

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### IOWA SCHOOLS JOINT INVESTMENT TRUST

CIK: **904142** | IRS No.: **421285955** | State of Incorporation: **IA** | Fiscal Year End: **0630**  
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IOWA SCHOOLS JOINT  
INVESTMENT TRUST

ANNUAL FINANCIAL REPORT  
JUNE 30, 1996

SPONSORED BY THE  
IOWA ASSOCIATION OF SCHOOL BOARDS

STATEMENT OF SPONSORING ASSOCIATION

The Iowa Schools Joint Investment Trust (ISJIT) enjoyed its most successful year of operation to date during fiscal year 1995-96. Total funds invested in the program's investment alternatives set new records throughout the second, third and fourth quarters of the fiscal year.

ISJIT was initially created in 1986 as a cash management program for use by members of the Iowa Association of School Boards. Since inception, IASB, as the sponsor of the ISJIT program, and the ISJIT Board of Trustees have remained consistently focused upon providing participants with only the safest of investment alternatives.

During the fiscal year, prevailing short-term interest rates generally declined. The Federal Reserve Board lowered the federal funds discount rate three times for a total of 0.75 percent throughout the period as the national economy exhibited signs of slowing and most inflation indicators remained moderate. While ISJIT rates of return similarly declined somewhat, the program continued to provide yields superior to those available from other investment alternatives.

Since its inception, the Diversified and Direct Government Obligation Funds have provided participants with a total of over \$70,000,000 in investment income. No program or institution in the history of our state has helped more school corporations to invest their surplus operating funds and to earn better rates of interest without incident than the Iowa Schools Joint Investment Trust.

ISJIT continues to explore ways to better serve its members' cash management needs in the future. Participants can continue to rely on the high standards set in the past, forming the foundation for all future program operations.

I have personally enjoyed the opportunity to participate in the success of the ISJIT program throughout its ten years of operation. Although I will be retiring as Executive Director on July 1, 1996, I am confident that the program will continue to safely and efficiently address the investment needs of IASB members.

T. E. DAVIDSON  
EXECUTIVE DIRECTOR  
IOWA ASSOCIATION OF SCHOOL BOARDS

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ISJIT CONTINUES TO EXPLORE WAYS TO BETTER SERVE ITS MEMBERS' CASH MANAGEMENT  
NEEDS IN THE FUTURE.  
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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, 1996.

Use of the program's cash management services expanded dramatically throughout the period, setting a number of new investment records for total funds invested. Total funds invested in all program investment services were higher for each respective day than for any previous year in the program's existence, from December 19, 1995 through June 30, 1996, with total funds invested reaching an all-time high of \$369,677,783 on May 17, 1996.

In its tenth year of operation, ISJIT's investment policies and practices remain clearly focused upon protecting invested funds. The combined investment strength of the program's 318 participants working together enables the participants to provide themselves with investment returns not available to individual Iowa school districts.

Other highlights from fiscal year 1995-96 include:

- o Average daily investments in the Diversified and Direct Government Obligation Funds of \$183,137,054, up 13.35 percent from \$161,588,774 in the previous fiscal year,
- o Placement of a total of 83 Fixed Term Automated (FTA) investments,

representing a total of \$102,506,345 in invested assets,

- o Regular receipt of \$40,000,000 in State of Iowa Foundation Aid payments to school districts via Electronic Funds Transfer (EFT) directly into participant ISJIT accounts and

- o Placement of 96 certificates of deposit into Iowa financial institutions, representing over \$71,750,000.

The Board of Trustees welcomes your comments and suggestions regarding the operation of the ISJIT program. We thank you for your continued participation and support. On behalf of the Board, we want to help ISJIT to grow to meet your cash management needs into the next century.

Respectfully,

CAROLYN JONS, CHAIR  
BOARD OF TRUSTEES

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IN ITS TENTH YEAR OF OPERATION, ISJIT'S INVESTMENT POLICIES AND PRACTICES REMAIN CLEARLY FOCUSED UPON PROTECTING INVESTED FUNDS.  
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BOARD OF TRUSTEES

The Board of Trustees for the Iowa Schools Joint Investment Trust supervises all operations of the investment program. The Board meets quarterly to review ISJIT operations and receives extensive performance information relative to the program's operation each month.

Diversity of experience and attention to detail provided by each member of the Board assures that each participant's funds are effectively and safely invested.

The Board is made up of six members from across the state. Each has extensive personal experience in addressing the needs of Iowa school corporations. The diversified Board of Trustees includes four school board members, a school business official and a school superintendent.

The ISJIT Board of Trustees covers the state from corner to corner.

