09/19/06	11,873,120
5,481,000	Federal National Mortgage Assn., Discount Note	5.12%	10/04/06	5,409,737
5,000,000	Federal National Mortgage Assn., Discount Note	5.12%	10/11/06	4,930,158
5,000,000	Federal National Mortgage Assn., Global 4.375%	4.90%	10/15/06	4,992,401
10,000,000	Federal Home Loan Bank, 2.625%	5.08%	10/16/06	9,930,064
8,869,000	Federal National Mortgage Assn., 2.625%	5.17%	11/15/06	8,786,897
10,000,000	Federal National Mortgage Assn., 2.200%	5.29%	12/04/06	9,872,080
7,000,000	Federal Home Loan Mortgage Co., 4.125%	5.26%	04/02/07	6,942,419
2,000,000	Federal Home Loan Bank, 4.250%	5.25%	04/16/07	1,984,653
	TOTAL (amortized cost -- \$263,114,931)			<u>263,114,931</u>
TOTAL INVESTMENTS (amortized cost -- \$278,484,931) -- 99.85%				<u>278,484,931</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS (CONT.)

EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 0.15%

Cash	69
Interest Receivable	515,408
Fees Payable to Service Providers	<u>(110,069)</u>
TOTAL	<u>405,408</u>

NET ASSETS HELD IN TRUST FOR PARTICIPANTS -- 100%

Applicable to 278,890,339 outstanding units	<u>\$ 278,890,339</u>
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NET ASSETS VALUE:

Offering and redemption price per unit (\$278,890,339 divided by 278,890,339 units outstanding)	<u>\$ 1.00</u>
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See accompanying notes to financial statements.

FINANCIAL STATEMENTS (CONT.)

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIRECT GOVERNMENT OBLIGATION PORTFOLIO STATEMENT OF NET ASSETS -- June 30, 2006 (SHOWING PERCENTAGE OF NET ASSETS)

Par Value	Description	Yield at Time of Purchase	Due Date	Amortized Cost
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. securities) -- 65.16%				
\$ 4,500,000	Banc America, Repurchase Agreement	4.20%	07/03/06	\$ 4,500,000
4,500,000	Morgan Stanley, Repurchase Agreement	4.48%	07/03/06	4,500,000
3,909,000	Barclays, Repurchase Agreement	4.35%	07/03/06	3,909,000
	TOTAL (amortized cost -- \$12,909,000)			<u>12,909,000</u>
U.S. TREASURY BILLS -- 34.87%				
5,600,000	U.S. Treasury Bill	4.71%	07/06/06	5,596,425
1,332,000	U.S. Treasury Bill	4.90%	10/19/06	1,312,772
	TOTAL (amortized cost -- \$6,909,197)			<u>6,909,197</u>
TOTAL INVESTMENTS -- 100.03% (amortized cost -- \$19,818,197)				<u>19,818,197</u>
EXCESS OF TOTAL LIABILITIES OVER OTHER ASSETS -- 0.03%				
	Cash			957
	Interest Receivable			1,557
	Fees Payable to Service Providers			(7,548)
	TOTAL			<u>(5,034)</u>
NET ASSETS HELD IN TRUST FOR PARTICIPANTS -- 100%				
	Applicable to 19,813,163 outstanding units			<u>\$ 19,813,163</u>
NET ASSETS VALUE:				
	Offering and redemption price per unit (\$19,813,163 divided by 19,813,163 units outstanding)			<u>\$ 1.00</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS (CONT.)

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIVERSIFIED PLUS PORTFOLIO STATEMENT OF NET ASSETS -- June 30, 2006 (SHOWING PERCENTAGE OF NET ASSETS)

