

# ISJIT

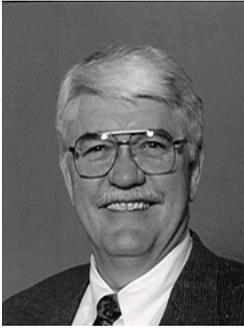
Iowa Schools Joint Investment Trust

## ISJIT Annual Financial Report June 30, 2008

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## Statement from Sponsoring Association



Since 1986, the Iowa Schools Joint Investment Trust (ISJIT) has focused on serving the cash management needs of school districts, community colleges, area education agencies, and other eligible participants in a safe, effective, and efficient manner. ISJIT is sponsored by the Iowa Association of School Boards (IASB), governed by a representative board of trustees, and served by a dedicated team of professionals.

ISJIT has over 370 authorized participants and welcomed 5 new participants in the 2007-2008 fiscal year. Over the past year, there has been significant volatility in the short-term marketplace. In an effort to stabilize a deteriorating credit market, the Federal Reserve has taken bold steps to reduce short-term interest rates. As a result, the benchmark Fed Funds rate has been adjusted downward in seven moves by the Federal Reserve to a current level of 2.00 percent after reaching 5.25 percent just twelve months ago. During the last twelve months, monetary policy has been focused on ensuring that markets continue to perform in an orderly manner. In a normal market environment the Federal Reserve would have focused on economic growth while keeping a close watch on inflationary pressures. While the cash market has shown some signs of improved health in recent months, the fallout from credit market distresses and related weakness in the housing market does not appear to be over.

The overall reduction in market interest rates has translated to lower earnings rates available to short-term investors across all manner of liquid cash investment vehicles, including ISJIT. The pools continue to provide a competitive return, with an emphasis on the preservation of principal and maintenance of suitable liquidity for all participants. ISJIT remains the leading choice among school corporations across the state.

The IASB 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.

Sincerely,

A handwritten signature in dark ink that reads "Ronald M. Rice". The signature is written in a cursive style.

Ronald M. Rice  
Executive Director  
Iowa Association of School Boards  
Email: [rrice@ia-sb.org](mailto:rrice@ia-sb.org)

## Message from the Chair



ISJIT is pleased to present this Annual Financial Report for the period ended June 30, 2008. ISJIT enjoyed a record year of operation:

The assets held in ISJIT's Diversified Fund, Diversified Plus Fund, and Direct Government Obligation Fund reached an all-time high during the fiscal year, climbing as high as \$540,341,042 in May of 2008.

The number of participants utilizing ISJIT's Fixed-Term Automated (FTA) services increased during the year. As of June 30, 2008, thirty-eight participants were using the FTA service with total FTA assets exceeding \$244 million.

The ISJIT Board is encouraged by these accomplishments and we thank you for your loyal support over the past fiscal year.

We are pleased to announce a change in program custody and cash management services to Bankers Trust Company, N.A. for the 2008-2009 fiscal year. This change will allow ISJIT to offer participants a variety of new services and enhancements such as electronic bill payment, checkwriting, ACH payroll upload, remote deposit capture, and sweep services from a local bank. We are excited about these enhancements to the ISJIT program, and look forward to servicing your cash management needs in the next fiscal year.

Your comments and suggestions are always welcome 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  
Chairperson

## Board of Trustees



Tom Downs  
Southeast Polk



Jack Hill  
North Scott



Richard L. Vande Kieft  
Cedar Falls



Margaret Borgen  
Heartland AEA 11



Thomas Wieseler  
Mt. Vernon



Don Friedrichsen  
Galva-Holstein



Greg Reynolds  
Keokuk

ISJIT Board of Trustees meets regularly to review the program's operation and to consider program operating enhancements that might be of assistance to ISJIT participants. Each of the seven members represents the interests of their school corporation as well as over 370 other ISJIT program members. Each board member has served as a school board member or administrator in his/her 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, Alburnett, 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, Belmont-Klemme, Bellevue, 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, Colo-Nesco, 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, Emmetsburg, English Valleys, Essex, Estherville Lincoln Central, Exira, Fairfield, Farragut, 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, Hubbard-Radcliffe, Hudson, Humboldt, I-K-M, 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, Jesup, 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, Midland, Missouri Valley, MOC-Floyd Valley, Montezuma, Monticello, Moravia, Mormon Trail, Morning Sun, Moulton-Udell, Mount Ayr, Mount Pleasant, Mount Vernon, Murray, Muscatine, Nashua-Plainfield, 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, Postville, 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-Ocheyedan, 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, Titonka, 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 Bend-Mallard, 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 is sponsored by the Iowa Association of School Boards (IASB). IASB's management team meets regularly with the program's service providers to monitor all elements of program operation.
- Unique internet-based reporting system, *ISJIT Online*, 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.
- 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.
- Provides toll-free telephone access to experienced ISJIT representatives who can personally assist with any investment related inquiry or request offer.
- Invests available funds with Iowa financial institutions, offering competitive rates of interest, whenever possible.
- Flexible Withdrawal Certificate of Deposit offers the perfect investment capability for bond proceeds. Each Flex CD is tailored to the specific needs of the project by offering:
  - Payment of a competitive fixed rate of interest
  - No penalty for early withdrawals
  - Monthly liquidity for project needs
  - An extended maturity to accommodate any unanticipated project delays

“The ISJIT Flex CD has been a convenient investment option for the Storm Lake Community School District during the construction of our new elementary school. The proceeds of our three bond issues are invested at competitive rates and are easily available in any amount or at any time we need them. We are excited to be building this state of the art school for the students of Storm Lake and the ISJIT Flex CD has allowed us to maximize our project revenues.”

- Trudy Peterson, Business Manager,  
Storm Lake Community School District

Storm Lake New Elementary School



## Management's Discussion and Analysis

This section of ISJIT Administration Fund, 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 years ended June 30, 2008 (FY 2008) and June 30, 2007 (FY 2007). This information is being presented to provide additional information regarding the activities of ISJIT. 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.

