

STAR OHIO

ANNUAL REPORT 2015



JOSH MANDEL
STATE TREASURER OF OHIO

2010

2011

2012

2013

2014



JOSH MANDEL
STATE TREASURER OF OHIO

Dear Public Funds Managers,

I am pleased to present the State Treasury Asset Reserve of Ohio (STAR Ohio) annual report for the fiscal year ending June 30, 2015. As Ohio Treasurer and the STAR Ohio fund administrator, I am dedicated to managing the State's finances as well as protecting and investing taxpayer dollars.

STAR Ohio provides governmental subdivisions with an investment option that offers safety and liquidity at competitive returns relative to other money market instruments. With nearly 2,500 accounts, STAR Ohio strategically invests funds while preserving principal. Despite record low interest rates creating challenges in financial markets, the Fund maintains a AAAM rating, first achieved in 1995, which is Standard & Poor's highest possible credit rating for a Local Government Investment Pool.

My office continuously works to improve the overall STAR Ohio program, and we take pride in providing convenient investment options for our state's local governments. Another investment option for local governments, STAR Plus, opened in June 2012 and participants benefit from full FDIC insurance coverage. I am happy to announce that this year we made enhancements to STAR Plus that have been very well received, including increased deposit limits and extended redemption flexibility.

We value your feedback and invite you to share your ideas on ways that STAR Ohio and the Treasurer's office might better serve you and your constituents' needs.

For questions about STAR Ohio, please contact us via email at info@starohio.com or by phone at **1-800-648-STAR (7827)**.

Sincerely,

A handwritten signature in blue ink that reads "Josh Mandel".

Josh Mandel
State Treasurer of Ohio

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

BACKGROUND

The State Treasury Asset Reserve of Ohio (“STAR Ohio” or the “Fund”) is a statewide investment pool managed and administered by the State Treasurer of Ohio (the “Treasurer”). Participation is offered to Ohio’s political subdivisions as a means to invest in a portfolio of short-term investment securities. The objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company, commonly called a “money market mutual fund”. Our discussion and analysis below is based upon currently known facts and conditions that we judge to have had a material effect on STAR Ohio’s financial condition and results of operations.

The Treasurer is committed to maintaining STAR Ohio as a top-rated investment option for all government subdivisions of the State. As such, the level of safety in the Fund is attributed to the constant monitoring of credit ratings for issuers of investments held by STAR Ohio. An additional level of safety is the custodial arrangement requiring the Fund’s assets be held in a specific trust account at the Depository Trust & Clearing Corporation designated for STAR Ohio. Both measures ensure that the underlying assets of STAR Ohio are highly rated, secure, and readily available to the Fund.

OVERVIEW OF FINANCIAL CONDITION

STAR Ohio’s net position increased by approximately \$485.7 million, or 16.3%, during the fiscal year ended June 30, 2015, due to subscriptions. As the economy continues to stabilize and interest rates remain historically low, STAR Ohio’s objectives of safety and liquidity have made the Fund a valuable investment vehicle for Ohio’s public fund managers. STAR Ohio maintains its AAAM rating from Standard and Poor’s, the highest rating possible for a Local Government Investment Pool.

OVERVIEW OF OPERATIONS

The Federal Funds’ target rate remained between 0 and 25 basis points (0.00% - 0.25%) during STAR Ohio’s Fiscal Year 2015. STAR Ohio’s average yield for Fiscal Year 2015 was 0.05%. The Treasurer’s office reinstated its management fee effective January 15, 2015, resulting in an approximate 0.017% annualized decrease in yield. As of June 30, 2015, STAR Ohio held approximately 24% of its portfolio in overnight investments and approximately 2% in FDIC-insured bank deposits. STAR Ohio revised its investment policy during Fiscal Year 2015 to modify allowable investments and/or percentages per investment type.

STATE TREASURY ASSET RESERVE OF OHIO

FINANCIAL HIGHLIGHTS Data for each share outstanding throughout the year

	Year ended June 30,	
	2015	2014
Net asset value, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.0005	0.0002
Distributions from net investment income	(0.0005)	(0.0002)
Net asset value, end of year	\$ 1.00	\$ 1.00
Total Return	0.05%	0.02%
Ratio/Supplemental Information		
Expenses as a percentage of average net assets after reductions (1)	0.081%	0.088%
Expenses as a percentage of average net assets before reductions (1)	0.090%	0.091%
Net investment income as a percentage of average net assets (1)	0.05%	0.02%
Net position, end of year	\$ 3,470,754,212	\$ 2,985,068,620

(1) These percentages should not be construed as representative of the yield or expenses related to further investment in STAR Ohio.