BOARD OF TRUSTEES

Carolyn Jons	Don Williams	Gary D. Bengtson	Dean Borg
CHAIR	VICE CHAIR	TREASURER	MOUNT VERNON
AMES	VILLISCA	Bus. Manager--CARROLL	

Gerald Cowell	Richard L. VandeKieft
CRESTON	CEDAR FALLS

OFFICERS

T.E. Davidson	Boyd Boehlje	Bob Huckleberry
SECRETARY	ASST. TREASURER	ASST. SECRETARY
IASB	PELLA	IASB

NOTES FROM YOUR SERVICE PROVIDERS

During the fiscal year 1995-96, short-term interest rates declined. The Federal Reserve lowered the federal funds rate three times during the fiscal year in 0.25 percent increments, as the economy began to slow and inflation remained moderate.

The rate on the ISJIT Diversified Fund also declined during the fiscal year, but still provided a competitive rate to other short-term investment alternatives. The portfolio consistently provided a rate 0.22 percent greater than the Donoghue Index of national money market funds. The Diversified Fund was postured to maintain a slightly longer average maturity than the Donoghue Index, as we anticipated the decline in short-term interest rates. This enabled the Diversified Fund to outperform the Index.

Recently, fears of inflation have surfaced due to the strong growth in employment over the past few months. The link between wages and inflation has been correlated in the past, as businesses have tended to pass through higher wage costs into final product prices. The ability to raise final product prices in the current environment is questionable, however, due to price conscious consumers. Company managements comment that they have little flexibility to raise prices.

The Federal Reserve is watching inflation closely and may raise short-term interest rates. In our view, however, any rate increase should be modest, since inflation remains mild and is not poised to accelerate significantly. Most measures of inflation are below a 3 percent annual rate.

The ISJIT program emphasizes three elements: safety, liquidity, and competitive rates, in that order. Although rate is important, the safety and security of participant moneys is our first priority. The second priority is to

assure daily liquidity. Only after the first two elements are satisfied, do we examine the rates of different investments. As always, we appreciate your support and look forward to serving you in the 1996-97 fiscal year.

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Helpful, knowledgeable cash management program representatives are an integral part of the ISJIT program and are always available to assist with any investment-related need. Tina Gordinier heads up a team of dedicated ISJIT program administrators that can be reached on the toll-free line at your convenience. Current investment rates for all ISJIT alternatives, questions about account activity or any other inquiry are courteously and efficiently addressed.

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Investors Management Group (IMG) provides program development services to the ISJIT cash management program and to each ISJIT program participant.

Paul Kruse, IMG's Investment Services Marketing Manager, and Max Miller, ISJIT Ambassador, personally call on representatives of community school districts and community colleges throughout the state. During the course of a year, Paul and Max will travel thousands of miles around Iowa, meeting with hundreds of superintendents, business managers and school board secretaries. Their stops at any given location may involve anything from a formal presentation to the Board, to one-on-one assistance with cash management needs or questions.

In addition to attending regional meetings and statewide conventions throughout the year, Paul contributes material to the EDUCATED INVESTOR, including the popular KRUSE'N DOWN THE HIGHWAY series.

