



# 2017 ANNUAL REPORT

PENNSYLVANIA SCHOOL DISTRICT LIQUID ASSET FUND



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# PSDLAF <sup>35</sup> 1982-2017

*Message from the Chairperson*

Dear Friends,

On behalf of the entire PSDLAF Team, thank you for your continued support of the Fund as we celebrate our **Thirty-Fifth Year of Partnership** together. I would like to also add that it has been an absolute honor to serve as the Chair during this past “**Celebration Year of 2017.**”

“While results matter, just as important is how we as an organization achieved them.”

And the results from this past year were nothing short of spectacular, which I am very happy to share with you. *Overall, the Fund processed over \$34 Billion in transactions during the Fiscal year, which is up 21% from last year.*

In addition to earning the right to serve our Settlor for the past 35 years, which is a major milestone, here are just a few of the important reasons we are celebrating 2017.

**Welcome to Your \$6 Billion Fund!**

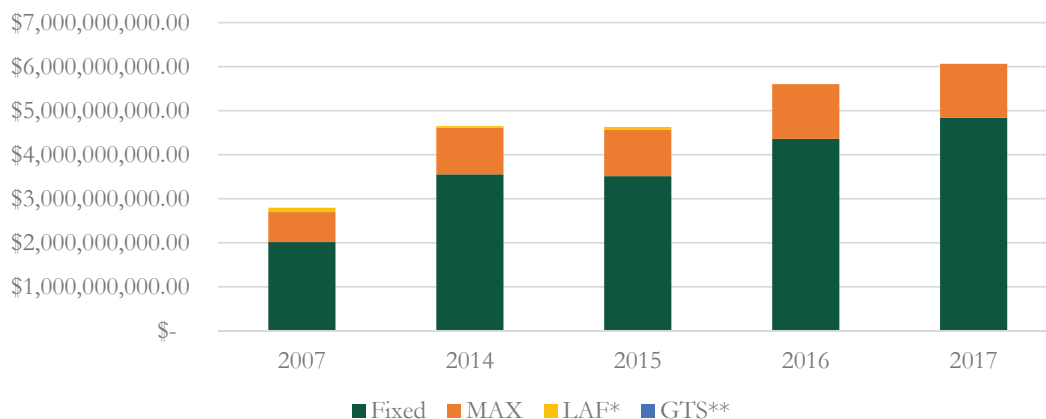
**Historic Milestone (\$6 Billion Total in Assets): Done (9/20/2017)**

**You = Awesome!**

**PSDLAF = Grateful!**

Without your support and trust, PSDLAF would not be able to grow year over year for close to the past fourteen (14) straight years. The only anomaly was 2015 (due to the Commonwealth’s Budget Impasse.) In the last ten years alone, the Fund’s Total Assets have more than doubled in size.

**Total Assets as of September 30th**



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**PSDLAF Success Survey Says!**

At the end of 2016, PSDLAF performed a Success Survey in its efforts to get feedback from the ones whose opinion matters most- Our Settlers. Noted below are the results that were obtained from the 129 individuals that participated.

Out of a possible 5.0 (weighted average top score), the fund overall scored **4.58**, with our Cash Management Group in Lancaster receiving an equally impressive **4.60** score.

One of the most interesting results that was obtained from the survey was the lack of interest/ participation in the then newly permitted Act 10 Securities from the schools that took the survey. Only one (1) school entity noted interest or being actively involved in Act 10 securities. Approximately 47.17% selected “Maybe in the Future” from the available option, and a resounding 51.89% selected “No interest”.

As a direct result, while PSDLAF has offered the Government Transparency Series (GTS\*\*) Program, with lower credit risk exposure to Act 10 Securities not including Negotiable Certificate of Deposits (CDs), that program continues to sit on the shelf for potential future use. The result makes complete sense as most of PSDLAF’s traditional 440.1 securities fixed programs (such as the Full Flex Pool) continue to outperform the GTS Program.

I am sure most of you remember that the Fund elected to “Freeze the Liquid Series” (LAF\*) on October 1, 2015 as it was the lowest yielding Series offered. By moving the free checking and banking program to the MAX Series, Settlers received the higher yield plus all of the benefits of the Liquid Series.

**PSDLAF Protect- Enhanced Fraud Prevention Program**



Another major initiative that PSDLAF is very proud of is the commitment to educate (via over a dozen workshops) local governments about the increased cyber threats that continue to evolve daily.

While educating as many as we can is very important, even more important is protecting the monies that are entrusted to the Fund. In 2017, our team launched an enhanced fraud protection program which provides our Settlers with enhanced technology and practices.





# MESSAGE FROM THE CHAIRPERSON

On a daily basis, our team strives to set the top benchmark in the industry. This includes procedures such as call-back verifications for adding new wire instructions, the inability to add “free-form” wires to your accounts and many, many more protective barriers.

These added measures do make it a bit more difficult for authorized individuals to transfer funds out of PSDLAF. *Now imagine how much more difficult it is for criminals that are trying to transfer your funds...*

PSDLAF philosophy has always been Safety First. This way of life transcends beyond just the overall investments of the Fund. Protecting our Settlers is a core belief that we have been very proud of for...well...over 35 years as this message continues to note.

### **Give Back to Our Community Program Continues To Grow**

As a trusted member of the community, we are committed to education programs (as noted earlier) in conjunction with our sponsoring organizations, the **Pennsylvania Association of School Business Officials (PASBO)** and the **Pennsylvania School Boards Association (PSBA)**.

PSDLAF team members have increased their involvement in numerous activities such as sponsorships of regional chapter events, hosting “Lunch and Learn” workshops throughout the Commonwealth, as well as providing valuable insight as speakers for webinars and conference discussions. The Fund was also very much involved with the Government Finance Officers Association (GFOA) of PA throughout the year.

In closing, here are my final thoughts as we wrap up not only our 35<sup>th</sup> year, but also my term as Chair. When I joined in 2008, PSDLAF was doing a lot of good things for our communities. Then the world flipped upside down. PSDLAF remained a very stable ship in very rocky waters. I am reminded of a very famous quote: “Ships don’t sink because of the water around them; ships sink because of the water that gets in them.” As a Fund, the entire team which includes the Trustees, and the professional partner team did not allow the water to get in. Today, we continue to sail proudly towards the next 35 years with you.

On behalf of the Board of Trustees and the entire PSDLAF Team, thank you once again for your commitment and support, and for being leaders who shape the Fund’s future.

Best Regards,



Chairperson- Pennsylvania School District Liquid Asset Fund





## MESSAGE FROM THE INVESTMENT ADVISOR

The global economy continues to glide forward on the wings of stimulative financial conditions and improved investor and consumer confidence. Yet, we recognize there are still many other structural headwinds which could prevent economic growth from fully reviving toward levels prior to the financial crisis. Our economic growth forecasts have been revised a bit higher over the past quarter, and our inflation forecasts are a little lower than consensus. This is a favorable combination from an investment perspective although it presents an interesting context for the current administration and the Federal Reserve.

