OHIO TUITION TRUST AUTHORITY
FRANKLIN COUNTY

FINANCIAL STATEMENT AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Kennedy
Cottrell
Richards

Mary Taylor, CPA
Auditor of State

Ohio Tuition Trust Authority
580 South High Street
Suite 208
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Ohio Tuition Trust Authority, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. 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 Ohio Tuition Trust Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2009

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OHIO TUITION TRUST AUTHORITY
FRANKLIN COUNTY

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Ohio Tuition Trust Authority
580 South High Street, Suite 208
Columbus, Ohio 43215-5644

We have audited the accompanying financial statements of the Ohio Tuition Trust Authority (the Authority), State of Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Private Purpose Trust Fund. Other auditors audited those statements. They have furnished their reports thereon to us and we based our opinion, insofar as it relates to the amounts included for the Private Purpose Trust Fund, on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

As described in Note 1, the Authority's financial statements present the financial position, changes in financial position, and cash flows of only the Enterprise Fund and Private Purpose Trust Fund of the Ohio Tuition Trust Authority. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2009, or the changes in financial position and cash flows of its proprietary fund types or fiduciary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Tuition Trust Authority as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009 on our consideration of the Ohio Tuition Trust Authority's internal control over reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards
October 30, 2009

Ohio Tuition Trust Authority

Management's Discussion and Analysis
June 30, 2009
(Unaudited)

As management of the Ohio Tuition Trust Authority (OTTA), a part of the primary government of the State of Ohio, we offer readers of OTTA's financial statements this narrative overview and analysis of OTTA's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with OTTA's financial statements, which begin on page 7 of this report.

Financial Highlights

- OTTA's invested assets decreased during fiscal year 2009 by $170,859,006 or 22.4%.
- Tuition Benefits Payable decreased over fiscal year 2008 by $151,300,000 or 18.9% as a result of the continued suspension of sales in the Guaranteed Savings Plan, current year tuition benefit payments and the change in tuition inflation assumptions downward during current and future years.
- The weak return on investments of -11.8% for fiscal year 2009 contributed significantly to the decrease of $21,634,536 or 69.3% over fiscal year 2008 in OTTA's Net Asset balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OTTA's basic financial statements. OTTA's basic financial statements consist of two components: 1) financial statements and 2) notes to the financial statements.

Financial statements. OTTA follows enterprise fund accounting, which means these statements are presented in a manner similar to a private-sector business. These statements offer short and long-term financial information about its activities.

The *balance sheet* presents information on all of OTTA's assets and liabilities, including information about the nature and amounts of investments in resources (assets), obligations (liabilities) and OTTA's net assets as of June 30, 2009. Over time, increases or decreases in the net assets may serve as a useful indicator of whether OTTA's financial position is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net assets* presents information showing how OTTA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *statement of cash flows* provides information about OTTA's cash receipts and cash payments during the reporting period. This statement summarizes the net changes resulting from operating, investing and capital and related financing activities.

Each of the financial statements highlights programs of OTTA principally supported by sales and investment income. These programs are intended to recover all of their costs through program fees or investment earnings (business type activities).

The *statement of fiduciary net assets* and the *statement of changes in fiduciary net assets* present information on the net assets and changes in net assets of the Putnam Savings Program, the Vanguard Savings Program, the Fifth Third Savings Program, the PIMCO Savings Program, the Oppenheimer Savings Program and the GE Asset Management Savings Program which are classified as Private Purpose Trust Funds and are managed by Putnam Investments, Vanguard Investments, Fifth Third Bank, PIMCO, Oppenheimer and GE Asset Management, respectively.

The financial statements can be found on pages 7-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and individual schedules. The notes to financial statements can be found on pages 12-32 of this report.

Analysis of OTTA's Financial Position and Results of Operations

The tables below provide a summary of OTTA's financial position and operations for the fiscal years ended June 30, 2009 and June 30, 2008:

Condensed Comparative Balance Sheet

(all amounts expressed in thousands of dollars)

	2009	2008	Dollar Change	Total Percent Change
Current Assets	6,981	9,774	(2,793)	-28.6%
Restricted Assets	509,798	685,166	(175,368)	-25.6%
Non-Current Assets	80,559	76,050	4,509	5.9%
Capital Assets	154	169	(15)	-8.9%
Total Assets	597,492	771,159	(173,667)	-22.5%
Current Liabilities	75,933	76,966	(1,033)	-1.3%
Non-Current Liabilities	574,400	725,400	(151,000)	-20.8%
Total Liabilities	650,333	802,366	(152,033)	-18.9%
Total Net Assets	(52,841)	(31,207)	(21,634)	-69.3%
Total Liabilities and Net Assets	597,492	771,159	(173,667)	-22.5%

As noted earlier, net assets may serve as a useful indicator of an entity's financial position. In OTTA's case, liabilities exceeded assets by $52,841,166 as of June 30, 2009. As stated, this represents a 69.3% decrease over OTTA's negative position at June 30, 2008. Volatile financial markets during fiscal year 2009 contributed significantly to this negative position.

During fiscal year 2009, OTTA's total assets decreased by $173,666,257 or 22.5%. This decrease is primarily due to higher negative investment returns compared to the negative investment returns in FY08.