#### MEMBER PROFILE

Ackley-Geneva, Adair-Casey, Akron-Westfield, Albert City-Truesdale, Albia, Alden, Algona, Allison-Bristow, Amana, Ames, Anamosa, Andrew, Anita, Ankeny, Anthon-Oto, Aplington, Ar-We-Va, Atlantic, Audubon, Ballard, Battle Creek-Ida Grove, Baxter, Bedford, Belmont-Klemme, Bennett, Bettendorf, Bondurant-Farrar, Boone, Boyden-Hull, Britt, Buffalo Center-Rake-Lakota, Burlington, C and M, Cal, Calamus-Wheatland, Camanche, Cardinal, Carlisle, Carroll, Cedar Falls, Cedar Rapids, Center Point-Urbana, Centerville, Central City, Central Decatur, Central Lee, Central Lyon, Chariton, Charter Oak-Ute, Cherokee, Clarence-Lowden, Clarinda, Clarke (Osceola), Clarksville, Clear Creek-Amana, Clinton, College, Collins-Maxwell, Corning, Council Bluffs, Creston, Dallas Center-Grimes, Danville, Davenport, Davis County, Decorah, Deep River-Millersburg, Delwood, Denison, Denver, Des Moines, Dexfield, Diagonal, Dike, Dubuque, Dunkerton, Earlham, East Buchanan, East Central, East Marshall, East Union, Eastern Allamakee, Eastwood, Eddyville-Blakesburg, English Valleys, Essex, Estherville, Exira, Forest City, Fort Dodge, Fort Madison, Fredericksburg, Fremont, Galva-Holstein, Garnavillo, George, Gilbert, Gilmore City-Bradgate, Glenwood, Glidden-Ralston, Graettinger, Grand Valley, Greenfield, Grinnell-Newburg, Griswold, Grundy Center, H-L-V, Hancock-Avoca, Harlan, Hartley-Melvin-Sanborn, Highland, Hinton, Howard-Winneshiek, Humboldt, Independence, Indianola, Interstate 35, Iowa City, Iowa Valley, Janesville, Jefferson-Scranton, Johnston, Keokuk, Keota, Knoxville, Lake Mills, Lamoni, Laurens-Marathon, Lawton-Bronson, LeMars, Lenox, Lewis Central, Lincoln Central (Gruver), Linn-Mar, Lisbon, Little Rock, Logan-Magnolia, Lone Tree, Louisa-Muscatine, Lu Verne, Madrid, Malvern, Manning, Manson Northwest Webster, Maple Valley, Maquoketa, Marcus-Meridian-Cleghor, Marion, 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, Nevada, New Hampton, New Hartford, New London, New Market, Newton, Nishna Valley, Nora Springs Rock Falls, North Fayette, North Mahaska, North Polk, North Scott, North Winneshiek, Northeast (Goose Lake), Northeast Hamilton, Norwalk, Norway, Odebolt-Arthur, Okoboji, Olin, Orient-Macksburg, Osage, Ottumwa, Oxford Junction, Panorama, Parkersburg, PCM, Pekin, Pella, Perry, Plainfield, Pleasantville, Pocahontas, Prairie Valley, Prescott, Preston, Riverside, Rock Valley, Rockwell City-Lytton, Rockwell Swaledale, Roland-Story, Rudd-Rockford-MR, Sac, Saydel, Sergeant Bluff-Luton, Seymour, Shelby, Sheldon, Sidney, Sigourney, Sioux Central, Sioux City, South Hamilton, South Page, South Winneshiek, Southeast Polk, Southeast Warren, Southeast Webster, Southern Cal, Spencer, Spirit Lake, Springville, Stanton, Starmont, Storm Lake, Terril, Tipton, Tri-Center, Tri-County, Turkey Valley, Underwood, Union, United, Valley (Elgin), Van Buren, Van Meter, Ventura, Villisca, Vinton-Shellsburg, Waco, Wall Lake, Wapello, Walnut, Wapsie Valley, Washington, Waterloo, Waukee, Wayne, Webster City, West Bend-Mallard, West Burlington, West Central, West Des Moines, West Hancock, West Harrison, West Liberty, West Lyon, West Marshall, West Monona, Western Dubuque, Westwood, Whiting, Williamsburg, Willow, Wilton, Winfield-Mt. Union, Winterset, Woodbury Central, Woodward Granger, AEA 1--Keystone, AEA 2--Northern Trails, AEA 4, AEA 5--Arrowhead, AEA 6, AEA 7, AEA 9--Mississippi Valley, AEA 10--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, Des Moines Area Community College, Hawkeye Technical Institute, Indian Hills Community College, Iowa Central Community College, Iowa Lakes Community College, Iowa Western Community College, Iowa Valley Community College, Kirkwood Community College, North Iowa Area Community College, Northeast Iowa Community College, Northwest Iowa Technical Institute, Southeastern Community College, Western Iowa Technical Institute, IMPACC, ISCAP,

PROGRAM SERVICES AND FEATURES

ISJIT was the first public school investment program in the country to be registered with the Securities and Exchange Commission (SEC).

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ISJIT is sponsored by the Iowa Association of School Boards (IASB). IASB's Executive Director meets monthly with the service providers of the ISJIT program to assure that all elements of program operation are functioning smoothly.

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ISJIT's proprietary reporting system provides participants with daily confirmations and monthly account summaries that are easy to understand.

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ISJIT provides toll-free phone access to experienced ISJIT personnel that are able to immediately provide school officials with reliable information regarding a participant's account or investment alternatives.

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ISJIT provides two investment portfolios, the Diversified Fund and the Direct Government Obligation (DGO) Fund, tailored to meet specific investor needs. Each portfolio provides complete daily liquidity and rates that typically exceed those available with fixed-term investments which require an investor to sacrifice liquidity.

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Under guidelines approved by the ISJIT Board of Trustees, ISJIT invests available funds into financial institution certificates of deposit. Since its inception, association-sponsored cash management programs have invested over \$650,000,000 back into Iowa financial institutions.

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ISJIT provides program support and development services to participants including an ISJIT representative that regularly calls on participants to assure that their needs are met and that their suggestions are considered.

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Through its Fixed Term Automated (FTA) program, ISJIT can provide individual investment assistance offering a participant the highest yielding, legally authorized investment available in the marketplace at any given time, including the Flexible Withdrawal Certificate of Deposit (Flex-CD). The Flex-CD has become the investment of choice for Iowa school corporations issuing bond proceeds in anticipation of a school building program. The fixed rate of interest, flexible withdrawal options, and extended maturity date provided by the Flex-CD are perfectly suited to building program investment needs.