As the vestiges of economic slack are wrung out of the system, central banks can no longer justify delivering maximum monetary stimulus. The US central bank has been pivoting toward a tighter monetary policy since late 2015, with implications for fixed income investors and eventually the pace of economic growth. Similarly, inflation, while low for now, should theoretically move somewhat higher over the next few years.

The slate of downside risks to the economy has arguably diminished although protectionist risks suddenly seem magnified as the US initiates NAFTA (North American Free Trade Agreement) renegotiations and the country reaches a level of energy independence. There is a case to be made that long-acknowledged threats are finally coming into focus, and the one area where downside risks have clearly increased is in the area of geopolitics.

When revising our growth forecasts each quarter, we recognize there are many reasons why modern economic growth cannot sustain the high watermark level that was set around the turn of the millennium. Prominent restraints include adverse demographics through an aging population, an altered and less dynamic economic structure and the remnants of post-crisis secular stagnation. Despite those constraints, we have moderately upgraded our growth forecasts for both this year and next, where we believe that US growth in 2017 may be at 2.25% with a growth rate of around 2.50% in 2018.

During this period where US economic growth is slightly above average, both US fiscal and monetary policy are in play. This poses an interesting challenge for the Federal Reserve Bank (the Fed) as they work to reduce monetary stimulus. The Fed has now raised rates four times since late 2015 and seems intent on extending the pattern at a cautious pace. However, the logical end point should be slightly above 2.0%, far lower than during prior peaks. We believe this monetary tightening is appropriate given ample evidence that the US economy is itself firming considerably.

Yet, the Fed must grapple with more than just the policy rate: it also has a distended \$4.5 trillion balance sheet to reduce to a more normal size. The Fed will begin reducing its bond holdings at a modest pace in the fourth quarter, eventually accelerating to a \$600 billion annual rate of divestment in year 2019. At that tempo, the central bank's balance sheet should revert to a reasonable size after several years. This steady drawdown should nudge yields somewhat higher across the yield curve, though not aggressively so.

Throughout the coming year, we will continue to place a first priority on the safety of principal for the benefit of the Settlers in the fund. We will also maintain suitable liquidity while striving to provide a competitive yield.

- RBC Global Asset Management (U.S.) Inc.



# OFFICERS, BOARD OF TRUSTEES, SPONSORS & SERVICE PROVIDERS

## OFFICERS:

Brett Lago – Chairperson  
Director of Business Affairs  
Penn-Trafford School District

Patrick Sable – Executive Director/Secretary  
Pennsylvania School District Liquid Asset Fund  
1232 Snee Drive  
Pittsburgh, PA 15236

## BOARD OF TRUSTEES:

Otto Voit – Vice Chairperson  
School Board Member  
Muhlenberg School District

Barbara L. Bolas - Trustee  
School Board Member  
Upper St. Clair School District

Dr. Richard Frerichs – Trustee  
School Board Member  
Penn Manor School District

Stacy M. Gober – Trustee  
Chief Financial Officer  
Bethlehem Area School District

Jay Himes – Trustee  
Executive Director  
Pennsylvania Association of School Business Officials

Michael Gossert – Trustee  
School Board Member  
Cumberland Valley School District

Charles E. Linderman – Trustee  
Director of Business Affairs  
Great Valley School District

Nathan Mains – Trustee  
Executive Director  
Pennsylvania School Boards Association

Charles E. Peterson – Trustee  
Chief Financial Officer  
Central Susquehanna Intermediate Unit

Dr. Timothy J. Shrom – Trustee  
Business Manager  
Solanco School District

Kathy K. Swope  
School Board Member  
Lewisburg Area School District

## SPONSORS:

Pennsylvania School Boards Association  
400 Bent Creek Blvd  
Mechanicsburg, PA 17050  
(717) 506-2450  
[www.psba.org](http://www.psba.org)

Pennsylvania Association of School Business Officials  
2608 Market Place  
Harrisburg, PA 17110  
(717) 540-9551  
[www.pasbo.org](http://www.pasbo.org)

## SERVICE PROVIDERS:

Investment Advisor  
RBC Global Asset Management (U.S.) Inc.  
50 South 5th Street, Suite 2350  
Minneapolis, MN 55402  
(800) 553-2143  
[www.us.rbcgam.com](http://www.us.rbcgam.com)

Administrator  
PMA Financial Network, Inc.  
2135 CityGate Lane, 7th Floor  
Naperville, IL 60563  
(866) 548-8634  
[www.pmanetwork.com](http://www.pmanetwork.com)

Custodian  
PNC Bank, N.A.  
Two PNC Plaza, 620 Liberty Avenue  
Pittsburgh, PA 15222  
(412) 768-1044  
[www.pncbank.com](http://www.pncbank.com)

Legal Counsel  
Duane Morris LLP  
30 South 17th Street  
Philadelphia, PA 19103-4196  
(215) 979-1000

Independent Auditor  
PricewaterhouseCoopers LLP  
One North Wacker Drive  
Chicago, IL 60606  
(312) 298-2000  
[www.pwc.com](http://www.pwc.com)

Marketing/Fixed Rate Provider  
RBC Public Funds Services  
2101 Oregon Pike  
Lancaster, PA 17601  
(866) 548-8634  
[rbc-cmg@rbc.com](mailto:rbc-cmg@rbc.com)



## Report of Independent Auditors

To the Board of Trustees of the Pennsylvania School District Liquid Asset Fund:

We have audited the accompanying financial statements of the Pennsylvania School District Liquid Asset Fund (the "Fund"), which comprise the statement of assets and liabilities, including the portfolios of investments, as of September 30, 2017 and 2016, the related statements of operations and of changes in net assets, and the financial highlights for the periods then ended. These financial statements and financial highlights are hereafter collectively referred to as "financial statements".

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania School District Liquid Asset Fund as of September 30, 2017 and 2016, the results of its operations, changes in its net assets and the financial highlights for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The accompanying Management's Discussion and Analysis on page 9 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the

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# REPORT OF INDEPENDENT AUDITORS



basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*PricewaterhouseCoopers LLP*

December 18, 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Pennsylvania School District Liquid Asset Fund (“PSDLAF”) Annual Report presents management’s discussion and analysis of the financial position and results of operations for the fiscal years ended September 30, 2017 and 2016. This discussion and analysis should be read in conjunction with the Report of Independent Auditors, the Financial Statements, the accompanying notes and the Financial Highlights.

PSDLAF is a common law trust organized and existing under the laws of the Commonwealth of Pennsylvania, in accordance with the provisions of the Pennsylvania Intergovernmental Cooperation Act and Section 521 of the Pennsylvania Public School Code of 1949, as amended. PSDLAF provides various types of investment programs offered from time to time through a number of Series: a single Liquid Series, a single MAX Series, multiple Cash Flow Optimization Series, multiple Fixed Term Series, multiple Total Return Management Program Series and multiple Choice Program Series.

