



# STAR OHIO

## ANNUAL REPORT 2013



JOSH MANDEL  
STATE TREASURER OF OHIO



**JOSH MANDEL**  
STATE TREASURER OF OHIO

Dear Public Funds Managers,

I am pleased to present the State Treasury Asset Reserve of Ohio (STAR Ohio) 2013 annual report for the fiscal year ended on June 30, 2013. As State Treasurer of Ohio and STAR Ohio fund administrator, I am dedicated to managing the Treasury as well as protecting and investing taxpayer dollars.

STAR Ohio provides governmental subdivisions with an investment alternative for public funds that offers safety and liquidity at an attractive yield. With almost 3,000 accounts, STAR Ohio strives to strategically invest funds while preserving principal. As record low interest rates have continued to create challenges in the financial markets, STAR Ohio has managed to deliver competitive returns relative to other money market instruments. STAR Ohio continues to maintain a AAAM rating, first achieved in 1995, which is Standard and Poor's highest investment rating possible for a Local Government Investment Pool.

In fiscal year 2013, the Treasurer's office implemented several STAR Ohio program improvements geared towards increasing efficiency and cost savings while enhancing the participant experience. As you may also know, the Treasurer's office rolled out the STAR Plus program in the summer of 2012 as an additional deposit option for cash reserves, offering security, competitive yields and weekly liquidity. Looking forward, the Treasurer's office will be working to improve services to local public funds managers across Ohio. 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 or other Treasury programs, please contact the State Treasurer's office via email at [constituentaffairs@tos.ohio.gov](mailto:constituentaffairs@tos.ohio.gov) or call **1-800-228-1102**.

Sincerely,

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 (Treasurer). Participation is offered to Ohio political subdivisions as a means to invest in a portfolio of short-term investment securities. The investment 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 investing in securities, 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 Ohio. 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 has been added by modifying the custodial arrangement to require 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 assets decreased by approximately \$21.4 million, or 0.61%, during the fiscal year due to redemptions. For the fifth straight year, redemptions exceeded purchases. As the economy continues to stabilize and interest rates remain historically low, STAR Ohio's objectives of safety and liquidity have made STAR Ohio a valuable investment vehicle for Ohio's public fund managers. STAR Ohio maintained 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 2013. STAR Ohio's average yield for Fiscal Year 2013 was 0.07%. The State Treasurer's office reinstated its management fee effective March 15, 2013, resulting in an approximate 0.01% decrease in yield. As of June 30, 2013, STAR Ohio held approximately 14% of its portfolio in overnight investments with approximately 1% in FDIC-insured bank deposits. STAR Ohio revised its investment policy during Fiscal Year 2013 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,	
	2013	2012
Net asset value, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.0007	0.0004
Distributions from net investment income	(0.0007)	(0.0004)
Net asset value, end of year	\$ 1.00	\$ 1.00

Total Return 0.07% 0.04%

Ratio/Supplemental Information

Expenses as a percentage of average net assets after reductions (1)	0.079%	0.073%
Expenses as a percentage of average net assets before reductions (1)	0.089%	0.081%
Net investment income as a percentage of average net assets (1)	0.07%	0.04%
Net assets, end of year	\$ 3,495,646,074	\$ 3,517,044,650