FINANCIAL STATEMENTS

<TABLE>  
<CAPTION>

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIVERSIFIED PORTFOLIO  
STATEMENT OF NET ASSETS -- JUNE 30, 1996  
(SHOWING PERCENTAGE OF NET ASSETS)

PAR VALUE	DESCRIPTION	YIELD AT TIME OF PURCHASE	DUE DATE	AMORTIZED COST
<S>	<C>	<C>	<C>	<C>
	DISCOUNTED GOVERNMENT SECURITIES -- 16.46%			
\$ 2,500,000	Federal Agricultural Mtge. Corp.-Disc. Note	5.32%	07/09/96	\$ 2,497,167
2,500,000	Federal Natl. Mtge. Assoc.-Disc. Note	5.00%	07/25/96	2,491,967
1,975,000	Federal Natl. Mtge. Assoc.-Disc. Note	5.35%	07/30/96	1,966,711
2,445,000	Federal Home Loan Mortgage Corp.- Disc. Note	5.36%	08/19/96	2,427,661
3,025,000	Federal Natl. Mtge. Assoc.-Disc. Note	5.36%	08/22/96	3,002,235
905,000	Federal Natl. Mtge. Assoc.-Disc. Note	5.37%	08/28/96	897,389
5,000,000	Federal Natl. Mtge. Assoc.-Disc. Note	5.00%	08/29/96	4,956,979
1,351,000	Federal Home Loan Mortgage Corp.- Disc. Note	5.40%	09/03/96	1,338,391
5,000,000	World Bank-Disc. Note	5.38%	09/04/96	4,952,875
3,750,000	Fed. Agricultural Mtge. Corp.-Disc. Note	5.42%	09/27/96	3,703,708
	TOTAL (cost-- \$28,235,083)			\$ 28,235,083

COUPON SECURITIES -- 62.53%

\$ 3,000,000	Federal Natl. Mtge. Assoc., 6.00%	5.37%	07/01/96	\$ 3,000,000
10,000,000	Student Loan Mortgage Assn., 3.51%	5.38%	07/01/96	10,000,000
1,000,000	Federal Natl. Mtge. Assoc., Variable Rate	5.27%	07/05/96	999,985
2,500,000	Federal Home Loan Bank, Variable Rate	5.09%	07/08/96	2,500,362
1,000,000	Federal Home Loan Bank, 6.14%	5.39%	07/08/96	1,000,126
2,320,000	Federal Natl. Mtge. Assoc., 8.00%	5.40%	07/10/96	2,321,389
3,300,000	Federal Natl. Mtge. Assoc., 8.00%	5.33%	07/10/96	3,302,046
920,000	Federal Natl. Mtge. Assoc., 8.00%	5.20%	07/10/96	920,617
1,000,000	Federal Natl. Mtge. Assoc., 8.00%	5.60%	07/10/96	1,000,569
1,000,000	Federal Natl. Mtge. Assoc., 8.00%	5.06%	07/10/96	1,000,703
1,500,000	Federal Home Loan Bank, 5.00%	5.83%	07/16/96	1,499,506
1,000,000	Federal Home Loan Bank, 7.81%	4.99%	07/17/96	1,001,202
2,360,000	Federal Home Loan Bank, 8.00%	5.35%	07/25/96	2,363,920
7,700,000	Federal Farm Credit Bank, Variable Rate	5.57%	07/29/96	7,695,921
5,000,000	Federal Farm Credit Bank, Variable Rate	5.40%	07/29/96	4,997,404
1,275,000	Housing & Urban Development, 7.71%	5.50%	08/01/96	1,277,259
2,000,000	Federal Farm Credit Bank, 5.75%	5.67%	08/01/96	2,000,100
1,000,000	Federal Farm Credit Bank, 5.75%	5.71%	08/01/96	1,000,017
1,000,000	Federal Home Loan Bank, 6.125%	5.48%	08/05/96	1,000,512
2,500,000	Federal Home Loan Bank, 6.125%	5.37%	08/05/96	2,501,647
1,600,000	Federal Home Loan Bank, 6.125%	5.40%	08/05/96	1,601,014
1,000,000	Federal Home Loan Mortgage Corp., 5.00%	5.45%	08/05/96	999,503
2,000,000	Federal Natl. Mtge. Assoc., 8.15%	5.36%	08/12/96	2,006,085
1,520,000	Federal Home Loan Bank, 7.70%	5.47%	08/26/96	1,524,989
1,000,000	Student Loan Mortgage Assn., Variable Rate	5.38%	08/28/96	999,856
1,300,000	Federal Farm Credit Bank, 5.875%	5.56%	09/03/96	1,300,634
2,500,000	Federal Natl. Mtge. Assoc., 5.76%	5.55%	09/03/96	2,500,825
1,390,000	Federal Natl. Mtge. Assoc., 5.64%	5.49%	09/09/96	1,390,233
1,320,000	Tennessee Valley Authority, 4.19%	5.48%	09/09/96	1,316,845
500,000	Federal Home Loan Bank, 4.17%	5.70%	09/09/96	498,587
1,790,000	Federal Natl. Mtge. Assoc., 8.625%	5.07%	09/10/96	1,802,017
450,000	Federal Natl. Mtge. Assoc., 8.625%	5.30%	09/10/96	452,796
1,000,000	Federal Home Loan Bank, 4.50%	5.78%	09/23/96	997,162
1,000,000	Federal Home Loan Mortgage Corp., 8.125%	5.55%	09/30/96	1,006,139
1,000,000	Federal Farm Credit Bank, 4.19%	5.55%	10/04/96	996,410
500,000	Federal Farm Credit Bank, 4.20%	5.60%	10/21/96	497,917
500,000	Federal Home Loan Bank, 7.92%	5.74%	10/21/96	503,188
1,000,000	Federal Farm Credit Bank, 4.13%	5.56%	10/28/96	995,362