The general objective of PSDLAF is to provide its investors with current income while preserving capital in a manner that is compatible with the needs and requirements of public school and local governmental entities in Pennsylvania.

## **Overview of the Financial Statements**

The financial statements and related notes encompass only the MAX Series (the “Fund”). The Management Discussion and Analysis provides an introduction to and an overview of the financial statements of the Fund. The financial statements are comprised of: 1) Portfolio of Investments, 2) Statements of Assets and Liabilities, 3) Statements of Operations, 4) Statements of Changes in Net Assets, and 5) Notes to Financial Statements. The Portfolio of Investments list each security held as of September 30, 2017 and 2016. The Statements of Assets and Liabilities display the assets and liabilities of the Fund as of September 30, 2017 and 2016. The Statement of Operations displays the income and expenses for the years ended September 30, 2017 and 2016. The Statement of Changes in Net Assets displays the net results of operations and Settlor activity (subscriptions and redemptions) for the Fund for the years ended September 30, 2017 and 2016. The Notes to Financial Statements describe significant accounting policies of the Fund and other supplemental information. The Financial Highlights provide selected data for one share of beneficial interest in each Series for the five most recent fiscal years.

## **Condensed Financial Information and Financial Analysis**

Year-to-year variances in most financial statement amounts are caused by the changes in average net assets that result from Fund operations and Settlor subscriptions and redemptions. Additionally, changes in the short-term interest rate environment contribute to year-over-year variances in the amount of investment income earned.

The average net assets during the year ended September 30, 2017 \$1,098,153,653 for the MAX Series. The average net assets during the year ended September 30, 2016 was \$1,082,073,934 for the MAX Series. The change in average net assets of 1.49% in the MAX Series was primarily the result of increased average net Settlor subscriptions in excess of redemptions.



# MANAGEMENT DISCUSSION AND ANALYSIS

Condensed financial information for the years ended September 30, 2017 and 2016:

## MAX SERIES

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Net Assets	\$ 1,224,333,821	\$ 1,239,667,004	-1.24%
Total Assets	1,239,773,626	1,257,795,876	-1.43%
Total Liabilities	15,439,805	18,128,872	-14.83%
Average Net Assets	1,098,153,653	1,082,073,934	1.49%
Investment Income	8,967,209	4,869,539	84.15%
Total Expenses	3,023,509	2,743,015	10.23%
Net Investment Income	5,943,700	2,126,524	179.50%
Subscriptions (\$1.00 per unit)	34,425,137,692	28,291,917,469	21.68%
Redemptions (\$1.00 per unit)	(34,446,414,575)	(28,171,077,859)	22.28%
Total dividends to Settlers	5,943,700	2,126,524	179.50%

## MAX SERIES

	<u>2017</u>	<u>2016</u>
Total Return	0.54%	0.19%
Ratio of Net Expenses to Average Net Assets	0.28%	0.25%
Ratio of Net Investment Income to Average Net Assets	0.54%	0.20%
Net Asset Value per Unit, Beginning of Period	1.00	1.00
Net Investment Income per Unit	0.005	0.002
Dividends Distributed per Unit	(0.005)	(0.002)
Net Asset Value per Unit, End of Period	1.00	1.00

### Additional information

The Fund's Financial Statements are designed to present users with a general overview of the Fund. Additional information about PSDLAF can be found on its website at [www.psdlaf.org](http://www.psdlaf.org).



# FINANCIAL STATEMENTS

PSDLAF Portfolio of Investments

September 30, 2017

Par Value	Description	Value (Note 2)
<b>Money Market Fund -- 0.0% (a)</b>		
13,243	PNC Govt. Money Market Fund #405, 0.89%, 10/2/2017	\$ 13,243
<b>Total Money Market Fund</b>		<b>13,243</b>
<b>U.S. Government Agency &amp; Treasury Obligations -- 73.7% (b)</b>		
323,000	Federal Farm Credit Bank, 1.15%, 10/10/2017	323,008
3,195,000	Federal Farm Credit Bank, 0.67%, 10/18/2017	3,194,354
352,000	Federal Farm Credit Bank, 1.16%, 10/23/2017	352,025
10,000,000	Federal Farm Credit Bank, 1.02%, 10/27/2017	9,992,778
1,000,000	Federal Farm Credit Bank, 1.50%, 11/8/2017	1,000,439
13,500,000	Federal Farm Credit Bank, 0.81%, 11/9/2017	13,488,300
2,175,000	Federal Farm Credit Bank, 0.88%, 12/7/2017	2,174,026
1,200,000	Federal Farm Credit Bank, 1.05%, 12/15/2017	1,197,375
200,000	Federal Farm Credit Bank, 1.16%, 1/18/2018	199,298
500,000	Federal Farm Credit Bank, 1.10%, 1/24/2018	498,243
3,000,000	Federal Farm Credit Bank, 1.06%, 1/31/2018	2,988,817
1,000,000	Federal Farm Credit Bank, 1.15%, 2/22/2018	995,500
800,000	Federal Farm Credit Bank, 1.30%, 2/23/2018	796,300
1,000,000	Federal Farm Credit Bank, 1.18%, 3/12/2018	994,735
2,600,000	Federal Farm Credit Bank, 1.14%, 3/19/2018	2,586,208
4,838,000	Federal Farm Credit Bank, 1.14%, 4/10/2018	4,808,866
5,700,000	Federal Farm Credit Bank, 1.18%, 4/26/2018	5,661,653
4,000,000	Federal Farm Credit Bank, 1.27%, 8/21/2018	3,955,000
20,000,000	Federal Home Loan Bank, 1.07%, 10/10/2017	19,994,750
59,915,000	Federal Home Loan Bank, 1.02%, 10/11/2017	59,898,071
5,000,000	Federal Home Loan Bank, 1.55%, 10/12/2017	5,000,710
43,465,000	Federal Home Loan Bank, 1.02%, 10/13/2017	43,449,854
32,500,000	Federal Home Loan Bank, 1.04%, 10/18/2017	32,484,381
21,000,000	Federal Home Loan Bank, 1.02%, 10/20/2017	20,988,505
500,000	Federal Home Loan Bank, 1.10%, 10/23/2017	500,015
3,838,000	Federal Home Loan Bank, 1.02%, 10/23/2017	3,835,608
23,500,000	Federal Home Loan Bank, 1.02%, 10/24/2017	23,484,686
14,236,000	Federal Home Loan Bank, 1.02%, 10/25/2017	14,226,316
10,150,000	Federal Home Loan Bank, 0.63%, 10/26/2017	10,146,895
1,500,000	Federal Home Loan Bank, 1.03%, 10/27/2017	1,498,890
100,000	Federal Home Loan Bank, 1.03%, 10/30/2017	99,917
6,300,000	Federal Home Loan Bank, 1.03%, 10/31/2017	6,294,617
2,090,000	Federal Home Loan Bank, 1.03%, 11/1/2017	2,088,149
400,000	Federal Home Loan Bank, 1.03%, 11/3/2017	399,622
1,200,000	Federal Home Loan Bank, 1.22%, 11/6/2017 (c)	1,200,216
800,000	Federal Home Loan Bank, 1.03%, 11/6/2017	799,180
400,000	Federal Home Loan Bank, 1.03%, 11/8/2017	399,565
5,400,000	Federal Home Loan Bank, 1.03%, 11/9/2017	5,393,924
500,000	Federal Home Loan Bank, 1.03%, 11/10/2017	499,431
19,500,000	Federal Home Loan Bank, 1.05%, 11/13/2017	19,476,010
35,347,000	Federal Home Loan Bank, 1.05%, 11/15/2017	35,301,090
50,600,000	Federal Home Loan Bank, 1.04%, 11/17/2017	50,531,631
1,865,000	Federal Home Loan Bank, 5.00%, 11/17/2017	1,874,206
16,500,000	Federal Home Loan Bank, 1.04%, 11/22/2017	16,475,332
68,220,000	Federal Home Loan Bank, 1.05%, 11/24/2017	68,114,108
31,015,000	Federal Home Loan Bank, 1.04%, 11/29/2017	30,962,145
2,000,000	Federal Home Loan Bank, 0.75%, 11/30/2017	1,998,937