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 money pursuant to a joint investment agreement. ISJIT operates 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. 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 fiduciary financial statements of ISJIT's Administration Fund, Diversified, DGO, and Diversified Plus Portfolios. The following components comprise the financial statements for the Administration Fund: 1) Statements of Net Assets, 2) Statements of Changes in Net Assets, and 3) Notes to Financial Statements. The following components comprise the financial statements for each Portfolio: 1) Statements of Net Assets, 2) Statements of Changes in Net Assets, 3) Schedule of Investments for FY 2008, and 4) Notes to Financial Statements. The Statements of Net Assets displays the financial position (assets and liabilities) of the funds as of June 30, 2008 and 2007. The Statements of Changes in Net Assets displays the results of operations (income and expenses) and participant/unitholder activity (sales and redemptions) for each of the two most recent fiscal years. The Schedule of Investments lists each security held by the portfolio as of June 30, 2008. The Notes to Financial Statements describe significant accounting policies of the portfolios.

## Management's Discussion and Analysis, Continued

### Condensed Financial Information and Financial Analysis

Year-to-year variances in most financial statement amounts reported in ISJIT's Administrative Fund, 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/unitholder 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. Throughout FY 2008 ended June 30, 2008, the benchmark Fed Funds rate has been adjusted downward in eight moves by the Federal Reserve to a current level of 2.00 percent after reaching 5.25 percent in FY 2007.

The average net assets for the Administration Fund increased 360 percent to \$42,669 in FY 2008 from \$11,871 in FY 2007. The increase in the net assets for the Administration Fund was a result of management increasing the administration fee to cover anticipated expenses related to the fund.

During FY 2008 ended June 30, 2008, average net assets increased 22.54 percent to \$325,766,281 from average net assets of \$265,847,959 during FY 2007 ended June 30, 2007 for the Diversified Portfolio. During FY 2008, average net assets increased 2.06 percent to \$21,483,637 from average net assets of \$21,050,833 during FY 2007 for the DGO Portfolio. The average net assets for the Diversified Plus Portfolio decreased 17.30 percent to \$34,233,004 in FY 2008 from \$41,392,865 in FY 2007.

Condensed financial information and variance explanations for each portfolio for FY 2008 and FY 2007 follows:

#### Administration Fund

Condensed information for the Portfolio through each period ended June 30:

	2008	2007	Percentage Change
Total Assets	\$ 63,540	\$ 15,544	308.78%
Net Assets	\$ 54,540	\$ 11,871	359.44%
Income	\$ 105,878	\$ 22,854	363.28%
Total Expenses	\$ 63,209	\$ 70,197	-9.95%

## Management's Discussion and Analysis, Continued

### Condensed Financial Information and Financial Analysis, Continued

#### Diversified Portfolio

Condensed information for the Portfolio through each period ended June 30:	2008	2007	Percentage Change
Total Investments	\$ 366,297,779	\$ 301,705,205	21.41%
Net Assets	\$ 367,028,682	\$ 302,379,269	21.38%
Average Net Assets	\$ 325,766,281	\$ 265,847,959	22.54%
Investment Income	\$ 12,669,327	\$ 13,962,856	-9.26%
Total Expenses	\$ 1,052,290	\$ 883,728	19.07%
Net Investment Income	\$ 11,617,037	\$ 13,079,128	-11.18%
Units Sold (\$1 per unit)	1,283,599,162	1,106,011,840	16.06%
Units Redeemed (\$1 per unit)	1,230,566,786	1,095,602,038	12.32%
Total Return	3.83%	5.02%	
Ratio of Expenses to Average Net Assets	0.32%	0.33%	
Ratio of Net Investment Income to Average Net Assets	3.57%	4.92%	
Net Asset Value per Unit, Beginning of Period	\$ 1.000	\$ 1.000	
Net Investment Income per Unit	0.036	0.049	
Dividends Distributed per Unit	(0.036 )	( 0.049 )	
Net Asset Value per Unit, End of Period	\$ 1.000	\$ 1.000	

#### Direct Government Obligation Portfolio

Condensed information for the Portfolio through each period ended June 30:	2008	2007	Percentage Change
Total Investments	\$ 17,528,000	\$ 20,527,000	-14.61%
Net Assets	\$ 17,523,574	\$ 20,532,367	-14.65%
Average Net Assets	\$ 21,483,637	\$ 21,050,833	2.06%
Investment Income	\$ 739,272	\$ 1,088,270	-32.07%
Total Expenses	\$ 68,004	\$ 72,493	-6.19%
Net Investment Income	\$ 671,268	\$ 1,015,777	-33.92%
Units Sold (\$1 per unit)	32,431,274	41,690,752	-22.21%
Units Redeemed (\$1 per unit)	36,111,335	41,987,325	-13.99%
Total Return	3.17%	4.93%	
Ratio of Expenses to Average Net Assets	0.32%	0.34%	
Ratio of Net Investment Income to Average Net Assets	3.12%	4.83%	
Net Asset Value per Unit, Beginning of Period	\$ 1.000	\$ 1.000	
Net Investment Income per Unit	0.031	0.048	
Dividends Distributed per Unit	(0.031 )	( 0.048 )	
Net Asset Value per Unit, End of Period	\$ 1.000	\$ 1.000	

## Management's Discussion and Analysis, Continued

### Condensed Financial Information and Financial Analysis, Continued

#### Diversified Plus Portfolio

Condensed information for the Portfolio through each period ended June 30:	2008	2007	Percentage Change
Total Investments	\$ 43,729,209	\$ 41,429,136	5.55%
Net Assets	\$ 43,797,766	\$ 41,470,222	5.61%
Average Net Assets	\$ 34,233,004	\$ 41,392,865	-17.30%
Investment Income	\$ 1,316,293	\$ 2,197,907	-40.11%
Total Expenses	\$ 110,560	\$ 111,358	-0.72%
Net Investment Income	\$ 1,205,733	\$ 2,086,549	-42.21%
Units Sold (\$1 per unit)	214,100,541	166,261,966	28.77%
Units Redeemed (\$1 per unit)	212,978,730	157,735,447	35.02%
Total Return	3.81%	5.16%	
Ratio of Expenses to Average Net Assets	0.32%	0.27%	
Ratio of Net Investment Income to Average Net Assets	3.52%	5.04%	
Net Asset Value per Unit, Beginning of Period	\$ 1.000	\$ 1.000	
Net Investment Income per Unit	0.035	0.050	
Dividends Distributed per Unit	(0.035 )	( 0.050 )	
Net Asset Value per Unit, End of Period	\$ 1.000	\$ 1.000	

Total investments and net assets at June 30, 2008 increased in the Diversified and Diversified Plus Portfolios and decreased in the Direct Government Obligation Portfolio when compared to the June 30, 2007, year-end totals.

