



# STAR OHIO

ANNUAL REPORT  
2020

**ROBERT SPRAGUE**  
— OHIO TREASURER —

# ROBERT SPRAGUE

OHIO TREASURER

Dear Public Funds Managers,

It is my pleasure to provide the State Treasury Asset Reserve of Ohio (STAR Ohio) annual report for the fiscal year ending June 30, 2020. As the chief administrator of the STAR Ohio investment pool, I am committed to protecting public monies and investing wisely in Ohio's future.

STAR Ohio is an innovative and secure investment option for public funds managers across Ohio. It provides government subdivisions – from municipalities to school districts – the ability to invest in a highly rated public investment pool. Since 1995, STAR Ohio has maintained Standard & Poor's highest rating (AAAm), demonstrating a long history of soundness and security.


The same soundness and security that has long marked STAR Ohio became even more vital as the second half of fiscal year 2020 presented local governments with a series of unforeseen financial challenges due to the COVID-19 pandemic. However, throughout the crisis, the pool has continued to be a strong and trusted option for investing and safeguarding public dollars.

In fact, FY 2020 saw STAR Ohio continue to grow and reach new heights. For the first time in its history, the pool exceeded \$14.5 billion in assets while participation grew to more than 2,700 total accounts. Over the course of FY 2020, nearly \$217 million in income was distributed to this growing number of participants.

As Ohio continues to find itself in the midst of the COVID-19 pandemic, my office remains committed to strengthening STAR Ohio and ensuring it remains a reliable investment option for local governments. As we work continuously to improve STAR Ohio, we encourage your feedback. We invite you to share your thoughts and ideas about STAR Ohio, as well as specific examples about how it has benefitted your community.

For questions about this investment pool, please contact us via email at [info@starohio.com](mailto:info@starohio.com) or by phone at 1-800-648-STAR (7827).

Sincerely,



Robert Sprague  
Ohio Treasurer

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

## BACKGROUND

The State Treasury Asset Reserve of Ohio ("STAR Ohio") is a statewide investment pool ("Pool") managed and administered by the Office of the Ohio Treasurer (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 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 Pool 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 Pool'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 Pool.

## OVERVIEW OF FINANCIAL CONDITION

STAR Ohio's net position increased by approximately \$1.9 billion, or 15.2%, during the fiscal year ended June 30, 2020, due to net subscriptions. Throughout fiscal year 2020, the U.S. economy faced headwinds that challenged growth. In an effort to mitigate these challenges, the Federal Open Market Committee (FOMC) lowered its target rate. However, due to investments made before the FOMC's rate cuts, the yield of STAR Ohio declined slower than a majority of its peers. STAR Ohio's objectives of safety and liquidity have made the Pool 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 25 and 250 basis points (0.25% - 2.50%) during STAR Ohio's fiscal year 2020. STAR Ohio's average yield for fiscal year 2020 was 1.66%. For the fiscal year ended June 30, 2020, the advisor was paid a management fee in the amount of \$2,000,000. As of June 30, 2020, STAR Ohio held approximately 42% of its portfolio in overnight investments, which included approximately 5% in collateralized bank deposits.

## Independent Auditors' Report

To the Treasurer of the State of Ohio, Robert Sprague  
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, 2020 and the related statements of operations and changes in net position, 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 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 basic 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, 2020 and the results of its operations, changes in net position, and financial highlights for each of the two years in the period then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 State Treasury Asset Reserve of 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 Summarized Comparative Information**

We have previously audited State Treasury Asset Reserve of Ohio's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2020 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, 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.

*Plante & Moran, PLLC*

August 19, 2020

# STATE TREASURY ASSET RESERVE OF OHIO

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

	Year ended June 30,	
	2020	2019
Net asset value, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.0166	0.0236
Distributions from net investment income	(0.0166)	(0.0236)
Net asset value, end of year	\$ 1.00	\$ 1.00
Total Return	1.66%	2.36%
<b>Ratio/Supplemental Information</b>		
Expenses as a percentage of average net assets after reductions (1)	0.050%	0.056%
Expenses as a percentage of average net assets before reductions (1)	0.050%	0.056%
Net investment income as a percentage of average net assets (1)	1.63%	2.37%
Net position, end of year	\$14,464,702,430	\$12,554,096,084

