

Iowa Public Agency Investment Trust



Semi-Annual Financial Report Diversified Portfolio

December 31, 2018

Sponsored by the

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

Iowa Public Agency Investment Trust - Diversified Portfolio Management's Discussion & Analysis (unaudited)

This section of the IPAIT Diversified Portfolio's semi-annual Financial Report presents management's discussion and analysis of the financial position and results of operations during the six-month periods ended December 31, 2018 and December 31, 2017. This information is being presented to provide additional information regarding the activities of IPAIT, pursuant to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures (Statements Nos. 34, 37, and 38). This discussion and analysis should be read in conjunction with the basic financial statements of IPAIT's Diversified Portfolio.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Schedule of Investments lists each security held by the portfolio as of December 31.
- The Statement of Net Assets shows the financial position (assets and liabilities) of the portfolio as of December 31.
- The Statements of Operations display the results of operations (income and expenses) of the portfolio for the six-month periods ended December 31, 2018 and December 31, 2017.
- The Statements of Changes in Net Assets display the results of additions (net investment income, unit sales, and reinvestments) and deductions (dividends and unit redemptions) of the portfolio for the six-month periods ended December 31, 2018 and December 31, 2017.
- The Notes to Financial Statements describe significant accounting policies and disclose summary security transaction amounts of the portfolio and other information required by U.S. generally accepted accounting principles.

CONDENSED FINANCIAL INFORMATION AND FINANCIAL ANALYSIS

Year-over-year changes in most financial statement amounts reported in IPAIT's Diversified Portfolio are most significantly impacted by the level of average net position (which fluctuates based on the overall levels of participant/unitholder invested balances). Additionally, changes in the short-term interest rate environment (which follows the general trend established by monetary policy set by the Federal Reserve) contribute to year-over-year variances in the amount of investment income earned by the portfolio. The Federal Reserve's Federal Open Market Committee changed the Fed Funds target rate four times in 2018 with the last change on December 20, 2018 to a range from 2.25 to 2.50 percent.

Iowa Public Agency Investment Trust - Diversified Portfolio Management's Discussion & Analysis (unaudited) (continued)

Condensed financial information and variance explanations for the six-month period ended December 31, 2018, as compared to the same period ended December 31, 2017, follow.

Net Position	December 31, 2018	Percent Change	December 31, 2017
Total investments	\$ 387,614,321	5%	\$ 370,713,121
Excess liabilities over other assets	<u>(26,566)</u>	-108%	<u>344,626</u>
Net position held in trust for pool participants	<u>387,587,755</u>	4%	<u>371,057,747</u>
Average net position	\$ 381,196,721	0.2%	\$ 381,941,227

Total investments and net position increased when comparing December 31, 2018 and December 31, 2017 amounts. During the six-month period ended December 31, 2018, the excess of other assets over liabilities decreased 108 percent due to an increase in dividends payable. The significant increase in the net yield paid to participants increased the dividends payable year over year.

Change in Net Position for the periods ended	December 31, 2018	Percent Change	December 31, 2017
Investment Income	\$ 4,279,359	97%	\$ 2,169,360
Total Net Expenses	(679,635)	-0.2%	(680,743)
Dividends to unitholders from net investment income	(3,599,724)	142%	(1,488,617)
Net increase (decrease) in net position	19,517,429	556%	(3,508,991)
Net position at beginning of period	<u>368,070,326</u>	-2%	<u>374,566,738</u>
Net position at end of period	<u>\$ 387,587,755</u>	4%	<u>\$ 371,057,747</u>

Investment income increased 97 percent and dividends to unitholders from net investment income increased 142 percent during the six-month period ended December 31, 2018 as compared to the same period in the prior year. The net change in net position increased 556 percent during the six-month period ended December 31, 2018 as compared to the same period in the prior year.

Iowa Public Agency Investment Trust - Diversified Portfolio Management's Discussion & Analysis (unaudited) (continued)

Condensed financial information and variance explanations for the six-month period ended December 31, 2017, as compared to the same period ended December 31, 2016, follow.