See accompanying notes to financial statements.

FINANCIAL STATEMENTS  
<CAPTION>

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIVERSIFIED PORTFOLIO  
STATEMENT OF NET ASSETS -- JUNE 30, 1996 (CONTINUED)  
(SHOWING PERCENTAGE OF NET ASSETS)

PAR VALUE	DESCRIPTION	YIELD AT TIME OF PURCHASE	DUE DATE	AMORTIZED COST
\$ 1,750,000	Federal Home Loan Bank, 9.15%	5.58%	10/30/96	\$ 1,769,852
1,000,000	Student Loan Mortgage Assn., 7.56%	5.49%	12/09/96	1,008,755
1,000,000	Tennessee Valley Authority, 4.60%	5.36%	12/15/96	996,593
1,000,000	Federal Home Loan Mortgage Corp., 7.88%	5.65%	12/20/96	1,010,189
1,000,000	Federal Natl. Mtge. Assoc., 8.20%	5.54%	12/23/96	1,012,203
1,000,000	Federal Farm Credit Bank, 5.84%	5.45%	12/23/96	1,001,771
1,100,000	Federal Home Loan Mortgage Corp., 7.73%	5.51%	01/06/97	1,112,024
915,000	Federal Natl. Mtge. Assoc., 7.60%	5.75%	01/10/97	923,587
1,020,000	Federal Home Loan Mortgage Corp., 7.91%	5.52%	01/13/97	1,032,495
2,000,000	U.S. Treasury Notes, 6.75%	5.62%	02/28/97	2,014,211
2,500,000	U.S. Treasury Notes, 6.875%	5.56%	02/28/97	2,520,751
5,000,000	U.S. Treasury Notes, 6.875%	5.55%	02/28/97	5,041,940
500,000	Federal Home Loan Bank, 6.94%	5.65%	03/14/97	504,286
2,000,000	Federal Home Loan Bank, 6.955%	5.67%	03/17/97	2,017,267
2,500,000	Federal Home Loan Bank, 5.40%	5.84%	03/20/97	2,492,116
2,500,000	U.S. Treasury Notes, 6.625%	5.57%	03/31/97	2,518,747
2,500,000	U.S. Treasury Notes, 6.875%	5.60%	03/31/97	2,522,807
1,000,000	Federal Home Loan Bank, 6.52%	5.80%	04/24/97	1,005,494
2,000,000	U.S. Treasury Notes, 6.50%	5.73%	04/30/97	2,012,163
2,000,000	Federal Natl. Mtge. Assoc., 5.765%	6.03%	06/20/97	1,995,059
	TOTAL (cost-- \$107,285,157)			\$107,285,157

CERTIFICATES OF DEPOSIT -- 12.96%

\$ 1,000,000	Valley State Bank, Rock Valley	5.30%	07/05/96	\$ 1,000,000
400,000	Exchange Bank, Collins	5.70%	07/15/96	400,000
250,000	Citizens Bank, Sac City	6.05%	07/16/96	250,000
1,500,000	Nevada National Bank, Nevada	5.50%	07/24/96	1,500,000
675,000	Mercantile Bank, Mt. Pleasant	5.50%	07/25/96	675,000
500,000	Peoples State Bank, Elkader	5.40%	07/26/96	500,000
1,000,000	Nevada National Bank, Nevada	5.50%	07/26/96	1,000,000