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

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

STATEMENT OF INVESTMENTS AS OF JUNE 30, 2013

Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
<b>Federal Agency Issues and U.S. Treasury Obligations - 59.6%</b>			
\$ 35,000,000	Federal Farm Credit Bank Debentures, 0.15% - 0.20%	11/20/13-2/13/14	\$ 35,002,832
40,000,000	Federal Farm Credit Bank Discount Notes, 0.07% - 0.20%	8/7/13-11/5/13	39,987,618
155,700,000	Federal Farm Credit Bank Floating Rate Notes, 0.07% - 0.34%	7/2/13-5/19/14	155,721,437
25,000,000	Federal Home Loan Bank Callable Debentures, 0.20%	6/12/14	25,000,000
589,000,000	Federal Home Loan Bank Debentures, 0.10% - 3.625%	7/10/13-6/26/14	589,169,653
218,864,000	Federal Home Loan Bank Discount Notes, 0.05% - 0.12%	7/3/13-12/13/13	218,844,185
292,450,000	Federal Home Loan Bank Floating Rate Notes, 0.055% - 0.24%	7/12/13-5/1/14	292,487,284
30,000,000	Federal Home Loan Mortgage Corp. Debentures, 0.30%	3/21/14	30,024,350
224,100,000	Federal Home Loan Mortgage Corp. Discount Notes, 0.04% - 0.14%	7/1/13-12/24/13	224,067,235
73,651,000	Federal Home Loan Mortgage Corp. Floating Rate Notes, 0.1325% - 0.39%	9/3/13-11/18/13	73,695,271
24,000,000	Federal Home Loan Mortgage Corp. STRIP, 0.10%	7/15/13	23,999,089
278,665,000	Federal National Mortgage Association Discount Notes, 0.03% - 0.15%	7/17/13-12/26/13	278,614,268
23,500,000	Federal National Mortgage Association Floating Rate Notes, 0.271% - 0.35%	10/25/13-3/4/14	23,523,179
65,000,000	Tennessee Valley Authority Discount Notes, 0.06% - 0.07%	7/11/13-8/29/13	64,995,078
10,000,000	U.S. Treasury Note, 0.125%	9/30/13	10,000,000
<b>Total Federal Agency Issues and U.S. Treasury Obligations</b>			<b>\$ 2,085,131,479</b>

Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
<b>Commercial Paper - 24.9%</b>			
\$ 108,000,000	Caterpillar Financial Services Corporation, 0.10% - 0.13%	7/25/13-9/16/13	\$ 107,984,783
20,000,000	General Electric Capital Corporation, 0.20%	12/17/13	19,981,222
110,000,000	JPMorgan Chase & Company, 0.16% - 0.20%	7/26/13-8/14/13	109,983,158
70,000,000	MetLife Funding, Inc., 0.09%	8/20/13	69,991,250
125,000,000	National Rural Utilities Cooperative Fin. Corp., 0.10%	7/1/13-7/29/13	124,993,042
69,850,000	Paccar Financial Corporation, 0.12% - 0.13%	8/7/13-9/11/13	69,835,957
50,000,000	PNC Bank N.A., 0.17%	7/24/13	49,994,569
25,000,000	Prudential Funding, LLC, 0.07%	7/1/13	25,000,000
71,639,080	U.S. Bank N.A., 0.12% - 0.20%	7/1/13	71,639,080
67,000,000	U.S. Bank N.A. (Term), 0.17% - 0.20%	7/31/13	67,000,000
155,000,000	Wells Fargo & Company, 0.13% - 0.15%	8/13/13-9/6/13	154,969,242
<b>Total Commercial Paper</b>			<b>\$ 871,372,303</b>
<b>Corporate Bonds - 4.4%</b>			
\$ 15,460,000	Caterpillar Financial Services Corporation, 6.125%	2/17/14	\$ 16,027,555
8,930,000	Coca-Cola Company/The, 0.22325% - 3.625%	11/15/13-3/15/14	9,003,875
950,000	Exxon Mobile Corporation, 4.90%	2/1/14	975,855
18,240,000	General Electric Capital Corporation, 2.10% - 5.40%	9/20/13-1/7/14	18,419,504
15,828,000	J.P. Morgan Chase & Company, 2.05% - 5.375%	1/15/14-1/24/14	16,019,251
14,976,000	Microsoft Corporation, 0.875%	9/27/13	15,000,497
15,435,000	National Rural Utilities Cooperative Fin. Corp., 0.5321% - 4.75%	3/1/14-4/4/14	15,608,588

Principal Amount/ Shares		Maturity Date	Fair Value (Note B)
13,854,000	Paccar Financial Corporation, 0.5233%	6/5/14	13,891,481
16,060,000	Procter & Gamble Company/The, 0.1751% - 0.1931%	2/6/14-2/14/14	16,058,368
15,380,000	U.S. Bank N.A., 1.125% - 4.20%	10/30/13-5/15/14	15,772,996
15,532,000	Wal-Mart Stores, Incorporated, 1.625%	4/15/14	15,702,252
<b>Total Corporate Bonds</b>			<b>\$ 152,480,222</b>
<b>Bank Deposits* - 3.5%</b>			
\$ 25,000,000	KEY Bank Checking Account, 0.48%		\$ 25,000,000
75,000,000	KEY Bank Checking Account, 0.00%		75,000,000
24,000,000	Federally Insured Cash Account (FICAsm), 0.15%	7/3/13	24,000,000
<b>Total Bank Deposit Accounts</b>			<b>\$ 124,000,000</b>
<b>Money Market Funds* - 7.5%</b>			
\$ 1,449,003	Goldman Sachs Financial Square Government Fund, 0.00%	7/1/13	\$ 1,449,003
259,892,085	Invesco Government & Agency Portfolio, 0.02%	7/1/13	259,892,085
<b>Total Money Market Funds</b>			<b>\$ 261,341,088</b>
<b>Total Investments - 99.9%</b>			<b>\$ 3,494,325,092</b>
<b>Assets in excess of other liabilities - 0.1%</b>			<b>\$ 1,320,982</b>
<b>Net Assets - 100%—equivalent to \$1.00 per share for 3,495,646,074 outstanding shares of the Pool</b>			<b>\$ 3,495,646,074</b>

