



# STAR OHIO

## ANNUAL REPORT 2016



**JOSH MANDEL**  
STATE TREASURER OF OHIO





# Dave Yost • Auditor of State

Josh Mandel, State Treasurer of Ohio  
State Treasury Asset Reserve of Ohio  
30 East Broad Street  
9th Floor  
Columbus, Ohio 43215-3461

We have reviewed the *Independent Auditors' Report* of the State Treasury Asset Reserve of Ohio, Franklin County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The State Treasury Asset Reserve of Ohio is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 13, 2016

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**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, 2016. 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 over 2,250 accounts, STAR Ohio strategically invests funds while preserving principal. Despite prolonged 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.

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](mailto: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 \$2.3 billion, or 66.2%, during the fiscal year ended June 30, 2016, 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 ranged between 0 and 50 basis points (0.00% - 0.50%) during STAR Ohio's Fiscal Year 2016. STAR Ohio's average yield for Fiscal Year 2016 was 0.30%. At the beginning of the fiscal year, the pro-rated management fee paid to the advisor was \$500,000 per year. This fee increased effective September 1, 2015 to a pro-rated amount of \$850,000 per year, resulting in an approximate 0.01% annualized decrease in yield. Beginning October 1, 2015, this fee increased to a pro-rated amount of \$1,050,000, which was constant for the remainder of the fiscal year, resulting in an approximate 0.006% annualized decrease in yield. As of June 30, 2016, STAR Ohio held approximately 43% of its portfolio in overnight investments and approximately 1% in FDIC-insured bank deposits.

# STATE TREASURY ASSET RESERVE OF OHIO

## FINANCIAL HIGHLIGHTS Data for each share outstanding throughout the year

	Year ended June 30,	
	2016	2015
Net asset value, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.0030	0.0005
Distributions from net investment income	(0.0030)	(0.0005)
Net asset value, end of year	\$ 1.00	\$ 1.00
Total Return	0.30%	0.05%
<b>Ratio/Supplemental Information</b>		
Expenses as a percentage of average net assets after reductions (1)	0.091%	0.081%
Expenses as a percentage of average net assets before reductions (1)	0.091%	0.090%
Net investment income as a percentage of average net assets (1)	0.33%	0.05%
Net position, end of year	\$ 5,766,688,705	\$ 3,470,754,212

(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, 2016**

Principal Amount/ Shares		Maturity Date	Amortized Cost (Note C)
<b>Federal Agency Issues and U.S. Treasury Obligations - 14.8%</b>			
\$ 10,000,000	Federal Farm Credit Bank Callable Debentures, 0.64%	5/9/17	\$ 9,997,959
23,000,000	Federal Farm Credit Bank Debentures, 0.40% - 1.10%	8/11/16 - 6/28/17	23,008,378
266,850,000	Federal Farm Credit Bank Floating Rate Notes, 0.46% - 0.59%	7/29/16 - 6/1/18	266,731,285
18,800,000	Federal Home Loan Bank Callable Debentures, 0.60% - 0.85%	11/28/16 - 7/20/17	18,799,796
78,800,000	Federal Home Loan Bank Debentures, 0.40% - 1.63%	8/12/16 - 12/28/16	78,899,845
307,750,000	Federal Home Loan Bank Discount Notes, 0.33% - 0.43%	7/6/16 - 9/16/16	307,666,364
50,000,000	Federal Home Loan Bank Floating Rate Notes, 0.39% - 0.73%	8/18/16 - 10/3/16	50,004,585
20,000,000	Federal Home Loan Mortgage Corp. Callable Debentures, 0.75%	3/9/17	20,000,000
10,000,000	Federal Home Loan Mortgage Corp. Debentures, 0.88%	10/14/16	10,004,162
6,000,000	Federal Home Loan Mortgage Corp. Floating Rate Notes, 0.58%	7/21/17	6,001,965
15,000,000	Federal National Mortgage Association Debentures, 1.25%	9/28/16	15,031,377
14,500,000	Federal National Mortgage Association Floating Rate Notes, 0.60% - 0.73%	10/3/16 - 12/20/17	14,502,820
30,000,000	U.S. Treasury Notes, 0.50% - 3.13%	9/15/16 - 11/30/16	30,091,690
<b>Total Federal Agency Issues and U.S. Treasury Obligations</b>			<b>\$ 850,740,226</b>
<b>Commercial Paper - 27.4%</b>			
\$ 260,000,000	Abbey National Treasury Services, 0.62% - 1.10%	7/19/16 - 3/10/17	\$ 259,294,811
247,000,000	Bank of Tokyo - Mitsubishi UFJ NY, 0.65% - 1.10%	7/5/16 - 3/17/17	246,192,330
35,000,000	Canadian Imperial Holdings, 0.92% - 0.99%	1/9/17 - 3/15/17	34,802,322