See Accompanying Notes to Financial Statements

STATE TREASURY ASSET RESERVE OF OHIO
STATEMENT OF INVESTMENTS AS OF JUNE 30, 2015

Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
Federal Agency Issues and U.S. Treasury Obligations - 26.7%			
\$ 10,000,000	Federal Farm Credit Bank Callable Debentures, 0.39%	5/9/16	\$ 10,000,000
15,000,000	Federal Farm Credit Bank Debentures, 0.19%	11/24/15	14,998,920
132,915,000	Federal Farm Credit Bank Floating Rate Notes, 0.14% - 0.20%	8/25/15 - 6/6/16	132,930,143
61,000,000	Federal Home Loan Bank Callable Debentures, 0.31% - 0.45%	1/6/16 - 6/30/16	61,000,000
151,135,000	Federal Home Loan Bank Debentures, 0.19% - 0.38%	9/18/15 - 6/29/16	151,114,445
429,509,000	Federal Home Loan Bank Discount Notes, 0.06% - 0.34%	8/7/15 - 3/1/16	429,282,568
10,000,000	Federal Home Loan Bank Floating Rate Notes, 0.22%	10/7/15	10,001,366
33,482,000	Federal Home Loan Mortgage Corp. Discount Notes, 0.26% - 0.29%	12/7/15 - 12/14/15	33,440,984
30,000,000	Federal Home Loan Mortgage Corp. Floating Rate Notes, 0.16%	10/16/15	30,004,527
25,000,000	Federal National Mortgage Association Discount Notes, 0.18%	12/1/15	24,980,875
15,000,000	Federal National Mortgage Association Floating Rate Notes, 0.18%	10/21/15	15,001,800
15,000,000	U.S. Treasury Floating Rate Notes, 0.06%	1/31/16	14,998,399
Total Federal Agency Issues and U.S. Treasury Obligations			\$ 927,754,027
Commercial Paper - 36.1%			
\$ 100,000,000	American Honda Finance Corporation, 0.10% - 0.13%	7/8/15 - 8/26/15	\$ 99,991,625
59,432,000	Bank of Tokyo - Mitsubishi UFJ NY, 0.10% - 0.20%	7/1/15 - 7/22/15	59,430,566
88,834,000	Caterpillar Financial Services Corporation, 0.10% - 0.12%	7/8/15 - 8/27/15	88,827,630
55,000,000	Exxon Mobil Corporation, 0.06% - 0.09%	7/7/15 - 8/17/15	54,995,150
15,000,000	General Electric Capital Corporation, 0.36%	10/2/15	14,986,438

	Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
\$	82,000,000	HSBC USA, Inc., 0.15% - 0.38%	7/2/15 - 12/16/15	\$ 81,923,025
	132,000,000	JPMorgan Securities, LLC, 0.30% - 0.43%	7/31/15 - 12/4/15	131,906,750
	50,000,000	MetLife Funding, Inc., 0.12%	8/18/15	49,992,000
	100,000,000	MUFG Union Bank N.A., 0.16% - 0.19%	7/13/15 - 8/6/15	99,989,850
	110,000,000	National Rural Utilities Cooperative Fin. Corp., 0.10%	7/15/15 - 7/31/15	109,994,139
	110,200,000	Paccar Financial Corporation, 0.09% - 0.10%	7/2/15 - 7/28/15	110,196,088
	30,000,000	PNC Bank N.A., 0.22% - 0.26%	8/13/15 - 9/15/15	29,989,144
	152,000,000	Toyota Motor Credit Corporation, 0.09% - 0.20%	7/10/15 - 8/20/15	151,980,214
	92,639,493	U.S. Bank N.A. (Term), 0.20%	7/31/15	92,639,493
	75,000,000	U.S. Bank N.A., 0.15% - 0.20%	7/1/15	75,000,000
		Total Commercial Paper		\$ 1,251,842,112
		Corporate Bonds - 5.9%		
\$	25,410,000	Caterpillar Financial Services Corporation, 0.70%	11/6/15 - 2/26/16	\$ 25,449,402
	40,109,000	General Electric Capital Corporation, 1.00% - 2.25%	7/2/15 - 1/8/16	40,252,720
	26,118,000	J.P. Morgan Chase & Company, 0.94% - 1.10%	10/15/15	26,154,765
	5,000,000	John Deere Capital Corporation, 0.75%	1/22/16	5,009,125
	4,900,000	Microsoft Corporation, 2.50%	2/8/16	4,964,473
	27,830,000	Paccar Financial Corporation, 0.70% - 0.80%	8/14/15 - 2/8/16	27,862,411
	10,000,000	PNC Bank N.A., 0.80%	1/28/16	10,018,351
	10,000,000	Toyota Motor Credit Corporation, 0.88%	7/17/15	10,002,291
	15,000,000	Wal-Mart Stores, Incorporated, 0.60%	4/11/16	15,023,694
	38,200,000	Wells Fargo & Company, 0.30% - 1.50%	7/1/15 - 11/20/15	38,204,488
		Total Corporate Bonds		\$ 202,941,720
		Bank Deposits*/Certificates of Deposit - 4.8%		
\$	86,678,250	Key Bank Checking Account, 0.12%		\$ 86,678,250

Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
\$ 70,000,000	Federally Insured Cash Account (FICA sm), 0.095%	7/2/15	\$ 70,000,000
10,000,000	Wells Fargo & Company CD, 0.30%	1/14/16	9,998,344
Total Bank Deposits/Certificates of Deposit			\$ 166,676,594
Money Market Funds* - 11.4%			
163,978,884	Morgan Stanley Institutional Liquidity Government Portfolio, 0.04%	7/1/15	\$ 163,978,884
231,891,203	Western Asset Institutional Government Reserves Fund, 0.04%	7/1/15	231,891,203
Total Money Market Funds			\$ 395,870,087
Repurchase Agreements - 15.1%			
\$ 100,000,000	RBC Capital Markets, 0.07%, dated 6/30/15, repurchase price \$100,000,194, collateralized by U.S. Treasury Note, 2.125%, due 6/30/21, par \$100,906,000 and fair value of \$102,041,193.	7/1/15	\$ 100,000,000
125,000,000	RBC Capital Markets, 0.09%, dated 6/30/15, repurchase price \$125,000,313, collateralized by various GNMMAs, FNMMAs, & FMACs, 1.925% - 6.00%, due 11/1/25 - 3/20/65, par \$282,266,353 and fair value of \$127,500,000.	7/1/15	125,000,000
300,000,000	RBC Capital Markets, 0.09%, dated 6/25/15, repurchase price \$300,005,250, collateralized by various GNMMAs, FNMMAs, & FMACs, 2.50% - 6.50%, due 5/1/17 - 6/1/45, par \$376,245,625 and fair value of \$306,000,000.	7/2/15	300,000,000
Total Repurchase Agreements			\$ 525,000,000
Total Investments - 100.0%			\$ 3,470,084,540
Assets in excess of other liabilities - 0.0%			\$ 669,672
Net Position - 100% —equivalent to \$1.00 per share for 3,470,754,212 outstanding shares of the Pool			\$ 3,470,754,212

* Money Market Funds and Bank Deposits: The yield shown represents the rate at June 30, 2015.

See Accompanying Notes to Financial Statements

STATE TREASURY ASSET RESERVE OF OHIO

STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2015

Assets

Investments

Federal Agency Issues and U.S. Treasury Obligations	\$ 927,754,027
Commercial Paper	1,251,842,112
Corporate Bonds	202,941,720
Money Market Funds	395,870,087
Repurchase Agreements	525,000,000
Bank Deposits/Certificates of Deposit	166,676,594
Total Investments	3,470,084,540
Interest Receivable	934,795
Prepaid Expenses/Other Assets	19,351
Total Assets	\$ 3,471,038,686

Liabilities

Accrued Co-administrator Fees	\$ 75,206
Accrued Investment Consultant Fees	60,709
Accrued Audit Fees	42,106
Accrued Custodian and Transfer Agent Fees	40,743
Accrued Management Fees	41,096
Other Liabilities	9,657
Dividends Payable	14,957
Total Liabilities	284,474