\* Money Market Funds and Bank Deposits: The yield shown represents the rate at June 30, 2013.

See Accompanying Notes to Financial Statements

## STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2013

<b>Assets</b>	
Investments	
Federal Agency Issues and U.S. Treasury Obligations	\$ 2,085,131,479
Commercial Paper	871,372,303
Corporate Bonds	152,480,222
Money Market Funds	261,341,088
Bank Deposits	124,000,000
Total Investments	<u>3,494,325,092</u>
Interest Receivable	1,596,644
Prepaid Expenses/Other Assets	19,306
Total Assets	<u>\$ 3,495,941,042</u>
<b>Liabilities</b>	
Accrued Co-administrator Fees	\$ 86,959
Accrued Investment Consultant Fees	59,752
Accrued Audit Fees	42,500
Accrued Custodian and Transfer Agent Fees	41,532
Accrued Management Fees	41,096
Other Liabilities	14,058
Dividends Payable	9,071
Total Liabilities	<u>294,968</u>
<b>Net Assets</b>	<u><b>\$ 3,495,646,074</b></u>
<b>Participant Net Asset Value, Price Per Unit</b>	\$ 1.00

See Accompanying Notes to Financial Statements

## STATEMENTS OF OPERATIONS

	<b>Year ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Investment Income</b>		
Interest Income	\$ 5,313,464	\$ 4,537,235
<b>Expenses</b>		
Co-administrator Fees	1,044,318	975,000
Investment Consultant Fees	771,415	865,914
Custodian and Transfer Agent Fees	515,005	556,152
Management Fees	500,000	500,000
Bloomberg and Pricing Fees	142,884	151,890
Audit Fees	42,500	42,500
S & P Analytical Fees	38,000	38,000
Printing and Postage Fees	29,081	22,730
Telephone Response Fees	11,060	13,640
Total Expenses Before Reductions	<u>3,094,263</u>	<u>3,165,826</u>
Expenses voluntarily waived by investment advisor (See Note A)	(352,055)	(310,109)
Net Expenses	<u>2,742,208</u>	<u>2,855,717</u>
<b>Net Investment Income</b>	<b>\$ 2,571,256</b>	<b>\$ 1,681,518</b>

See Accompanying Notes to Financial Statements

## STATEMENTS OF CHANGES IN NET ASSETS

	Year ended June 30,	
	2013	2012
<b>Change In Net Assets</b>		
<b>Operations</b>		
Net Investment Income	\$ 2,571,256	\$ 1,681,518
<b>Distributions to Shareholders from</b>		
Net Investment Income	(2,571,256)	(1,681,518)
<b>Capital Share Transactions Net Decrease - Note E</b>		
Decrease in Net Assets	(21,398,576)	(870,381,048)
<b>Net Assets</b>		
Beginning of Year	3,517,044,650	4,387,425,698
End of Year	\$ 3,495,646,074	\$ 3,517,044,650

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 schedule of investments, of the State Treasury Asset Reserve of Ohio ("STAR Ohio") as of June 30, 2013, and the related statements of operations and changes in net assets 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, 2013, and the results of its operations, changes in net assets 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.*

Cohen & Company, Ltd.  
Cleveland, Ohio  
August 26, 2013

**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 March 15, 2013, the Treasurer's office reinstated their advisory fee, which was suspended on November 17, 2011.

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.

Pursuant to the Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, STAR Ohio follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements.

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.

**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 25 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, 2013, commercial paper holdings represented approximately 23.8 percent of the Total Average Portfolio.