	<b>Principal Amount/ Shares</b>		<b>Maturity Date</b>	<b>Amortized Cost (Note C)</b>
\$	65,000,000	Caterpillar Financial Services Corporation, 0.50% - 0.51%	7/13/16 - 7/25/16	\$ 64,984,617
	20,000,000	GE Capital Treasury Services, 0.65% - 0.72%	7/6/16 - 7/27/16	19,993,897
	70,000,000	ING Funding, LLC, 0.71% - 0.89%	9/2/16 - 11/16/16	69,822,599
	243,000,000	JPMorgan Securities, LLC, 0.63% - 1.11%	7/8/16 - 3/23/17	242,188,649
	20,100,000	Paccar Financial Corporation, 0.51% - 0.52%	7/13/16 - 7/27/16	20,093,605
	260,000,000	Rabobank USA Financial Corporation, 0.70% - 0.98%	7/21/16 - 3/16/17	259,313,235
	244,000,000	Toyota Motor Credit Corporation, 0.59% - 1.03%	7/7/16 - 3/24/17	243,575,563
	39,000,000	U.S. Bank N.A., 0.35%	7/1/16	39,000,000
	80,000,000	UBS Finance Delaware, LLC, 0.78% - 0.90%	8/3/16 - 9/27/16	79,887,200
		<b>Total Commercial Paper</b>		<b>\$ 1,579,148,828</b>
		<b>Corporate Bonds - 12.3%</b>		
\$	8,445,000.00	3M Company, 1.00%	6/26/17	\$ 8,466,618
	50,337,000	American Honda Finance, 0.70% - 1.16%	7/29/16 - 10/7/16	50,367,764
	9,316,000	Apple, Inc., 0.68% - 0.90%	5/12/17	9,327,022
	52,030,000	Berkshire Hathaway, Inc., 0.78% - 2.20%	8/15/16 - 1/31/17	52,157,988
	24,959,000	Caterpillar Financial Services Corporation, 0.82% - 2.05%	8/1/16 - 3/3/17	24,986,191
	17,845,000	Chevron Corp., 0.73% - 0.76%	11/9/16 - 2/22/17	17,839,524
	9,900,000	Coca-Cola Company, 0.74% - 0.75%	11/1/16	9,901,954
	24,900,000	Exxon Mobil Corporation, 0.69%	3/15/17	24,898,251
	49,854,000	General Electric Company, 0.83% - 3.35%	7/5/16 - 5/15/17	49,970,190
	21,750,000	HSBC USA, Inc., 0.94% - 1.30%	3/3/17 - 6/23/17	21,736,127
	10,000,000	J.P. Morgan Chase & Company, 3.15%	7/5/16	10,002,490
	27,227,000	John Deere Capital Corporation, 0.80% - 1.85%	9/5/16 - 3/1/17	27,256,638
	4,720,000	Johnson & Johnson, 0.74%	11/28/16	4,722,956
	23,535,000	MUFG Union Bank, 1.39% - 1.50%	9/26/16	23,554,373
	5,000,000	National Rural Utilities Corp., 0.95%	11/23/16	5,004,337
	20,000,000.00	Oracle Corp., 0.83%	7/7/17	20,033,464

	<b>Principal Amount/ Shares</b>		<b>Maturity Date</b>	<b>Amortized Cost (Note C)</b>
\$	13,558,000	Paccar Financial Corporation, 1.10% - 1.60%	3/15/17 - 6/6/17	\$ 13,612,036
	11,300,000	Pfizer, Inc., 0.76%	5/15/17	11,311,321
	30,397,000	PNC Bank N.A., 1.13% - 1.30%	10/3/16 - 1/27/17	30,409,960
	7,500,000	Procter & Gamble Co., 0.72%	11/4/16	7,500,709
	18,875,000	Toyota Motor Credit Corporation, 0.65% - 0.74%	9/23/16	18,874,165
	40,342,000	US Bancorp, 1.65% - 2.20%	11/15/16 - 5/15/17	40,546,514
	18,630,000	US Bank NA Cincinnati, 0.87% - 1.10%	1/30/17	18,641,387
	209,310,000	Wells Fargo & Company, 0.69% - 2.63%	7/20/16 - 6/21/17	209,687,108
		<b>Total Corporate Bonds</b>		<b>\$ 710,809,087</b>
		<b>Bank Deposits* - 0.09%</b>		
\$	50,099,760	Federally Insured Cash Account (FICAsm), 0.37%	7/5/16	\$ 50,099,760
		<b>Total Bank Deposits</b>		<b>\$ 50,099,760</b>
		<b>Money Market Funds* - 41.3%</b>		
\$	575,966,499	BlackRock Cash Funds - Prime	7/1/16	\$ 575,966,499
	575,863,779	Federated Institutional Money Market Management	7/1/16	575,863,779
	576,009,935	Fidelity Institutional Prime Money Market Portfolio	7/1/16	576,009,935
	17,937,898	Morgan Stanley Institutional Liquidity Fund - Government Portfolio	7/1/16	17,937,898
	364,897,676	Morgan Stanley Institutional Liquidity Fund - Money Market Portfolio	7/1/16	364,897,676
	272,460,297	Western Asset Institutional Government Reserves Fund	7/1/16	272,460,297
		<b>Total Money Market Funds</b>		<b>\$ 2,383,136,084</b>