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

See Accompanying Notes to Financial Statements

**STATE TREASURY ASSET RESERVE OF OHIO**  
**STATEMENT OF INVESTMENTS AS OF JUNE 30, 2020**

Principal Amount/ Shares		Maturity Date	Amortized Cost (Note C)
<b>Federal Agency Issues and U.S. Treasury Obligations - 26.4%</b>			
\$ 151,000,000	Federal Farm Credit Bank Discount Notes, 0.14% - 0.21%	10/15/20 - 6/1/21	\$ 150,795,850
1,000,175,000	Federal Farm Credit Bank Floating Rate Notes, 0.13% - 0.89%	7/20/20 - 6/8/22	1,000,396,946
50,000,000	Federal Farm Credit Bank Debentures, 0.18%	6/23/21	49,987,692
50,000,000	Federal Farm Credit Bank Callable Debentures, 0.21%	6/23/21	50,000,000
1,246,800,000	Federal Home Loan Bank Discount Notes, 0.12% - 0.53%	7/10/20 - 5/27/21	1,246,034,892
363,590,000	Federal Home Loan Bank Floating Rate Notes, 0.10% - 0.73%	7/17/20 - 2/28/22	363,641,905
115,000,000	Federal Home Loan Bank Debentures, 0.13% - 0.15%	9/2/20 - 6/15/21	114,982,319
55,000,000	Federal Home Loan Mortgage Corp. Discount Notes, 0.12% - 0.13%	8/20/20 - 9/17/20	54,987,383
30,000,000	Federal Home Loan Mortgage Corp. Floating Rate Notes, 0.13% - 0.22%	8/27/21 - 12/10/21	30,000,000
25,000,000	Federal Home Loan Mortgage Corp. Callable Floating Rate Notes, 0.48%	10/21/21	25,008,624
110,000,000	Federal National Mortgage Association Floating Rate Notes, 0.12% - 0.40%	1/29/21 - 5/19/22	110,000,000
550,000,000	U.S. Treasury Bills, 0.15% - 0.19%	7/9/20 - 12/17/20	549,701,470
75,000,000	U.S. Treasury Floating Rate Notes, 0.19% - 0.30%	7/31/20 - 1/31/22	74,998,455
<b>Total Federal Agency Issues and U.S. Treasury Obligations</b>			<b>\$ 3,820,535,536</b>
<b>Commercial Paper - 24.1%</b>			
\$ 330,000,000	Bank of Montreal - Chicago, 0.25% - 1.67%	8/11/20 - 11/30/20	\$ 329,835,694
140,000,000	BNP Paribas - NY, 1.71% - 1.84%	7/13/20 - 8/31/20	139,807,650
110,000,000	Canadian Imperial Holdings, 1.03% - 1.86%	7/27/20 - 9/30/20	109,736,062
280,000,000	Credit Agricole Corporate and Investment Bank - NY, 1.69% - 1.80%	7/22/20 - 10/19/20	279,004,744

	<b>Principal Amount/ Shares</b>		<b>Maturity Date</b>	<b>Amortized Cost (Note C)</b>
\$	30,000,000	Credit Suisse AG - NY, 0.28%	11/9/20	\$ 30,000,000
	325,000,000	Credit Suisse FB - NY, 1.68% - 1.95%	7/7/20 - 11/2/20	323,893,969
	574,680,000	Exxon Mobile Corp, 0.21% - 1.07%	7/8/20 - 10/6/20	574,348,578
	120,000,000	ING Funding, LLC, 1.84% - 1.98%	7/6/20 - 9/14/20	119,693,728
	445,000,000	JPMorgan Securities, LLC, 0.46% - 1.87%	7/8/20 - 10/21/20	444,002,221
	280,000,000	MUFG Union Bank, N.A., 0.92% - 1.99%	7/8/20 - 11/12/20	279,209,500
	270,000,000	Natixis SA - NY, 0.15% - 1.95%	7/1/20 - 11/17/20	269,775,911
	565,000,000	Toyota Motor Credit Corporation, 0.24% - 1.92%	7/7/20 - 11/30/20	564,599,102
	5,957,545	U.S. Bank NA, 0.01%	7/1/20	5,957,545
		<b>Total Commercial Paper</b>		<b>\$ 3,469,864,704</b>
		<b>Corporate Bonds - 7.2%</b>		
\$	12,425,000	3M Company, 2.00%	8/7/20	\$ 12,422,804
	110,720,000	American Honda Finance Corporation, 0.65% - 2.65%	7/20/20 - 2/12/21	110,958,360
	51,248,000	Bank of New York Mellon Corp., 2.45% - 2.60%	8/17/20 - 4/15/21	51,335,236
	119,039,000	Caterpillar Financial Services Corp, 0.54% - 2.90%	8/26/20 - 3/15/21	119,115,672
	2,225,000	Chevron Corp, 2.42%	11/17/20	2,234,081
	153,401,000	Citibank, N.A., 0.79% - 2.85%	10/20/20 - 2/12/21	153,734,817
	1,800,000	Coca-Cola Co., 1.88%	10/27/20	1,804,359
	74,503,000	HSBC USA, Inc., 2.75%	8/7/20	74,559,066
	16,749,000	Intel Corp., 2.45%	7/29/20	16,753,639
	43,544,000	John Deere Capital Corp, 1.51% - 2.88%	7/14/20 - 3/12/21	43,679,602
	1,666,000	Microsoft Corp., 3.00%	10/1/20	1,671,280
	4,950,000	National Rural Utilities Cooperative Finance Corp, 2.30%	11/1/20	4,956,501
	20,307,000	Paccar Financial Corp., 2.05% - 2.80%	8/14/20 - 3/1/21	20,336,856
	7,937,000	Pepsico, Inc, 2.15%	10/14/20	7,945,234
	142,402,000	PNC Bank NA, 1.35% - 2.50%	11/5/20 - 1/22/21	142,800,525
	9,803,000	Praxair, Inc., 2.25%	9/24/20	9,809,975
	1,755,000	Procter & Gamble Company, 1.90%	10/23/20	1,755,869