The following table summarizes the changes in OTTA's Revenues and Expenses during fiscal years 2009 and 2008:

Condensed Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
(all amounts expressed in thousands of dollars)

	2009	2008	Dollar Change	Total Percent Change
Operating Revenues:				
Investment Income (Loss)	(87,369)	(23,638)	(63,731)	-269.6%
Miscellaneous Revenue	9,317	11,864	(2,547)	-21.5%
Total Operating Revenues	(78,052)	(11,774)	(66,278)	-562.9%
Operating Expenses	10,393	10,540	(147)	-1.4%
Tuition Benefits Expense	84,495	110,940	(26,445)	-23.8%
Actuarial Tuition Benefits Expense	(151,300)	(71,200)	(80,100)	-112.5%
Total Operating Expenses	(56,412)	50,280	(106,692)	-212.2%
Operating Income (Loss)	(21,640)	(62,054)	40,414	65.1%
Gain (Loss) on Disposal of Fixed Assets	6	(193)	199	103.1%
Non Operating Gain (Loss)	6	(193)	199	103.1%
Beginning Net Assets	(31,207)	31,040	(62,247)	-200.5%
Ending Net Assets	(52,841)	(31,207)	(21,634)	-69.3%

OTTA's primary source of operating revenue is investment income, while the significant operating expense is tuition benefits expense. For the fiscal year ended June 30, 2009, OTTA had an operating loss of $21,640,053 compared to a net operating loss in fiscal year 2008 of $62,053,458, an improvement in FY09 versus FY08 of $40,413,405 or 65.1%. This was attributable mainly to the following:

- A $26,445,622 decrease in actual tuition benefits expense primarily as a result of less reallocations to variable investment options within the Plan in FY09 versus FY08.
- A $80,100,000 decrease in actuarial tuition benefits expense as a result of the change in tuition benefits payable from FY08 to FY09 and an improvement in actual and forecasted tuition inflation.
- A $56,688,929 decrease in the fair value of investments due to the continued negative investment returns in FY09 that were higher than the negative investment returns in FY08.

Contacting OTTA's Financial Management

This financial report is designed to provide a general overview of OTTA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Ohio Tuition Trust Authority, 580 S High St., Suite 208, Columbus, Ohio 43215 or call (800)233-6734 or visit OTTA's website at www.collegeadvantage.com.

Ohio Tuition Trust Authority - Enterprise Fund

Balance Sheet

As of June 30, 2009

(amounts in thousands)

ASSETS	
Current Assets	
Cash and Cash-Equivalents	$ 1,163
Collateral on Lent Securities	165
Interest and Dividends Receivable	3,916
Basis Points Receivable	1,609
Other Current Assets	128
Total Current Assets	**6,981**
Non-Current Assets	
Marketable Securities (at market value)	80,559
Total Non-Current Assets	**80,559**
Restricted Assets	
Marketable Securities (at market value)	509,798
Total Restricted Assets	**509,798**
Capital Assets	
Equipment	264
Leasehold Improvements	71
Less: Accumulated Depreciation	(181)
Total Capital Assets	**154**
TOTAL ASSETS	**597,492**
LIABILITIES AND NET ASSETS	
Current Liabilities	
Other Current Liabilities	1,668
Obligation Under Securities Lending	165
Tuition Benefits Payable	74,100
Total Current Liabilities	**75,933**
Restricted Non-Current Liabilities	
Tuition Benefits Payable	574,400
Total Restricted Non-Current Liabilities	**574,400**
Total Liabilities	**650,333**
Net Assets	
Unrestricted Assets	(52,995)
Invested in Capital Assets	154
Total Net Assets	**(52,841)**
TOTAL LIABILITIES AND NET ASSETS	**$ 597,492**

The Notes to the Financial Statements are an integral part of the financial statements.

Ohio Tuition Trust Authority - Enterprise Fund

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the 12 Month Period Ended June 30, 2009

(amounts in thousands)

OPERATING REVENUES	
Interest & Dividend Investment Income	$ 28,848
Net Increase (Decrease) in Fair Value of Investments	(116,217)
Basis Point Revenue	8,000
Putnam Hard Dollar Contribution	1,317
TOTAL OPERATING REVENUES	**(78,052)**
OPERATING EXPENSES	
Personal Services	5,892
Maintenance	3,151
Depreciation	33
Expenses Paid By Putnam	1,317
Tuition Benefits Expense	84,495
Actuarial Tuition Benefits Expense	(151,300)
TOTAL OPERATING EXPENSES	**(56,412)**
OPERATING INCOME (LOSS)	**(21,640)**
NONOPERATING REVENUES (EXPENSES)	
Gain (Loss) on Disposal of Fixed Assets	6
NONOPERATING REVENUES (EXPENSES)	**6**
CHANGE IN NET ASSETS	**(21,634)**
BEGINNING NET ASSETS	**(31,207)**
ENDING NET ASSETS	**$ (52,841)**

The Notes to the Financial Statements are an integral part of the financial statements.