Par Value	Description	Yield at Time of Purchase	Due Date	Amortized Cost
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. securities) -- 54.11%				
\$ 8,696,000	Banc America, Repurchase Agreement	5.19%	07/03/06	\$ 8,696,000
8,000,000	Morgan Stanley, Repurchase Agreement	5.19%	07/03/06	8,000,000
	TOTAL (amortized cost -- \$16,696,000)			<u>16,696,000</u>
U.S. GOVERNMENT AGENCY OBLIGATIONS -- 38.79%				
1,005,000	Federal Home Loan Bank, Discount Note	5.05%	07/10/06	1,003,756
6,000,000	Federal National Mortgage Assn., Discount Note	5.26%	07/19/06	5,984,490
5,000,000	Federal Home Loan Bank, Discount Note	5.27%	07/26/06	4,982,014
	TOTAL (amortized cost -- \$11,970,260)			<u>11,970,260</u>
COMMERCIAL PAPER -- 7.10%				
800,000	American Honda Finance	5.15%	07/13/06	798,653
700,000	Nieuw Amsterdam	5.38%	07/26/06	697,433
700,000	UBS Finance Delaware LLC	5.44%	08/21/06	694,725
	TOTAL (amortized cost -- \$2,190,811)			<u>2,190,811</u>
TOTAL INVESTMENTS -- 100.00% (amortized cost -- \$30,857,071)				<u>30,857,071</u>
EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 0.00%				
	Cash			567
	Interest Receivable			2,407
	Fees Payable to Service Providers			(2,891)
	TOTAL			<u>83</u>
NET ASSETS HELD IN TRUST FOR PARTICIPANTS -- 100%				
	Applicable to 30,857,154 outstanding units			<u>\$ 30,857,154</u>
NET ASSETS VALUE:				
	Offering and redemption price per unit (\$30,857,154 divided by 30,857,154 units outstanding)			<u>\$ 1.00</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS (CONT.)

IOWA SCHOOLS JOINT INVESTMENT TRUST STATEMENTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Diversified Portfolio</u>	<u>Direct Government Obligation Portfolio</u>	<u>Diversified Plus Portfolio</u>
INVESTMENT INCOME:			
Interest	\$ 10,980,325	\$ 955,910	\$ 188,611
EXPENSES:			
Investment Advisory Fees	248,823	29,091	2,996
Administrative Fees	273,854	26,631	2,434
Marketing Fees	233,335	21,773	3,370
Custody Fees	119,978	12,096	-
Sponsorship Fees	259,261	24,195	3,742
Other Fees and Expenses	8,592	942	-
Total Expenses	1,143,843	114,729	12,542
Waived Fees	(239,574)	(39,186)	(7,957)
NET EXPENSES	904,269	75,543	4,585
NET INVESTMENT INCOME	<u>\$ 10,076,056</u>	<u>\$ 880,367</u>	<u>\$ 184,026</u>

IOWA SCHOOLS JOINT INVESTMENT TRUST STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>Diversified Portfolio</u>		<u>Direct Government Obligation Portfolio</u>		<u>Diversified Plus Portfolio</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
From Investment Activities:					
Net investment income distributed to unitholders	\$ 10,076,056	\$ 4,313,274	\$ 880,367	\$ 554,213	\$ 184,026
From Unit Transactions:					
(at constant net asset value of \$1 per unit)					
Units sold	1,165,087,056	1,105,412,332	30,302,242	39,243,536	39,112,411
Units issued in reinvestment of dividends from net investment income	10,076,056	4,313,274	880,367	554,213	184,026
Units redeemed	(1,192,930,447)	(1,065,362,928)	(39,325,730)	(46,034,281)	(8,439,283)
Net (decrease) increase in net assets derived from unit transactions	(17,767,335)	44,362,678	(8,143,121)	(6,236,532)	30,857,154
Net assets at beginning of period	296,657,674	252,294,996	27,956,284	34,192,815	-
Net assets at end of period	<u>\$ 278,890,339</u>	<u>\$ 296,657,674</u>	<u>\$ 19,813,163</u>	<u>\$ 27,956,283</u>	<u>\$ 30,857,154</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS (CONT.)