Principal Amount/ Shares	Maturity Date	Amortized Cost (Note C)
<b>Repurchase Agreements - 3.3%</b>		
\$ 40,000,000	HSBC Securities, Inc., 0.38%, dated 6/30/16, repurchase price \$40,000,422, collateralized by FMAC and cash, 3.00%, due 12/1/42, par \$50,735,000 and fair value of \$40,801,152.	7/1/16 \$ 40,000,000
40,000,000	RBC Capital Markets, 0.32%, dated 6/9/16, repurchase price \$40,009,956, collateralized by various GNMMAs, FNMMAs, & FMACs, 3.00% - 5.50%, due 5/1/25 - 6/20/46, par \$45,232,303 and fair value of \$40,800,000.	7/7/16 40,000,000
30,000,000	RBC Capital Markets, 0.33%, dated 6/16/16, repurchase price \$30,007,700, collateralized by various GNMMAs, FNMMAs, & FMACs, 3.00% - 5.50%, due 5/1/25 - 6/20/46, par \$31,557,589 and fair value of \$30,600,000.	7/14/16 30,000,000
40,000,000	RBC Capital Markets, 0.32%, dated 6/23/16, repurchase price \$40,009,956, collateralized by various GNMMAs, FNMMAs, & FMACs, 2.246% - 5.50%, due 5/1/25 - 6/20/46, par \$66,809,704 and fair value of \$40,800,000.	7/21/16 40,000,000
40,000,000	RBC Capital Markets, 0.33%, dated 6/30/16, repurchase price \$40,010,267, collateralized by various GNMMAs, FNMMAs, & FMACs, 2.50% - 5.50%, due 5/1/25 - 6/1/46, par \$87,947,603 and fair value of \$40,800,000.	7/28/16 40,000,000
<b>Total Repurchase Agreements</b>		<b>\$ 190,000,000</b>
<b>Total Investments - 100.0%</b>		<b>\$ 5,763,933,985</b>
<b>Assets in excess of other liabilities - 0.0%</b>		<b>\$ 2,754,720</b>
<b>Net Position - 100%</b> —equivalent to \$1.00 per share for 5,766,688,705 outstanding shares of the Pool		<b>\$ 5,766,688,705</b>

\* Money Market Funds and Bank Deposits: The yield shown represents the rate at June 30, 2016.

See Accompanying Notes to Financial Statements

# STATE TREASURY ASSET RESERVE OF OHIO

## STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2016

### Assets

#### Investments

Federal Agency Issues and U.S. Treasury Obligations	\$ 850,740,226
Commercial Paper	1,579,148,828
Corporate Bonds	710,809,087
Money Market Funds	2,383,136,084
Repurchase Agreements	190,000,000
Bank Deposits	50,099,760
Total Investments	<u>5,763,933,985</u>
Interest Receivable	3,244,619
Prepaid Expenses/Other Assets	25,613
Total Assets	<u>\$ 5,767,204,217</u>

### Liabilities

Accrued Co-administrator Fees	\$ 84,168
Accrued Investment Consultant Fees	93,538
Accrued Audit Fees	42,500
Accrued Custodian and Transfer Agent Fees	66,075
Accrued Management Fees	86,066
Other Liabilities	11,482
Dividends Payable	131,683
Total Liabilities	<u>515,512</u>

### Net Position

\$ 5,766,688,705

### Capital Shares Outstanding

5,766,688,705

### 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,	
	2016	2015
<b>Investment Income</b>		
Interest Income	\$ 17,315,913	\$ 4,185,068
<b>Expenses</b>		
Co-administrator Fees	957,716	907,686
Investment Consultant Fees	904,294	712,146
Custodian and Transfer Agent Fees	603,721	482,118
Management Fees	940,436	500,000
Bloomberg and Pricing Fees	164,700	134,943
Audit Fees	42,894	42,500
S & P Analytical Fees	40,003	40,000
Printing and Postage Fees	20,827	13,092
Telephone Response Fees	19,920	11,804
Total Expenses Before Reductions	3,694,511	2,844,289
Expenses voluntarily waived by investment advisor (See Note A)	0	(271,233)
Net Expenses	3,694,511	2,573,056
<b>Net Investment Income</b>	<b>\$ 13,621,402</b>	<b>\$ 1,612,012</b>

See Accompanying Notes to Financial Statements

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

	Year ended June 30,	
	2016	2015
<b>Change in Net Position</b>		
<b>Operations</b>		
Net Investment Income	\$ 13,621,402	\$ 1,612,012
<b>Distributions to Shareholders from</b>		
Net Investment Income	(13,621,402)	(1,612,012)
<b>Capital Share Transactions Net Increase (Decrease) - Note F</b>	2,295,934,493	485,685,592
Increase (Decrease) in Net Position	2,295,934,493	485,685,592
<b>Net Position</b>		
Beginning of Year	3,470,754,212	2,985,068,620
End of Year	\$ 5,766,688,705	\$ 3,470,754,212

See Accompanying Notes to Financial Statements

## Independent Auditors' Report

To the Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio

### Report on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of State Treasury Asset Reserve of Ohio (STAR Ohio) as of June 30, 2016 and the related statements of operations and changes in net position and the financial highlights and the related notes to the financial statements for the year then ended, which collectively comprise State Treasury Asset Reserve of 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 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 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 State Treasury Asset Reserve of Ohio as of June 30, 2016 and the results of its operations, changes in net position, and financial highlights for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

As discussed in Note A to the basic financial statements, during the year ended June 30, 2016, STAR Ohio adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This pronouncement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise STAR Ohio's basic financial statements. The appendix is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The appendix has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Report on Prior Year Financial Statements**

The statements of operations and changes in net position for the year ended June 30, 2015 and the financial highlights for the periods indicated prior to June 30, 2016 were audited by a predecessor auditor who expressed unmodified opinions on those statements and financial highlights. The predecessor auditor's report was dated August 25, 2015.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of State Treasury Asset Reserve of Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Treasury Asset Reserve of Ohio's internal control over financial reporting and compliance.



