

# FAYETTEVILLE SCHOOL DISTRICT REQUEST FOR PROPOSAL FOR: “Investment Management Services”

## 1.0 INTRODUCTION

1.1 This is a Request for Proposal (RFP) for the Fayetteville School District, Fayetteville, Arkansas.

1.2 The Fayetteville School District (“District”) is currently seeking proposals from qualified firms interested in providing investment management services for the District’s short-term investment portfolio (up to **three** years maturity). The District desires to contract for services from a Firm Investment Manager (“Investment Manager”) registered with the Securities and Exchange Commission (SEC) under the Investment Advisor’s Act of 1940 who will act in a fiduciary capacity. The Investment Manager will be required to manage the funds in accordance with the laws of the State of Arkansas, the District’s investment policy and procedures established by the District.

The District’s short-term investment portfolio ranges from an estimated \$8 million and \$70 million depending on seasonal revenue collections and the timing of bond issues. A proposed copy of “Fayetteville School District Investment Policy is attached as Appendix A.

The District encourages all prospective Investment Managers to examine this RFP carefully. Qualified managers, as defined below, are requested to submit proposals to provide the services described in this RFP. The District expects its Investment Manager to be highly experienced, a leader and innovator in the management of investments, and able to provide comprehensive investment management services while adequately assessing risk on behalf of the District. The firm selected as the Investment Manager and its affiliates will be restricted from selling to the District, or buying from the District, any securities to or from that firm’s own inventory or account. The Investment Manager will also be restricted from placing into the District portfolio any securities for which it, or an affiliate, is the issuer (i.e. CD’s, commercial paper, etc.). The Investment Manager shall act solely in a fiduciary capacity and shall not receive any fee or compensation based upon the purchase or sale of securities but, rather, the Investment Manager will be compensated pursuant to the provision of its contract with the District.

The Investment Manager WILL NOT provide custodial services or security safekeeping.

1.3 All terms and conditions of this RFP, any addenda, proposer's submissions and negotiated terms, are incorporated into the contract by reference as set forth herein.

## 2.0 INSTRUCTIONS TO PROPOSER

2.1 All proposals must be received no later than 9:00 A.M., on January 12, 2012. If a proposal is transmitted by US Mail or other delivery medium, the proposer(s) will be responsible for its timely delivery to the Fayetteville School District Business Office, 1000 W. Stone Street, Fayetteville, Arkansas 72701. Please ensure you mark your envelope with the Title of the RFP.

2.2 Any proposal received after the stated time and date, will not be considered.

2.3 One manually signed original and **3** photocopies of the proposal must be sealed in one package and clearly labeled "**Investment Management Services**" on the outside of the package. The legal name, address, proposer's contact person, and telephone number must also be clearly annotated on the outside of the package.

2.4 All proposals must be signed by an officer or employee having authority to legally bind the firm providing the offer.

2.5 Any corrections must be initialed. This includes corrections made using correction fluid (white out) or any other method of correction.

2.6 Proposer should become familiar with any local conditions which may, in any manner, affect the services required. The proposer(s) is/are required to carefully examine the RFP terms and to become thoroughly familiar with any and all conditions and requirements that may in any manner affect the work to be performed under the contract. No additional allowance will be made due to lack of knowledge of these conditions.

2.7 Proposals not conforming to the instructions provided herein will be subject to disqualification at the sole option of the District.

2.8 Any proposal may be withdrawn prior to the date and time the proposals are due. Any proposal not withdrawn will constitute an irrevocable offer, for a period of 90 days, to provide the District with the services specified in the proposal.

## 3.0 AWARD

3.1 The District reserves the right to accept or reject any or all proposals.

3.2 The District reserves the right to waive any irregularities and technicalities and may, at its sole discretion, request a clarification or other information to evaluate any or all proposals.

3.3 The District reserves the right, before awarding the contract, to require proposer(s) to submit evidence of qualifications or any other information the

District may deem necessary.

3.4 The District reserves the right, prior to Board approval, to cancel the RFP or portions thereof, without penalty.

3.5 The District reserves the right to: (1) accept the proposals of any or all of the items it deems, at its sole discretion, to be in the best interest of the District; and (2) the District reserves the right to reject any and/or all items proposed or award to multiple proposers.