Ohio Tuition Trust Authority - Enterprise Fund

Statement of Cash Flows

As of June 30, 2009

(amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Payments to/from Suppliers for Goods and Services	$	(3,003)
Cash Payments to Employees/consultants/professional contracts for Services		(5,679)
Cash Payments for Tuition Benefits		(84,529)
Other Cash Receipts		8,548
Net cash provided (used) by operating activities		**(84,663)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets		(12)
Net Cash flows provided (used) by capital and related financing activities		**(12)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the Sales and Maturities of Investments		996,321
Purchase of Investments		(939,031)
Investment Income Received		26,406
Net Cash Flows Provided (Used) by investing activities		**83,696**
Net Increase (Decrease) in Cash and Cash Equivalents		**(979)**
Cash and Cash Equivalents, July 1		**2,142**
Cash and Cash Equivalents, June 30 (see note 3A)	**$**	**1,163**

Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities		
Operating Income (Loss)	$	(21,640)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Investment Income		87,370
Depreciation		33
Decrease (Increase) in Assets:		
Other Receivables		625
Increase (Decrease) in Liabilities:		
Accounts Payable		(20)
Accrued Wages and Benefits		269
Tuition Benefits Payable		(151,300)
Net Cash Flows Provided (Used) by Operating Activities	**$**	**(84,663)**

The Notes to the Financial Statements are an integral part of the financial statements.

Ohio Tuition Trust Authority - Private Purpose Trust Fund
Statement of Fiduciary Net Assets
As of June 30, 2009
(amounts in thousands)

	6/30/2009
ASSETS	
Investments in securities, at value	$ 4,294,425
Cash Equivalents	40,703
Dividends, interest, and other receivables	195
Receivable for units sold	1,626
Receivable for securities sold	2,052
Deferred excess of book value on wrapper agreements	2,461
Total Assets	**$ 4,341,462**
LIABILITIES	
Payable for securities purchased	2,036
Payable for units redeemed	2,419
Accrued management and administrative fees	4,815
Accrued reports to shareholders and audit fees	428
Total Liabilities	**$ 9,698**
Net Assets Held in Trust for Plan Participants	**$ 4,331,764**

The notes to the financial statements are an integral part of the financial statements.

Ohio Tuition Trust Authority - Private Purpose Trust Fund
Statement of Changes in Fiduciary Net Assets
As of June 30, 2009
(amounts in thousands)

	6/30/2009
ADDITIONS	
Contributions:	
Units sold	$ 1,357,087
Investment earnings:	
Investment income	89,640
Net realized/unrealized appreciation (depreciation) on underlying fund shares and wrapper agreements	(897,172)
Total investment earnings (loss)	(807,532)
Less investment expenses	23,318
Net investment earnings (loss)	(830,850)
Total additions	**$ 526,237**
DEDUCTIONS	
Units redeemed	1,376,644
Distributions to unitholders	2,671
Total deductions	**$ 1,379,315**
Change in net assets	**$ (853,078)**
Net Assets Held in Trust for Plan Participants - Beginning	**$ 5,184,842**
Net Assets Held in Trust for Plan Participants - Ending	**$ 4,331,764**

The notes to the financial statements are an integral part of the financial statements.

1. Introduction

The Ohio Tuition Trust Authority (OTTA) was established by Chapter 3334, Ohio Revised Code in 1989 and is part of the legal reporting entity of the State of Ohio. The governing body consists of an eleven-member board of which no more than six can be from the same political party. This board consists of six members appointed by the governor with the advice and consent of the Senate. One shall represent state institutions of higher education, one shall represent private nonprofit colleges and universities located in Ohio, and four shall have experience in the fields of banking, investment banking, marketing, insurance, or law. The speaker of the House of Representatives and the president of the Senate shall appoint four members: one member of the House of Representatives from each political party, and one member of the Senate from each political party. The chancellor of the Board of Regents, or designate, is the ex officio voting member.

The primary objectives for OTTA are to help make higher education affordable and accessible to all citizens of Ohio, to maintain state institutions of higher education by helping to provide a stable financial base to these institutions, to provide citizens of Ohio with financing assistance for higher education and protection against rising tuition costs, to encourage elementary and secondary students in this state to achieve academic excellence, and to promote a well-educated and financially secure population to the ultimate benefit of all citizens of the State of Ohio. The program consists of promoting the sale of tuition units and offering a variable college savings program. All available programs are collectively called CollegeAdvantage.

The Guaranteed Program consists of the Operating sub fund, Reserve sub fund, and Trust sub fund. It sold units based on the weighted average tuition of the thirteen state funded universities in Ohio. Only Ohio residents can participate. The Guaranteed Program is guaranteed by the full faith and credit of the State of Ohio. (see note 1B for a full description of the Variable Savings Program)

All funds available through CollegeAdvantage are available for use at any college in the country, with refund and transfer options available. They offer advantages for Ohio residents, including the state of Ohio income tax deduction on contributions. Since these funds are part of a Section 529 Qualified State Tuition Program, earnings on the funds are federally tax exempt if the funds are used for college upon withdrawal.

Except as otherwise specified in Chapter 3334, Ohio Revised Code, OTTA is not required to adhere to the provisions of Chapters 123 *Department of Administrative Services – Public Works*, 125 *Department of Administrative Services – Office Services*, and 4117 *Public Employees' Collective Bargaining,* of the Ohio Revised Code. The Department of Administrative Services (DAS), upon the request of OTTA, shall act as OTTA's agent, for the purchase of equipment, supplies, insurance and services, or the performance of administrative services pursuant to Chapter 125, Ohio Revised Code.

Reporting Entity

A. Guaranteed Savings Program – Enterprise Fund

The accompanying financial statements report the financial position, results of operations, and cash flows for the fiscal year ended June 30, 2009 of the Enterprise Fund consisting of the Guaranteed Savings Program and the administrative portion of the Variable Savings programs. These funds are part of the State of Ohio's reporting entity. The accompanying statements are not intended to present all enterprise activities of the State of Ohio. The **State of Ohio Comprehensive Annual Financial Report** (CAFR) provides more extensive disclosures regarding the significant accounting policies of the State as a whole.

