

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)

Filing Date: **1996-08-26** | Period of Report: **1996-06-30**
SEC Accession No. **0000904140-96-000002**

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FILER

IOWA PUBLIC AGENCY INVESTMENT TRUST

CIK: **904140** | IRS No.: **426414174** | State of Incorporation: **IA** | Fiscal Year End: **0630**
Type: **N-30D** | Act: **40** | File No.: **811-07696** | Film No.: **96620323**

Mailing Address

666 WALNUT
P O BOX 837
DES MOINES IA 50304

Business Address

666 WALNUT
P O BOX 837
DES MOINES IA 50304
5152445426

IOWA PUBLIC AGENCY INVESTMENT TRUST

ANNUAL FINANCIAL REPORT
JUNE 30, 1996

SPONSORED BY THE

IOWA ASSOCIATION OF MUNICIPAL UTILITIES
IOWA STATE ASSOCIATION OF COUNTIES
IOWA LEAGUE OF CITIES

STATEMENT OF SPONSORING ASSOCIATIONS

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

The Iowa Public Agency Investment Trust (IPAIT) enjoyed its most successful year of operation to date during fiscal year 1995-96. Total funds invested in all program investment services were higher for each respective day throughout the year than for any previous year in the program's existence.

IPAIT was initially created in 1987 as a cash management program for use by members of the Iowa League of Cities, the Iowa State Association of Counties, and the Iowa Association of Municipal Utilities. Since inception, our three sponsoring associations and the IPAIT 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 IPAIT rates of return similarly declined, the program continued to consistently provide yields superior to those available from other investment alternatives.

Since inception, the Diversified and Direct Government Obligation Funds have provided participants with a total of over \$76,000,000 in investment income. No program or institution in the history of our state has helped more cities, counties, municipal utilities, and other eligible participants to invest their surplus operating funds and to earn better rates of interest without incident than the Iowa Public Agency Investment Trust.

IPAIT 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.

MESSAGE FROM THE CHAIR

IN ITS NINTH YEAR OF OPERATION, IPAIT'S INVESTMENT POLICIES AND PRACTICES REMAIN CLEARLY FOCUSED UPON PROTECTING INVESTED FUNDS.

The Iowa Public Agency Investment Trust (IPAIT) 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 throughout the year than for any previous year in the program's existence, with total funds invested reaching an all-time high of \$345,527,213 on April 8, 1996.

In its ninth year of operation, IPAIT's investment policies and practices remain clearly focused upon protecting invested funds. The combined investment strength of the program's 325 participants working together enables the participants to provide themselves with investment returns not available to individual Iowa public bodies.

Other highlights from fiscal year 1995-96 include:

- o Average daily investments in the Diversified and Direct Government Obligation Portfolios of \$240,336,825, up 19.78 percent from \$200,646,799 in the previous fiscal year,
- o Placement of a total of 54 Fixed Term Automated investments, representing a total of \$46,781,075 in invested assets,
- o Placement of 102 certificates of deposit into Iowa financial

institutions, representing over \$96,425,000.

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

Respectfully,

Ken Alberts, Chair
Board of Trustees

BOARD OF TRUSTEES

BOARD OF TRUSTEES

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

As the first cash management program for cities, counties, and municipal utilities to be registered with the Securities and Exchange Commission (SEC), IPAIT offers participants a unique investment opportunity with a distinctly Iowa presence.

Diversity of experience and attention to detail provided by each member of the Board assures that each individual participant's funds are effectively and safely invested. The Board is made up of three representative members from each of the three sponsoring associations; the Iowa League of Cities, the Iowa State Association of Counties, and the Iowa Association of Municipal Utilities.

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 IPAIT 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 0.25 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 IPAIT 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.

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

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

Paul Kruse, IMG's Investment Services Marketing Manager, personally calls on representatives of IPAIT members and potential program participants throughout the state. During the course of a year, Paul will travel over 30,000 miles around Iowa, meeting with hundreds of treasurers, finance officers, clerks and managers. Paul's stop at any given location may involve anything from a formal presentation to the representative body to one-on-one assistance with cash management needs or questions.