1,000,000	Mercantile Bank, Pella	5.25%	07/31/96	1,000,000
300,000	Miles Savings Bank, Miles	6.10%	08/09/96	300,000
500,000	Heritage Bank, Holstein	6.15%	08/16/96	500,000
250,000	Ft. Madison Bank & Tr, Ft. Madison	5.75%	08/20/96	250,000
250,000	Ft. Madison Bank & Tr, Ft. Madison	6.10%	08/21/96	250,000
300,000	Valley State Bank, Rock Valley	5.45%	08/27/96	300,000
5,000,000	Norwest Bank, Clive	5.40%	09/17/96	5,000,000
500,000	Peoples State Bank, Elkader	5.55%	09/25/96	500,000
200,000	Shelby Co. State Bank, Harlan	6.00%	10/13/96	200,000
500,000	Peoples Bank & Trust, Rock Valley	5.50%	10/28/96	500,000
1,000,000	Nevada National Bank, Nevada	6.00%	10/30/96	1,000,000
1,000,000	Mercantile Bank, Cedar Rapids	6.00%	11/07/96	1,000,000
250,000	Libertyville Savings Bank, Libertyville	6.00%	11/21/96	250,000
300,000	First State Bank, Ida Grove	5.80%	12/06/96	300,000
300,000	Miles Savings Bank, Miles	5.85%	12/13/96	300,000
500,000	Peoples Savings Bank, Elma	5.75%	12/20/96	500,000
500,000	Peoples Savings Bank, Elma	5.75%	12/27/96	500,000
250,000	Citizens Bank, Sac City	5.75%	01/10/97	250,000
2,500,000	Firststar Bank, Des Moines	5.25%	02/21/97	2,500,000
500,000	Union State Bank, Winterset	5.25%	02/21/97	500,000
1,000,000	Firststar Bank, Des Moines	5.50%	03/06/97	1,000,000
TOTAL (cost-- \$22,225,000)				\$ 22,225,000

See accompanying notes to financial statements.

FINANCIAL STATEMENTS  
<CAPTION>

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIVERSIFIED PORTFOLIO  
STATEMENT OF NET ASSETS -- JUNE 30, 1996 (CONTINUED)  
(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) -- 7.01%				
\$ 5,952,000	Smith Barney, Repo	5.38%	07/01/96	\$ 5,952,000
6,079,000	J P Morgan, Repo	5.40%	07/01/96	6,079,000
TOTAL (cost-- \$12,031,000)				\$ 12,031,000
TOTAL INVESTMENTS-- 98.96% (cost-- \$169,776,240)				\$169,776,240
EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 1.04%				
(Includes \$39,704 payable to IMG and \$781,314 dividends payable to unitholders)				\$ 1,778,024
NET ASSETS -- 100%				
Applicable to 171,554,264 outstanding units				\$171,554,264
NET ASSET VALUE:				\$ 1.00
Offering and redemption price per unit (\$171,554,264 divided by 171,554,264 units outstanding)				

<CAPTION>

IOWA SCHOOLS JOINT INVESTMENT TRUST -- DIRECT GOVERNMENT OBLIGATION PORTFOLIO  
STATEMENT OF NET ASSETS -- JUNE 30, 1996  
(SHOWING PERCENTAGE OF NET ASSETS)

COUPON SECURITIES -- 44.38%				
\$ 500,000	U.S. Treasury Note, 8.00%	5.24%	10/15/96	\$ 503,850
1,500,000	U.S. Treasury Note, 7.25%	5.14%	11/15/96	1,511,359
1,500,000	U.S. Treasury Note, 7.25%	5.00%	11/30/96	1,513,786
1,000,000	U.S. Treasury Note, 7.25%	5.12%	11/30/96	1,008,980
1,000,000	U.S. Treasury Note, 7.25%	5.12%	11/30/96	1,008,506
1,500,000	U.S. Treasury Note, 7.50%	5.43%	12/31/96	1,514,890
1,000,000	U.S. Treasury Note, 6.75%	5.42%	02/28/97	1,008,457
1,000,000	U.S. Treasury Note, 6.625%	5.59%	03/31/97	1,007,385
1,000,000	U.S. Treasury Note, 6.50%	5.74%	04/30/97	1,006,082
TOTAL (cost-- \$10,083,295)				\$ 10,083,295
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. securities) -- 55.36%				
\$ 12,579,000	J P Morgan, Repo	5.30%	07/01/96	\$ 12,579,000
TOTAL (cost-- \$12,579,000)				\$ 12,579,000

TOTAL INVESTMENTS-- 99.74% (cost-- \$22,662,295)	\$ 22,662,295
EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 0.26%	
(Includes \$3,347 payable to IMG and \$103,729 dividends payable to unitholders)	\$ 59,512
	-----
NET ASSETS -- 100%	
Applicable to 22,721,807 outstanding units	\$ 22,721,807
	=====
NET ASSET VALUE:	\$ 1.00
Offering and redemption price per unit (\$22,721,807 divided by 22,721,807 units outstanding)	=====