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Portfolio of Investments (continued)  
September 30, 2017

Par Value	Description		Value (Note 2)
<b>U.S. Government Agency &amp; Treasury Obligations -- 73.7% (b) (continued)</b>			
4,625,000	Federal Home Loan Bank, 1.05%, 12/5/2017	\$	4,616,232
400,000	Federal Home Loan Bank, 1.05%, 12/6/2017		399,234
25,000,000	Federal Home Loan Bank, 1.05%, 12/7/2017		24,951,844
2,255,000	Federal Home Loan Bank, 1.13%, 12/8/2017		2,255,215
5,950,000	Federal Home Loan Bank, 1.00%, 12/19/2017		5,949,041
5,000,000	Federal Home Loan Bank, 1.05%, 12/20/2017		4,988,344
12,400,000	Federal Home Loan Bank, 1.08%, 1/17/2018		12,360,568
3,700,000	Federal Home Loan Bank, 0.75%, 1/19/2018		3,695,771
450,000	Federal Home Loan Bank, 1.10%, 1/19/2018		448,494
14,700,000	Federal Home Loan Bank, 1.12%, 1/22/2018		14,649,244
3,000,000	Federal Home Loan Bank, 0.88%, 1/30/2018		2,997,362
725,000	Federal Home Loan Bank, 1.00%, 2/20/2018		724,515
2,075,000	Federal Home Loan Bank, 1.12%, 2/21/2018		2,065,851
600,000	Federal Home Loan Bank, 1.00%, 2/28/2018		599,553
1,000,000	Federal Home Loan Bank, 1.00%, 3/9/2018		999,182
7,025,000	Federal Home Loan Bank, 1.38%, 3/9/2018		7,030,543
18,600,000	Federal Home Loan Bank, 1.14%, 3/9/2018		18,506,451
3,555,000	Federal Home Loan Bank, 0.88%, 6/29/2018		3,544,307
41,500,000	Federal Home Loan Mortgage Corporation, 0.92%, 10/12/2017 (c)		41,499,018
11,000,000	Federal Home Loan Mortgage Corporation, 0.80%, 10/27/2017		10,998,138
1,000,000	Federal Home Loan Mortgage Corporation, .075%, 11/28/2017		999,456
4,454,000	Federal Home Loan Mortgage Corporation, 1.00%, 12/15/2017		4,453,410
2,650,000	Federal Home Loan Mortgage Corporation, 1.25%, 12/26/2017		2,650,907
1,000,000	Federal Home Loan Mortgage Corporation, 1.10%, 12/28/2017		1,000,051
9,144,000	Federal Home Loan Mortgage Corporation, 0.75%, 1/12/2018		9,134,966
500,000	Federal Home Loan Mortgage Corporation, 1.10%, 2/28/2018		499,876
2,292,000	Federal Home Loan Mortgage Corporation, 0.88%, 3/7/2018		2,288,972
495,000	Federal Home Loan Mortgage Corporation, 0.75%, 4/9/2018		493,787
4,300,000	Federal Home Loan Mortgage Corporation, 1.12%, 4/11/2018		4,272,709
4,645,000	Federal Home Loan Mortgage Corporation, 4.88%, 6/13/2018		4,761,619
500,000	Federal Home Loan Mortgage Corporation, 0.88%, 6/26/2018		498,589
2,359,000	Federal Home Loan Mortgage Corporation, 5.00%, 6/29/2018		2,423,372
2,035,000	Federal Home Loan Mortgage Corporation, 1.30%, 7/16/2018		2,034,975
3,539,000	Federal Home Loan Mortgage Corporation, 5.00%, 8/1/2018		3,646,410
3,000,000	Federal National Mortgage Association, 1.06%, 10/6/2017		2,999,558
26,109,000	Federal National Mortgage Association, 0.88%, 10/26/2017		26,109,603
4,275,000	Federal National Mortgage Association, 1.01%, 11/8/2017		4,270,442
14,550,000	Federal National Mortgage Association, 1.00%, 11/15/2017		14,531,813
6,114,000	Federal National Mortgage Association, 1.00%, 11/22/2017		6,105,169
14,317,000	Federal National Mortgage Association, 0.88%, 12/20/2017		8,912,579
5,453,000	Federal National Mortgage Association, 0.88%, 2/8/2018		5,447,803
3,000,000	Federal National Mortgage Association, 1.25%, 8/28/2018		2,996,970
17,550,000	Federal National Mortgage Association, 1.88%, 9/18/2018		17,653,550
1,500,000	U.S. Treasury, 1.75%, 10/31/2017		1,499,539
10,000,000	U.S. Treasury, 1.00%, 12/15/2017		10,002,385
10,000,000	U.S. Treasury, 1.00%, 12/31/2017		10,003,697
11,250,000	U.S. Treasury, 0.88%, 1/51/2018		11,251,327
11,250,000	U.S. Treasury, 0.88%, 1/31/2018		11,250,014
11,250,000	U.S. Treasury, 1.00%, 2/15/2018		11,253,157

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Portfolio of Investments (continued)  
September 30, 2017