September 30, 2016

### 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. For the period July 1, 2015 through August 31, 2015, STAR Ohio compensated the advisor with a pro-rated management fee of \$500,000 per year. For the period September 1, 2015 through September 30, 2015, STAR Ohio compensated the advisor with a pro-rated management fee of \$850,000 per year. For the period October 1, 2015 through June 30, 2016, STAR Ohio compensated the advisor with a pro-rated management fee of \$1,050,000. Prior to July 1, 2015, STAR Ohio compensated the advisor with a flat management fee of \$500,000 per year.

Public Funds Administrators ("PFA"), 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, serves as custodian of STAR Ohio. Huntington Asset Services, Inc. ("HASI") served as the dividend and transfer agent for STAR Ohio through May 22, 2016. Effective May 23, 2016, Ultimus Fund Solutions acquired HASI and is currently the dividend and transfer agent for STAR Ohio. 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.

As of June 30, 2016, STAR Ohio has prospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments

and disclosures related to all fair value measurements. Since STAR Ohio qualifies for reporting at amortized cost under GASB Statement No. 79, the applicability of GASB Statement No. 72 is limited to the disclosures referenced within GASB Statement No. 79.

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 has adopted Governmental Accounting Standards Board (“GASB”), Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This Statement applies to all state and local governments. This Statement amends GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and GASB Statement No. 59, *Financial Instruments Omnibus*. For the fiscal year ended June 30, 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to PFA 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

## **NOTE B – FAIR VALUE MEASUREMENT**

STAR Ohio’s investments on the statement of assets and liabilities are presented at amortized cost, in accordance with GASB Statement No. 79. Information regarding the fair value of investments held by STAR Ohio is presented below in accordance with GASB Statement No. 72.

STAR Ohio categorizes the fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (“GAAP”). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the below fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. STAR Ohio’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

A description of the valuation techniques applied to STAR Ohio's major categories of assets when measured at fair value follows:

Investments in registered open-end investment companies, including money market funds, are valued at the daily redemption value as reported by the underlying fund and are categorized in level 1 of the fair value hierarchy.

**Short-term notes (including Federal agency issues, U.S. Government agency obligations, U.S. Treasury obligations, commercial paper, corporate obligations, money market funds, and negotiable certificates of deposit)** - Short-term notes held in STAR Ohio are valued using fair valuation methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. The fair value of these securities is determined primarily based on these level 2 inputs and are categorized as such.

For the period ended June 30, 2016, STAR Ohio did not hold any assets at any time in which significant unobservable inputs were used in determining fair value. Therefore, there are no level 3 securities. The following table summarizes the inputs used to value STAR Ohio's assets when measured at fair value as of June 30, 2016.

Investment by Fair Value Level	Fair Value at June 30, 2016	Level 1	Level 2	Level 3	Value at Amortized Cost
Federal Agency Issues and U.S. Treasury Obligations	\$ 850,864,341	\$ —	\$ 850,864,341	\$ —	\$ 850,740,226
Commercial Paper	1,579,699,770	—	1,579,699,770	—	1,579,148,828
Corporate Bonds	710,796,915	—	710,796,915	—	710,809,087
Money Market Funds	2,383,136,084	2,383,136,084	—	—	2,383,136,084
Repurchase Agreements	190,000,000	—	190,000,000	—	190,000,000
Totals	\$5,714,497,110	\$2,383,136,084	\$3,331,361,026	\$ —	\$5,713,834,225

As of June 30, 2016, STAR Ohio invested in bank deposits in the amount of \$50,099,760, which are not included in the table above. Total investments on the statement of assets and liabilities totaled \$5,763,933,985.

## NOTE C – 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. The difference between the amortized cost and the fair value of the portfolio was approximately \$663,000 as of June 30, 2016. 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, 2016, commercial paper holdings represented approximately 39.8 percent of the Total Average Portfolio. The Total Average Portfolio calculation is subject to change by the State Treasurer of Ohio.

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, 2016, STAR Ohio invested in five repurchase agreements on a tri-party basis totaling \$190,000,000, 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, 2016. STAR Ohio may enter into reverse repurchase (borrowing) agreements. For the fiscal year ended June 30, 2016, 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, 2016, 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, 2016, STAR Ohio had the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)	
		Less than 1	1-5
Bank Deposits	\$ 50,099,760	\$ 50,099,760	
Commercial Paper	1,579,148,828	1,579,148,828	
Corporate Bonds	710,809,087	690,775,623	\$ 20,033,464
Federal Agency Issues and U.S. Treasury Obligations	850,740,226	694,845,723	155,894,503
Money Market Funds	2,383,136,084	2,383,136,084	
Repurchase Agreements	190,000,000	190,000,000	
	<u>\$ 5,763,933,985</u>	<u>\$ 5,588,006,018</u>	<u>\$ 175,927,967</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, 2016, STAR Ohio WAM(R) and WAM(F) were 49 and 76 days, respectively. Federal Agency Issues include callable bonds, which have maturity dates ranging from November 28, 2016 to July 20, 2017 and callable dates ranging from July 27, 2016 to January 20, 2017, and floating rate notes with daily, weekly, monthly, and quarterly reset dates based on the Federal Funds Overnight Rate, the Federal Reserve Bank Prime Loan Rate, the 1 and 3 month U.S. LIBOR, and the 91 day U.S. Treasury Bill rate. There were no illiquid securities held in STAR Ohio's portfolio at June 30, 2016.