Selected Data for a Unit of Each Portfolio

Outstanding Through Each Period Ended June 30:

	2006	2005	2004	2003	2002
<i>Iowa Schools Joint Investment Trust</i>					
<i>Diversified Portfolio</i>					
Net Asset Value, Beginning of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Net Investment Income	0.039	0.018	0.006	0.009	0.053
Dividends Distributed	(0.039)	(0.018)	(0.006)	(0.009)	(0.053)
Net Asset Value, End of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Return	3.91%	1.72%	0.62%	0.93%	2.12%
Ratio of Expenses to Average Net Assets	0.35%	0.47%	0.47%	0.58%	0.58%
Ratio of Net Investment Income to Average Net Assets	3.89%	1.82%	0.62%	0.89%	2.02%
Net Assets, End of Period (000 Omitted)	\$ 278,890	\$ 296,658	\$ 252,295	\$ 268,587	\$ 268,113
	2006	2005	2004	2003	2002

Iowa Schools Joint Investment Trust ***Direct Government Obligation Portfolio***

Net Asset Value, Beginning of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Net Investment Income	0.036	0.015	0.005	0.009	0.018
Dividends Distributed	(0.036)	(0.015)	(0.005)	(0.009)	(0.018)
Net Asset Value, End of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Return	3.77%	1.58%	0.50%	0.85%	1.82%
Ratio of Expenses to Average Net Assets	0.31%	0.50%	0.50%	0.60%	0.60%
Ratio of Net Investment Income to Average Net Assets	3.64%	1.51%	0.50%	0.86%	1.76%
Net Assets, End of Period (000 Omitted)	\$ 19,813	\$ 27,956	\$ 34,193	\$ 38,748	\$ 41,755

2006

Iowa Schools Joint Investment Trust ***Diversified Plus Portfolio***

Net Asset Value, Beginning of Period	\$1.000
Net Investment Income	0.049
Dividends Distributed	(0.049)
Net Asset Value, End of Period	\$1.000
Total Return	4.86%
Ratio of Expenses to Average Net Assets	0.12%
Ratio of Net Investment Income to Average Net Assets	4.91%
Net Assets, End of Period (000 Omitted)	\$ 30,857

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of the Organization:

Iowa Schools Joint Investment Trust (ISJIT) is a common law trust established under Iowa law pursuant to Chapter 28E which authorizes Iowa schools to jointly invest moneys pursuant to a joint investment agreement. ISJIT is a Moody's Investors Service rated money market fund pursuant to the requirements of Iowa Code Section 12b.10. ISJIT was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of October 1, 1986, and commenced operations on December 16, 1986. The Joint Powers Agreement and Declaration of Trust was amended on September 22, 1988, and again on May 1, 1993. As amended, ISJIT is authorized and now operates investment programs, including the Diversified Portfolio, the Direct Government Obligation (DGO) Portfolio, and the Diversified Plus Portfolio.

The operation of ISJIT is governed by a Board of Trustees consisting of six members and non-voting persons as may be appointed by the Board. Trustees are appointed by the Board of Trustees of which four of the Trustees shall be members of the Board of Directors of the Iowa Association of School Boards (IASB), who are directors participating in the Trust, a superintendent of a School Corporation participating in the Trust, and a school board secretary or business official of a School Corporation participating in the Trust.

The accompanying financial statements include the activities of the Diversified, DGO, and Diversified Plus Portfolios. The objective of the portfolios is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa schools under Iowa law. IASB serves as the Sponsor, Wells Fargo Bank, N.A. (Wells Fargo) serves as the Custodian, Voyageur Asset Management Inc. (Voyageur) serves as the Investment Adviser, Bankers Trust Company, N.A. (Bankers Trust) serves as the Administrator, and Midamerica Investment Advisory Group, Inc. dba BTC Capital Management (BTC Capital) serves as Marketing Services Provider. IASB is considered a related party to ISJIT by common board members.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The Portfolios' financial statements are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. ISJIT applies all Governmental Accounting Standards Board (GASB) pronouncements. It also applies Financial Accounting Standards Board pronouncements, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of the Portfolios are included on each of the Portfolio's Statement of Net Assets.

Use of Estimates:

The preparation of financial statements 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 period. Actual results could differ from those estimates.