Par Value	Description	Value (Note 2)
<b>U.S. Government Agency &amp; Treasury Obligations -- 73.7% (b) (continued)</b>		
11,500,000	U.S. Treasury, 0.75%, 2/28/2018	\$ 11,486,841
12,000,000	U.S. Treasury, 1.00%, 5/15/2018	11,982,503
	<b>Total U.S. Government Agency &amp; Treasury Obligations</b>	<b><u>902,818,642</u></b>
<b>Repurchase Agreements -- 17.8% (b)</b>		
120,000,000	Repurchase agreement with BNP Paribas, dated 9/29/2017, due 10/2/2017 at 1.02%, collateralized by a government agency securities maturing on 12/31/2020 through 1/15/2027, repurchase proceeds \$120,000,000, collateral market value \$121,883,741	120,000,000
97,495,000	Repurchase agreement with Citigroup Global Markets, dated 9/29/2017, due 10/2/2017 at 1.07%, collateralized by government agency securities maturing on 8/15/2022 through 2/15/2045, repurchase proceeds \$97,495,000, collateral market value \$99,049,199	97,495,000
	<b>Total Repurchase Agreements</b>	<b><u>217,495,000</u></b>
	Total Investments - 91.5% (at amortized cost, which approximates value)	\$ 1,120,326,885
	Other assets in excess of Liabilities - 8.5%	104,006,936
	<b>Net Assets - 100.0%</b>	<b><u>\$ 1,224,333,821</u></b>
	Weighted Average Maturity (as of September 30, 2017)	52 days

- (a) Represents effective yield at September 30, 2017.
- (b) Represents stated interest rate at September 30, 2017.
- (c) Denotes variable rate securities, which show current rate and next reset date.

Note: The categories of investments are shown as a percentage of total net assets at September 30, 2017.

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Portfolio of Investments

September 30, 2016

Par Value	Description	Value (Note 2)
<b>Money Market Fund -- 0.0% (a)</b>		
212,546	PNC Govt. Money Market Fund #405, 0.22%, 10/1/2016	\$ 212,546
	<b>Total Money Market Fund</b>	<b>212,546</b>
<b>Municipal Bond -- 0.8% (c)</b>		
10,000,000	Dallastown Area School District, York County, Pennsylvania General Obligation Bonds, Series of 2016, 1.54%, 10/1/2016	10,035,973
	<b>Total Municipal Bond</b>	<b>10,035,973</b>
<b>U.S. Government Agency &amp; Treasury Obligations -- 41.2% (b)</b>		
13,000,000	Federal Farm Credit Bank, 0.39%, 10/4/2016 (c)	12,994,199
8,155,000	Federal Farm Credit Bank, 0.58%, 10/17/2016 (c)	8,156,146
18,500,000	Federal Farm Credit Bank, 0.52%, 10/20/2016 (c)	18,499,902
10,000,000	Federal Farm Credit Bank, 0.53%, 10/22/2016 (c)	10,000,313
7,500,000	Federal Farm Credit Bank, 0.55%, 10/28/2016 (c)	7,499,668
3,000,000	Federal Farm Credit Bank, 0.69%, 9/11/2017 (c)	2,980,163
200,000	Federal Home Loan Bank, 0.23%, 10/3/2016	199,997
27,000,000	Federal Home Loan Bank, 0.20%, 10/4/2016	26,999,550
11,248,000	Federal Home Loan Bank, 0.24%, 10/6/2016	11,247,625
500,000	Federal Home Loan Bank, 0.20%, 10/6/2016	499,986
9,250,000	Federal Home Loan Bank, 0.52%, 10/7/2016 (c)	9,250,055
5,300,000	Federal Home Loan Bank, 0.42%, 10/7/2016	5,299,644
200,000	Federal Home Loan Bank, 0.21%, 10/11/2016	199,988
20,034,000	Federal Home Loan Bank, 0.20%, 10/12/2016	20,032,485
7,500,000	Federal Home Loan Bank, 0.60%, 10/13/2016 (c)	7,499,973
700,000	Federal Home Loan Bank, 0.20%, 10/13/2016	699,953
5,000,000	Federal Home Loan Bank, 0.57%, 10/13/2016 (c)	5,000,000
5,700,000	Federal Home Loan Bank, 0.20%, 10/14/2016	5,699,583
9,900,000	Federal Home Loan Bank, 0.51%, 10/16/2016 (c)	9,899,939
5,000,000	Federal Home Loan Bank, 0.48%, 10/17/2016 (c)	4,997,926
2,150,000	Federal Home Loan Bank, 0.59%, 10/17/2016 (c)	2,149,448
3,825,000	Federal Home Loan Bank, 0.21%, 10/18/2016	3,824,620
5,000,000	Federal Home Loan Bank, 0.50%, 10/18/2016 (c)	5,000,000
4,000,000	Federal Home Loan Bank, 0.59%, 10/19/2016 (c)	4,000,059
25,700,000	Federal Home Loan Bank, 0.20%, 10/19/2016	25,697,420
13,600,000	Federal Home Loan Bank, 0.20%, 10/21/2016	13,597,547
1,658,000	Federal Home Loan Bank, 0.22%, 10/25/2016	1,657,747
2,500,000	Federal Home Loan Bank, 0.58%, 10/26/2016 (c)	2,500,192
23,000,000	Federal Home Loan Bank, 0.22%, 10/26/2016	22,996,486
9,500,000	Federal Home Loan Bank, 0.36%, 10/28/2016	9,497,407
8,200,000	Federal Home Loan Bank, 0.21%, 10/31/2016	8,198,520
10,000,000	Federal Home Loan Bank, 0.68%, 11/1/2016 (c)	10,000,000
6,100,000	Federal Home Loan Bank, 0.20%, 11/1/2016	6,098,931
3,110,000	Federal Home Loan Bank, 0.23%, 11/2/2016	3,109,378
11,000,000	Federal Home Loan Bank, 0.65%, 11/7/2016 (c)	10,999,425
5,000,000	Federal Home Loan Bank, 0.73%, 11/7/2016 (c)	5,000,000
5,000,000	Federal Home Loan Bank, 0.33%, 11/9/2016	4,998,207
5,500,000	Federal Home Loan Bank, 0.34%, 11/16/2016	5,497,583
11,000,000	Federal Home Loan Bank, 0.65%, 11/23/2016 (c)	11,000,000
12,500,000	Federal Home Loan Bank, 0.35%, 12/7/2016	12,491,858
12,500,000	Federal Home Loan Bank, 0.35%, 12/9/2016	12,491,614
4,000,000	Federal Home Loan Bank, 0.38%, 12/14/2016	3,996,876
10,750,000	Federal Home Loan Bank, 0.71%, 12/16/2016 (c)	10,750,000
4,000,000	Federal Home Loan Bank, 0.63%, 8/11/2017	3,998,520
815,000	Federal Home Loan Mortgage Corporation, 0.20%, 10/20/2016	814,914

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Portfolio of Investments (continued)  
September 30, 2016