Investment income and net investment income decreased in all three Portfolios during FY 2008 compared to FY 2007 due to the decreasing rate environment throughout FY 2008. Expenses of the Portfolios are calculated on daily net asset totals causing the Diversified Portfolio total expenses to increase while the Direct Government Obligation and Diversified Plus expenses decreased.

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net assets of the Iowa Schools Joint Investment Trust (ISJIT) Administration Fund, Diversified Portfolio, the Direct Government Obligation Portfolio, and the Diversified Plus Portfolio as of June 30, 2008 and 2007, and the related statements of changes in net assets for the years then ended. We have also audited the accompanying schedules of investments of the Diversified Portfolio, the Direct Government Obligation Portfolio, and Diversified Plus Portfolio for the year ended June 30, 2008. These financial statements are the responsibility of ISJIT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ISJIT Administration Fund, Diversified Portfolio, the Direct Government Obligation Portfolio, and the Diversified Plus Portfolio as of June 30, 2008 and 2007, the changes in net assets for the years ended June 30, 2008 and 2007, and the schedule of investments as of June 30, 2008 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 October 28, 2008, 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 important for assessing 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  
October 28, 2008

# Financial Statements

**Iowa Schools Joint Investment Trust**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Administration Fund</b>	<b>Diversified Portfolio</b>	<b>Direct Government Obligation Portfolio</b>	<b>Diversified Plus Portfolio</b>	<b>Total</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 52,113	\$ 25,158	\$ 340	\$ 448	\$ 78,059
Interest Receivable		812,267	834	79,774	892,875
Accounts Receivable	11,427	-	-	-	11,427
Investments (amortized cost):					
Securities Purchased Under Agreement to Resell	-	24,546,000	17,528,000	2,882,000	44,956,000
Certificates of Deposit	-	9,800,000	-	2,500,000	12,300,000
U.S. Government Obligations	-	331,951,779	-	35,351,406	367,303,185
Commercial Paper	-	-	-	2,995,803	2,995,803
<b>Total Assets</b>	<b>63,540</b>	<b>367,135,204</b>	<b>17,529,174</b>	<b>43,809,431</b>	<b>428,537,349</b>
<b>Liabilities</b>					
Accounts Payable	9,000	-	-	-	9,000
Administration Fee	-	21,304	1,120	2,333	24,757
Investment Advisory and Custodian Fees	-	26,221	1,378	2,871	30,470
Marketing Fee	-	22,943	1,207	2,513	26,663
Sponsorship Fee	-	26,221	1,378	2,871	30,470
Administration Fund Fee	-	9,833	517	1,077	11,427
<b>Total Liabilities</b>	<b>9,000</b>	<b>106,522</b>	<b>5,600</b>	<b>11,665</b>	<b>132,787</b>
<b>Net Assets Held in Trust for Participants</b>	<b>\$ 54,540</b>	<b>\$ 367,028,682</b>	<b>\$ 17,523,574</b>	<b>\$ 43,797,766</b>	<b>\$ 428,404,562</b>

See accompanying notes to financial statements.

# Financial Statements

## Iowa Schools Joint Investment Trust Statement of Changes in Net Assets For the Year Ended June 30, 2008

	<u>Administration Fund</u>	<u>Diversified Portfolio</u>	<u>Direct Government Obligation Portfolio</u>	<u>Diversified Plus Portfolio</u>	<u>Total</u>
Investment Income:					
Interest	\$ 589	\$ 12,669,327	\$ 739,272	\$ 1,316,293	\$ 14,725,481
Investment Expenses:					
Investment Advisory and Custodian Fees	-	260,934	16,956	27,419	305,309
Administrative Fees	-	212,009	13,674	22,278	247,961
Marketing Fees	-	228,317	14,762	23,992	267,071
Sponsorship Fees	22,500	260,934	16,871	27,419	327,724
Administration Fund Fees	-	90,096	5,741	9,452	105,289
Professional Services	16,769	-	-	-	16,769
Rating Service Fees	14,000	-	-	-	14,000
Other Fees and Expenses	9,940	-	-	-	9,940
Total Investment Expenses	63,209	1,052,290	68,004	110,560	1,294,063
Net Investment Income (Expense)	(62,620)	11,617,037	671,268	1,205,733	13,431,418
Other Income	105,289	-	-	-	105,289
Net (Decrease) Increase in Net Assets Before Unit Transactions	42,669	11,617,037	671,268	1,205,733	13,536,707
Units Sold	-	1,283,599,162	32,431,274	214,100,541	1,530,130,977
Units Redeemed	-	(1,230,566,786)	(36,111,335)	(212,978,730)	(1,479,656,851)
Net Increase (Decrease) in Net Assets	42,669	64,649,413	(3,008,793)	2,327,544	64,010,833
Net Assets at Beginning of Period	11,871	302,379,269	20,532,367	41,470,222	364,393,729
Net Assets at End of Period	\$ 54,540	\$ 367,028,682	\$ 17,523,574	\$ 43,797,766	\$ 428,404,562

See accompanying notes to financial statements.

# Financial Statements

Iowa Schools Joint Investment Trust  
Statement of Net Assets  
June 30, 2007

	Administration Fund	Diversified Portfolio	Direct Government Obligation Portfolio	Diversified Plus Portfolio	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 12,439	\$ 173	\$ 586	\$ 772	\$ 13,970
Interest Receivable	-	753,585	9,903	50,184	813,672
Accounts Receivable	3,105	-	-	-	3,105
Investments (amortized cost):					
Securities Purchased Under Agreement to Resell	-	198,437,000	20,527,000	30,725,000	249,689,000
Certificates of Deposit	-	6,100,000	-	1,000,000	7,100,000
U.S. Government Obligations	-	97,168,205	-	6,417,544	103,585,749
Commercial Paper	-	-	-	3,286,592	3,286,592
<b>Total Assets</b>	<b>15,544</b>	<b>302,458,963</b>	<b>20,537,489</b>	<b>41,480,092</b>	<b>364,492,088</b>
<b>Liabilities</b>					
Accounts Payable	3,673	-	-	-	3,673
Administration Fee	-	16,984	1,092	2,103	20,179
Investment Advisory and Custodian Fees	-	20,903	1,343	2,589	24,835
Marketing Fee	-	18,291	1,176	2,265	21,732
Sponsorship Fee	-	20,903	1,343	2,589	24,835
Administration Fund Fee	-	2,613	168	324	3,105
<b>Total Liabilities</b>	<b>3,673</b>	<b>79,694</b>	<b>5,122</b>	<b>9,870</b>	<b>98,359</b>
<b>Net Assets Held in Trust for Participants</b>	<b>\$ 11,871</b>	<b>\$ 302,379,269</b>	<b>\$ 20,532,367</b>	<b>\$ 41,470,222</b>	<b>\$ 364,393,729</b>

See accompanying notes to financial statements.