In addition to attending association sponsored conventions held throughout the state, Paul contributes material to the IOWA INVESTOR, including the popular KRUSE'N DOWN THE HIGHWAY series.

MEMBER PROFILE

MUNICIPALITIES: Ackley, Agency, Albert City, Algona, Alton, Altoona, Ames, Anamosa, Ankeny, Anthon, Atlantic, Bettendorf, Bloomfield, Bondurant, Boone, Bussey, Callender, Camanche, Carlisle, Carson, Carter Lake, Cedar Falls, Cedar Rapids, Centerville, Charles City, Cherokee, Clarinda, Clinton, Clive, Colfax, Colo, Coralville, Corydon, Council Bluffs, Creston, Davenport, Dayton, Denison, Denver, Des Moines, Dike, Dubuque, Eagle Grove, Earlham, Early, Eldridge, Elk Run Heights, Ellsworth, Epworth, Fairbank, Fairfield, Fort Dodge, Fort Madison, Grand Mound, Greenfield, Grimes, Grinnell, Grundy Center, Harlan, Hawarden, Hazleton, Hiawatha, Humboldt, Huxley, Indianola, Iowa City, Jefferson, Johnston, Keokuk, Keystone, La Porte City, Lake Mills, Lamont, Lehigh, Letts, Lisbon, Lohrville, Lovilia, Mallard, Manning, Maquoketa, Marble Rock, Marion, Martensdale, Mason City, Maynard, Melcher-Dallas, Middletown, Mitchellville, Montezuma, Morning Sun, Moulton, Mount Pleasant, Murray, Nevada, New Hampton, New London, New Virginia, Newton, Nora Springs, Oelwein, Orange City, Orange City Hospital, Orient, Orleans, Oskaloosa, Ossian, Ottumwa, Parnell, Pella, Perry, Pleasant Hill, Pleasantville, Polk City, Prairie City, Prescott, Preston, Readlyn, Red Oak, Ringsted, Riverdale, Rockwell City, Sac City, Shelby, Shenandoah, Sioux City, Slater, Spencer, Spirit Lake, Spragueville, Springbrook, St. Charles, Storm Lake, Sumner, Tipton, Traer, Van Meter, Villisca, Vinton, Washington, Waverly, Waverly Hospital, Webster City, Wesley, West Des Moines, Windsor Heights, IMWCA

UTILITIES: Algona, Alton, Ames, Anamosa, Anthon, Aplington, Bloomfield, Cedar Falls, Colfax, Coon Rapids, Coralville, Corydon, Creston, Denison, Denver, Des Moines, Dike, Eagle Grove, Epworth, Fairbank, Fort Madison, Fredericksburg, Graettinger, Harlan, Hawarden, Huxley, Knoxville, Lake Mills, La Porte City, Laurens, Le Claire, Lenox, Lohrville, Mallard, Manilla, Manilla Gas Dep., Manning, Maquoketa, Martensdale, Melcher-Dallas, Middletown, Montezuma, Montezuma Light and Power, Murray, New Hampton, New London, Newton, Orange City, Orient, Pella, Prairie City, Preston, Readlyn, Sac City, Sanborn, Shelby, Slater, Spencer, St. Charles, Story City, Traer, Urbandale, Villisca, Vinton, Wahpeton, Warren County Lakewood Water District, Waverly, Iowa Assn. of Municipal Util. Insurance Trust, North IA Mun. Elec. Coop. Assoc., Resale Power Group of Iowa, Missouri Basin Municipal Elec. Coop. Assoc., Xenia Rural Water

COUNTIES: Adair, Appanoose, Audubon, Audubon County Memorial Hospital, Black Hawk, Boone, Buchanan, Buena Vista, Butler, Calhoun, Carroll, Cass, Cedar, Cerro Gordo, Chickasaw, Clay, Clinton, Crawford, Crawford County Hospital, Dallas, Davis, Decatur, Des Moines, Dickinson, Dubuque, Emmet, Floyd, Franklin, Fremont, Greene, Greene Medical, Grundy, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Iowa, Jackson, Jasper, Jefferson, Jefferson County Hospital, Johnson, Jones, Kossuth, Louisa, Lucas, Lyon, Madison, Marion, Mills, Mitchell, Monona, Monroe, O'Brien, Osceola, Page, Plymouth, Polk, Poweshiek, Ringgold, Sac, Scott, Sioux, Story, Tama, Union, Van Buren Hospital, Wapello, Warren, Washington, Washington Hospital, Wayne, Webster, Winneshiek, Worth, Wright