Authorized Investments:

ISJIT's policy is to only invest in securities specifically permitted for Participants under Iowa law, as it now or in the future exists, including the following types of securities and instruments:

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Authorized Investments (continued):

- 1) Securities issued or guaranteed as to payment of principal and interest by the U.S. Government. These include, for example, Treasury bills, bonds, and notes that are direct obligations of the U.S. Government.
- 2) Obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the U.S. Government. Such agencies and instrumentalities include, for example, Federal Intermediate Credit Banks, Federal Home Loan Banks, the Federal National Mortgage Association and the Farmers Home Administration. Such securities will include those supported by the full faith and credit of the United States Treasury or the right of the agency or instrumentality to borrow from the Treasury, as well as those supported only by the credit of the issuing agency or instrumentality.
- 3) Collateralized perfected repurchase agreements secured by the U.S. Government or U.S. Government agency obligations. A repurchase agreement involves the sale of such securities to ISJIT with the concurrent agreement of the seller to repurchase them at a specified time and price to yield an agreed upon rate of interest. The securities collateralizing the agreement are held in custody and are regularly verified by ISJIT's Custodian and are maintained daily in an amount equal to at least 102 percent of the agreement.
- 4) Certificates of Deposit ("CDs") in Iowa financial institutions. Each CD that ISJIT places with an Iowa institution on behalf of the Participants in ISJIT is insured by the FDIC for the first \$100,000 of value. All amounts in excess of \$100,000 in an Iowa institution are protected by provisions in the Iowa Code. The acceptance of public funds by a financial institution constitutes agreement by the financial institution to pledge collateral as required by Iowa Code section 12C.22 or by the state sinking funding in accordance with Chapter 12C of the Code of Iowa, consent by the financial institution to the disposition of the collateral pledged by the financial institution, consent by the financial institution to assessments by the treasurer of the State of Iowa, and agreement by the financial institution to provide accurate information and to otherwise comply with the requirements of Iowa Code chapter 12C and chapter 13.
- 5) Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the Iowa superintendent of banking provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase no more than ten percent of the investment portfolio shall be in these investments and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

Deposits and Investments:

ISJIT reports as "Cash" all cash on hand and on deposit in banks. All cash deposits are held by banks as required under Chapter 12C of the Code of Iowa. Certificates of deposit are separately listed on the statement of net assets of each Portfolio.

ISJIT reports investments at amortized cost, consistent with GASB Statement No. 31 and SEC Rule 2a-7. Amortized cost involves valuing a portfolio security at its original date of purchase, and thereafter amortizing

NOTES TO FINANCIAL STATEMENTS (CONT.)

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Deposits and Investments (continued):

any premium or accreting any discount on a straight-line basis to maturity. The amount of premium or discount amortized or accreted to income under the straight-line method does not differ materially from the amount that would be amortized to income under the interest method. Procedures are followed to maintain a constant net asset value of \$1.00 per unit for each portfolio.

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

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

In connection with transactions in repurchase agreements, it is ISJIT'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 ISJIT may be delayed or limited. At June 30, 2006, the securities purchased under overnight agreements to resell were collateralized by government and government agency securities with market values of \$9,596,000, \$13,300,000, and \$17,096,000 for the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio, respectively.

Net Asset Value

ISJIT determines the net asset value of each portfolio daily. Units are issued and redeemed daily at the daily net asset value. Dividends from net investment income for each portfolio is declared daily and distributed monthly.

Income Taxes

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

Note 2. Fees and Expenses

Under separate agreements with IASB, ISJIT, Voyager, Bankers Trust, BTC Capital, and Wells Fargo are paid fees based upon a percentage of the average daily net asset value for operating the investment programs. All fees are computed on a daily basis and paid monthly to the service providers.

During FY 2006 all the service providers agreed to voluntarily waive their fees for a period of time for the Diversified and DGO Portfolios. As of August 2, 2005, the fees for investment advisor services (Voyager), administrative services (Bankers Trust), marketing services (BTC Capital), and the sponsor fee (IASB) were waived. The custodial services (Wells Fargo) fee was waived as of August 3, 2005. Beginning October 19, 2005 for the Diversified Portfolio and October 31, 2005 for the DGO Portfolio, all fees returned at a rate of approximately 2 basis points per day. The fees for Diversified were fully restored effective November 22, 2005 and the fees for DGO were fully restored effective December 5, 2005. During FY 2006 the service providers agreed to waive a portion of their fees from the April 2006 start date until after June 30, 2006 for the Diversified Plus Portfolio. The fees for investment adviser services (Voyager), administrative services (Bankers Trust), and sponsor (IASB) were waived 50%. The marketing services (BTC Capital) fees were waived 100%.

NOTES TO FINANCIAL STATEMENTS (CONT.)