Net Position	December 31, 2017	Percent Change	December 31, 2016
Total investments	\$ 370,713,121	23%	\$ 301,583,117
Excess of other assets over total liabilities	344,626	-30%	489,955
Net position held in trust for pool participants	<u>371,057,747</u>	23%	<u>302,073,072</u>
Average net position	\$ 381,941,227	38%	\$ 276,196,751

Total investments, net position and average net position all increased when comparing December 31, 2017 and December 31, 2016 amounts. During the six-month period ended December 31, 2017, the excess of other assets over liabilities decreased 30 percent due to an increase in dividends payable. The significant increase in the average net position along with higher net yields paid to participants increased the dividends payable year over year.

Change in Net Position for the periods ended	December 31, 2017	Percent Change	December 31, 2016
Investment Income	\$ 2,169,360	222%	\$ 672,761
Total Net Expenses	(680,743)	30%	(523,488)
Dividends to unitholders from net investment income	(1,488,617)	897%	(149,273)
Net increase (decrease) in net position	(3,508,991)	-108%	46,593,454
Net position at beginning of period	<u>374,566,738</u>	47%	<u>255,479,618</u>
Net position at end of period	<u>\$ 371,057,747</u>	23%	<u>\$ 302,073,072</u>

Investment income increased 222 percent and dividends to unitholders from net investment income increased 897 percent during the six-month period ended December 31, 2017 as compared to the same period in the prior year. Total net expenses increased 30 percent during the six-month period ended December 31, 2017 as compared to the same period in the prior year due to the increase in the average net position.

CONTACTING THE PORTFOLIO'S FINANCIAL MANAGEMENT

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

Iowa Public Agency Investment Trust - Diversified Portfolio
Schedule of Investments (unaudited)
December 31, 2018

<u>Par Value</u>	<u>Description</u>	<u>Current Yield</u>	<u>Due Date</u>	<u>Amortized Cost</u>
U.S. GOVERNMENT AGENCIES (42.56%)				
\$ 25,000,000	U.S. Treasury	2.27%	01/02/19	\$ 24,996,891
20,000,000	U.S. Treasury	2.33%	01/15/19	19,980,871
20,000,000	U.S. Treasury	2.31%	01/17/19	19,978,532
15,000,000	U.S. Treasury	2.35%	01/22/19	14,978,818
35,000,000	U.S. Treasury	2.36%	01/31/19	35,006,291
20,000,000	Federal Home Loan Bank	2.43%	03/25/19	19,998,146
30,000,000	U.S. Treasury	2.41%	04/30/19	30,015,017
	Total (cost -- \$164,954,566)			<u>164,954,566</u>
DEPOSIT ACCOUNTS (25.65%)				
\$ 58,598,818	FNB Omaha ICS - Demand	2.61%		\$ 58,598,818
25,357,772	FNB Omaha ICS - Savings	2.61%		25,357,772
5,106,196	Community State Bank ICS - Savings	2.53%		5,106,196
10,122,929	Great Western Bank ICS - Demand	2.51%		10,122,929
250,000	Great Western Bank - DDA	2.51%		250,000
	Total (cost -- \$99,435,715)			<u>99,435,715</u>
REPURCHASE AGREEMENTS (31.79%)				
\$ 76,612,020	BMO Capital Markets LLC	2.85%	01/02/19	\$ 76,612,020
46,612,020	Royal Bank of Canada	2.85%	01/02/19	46,612,020
				<u>123,224,040</u>
	Total (cost -- \$123,224,040)			
	(Purchased on 12/31/18; proceeds at maturity \$123,243,550; collateralized by \$1,208,216,902 U.S. Government Agencies with maturities ranging from 02/06/19 and 10/20/68, collateral worth \$125,688,521)			
TOTAL INVESTMENTS (cost -- \$387,614,321) -- 100.00%				<u><u>\$ 387,614,321</u></u>

See accompanying notes to financial statements.