All repurchase agreements are fully collateralized by the 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 custodian 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. STAR Ohio may enter into reverse repurchase (borrowing) agreements. For the fiscal year ended June 30, 2013, STAR Ohio did not enter into any repurchase or 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 Schedule 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, 2013, 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, 2013, STAR Ohio had the following investment and maturities:

Investment Type	Value	Investment Maturities (in Years)
		Less than 1
Bank Deposit Instruments	\$ 124,000,000	\$ 124,000,000
Commercial Paper	871,372,303	871,372,303
Corporate Bonds	152,480,222	152,480,222
Federal Agency Issues and U.S. Treasury Obligations	2,085,131,479	2,085,131,479
Money Market Funds	261,341,088	261,341,088
	<u>\$ 3,494,325,092</u>	<u>\$ 3,494,325,092</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 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, 2013, STAR Ohio WAM(R) and WAM(F) were 56 and 78 days, respectively. Federal Agency Issues include a callable bond, which has a maturity date of June 12, 2014 and monthly callable dates beginning July 12, 2013 until maturity, 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. STAR Ohio's portfolio at June 30, 2013 had 2.6% of illiquid investments (as defined by the STAR Ohio investment policy) consisting of: \$24,000,000 in the Federally Insured Cash Account (FICA®) with a July 3, 2013 maturity date and \$67,000,000 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, 2013, 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. Of the commercial paper, \$253,611,552 was rated A-1+/P-1 and above, and the remaining \$617,760,751 was rated A-1/P-1. Corporate bonds had the following long-term ratings at issuance:

Standard & Poor's	Moody's	Corporate Bonds
AAA	Aaa	\$15,976,352
AA+	A1	\$18,419,504
AA	Aa2	\$15,702,252
AA-	Aa3	\$25,062,243
A+	Aa2	\$15,772,996
A+	A1	\$13,891,481
A	A2	\$47,655,394

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 funds. STAR Ohio's investment policy further limits the total holdings of an issuer's corporate obligations to no more than one half of one percent of the total portfolio at the time of purchase.

As of June 30, 2013, STAR Ohio had 5 percent or more of its net assets invested in the following issuers:

Federal Farm Credit Bank	7%
Federal Home Loan Bank	32%
Federal Home Loan Mortgage Corporation	10%
Federal National Mortgage Association	9%
Invesco Government & Agency Portfolio	7%

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

## APPENDIX (UNAUDITED)

*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, 2013, bank deposits of \$100,000,000 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 \$24,000,000 were insured by the Federal Deposit Insurance Corporation. The carrying amount of cash was zero and the bank balance was \$1,242,513. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging institution's agent, but not in STAR Ohio's name.

### 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, 2013, 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. Effective July 1, 2012, such distributions are automatically reinvested in additional shares or paid in cash to shareholders at the end of each month. Prior to that, for financial statement purposes, all distributions were automatically reinvested.

### NOTE E – CAPITAL SHARES

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

	Year ended June 30,	
	2013	2012
Shares Sold	12,667,215,671	11,796,585,820
Shares Issued for Distributions	2,374,616	1,681,518
	12,669,590,287	11,798,267,338
Shares Redeemed	(12,690,988,863)	(12,668,648,386)
Capital Shares Transactions Net Decrease	(21,398,576)	(870,381,048)

### 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 25 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 state's 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) Registered Investment Companies, open-end, no-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and commercial paper and repurchase agreements secured by such obligations.

## SERVICE PROVIDERS

### INVESTMENT ADVISOR AND ADMINISTRATOR

Josh Mandel  
State Treasurer of Ohio

### CO-ADMINISTRATOR

Public Funds Administrators  
Dublin, Ohio

### CUSTODIAN AND TRANSFER AGENT

Huntington National Bank  
Columbus, Ohio

### CO-INVESTMENT ADVISOR

United American Capital Corporation  
Worthington, Ohio

### CO-INVESTMENT ADVISOR

Meeder Asset Management, Inc.  
Dublin, Ohio

For more information on current yields or assistance in opening a STAR account, call toll free: 1-800-648-STAR (7827).

Additional information regarding STAR Ohio and other Treasurer of State programs may be accessed through [www.OhioTreasurer.gov](http://www.OhioTreasurer.gov). The Treasurer's office also welcomes your feedback and questions; please call 1-800-228-1102.

The Office of the State Treasurer, Public Funds Administrators, Huntington National Bank, United American Capital Corporation, and Meeder Asset Management, Inc. are Equal Opportunity Employers and Service Providers.



*An Investment Alternative Offered by State Treasurer Josh Mandel*

P.O. Box 7177  
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