# Financial Statements

## Iowa Schools Joint Investment Trust Statement of Changes in Net Assets For the Year Ended June 30, 2007

	Administration Fund	Diversified Portfolio	Direct Government Obligation Portfolio	Diversified Plus Portfolio	Total
Investment Income:					
Interest	\$ 1,959	\$ 13,962,856	\$ 1,088,270	\$ 2,197,907	\$ 17,250,992
Investment Expenses:					
Investment Advisory and Custodian Fees	-	251,625	21,528	33,114	306,267
Administrative Fees	-	195,899	16,027	26,905	238,831
Marketing Fees	-	197,130	15,777	30,794	243,701
Sponsorship Fees	22,500	223,714	17,882	34,933	299,029
Administration Fund Fees	-	15,360	1,279	2,678	19,317
Professional Services	26,981	-	-	-	26,981
Rating Service Fees	12,208	-	-	-	12,208
Other Fees and Expenses	8,508	-	-	-	8,508
Waived Fees	-	-	-	(17,066)	(17,066)
Total Investment Expenses	70,197	883,728	72,493	111,358	1,137,776
Net Investment Income (Expense)	(68,238)	13,079,128	1,015,777	2,086,549	16,113,216
Other Income	20,895	-	-	-	20,895
Net (Decrease) Increase in Net Assets Before Unit Transactions	(47,343)	13,079,128	1,015,777	2,086,549	16,134,111
Units Sold	-	1,106,011,840	41,690,752	166,261,966	1,313,964,558
Units Redeemed	-	(1,095,602,038)	(41,987,325)	(157,735,447)	(1,295,324,810)
Net (Decrease) Increase in Net Assets	(47,343)	23,488,930	719,204	10,613,068	34,773,859
Net Assets at Beginning of Period	59,214	278,890,339	19,813,163	30,857,154	329,619,870
Net Assets at End of Period	\$ 11,871	\$ 302,379,269	\$ 20,532,367	\$ 41,470,222	\$ 364,393,729

See accompanying notes to financial statements.

# Financial Statements

**Diversified Portfolio**  
**Schedule of Investments - June 30, 2008**  
**(Showing Percentage of Total Investments)**

Par Value	Description	Yield at Time of Purchase	Maturity Date	Amortized Cost
<b>SECURITIES PURCHASED UNDER AGREEMENT TO RESELL – 6.70%</b>				
\$ 24,546,000	Deutsche Bank, Repurchase Agreement	2.74%	07/01/08	\$ 24,546,000
	<b>TOTAL</b>			<b>24,546,000</b>
<b>CERTIFICATES OF DEPOSIT – 2.68%</b>				
500,000	People’s Bank of Commerce, Rock Valley	3.65%	07/17/08	500,000
2,000,000	St. Ansgar State Bank, St. Ansgar	2.95%	07/23/08	2,000,000
500,000	First Central State Bank, DeWitt	2.90%	08/15/08	500,000
500,000	Tri-County Bank & Trust, Cascade	2.90%	08/15/08	500,000
300,000	Citizens Bank, Sac City	2.70%	08/19/08	300,000
1,000,000	First Central State Bank, DeWitt	2.50%	10/07/08	1,000,000
5,000,000	US Bank, Des Moines	2.70%	10/29/08	5,000,000
	<b>TOTAL</b>			<b>9,800,000</b>
<b>U.S. GOVERNMENT OBLIGATIONS – 90.62%</b>				
25,000,000	Federal Home Loan Bank, Floating Rate Note, 2.478%	2.44%	07/02/08	25,004,815
25,000,000	Federal National Mortgage Assn., Discount Note	1.92%	07/02/08	24,998,695
10,000,000	Federal Home Loan Mortgage Corp., Floating Rate Note, 2.356%	2.39%	07/07/08	10,000,000
7,500,000	Federal Home Loan Bank, Discount Note	2.22%	07/16/08	7,493,184
19,000,000	Federal National Mortgage Assn., Discount Note	2.23%	07/18/08	18,980,261
14,500,000	Federal Home Loan Bank, Floating Rate Note, 2.750%	2.77%	07/23/08	14,501,625
5,000,000	Federal Home Loan Mortgage Corp., Discount Note	2.14%	07/28/08	4,992,125
31,749,000	Federal Home Loan Mortgage Corp., Discount Note	2.17%	08/11/08	31,672,163
16,700,000	Federal Home Loan Bank, Floating Rate Note, 2.518%	2.54%	08/14/08	16,701,066
20,000,000	Federal Home Loan Bank, Floating Rate Note, 2.509%	2.54%	08/19/08	20,000,000
24,080,000	Federal National Mortgage Assn., Discount Note	2.27%	08/20/08	24,005,586
36,500,000	Federal Home Loan Bank, Floating Rate Note, 2.452%	2.54%	09/01/08	36,492,074
30,000,000	Federal National Mortgage Assn., Discount Note	2.43%	09/10/08	29,859,183
17,000,000	Federal Home Loan Bank, Floating Rate Note, 2.592%	2.62%	09/24/08	17,000,564
35,000,000	Federal Home Loan Mortgage Corp., Floating Rate Note, 2.639%	2.49%	09/26/08	35,031,150
10,000,000	Federal Home Loan Bank, 5.000%	2.32%	02/04/09	10,156,705
5,000,000	Federal Home Loan Mortgage Corp., 4.750%	2.87%	03/05/09	5,062,583
	<b>TOTAL</b>			<b>331,951,779</b>
<b>TOTAL INVESTMENTS – 100%</b>				<b>\$ 366,297,779</b>

See accompanying notes to financial statements.