28E ENTITIES: Buena Vista County Solid Waste Commission, Des Moines Area Metropolitan Planning Organization, Des Moines Metropolitan Transit Authority, Eighth Judicial Dist. Dept. of Correc. Svcs., Fifth Judicial Dist. Dept. of Correc. Svcs., Heart of Iowa Regional Transit Authority, IMWCA, Johnson Township Barnum Comm. Fire Dept., Mid-Iowa Development Association Council of Governments, Mid-Iowa Regional Housing Authority, Montezuma Fire Dept., Central Iowa Juvenile Detention Comm., North Central Iowa Regional Solid Waste Agency, North Iowa Area Council of Governments, Northwest Iowa Area Solid Waste Agency, Plymouth County Solid Waste Agency, Second Judicial Dist. Dept. of Correc. Svcs., Seventh Judicial Dist. Dept. of Correc. Svcs., South Iowa Area Crime Commission, South Iowa Area Detention Service Agency, Southwest Iowa Planning Council, Third Judicial Dist. Dept. of Correc. Svcs., Urbandale Sanitary Sewer District, Webster County Solid Waste Commission

IPAIT MEMBERS ARE FOUND IN EVERY COUNTY IN THE STATE. LARGER PARTICIPANTS APPRECIATE THE EASE OF INVESTING WITH THE PROGRAM, ITS CONVENIENT AND RELIABLE METHODS OF MONEY MOVEMENT AND IPAIT'S ABILITY TO ACCOMMODATE ANY INVESTMENT AMOUNT, REGARDLESS OF SIZE. SMALLER MEMBERS APPRECIATE THE FACT THAT EVERY DOLLAR INVESTED EARNS THE SAME RATE OF INTEREST, REGARDLESS OF INVESTED BALANCE, AND THE COMPREHENSIVE, PROPRIETARY IPAIT ACCOUNT REPORTS THAT CLEARLY ILLUSTRATE ALL TRANSACTION HISTORY.

PROGRAM SERVICES AND FEATURES

IPAIT was the first local government investment program for cities, counties, and municipal utilities in the country to be registered with the Securities and Exchange Commission (SEC).

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IPAIT is sponsored by the Iowa League of Cities, the Iowa State Association of

Counties and the Iowa Association of Municipal Utilities. The executive director of each association meets monthly with the IPAIT service providers to assure that all elements of program operation are functioning smoothly.

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IPAIT's proprietary reporting system provides participants with daily confirmations and monthly account summaries that are easy to understand by any interested party.

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IPAIT provides toll-free phone access to experienced personnel that are able to immediately provide reliable, needed information regarding a specific participant's account or the securities markets in general.

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

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IPAIT is governed by a Board of Trustees representative of the participants in the program. No one can anticipate the unique needs of investors of Iowa public funds better than those responsible for the investment of Iowa public funds.

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IPAIT invests as many dollars as possible back into Iowa financial institution issued certificates of deposit. Since inception, association-sponsored cash management programs have invested over \$650,000,000 on behalf of members back into Iowa institutions.

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IPAIT provides program support and development services to participants including program representatives that regularly call upon 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, IPAIT 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 is often used as an investment vehicle for bond proceeds issued in anticipation of a capital improvement project. The fixed rate of interest, flexible withdrawal opportunities, and extended maturity date are perfectly suited to most building program investment needs.