</TABLE>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

IOWA SCHOOLS JOINT INVESTMENT TRUST  
STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 1996

	DIVERSIFIED PORTFOLIO	DIRECT GOVERNMENT OBLIGATION PORTFOLIO
INVESTMENT INCOME:		
Interest	\$ 8,488,165	\$ 1,865,869
	-----	-----
EXPENSES:		
Investment advisory and program support fees	372,408	50,100
Custody and administrative fees	335,878	108,554
Distribution fees	150,368	33,407
Other fees and expenses	37,250	7,864
	-----	-----
Total Expenses	895,904	199,925
	-----	-----
NET INVESTMENT INCOME	\$ 7,592,261	\$ 1,665,944
	=====	=====

<TABLE>  
<CAPTION>

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

	DIVERSIFIED PORTFOLIO		DIRECT GOVERNMENT OBLIGATION PORTFOLIO	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
From Investment Activities:				
Net investment income distributed to unitholders	\$ 7,592,261	\$ 6,553,798	\$ 1,665,944	\$ 1,451,916
	=====	=====	=====	=====
From Unit Transactions:				
(at constant net asset value of \$1 per unit)				
Units sold	\$942,167,923	\$888,465,918	\$ 24,350,659	\$ 34,728,656
Units issued in reinvestment of dividends from net investment income	7,592,261	6,553,798	1,665,944	1,451,916
Units redeemed	(942,325,202)	(853,063,370)	(33,776,717)	(34,007,350)
	-----	-----	-----	-----
Net increase/(decrease) in net assets derived from unit transactions	7,434,982	41,956,346	(7,760,114)	2,173,222
Net assets at beginning of year	164,119,282	122,162,936	30,481,921	28,308,699
	-----	-----	-----	-----
Net assets at end of year	\$171,554,264	\$164,119,282	\$ 22,721,807	\$ 30,481,921
	=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.



## FINANCIAL HIGHLIGHTS

&lt;TABLE&gt;

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SELECTED DATA FOR A UNIT OF EACH  
PORTFOLIO OUTSTANDING THROUGH  
EACH PERIOD ENDED JUNE 30, 1996

	1995	1994	1993	1992	1991	1990	1989	1988	1987*	
IOWA SCHOOLS JOINT INVESTMENT TRUST DIVERSIFIED PORTFOLIO										
Net Asset Value,										
Beginning of Period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Net Investment Income	.051	.049	.029	.029	.047	.067	.077	.080	.063	.055
Dividends Distributed	(.051)	(.049)	(.029)	(.029)	(.047)	(.067)	(.077)	(.080)	(.063)	(.055)
Net Asset Value,										
End of Period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Return	5.09%	4.86%	2.90%	2.88%	4.67%	6.75%	7.67%	7.99%	6.34%	5.47%
Ratio of Expenses to Average Net Assets	0.60%	0.59%	0.58%	0.58%	0.60%	0.66%	0.67%	0.67%	0.66%	0.23%
Ratio of Net Income to Average Net Assets	5.09%	4.86%	2.90%	2.88%	4.67%	6.75%	7.69%	7.99%	6.34%	5.47%
Net Assets, End of Period (000 Omitted)	\$171,554	\$164,119	\$122,163	\$ 99,608	\$ 78,716	\$ 89,047	\$ 91,742	\$ 62,796	\$ 75,092	\$44,881

&lt;/TABLE&gt;

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SELECTED DATA FOR A UNIT OF EACH  
PORTFOLIO OUTSTANDING THROUGH  
EACH PERIOD ENDED JUNE 30, 1996

	1995	1994	1993	1992	1991	1990	1989**
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	\$ 1.000	\$ 1.000
Net Investment Income	.050	.048	.028	.028	.044	.063	.077
Dividends Distributed	(.050)	(.048)	(.028)	(.028)	(.044)	(.063)	(.077)
Net Asset Value,							
End of Period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Return	5.01%	4.81%	2.77%	2.82%	4.43%	6.36%	7.74%
Ratio of Expenses to Average Net Assets	0.60%	0.59%	0.58%	0.58%	0.60%	0.65%	0.65%
Ratio of Net Income to Average Net Assets	5.01%	4.81%	2.77%	2.82%	4.43%	6.36%	7.74%
Net Assets, End of Period (000 Omitted)	\$ 22,722	\$ 30,482	\$ 28,309	\$ 25,672	\$ 24,462	\$ 23,927	\$ 24,461

&lt;/TABLE&gt;

\*From Commencement of Operations (December 16, 1986).