Net Position

\$ 3,470,754,212

Participant Net Asset Value, Price Per Unit

\$ 1.00

See Accompanying Notes to Financial Statements

STATE TREASURY ASSET RESERVE OF OHIO
STATEMENTS OF OPERATIONS

	Year ended June 30,	
	2015	2014
Investment Income		
Interest Income	\$ 4,185,068	\$ 3,456,834
Expenses		
Co-administrator Fees	907,686	901,291
Investment Consultant Fees	712,146	700,324
Custodian and Transfer Agent Fees	482,118	476,698
Management Fees	500,000	500,000
Bloomberg and Pricing Fees	134,943	157,726
Audit Fees	42,500	42,500
S & P Analytical Fees	40,000	38,000
Printing and Postage Fees	13,092	19,197
Telephone Response Fees	11,804	13,422
Total Expenses Before Reductions	2,844,289	2,849,158
Expenses voluntarily waived by investment advisor (See Note A)	(271,233)	(105,480)
Net Expenses	2,573,056	2,743,678
Net Investment Income	\$ 1,612,012	\$ 713,156

See Accompanying Notes to Financial Statements

**STATE TREASURY ASSET RESERVE OF OHIO
STATEMENTS OF CHANGES IN NET POSITION**

	Year ended June 30,	
	2015	2014
Change in Net Position		
Operations		
Net Investment Income	\$ 1,612,012	\$ 713,156
Distributions to Shareholders from		
Net Investment Income	(1,612,012)	(713,156)
Capital Share Transactions Net Increase (Decrease) - Note E	485,685,592	(510,577,454)
Increase (Decrease) in Net Position	485,685,592	(510,577,454)
Net Position		
Beginning of Year	2,985,068,620	3,495,646,074
End of Year	\$ 3,470,754,212	\$ 2,985,068,620

See Accompanying Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT

The Honorable Dave Yost
Ohio Auditor of State

The Honorable Josh Mandel
State Treasurer of Ohio

Independent Auditors' Report

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of the State Treasury Asset Reserve of Ohio ("STAR Ohio") as of June 30, 2015, and the related statements of operations and changes in net position and the financial highlights for each of the two years in the period then ended and the related notes to the financial statements, which collectively comprise STAR Ohio's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and financial highlights 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 and financial highlights that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We conducted our audits 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 and financial highlights are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial highlights. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and financial highlights, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and financial highlights 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 entity'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 STAR Ohio as of June 30, 2015, and the results of its operations, changes in financial position and financial highlights for each of the two years in the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 be presented 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 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.



Cohen & Company, Ltd.
Cleveland, Ohio
August 25, 2015

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Section 135.45 of the Ohio Revised Code permits the State's political subdivisions to pool their public funds into an investment fund managed by the State Treasurer of Ohio. The State Treasury Asset Reserve of Ohio (STAR Ohio) provides units of local government with an investment option for their public funds.

Participation is offered to Ohio political subdivisions as defined in Section 135.45(F)(2)(a) of the Ohio Revised Code. The investment objectives of STAR Ohio are the preservation of capital, maintenance of liquidity, and providing current income. There can be no guarantee that this will be achieved.

The State Treasurer of Ohio, Josh Mandel, through the Treasurer's Investment Department, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461, serves as investment advisor and administrator to STAR Ohio. The advisor manages the investment and reinvestment of STAR Ohio's assets in accordance with STAR Ohio's investment objectives and policies, subject to the general limitations of Section 135.143 of the Ohio Revised Code. In addition, an advisor is responsible for the overall management of STAR Ohio's business affairs. STAR Ohio compensates the advisor with a flat management fee of \$500,000 per year. Effective January 15, 2015, the Treasurer's office reinstated their advisory fee, which was previously suspended on April 15, 2014.

Public Funds Administrators, Dublin, Ohio, is the co-administrator for STAR Ohio and provides certain clerical and administrative services for STAR Ohio. Compensation to the co-administrator is based on a percentage of daily net assets with a minimum annual fee of \$800,000.

Huntington National Bank, Columbus, Ohio, is the dividend and transfer agent for STAR Ohio and also serves as custodian of its portfolio. Compensation is based on a percentage of daily net assets.

United American Capital Corporation, Worthington, Ohio, is an investment consultant for STAR Ohio. Compensation is based on a percentage of daily net assets.

Meeder Asset Management, Inc., Dublin, Ohio, is an investment consultant for STAR Ohio. Compensation is based on a percentage of daily net assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of both contingent assets and liabilities. Actual results could differ from those estimates.

STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but maintains a policy to operate as a “2a-7 like pool” in a manner consistent with the Governmental Accounting Standards Board, Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*. Subsequent to the SEC’s issuance of a revised Rule 2a-7, as promulgated under the Investment Company Act of 1940, as amended, on June 24, 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. Statement No. 59 provides guidance that a “2a-7 like pool”, as described in Statement No. 31, is an external investment pool, that operates in conformity with SEC Rule 2a-7, as amended. In 2014, the SEC significantly reversed its rules affecting money market funds (Rule 2a-7). It is expected that few governments are in a position to adopt the 2014 revisions. As such, GASB has issued an exposure draft which would amend its standards to provide guidance for external investment pools which would be different from the 2014 revisions of Rule 2a-7 and provide for the continued use of the amortized cost method for valuation of investments.

NOTE B – INVESTMENT SECURITIES

Investment securities, other than money market funds, are valued according to the amortized cost method (which approximates fair value) whereby a security is valued at cost adjusted for the amortization of any premiums or accretion of any discounts over the period until maturity. Investments in money market funds are valued at quoted market values.

Security transactions are accounted for on the trade date (the day that the order to buy or sell is executed). Interest income is determined on an accrual basis, with earned discounts (including original issue and market discount) accreted and paid premiums amortized. Any realized gains or losses on sales of securities are calculated on the specific identification basis.

STAR Ohio is permitted to invest in commercial paper, but commercial paper holdings shall not exceed 40 percent of the Total Average Portfolio (the average of the daily balances for the prior 12-month period as calculated on the first day of the month). As of June 30, 2015, commercial paper holdings represented approximately 40.0 percent of the Total Average Portfolio.

All repurchase agreements are fully collateralized by United States Government or Federal Agency securities, pursuant to Section 135.143 of the Ohio Revised Code, and such collateral is in the possession of STAR Ohio’s custodians on a daily basis. STAR Ohio evaluates collateral daily to ensure its market value plus accrued interest exceeds the delivery value of the repurchase agreement at maturity. At June 30, 2015, STAR Ohio had an investment in one repurchase agreement on a delivery versus payment basis with a value of \$100,000,000, and two repurchase agreements on a tri-party basis totaling \$425,000,000, all of which are included as part of investments at fair value on the Statement of Assets and Liabilities. The value of the related collateral that STAR Ohio received for each agreement exceeded the value of each respective repurchase agreement at June 30, 2015. STAR Ohio may enter into reverse repurchase (borrowing) agreements. For the fiscal year ended June 30, 2015, STAR Ohio did not enter into any reverse repurchase agreements.

STAR Ohio may purchase securities on a forward settlement basis. Payment and delivery may take place after the customary settlement period for the respective securities. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at the time the transaction is negotiated. Where applicable, the values of the securities purchased on a forward settlement basis are identified as such in the Statement of Investments. Losses may arise due to changes in the value of the underlying securities, if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic, or other factors. As of June 30, 2015, STAR Ohio did not transact in any purchases on a forward settlement basis.

STAR Ohio maintains a stable net asset value per share by using the amortized cost method of portfolio valuation. STAR Ohio has established procedures to stabilize the net asset value per share, as computed for the purpose of purchase and redemption, at a single value of \$1.00. The mark-to-market of the portfolio is used to monitor the appropriateness of the amortized cost method and is calculated using available market quotations.

As of June 30, 2015, STAR Ohio had the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)	
		Less than 1	1-5
Bank Deposits/Certificates of Deposit	\$ 166,676,594	\$ 166,676,594	
Commercial Paper	1,251,842,112	1,251,842,112	
Corporate Bonds	202,941,720	202,941,720	
Federal Agency Issues and U.S. Treasury Obligations	927,754,027	917,754,027	\$ 10,000,000
Money Market Funds	395,870,087	395,870,087	
Repurchase Agreements	525,000,000	525,000,000	
	<u>\$ 3,470,084,540</u>	<u>\$ 3,460,084,540</u>	<u>\$ 10,000,000</u>