3.6 The District reserves the right to further negotiate any proposal, including price, with any proposer.

#### **4.0 TERM OF CONTRACT / RENEWAL**

4.1 It is the intent to award a contract for an initial three (3) year period subject to one year review and approval. The decision to renew the contract will be at the sole discretion of the District. All prices shall be firm for the term of this contract. The awardee agrees to this condition by signing their proposal.

During the period of the contract or any extension thereof, the District reserves the right to restate/and or negotiate with the investment manager such additions, deletions, or changes as may be necessitated by law, changed circumstances, changes in technology and/or available investments of which the District may wish to avail itself. However, no increase in quoted fees will be permitted and no additional charges will be added to items or services in the original proposal that remain unchanged.

#### **5.0 RFP INQUIRIES**

5.1 Any questions concerning conditions and specifications must be submitted in writing and received no later than 72 Hours prior to the deadline for receiving the RFP. Questions received in writing within the required timeframe will be answered in writing. [Lisa Morstad](#) is authorized only to direct the attention of prospective proposers to various portions of the RFP so that they may read and interpret such for themselves. Neither Dr. Morstad nor any employee of the District is authorized to interpret any portion of this RFP or give information as to the requirements of the RFP in addition to that contained in the written documents.

Send all inquiries to attention:

Lisa Morstad, Business Office, Fayetteville School District 1000 W. Stone Street, Fayetteville, Arkansas 72701 Ph 479-444-3000 or [lisa.morstad@fayar.net](mailto:lisa.morstad@fayar.net)

5.2 If necessary, an addendum will be posted on the District Website.

5.3 Copies of addendum will be made available for inspection at the District's Business Office where proposal documents will be kept on file.

5.4 No addendum will be issued later than three calendar days prior to the date for receipt of proposals except an addendum withdrawing the request for proposals or one which includes postponement of the date for receipt of proposals.

5.5 No verbal or written information which is obtained other than by information in this document or by addendum to this RFP will be binding on the District.

6.0 **SCOPE OF SERVICES** Specific responsibilities of the selected Investment Manager shall include, but not be limited to the following:

- A. Manage on a daily basis the District's short term investment portfolio pursuant to the specific, stated investment objectives. Place all orders for the purchase and sale of securities, communicate settlement information to the District staff and assist in coordinating security settlement.
- B. Serve as a general resource to the District staff for information, advice and training regarding fixed income securities, investments, and Treasury operations.
- C. Work with the District staff to develop cash flow projections to ensure that the investment strategy is consistent with the District's cash requirements. In addition work with capital budget and accounting staff and assist in the development of project expenditure schedules for the purpose of developing an investment plan for all capital funds, including bond proceeds.
- D. Provide monthly statements on investment activity, earnings and the value of the investment portfolio. These reports must include a mark-to-market valuation. The selected Investment Manager must maintain accurate reports of investments including the diversity of investments and compliance with applicable investment policies of the District and State of Arkansas statutes. At the request of the District, must be willing to provide granular detail on a CUSIP level of assigned portfolio holdings.
- E. Provide quarterly investment reports including a description of market conditions, investment strategies employed, performance and suggested changes to investment strategy.
- F. Conduct all aspects of the investment program in compliance with the arbitrage and rebate requirements of the U.S. Treasury, currently described in Section 148 of the Internal Revenue Code of 1986 as amended and of the related Code of Federal Regulations.
- G. Provide investment footnotes and SAS 70 report for the auditors.
- H. Maintain the necessary qualified professional staff to conduct an annual

operational review of the Treasury management functions of the District to ensure that the District is in compliance with the District's Investment Policy, Internal Controls and standard investment practices.

I. From time to time, at the direction of the Chief Financial Officer provide assigned, additional services.

J. Conduct all aspects of the bond and structure products investment program in compliance with the arbitrage and rebate requirements of the U.S. Treasury, currently described in Section 148 of the Internal Revenue Code of 1986 as amended and of the related Code of Federal Regulations.