Note 2. Fees and Expenses (continued)

For investment advisor services provided to the Diversified and DGO Portfolios, Voyager receives 0.120 percent of the average daily net asset value up to \$100 million, 0.100 percent of the average daily net asset value from \$100 million to \$200 million, and 0.050 percent for assets exceeding \$200 million. The amount of fees waived for the Diversified and DGO Portfolios were \$56,474 and \$10,049, respectively. For investment advisor services provided to the Diversified Plus Portfolio, Voyager receives 0.080 percent of the average daily net asset value which is inclusive of the custody fee and agreed to waive \$1,498 of that amount. For the year ended June 30, 2006, the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio incurred actual expenses of \$192,349, \$19,042 and \$1,498, respectively, for services provided by Voyager. The amount due to Voyager at June 30, 2006 was \$22,747 for Diversified, \$1,927 for DGO, and \$944 for Diversified Plus.

For administrative services provided to the Diversified and DGO Portfolios, Bankers Trust receives 0.110 percent of the average daily net asset value up to \$150 million, 0.100 percent of the average daily net asset value from \$150 million to \$300 million, and .09 percent for assets exceeding \$300 million. The amount of fees waived for the Diversified and DGO Portfolios were \$56,857 and \$9,156, respectively. For administrative services to the Diversified Plus Portfolio, Bankers Trust receives 0.065 percent of the average daily net asset value and agreed to waive \$1,217 of that amount. For the year ended June 30, 2006, the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio incurred expenses of \$216,997, \$17,475, and \$1,216, respectively, for services provided by Bankers Trust. The amount due to Bankers Trust at June 30, 2006 was \$26,881 for Diversified, \$1,767 for DGO and \$767 for Diversified Plus.

For marketing services provided to the Diversified and DGO Portfolios, BTC Capital receives 0.090 percent of the average daily net asset value. The amount of the fees waived for the Diversified and DGO Portfolios were \$47,674 and \$7,492, respectively. For marketing services to the Diversified Plus Portfolio, BTC Capital receives 0.090 percent of the average daily net asset value and has agreed to waive the full amount. For the year ended June 30, 2006, the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio incurred expenses of \$185,661, \$14,281, and \$0, respectively, for services provided by BTC Capital. The amount due to BTC Capital at June 30, 2006 was \$23,190 for Diversified, \$1,445 for DGO, and \$0 for Diversified Plus.

For custodial services provided to the Diversified Portfolio and DGO Portfolios, Wells Fargo receives 0.050 percent of the average daily net asset value up to \$150 million, 0.045 percent from \$150 million to \$200 million, 0.040 percent from \$200 to \$250 million, and 0.035 percent for assets exceeding \$250 million. The amount of fees waived for the Diversified and DGO Portfolios were \$25,599 and \$4,162, respectively. For the year ended June 30, 2006, the Diversified Portfolio and the DGO Portfolio incurred expenses of \$94,379 and \$7,934, respectively, for services provided by Wells Fargo. The amount due to Wells Fargo at June 30, 2006 was \$11,484 for Diversified and \$803 for DGO.

Under an administrative services agreement, the sponsoring association receives an annual fee of 0.100 percent of the average daily net asset value of the Diversified Portfolio and DGO Portfolio. The amount of fees waived for the Diversified and DGO Portfolios were \$52,971 and \$8,327, respectively. For administrative services to the Diversified Plus Portfolio, IASB is currently receiving 0.100 percent of the average daily net asset value and has agreed to waive \$1,871 of that amount. For the year ended June 30, 2006, the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio incurred expenses of \$206,290, \$15,868, and \$1,871, respectively, to IASB. The amount due to IASB at June 30, 2006 was \$25,767 for Diversified, \$1,606 for DGO, and \$1,180 for Diversified Plus.

NOTES TO FINANCIAL STATEMENTS (CONT.)