## Financial Statements

**Direct Government Obligation Portfolio**  
**Schedule of Investments - June 30, 2008**  
 (Showing Percentage of Total Investments)

Par Value	Description	Yield at Time of Purchase	Maturity Date	Amortized Cost
SECURITIES PURCHASED UNDER AGREEMENT TO RESELL – 100.00%				
\$ 4,382,000	Banc of America, Repurchase Agreement	1.62%	07/01/08	\$ 4,382,000
4,382,000	Morgan Stanley, Repurchase Agreement	1.72%	07/01/08	4,382,000
4,382,000	Deutsche Bank, Repurchase Agreement	1.77%	07/01/08	4,382,000
4,382,000	Barclays Capital Inc., Repurchase Agreement	1.83%	07/01/08	4,382,000
	TOTAL			<u>17,528,000</u>
TOTAL INVESTMENTS – 100%				<u><u>\$ 17,528,000</u></u>

See accompanying notes to financial statements.

# Financial Statements

**Diversified Plus Portfolio**  
**Schedule of Investments - June 30, 2008**  
**(Showing Percentage of Total Investments)**

Par Value	Description	Yield at Time of Purchase	Maturity Date	Amortized Cost
<b>SECURITIES PURCHASED UNDER AGREEMENT TO RESELL – 6.59%</b>				
\$ 2,882,000	Deutsche Bank, Repurchase Agreement	2.74%	07/01/08	\$ 2,882,000
	<b>TOTAL</b>			<b>2,882,000</b>
<b>CERTIFICATES OF DEPOSIT – 5.72%</b>				
300,000	People’s Bank of Commerce, Rock Valley	3.65%	07/17/08	300,000
700,000	First Central State Bank, DeWitt	2.95%	07/25/08	700,000
1,500,000	US Bank, Des Moines	2.70%	10/29/08	1,500,000
	<b>TOTAL</b>			<b>2,500,000</b>
<b>U.S. GOVERNMENT OBLIGATIONS – 80.84%</b>				
3,500,000	Federal Home Loan Bank, Floating Rate Note, 2.478%	2.44%	07/02/08	3,500,674
5,000,000	Federal National Mortgage Assn., Discount Note	1.92%	07/02/08	4,999,739
4,000,000	Federal Home Loan Bank, Discount Note	2.22%	07/16/08	3,996,365
2,000,000	Federal National Mortgage Assn., Discount Note	2.23%	07/18/08	1,997,922
1,600,000	Federal Home Loan Bank, Floating Rate Note, 2.750%	2.77%	07/23/08	1,600,179
2,000,000	Federal Home Loan Mortgage Corp., Discount Note	2.14%	07/28/08	1,996,850
3,000,000	Federal Home Loan Mortgage Corp., Discount Note	2.17%	08/11/08	2,992,739
800,000	Federal Home Loan Bank, Floating Rate Note, 2.509%	2.54%	08/19/08	800,000
2,500,000	Federal National Mortgage Assn., Discount Note	2.27%	08/20/08	2,492,274
6,000,000	Federal National Mortgage Assn., Discount Note	2.43%	09/10/08	5,971,837
3,500,000	Federal Home Loan Bank, 2.580%	2.20%	09/17/08	3,502,777
1,500,000	Federal Home Loan Bank, Floating Rate Note, 2.592%	2.62%	09/24/08	1,500,050
	<b>TOTAL</b>			<b>35,351,406</b>
<b>COMMERCIAL PAPER – 6.85%</b>				
700,000	Bank of America Corp.	2.60%	07/11/08	699,504
700,000	Morgan Stanley	2.94%	07/21/08	698,880
800,000	General Electric Capital Corp.	2.65%	07/23/08	798,729
800,000	HSBC Finance Corp.	2.74%	07/23/08	798,690
	<b>TOTAL</b>			<b>2,995,803</b>
<b>TOTAL INVESTMENTS – 100%</b>				<b>\$ 43,729,209</b>

See accompanying notes to financial statements.

## Notes to Financial Statements

### Note 1 – Summary of Significant Accounting Policies

#### **Reporting Entity:**

Iowa Schools Joint Investment Trust is defined as a special-purpose unit of the State of Iowa on the criteria identified and described in GASB Statement Number 14. The definition of a special-purpose governmental entity is an entity that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governmental entities.

ISJIT is a common law trust established under Iowa law pursuant to Chapter 28E code, 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, Direct Government Obligation, and Diversified Plus Portfolios. The accompanying financial statements include the activities of the ISJIT Administration Fund, Diversified, DGO, and Diversified Plus Portfolios.

#### **Regulatory Oversight:**

The operation of ISJIT is governed by a Board of Trustees consisting of seven 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 Iowa Association of School Boards, 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. IASB serves as the Sponsor of ISJIT. ISJIT is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a Rule 2a-7-like fund.

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

ISJIT reports the Administration Fund, Diversified, DGO, and Diversified Plus Portfolios' financial position and the results of operations using investment trust funds. Investment trust funds are fiduciary funds that are used to account for the assets held in a trustee capacity. The primary purpose of the funds is to generate financial resources while maintaining a high degree of liquidity and safety of principal through investment in short-term securities as permitted for the participants under the Code of Iowa.

## Notes to Financial Statements, Continued

### Note 1 – Summary of Significant Accounting Policies, Continued

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued:**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording assets, liabilities, net assets, revenues, expenditures, and other financing sources and uses. The fiduciary 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. The fiduciary financial statements of ISJIT have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

#### **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 changes in net assets 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 the Code of Iowa, as it now or in the future exists, including the following types of securities and instruments:

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.

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.

## Notes to Financial Statements, Continued

### Note 1 – Summary of Significant Accounting Policies, Continued

#### **Authorized Investments, Continued:**

Collateralized perfected repurchase agreements secured by 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 by a third-party custodian, are regularly verified by ISJIT's Custodian, and are maintained daily in an amount equal to at least 102 percent of the agreement.

Certificates of Deposits 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.

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.