K. All investments must be compliant with Arkansas Statutes related to public school investments.

### **RFP CONTENTS**

Proposer shall submit **one (1) original and three (3) copies** in a clear, concise format. Each tabbed set shall contain all the information required herein to be considered for award. Omission of required data may be cause for disqualification. Any other information thought to be relevant, but not applicable to the enumerated sections, should be provided as an appendix to the proposal. If publications are supplied by a Proposer to respond to a requirement, the response should include reference to the document number and page number. Proposals not providing this reference will be considered to have no reference materials included in the additional documents.

The proposal must include the following sections in the prescribed order:

#### **A. MINIMUM QUALIFICATIONS**

1. Firms must meet minimums in order to be considered so please respond to each issue.

- Have a minimum of five years of experience in managing fixed income assets for state and local governments.
- Currently manages at least \$5 billion of **domestic** fixed income assets.
- Assign an account manager to the District account with a minimum of five years experience in investment management.
- Be familiar with all applicable Arkansas statutes with regard to qualified investments for public entities.
- Be registered with the Securities and Exchange Commission under the Investment Advisor's Act of 1940.
- Display an understanding of the related issues and constraints of the arbitrage regulations and laws.
- Be financially solvent and appropriately capitalized to be able to service the District for the duration of the contract.
- Have Errors & Omissions and Fiduciary Liability Insurance coverage of at least \$5 million.
- Adhere to the Code of Professional and Ethical Standards as proscribed by

- the CFA Institute or utilize a similarly constructed Code of Ethics.
- Calculate performance of firm assets per the Global Investment Performance Standards (“GIPS”) as proscribed by the CFA Institute, or have sound and justifiable reasons for exception.

**B. FIRM BACKGROUND -**

1. Describe the organization, date founded and ownership of your firm. Has the firm experienced a significant change in organizational structure, ownership or management during the past three years and, if so, please describe. If the firm has experienced a mass exodus of employees (known as a “lift out” event), or lost a key investment manager whose record materially alters the historical performance of the firm, such should be disclosed here.
  
2. Describe any other business affiliations (e.g., subsidiaries, joint ventures, “soft dollar” arrangements with brokers). Identify your top two research providers and indicate how they are compensated. Identify your top two discretionary brokerage providers and how they are compensated. Discuss in this section your compliance with the CFA Institute “Soft Dollar” standards; if not compliant, indicate specifically any areas of differentiation.
  
3. Identify the types of accounts primarily managed by your firm.
  
4. Does your firm have an office or service government accounts in the State of Arkansas? Which office will service the District’s account?
  
5. Is your firm a registered investment adviser under the Investment Adviser’s Act of 1940? Please attach Part II of your most recent Form ADV.
  
6. How many CFA Charterholders are in your firm and the applicable group responsible for the District’s account?
  
7. Describe any SEC, NASD or any other regulatory censure or litigation involving your firm during the past five (5) years.
  
8. Is your firm “Global Investment Performance Standards” (GIPS) compliant? If so, has this claim been verified by a third party in accordance with the GIPS standards? If not, in what ways - specifically - does your firm differ from the GIPS standards?
  
9. Summarize fidelity bond coverage, errors and omissions, employee dishonesty, fiduciary liability insurance, or other fiduciary coverage your firm carries. Provide a Certificate of Insurance.
  
10. Provide an electronic copy of your firm’s last three years audited financial statements.

11. Provide a copy of your firm's Code of Ethics.

### **C. EXPERIENCE**

1. Describe, in detail, your firm's experience in managing investment portfolios for public funds and governmental entities including any relevant experience managing public funds and bond proceeds in Arkansas.

2. Summarize your assets under management (institutional only) over the past five years by the following categories: short-term operating funds, medium-term operating funds, long-term operating funds and bond proceeds funds. Also, please separate these asset totals by Government Institutions and Other Institutions. Indicate what percentages of your total identified assets are subject to arbitrage restrictions as defined by the Internal Revenue Service.

3. What is your firm's experience in developing investment policies and portfolio management guidelines for government operating funds?

4. Does your firm act as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for client transactions aside from the direct fee paid by clients?

5. Provide five client references (public references, if possible) including client name, contact personnel, address, phone number, length of time you have managed their assets and a list of any other related services provided (e.g. arbitrage rebate calculations, cash flow analysis, etc.). Provide 2 recent reports for three funds similar in size to the District.