*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, 2016, 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	\$ 4,722,956
AA+	Aaa	24,898,251
AA+	Aa1	9,327,022
AA+	A1	49,970,190
AA	Aa2	52,157,988
AA	A1	11,311,321
AA-	Aa1	18,641,387
AA-	Aa2	204,036,953
AA-	Aa3	36,276,828
AA-	A1	28,500,082
A+	Aa2	23,554,373
A+	A1	104,526,314
A	Aa2	30,409,960
A	A1	5,004,337
A	A2	107,471,125

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, 2016, STAR Ohio had 5 percent or more of its net assets invested in the following issuers:

Fidelity Funds	10%
BlackRock Funds	10%
Federated Funds	10%
Federal Home Loan Bank	8%
Morgan Stanley Funds	6%
Federal Farm Credit Bank	5%

*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, 2016, bank deposits of \$50,099,760 were insured by the Federal Deposit Insurance Corporation. The carrying amount of cash was zero and the bank balance was less than zero.

#### **NOTE D – 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, 2016, STAR Ohio did not participate in security lending transactions.

#### **NOTE E – 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 F – CAPITAL SHARES**

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

	<b>Year ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Shares Sold	14,746,581,590	12,785,142,537
Shares Issued for Distributions	12,963,120	1,546,216
	14,759,544,710	12,786,688,753
Shares Redeemed	(12,463,610,217)	(12,301,003,161)
Capital Shares Transactions		
Net Increase (Decrease)	2,295,934,493	485,685,592

### 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 (the Total Average Portfolio calculation is subject to change by the State Treasurer of Ohio);

(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.

## SERVICE PROVIDERS

### **INVESTMENT ADVISOR AND ADMINISTRATOR**

Josh Mandel  
State Treasurer of Ohio

### **CO-ADMINISTRATOR**

Public Funds Administrators  
Dublin, Ohio

### **CUSTODIAN**

Huntington National Bank  
Columbus, Ohio

### **TRANSFER AGENT**

Ultimus Fund Solutions  
Cincinnati, 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, Ultimus Fund Solutions, 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  
Dublin, Ohio 43017

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the  
Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State Treasury Asset Reserve of Ohio (STAR Ohio), which comprise the statement of assets and liabilities, including the statement of investments as of June 30, 2016 and the related statements of operations and changes in net position, the financial highlights for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered State Treasury Asset Reserve of Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of STAR Ohio's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the  
Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether State Treasury Asset Reserve of Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of STAR Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering STAR Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

September 30, 2016

# **State Treasury Asset Reserve of Ohio Investment Trust Fund**

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**Financial Report  
June 30, 2016**

# **State Treasury Asset Reserve of Ohio Investment Trust Fund**

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## Independent Auditor's Report

To the Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio Investment Trust Fund

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the State Treasury Asset Reserve of Ohio Investment Trust Fund (the "Trust Fund") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the State Treasury Asset Reserve of Ohio Investment Trust Fund as of June 30, 2016 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio Investment Trust Fund

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the State Treasury Asset Reserve of Ohio Investment Trust Fund and do not purport to, and do not, present fairly the net position of the State Treasury Asset Reserve of Ohio as of June 30, 2016, or the results of its operations and changes in its net position for the years ended June 30, 2016 or June 30, 2015 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2016, the Trust Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This pronouncement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Our opinion is not modified with respect to this matter.

***Other Matter***

***Required Supplemental 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 supplemental 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.

***Report on Prior Year Financial Statements***

The statements of operations and changes in net position for the year ended June 30, 2015 were audited by a predecessor auditor who expressed an unmodified opinion on those statements. The predecessor auditor's report was dated September 30, 2015.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the State Treasury Asset Reserve of Ohio Investment Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Treasury Asset Reserve of Ohio Investment Trust Fund's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 30, 2016

# **State Treasury Asset Reserve of Ohio Investment Trust Fund**

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## **Management's Discussion and Analysis (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 significant 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.

The external portion of STAR Ohio, the Trust Fund, is the portion that belongs to legally separate entities that are not part of the State of Ohio's financial reporting entity. STAR Ohio does not have separate investments or activities for the external portion of STAR Ohio. As a result, the statement of net position of the Trust Fund has been prepared by prorating the assets and liabilities related to the external portion. Additionally, the statements of operations and changes in net position are prepared by prorating investment income and expenses related to the external portion using average daily balances.

### **Overview of Financial Condition**

STAR Ohio's net position increased by approximately \$2.1 billion, or 79.0 percent, during the fiscal year ended June 30, 2016, 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.