	<b>Principal Amount/ Shares</b>		<b>Maturity Date</b>	<b>Amortized Cost (Note C)</b>
\$	64,478,000	Toyota Motor Credit Corp, 0.48% - 1.59%	10/9/20 - 4/13/21	\$ 64,477,825
	3,427,000	Truist Bank, 2.85%	4/1/21	3,467,722
	26,182,000	US Bancorp, 2.35%	1/29/21	26,296,885
	64,667,000	US Bank, N.A., 0.87% - 3.00%	10/23/20 - 2/4/21	64,789,165
	4,915,000	Walt Disney Company, 2.15%	9/17/20	4,916,651
	100,148,000	Wells Fargo & Company, 1.53% - 2.60%	1/15/21	100,523,953
		<b>Total Corporate Bonds</b>		<b>\$ 1,040,346,077</b>
		<b>Municipal Bonds - 0.3%</b>		
\$	50,000,000	Michigan State Finance Authority, 0.17%	9/1/49	\$ 50,000,000
		<b>Total Municipal Bonds</b>		<b>\$ 50,000,000</b>
		<b>Bank Deposits<sup>(1)</sup> - 5.8%</b>		
\$	440,760,256	Citizens Bank, 0.30%	7/1/20	\$ 440,760,256
	99,667,044	Federally Insured Cash Account (FICAsm), 0.15%	7/1/20	99,667,044
	302,629,777	PNC Bank, 0.20%	7/1/20	302,629,777
		<b>Total Bank Deposits</b>		<b>\$ 843,057,077</b>

Principal Amount/ Shares		Maturity Date	Amortized Cost (Note C)
<b>Money Market Funds<sup>(2)</sup> - 36.1%</b>			
869,059,912	BlackRock Liquidity Funds TempCash Portfolio - Institutional, 0.32%	7/1/20	\$ 870,147,726
869,512,881	BlackRock Liquidity Funds TempFund Portfolio - Institutional, 0.28%	7/1/20	870,421,593
574,314,311	Dreyfus Cash Management Fund, 0.32%	7/1/20	574,732,766
988,293,403	Federated Institutional Prime Obligations Fund, 0.31%	7/1/20	988,449,220
752,454,508	Goldman Sachs Government Fund, 0.15%	7/1/20	752,454,508
3,052,247	Invesco Government & Agency Portfolio - Institutional, 0.09%	7/1/20	3,052,247
171,218,987	Invesco Liquid Asset Portfolio, 0.39%	7/1/20	171,286,898
988,267,366	Morgan Stanley Institutional Liquidity Prime Portfolio, 0.41%	7/1/20	988,763,607
<b>Total Money Market Funds</b>			<b>\$ 5,219,308,565</b>
<b>Total Investments - 99.9%</b>			<b>\$14,443,111,959</b>
<b>Assets in excess of other Liabilities - 0.1%</b>			<b>\$ 21,590,471</b>
<b>Net Position - 100%</b> - equivalent to \$1.00 per share for 14,464,702,430 outstanding shares of the Pool			<b>\$14,464,702,430</b>

(1) The rate shown represents the rate at June 30, 2020.

(2) The yield shown represents the 7-day yield at June 30, 2020.