FINANCIAL STATEMENTS

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<CAPTION>

IOWA PUBLIC AGENCY 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 -- 10.35%				
\$ 7,500,000	Federal Agricultural Mtge. Corp.-Disc. Note	5.32%	07/09/96	\$ 7,491,500
1,295,000	Federal Natl. Mortgage Assoc.-Disc. Note	4.97%	07/30/96	1,289,993
2,500,000	Federal Natl. Mortgage Assoc.-Disc. Note	5.34%	08/29/96	2,478,981
5,000,000	World Bank-Disc. Note	5.38%	09/04/96	4,952,875
3,750,000	Federal Agricultural Mtge. Corp.-Disc. Note	5.28%	09/27/96	3,703,708
TOTAL (cost-- \$19,917,057)				\$ 19,917,057
COUPON SECURITIES -- 51.55%				
\$ 2,000,000	Student Loan Mortgage Assn., Variable Rate	5.09%	07/01/96	\$ 2,000,000
2,000,000	Student Loan Mortgage Assn., Variable Rate	5.35%	07/01/96	2,000,000
10,000,000	Student Loan Mortgage Assn., Variable Rate	5.38%	07/01/96	10,000,000
2,500,000	Federal Farm Credit Bank, 5.60%	5.86%	07/01/96	2,500,000
2,395,000	Federal Home Loan Bank, 4.41%	5.06%	07/08/96	2,394,694
2,500,000	Federal Home Loan Bank, 5.10%	5.68%	07/08/96	2,499,722
1,000,000	Federal Natl. Mortgage Assoc., 8.00%	5.77%	07/10/96	1,000,524
2,000,000	Federal Natl. Mortgage Assoc., 8.00%	5.77%	07/10/96	2,001,050

2,000,000	U.S. Treasury Note, 7.875%	5.74%	07/15/96	2,001,562
2,000,000	U.S. Treasury Note, 7.875%	5.63%	07/15/96	2,001,644
1,500,000	Federal Home Loan Bank, 5.00%	5.83%	07/16/96	1,499,506
1,000,000	Federal Home Loan Mortgage Corp., 5.51%	5.40%	07/19/96	1,000,000
2,000,000	Federal Home Loan Bank, 8.00%	5.58%	07/25/96	2,003,060
1,500,000	Federal Home Loan Bank, 4.44%	5.06%	07/29/96	1,499,268
1,150,000	Housing & Urban Development, 8.75%	5.41%	08/01/96	1,153,157
1,500,000	Federal Farm Credit Bank, 5.75%	5.71%	08/01/96	1,500,025
2,300,000	Federal Farm Credit Bank, 5.10%	5.16%	08/01/96	2,299,878
2,500,000	Federal Home Loan Bank, 6.125%	5.37%	08/05/96	2,501,647
2,000,000	Federal Natl. Mortgage Assoc., 8.15%	5.83%	08/12/96	2,005,083
1,000,000	Federal Natl. Mortgage Assoc., 5.91%	5.08%	08/19/96	1,001,078
1,000,000	Federal Farm Credit Bank, 9.00%	5.77%	08/26/96	1,004,741
1,000,000	Federal Home Loan Mortgage Corp., 5.68%	5.74%	09/11/96	999,868
505,000	Federal Home Loan Bank, 8.25%	5.74%	09/25/96	507,848
960,000	Federal Farm Credit Bank, 4.20%	5.57%	10/21/96	956,056
1,000,000	Student Loan Mortgage Assn., Variable Rate	5.60%	10/22/96	1,000,487
1,000,000	Federal Home Loan Bank, 6.70%	5.41%	10/25/96	1,003,962
1,000,000	Private Export Funding, 7.125%	5.60%	10/31/96	1,004,766
1,000,000	Private Export Funding, 7.125%	5.55%	10/31/96	1,005,011
1,000,000	Federal Natl. Mortgage Assoc., 5.47%	5.63%	11/14/96	999,352
2,500,000	U.S. Treasury Note, 7.25%	5.12%	11/15/96	2,519,142
1,400,000	Federal Home Loan Bank, 4.81%	5.57%	11/18/96	1,395,961
80,000	Federal Home Loan Bank, 8.30%	5.59%	12/02/96	80,877
1,100,000	Federal Home Loan Bank, 8.30%	5.59%	12/02/96	1,112,053
1,000,000	Student Loan Mortgage Assn., 7.56%	5.59%	12/09/96	1,008,327
2,000,000	Tennessee Valley Authority, 4.60%	5.36%	12/15/96	1,993,186
1,000,000	Federal Natl. Mortgage Assoc., 8.20%	5.55%	12/23/96	1,012,147
750,000	Federal Home Loan Mortgage Corp., 7.73%	5.72%	01/06/97	757,508
1,000,000	Federal Home Loan Bank, 4.75%	5.54%	01/13/97	995,830
2,000,000	Federal Natl. Mortgage Assoc., 7.86%	5.56%	01/17/97	2,024,038
2,500,000	U.S. Treasury Note, 7.50%	5.56%	01/31/97	2,526,981
500,000	Federal Farm Credit Bank, 4.55%	5.67%	02/03/97	496,776
500,000	Federal Home Loan Mortgage Corp., 4.78%	5.82%	02/10/97	496,901
1,500,000	Federal Natl. Mortgage Assoc., 4.78%	5.60%	02/14/97	1,492,574
2,500,000	U.S. Treasury Note, 6.875%	5.46%	02/28/97	2,522,344
2,500,000	U.S. Treasury Note, 6.875%	5.43%	02/28/97	2,522,847