# **State Treasury Asset Reserve of Ohio Investment Trust Fund**

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## **Management's Discussion and Analysis (Unaudited) (Continued)**

### **Overview of Operations**

The federal funds' target rate ranged between 0 and 50 basis points (0.00 to 0.50 percent) during STAR Ohio's fiscal year 2016. STAR Ohio's average yield for fiscal year 2016 was 0.30 percent. At the beginning of the fiscal year, the pro-rated management fee paid to the advisor was \$500,000 per year. This fee increased effective September 1, 2015 to a pro-rated amount of \$850,000 per year, resulting in an approximate 0.01 percent annualized decrease in yield. Beginning October 1, 2015, this fee increased to a pro-rated amount of \$1,050,000, which was constant for the remainder of the fiscal year, resulting in an approximate 0.006 percent annualized decrease in yield. As of June 30, 2016, STAR Ohio held approximately 43 percent of its portfolio in overnight investments and approximately 1 percent in FDIC-insured bank deposits.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

## Statement of Net Position June 30, 2016

	<u>June 30, 2016</u>
<b>Assets</b>	
Investments:	
Federal agency issues and U.S. Treasury obligations	\$ 704,993,270
Commercial paper	1,308,612,502
Corporate bonds	589,034,828
Money market funds	1,974,862,419
Repurchase agreements	157,449,615
Bank deposits	<u>41,516,779</u>
Total investments	4,776,469,413
Interest receivable	2,688,758
Prepaid expenses and other assets	<u>21,225</u>
Total assets	<b><u>\$ 4,779,179,396</u></b>
<b>Liabilities and Net Position Held in Trust for Pool Participants</b>	
<b>Liabilities</b>	
Accrued co-administrator fees	\$ 69,749
Accrued investment consultant fees	77,513
Accrued audit fees	35,219
Accrued custodian and transfer agent fees	54,755
Accrued management fees	71,321
Other liabilities	9,515
Dividends payable	<u>109,123</u>
Total liabilities	427,195
<b>Net Position Held in Trust for Pool Participants</b>	<b><u>\$ 4,778,752,201</u></b>
<b>Capital Shares Outstanding</b>	<b><u>\$ 4,778,752,201</u></b>
<b>Participant Net Asset Value, Price Per Unit</b>	<b><u>\$ 1.00</u></b>

# State Treasury Asset Reserve of Ohio Investment Trust Fund

## Statements of Operations and Changes in Net Position

	Year Ended June 30	
	2016	2015
<b>Investment income</b> - Interest	\$ 13,744,057	\$ 3,166,535
<b>Expenses</b>		
Co-administrator fees	752,782	688,706
Investment consultant fees	712,994	540,688
Custodian and transfer agent fees	476,000	365,997
Management fees	738,709	372,950
Bloomberg and pricing fees	129,321	102,417
Audit fees	33,688	32,241
S&P analytical fees	31,410	30,340
Printing and postage fees	16,263	9,935
Telephone response fees	15,687	8,943
Total expenses before reductions	2,906,854	2,152,217
Expenses voluntarily waived by investment advisor	-	(202,313)
Net expenses	2,906,854	1,949,904
<b>Net Investment Income</b>	10,837,203	1,216,631
<b>Distributions to Shareholders From</b> - Net investment income	(10,837,203)	(1,216,631)
<b>Capital Share Transactions</b> - Net increase	2,108,375,925	381,880,337
<b>Increase in Net Position</b>	2,108,375,925	381,880,337
<b>Net Position</b> - Beginning of year	2,670,376,276	2,288,495,939
<b>Net Position</b> - End of year	<b>\$ 4,778,752,201</b>	<b>\$ 2,670,376,276</b>

# State Treasury Asset Reserve of Ohio Investment Trust Fund

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Summary of Organization

**Description of Fund** - The State Treasury Asset Reserve of Ohio (STAR Ohio or the "Pool") is a statewide investment pool managed by the State Treasurer of Ohio (the "Treasurer"). Participation is offered to Ohio political subdivisions as defined in Section 135.45(F)(2)(a) of the Ohio Revised Code. STAR Ohio offers these subdivisions a means of investing in a portfolio of investment instruments. 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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State of Ohio (the "State") reports the external portion of STAR Ohio as a separate investment trust fund. The external portion of STAR Ohio, the State Treasury Asset Reserve of Ohio Investment Trust Fund (the "Trust Fund") is the portion that belongs to legally separate entities that are not part of the State's financial reporting entity. The STAR Ohio investment pool does not have separate investments or activities for the external portion. The statement of net position of the Trust Fund has been prepared by pro-rating the assets and liabilities of STAR Ohio related to the external portion. Additionally, the statements of operations and changes in net position of the Trust Fund were prepared by pro-rating investment income and expenses of STAR Ohio related to the external portion using average daily balances.

**Legal Authority** - 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 Treasurer. STAR Ohio provides units of local government with an alternative investment option for their public funds.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Summary of Organization (Continued)

STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This statement applies to all state and local governments. This statement amends GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and GASB Statement No. 59, *Financial Instruments Omnibus*. For the fiscal year ended June 30, 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to PFA 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

As of June 30, 2016, STAR Ohio has prospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Since STAR Ohio qualifies for reporting at amortized cost under GASB Statement No. 79, the applicability of GASB Statement No. 72 is limited to the disclosures referenced within GASB Statement No. 79.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Summary of Organization (Continued)

**Investment Advisor and Administrator** - 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. For the period July 1, 2015 through August 31, 2015, STAR Ohio compensated the advisor with a pro-rated management fee of \$500,000 per year. For the period from September 1, 2015 through September 30, 2015, STAR Ohio compensated the advisor with a pro-rated management fee of \$850,000 per year. For the period from October 1, 2015 through June 30, 2016, STAR Ohio compensated the advisor with a pro-rated management fee of \$1,050,000. Prior to July 1, 2015, STAR Ohio compensated the advisor with a flat management fee of \$500,000 per year.