See Accompanying Notes to Financial Statements

# STATE TREASURY ASSET RESERVE OF OHIO

## STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2020

### Assets

Investments	
Federal Agency Issues and U.S. Treasury Obligations	\$ 3,820,535,536
Commercial Paper	3,469,864,704
Corporate Bonds	1,040,346,077
Municipal Bonds	50,000,000
Money Market Funds	5,219,308,565
Bank Deposits	843,057,077
Total Investments	14,443,111,959
Receivable for Fund Shares Issued	13,325,802
Interest Receivable	9,079,998
Prepaid Expenses/Other Assets	36,542
Total Assets	<u>\$14,465,554,301</u>

### Liabilities

Accrued Co-administrator Fees	\$ 121,350
Accrued Investment Consultant Fees	167,897
Accrued Audit Fees	41,822
Accrued Custodian and Transfer Agent Fees	83,133
Accrued Management Fees	163,475
Other Liabilities	10,952
Dividends Payable	263,242
Total Liabilities	<u>851,871</u>

### Net Position

**\$14,464,702,430**

### Capital Shares Outstanding

14,464,702,430

### Participant Net Asset Value, Price Per Unit

\$ 1.00

See Accompanying Notes to Financial Statements

**STATE TREASURY ASSET RESERVE OF OHIO**  
**STATEMENTS OF OPERATIONS**

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<b>Investment Income</b>		
Interest Income	\$ 223,451,208	\$ 266,188,018
<b>Expenses</b>		
Management Fees	2,000,000	2,000,000
Investment Consultant Fees	1,915,790	1,686,062
Co-administrator Fees	1,414,195	1,299,321
Custodian, Banking, and Transfer Agent Fees	953,448	855,025
Bloomberg and Pricing Fees	209,667	187,875
S & P Analytical Fees	47,000	45,000
Audit Fees	43,899	40,000
Communication and Technology Support Services Fees	21,596	23,132
Printing and Postage Fees	7,329	7,198
Net Expenses	<u>6,612,924</u>	<u>6,143,613</u>
<b>Net Investment Income</b>	<b><u>\$ 216,838,284</u></b>	<b><u>\$ 260,044,405</u></b>

See Accompanying Notes to Financial Statements

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

	Year ended June 30,	
	2020	2019
<b>Change in Net Position</b>		
<b>Operations</b>		
Net Investment Income	\$ 216,838,284	\$ 260,044,405
<b>Distributions to Shareholders from</b>		
Net Investment Income	(216,838,284)	(260,044,405)
<b>Capital Share Transactions Net Increase (Decrease) - Note F</b>	1,910,606,346	2,150,472,704
Increase (Decrease) in Net Position	1,910,606,346	2,150,472,704
<b>Net Position</b>		
Beginning of Year	12,554,096,084	10,403,623,380
End of Year	\$14,464,702,430	\$12,554,096,084

See Accompanying Notes to Financial Statements

### **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, Robert Sprague, 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 fiscal year ended June 30, 2020, STAR Ohio compensated the advisor with a management fee of \$2,000,000 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. Compensation to the custodian is based upon the month-end net asset value and is charged monthly in arrears.

Ultimus Fund Solutions, Cincinnati, Ohio, serves as the dividend and transfer agent for STAR Ohio. Compensation to the transfer agent is based on a percentage of daily net assets with a minimum annual fee of \$400,000.

Meeder Asset Management, Inc. ("Meeder"), Dublin, Ohio, is an investment consultant for STAR Ohio and is compensated based on a percentage of daily net assets.

STAR Ohio applies 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. The financial statements include certain prior-year comparative information, but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with STAR Ohio's annual report for the year ended June 30, 2019.

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, 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. However, twenty-four hours advance notice to PFA is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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, and municipal bonds)** - 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, 2020, 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, 2020.

Investments by Fair Value Level	Fair Value at June 30, 2020	Level 1	Level 2	Level 3	Value at Amortized Cost
Federal Agency Issues and U.S. Treasury Obligations	\$3,820,134,174	\$ —	\$3,820,134,174	\$ —	\$3,820,535,536
Commercial Paper	3,474,916,907	—	3,474,916,907	—	3,469,864,704
Corporate Bonds	1,043,432,845	—	1,043,432,845	—	1,040,346,077
Municipal Bonds	50,000,000	—	50,000,000	—	50,000,000
Money Market Funds	5,220,039,576	5,220,039,576	—	—	5,219,308,565
<b>Totals</b>	<b>\$13,608,523,502</b>	<b>\$5,220,039,576</b>	<b>\$8,388,483,926</b>	<b>\$ —</b>	<b>\$13,600,054,882</b>

As of June 30, 2020, STAR Ohio invested in bank deposits in the amount of \$843,057,077, which are not included in the table above. Total investments on the statement of assets and liabilities totaled \$14,443,111,959.