B. Variable Savings Program – Private Purpose Trust Fund

In June 2000, Governor Taft signed into law Senate Bill 161 creating a variable return college savings option. Following the passage of SB 161, OTTA embarked on a nationwide search for an investment firm to not only manage the new funds, but also help OTTA provide customer service and marketing support. After an extensive review process, the OTTA Board of Directors selected Putnam Investments. In October 2000, OTTA launched the CollegeAdvantage 529 Savings Plan offering market-based options managed by Putnam Investments in addition to OTTA's Guaranteed Savings Fund. As of June 30, 2009, the CollegeAdvantage program offered 19 Putnam investment options including age-based, balanced (mix of stocks and bonds), fixed income, and equity options through the advisor channel. Putnam provides marketing, investment management, record keeping and administrative services for amounts invested under the Variable Savings Program for the Putnam advisor options. One Putnam option, the Putnam Stable Value Option, is offered directly to residents of the state of Ohio. OTTA provides the marketing, record keeping and administration services for this Putnam direct option. Putnam provides the investment management services for this Putnam direct option.

In early 2004, after an extensive search and Request for Proposal (RFP) process, the OTTA Board of Directors selected and approved The Vanguard Group which would offer Index options within CollegeAdvantage. In May 2004, Vanguard options were launched with a mix of age-based, balanced, fixed income, and equity index options. There are 16 Vanguard options offered as of June 30, 2009. The Vanguard Group manages the investments for CollegeAdvantage. OTTA is responsible for all record keeping and administration of these options.

In 2005, a search and RFP process were conducted to expand the CollegeAdvantage offerings to include bank products. In September of 2005, Fifth Third 529 Bank Options were launched. These options include a 529 savings account and a 529 CD product with a range of 3 months to 144 months to invest in the CD's. Fifth Third Bank manages the investments for CollegeAdvantage. OTTA is responsible for all record keeping and administration of these options.

After extensive research and work with outside investment consultants, the OTTA Board of Directors decided to add additional investment managers to the direct program. On February 17, 2009, three new investment managers were added to the direct line-up: PIMCO with two funds, Oppenheimer with one fund and GE Asset Management with one fund.

The Variable Savings Program offers the Putnam investment options, the PIMCO options, the Oppenhiemer option and the GE option with variable rates of return contingent on market performance, the Vanguard options which are index based and the Fifth Third options with interest rates based on the non-promotional interest rates being offered in the Cincinnati affiliate market. These options are not guaranteed by the state. Anyone in the country is able to participate, not just Ohio residents, except for the Putnam Stable Value option offered directly ("O" shares). Only Ohio residents can investment in this Putnam investment option directly. Contributors are able to request refunds at any time for any reason, subject to certain penalties for nonqualified withdrawals.

Contributions to the Putnam, Vanguard, PIMCO, Oppenheimer and GE Savings Programs are evidenced through the issuance of units in a particular portfolio. Contributions and withdrawals are subject to terms and limitations defined in the participation agreement. Contributions are invested in units of the assigned portfolio on the same day the contribution has been credited to the participant's account. Withdrawals are based on the unit value calculated for such portfolio on the date the withdrawal request is accepted. Unit values are determined daily based upon the total value of each Portfolio's assets, less its liabilities, divided by the number of its outstanding units. Contributions to the Fifth Third Savings Program are evidenced through the set up of a savings account or certificate of deposit. Contributions and withdrawals are subject to the terms and limitations defined in the participation agreement. Contributions are invested in the savings account or CD on the same day the contribution has been credited to the participant's account. Withdrawals are based on the value of the savings account or CD on the date the withdrawal request is accepted. The value of the savings account or CD is based upon the principal and interest earned as of the date the withdrawal request is accepted. An early withdrawal penalty can be assessed to a CD if it is withdrawn prior to its stated maturity date.

The Variable Savings Program is recorded as a Private Purpose Trust Fund in these financial statements. These statements report the financial position and results of operations for the year ended June 30, 2009 of the Fiduciary Fund consisting of the Variable Savings Program.

2. Significant Accounting Policies

A. Basis of Accounting-Enterprise Fund

Fund accounting uses a self-balancing set of funds to account for all activity. An enterprise fund is part of the proprietary group of funds within a governmental organization. In an enterprise fund, operations of the enterprise are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to provide goods or services to the general public on a continuing basis while recovering the cost through the sales price. This fund type is accounted for using the full accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions, events, and circumstances in the period in which they occur rather than in the period in which cash is received or paid by the organization. The activities of OTTA are reported as an enterprise fund since the cost of providing the CollegeAdvantage Program will be recovered through revenues of the program. Administrative costs associated with the Variable Savings Program are recovered through basis point revenue and fees. (See Note 2. D. 2. for a description of the variable savings plan revenue.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are basis points charges to customers for investments in CollegeAdvantage options. Operating expenses for enterprise funds include the cost of marketing products and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Enterprise Fund

OTTA classifies enterprise fund resources into six (6) separate sub funds for accounting purposes. These sub funds are authorized by Ohio Revised Code section 3334.11 and are described below:

Trust Sub Fund

The Trust Sub Fund is used to account for the assets and the actuarial liability related to providing tuition payments for participants. This fund is restricted in its use, and can only be used to pay claims for payment pursuant to tuition payment contracts.