Par Value	Description	Value (Note 2)
<b>U.S. Government Agency &amp; Treasury Obligations -- 41.2% (b) (continued)</b>		
5,000,000	Federal Home Loan Mortgage Corporation, 0.50%, 1/27/2017	\$ 4,996,115
6,000,000	Federal Home Loan Mortgage Corporation, 0.88%, 2/22/2017	6,005,536
5,450,000	Federal Home Loan Mortgage Corporation, 1.00%, 3/8/2017	5,459,008
7,106,000	Federal Home Loan Mortgage Corporation, 1.00%, 9/29/2017	7,125,638
250,000	Federal National Mortgage Association, 0.26%, 10/17/2016	249,971
2,500,000	Federal National Mortgage Association, 0.20%, 11/1/2016	2,499,569
8,500,000	Federal National Mortgage Association, 1.38%, 11/15/2016	8,506,034
2,073,000	Federal National Mortgage Association, 4.88%, 12/15/2016	2,090,537
10,734,000	Federal National Mortgage Association, 5.00%, 2/13/2017	10,906,255
3,500,000	Federal National Mortgage Association, 0.75%, 4/20/2017	3,502,548
8,750,000	Federal National Mortgage Association, 1.13%, 4/27/2017	8,773,411
5,000,000	Federal National Mortgage Association, 5.00%, 5/11/2017	5,132,007
7,612,000	Federal National Mortgage Association, 5.38%, 6/12/2017	7,858,148
4,870,000	Federal National Mortgage Association, 0.875%, 8/28/2017	4,878,757
6,124,000	Federal National Mortgage Association, 0.88%, 10/26/2017	6,134,902
4,000,000	Overseas Private Invest Corporation, 0.76%, 3/30/2017 (c)	4,012,703
6,000,000	U.S. Treasury, 0.63%, 10/15/2016	6,000,319
5,000,000	U.S. Treasury, 3.13%, 10/31/2016	5,010,161
8,250,000	U.S. Treasury, 4.63%, 11/15/2016	8,292,476
5,500,000	U.S. Treasury, 0.50%, 11/30/2016	5,499,674
5,000,000	U.S. Treasury, 0.88%, 11/30/2016	5,002,042
8,500,000	U.S. Treasury, 0.63%, 2/15/2017	8,500,111
10,000,000	U.S. Treasury, 0.75%, 3/15/2017	10,003,452
5,500,000	U.S. Treasury, 0.88%, 4/30/2017	5,507,935
	<b>Total U.S. Government Agency &amp; Treasury Obligations</b>	<b><u>509,971,156</u></b>
<b>Repurchase Agreements -- 49.7% (b)</b>		
280,000,000	Repurchase agreement with BNP Paribas, dated 9/30/2016, due 10/3/2016 at 0.46%, collateralized by a government agency securities maturing on 3/31/2017 through 8/15/2040, repurchase proceeds \$280,000,000, collateral market value \$285,111,126	280,000,000
200,000,000	Repurchase agreement with Citigroup Global Markets, dated 9/30/2016, due 10/3/2016 at 0.51%, collateralized by a government agency securities maturing on 12/14/2018 through 7/15/2036, repurchase proceeds \$200,000,000, collateral market value \$203,002,084	200,000,000
46,470,000	Repurchase agreement with Credit Agricole NY, dated 9/30/2016, due 10/3/2016 at 0.45%, collateralized by a government agency security maturing on 5/31/2020, repurchase proceeds \$46,470,000, collateral market value \$47,186,109	46,470,000
90,000,000	Repurchase agreement with TD Securities USA LLC, dated 9/30/2016, due 10/3/2016 at 0.52%, collateralized by a government agency securities maturing on 4/30/2017 through 2/15/2044, repurchase proceeds \$90,000,000, collateral market value \$91,520,339	90,000,000
	<b>Total Repurchase Agreements</b>	<b><u>616,470,000</u></b>
	Total Investments - 91.7% (at amortized cost, which approximates value)	\$ 1,136,689,675
	Other assets in excess of Liabilities - 8.3%	102,977,329
	<b>Net Assets - 100.0%</b>	<b><u>\$ 1,239,667,004</u></b>
	Weighted Average Maturity (as of September 30, 2016)	30 days

- (a) Represents effective yield at September 30, 2016.
- (b) Represents stated interest rate at September 30, 2016.
- (c) Denotes variable rate securities, which show current rate and next reset date.

Note: The categories of investments are shown as a percentage of total net assets at September 30, 2016.

The accompanying notes are an integral part of these financial statements.





# FINANCIAL STATEMENTS

PSDLAF Statements of Assets and Liabilities  
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Investment in securities		
Money market fund	\$ 13,243	\$ 212,546
Municipal bond	-	10,035,973
U.S. government agency and Treasury obligations	902,818,642	509,971,156
Repurchase agreements	217,495,000	616,470,000
Total investments, at value	<u>1,120,326,885</u>	<u>1,136,689,675</u>
Cash	118,376,821	120,068,286
Interest receivable	959,346	935,651
Other assets	110,574	102,264
Total assets	<u>1,239,773,626</u>	<u>1,257,795,876</u>
<b>Liabilities</b>		
Cash received from Settlor pending investment in Fund shares	15,049,126	17,530,597
Payable for investments purchased	-	199,984
Administration fee payable	90,114	53,158
Investment advisory fee payable	78,739	74,252
Marketing expense payable	49,840	88,173
Cash management fees payable	88,976	69,921
Custodian fees payable	8,717	14,451
Trustee expense payable	6,750	8,170
Professional fees payable	67,543	90,166
Total liabilities	<u>15,439,805</u>	<u>18,128,872</u>
Net assets (equivalent to \$1.00 per share on shares of beneficial interest outstanding)	<u>\$ 1,224,333,821</u>	<u>\$ 1,239,667,004</u>
Shares outstanding		
MAX Series	1,224,333,821	1,239,667,004

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Statements of Operations  
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Investment income	\$ 8,032,482	\$ 4,079,263
Other income	934,727	790,276
Total Income	<u>8,967,209</u>	<u>4,869,539</u>
Expenses (Note 3)		
Administration fees	722,870	552,032
Investment advisory fees	745,533	738,638
Marketing expenses	182,153	96,654
Cash management fees	1,096,979	1,006,224
Custodian fees	54,665	80,525
Trustee expenses	82,125	100,224
Professional fees	112,335	133,925
Liability insurance expense	25,900	22,578
Ratings expense	949	12,215
Total expenses	<u>3,023,509</u>	<u>2,743,015</u>
Net investment income	<u>\$ 5,943,700</u>	<u>\$ 2,126,524</u>

The accompanying notes are an integral part of these financial statements.