6. Experience with Local Government Investment Pools. Please provide information about potential for developing an LGIP in Arkansas for public schools.

### **D. PERSONNEL**

1. Provide a summary organizational chart showing your proposed project team including analytical investment and research staff, other decision support and back office support. You will identify key personnel in the next section.

2. Provide detailed resumes for all key investment professionals who will be directly responsible for the investment of the District funds. Include the following information; title, number of years at your firm, total number of years of experience, professional designations or licenses. Discuss your historical turnover among account representatives and your procedure for reassigning account representatives to facilitate smooth coverage during transition periods

3. Describe your firm's activities to keep portfolio managers informed of developments relevant to the management of local government funds.

## **E. INVESTMENT MANAGEMENT APPROACH AND DISCIPLINE**

Response to the following section may be addressed as a continuing document without specific reference to the section or paragraph numbers indicated. Answers may be combined to include all information requested.

1. Discuss your understanding of the Districts general fiscal profile and cash flow cycle as well as investment goals as outlined in the attached Appendix A.
2. Briefly describe your firm's investment management philosophy; clearly indicate whether your firm employs a top-down or bottom-up approach to portfolio construction. If top-down, then discuss your historical interest rate projections compared to actual results (graphs would be appropriate). If bottom-up, discuss your historical credit loss experience across the firm. Your responses to later sections of this RFP must be consistent with your response to this section.
3. Describe the investment program you are proposing for the District, including the type of securities you propose to purchase, how the funds will be managed after the initial investments are made and how you will provide liquidity. While your short term views on the markets are interesting, this section should focus on the underlying principles and philosophy which you use to construct client portfolios. The program should address the following topics in detail:
  - A. Asset – Liability matching
  - B. Portfolio duration measurement and management
  - C. Credit quality assessment
  - D. Spread modeling
  - E. Optionality within the portfolio (i.e. option adjusted spread modeling and assumptions)
  - F. Inflation protection and hedging
  - G. Asset Allocation by sector and credit quality.
4. What are the primary strategies employed by your firm for adding value to portfolios (e.g., market timing, credit research, sector allocation, duration management, protection of principal, etc.)?
5. Describe how investment ideas are originated and how researched, and how the ultimate investment decision is made. Explain how investment decisions are then implemented, monitored and evaluated. This is the section to discuss how you respond to changes in market dynamics and your short-term outlook.
6. Describe your firm's research capabilities and resources. Does your firm assign credit research to specialists for public fund accounts?
7. Provide your firm's investment (0-3 year) performance for the most recent five years by relevant composite. Please show annualized quarterly returns, gross

and net of all management fees. Include a one, three and five year summary table. Performance composites should disclose number of accounts and assets under management.

8. Provide a sample portfolio for an assumed investment with quarterly cash flows for the next three years as indicated below. Assume cash flows are at the beginning of the period, and no initial funds other than the cash flows are deposited. Invest the portfolio per the investment guidelines attached as Appendix A.

Adjust amounts to district.

- a. Q1: inflow of 40 million
- b. Q2: out flow of 15 million
- c. Q3 outflow of 20 million
- d. Q4: inflow of 30 million

#### **F. ARBITRAGE REBATE COMPLIANCE**

1. Describe your firm's experience in developing and implementing investment strategies for the proceeds of tax-exempt bond proceeds.
2. What measures does your firm take to ensure that all investments are executed in compliance with the IRS's Fair Market Rules?
3. Describe how your firm stays informed of the latest interpretations and guidelines issued by the U.S. Treasury Department.
4. Provide the number of issues and total assets for which you currently provide arbitrage rebate tracking.

#### **G. ACCOUNTING AND REPORTING**

1. Describe the investment accounting and reporting system used by your firm.
2. Describe the frequency and format of reports that you would provide to District (including the methods and formulas used to calculate yield and performance). Sample reports should be included.
3. What performance benchmark would you suggest for the District's portfolios?
4. Describe your firm's online reporting capabilities.
5. Describe how the Government Accounting Standards Board standards impact your firm's investment approach and reporting procedures.