**Co-Administrator** - Public Funds Administrators (PFA), 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 of STAR Ohio with a minimum annual fee of \$800,000.

**Custodian, Transfer Agent, and Investment Consultant** - Huntington National Bank, Columbus, Ohio serves as custodian of STAR Ohio. Huntington Asset Services, Inc. (HASI) served as the dividend and transfer agent for STAR Ohio through May 22, 2016. Effective May 23, 2016, Ultimus Fund Solutions acquired HASI and is currently the dividend and transfer agent for STAR Ohio. 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.

# State Treasury Asset Reserve of Ohio

## Investment Trust Fund

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### Notes to Financial Statements June 30, 2016 and 2015

#### Note 2 - Summary of Significant Accounting Policies

**Security Valuations** - 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 and Related Investment Income** - Security transactions are accounted for on the trade date (the day 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 premium amortized. Any realized gains or losses on sales of securities are calculated on the specific identification basis.

**Mark-to-market Procedures** - The Pool maintains a stable net asset value per share by using the amortized cost method of portfolio valuation. The Pool 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.

**Federal Income Taxes** - STAR Ohio is not subject to income taxes.

**Use of Estimates** - 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.

#### Note 3 - Investment Securities

**Commercial Paper** - 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, 2016, commercial paper holdings represented 39.8 percent of the total average portfolio.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

## Notes to Financial Statements June 30, 2016 and 2015

### Note 3 - Investment Securities (Continued)

**Repurchase Agreements** - 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 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. At June 30, 2016, STAR Ohio had investments in five repurchase agreements, which are included as a part of investments on the statement of net position. The value of the related collateral that STAR Ohio received for each agreement exceeded the value of each respective repurchase agreement at June 30, 2016. STAR Ohio may enter into reverse repurchase (borrowing) agreements. For the fiscal year ended June 30, 2016, STAR Ohio did not enter into any reverse repurchase agreements.

**Forward Settlement** - 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. 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. At June 30, 2016, STAR Ohio did not transact any purchases on a forward settlement basis.

**Schedule of Investments by Type and Maturity** - As of June 30, 2016, the Trust Fund had the following pro-rated share of the Pool's investments and maturities:

Investment Type	Total	Investment Maturities (in Years)		Principal Amount	Range of Interest Rates
		Less than 1	1 - 5		
Bank Deposits	\$ 41,516,779	\$ 41,516,779	\$ -	\$ 41,516,779	0.37%-0.37%
Commercial Paper	1,308,612,502	1,308,612,502	-	1,311,886,768	0.35%-1.11%
Corporate Bonds	589,034,828	572,433,453	16,601,375	588,140,608	0.65%-3.35%
Federal Agency Issues and U.S. Treasury Obligations	704,993,270	575,806,272	129,186,998	704,959,935	0.33%-3.13%
Money Market Funds	1,974,862,419	1,974,862,419	-	1,974,862,419	0.50%-0.50%
Repurchase Agreements	157,449,615	157,449,615	-	157,449,615	2.25%-5.50%
	<u>\$ 4,776,469,413</u>	<u>\$ 4,630,681,040</u>	<u>\$ 145,788,373</u>		

# State Treasury Asset Reserve of Ohio Investment Trust Fund

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 3 - Investment Securities (Continued)

**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 date 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, 2016, STAR Ohio WAM(R) and WAM(F) were 49 and 76 days, respectively. Federal Agency Issues include callable bonds, which have maturity dates ranging from November 28, 2016 to July 20, 2017, and callable dates ranging from July 27, 2016 to January 20, 2017, and floating rate notes with daily, weekly, monthly, and quarterly reset dates based on Federal Funds Overnight Rate, the one- and three-month U.S. LIBOR, and the 91-day U.S. Treasury Bill rate. There were no illiquid securities held in STAR Ohio's portfolio at June 30, 2016.

**Credit Risk** - STAR Ohio's investment policy requires money market funds to be rated at AAAm by Standard & Poor's Corporation, and all other securities held by STAR Ohio be rated the equivalent of A-I+ or A-I. For issuers of bank deposits, collateralization of the investment is required to secure a rating of AAAm. As of June 30, 2016, STAR Ohio's investments in Federal Agency Issues and the money market funds were rated AA+ and AAAm, respectively, by Standard & Poor's and Aaa by Moody's Investor Services. All commercial paper holdings were rated A-I/P-I and above.