\*\*From Commencement of Operations (September 22, 1988).

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## ORGANIZATION

Iowa Schools Joint Investment Trust (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 is registered under the Investment Company Act of 1940. 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 September 22, 1988, and again on May 1, 1993. As amended, ISJIT is authorized and now operates three investment programs: 1) the Diversified Portfolio, 2) the Direct Government Obligation Portfolio, and 3) the Fixed Term Automated (FTA) Investment Program. These financial statements include activities of the Diversified and DGO 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. The objective of the FTA Investment Program is to provide individual public agency ownership of investments in legally permissible individual securities which offer fixed rates of return and fixed maturities. Norwest Bank Iowa, N.A. serves as ISJIT's Administrator and Custodian, and Investors Management Group serves as the Investment Advisor.

The preparation of financial statements in conformity with 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 increase and decrease in net assets from operations during the period. Actual results could differ from those estimates.

#### INVESTMENTS IN SECURITIES

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

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

Under Governmental Accounting Standards as to custodial credit risk, ISJIT's investments in securities are classified as category one. Category one is the most secure investment category description.

Certificates of deposit amounts in excess of the \$100,000 federal deposit insurance are collateralized as required by Iowa law, including the security provided by the State of Iowa's sinking fund for public deposits.

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, 1996, the securities purchased under overnight agreements to resell were collateralized by government agency securities with market values of \$12,280,166 and \$12,830,828 for the Diversified Portfolio and the Direct Government Obligation Portfolio, respectively.

#### UNIT ISSUES, REDEMPTIONS, AND DISTRIBUTIONS

ISJIT determines the net asset value of each portfolio account 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 federal and state income tax.

#### FEES AND EXPENSES

Under separate agreements with ISJIT, Investors Management Group (IMG), the Investment Advisor and Program Support Provider, and Norwest Bank, Iowa, N.A. (Norwest), the Custodian and Administrator are paid an annual fee for operating the investment programs. For each of the portfolios, IMG receives .150 percent of the average daily net asset value up to \$150 million and .125 percent exceeding \$150 million for investment advisor fees. In addition, IMG receives .10 percent of the average daily net asset value of the Diversified Portfolio for program support fees. For the year ended June 30, 1996, the Diversified Portfolio and the Direct Government Obligation Portfolio paid \$372,408 and \$50,100, respectively to IMG for services provided. For each of the portfolios, Norwest receives .050 percent of the average daily net asset value up to \$150 million, .045 percent from \$150 to \$200 million, and .040 percent exceeding \$200 million for custodial services. For the Diversified Portfolio, Norwest receives .175 percent of the average daily net asset value up to \$150 million, .165 percent from \$150 to \$200 million, and .150 percent exceeding \$200 million for administrative services; for the Direct Government Obligation Portfolio, Norwest receives .275 percent of the average daily net asset value up to \$150 million, .265 percent from \$150 to \$200 million, and .250 percent exceeding \$200 million for administrative services. For the year ended June 30, 1996, the Diversified Portfolio and the Direct Government Obligation Portfolio paid \$335,878 and \$108,554, respectively to Norwest for services provided. Under a distribution plan, the sponsoring association receives an annual fee of .10 percent of the daily net asset value of the portfolios. For the year ended June 30, 1996, the Diversified Portfolio and the Direct Government Obligation Portfolio paid \$150,368 and \$33,407 respectively to the Iowa Association of School Boards. ISJIT is responsible for operating expenses incurred directly by ISJIT. All fees are computed daily and paid

monthly.

(2) SECURITIES TRANSACTIONS

Purchases of portfolio securities for the Diversified Portfolio and Direct Government Obligation Portfolio aggregated \$12,187,968,141 and \$4,466,705,773 respectively for the year ended June 30, 1996. Proceeds from maturities of securities for the Diversified Portfolio and Direct Government Obligation Portfolio aggregated \$12,156,687,006 and \$4,474,390,301 respectively for the year ended June 30, 1996.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Unitholders  
Iowa Schools Joint Investment Trust:

We have audited the accompanying statements of net assets of the Diversified Portfolio and the Direct Government Obligation Portfolio of the Iowa Schools Joint Investment Trust (the Trust Portfolios) as of June 30, 1996, and the related statements of operations for the year then ended and the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the ten-year period ended June 30, 1996 for the Diversified Portfolio and the eight-year period ended June 30, 1996 for the Direct Government Obligation Portfolio. These financial statements and the financial highlights are the responsibility of the Trust Portfolios' management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. 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. Investment securities held in custody were confirmed to us by the Custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 and the Direct Government Obligation Portfolio of the Iowa Schools Joint Investment Trust as of June 30, 1996, and the results of their operations for the year then ended and the changes in their net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years presented, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Des Moines, Iowa  
July 26, 1996

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