# FINANCIAL STATEMENTS

PSDLAF Statements of Changes in Net Assets  
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Increase in net assets</b>		
Net investment income	\$ 5,943,700	\$ 2,126,524
<b>Dividends to Settlers from</b>		
Net investment income (Note 4)	(5,943,700)	(2,126,524)
<b>Share Transactions</b>		
Net proceeds from sale of shares	34,425,137,692	28,291,917,469
Net asset value of shares issued to Settlers in reinvestment of dividends	5,943,700	2,126,524
Cost of shares redeemed	(34,446,414,575)	(28,171,077,859)
Net increase/(decrease) in net assets resulting from share transactions	(15,333,183)	122,966,134
Total increase/(decrease) in net assets	(15,333,183)	122,966,134
<b>Net assets</b>		
Beginning of year	1,239,667,004	1,116,700,870
End of year	<u>\$ 1,224,333,821</u>	<u>\$ 1,239,667,004</u>
<b>Other information</b>		
Share transactions		
Shares sold	34,425,137,692	28,291,917,469
Shares issued to Settlers in reinvestment of dividends	5,943,700	2,126,524
Shares redeemed	(34,446,414,575)	(28,171,077,859)
Net increase/(decrease) in shares outstanding	(15,333,183)	122,966,134
<b>Shares outstanding</b>		
Beginning of year	1,239,667,004	1,116,700,870
End of year	<u>1,224,333,821</u>	<u>1,239,667,004</u>
Shares outstanding		
MAX Series	1,224,333,821	1,239,667,004

The accompanying notes are an integral part of these financial statements.



## 1. Description of the Fund

The Pennsylvania School District Liquid Asset Fund (“PSDLAF”) was established on January 22, 1982, as a common law trust organized under laws of the Commonwealth of Pennsylvania. In its original form, PSDLAF operated as a single liquid portfolio in a manner similar to a money market fund. On January 30, 1989, the Settlers in the PSDLAF programs approved an amendment to the Fund’s Declaration of Trust to authorize the creation of multiple investment portfolios or “Series” within PSDLAF. PSDLAF consists of the Liquid Series, the MAX Series (similar to the Liquid Series except requires a 14-day minimum investment), the Managed Accounts Program and several fixed term series. At a Board of Trustees meeting held April 22, 2005, it was approved that the 14-day minimum investment period be waived for the MAX Series, until further revocation by the Board. Effective October 1, 2015, the Board elected to suspend activity in the Liquid Series. All outstanding shares were transferred to the MAX Series.

These financial statements and related notes encompass only the MAX Series. The term “Fund” used throughout the financial statements and related notes refers only to the MAX Series.

Shares of the Fund are offered exclusively to Pennsylvania school districts, intermediate units, area vocational technical schools, community colleges, consortiums, authorities, municipalities and local government agencies. The purpose of the Fund is to enable such organizations to pool their available funds for investment in instruments in accordance with the provisions of the Pennsylvania Intergovernmental Cooperation Act and Section 521 of the Pennsylvania Public School Code of 1949, as amended.

The portfolio consists solely of instruments in which school entities are permitted to invest pursuant to Section 440.1 of the School Code. Such instruments include the following: (a) United States Treasury bills; (b) Short-term obligations of the United States government or its agencies or instrumentalities; (c) Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation of the Nations Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository; (d) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or its agencies or instrumentalities backed by the full faith and credit of the political subdivision; (e) Shares of certain investment companies registered under the Investment Company Act of 1940 and the Securities Act of 1933 which invest only in instruments listed in clauses (a) through (d) above, maintain a constant per share net asset value and are rated in the highest category by a nationally recognized rating agency; and (f) Any other investments presently permitted by the provisions of Section 440.1 of the School Code or any other applicable statutes or permitted in the future by reason of the amendment of Section 440.1 or the adoption of any other applicable statute.

## 2. Significant Accounting Policies

### Use of Estimates in Financial Statement Preparation

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

### Valuation of Investments

### Valuation of Investments

In accordance with the GASB 79, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The market values of the securities held by the Fund are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. The Trustees have established procedures to (i) monitor any differences in these values and (ii) consider what steps, if any, should be taken in the event that such difference exceeds 0.5%. It is anticipated that the Trustees will take such as they consider appropriate to minimize any material dilution or other unfair results which might arise from such differences. Repurchase agreements are valued at original cost, which combined with accrued interest, generally approximates market value.



## Fair Value Measurement

The guidance for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 Inputs that are unobservable.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of September 30, 2017, the summary of inputs used to value the Fund's investments is as follows:

Level 1	Level 2	Level 3	Total
\$ -	\$ 1,120,326,885	\$ -	\$ 1,120,326,885

As of September 30, 2016, the summary of inputs used to value the Fund's investments is as follows:

Level 1	Level 2	Level 3	Total
\$ -	\$ 1,136,689,675	\$ -	\$ 1,136,689,675

The Fund did not have any investments in the Level 3 category and there were no transfers between Levels during the years ended September 30, 2017 and 2016.

## Accounting for Investments

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Interest income is recognized on the accrual basis and includes, where applicable, the amortization or accretion of discount or premium. Gains or losses realized upon the sale of securities are based on their amortized cost and are determined using the identified cost method.

## Repurchase Agreements

Repurchase agreements entered into with broker-dealers or banks are secured by U.S. government or U.S. government agency obligations. Repurchase agreements are collateralized with at least 102% of the obligation's principal and interest value. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. If the seller defaults and the value of the collateral declines, the Fund's ability to realize the value of the obligation may be impaired and losses in connection with such events could be material. Additionally, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings which may hinder the Fund's ability to provide liquidity at the stated maturity of a Series, where applicable.

## Risk Factors

As with any investment, an investment in the Fund involves risks that should be considered prior to investment. As described in more detail in the Fund's Information Statement, these risks include income risk, market risk, credit risk, repurchase agreement risk, collateral recovery risk and insurance recovery risk.



## **Cash Balance**

As of September 30, 2017 and included in the cash balance, the Fund had \$101,450,421 in interest bearing deposit accounts, fully collateralized by an irrevocable letter of credit from the Federal Home Loan Bank of Pittsburgh.

As of September 30, 2016 and included in the cash balance, the Fund had \$100,587,675 in interest bearing deposit accounts, fully collateralized by an irrevocable letter of credit from the Federal Home Loan Bank of Pittsburgh.

## **Income Tax Status**

The Fund is not subject to Federal, state or local income taxes.

## **Basis of Accounting**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. Accounting principles generally accepted for state and local governments are pronouncements of Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) and its predecessor organizations that are specifically made applicable to state and local governments by, or that do not conflict with, pronouncements of GASB.

## **3. Fund Expenses**

### **Investment Advisory Fee**

Pursuant to an Investment Advisory Agreement with the Fund, the Investment Adviser, RBC Global Asset Management (U.S.) Inc. ("RBC/GAM"), provides investment advice and generally supervises the investment program of the Fund. RBC/GAM is paid a fee for these services at an annual rate equal to 0.10% of the first \$100,000,000 of the Fund's average daily net assets; 0.09% of its average daily net assets on the next \$100,000,000; 0.8% of its average daily net assets on the next \$100,000,000; 0.07% of its average daily net assets on the next \$100,000,000; 0.06% of its average daily net assets on the next \$600,000,000; and 0.05% of its average daily net assets over \$1,000,000,000. Such fees are accrued daily and paid monthly.