Interest Rate Risk: Through its investment policy, STAR Ohio manages its exposure to fair value losses arising from increasing interest rates by limiting the final stated maturity on any investment to 397 days (762 days for floating and variable rate government obligations) and limiting the weighted average maturity WAM(R) of the portfolio to 60 days and WAM(F) of the portfolio to 90 days. WAM(R) uses the interest rate reset date as the effective maturity in calculating the WAM, whereas WAM(F) is calculated based on the stated final maturity for each security. WAM(F) is also known as weighted average life. At June 30, 2015, STAR Ohio WAM(R) and WAM(F) were 53 and 61 days, respectively. Federal Agency Issues include callable bonds, which have maturity dates ranging from January 6, 2016 to June 30, 2016 and callable dates ranging from July 6, 2015 to September 30, 2015, and floating rate notes with daily, weekly, monthly, and quarterly reset dates based on the Federal Funds Overnight Rate, the 1 and 3 month U.S.

LIBOR, and the 91 day U.S. Treasury Bill rate. STAR Ohio's portfolio at June 30, 2015 had 3.0% of illiquid investments based on average net assets (as defined by the STAR Ohio investment policy) consisting of \$92,639,493 invested in a 31 day put commercial paper with U.S. Bank.

Credit Risk: STAR Ohio's investment policy requires money market funds to be rated AAAM by Standard & Poor's Corporation, and all other securities held by STAR Ohio be rated the equivalent of A-1+ or A-1. For issuers of bank deposits, collateralization of the investment is required to secure a rating of AAAM. As of June 30, 2015, STAR Ohio's investment in Federal Agency Issues and the money market funds were rated AA+ and AAAM, respectively, by Standard and Poor's and Aaa by Moody's Investor Services. All commercial paper holdings were rated A-1/P-1 and above. Corporate bonds had the following long-term ratings at issuance:

Standard & Poor's	Moody's	Corporate Bonds
AAA	Aaa	\$ 4,964,473
AA+	A1	\$40,252,720
AA	Aa2	\$15,023,694
AA-	Aa2	\$18,202,306
AA-	Aa3	\$10,002,291
A+	A1	\$27,862,411
A+	A2	\$20,002,182
A	A2	\$40,476,878
A	A3	\$26,154,765

These corporate bonds were purchased within 13 months of maturity, with appropriate credit ratings, and therefore are in accordance with the STAR Ohio investment policy.

Concentration of Credit Risk: STAR Ohio, through its investment policy, follows the diversification guidelines for Standard & Poor's Principal Stability Fund Rating (PSFR) criteria for AAAM rated money market funds and Section 135.143 of the Ohio Revised Code. Through its investment policy, STAR Ohio further limits its investments in municipal bonds to 10 percent of the net assets. STAR Ohio limits the maximum exposure per issuer to 5 percent of net assets, except U.S. Treasury and Federal Agency Obligations, overnight bank deposits (including uninvested cash), instruments that are at least 100 percent collateralized, and investments in other rated money market funds.

As of June 30, 2015, STAR Ohio had 5 percent or more of its net assets invested in the following issuers:

Federal Home Loan Bank	19%
Western Asset Institutional Government Reserves Fund	7%
RBC Capital Markets Repurchase Agreement	15%

Foreign Currency Risk: STAR Ohio does not have exposure to foreign exchange risk.

Custodial Credit Risk: STAR Ohio’s investments are not exposed to custodial credit risk, as defined by GASB Statement No. 40. Securities in STAR Ohio are insured, registered, held by STAR Ohio, or held in a specific trust account designated for STAR Ohio. At June 30, 2015, bank deposits of \$86,678,250 were secured by collateral pools of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution, whose market value at all times exceed the requirements needed based on the financial institutions’ ratings. The remaining bank deposits of \$70,000,000 were insured by the Federal Deposit Insurance Corporation. The carrying amount of cash was zero and the bank balance was less than zero. At June 30, 2015, STAR Ohio invested in a negotiable senior unsecured certificate of deposit in the amount of \$9,998,344. Standard and Poor’s and Moody’s long-term credit ratings are AA- and Aa2, respectively.

NOTE C – SECURITIES LENDING

Pursuant to Section 135.143 of the Ohio Revised Code, the Pool may lend up to 25 percent of its securities to any eligible financial institution that is a member of the Federal Reserve System or any recognized United States government securities dealer.

The Pool follows strict levels of collateralization governed by daily mark-to-market analysis, a review of the credit worthiness of securities’ dealers and banks, and strict monitoring of their respective credit limits. This is done to control exposure due to possible credit loss resulting from a reduction in the underlying collateral value or non-performance by a security dealer or bank. Either the Pool or the borrower can terminate all security loans on demand.