See accompanying notes to financial statements.

<CAPTION>

IOWA PUBLIC AGENCY 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
\$ 2,500,000	U.S. Treasury Note, 6.875%	5.46%	02/28/97	\$ 2,522,339
1,000,000	Federal Natl. Mortgage Assoc., 4.97%	5.51%	03/10/97	996,379
2,500,000	Federal Natl. Mortgage Assoc., 5.05%	5.54%	03/14/97	2,491,570
2,000,000	Federal Natl. Mortgage Assoc., 5.05%	5.52%	03/14/97	1,993,526
1,000,000	Federal Natl. Mortgage Assoc., 5.05%	5.59%	03/14/97	996,343
1,000,000	Federal Natl. Mortgage Assoc., 5.05%	5.54%	03/14/97	996,638
1,000,000	Federal Natl. Mortgage Assoc., 5.05%	5.52%	03/14/97	996,818
2,500,000	U.S. Treasury Note, 6.50%	5.73%	04/30/97	2,515,204
900,000	Federal Home Loan Bank, 6.23%	5.75%	05/15/97	903,517
5,000,000	Federal Natl. Mortgage Assoc., Variable Rate	5.38%	05/19/97	5,013,833
1,000,000	Federal Natl. Mortgage Assoc., 5.71%	5.86%	05/20/97	998,630
2,500,000	Federal Farm Credit Bank, 5.84%	6.02%	06/18/97	2,495,733
	TOTAL (cost-- \$99,222,011)			\$ 99,222,011

CERTIFICATES OF DEPOSIT -- 13.02%

\$ 1,000,000	Community First State Bank, Decorah	5.50%	07/10/96	\$ 1,000,000
1,000,000	Valley State Bank, Rock Valley	5.40%	07/22/96	1,000,000
1,500,000	Mercantile Bank, Mt. Pleasant	5.50%	07/23/96	1,500,000
1,000,000	Union State Bank, Monona	5.40%	07/29/96	1,000,000
350,000	Producers Savings Bank, Green Mountain	6.10%	07/31/96	350,000
500,000	Heritage Bank, Holstein	6.15%	08/16/96	500,000
250,000	Ft. Madison Bank & Trust, Ft. Madison	5.75%	08/19/96	250,000
500,000	Citizens Bank, Sac City	6.15%	08/21/96	500,000
250,000	Ft. Madison Bank & Trust, Ft. Madison	6.10%	08/21/96	250,000
1,000,000	Valley State Bank, Rock Valley	5.45%	08/27/96	1,000,000
500,000	First State Bank, Nora Springs	6.05%	08/30/96	500,000
5,000,000	Norwest Bank, Clive	5.40%	09/17/96	5,000,000
1,000,000	St. Ansgar State Bank, St. Ansgar	6.15%	09/19/96	1,000,000
1,000,000	Nevada National Bank, Nevada	5.60%	10/11/96	1,000,000
250,000	Citizens Bank, Sac City	5.60%	10/11/96	250,000
250,000	Citizens Bank, Sac City	6.00%	10/11/96	250,000
400,000	Exchange Bank, Collins	5.60%	10/15/96	400,000
300,000	Miles Savings Bank, Miles	6.00%	10/18/96	300,000