Note 2. Fees and Expenses (continued)

ISJIT is responsible for other operating expenses incurred directly by ISJIT and its Trustees in connection with the discharge of their duties. These expenses include legal, auditing, out of pocket expenses of Trustees, printing and mailing costs, and other services performed by ISJIT. In order to cover these operating expenses, a maximum daily rate of 0.030 percent of the average daily net asset value may be calculated and allocated to the ISJIT Administrative Fund to cover the operating expenses. For the year ended June 30, 2006, the Diversified Portfolio, the DGO Portfolio, and the Diversified Plus Portfolio allocated \$8,592, \$942, and \$0, respectively, to the ISJIT Administrative Fund for operating expenses. The balance of the ISJIT Administrative Fund, which is included in net assets of the Diversified Portfolio at June 30, 2006, was \$74,644.

Note 3. Securities Transactions

Purchases and maturities of securities for the Diversified Portfolio aggregated \$13,090,000,000 and \$13,114,408,000, respectively, for the year ended June 30, 2006. Purchases and maturities of securities for the DGO Portfolio aggregated \$2,079,515,000 and \$2,088,194,000, respectively, for the year ended June 30, 2006. Purchases and maturities of securities for the Diversified Plus Portfolio aggregated \$723,997,000 and \$693,193,000, respectively, for the year ended June 30, 2006.

Note 4. Deposit and Investment Risk Disclosures

Under Governmental Accounting Standards Statement No. 40, Deposit and Investment Risk Disclosures (GASB 40), the deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to interest rate risk, credit risk, and concentration of credit risk.

Interest Rate Risk. As a means of limiting its exposure to losses arising from rising interest rates, the Portfolios' investment policy limits the purchase of investments to a maturity date of no more than 397 days from the purchase date. The maximum dollar weighted average maturity for each Portfolio is 60 days or less. Any commercial paper and other short-term corporate debt purchased for the Diversified Plus Portfolio is further limited to a maturity of no more than 270 days from the purchase date.

Credit Risk. ISJIT is only authorized to invest in instruments authorized by Iowa law which governs the investment of funds by Iowa governmental entities. The investments in the Federal agencies (Federal Home Loan Mortgage Co., Federal National Mortgage Assn., Federal Home Loan Bank, and Federal Farm Credit Corp.) are all rated A-1+ by Standard and Poor's and P-1 by Moody's Investor Service. The Repurchase Agreements are all collateralized by Federal agency notes which are rated A-1+ by Standard and Poor's and P-1 by Moody's Investor Service. The investment in Certificates of Deposit ("CDs") in Iowa financial institutions is insured by the FDIC for the first \$100,000 and amounts in excess of that are protected by provisions in the Iowa Code. The investments in commercial paper are rated A-1 or A-1+ by Standard and Poor's and P-1 by Moody's Investor Service.

Concentration of Credit Risk. ISJIT places no limit on the amount it may invest in any one issuer for the Diversified and DGO Portfolios. More than 5 percent of Diversified's total investments are in the following issuers: Federal Home Loan Bank (32.1%), Federal National Mortgage Assn. (30.6%), and Federal Home Loan Mortgage Co. (28.2%). More than 5 percent of DGO's total investments are in the following issuers: U.S.

NOTES TO FINANCIAL STATEMENTS (CONT.)

Note 4. Deposit and Investment Risk Disclosures (continued)

Treasury Bills (34.9%), Banc America Repurchase Agreement (22.7%), Morgan Stanley Repurchase Agreement (22.7), and Barclays Repurchase Agreement (19.7%). ISJIT places no limit on the amount it may invest in any one issuer for the Diversified Plus Portfolio except for the commercial paper and other short-term corporate debt which is limited to ten percent in total and a maximum of five percent of any single issuer. More than 5 percent of Diversified Plus's total investments are in the following issuers: Banc America Repurchase Agreement (28.2%), Morgan Stanley Repurchase Agreement (25.9%), Federal Home Loan Bank (19.4%), and Federal National Mortgage Assn. (19.4%). The following chart details the risks previously described:

Diversified		Weighted Average			
Investment Type	Amortized Cost	Days to Maturity or Maturity Date	Rating	% of Portfolio	
Federal Home Loan Bank	\$ 89,296,692	43	A-1 +	32.1%	
Federal National Mortgage Assn.	85,258,325	46	A-1 +	30.6%	
Federal Home Loan Mortgage Co.	78,559,737	61	A-1 +	28.2%	
Federal Farm Credit Bank	10,000,177	35	A-1 +	3.6%	
Banc America Repurchase Agreement	9,320,000	07/03/06	A-1 +	3.3%	
Iowa Bank CD's	6,050,000	61		2.2%	
TOTAL	\$ 278,484,931			100.0%	