Iowa Public Agency Investment Trust - Diversified Portfolio
Statement of Net Assets (unaudited)
December 31, 2018

ASSETS

Investments in securities at amortized cost:	
Government Securities	\$ 164,954,566
Other Investments	99,435,715
Repurchase Agreements	123,224,040
Total investments in securities	<u>387,614,321</u>
Cash	1
Interest Receivable	727,466
Total assets	<u>388,341,788</u>

LIABILITIES

Investment advisory fees payable	23,361
Administrative fees payable	28,497
Marketing fees payable	19,231
Custody fees payable	9,615
Sponsorship fees payable	24,038
Dividends payable	649,291
Total liabilities	<u>754,033</u>

NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS \$ 387,587,755

Units of beneficial interest outstanding 387,587,755

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

See accompanying notes to financial statements.

Iowa Public Agency Investment Trust - Diversified Portfolio
Statements of Operations (unaudited)
For the Six Months ended December 31,

	<u>2018</u>	<u>2017</u>
INVESTMENT INCOME		
Interest	\$ 4,279,359	\$ 2,169,360
EXPENSES		
Investment advisory fees	139,718	139,925
Administrative fees	170,589	170,871
Marketing fees	115,299	115,524
Custody fees	57,649	57,762
Sponsorship fees	144,124	144,405
Other fees and expenses	52,256	52,256
Total expenses	<u>679,635</u>	<u>680,743</u>
NET INVESTMENT INCOME	<u>\$ 3,599,724</u>	<u>\$ 1,488,617</u>

Statements of Changes in Net Assets (unaudited)
For the Six Months ended December 31,

	<u>2018</u>	<u>2017</u>
ADDITIONS		
From investment activities:		
Net investment income	\$ 3,599,724	\$ 1,488,617
From unit transactions:		
(at constant net asset value of \$1 per unit)		
Units sold	573,328,427	420,184,366
Units issued in reinvestment of dividends		
from net investment income	<u>3,434,968</u>	<u>1,366,910</u>
Total additions	<u>580,363,119</u>	<u>423,039,893</u>
DEDUCTIONS		
Dividends to unitholders from:		
Net investment income	(3,599,724)	(1,488,617)
From unit transactions:		
Units redeemed	<u>(557,245,966)</u>	<u>(425,060,267)</u>
Total deductions	<u>(560,845,690)</u>	<u>(426,548,884)</u>
Net increase (decrease) in net assets	19,517,429	(3,508,991)
Net assets held in trust for pool participants at beginning of period	<u>368,070,326</u>	<u>374,566,738</u>
Net assets held in trust for pool participants at end of period	<u>\$387,587,755</u>	<u>\$371,057,747</u>

See accompanying notes to financial statements.

Iowa Public Agency Investment Trust - Diversified Portfolio

Notes to Financial Statements (unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Iowa Public Agency Investment Trust (IPAIT) is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331.555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is an S&P Global Ratings rated money market fund pursuant to the requirements of Iowa Code 12B.10. IPAIT was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of October 1, 1987, and commenced operations on November 13, 1987. The Joint Powers Agreement and Declaration of Trust was amended September 1, 1988, May 1, 1993, and again on September 1, 2005. The accompanying financial statements include activities of the Diversified Portfolio. The objective of the portfolio is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa public agencies under Iowa law. Wells Fargo Bank, N.A. (Wells Fargo) serves as the Custodian. PMA Financial Network (PMA) serves as the Marketer. Miles Capital, Inc. (Miles Capital) serves as the Investment Adviser and Administrator.

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

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

INVESTMENTS IN SECURITIES

The Diversified Portfolio consists of cash and short-term investments valued at amortized cost, which approximates fair value, pursuant to Governmental Accounting Standards Board (GASB) Statement No. 79. This involves valuing a portfolio security at its original cost on the date of purchase, and thereafter amortizing any premium or discount on the interest method. Investment policies are followed to maintain a constant net asset value of \$1.00 per unit for the portfolio.