## **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 \$8,469,000 as of June 30, 2020. 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 five highest daily balances for the prior 12-month period as calculated on the first day of the month). As of June 30, 2020, commercial paper holdings represented approximately 23.3 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. Although STAR Ohio invested in repurchase agreements during the fiscal year, at June 30, 2020, there were no such investments held. STAR Ohio may enter into reverse repurchase (borrowing) agreements. For the fiscal year ended June 30, 2020, 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, 2020, 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, 2020, STAR Ohio had the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)	
		Less than 1	1-5
Bank Deposits	\$ 843,057,077	\$ 843,057,077	
Commercial Paper	3,469,864,704	3,469,864,704	
Corporate Bonds	1,040,346,077	1,040,346,077	
Federal Agency Issues and U.S. Treasury Obligations	3,820,535,536	3,082,306,590	\$ 738,228,946
Money Market Funds	5,219,308,565	5,219,308,565	
	<u>\$14,393,111,959</u>	<u>\$13,654,883,013</u>	<u>\$ 738,228,946</u>

STAR Ohio also invested in Municipal Bonds as of June 30, 2020 in the amount of \$50,000,000 with a final maturity of September 1, 2049. The Municipal Bonds have a seven-day unconditional put option.

*Interest Rate Risk:* Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. 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, 2020, STAR Ohio's WAM(R) and WAM(F) were 41 and 86 days, respectively. Federal Agency Issues include callable bonds, which have maturity dates ranging from June 23, 2021 to October 21, 2021 and callable dates ranging from September 23, 2020 to October 21, 2020, 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 Secured Overnight Financing 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, 2020.

*Credit Risk:* The risk that an investment's issue or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through policies adopted by STAR Ohio. 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 to have short-term ratings equivalent of A-1+ or A-1. Commercial paper holdings are required to have short-term ratings of A-1/P-1 or above. Collateralization of bank deposit investments is required to secure a rating of AAAM. Corporate bonds are purchased within 13 months of maturity. As of June 30, 2020, all investments met the short-term and long-term credit ratings requirements of STAR Ohio's investment policies. STAR Ohio's investments are categorized

under the Standard and Poor’s and Moody’s long-term credit ratings in the table below. If the rating agencies classify a security with different ratings, the security is categorized under the lower rating.

Investment Type	Total Value	AAA/Aaa	AA/Aa	A/A	Unrated
Bank Deposits	\$ 843,057,077	\$ —	\$ 743,390,033	\$ —	\$ 99,667,044
Commercial Paper	3,469,864,704	—	580,306,122	2,889,558,582	—
Corporate Bonds	1,040,346,077	1,671,280	68,779,115	969,895,682	—
Federal Agency Issues and U.S. Treasury Obligations	3,820,535,536	—	3,820,535,536	—	—
Money Market Funds	5,219,308,565	5,219,308,565	—	—	—
Municipal Bonds	50,000,000	—	50,000,000	—	—
	<u>\$14,443,111,959</u>	<u>\$5,220,979,845</u>	<u>\$5,263,010,806</u>	<u>\$3,859,454,264</u>	<u>\$ 99,667,044</u>

*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, 2020, STAR Ohio had 5 percent or more of its net assets invested in the following issuers:

BlackRock Funds	12.1%
Federated Funds	6.8%
Goldman Sachs Funds	5.2%
Morgan Stanley Funds	6.8%

*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, 2020, a bank deposit of \$440,760,256 was collateralized by Federal Home Loan Bank of Boston letter of credit. The carrying amount of cash and bank balance was zero. A second bank deposit of \$302,629,777 was collateralized by various Federal National Mortgage Association Pools as of June 30, 2020. The carrying amount of cash and bank balance was 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, 2020, 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:

	Year ended June 30,	
	2020	2019
Shares Sold	29,303,557,911	28,233,517,065
Shares Issued for Distributions	204,406,168	245,342,123
	29,507,964,079	28,478,859,188
Shares Redeemed	(27,597,357,733)	(26,328,386,484)
Capital Shares Transactions Net Increase (Decrease)	1,910,606,346	2,150,472,704

### **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 of the five highest 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 any state or political subdivision, provided that the total amount invested in municipal bonds at any time shall not exceed 10 percent of the value of STAR Ohio;

(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**

Robert Sprague  
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**

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, and Meeder Asset Management, Inc. are Equal Opportunity Employers and Service Providers.



*An Investment Alternative Offered by State Treasurer Robert Sprague*

30 East Broad Street — 9th Floor  
Columbus, Ohio 43215