DGO		Weighted Average			
Investment Type	Amortized Cost	Days to Maturity or Maturity Date	Rating	% of Portfolio	
U.S. Treasury Bills	\$ 6,909,197	26	A-1 +	34.9%	
Banc America Repurchase Agreement	4,500,000	07/03/06	A-1 +	22.7%	
Morgan Stanley Repurchase Agreement	4,500,000	07/03/06	A-1 +	22.7%	
Barclays Repurchase Agreement	3,909,000	07/03/06	A-1 +	19.7%	
TOTAL	\$ 19,818,197			100.0%	

Diversified Plus		Weighted Average			
Investment Type	Amortized Cost	Days to Maturity or Maturity Date	Rating	% of Portfolio	
Banc America Repurchase Agreement	\$ 8,696,000	07/03/06	A-1 +	28.2%	
Morgan Stanley Repurchase Agreement	8,000,000	07/03/06	A-1 +	25.9%	
Federal Home Loan Bank	5,985,770	23	A-1 +	19.4%	
Federal National Mortgage Assn.	5,984,490	19	A-1 +	19.4%	
Commercial Paper	2,190,811	30	A-1	7.1%	
TOTAL	\$ 30,857,071			100.0%	

INDEPENDENT AUDITOR'S REPORT

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA
James E. Benbow, CPA
Bruce W. Hartley, CPA
John E. Lamale, CPA
Brent L. Alexander, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Unitholders
Iowa Schools Joint Investment Trust

We have audited the accompanying statement of net assets of the Diversified Portfolio, the Direct Government Obligation Portfolio, and the Diversified Plus Portfolio of the Iowa Schools Joint Investment Trust (ISJIT) as of June 30, 2006, and the related statements of operations for the year then ended. We have also audited the accompanying statements of changes in net assets for June 30, 2006 and 2005 and the financial highlights for the years ending June 30, 2006 and 2005 for the Diversified Portfolio and the Direct Government Portfolio. We have also audited the accompanying statement of changes in net assets and the financial highlights for the year ended June 30, 2006 for the Diversified Plus Portfolio. These financial statements and the financial highlights are the responsibility of the ISJIT's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for years ending 2002 through 2004 were audited by other auditors whose report dated July 16, 2004, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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, the Direct Government Obligation Portfolio, and the Diversified Plus Portfolio of the ISJIT as of June 30, 2006, the results of their operations for the year then ended, changes in net assets for the years ended June 30, 2006 and 2005 for the Diversified Portfolio and the Direct Government Obligation Portfolio, changes in net assets for the year ended June 30, 2006 for the Diversified Plus Portfolio, and financial highlights as of June 30, 2006 and 2005 for the Diversified Portfolio and the Direct Government Obligation Portfolio, and financial highlights as of June 30, 2006 for the Diversified Plus Portfolio, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2006, on our consideration of ISJIT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brooks Lodden, P.C.

West Des Moines, Iowa
July 28, 2006

REPORT ON INTERNAL CONTROL

Brooks Lodden P.C.
certified public accountants

Telford A. Lodden, CPA, CFP®, CVA
James E. Benbow, CPA
Bruce W. Hartley, CPA
John E. Lamale, CPA
Brent L. Alexander, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Iowa Schools Joint Investment Trust

We have audited the financial statements of the Diversified Portfolio, Diversified Government Obligation Portfolio, and the Diversified Plus Portfolio of Iowa Schools Joint Investment Trust (ISJIT) as of and for the year ended June 30, 2006, and have issued our report thereon dated July 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ISJIT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ISJIT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, ISJIT's management, and the State of Iowa and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

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Voyageur Asset Management
90 South 7th Street, Suite 4300
Minneapolis, MN 55402
(800) 553-2143 www.voyageur.net

Voyageur ASSET MANAGEMENT INC.

Administrator:

Bankers Trust Company, N.A.
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Marketing Agent:

BTC Capital Management

BTC CAPITAL MANAGEMENT

A Registered Investment Advisor

Investment Management and Advisory Services

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