ISJIT adheres to Iowa law and Moody's Investors Service criteria for money market funds developed to minimize risk that the value of investments in the portfolio might vary. ISJIT's investment policy presently limits portfolio investments to the following:

## Notes to Financial Statements, Continued

### Note 1 – Summary of Significant Accounting Policies, Continued

#### Authorized Investments, Continued:

- 1) The remaining maturity of any individual investment may not exceed more than 397 days from the date of purchase.
- 2) The maximum dollar weighted average maturity of all portfolios' investments may not exceed 60 days.
- 3) Investments are monitored daily by its Investment Advisor and Administrator to assure that the value of each ISJIT investment does not materially deviate in value from its amortized cost.

As a general policy, investments are held until maturity. However, in an effort to increase yields, or liquidity, ISJIT may sell securities and realize capital gains or losses when there are perceived disparities between maturities for various categories of investments.

#### 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 listed separately on the financial statements.

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

Investments are purchased on a delivery versus payment basis and are accounted for on the settlement date. No other settlement procedure is allowed. Interest income, including the accretion of discount and amortization of premium, is recorded daily on the accrual basis.

#### Method used to determine participants' units sold and redeemed:

In accordance with the regulations of Rule 2a-7-like pools, the method used to determine the participants' units sold and redeemed is the amortized cost method. The amortized cost distributions are accrued to participants' accounts daily and reinvested in additional trust units monthly for compounded interest.

## Notes to Financial Statements, Continued

### Note 1 – Summary of Significant Accounting Policies, Continued

#### **Method used to determine participants' units sold and redeemed, Continued:**

Total distributions for the month are credited to participants' accounts on the last business day of the month. Distributions are automatically reinvested in ISJIT trust units unless cash payment has been requested. Cash payments, if requested, will be made monthly. If a participant redeems the entire account balance during the month, income distributions due to the account are posted on the last business day of the month, with final distribution to the participant on the next business day.

#### **Frequency of determining value of shares:**

The net asset value of each portfolio trust units is determined once each day, as of the close of the New York Stock Exchange. Except for federal holidays, such other holidays that are officially observed by commercial banks in Iowa, and days on which no investments in or redemption of trust units occur, the Administrator will compute the portfolio net asset value on each day the New York Stock Exchange is open for trading or when there is a sufficient volume of trading which might materially affect the net asset value of the securities held by the portfolios. The net asset value of each portfolio trust unit is computed by adding the value of all securities and other assets (including income receivable), subtracting liabilities (including accrued expenses) attributable to each portfolio and dividing by the number of trust units of each portfolio outstanding.

The Administrator computes the net asset value of portfolio trust units by using the amortized cost method for valuing securities. Under the amortized cost method a security is initially valued at cost on the date of purchase and, thereafter, any discount or premium is amortized on a straight-line basis to maturity, regardless of fluctuating interest rates or the market value of the security. However, the Investment Adviser has established procedures to stabilize the net asset value of trust units at \$1.00 per trust unit. These procedures include a review by the Investment Adviser as to the extent of the deviation of net asset value based upon available market quotations from the portfolio's \$1.00 amortized cost per value unit. If such deviation exceeds .5 percent, the Investment Advisor will consider what action, if any, should be initiated to reasonably eliminate or reduce material dilution or other unfair results to participants.

#### **Legally binding guarantees:**

The Board of Trustees has not provided or obtained any legally binding guarantees during the fiscal years ended June 30, 2008 and 2007.

## Notes to Financial Statements, Continued

### Note 1 – Summary of Significant Accounting Policies, Continued

**Involuntary participation:**

There is no requirement under Iowa law for any local government to involuntarily participate in ISJIT.

**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

ISJIT contracts for the following services: Administrator, Investment Advisor, Custodian, Marketing, and Sponsorship. In addition, ISJIT pays operating expenses through a separate Administration Fund. Bankers Trust Company, N.A. (Bankers Trust) served as the Administrator, Voyager Asset Management Inc. (Voyageur) served as the Investment Adviser, Wells Fargo Bank, N.A. (Wells Fargo) served as the Custodian, and Local Government Services, Inc. (LGS), a wholly owned subsidiary of IASB, served as the Marketing Services Provider. Under separate agreements, IASB, Voyageur and Wells Fargo, Bankers Trust, and LGS, 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 the period ended June 30, 2007 the service providers agreed to waive a portion of their fees from April 2006 through September 30, 2006 for the Diversified Plus Portfolio. The fees for Voyageur, Bankers Trust, and IASB were waived 50% and the LGS fees were waived 100% on the Diversified Plus Portfolio. All fees were fully restored October 1, 2006 for the Diversified Plus Portfolio.

## Notes to Financial Statements, Continued

### Note 2 – Fees and Expenses, Continued

#### Administration Fund

The Administration Fund pays the operating expenses incurred directly by ISJIT and its Trustees in connection with the discharge of their duties. These expenses include initial and on-going legal fees, auditing fees, out-of-pocket expenses of the Trustees, and the cost of printing, mailing and other services performed independently by ISJIT. The maximum expense fee for each portfolio is .10 percent of average daily net assets. The ISJIT Administration Fund fee is calculated daily on each portfolio and transferred to the ISJIT Administration Fund the following month. For the year ended June 30, 2008, the Diversified, DGO, and Diversified Plus Portfolios allocated \$90,096, \$5,741, and \$9,452, respectively, to the ISJIT Administration Fund for operating expenses. For the year ended June 30, 2007, the Diversified, DGO, and the Diversified Plus Portfolios allocated \$15,360, \$1,279, and \$2,678, respectively, to the Administration Fund. The amount due to the Administration Fund at June 30, 2008 was \$9,833, \$517, and \$1,077, from the Diversified, DGO, and Diversified Plus Portfolios, respectively. The amount due to the Administration Fund at June 30, 2007 was \$2,613, \$168, and \$324 from the Diversified, DGO, and Diversified Plus Portfolios, respectively.