500,000	First State Bank, Conrad	5.65%	11/22/96	500,000
300,000	First State Bank, Ida Grove	5.80%	12/06/96	300,000
1,000,000	Peoples Savings Bank, Elma	5.75%	12/20/96	1,000,000
500,000	Nevada National Bank, Nevada	5.50%	01/24/97	500,000
5,000,000	Firstar Bank, Des Moines	5.25%	02/21/97	5,000,000
500,000	Union State Bank, Winterset	5.25%	02/21/97	500,000
200,000	Northwestern State Bank, Orange City	5.35%	02/28/97	200,000
1,000,000	St. Ansgar State Bank, St. Ansgar	5.65%	03/25/97	1,000,000
TOTAL (cost-- \$25,050,000)				\$ 25,050,000

REPURCHASE AGREEMENTS (collateralized by U.S. Govt. Securities) -- 24.27%				
\$ 23,275,000	Smith Barney, Repo	5.38%	07/01/96	\$ 23,275,000
23,430,000	JP Morgan, Repo	5.40%	07/01/96	23,430,000
TOTAL (cost-- \$46,705,000)				\$ 46,705,000

<CAPTION>

IOWA PUBLIC AGENCY 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
TOTAL INVESTMENTS-- 99.19% (cost-- \$190,894,068)				\$ 190,894,068
EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 0.81% (Includes \$54,944 payable to IMG and \$836,196 dividends payable to unitholders)				\$ 1,557,514
NET ASSETS -- 100% Applicable to 192,451,582 outstanding units				\$ 192,451,582
NET ASSET VALUE: Offering and redemption price per unit (\$192,451,582 divided by 192,451,582 units outstanding)				\$ 1.00

<CAPTION>

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

COUPON SECURITIES -- 33.09%				
\$ 1,000,000	U.S. Treasury Note, 7.875%	5.65%	06/30/96	\$ 1,000,000
1,000,000	U.S. Treasury Note, 7.875%	5.72%	07/15/96	1,000,788
1,000,000	U.S. Treasury Note, 7.875%	5.67%	07/15/96	1,000,808
1,000,000	U.S. Treasury Note, 7.875%	5.56%	07/31/96	1,001,826
1,500,000	U.S. Treasury Note, 4.375%	5.21%	08/15/96	1,498,476
1,000,000	U.S. Treasury Note, 4.375%	5.18%	11/15/96	997,032
1,000,000	U.S. Treasury Note, 7.25%	5.11%	11/30/96	1,008,557
1,000,000	U.S. Treasury Note, 7.25%	5.00%	11/30/96	1,009,034
1,500,000	U.S. Treasury Note, 7.25%	4.95%	11/30/96	1,513,873
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	1,008,446
1,000,000	U.S. Treasury Note, 6.75%	5.42%	02/28/97	1,008,457
1,500,000	U.S. Treasury Note, 6.875%	5.73%	02/28/97	1,510,798
1,000,000	U.S. Treasury Note, 6.625%	5.70%	03/31/97	1,006,525
1,500,000	U.S. Treasury Note, 6.625%	5.59%	03/31/97	1,511,078
1,000,000	U.S. Treasury Note, 6.625%	5.72%	03/31/97	1,006,470
2,000,000	U.S. Treasury Note, 6.50%	5.87%	04/30/97	2,009,882
1,000,000	U.S. Treasury Note, 6.50%	5.73%	04/30/97	1,006,081
TOTAL (cost-- \$21,613,021)				\$ 21,613,021
REPURCHASE AGREEMENTS (collateralized by U.S. Govt. Securities) -- 66.61%				
\$ 43,506,000	JP Morgan, Repo	5.30%	07/01/96	\$ 43,506,000
TOTAL (cost-- \$43,506,000)				\$ 43,506,000
TOTAL INVESTMENTS-- 99.70% (cost-- \$65,119,021)				\$ 65,119,021
EXCESS OF OTHER ASSETS OVER TOTAL LIABILITIES -- 0.30% (Includes \$15,144 payable to IMG and \$218,277 dividends payable to unitholders)				\$ 198,864
NET ASSETS -- 100%				

Applicable to 65,317,885 outstanding units

\$ 65,317,885

NET ASSET VALUE:

Offering and redemption price per unit (\$65,317,885 divided by 65,317,885 units outstanding)

\$ 1.00

</TABLE>

See accompanying notes to financial statements.