Reserve Sub Fund

The Reserve Sub Fund is used to account for administrative revenues related to the program such as enrollment fees and the administrative portion of each tuition unit (approximately $5 for each tuition unit purchased).

Operating Sub Fund (Ohio Administrative Knowledge System (OAKS) Fund 6450)

The Operating Sub Fund is used to account for administrative expenses of the Guaranteed Saving Program. Funds are transferred from the Reserve Sub Fund when necessary to pay the costs of operating the program.

Variable Savings Operating Sub Funds (Ohio Administrative Knowledge System (OAKS) Funds 5P30, 5AM0 and 5DC0)

The Variable Savings Operating Sub Funds are used to account for the administrative revenues and administrative costs of the Variable Savings Plan. Fund 5P30 accounts for the administrative revenues and administrative expenses of Putnam, PIMCO, Oppenheimer and GE Asset Management. Funds 5AM0 and 5DC0 account for the administrative revenues and administrative expenses of the Vanguard and Fifth Third programs, respectively.

Private Purpose Trust Fund

The Private Purpose Trust Fund is used to report the Fiduciary Net Assets and Changes in the Fiduciary Net Assets of the Variable Savings Program managed by Putnam Investments, The Vanguard Group, Fifth Third Bank, PIMCO, Oppenheimer and GE Asset Management. GASB Statement No. 34 recommends the use of a Private Purpose Trust Fund in situations in which principal and income benefit individuals, private corporations, or other governments. The Variable Savings Program is set up for the benefit of its customers and involves no commitment on the part of the State of Ohio.

B. Stance on Financial Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,* OTTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. OTTA will not adopt any FASB Statements and Interpretations issued after November 30, 1989.

C. Cash and Cash Equivalents

Cash and cash-equivalents include amounts on deposit with the State of Ohio in OAKS Funds 6450, 5P30, 5AM0 and 5DC0 and amounts on deposit with financial institutions. OTTA considers cash deposits with a maturity of three months or less when purchased to be cash-equivalents, except for STAR Ohio and repurchase agreements restricted for tuition benefits.

D. Revenue

1. Guaranteed Savings Plan – Enterprise Fund

The Guaranteed Savings Fund is intended for long-term savings (four or more years). Contributions to the Fund consist of purchased tuition units. If a tuition unit is held on account until the beneficiary reaches age 18, a unit can be redeemed at a value equal to 1% of the weighted average tuition (WAT) of the 13, four-year Ohio public universities. As the WAT increases at the state universities, so, too, does the projected redemption value of tuition units. The Guaranteed Savings Fund is backed by the full faith and credit of the State of Ohio and was available to families residing in Ohio at the time the account was established. Sales of units in the Guaranteed Savings Fund were suspended as of January 1, 2004 and will remain suspended through December 31, 2009.

The redemption of 100 tuition units generally will provide the beneficiary with one year of in-state, undergraduate tuition at an average-priced Ohio public four-year university, if units are held on account until the beneficiary is 18 or older. The actual number of tuition units needed to cover tuition will vary based on the actual tuition being charged at an individual institution. Additional tuition units will be needed to cover room and board, graduate or professional school, or other educational expenses.

2. Variable Savings Plan – Enterprise Fund

Significant administrative revenue for the Variable Savings Operating Sub Funds was derived from the following sources:

- Basis Point revenue is received on sales of the Variable Savings Plan. For the Putnam program, OTTA receives 20 basis points (0.20%) on all sales made by investment advisors. These amounts are calculated daily by Putnam Investments and payment is received by OTTA quarterly. For the Vanguard program, OTTA received 20 basis points (0.20%) on all sales, both Ohio and National, through February, 2009, and went to 15 basis points (0.15%), except for on the Vanguard S&P 500 Portfolio, on which OTTA receives 10 basis points (0.10%). This amount is calculated daily and payment is received by OTTA monthly. OTTA receives 10 basis points (0.10%) on all Fifth Third Bank program sales, both Ohio and National. This amount is calculated daily and payment is received by OTTA monthly. Effective February 17, 2009, the OTTA began receiving 15 basis points (0.15%) from PIMCO, Oppenheimer and GE Asset Management. The amount is calculated daily and payment is received by the OTTA monthly.

- Putnam Investments annually pays a contractually determined amount directly for marketing expenses for the benefit of the CollegeAdvantage program. This amount is labeled “Putnam Hard Dollar Contribution”.

E. Expenses

Tuition Benefit Expenses (Payouts) are recognized when they are paid and Actuarial Tuition Benefits Expense is adjusted at the end of the fiscal year by an amount used to adjust the tuition benefit liability as determined by the actuarial valuation.

OTTA has conducted internal studies of operating expenses. Based on the results of those studies, OTTA has determined that certain common expenses should be allocated between the Guaranteed and Variable Savings Programs based on criteria established for the various types of operating expenses. Specific expenses that can be directly attributed to the Guaranteed and Variable Savings Programs are expensed to the respective programs.

F. Balance Sheet Classifications

A description of current and non-current assets and restricted and unrestricted net assets is as follows:

- Current: Due within one year from June 30, 2009
- Non-current: Due after June 30, 2010
- Restricted: Restricted for usage by statutory requirements
- Unrestricted: Not restricted for usage

G. Capital Assets and Facilities

OTTA’s capital assets include office furniture, equipment and an automobile. OTTA defines capital assets as assets with an initial, individual cost of $1,000 or more and an estimated useful life of at least five years. Such assets are recorded at historical cost and depreciation is computed using the straight line method.