Security transactions are accounted for on the trade date. Interest income, including the accretion of discount and amortization of premium, is accrued daily as earned.

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

In connection with transactions in repurchase agreements, it is IPAIT's policy that the underlying collateral securities value exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller were to default on its repurchase obligation and the value of the collateral declines, realization of the collateral by IPAIT may be delayed or limited. At December 31, 2018 and 2017, the securities purchased under overnight agreements to resell were collateralized by U.S. Government Agency Securities with a fair value of \$125,688,521 and of \$98,902,469, respectively with maturities ranging from 08/01/18 to 10/20/68.

ICS is a network of banks offering demand deposit accounts below the standard FDIC insurance maximum so that principal and interest are eligible for full FDIC insurance. As of December 31, 2018, the portfolio held \$99,185,715 in the ICS program.

Iowa Public Agency Investment Trust - Diversified Portfolio

Notes to Financial Statements (unaudited) (continued)

Under GASB Statement No. 40 addressing credit risk, IPAIT's investments in securities in the Diversified Portfolio held securities whose S&P credit ratings were 54.6 percent AA+, 19.8 percent AA- and 25.6 percent not rated. The Not Rated securities are securities issued by government-sponsored entities which are deemed to carry the equivalent of A1+/P1 ratings by the IPAIT Board of Trustees.

Management attempts to limit the Diversified Portfolio's exposure to interest rate risk and believes this is addressed by the fact that securities are limited by S&P Global guidelines as well as by investment policy to investments of high quality with durations not to exceed 397 days. Hence it is not expected that any significant change in market interest rates would present long-term risk to the Diversified Portfolio.

UNIT ISSUES, REDEMPTIONS AND DISTRIBUTIONS

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

INCOME TAXES

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

FEES AND EXPENSES

Miles Capital receives 0.190 percent of the average daily net position value up to \$150 million, 0.160 percent from \$150 to \$250 million, and 0.130 percent exceeding \$250 million for investment adviser and administrative fees. For the six-month periods ended December 31, 2018 and 2017, the Diversified Portfolio paid \$310,308 and \$310,795, respectively, to Miles Capital for services provided.

PMA receives 0.060 percent of the average daily net position value for marketing fees. For the six-month period ended December 31, 2018 and 2017, the Diversified Portfolio paid \$115,299 and \$115,524, respectively, to PMA for services provided.

Wells Fargo receives 0.030 percent of the average daily net position value of the portfolio for custody fees. For the six-month periods ended December 31, 2018 and 2017, the Diversified Portfolio paid \$57,649 and \$57,762, respectively, to Wells Fargo for services provided.

Under a sponsorship agreement dated November 1, 2017, the public agency associations collectively receive an annual fee of 0.075 percent of the average daily net position value for sponsorship fees. For the six-month periods ended December 31, 2018 and 2017, the Diversified Portfolio paid \$56,795 and \$61,266 to the Iowa League of Cities, \$63,944 and \$59,996 to the Iowa State Association of Counties, and \$23,385 and \$23,143 to the Iowa Association of Municipal Utilities, respectively.

IPAIT is responsible for other fees and expenses incurred directly by IPAIT. The other fees and expenses accrual is based on the annual estimated other fees and expenses incurred by IPAIT. The other fees and expenses have averaged between 0.02 and 0.03 percent of the average daily net asset value, and totaled \$52,256 and \$52,256 for the six-month periods ended December 31, 2018 and 2017, respectively.

All fees are computed daily and paid monthly. Fees waived in prior periods cannot be recovered in future periods.

Iowa Public Agency Investment Trust - Diversified Portfolio

Notes to Financial Statements (unaudited) (continued)

FAIR VALUE MEASUREMENT

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Diversified Portfolio meets all of the necessary criteria in GASB Statement No. 79 to elect to measure all of the investments in the Diversified Portfolio at amortized cost, which approximates fair value.