IOWA PUBLIC AGENCY INVESTMENT TRUST
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1996

	Diversified Portfolio	Direct Government Obligation Portfolio
INVESTMENT INCOME:		
Interest	\$10,907,564	\$ 2,708,945
	-----	-----
EXPENSES:		
Investment advisory, administrative, and program support fees	617,335	158,955
Custody and bank trust services fees	238,913	60,210
Distribution fees	192,827	48,168
Other fees and expenses	48,207	12,042
	-----	-----
Total Expenses	1,097,282	279,375
	-----	-----
NET INVESTMENT INCOME	\$ 9,810,282	\$ 2,429,570
	=====	=====

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

<TABLE>

<CAPTION>

	Diversified Portfolio		Direct Government Obligation Portfolio	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
From Investment Activities:				
Net investment income distributed to unitholders	\$ 9,810,282	\$ 8,321,294	\$ 2,429,570	\$ 1,229,044
	=====	=====	=====	=====
From Unit Transactions:				
(at constant net asset value of \$1 per unit)				
Units sold	\$ 791,179,123	\$ 639,646,816	\$ 33,201,098	\$ 56,205,390
Units issued in reinvestment of dividends from net investment income	9,810,282	8,321,294	2,429,570	1,229,044
Units redeemed	(792,907,257)	(627,747,904)	(26,391,156)	(32,508,505)
	-----	-----	-----	-----
Net increase in net assets derived from unit transactions	8,082,148	20,220,206	9,239,512	24,925,929
Net assets at beginning of year	184,369,434	164,149,228	56,078,373	31,152,444
	-----	-----	-----	-----
Net assets at end of year	\$ 192,451,582	\$ 184,369,434	\$ 65,317,885	\$ 56,078,373
	=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.

FINANCIAL HIGHLIGHTS

<TABLE>

<CAPTION>

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

	1995	1994	1993	1992	1991	1990	1989	1988*
--	------	------	------	------	------	------	------	-------

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
IOWA PUBLIC AGENCY 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
Net Investment Income	.051	.049	.029	.030	.047	.066	.077	.081	.069
Dividends Distributed	(.051)	(.049)	(.029)	(.030)	(.047)	(.066)	(.077)	(.081)	(.069)

Net Asset Value, End of Period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Return	5.11%	4.86%	2.88%	2.98%	4.67%	6.68%	7.73%	8.09%	6.90%
Ratio of Expenses to Average Net Assets	0.57%	0.57%	0.57%	0.57%	0.62%	0.66%	0.67%	0.65%	0.24%
Ratio of Net Income to Average Net Assets	5.11%	4.86%	2.88%	2.98%	4.67%	6.68%	7.73%	8.09%	6.90%
Net Assets, End of Period (000 Omitted)	\$192,452	\$184,369	\$164,149	\$175,721	\$182,899	\$198,367	\$129,980	\$102,289	\$ 69,324

<TABLE>
<CAPTION>
SELECTED DATA FOR A UNIT OF EACH
PORTFOLIO OUTSTANDING THROUGH
EACH PERIOD ENDED JUNE 30,

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
IOWA PUBLIC AGENCY 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	\$ 1.000	\$ 1.000
Net Investment Income	.050	.048	.028	.028	.041	.066	.078	.083	.083
Dividends Distributed	(.050)	(.048)	(.028)	(.028)	(.041)	(.066)	(.078)	(.083)	(.083)

Net Asset Value, End of Period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Return	5.03%	4.82%	2.77%	2.76%	4.06%	6.64%	7.77%	8.32%	8.32%
Ratio of Expenses to Average Net Assets	0.58%	0.58%	0.58%	0.58%	0.61%	0.66%	0.65%	0.66%	0.66%
Ratio of Net Income to Average Net Assets	5.03%	4.82%	2.77%	2.76%	4.06%	6.64%	7.77%	8.32%	8.32%
Net Assets, End of Period (000 Omitted)	\$ 65,318	\$ 56,078	\$ 31,152	\$ 19,026	\$ 16,475	\$ 7,441	\$ 15,467	\$ 800	\$ 800

*From Commencement of Operations (November 13, 1987).
**From Commencement of Operations (September 1, 1988).
See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Iowa Public Agency Investment Trust (IPAIT) is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331.555 and 384.21, Iowa Code (1987), as amended, which authorized Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. IPAIT was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of October 1, 1987, and commenced operations on November 13, 1987. The Joint Powers Agreement and Declaration of Trust was amended September 1, 1988, and again on May 1, 1993. As amended, IPAIT is authorized to operate 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 public agencies 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 the Custodian and Bank Trust Services Provider, and Investors Management Group serves as the Investment Advisor and Administrator.