OTTA leases office space under an operating Lease that renews annually on July 1st. Lease expense for fiscal year 2009 was $191,688 and is accounted for in the Operating Sub Fund and the Variable Savings Operating Sub Funds.

H. Marketable Securities

During the fiscal year, the following money managers managed the securities in the Guaranteed Savings Fund portfolio and provided market values on a monthly basis:

Manager	**Asset Class**	**Management Period**
Brandywine Asset Management	Domestic Equities	July 2008 – June 2009
JP Morgan Investments Advisors	Fixed Income	July 2008 – June 2009
STAR Ohio	Short Term Investments	July 2008 – June 2009
Next Century Growth Managers	Domestic Equities	July 2008 – June 2009
Mondrian Investment Partners (US), Inc.	International Equities	July 2008 – June 2009
Seix Advisors	Fixed Income	July 2008 – June 2009
GMO (Grantham, Mayo, Van Otterloo & Co., LLC)	Equity & Fixed Income	July 2008 – June 2009
State Street Global Advisors	Domestic Equity	July 2008 – June 2009
BlackRock Investment Advisors, Inc.	Fixed Income	July 2008 –June 2009
Mellon Capital Management	Equity & Fixed Income	July 2008 – June 2009
Artio Global	International Equities	July 2008 – June 2009

Marketable securities consist of equity and debt securities for both Trust and Reserve Sub Funds. Equity securities are valued at the end of the periods by the stock market closing prices, while Debt securities are valued by averaging three bid-side quotes from broker/dealers.

During Fiscal Year 2009, realized and unrealized gains were as follows:

	RESERVE	TRUST	TOTAL
REALIZED GAIN OR (LOSS)	$ 95,351	($3,318,385)	($3,223,034)
CHANGE IN FAIR VALUE OVER COST (UNREALIZED)	$1,349,334	($114,343,775)	($112,994,441)
UNREALIZED GAIN (LOSS) ON INVESTMENTS	$3,953,889	($ 83,401,277)	($ 79,447,388)

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of the investments. The realized gains and losses for the current year include unrealized gains and losses on those same investments that were recognized in previous fiscal years as part of the net appreciation or depreciation in the fair value of investments.

OTTA has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold.

I. Other Current Liabilities

Other Current Liabilities consist of accounts payable, amounts owed to OTTA employees (wages payable and compensated absences payable) and amounts owed to variable investment managers, which amounted to $629,790, $502,372 and $536,146, respectively, as of June 30, 2009.

The State of Ohio, which governs OTTA employees' leave benefits and policies, pays compensation to separated employees for leave balances accumulated during the employee's term of service. In accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, OTTA calculates the compensated absences liability on employees' fiscal year-end balances for vacation, personal, sick, and compensatory leaves. Included in the liability is an amount accrued for salary-related payments directly associated with the payment of compensated absences upon termination, such as Medicare taxes.

J. Collateral on Lent Securities/Obligation under Securities Lending

During Fiscal Year 2009, the Treasurer of State routinely lent securities from the State's investment portfolio under securities lending agreements. For the State's securities out on loan, the Treasurer received cash collateral from the borrower. The Treasurer reinvested the collateral in various types of investments, including U.S. government and agency obligations, repurchase agreements, commercial paper, corporate bonds, and money market funds. Also, cash collateral could have been placed with financial institutions. For cash collateral the Treasurer received for securities out on loan, as of June 30, the State reported assets and liabilities arising from the securities lending transactions on the balance sheets of the funds that had the risk of loss on the collateral assets.

While all six sub funds are authorized to participate in Securities Lending Agreements, during Fiscal Year 2009 only the Operating Sub Fund and Variable Savings Operating Sub Fund participated in Securities Lending transactions.

K. Self-Insurance

The State of Ohio serves as the OTTA's primary government and is self-insured for claims covered under its traditional healthcare plan, vehicle liability, public fidelity blanket bonds, property losses, and tort liability. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

3. Deposits and Investments

A. Deposits

At fiscal year end, the carrying amount of OTTA's deposits was $1,163,388 and the bank balance was $2,299,898. Of the bank balance, $317,677 was held on deposit by the State of Ohio as part of the State of Ohio's pooled cash and investments held by the Ohio Treasurer of State, $789,115 was maintained in custodial accounts held by the Ohio Treasurer of State, and $1,193,106 was held on deposit with a banking institution.

At fiscal year end, the portion of OTTA's deposits held by the Ohio Treasurer of State was not exposed to custodial credit risk. Of the portion on deposit with a banking institution, $250,000 was FDIC insured and the remainder collateralized, with securities held by the pledging financial institutions' trust department or agent but not in OTTA's name.

OHIO OTTA AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

B. Investments

i. Enterprise Fund

The Guaranteed Savings Fund investment managers are authorized to invest in domestic equities, international equities, domestic fixed income, global balanced strategies, short term investments and securities lending. Other investment strategies may be permitted if approved by the Board of Directors to be a prudent investment decision. Investments specifically prohibited by the Investment Policy include: borrowed money, pledge, hypothecate, mortgage or encumber assets, loan money, purchase or sell real estate, purchase of sell commodity or investment in 144A securities and other non-marketable securities.