# State Treasury Asset Reserve of Ohio

## Investment Trust Fund

### Notes to Financial Statements June 30, 2016 and 2015

#### Note 3 - Investment Securities (Continued)

The corporate bonds had the following long-term ratings at issuance:

<u>Standard &amp; Poor's</u>	<u>Moody's</u>	<u>Corporate Bonds</u>
AAA	Aaa	\$3,913,830
AA+	Aaa	20,632,737
AA+	Aa1	7,729,139
AA+	A1	41,409,406
AA	Aa2	43,222,395
AA	A1	9,373,490
AA-	Aa1	15,447,785
AA-	Aa2	169,081,788
AA-	Aa3	30,061,961
AA-	A1	23,617,510
A+	Aa2	19,519,089
A+	A1	86,619,094
A	Aa2	25,200,192
A	A1	4,147,005
A	A2	89,059,407

**Concentration of Credit Risk** - STAR Ohio, through its investment policy, follows the diversification guidelines for Standard and 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 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, 2016, STAR Ohio had 5 percent or more of its net assets invested in the following issuers:

Fidelity Prime Money Market Portfolio	10 %
BlackRock Cash Prime Fund	10
Federated Institutional Money Market Fund	10
Federal Home Loan Bank	8
Morgan Stanley Institutional Liquidity Money Market Portfolio	6
Federal Farm Credit Bank	5

# State Treasury Asset Reserve of Ohio

## Investment Trust Fund

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### Notes to Financial Statements June 30, 2016 and 2015

#### Note 3 - Investment Securities (Continued)

**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, 2016, bank deposits of \$41,516,779 were insured by the Federal Deposit Insurance Corporation. The carrying amount of cash was zero and the bank balance was less than zero.

#### Note 4 - Fair Value Measurement

STAR Ohio's investments on the statement of net position are presented at amortized cost, in accordance with GASB Statement No. 79. Information regarding the fair value of investments held by STAR Ohio is presented below in accordance with GASB Statement No. 72.

STAR Ohio categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical asset, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the below fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. STAR Ohio's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

A description of the valuation techniques applied to STAR Ohio's major categories of assets when measured at fair value follows:

Investments in registered open-end investment companies, including money market funds, are valued at the daily redemption value as reported by the underlying fund and are categorized in Level 1 of the fair value hierarchy.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

## Notes to Financial Statements June 30, 2016 and 2015

### Note 4 - Fair Value Measurement (Continued)

**Short-term Notes (Including Federal Agency Issues, U.S. Government Agency Obligations, U.S. Treasury Obligations, Commercial Paper, Corporate Obligations, Money Market Funds, and Negotiable Certificates of Deposit)** - Short-term notes held in STAR Ohio are valued using fair valuation methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. The fair value of these securities is determined primarily based on these Level 2 inputs and are categorized as such.

For the period ended June 30, 2016, STAR Ohio did not hold any assets at any time in which significant unobservable inputs were used in determining fair value. Therefore, there are no Level 3 securities. The following table summarizes the inputs used to value STAR Ohio's assets when measured at fair value as of June 30, 2016.

	Assets at Fair Value				
	Balance at June 30, 2016	Fair Value Measurements Using			Value at Amortized Cost
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Investments by fair value level:</b>					
Debt securities:					
Federal agency issues and					
U.S. Treasury obligations	\$ 705,096,122	\$ -	\$ 705,096,122	\$ -	\$ 704,993,270
Commercial paper	1,309,069,058	-	1,309,069,058	-	1,308,612,502
Corporate bonds	589,024,741	-	589,024,741	-	589,034,828
Total debt securities	2,603,189,921	-	2,603,189,921	-	2,602,640,600
Money market funds	1,974,862,419	1,974,862,419	-	-	1,974,862,419
Repurchase agreements	157,449,615	-	157,449,615	-	157,449,615
Total investments by fair value level	<u>\$ 4,735,501,955</u>	<u>\$ 1,974,862,419</u>	<u>\$ 2,760,639,536</u>	<u>\$ -</u>	<u>\$ 4,734,952,634</u>
Total investments measured at fair value	<u>\$ 4,735,501,955</u>				

As of June 30, 2016, STAR Ohio invested in bank deposits in the amount of \$41,516,779, which are not included in the table above. Total investments on the statement of net position totaled \$4,776,469,413.

### Note 5 - 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.

# State Treasury Asset Reserve of Ohio Investment Trust Fund

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 5 - Securities Lending (Continued)

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 nonperformance 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, 2016, STAR Ohio did not participate in security lending transactions.

### Note 6 - 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 7 - Capital Shares

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

	<u>2016</u>	<u>2015</u>
Shares subscribed	13,054,529,268	11,614,996,868
Shares issued for distributions	<u>12,963,120</u>	<u>1,216,631</u>
	13,067,492,388	11,616,213,499
Shares redeemed	<u>(10,959,116,463)</u>	<u>(11,234,333,162)</u>
Capital shares transactions - Net increase	<u><u>2,108,375,925</u></u>	<u><u>381,880,337</u></u>

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the  
Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio Investment Trust Fund

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State Treasury Asset Reserve of Ohio Investment Trust Fund (the "Trust Fund"), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements, and have issued our report thereon dated September 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered State Treasury Asset Reserve of Ohio Investment Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the  
Treasurer of the State of Ohio, Josh Mandel  
State Treasury Asset Reserve of Ohio Investment Trust Fund

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether State Treasury Asset Reserve of Ohio Investment Trust Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

September 30, 2016



# Dave Yost • Auditor of State

STAR OHIO

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 25, 2016