(2) SECURITIES TRANSACTIONS

Purchases of portfolio securities for the Diversified Portfolio aggregated \$14,859,404,814 and \$12,936,021,690 for the six-month periods ended December 31, 2018 and 2017, respectively. Proceeds from the maturity and sale of securities for the Diversified Portfolio aggregated \$14,840,429,249 and \$12,938,574,655 for the six-month periods ended December 31, 2018 and 2017, respectively.

(3) DIRECT GOVERNMENT OBLIGATIONS PORTFOLIO

In 2010, the Board of Trustees approved a resolution ceasing the investment operations of the Direct Government Obligation Portfolio and transferring assets to the Diversified Portfolio. The transfer was facilitated through SEC Rule 17a-7 at fair value. The Portfolio remains available for future investment if IPAIT participants should request it in the future.

Iowa Public Agency Investment Trust - Diversified Portfolio Financial Highlights (unaudited)

Selected Data for Each Unit of Portfolio Outstanding

	Six Months Ended December 31, (unaudited)	Year Ended June 30,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Net Investment Income	0.0094	0.0105	0.0029	0.0002	0.0001	0.0001
Dividends Distributed	(0.0094)	(0.0105)	(0.0029)	(0.0002)	(0.0001)	(0.0001)
Net Asset Value, End of Period	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Total Return	0.94% *	1.06%	0.26%	0.02%	0.01%	0.01%
Ratio of Expenses to Average Net Assets, After Waivers	0.35% **	0.35%	0.36%	0.29%	0.16%	0.16%
Ratio of Net Investment Income to Average Net Assets, After Waivers	1.87% **	1.05%	0.29%	0.02%	0.01%	0.01%
Ratio of Expenses to Average Net Assets, Before Waivers	0.35% **	0.35%	0.37%	0.36%	0.36%	0.36%
Ratio of Net Investment Income to Average Net Assets, Before Waivers	1.87% **	1.05%	0.29%	(0.05%)	(0.19%)	(0.19%)
Net Assets, End of Period (000 Omittec	\$387,588	\$368,070	\$374,567	\$255,480	\$323,576	\$323,576

* Not Annualized

** Annualized

See accompanying notes to financial statements.

Iowa Public Agency Investment Trust Board of Trustees (unaudited)

INFORMATION STATEMENT The Information Statement has additional information about the Fund and is available without charge, upon request, by calling 800-872-4024.

OTHER INFORMATION

Units of IPAIT's Diversified Portfolio are not insured by the FDIC or the U.S. Government. Investment products involve investment risk, including the possible loss of principal. Past performance is not predictive of future results, and the composition of the Fund's portfolio is subject to change.

Craig Anderson

Supervisor, Plymouth County
Chair and Trustee

Greg Fritz

Chief Executive Officer, NIMECA
Vice Chair and Trustee

Michelle Weidner

Chief Financial Officer, City of Waterloo
Second Vice Chair and Trustee

Brent Hinson

City Administrator, City of Washington
Trustee

Jerry Gowey

Director, Finance and Administrative Services
Muscatine Power and Water
Trustee

Randy Jacobsma

Treasurer, Sioux County
Trustee

Jarret Heil

Treasurer, Marshall County
Trustee

Tim Stiles

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Trustee

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General Manager, Spencer Municipal Utility
Trustee

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Executive Director, Iowa Association
of Municipal Utilities
Ex-Officio Member and Assistant Secretary

Alan Kemp

Executive Director, Iowa League of Cities
Ex-Officio Member and Secretary

William Peterson

Executive Director, Iowa State Association
of Counties
Ex-Officio Member, Treasurer

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

Service Providers

Administrator-Investment Adviser:

Miles Capital, Inc.
1415 28th Street, Suite 200
West Des Moines, IA 50266-1461

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Legal Counsel:

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Des Moines, IA 50309

Custodian:

Wells Fargo Bank, N.A.
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**Independent Registered
Public Accounting Firm:**

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