As of June 30, 2009, OTTA had the following investments and maturities:

	(B)	(C) Investment Custodial Credit Risk Categories (Allocate using fair value)			
(A) Investment Type	Investment Balance (MV @ 6/30/09) per NCB Trade Date Statements	Not Exposed to Custodial Credit Risk	Held by the Counterparty	Held by the Counterparty's Trust Dept. or Agent & not in the Authority's name	Total Carrying Amount (MV @ 6/30/09)
US Government Obligations	$ 25,088,336	$ 25,088,336	$ -	$ -	$ 25,088,336
US Government Obligations-Strips	$ 12,431,521	$ 12,431,521	$ -	$ -	$ 12,431,521
US Agency & Instrumentality Obligations	$ 988,078	$ 988,078	$ -	$ -	$ 988,078
US Agency & Instrumentality Obligations	$ 1,478,467	$ 1,478,467	$ -	$ -	$ 1,478,467
US Agency & Instrumentality Obligations	$ 5,714,908	$ 5,714,908	$ -	$ -	$ 5,714,908
US Agency & Instrumentality Obligations	$ 45,111,750	$ 45,111,750	$ -	$ -	$ 45,111,750
US Agency & Instrumentality Obligations	$ 34,603,591	$ 34,603,591	$ -	$ -	$ 34,603,591
Municipal Bonds & Notes (Domestic)	$ 716,219	$ 716,219	$ -	$ -	$ 716,219
Municipal Bonds & Notes (Domestic)	$ 92,758	$ 92,758	$ -	$ -	$ 92,758
Corporate Bonds & Notes (Domestic)	$ 15,903,130	$ 15,903,130	$ -	$ -	$ 15,903,130
Corporate Bonds & Notes (Domestic)	$ 3,531,696	$ 3,531,696	$ -	$ -	$ 3,531,696
Corporate Bonds & Notes (Domestic)	$ 126,015	$ 126,015	$ -	$ -	$ 126,015

OHIO OTTA AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Corporate Bonds & Notes (Domestic)	$ 4,282,525	$ 4,282,525	$ -	$ -	$ 4,282,525
Corporate Bonds & Notes (Domestic)	$ 1,906,261	$ 1,906,261	$ -	$ -	$ 1,906,261
Corporate Bonds & Notes (Domestic)	$ 3,892,026	$ 3,892,026	$ -	$ -	$ 3,892,026
Corporate Bonds & Notes (Domestic)	$ 4,663,493	$ 4,663,493	$ -	$ -	$ 4,663,493
Corporate Bonds & Notes (Domestic)	$ 6,393,081	$ 6,393,081	$ -	$ -	$ 6,393,081
Corporate Bonds & Notes (Domestic)	$ 19	$ 19	$ -	$ -	$ 19
Corporate Bonds & Notes (Foreign)	$ 1,243,437	$ 1,243,437	$ -	$ -	$ 1,243,437
Corporate Bonds & Notes (Foreign)	$ 2,303,571	$ 2,303,571	$ -	$ -	$ 2,303,571
Corporate Bonds & Notes (Foreign)	$ 2,437,532	$ 2,437,532	$ -	$ -	$ 2,437,532
Corporate Bonds & Notes (Foreign)	$ 1,158,619	$ 1,158,619	$ -	$ -	$ 1,158,619
Corporate Bonds & Notes (Foreign)	$ 2,989,881	$ 2,989,881	$ -	$ -	$ 2,989,881
Asset Backed Securities	$ 930,710	$ 930,710	$ -	$ -	$ 930,710
Asset Backed Securities	$ 2,253,972	$ 2,253,972	$ -	$ -	$ 2,253,972
Asset Backed Securities	$ 31,775,609	$ 31,775,609	$ -	$ -	$ 31,775,609
Asset Backed Securities	$ 391,138	$ 391,138	$ -	$ -	$ 391,138
Asset Backed Securities	$ 515,562	$ 515,562	$ -	$ -	$ 515,562
Asset Backed Securities	$ 1,684,478	$ 1,684,478	$ -	$ -	$ 1,684,478
Asset Backed Securities	$ 264,114	$ 264,114	$ -	$ -	$ 264,114
Asset Backed Securities	$ 534,023	$ 534,023	$ -	$ -	$ 534,023
Bond Mutual Fund (Domestic)	$ 6,480,285	$ 6,480,285	$ -	$ -	$ 6,480,285
Bond Mutual Fund (Domestic)	$ 698,503	$ 698,503	$ -	$ -	$ 698,503
Bond Mutual Fund (Domestic)	$ 6,409,973	$ 6,409,973	$ -	$ -	$ 6,409,973
Common & Preferred Stock (Domestic)	$ 16,892,072	$ 16,892,072	$ -	$ -	$ 16,892,072
Equity/Balanced Mutual Funds (Domestic)	$ 255,602,664	$ 255,602,664	$ -	$ -	$ 255,602,664
Equity Mutual Funds (Foreign)	$ 80,191,217	$ 80,191,217	$ -	$ -	$ 80,191,217
STAR Ohio	$ 545,878	$ 545,878	$ -	$ -	$ 545,878
Money Market Funds	$ 2,944,888	$ 2,944,888	$ -	$ -	$ 2,944,888
Repurchase Agreements	$ 5,185,346	$ 5,185,346	$ -	$ -	$ 5,185,346
	$ 590,357,345	$ 590,357,345	$ -	$ -	$ 590,357,345

Interest Rate Risk - The fixed income portion of the portfolio is invested in “plain vanilla” fixed income securities. All fixed income products are exposed to interest rate risk. Theoretically, all mortgages have embedded options as they can be paid off at any time. While some of the mortgages that we purchase for the portfolio could technically be considered derivatives, they are not the highly leveraged derivatives that are considered risky (options, futures, etc.). Currently, we break out our Collateralized Mortgage Obligation (CMO) allocation between CMO non-derivative and CMO derivative securities and use these allocations to control the overall risk within the portfolio in conjunction with the other sectors into which we are investing the portfolio.