## **H. FEES**

1. Provide the fixed fee that would apply to this account.
2. What expenses, not covered by the fee, are expected to be paid by the District?
3. Explain any penalties, potential loss of income or other risks, which might be borne by the District resulting from any deviation within its indicated draw schedule. Clearly state the process, which would be utilized to assist the District to most effectively minimize such penalties and risks.
4. Provide a sample of a proposed contract for your firm's services.

## **I. GENERAL**

1. Discuss training opportunities for District staff.
2. Briefly describe any additional feature, attributes or conditions, which the District should consider in selecting your firm.
3. Disclose current or potential conflicts. Disclose litigation for the last ten years and resolution.

## **7.0 CANCELLATION OF AWARD/TERMINATION**

7.1 In the event any of the provisions of this proposal are violated by the proposer(s), the Superintendent or designee will give written notice to the proposer(s) stating the deficiencies and unless the deficiencies are corrected within ten (10) days, recommendation will be made to the District for immediate cancellation. Upon cancellation hereunder, the District may pursue any and all legal remedies as provided herein and by law.

7.2 The District, reserves the right to terminate any contract resulting from this RFP, at any time and for any reason, upon giving 30 days prior written notice to the other party. If said contract should be terminated for convenience as provided herein, the District will be relieved of all obligations under said contract. The District will only be required to pay to the proposer(s) that amount of the contract actually performed to the date of termination.

7.3 The awardee(s) will have the option to terminate the contract upon written notice to the Chief Financial Officer. Such notice must be received at least 90 days prior to the effective date of termination.

7.4 Cancellation of contract by awardee may result in removal from bidders/proposer list for a period of three years.

## **8.0 DEFAULT**

8.1 In the event that the awarded proposer(s) should breach this contract the District reserves the right to seek remedies in law and/or in equity.

## **9.0 LEGAL REQUIREMENTS**

9.1 It shall be the responsibility of the contractor to be knowledgeable of all federal, state, county and local laws, ordinances, rules and regulations and School Board Policy that in any manner affect the items covered herein which may apply. Failure to comply may result in the immediate termination of the vendor's contract at the sole discretion of the School District. Lack of knowledge by the proposer(s) will in no way be a cause for relief from responsibility.

## **10.0 CONFLICT OF INTEREST**

10.1 All proposers must disclose the name of any officer, director, or agent who is also an employee of the District. All proposers must disclose the name of any District employee who owns, directly or indirectly, any interest in the proposers' business or any of its branches.

10.2 All firms must list all and any affiliations they have with other firms. The proposal for any firm found to have an affiliation with potential vendors will be considered non-responsive and not be evaluated.

## **11.0 PUBLIC RECORDS LAW**

11.1 All proposal documents or other materials submitted by the proposer in response to this RFP will be open for inspection by any person and in accord with Arkansas Statutes and the Arkansas Freedom of Information Act.

## **12.0 PERMITS AND LICENSES**

12.1 The proposer(s) will be responsible for obtaining any necessary permits and licenses and will comply with laws, rules, and regulations whether state or federal and with all local codes and ordinances without additional cost to the District.

## **13.0 INTELLECTUAL PROPERTY RIGHTS**

13.1 The proposer(s) will indemnify and hold harmless, the District from liability of any nature or kind, including costs and expenses for or on account of any copyrighted, service marked, trademarked, patented or un-patented invention, process, article or work manufactured or used in the performance of the contract, including its use by the District. If the proposer(s) uses any design, device, materials or works covered by letters, service mark, trademark, patent, copyright or any other intellectual property right, it is mutually agreed and understood without exception that the proposal prices will include all royalties of costs arising

from the use of such design, device, or materials in any way involved in the work. This article will survive the termination of any contract with the School District.

#### **14.0 COST INCURRED IN RESPONDING**

14.1 All costs directly or indirectly related to proposal preparation, representation or clarification shall be the sole responsibility of and be borne by the proposer.

#### **15.0 SUB-CONTRACTS**

15.1 Nothing contained in this specification will be construed as establishing any contractual relationship between any sub-proposer(s) and the District.

15.2 The proposer(s) will be fully responsible to the District for the acts and omissions of the subproposer(s) and their employees.