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, IPAIT'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 IPAIT's policy that its Custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller defaults, and the value of the collateral declines, realization of the collateral by IPAIT may be delayed or limited. At June 30, 1996, the securities purchased under overnight agreements to resell were collateralized by government agency securities with market values of \$47,678,255 and \$44,376,000 for the Diversified Portfolio and the Direct Government Obligation Portfolio, respectively.

UNIT ISSUES, REDEMPTIONS AND DISTRIBUTIONS

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

INCOME TAXES

IPAIT is exempt from federal and state income tax.

FEES AND EXPENSES

Under separate agreements with IPAIT, Investors Management Group (IMG), the Investment Advisor, Administrator and Program Support Provider, and Norwest Bank, Iowa, N.A. (Norwest), the Custodian and Bank Trust Services Provider, are paid an annual fee for operating the investment programs. For each of the portfolios, IMG receives .230 percent of the average daily net asset value up to \$150 million, .185 percent from \$150 to \$300 million, and .140 percent exceeding \$300 million for investment advisor and administrative fees. In addition, IMG receives .10 percent of the average daily net asset value up to \$250 million for program support fees. For the year ended June 30, 1996 the Diversified Portfolio and the Direct Government Obligation Portfolio paid \$617,335 and \$158,955, respectively to IMG for services provided. For each of the portfolios, Norwest receives .050 percent of \$150 million, .045 percent from \$150 to \$300 million, and .040 percent exceeding \$300 million for custodial services. Norwest also receives .075 percent of the average daily net asset value for bank trust services. For the year ended June 30, 1996, the Diversified Portfolio and the Direct Government Obligation Portfolio paid \$238,913 and \$60,210, respectively to Norwest for services provided. Under a distribution plan the public agency associations collectively receive 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 \$106,032 and \$39,017 respectively to the Iowa League of Cities, \$21,675 and \$9,151, respectively to the Iowa Association of Municipal Utilities. For the year ended June 30, 1996, the Diversified Portfolio paid \$65,120 to the Iowa State Association of Counties. IPAIT is responsible for other expenses incurred directly by IPAIT. 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 \$15,800,401,570 and \$6,508,426,930 respectively for the year ended June 30, 1996. Proceeds from maturities of securities for the Diversified Portfolio and Direct Government Obligation Portfolio aggregated \$15,766,278,609 and \$6,498,766,938 respectively for the year ended June 30, 1996.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the Diversified Portfolio and the Direct Government Obligation Portfolio of the Iowa Public Agency 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 nine-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 audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our 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 are 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 Public Agency 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

INVESTMENT ADVISOR AND ADMINISTRATOR

INVESTORS MANAGEMENT GROUP
2203 GRAND AVENUE
DES MOINES, IA 50312-5338

* * * * *

CUSTODIAN AND BANK TRUST
SERVICES PROVIDER
Norwest Bank Iowa, N.A.
666 Walnut Street, P.O. Box 837
Des Moines, IA 50304

* * * * *

LEGAL COUNSEL

AHLERS, COONEY, DORWEILER, HAYNE, SMITH & ALLBEE, P.C.
ATTORNEYS AT LAW
100 Court Avenue, Suite 600
Des Moines, IA 50309

* * * * *

INDEPENDENT AUDITOR

KPMG Peat Marwick LLP
2500 Ruan Center
Des Moines, IA 50309

* * * * *

IOWA PUBLIC AGENCY INVESTMENT TRUST
c/o Norwest Bank Iowa, N.A.
666 Walnut Street, P.O. Box 837
Des Moines, IA 50304
(800) 872-0140 or (515) 245-3245