For the fiscal year ended June 30, 2015, STAR Ohio did not participate in security lending transactions.

NOTE D – INCOME DISTRIBUTIONS

Each business day STAR Ohio declares a distribution of its net investment income and realized capital gains, if any. Such distributions are automatically reinvested in additional shares or paid in cash to shareholders at the end of each month.

NOTE E – CAPITAL SHARES

Transactions in capital shares (all at \$1.00 per share) were as follows:

	Year ended June 30,	
	2015	2014
Shares Sold	12,785,142,537	11,629,568,218
Shares Issued for Distributions	1,546,216	653,779
Shares Redeemed	12,786,688,753	11,630,221,997
Capital Shares Transactions	(12,301,003,161)	(12,140,799,451)
Net Increase (Decrease)	485,685,592	(510,577,454)

STANDARD & POOR'S RATING OF STAR OHIO

Standard & Poor's has assigned an AAAM money market rating, its highest rating, to STAR Ohio. By obtaining a AAAM rating, STAR Ohio is considered to have a superior capacity to maintain principal (\$1.00 per share value) and limit exposure to loss. The rating is based on an analysis of STAR Ohio's management, investment guidelines, portfolio holdings and market price exposure.

SUMMARY OF INVESTMENT OBJECTIVES AND ALL PERMITTED & ELIGIBLE INVESTMENTS

The investment objectives of STAR Ohio are the preservation of capital, maintenance of liquidity, and providing current income. STAR Ohio seeks to achieve these objectives by investing only in certain high-grade short-term investment instruments, which are authorized for investment by the State of Ohio as specified in Section 135.143 of the Ohio Revised Code. Instruments in which STAR Ohio may invest include:

- (1) United States Treasury bills, notes, bonds or any other obligations or securities issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
- (3) Written repurchase agreements with any eligible Counterparties domiciled or registered in the United States subject to the guidelines in STAR Ohio's Investment Policy;
- (4) STAR Ohio may invest in reverse repurchase agreements with a maximum maturity of 30 days, provided the securities have been fully paid for and are owned by STAR Ohio at the time of sale and subject to the guidelines in STAR Ohio's Investment Policy;
- (5) The Ohio Treasurer of State also may sell any securities, listed in items (1) or (2) above, regardless of maturity or time of redemption of the securities, under the same terms and conditions for repurchase, provided that the securities have been fully paid for and are held in trust by the Ohio Treasurer of State at the time of the sale;
- (6) Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank or any recognized United States government securities dealer, under the terms of which agreement the Ohio Treasurer of State lends securities and the eligible financial institution or dealer agrees to simultaneously exchange similar securities or cash, equal value for equal value;
- (7) Various forms of commercial paper, maturing in 270 days or less, issued by any corporation that is incorporated under the laws of the United States or a state, which such notes are rated in the two highest categories by two nationally recognized rating agencies, provided that the

total amount invested in commercial paper at any time shall not exceed 40 percent of the Total Average Portfolio which is defined as the average daily balances for the prior 12-month period as calculated on the first day of the month;

(8) Corporate Obligations of domestic corporations that, at the time of purchase must be rated in the three highest categories by two nationally recognized rating agencies provided that the total amount invested in corporate obligations at any time shall not exceed 25 percent of the Total Average Portfolio;

(9) Municipal Bonds and other direct obligations of STAR Ohio issued by the State Treasurer, the Ohio Public Facilities Commission, the Ohio Building Authority and the Ohio Housing Finance Agency;

(10) Banker's acceptances, maturing in 270 days or less, which are eligible for purchase by the Federal Reserve System, provided that the total amount invested in the banker's acceptances at any time shall not exceed 10 percent of the Total Average Portfolio, as determined and calculated by the Ohio Treasurer of State;

(11) Bank deposits, certificates of deposits, and savings in eligible institutions applying for interim monies as provided in Section 135.08 of the Ohio Revised Code; and

(12) No-load money market mutual funds rated in the highest category by one nationally recognized standard rating service or consisting exclusively of obligations described in (1), (2), or (7) of this section and repurchase agreements secured by such obligations.



An Investment Alternative Offered by State Treasurer Josh Mandel

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