#### Administrator

Beginning with the service agreement dated October 1, 2006, Bankers Trust's fee was 0.065 percent of the average daily net asset value for each Portfolio for administrative services. Prior to that date, for the Diversified and DGO Portfolios, Bankers Trust received 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. For administrative services to the Diversified Plus Portfolio, Bankers Trust received 0.065 percent of the average daily net asset value and agreed to waive \$2,956 for FY 2007. For the year ended June 30, 2008, the Diversified, DGO, and the Diversified Plus Portfolios incurred expenses of \$212,009, \$13,674, and \$22,278, respectively, for services provided by Bankers Trust. For FY 2007, the Diversified, DGO, and Diversified Plus Portfolios incurred actual expenses of \$195,899, \$16,027 and \$23,949, respectively, for administrative services. The amounts due to Bankers Trust on June 30, 2008 were \$21,304, \$1,120 and \$2,333 for the Diversified, DGO and Diversified Plus Portfolios, respectively. The amount due to Bankers Trust at June 30, 2007 was \$16,984 for Diversified, \$1,092 for DGO and \$2,103 for Diversified Plus. In addition, ISJIT paid \$22,500 for sponsoring fiscal management conferences for the years ended June 30, 2008 and 2007 to IASB.

## Notes to Financial Statements, Continued

### Note 2 – Fees and Expenses, Continued

#### Investment Advisor and Custodian

For the period July 1, 2006 through September 30, 2006, for investment advisor services provided to the Diversified and DGO Portfolios, Voyageur received 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. Wells Fargo received 0.050 percent of the average daily net assets value up to \$150 million, 0.045 percent from \$150 million to \$200 million, 0.040 percent from \$200 million to \$250 million, and 0.035 percent for assets exceeding \$250 million. Beginning October 1, 2006 Voyageur received 0.080 percent of the average daily net asset value for each Portfolio for investment advisor services and custody services provided by Wells Fargo, and agreed to waive \$3,638 for the period ended June 30, 2007. For the year ended June 30, 2008, the Diversified, DGO, and Diversified Plus Portfolios incurred actual expenses of \$260,934, \$16,956 and \$27,419, respectively, for services provided by Voyageur and Wells Fargo. For the year ended June 30, 2007, the Diversified, DGO, and Diversified Plus Portfolios incurred actual expenses of \$251,625, \$21,528 and \$29,476, respectively, for services provided by Voyageur and Wells Fargo. The amount due to Voyageur at June 30, 2008 was \$26,221 for Diversified, \$1,378 for DGO, and \$2,871 for Diversified Plus. The amount due to Voyageur at June 30, 2007 was \$20,903 for Diversified, \$1,343 for DGO, and \$2,589 for Diversified Plus.

#### Marketing

For marketing services provided to the Diversified, DGO and Diversified Plus Portfolios, LGS received 0.070 percent of the average daily net asset value. For Diversified Plus, LGS agreed to waive the full amount of fees through September 30, 2006. The waived amount was \$8,186 for Diversified Plus in FY 2007. For the year ended June 30, 2008, the Diversified, DGO, and Diversified Plus Portfolios incurred expenses of \$228,317, \$14,762, and \$23,992, respectively, for services provided by LGS for marketing. The amount due to LGS at June 30, 2008 was \$22,943 for Diversified, \$1,207 for DGO, and \$2,513 for Diversified Plus. For the year ended June 30, 2007, the Diversified, DGO, and Diversified Plus Portfolios incurred expenses of \$197,130, \$15,777, and \$22,608, respectively, for services provided by LGS for marketing. The amount due to LGS at June 30, 2007 was \$18,291 for Diversified, \$1,176 for DGO, and \$2,265 for Diversified Plus.

## Notes to Financial Statements, Continued

### Note 2 – Fees and Expenses, Continued

#### Sponsorship

Under the sponsorship agreement in FY 2007, IASB received an annual fee of 0.080 percent of the average daily net asset value of the Diversified, DGO, and Diversified Plus Portfolios. In FY 2007, IASB waived \$1,871 of their fees. For the year ended June 30, 2008, the Diversified, DGO, and Diversified Plus Portfolios incurred expenses of \$260,934, \$16,871, and \$27,419, respectively, to IASB. For the year ended June 30, 2007, the Diversified, DGO, and Diversified Plus Portfolios incurred expenses of \$223,714, \$17,882, and \$33,062, respectively, to IASB for sponsorship services. The amount due to IASB at June 30, 2008 was \$26,221 for Diversified, \$1,378 for DGO, and \$2,871 for Diversified Plus. The amount due at June 30, 2007 was \$20,903 for Diversified, \$1,343 for DGO, and \$2,589 for Diversified Plus.

### Note 3 – 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, custodial credit risk, and concentration of credit risk.

*Interest Rate Risk.* As a means of limiting its exposure to losses arising from rising interest rates, ISJIT's 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 Deposits 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 by Standard and Poor's and P-1 by Moody's Investor Service.

## Notes to Financial Statements, Continued

### Note 3 – Deposit and Investment Risk Disclosures, Continued

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, a third-party custodian takes 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, 2008, the securities purchases under overnight agreements to resell were collateralized by government and government agency securities with market values of approximately \$25,037,000, \$17,879,000, and \$2,940,000 for the Diversified, DGO, and Diversified Plus Portfolios, respectively. At June 30, 2007, the securities purchases under overnight agreements to resell were collateralized by government and government agency securities with market values of approximately \$204,176,000, \$21,151,000, and \$33,527,000 for the Diversified, DGO, and Diversified Plus Portfolios, respectively.

Concentration of Credit Risk. ISJIT complies with Moody's limits; 1) 25% maximum concentration per counterparty if less than or equal to 7 days to maturity and a 10% limit beyond 7 days to maturity for repurchase agreements for all Portfolios and 2) 10% in total and a maximum of 5% of any single issuer for commercial paper and other short-term corporate debt for the Diversified Portfolio. The following charts detail the concentration and risk of investments held by each Portfolio:

## Notes to Financial Statements, Continued

### Note 3 – Deposit and Investment Risk Disclosures, Continued

#### Diversified as of June 30, 2008

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Federal Home Loan Bank	\$ 147,350,033	\$ 147,284,223	56	P-1	A-1 +	40.2%
Federal National Mortgage Assn.	97,843,725	97,845,852	38	P-1	A-1 +	26.7%
Federal Home Loan Mortgage Co.	86,758,021	86,720,740	68	P-1	A-1 +	23.7%
Deutsche Bank, Repurchase Agreement	24,546,000	24,546,000	1	P-1	A-1 +	6.7%
Iowa Bank CD's	9,800,000	9,794,565	84			2.7%
<b>TOTAL</b>	<b>\$ 366,297,779</b>	<b>\$ 366,191,380</b>				<b>100%</b>