15.3 After award of contract, any changes in subcontractors or subproposers requires prior School District written approval.

#### **16.0 JOINT PROPOSAL**

16.1 In the event multiple proposers submit a joint proposal in response to the RFP, a single proposer shall be identified as the Prime Vendor. If offering a joint proposal, Prime Vendor must include the name and address of all parties of the joint proposal. Prime Vendor shall provide all bonding and insurance requirements, execute any Contract, complete the required response form shown herein, and have overall and complete accountability to resolve any dispute arising within this contract. Only a single contract with one proposer shall be acceptable. Prime Vendor responsibilities shall include, but not be limited to, performing of overall contract administration, preside over other proposers participating or present at District meetings, oversee preparation of reports and presentations, and file any notice of protest and final protest as described herein. Prime Vendor shall also prepare and present a consolidated invoice(s) for services performed. The District shall issue only one check for each consolidated invoice to the Prime Vendor for services performed. Prime Vendor shall remain responsible for performing services associated with response to this RFP.

#### **17.0 ASSIGNMENT OF CONTRACT AND/OR PAYMENT**

17.1 The proposer shall not enter into subcontracts, or assign, transfer, convey, sublet, or otherwise dispose of the ensuing contract, or any or all of its right, title or interest herein, or its power to execute such contract to any person, company, or corporation without prior written consent of the District.

17.2 The proposer will be prohibited from publishing or releasing any information related to the requested services without the prior written permission of the

School District. All reports and other documents resulting from the ensuing contract will remain the sole property of the District.

### **18.0 Goals**

18.1 The goals of the investment program, to the extent feasible, shall be:

A. To ensure that all of the public funds in possession of the School Board are invested 100 percent of the time in either interest bearing accounts, or in interest bearing securities.

B. To produce investment income at or above the level determined by the District.

### **19.0 Investment Objectives**

The primary objectives for all investment activities for the District shall be safety of principal, liquidity, and return of investment in that order.

A. **Safety of Principal** -- The foremost objective of this policy. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. **Maintenance of Liquidity** -- The portfolios shall be managed in such a manner that funds are available to meet reasonable anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

C. **Return on Investment** -- Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **20.0 Standards of Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall investment program. Investment Officer/Investment Manager/Investment Managers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the District Chief Financial Officer in a timely fashion and the liquidity and the sale of securities are carried out in accordance

with the terms of this policy. The "prudent person" rule states the following: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

### **21.0 Ethics and Conflicts of Interest**

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the District any material financial interests in financial institutions that conduct business with the district, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's investment program.

### **22.0 Authorized Investment Institutions and Dealers**

The Investment Officer/Investment Manager/Investment Manager will maintain a list of financial institutions and broker/dealers who are authorized to provide investment services to the District. Updated copies of the investment policy will be provided as needed to each authorized broker/dealer and financial institution doing business with Fayetteville School District. A periodic review of the financial condition and registration of qualified financial institutions will be conducted by the Investment Officer/Investment Manager.

### **23.0 Competitive Selection of Investment Instruments**

After the Investment Officer/Investment Manager has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

Under certain conditions competitive bidding may not be feasible or appropriate. Those conditions may include but are not limited to, the following:

- A. Investments with the SBA.
- B. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
- C. When no active market exists for the issue being traded due to the age or depth of the issue.
- D. When a security is unique to a single dealer, for example, a private placement.
- E. When the transactions involves new issues or issues in the "when issued" market.

Overnight sweep repurchase agreements will not be bid, but may be placed with the District's depository bank relating to the demand account for which the repurchase agreement was purchased.

#### **24.0 Safekeeping and Third Party Custody of Investments.**

All securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the district should be properly designated as an asset of the district. The securities must be held in an account separate and apart from the assets of the financial institution.

The custodian shall provide the District with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

#### **25.0 Reporting**

The Investment Officer/Investment Manager/Investment Manager shall provide the District Business Office timely transaction data as necessary to record and document investment activity.

On an annual basis, the Investment Officer/Investment Manager/Investment Manager shall prepare and submit to the board a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, income earned, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to performance benchmarks. All investments shall be reported at fair value per GASB standards.