### **Administration Fee**

The Administrator services all Settlor accounts, maintains the books and records of the Fund, provides administrative personnel, equipment and office space, determines the net asset value of the Fund on a daily basis, and performs other related administrative services. Under an Administration Agreement, and beginning May 1, 2015, PMA Financial Network ("PMA") serves as Administrator. PMA is paid a fee for these services at an annual rate equal to 0.10% of the first \$500,000,000 of the Fund's average daily net assets; 0.09% of its average daily net assets on the next \$300,000,000; 0.06% of its average daily net assets on the next \$200,000,000; and 0.04% of its average daily net assets over \$1,000,000,000. Such fees are accrued daily and paid monthly.

### Sponsorship Fee

Under a letter of agreement with the Fund, Pennsylvania Association of School Business Officials (“PASBO”) and Pennsylvania School Boards Association (“PSBA”) provide sponsorship services for which each is paid a fee for each Series. PASBO and PSBA are each paid a fee at an annual rate of 0.01% of the average daily net assets of the Fund. Such fees are accrued daily and paid quarterly; however, these fees have been waived for the years ended September 30, 2017 and 2016.

### Other Fund Expenses

The Fund pays out-of-pocket expenses incurred by its Trustees and Officers (in connection with the discharge of their duties), insurance for the Trustees, marketing expenses, custody and cash management fees of the Custodian, audit fees and legal fees.

### Fee Waivers

The Fund’s service providers and the Sponsors may voluntarily waive fees or assume Fund expenses from time to time, which can be terminated at the discretion of the service providers and the Sponsors. For the years ended September 30, 2017 and 2016, the Administration fees waived were \$20,419 and \$1,825, respectively. There were no waivers for the Investment Advisory fees for the year ended September 30, 2017. Investment Advisory fees waived were \$701 for the year ended September 30, 2016.

## 4. Dividends and Distributions

On a daily basis, the Fund declares dividends and distributions from its net investment income, other income and net realized gains or losses from securities transactions, if any. Dividends and distributions are payable to Settlers of record at the time of the computation of the NAV.

All purchases or redemptions of shares of the Fund are executed at the NAV per share determined at the close of that day as long as a properly executed order is received by the Administrator, the funds (for purchases) are received on a timely basis and the Settlor notifies the Administrator by noon Eastern Standard Time. Orders received after this time will be executed on the following business day. Settlers are entitled to receive dividends beginning on the day of purchase.

## 5. Governmental Disclosure

Under Governmental Accounting Standards Statement No. 40, Deposit and Investment Risk Disclosures (GASB 40), the deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

The following table presents the Standard & Poor’s Credit quality ratings and effective durations of the Fund’s investments and deposits as of September 30, 2017:

Investment and Deposit Type	Amortized Cost	Weighted Average Days to Maturity	Rating	% of Portfolio
Bank Deposits	\$ 101,348,876	2	A-1+	8.30%
PNC Govt. Money Market Fund	13,243	2	A-1+	0.00%*
Federal Home Loan Bank	588,198,512	49	A-1+	48.15%
Federal National Mortgage Association	89,027,486	118	A-1+	7.29%
Federal Home Loan Mortgage Corporation	91,656,256	82	A-1+	7.50%
Federal Farm Credit Bank	55,206,925	106	A-1+	4.52%
Repurchase Agreements	217,495,000	2	A-1+	17.80%
U.S. Treasury Notes	78,729,463	131	A-1+	6.44%
Total	<u>\$ 1,221,675,761</u>			<u>100.00%</u>

\* Rounds to less than .01%

The following table presents the Standard & Poor's Credit quality ratings and effective durations of the Fund's investments as of September 30, 2016:

Investment and Deposit Type	Amortized Cost	Weighted Average Days to Maturity	Rating	% of Portfolio
Bank Deposits	\$ 100,541,594	3	A-1+	8.13%
PNC Govt. Money Market Fund	212,546	3	A-1+	0.02%
Federal Home Loan Bank	307,078,543	31	A-1+	24.82%
Federal National Mortgage Association	60,532,139	195	A-1+	4.89%
Federal Home Loan Mortgage Corporation	24,401,210	203	A-1+	1.97%
Federal Farm Credit Bank	60,130,391	34	A-1+	4.86%
Municipal Bonds	10,035,973	1	A-1+	0.81%
Overseas Private Investment Corporation	4,012,703	181	A-1+	0.32%
Repurchase Agreements	616,470,000	3	A-1+	49.83%
U.S. Treasury Notes	53,816,170	98	A-1+	4.35%
Total	<u>\$ 1,237,231,269</u>			<u>100.00%</u>

## 6. Share Transactions

Settlers may buy and redeem shares as described in the Declaration of Trust. As part of those guidelines, the Trustees may temporarily suspend the right of redemption or postpone the date of payment for redeemed shares during any period (i) when there shall have occurred any state of war, national emergency, banking moratorium, or suspension of payments by banks in the Commonwealth of Pennsylvania or any general suspension of trading or limitation of prices on the New York Stock Exchange or (ii) during which any financial emergency exists as a result of which disposal by the Liquid or MAX Series of its investments is not reasonably practicable because of the substantial losses which might be incurred or it is not reasonably practicable for the Liquid or MAX Series fairly to determine the value of its net assets. The Trustees did not take such action during the years ended September 30, 2017 or 2016.

For the year ended September 30, 2017, share transactions, all at \$1.00 per share, were as follows:

	<u>MAX Series</u>
Shares sold	34,425,137,692
Shares issued in reinvestment of dividends	5,943,700
Shares redeemed	(34,446,414,575)
Net increase/(decrease)	<u>(15,333,183)</u>

For the year ended September 30, 2016, share transactions, all at \$1.00 per share, were as follows:

	<u>Liquid Series</u>	<u>MAX Series</u>
Shares sold	-	28,291,917,469
Shares issued in reinvestment of dividends	-	2,126,524
Shares redeemed	(62,194,458)	(28,108,883,401)
Net increase/(decrease)	<u>(62,194,458)</u>	<u>185,160,592</u>





## **7. Contingencies**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this could involve future claims that may be made against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of significant loss to be remote.

## **8. Subsequent Events**

Management of the Fund has evaluated events that have occurred subsequent to year end and through December 18, 2017, the date these financial statements were available to be issued, and has concluded no such events are required to be disclosed.



# FINANCIAL HIGHLIGHTS

MAX Series

## For the Year Ended September 30,

	<b>2017</b>	<b>2016</b>
Net asset value, beginning of year	\$ 1.00	\$ 1.00
Net investment income **	0.005	0.002
Dividends to Settlers (Note 4)	(0.005)	(0.002)
Net asset value, end of year	<b>\$ 1.00</b>	<b>\$ 1.00</b>
Total investment return	0.54%	0.19%
Ratio of net expenses to average net assets	0.28%	0.25%
Ratio of net investment income to average net assets	0.54%	0.20%
Shares Outstanding, end of year (in 000's)	\$ 1,224,334	\$ 1,239,667

\*\* Net investment income per share data is determined using average shares outstanding during the period.