#### DGO as of June 30, 2008

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Banc of America, Repurchase Agreement	\$ 4,382,000	\$ 4,382,000	1	P-1	A-1 +	25.0%
Morgan Stanley, Repurchase Agreement	4,382,000	4,382,000	1	P-1	A-1 +	25.0%
Deutsche Bank, Repurchase Agreement	4,382,000	4,382,000	1	P-1	A-1 +	25.0%
Barclays Capital, Repurchase Agreement	4,382,000	4,382,000	1	P-1	A-1 +	25.0%
<b>TOTAL</b>	<b>\$ 17,528,000</b>	<b>\$ 17,528,000</b>				<b>100%</b>

#### Diversified Plus as of June 30, 2008

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Federal National Mortgage Assn.	\$ 15,461,772	\$ 15,462,150	39	P-1	A-1 +	35.4%
Federal Home Loan Bank	14,900,045	14,895,151	37	P-1	A-1 +	34.1%
Federal Home Loan Mortgage Co.	4,989,589	4,989,300	36	P-1	A-1 +	11.4%
Commercial Paper	2,995,803	2,995,827	20	P-1	A-1	6.8%
Deutsche Bank, Repurchase Agreement	2,882,000	2,882,000	1	P-1	A-1 +	6.6%
Iowa Bank CD's	2,500,000	2,498,618	82			5.7%
<b>TOTAL</b>	<b>\$ 43,729,209</b>	<b>\$ 43,723,046</b>				<b>100%</b>

## Notes to Financial Statements, Continued

### Note 3 – Deposit and Investment Risk Disclosures, Continued

#### Diversified as of June 30, 2007

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Cantor Fitzgerald, Repurchase Agreement	\$ 75,000,000	\$ 75,001,147	3	P-1	A-1 +	24.9%
Merrill Lynch, Repurchase Agreement	73,437,000	73,437,917	2	P-1	A-1 +	24.3%
Morgan Stanley, Repurchase Agreement	50,000,000	50,000,611	3	P-1	A-1 +	16.6%
Federal Home Loan Bank	45,629,858	45,624,848	49	P-1	A-1 +	15.1%
Federal Home Loan Mortgage Co.	27,974,402	27,975,936	10	P-1	A-1 +	9.3%
Federal National Mortgage Assn.	23,563,945	23,556,113	90	P-1	A-1 +	7.8%
Iowa Bank CD's	6,100,000	6,099,019	66			2.0%
<b>TOTAL</b>	<b>\$ 301,705,205</b>	<b>\$ 301,695,591</b>				<b>100%</b>

#### DGO as of June 30, 2007

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Morgan Stanley, Repurchase Agreement	\$ 4,300,000	\$ 4,300,000	2	P-1	A-1 +	20.9%
Merrill Lynch, Repurchase Agreement	4,227,000	4,227,000	2	P-1	A-1 +	20.6%
ABN AMRO, Repurchase Agreement	4,000,000	4,000,000	3	P-1	A-1 +	19.5%
Cantor Fitzgerald, Repurchase Agreement	4,000,000	4,000,000	3	P-1	A-1 +	19.5%
Goldman Sachs, Repurchase Agreement	4,000,000	4,000,000	3	P-1	A-1 +	19.5%
<b>TOTAL</b>	<b>\$ 20,527,000</b>	<b>\$ 20,527,000</b>				<b>100%</b>

#### Diversified Plus as of June 30, 2007

Investment Type	Amortized Cost	Market Value	Weighted Average Days to Maturity	Moody's Rating	S&P Rating	% of Portfolio (Amort. Cost)
Merrill Lynch, Repurchase Agreement	\$ 8,700,000	\$ 8,700,109	2	P-1	A-1 +	21.0%
Morgan Stanley, Repurchase Agreement	8,500,000	8,500,104	3	P-1	A-1 +	20.5%
Cantor Fitzgerald, Repurchase Agreement	8,000,000	8,000,122	3	P-1	A-1 +	19.3%
ABN AMRO, Repurchase Agreement	5,525,000	5,525,064	2	P-1	A-1 +	13.4%
Federal Home Loan Mortgage Co.	3,488,618	3,489,150	24	P-1	A-1 +	8.4%
Federal Home Loan Bank	2,928,926	2,927,308	109	P-1	A-1 +	7.1%
Commercial Paper	3,286,592	3,285,478	29	P-1	A-1	7.9%
Iowa Bank CD's	1,000,000	999,913	48			2.4%
<b>TOTAL</b>	<b>\$ 41,429,136</b>	<b>\$ 41,427,248</b>				<b>100%</b>

**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 Iowa Schools Joint Investment Trust (ISJIT) Administration Fund, Diversified Portfolio, Direct Government Obligation Portfolio, and the Diversified Plus Portfolio as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Brooks Luder, P.C.*

West Des Moines, Iowa  
October 28, 2008

**Investment Advisor:**  
Voyageur Asset Management  
90 South 7<sup>th</sup> Street, Suite 4300  
Minneapolis, MN 55402  
(800) 553-2143 www.voyageur.net

Voyageur ASSET MANAGEMENT INC.

**Administrator:**  
Bankers Trust Company, N.A.  
453 7<sup>th</sup> Street, Post Office Box 897  
Des Moines, IA 50304-0897  
(866) 548-8634 www.bankerstrust.com



**Marketing Agent:**  
LGS, Inc.  
6000 Grand Avenue  
Des Moines, IA 50312-1417

**LGS, Inc.**  
Local Government Services, Inc.  
6000 Grand Ave.  
Des Moines, IA 50312  
Phone: (515) 288-1991

**Custodian:**  
Wells Fargo, N.A.  
666 Walnut Street, PO Box 837  
Des Moines, IA 50304-0837



**Independent Auditors:**  
Brooks Lodden, P.C.  
1441 29<sup>th</sup> Street, Suite 305  
West Des Moines, IA 50266  
(515) 223-8778

**BROOKS LODDEN, P.C.**

**Legal Counsel and Sponsor:**  
Iowa Association of School Boards  
6000 Grand Avenue  
Des Moines, IA 50312-1417