Credit Risk - At the time of purchase, all investments in non-U.S. Treasury or Government Sponsored sectors shall carry an investment grade rating by at least one of the two major ratings agencies: Standard & Poor’s or Moody’s. For S&P the lowest rating considered investment grade is BBB-, while the lowest investment grade rating awarded by Moody’s is Baa3. No more than 20% of fixed income portfolios shall be in the lowest ratings. In the case of bonds down graded below the minimum allowed in this investment policy, the manager will have a period of 90 days to liquidate the bond from the portfolio.

	(D) Investment Maturities (in years)			
(A) Investment Type	Less (<) than 1	1-5	6-10	more (>) than 10
US Government Obligations	$ 1,540,769	$ 14,826,334	$ 397,761	$ 8,323,471
US Government Obligations-Strips	$ -	$ 8,668,912	$ 2,446,963	$ 1,315,646
US Agency & Instrumentality Obligations	$ -	$ 843,657	$ 144,422	$ -
US Agency & Instrumentality Obligations	$ -	$ 1,478,467	$ -	$ -
US Agency & Instrumentality Obligations	$ 518,750	$ 2,292,851	$ 2,694,293	$ 209,014
US Agency & Instrumentality Obligations	$ 215,536	$ 405,483	$ 5,942,836	$ 38,547,895
US Agency & Instrumentality Obligations	$ -	$ 66,372	$ 1,587,411	$ 32,949,808
Municipal Bonds & Notes (Domestic)	$ -	$ -	$ -	$ 716,219
Municipal Bonds & Notes (Domestic)	$ -	$ -	$ -	$ 92,758
Corporate Bonds & Notes (Domestic)	$ 1,879,121	$ 8,241,393	$ 4,260,865	$ 1,521,751
Corporate Bonds & Notes (Domestic)	$ -	$ 1,826,926	$ 1,407,455	$ 297,315

OHIO OTTA AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Corporate Bonds & Notes (Domestic)	$ -	$ 126,015	$ -	$ -
Corporate Bonds & Notes (Domestic)	$ -	$ 4,282,525	$ -	$ -
Corporate Bonds & Notes (Domestic)	$ 101,703	$ 1,705,212	$ 19,970	$ 79,375
Corporate Bonds & Notes (Domestic)	$ 512,325	$ 2,527,037	$ 707,413	$ 145,252
Corporate Bonds & Notes (Domestic)	$ 113,142	$ 4,550,351	$ -	$ -
Corporate Bonds & Notes (Domestic)	$ 226,681	$ 4,099,312	$ 625,598	$ 1,441,490
Corporate Bonds & Notes (Domestic)	$ -	$ -	$ 19	$ -
Corporate Bonds & Notes (Foreign)	$ -	$ 445,740	$ 746,508	$ 51,189
Corporate Bonds & Notes (Foreign)	$ -	$ 1,428,235	$ 875,336	$ -
Corporate Bonds & Notes (Foreign)	$ -	$ 2,437,532	$ -	$ -
Corporate Bonds & Notes (Foreign)	$ 117,854	$ 748,478	$ 292,287	$ -
Corporate Bonds & Notes (Foreign)	$ 117,787	$ 2,203,338	$ 276,156	$ 392,600
Asset Backed Securities	$ -	$ 50,122	$ -	$ 880,588
Asset Backed Securities	$ -	$ 625,100	$ 330,863	$ 1,298,009
Asset Backed Securities	$ 404,184	$ 2,969,092	$ 4,495,545	$ 23,906,789
Asset Backed Securities	$ -	$ -	$ -	$ 391,138
Asset Backed Securities	$ -	$ -	$ -	$ 515,562
Asset Backed Securities	$ 99,000	$ 468,068	$ -	$ 1,117,409
Asset Backed Securities	$ -	$ 82,388	$ -	$ 181,726
Asset Backed Securities	$ -	$ -	$ -	$ 534,023
Bond Mutual Fund (Domestic)	$ 6,480,285	$ -	$ -	$ -
Bond Mutual Fund (Domestic)	$ 698,503	$ -	$ -	$ -
Bond Mutual Fund (Domestic)	$ 6,409,973	$ -	$ -	$ -
Common & Preferred Stock (Domestic)	$ 16,892,072	$ -	$ -	$ -
Equity/Balanced Mutual Funds (Domestic)	$ 255,602,664	$ -	$ -	$ -
Equity Mutual Funds (Foreign)	$ 80,191,217	$ -	$ -	$ -
STAR Ohio	$ 545,878	$ -	$ -	$ -
Money Market Funds	$ 2,944,888	$ -	$ -	$ -
Repurchase Agreements	$ 5,185,346	$ -	$ -	$ -
	$ 380,797,679	$ 67,398,940	$ 27,251,701	$ 114,909,026

(A) Investment Type	(B) Investment Balance (MV @ 6/30/09) per NCB Trade Date Statements		(E) Credit Rating	(F) Foreign Currency
US Government Obligations	$	25,088,336	AAA	USD
US Government Obligations-Strips	$	12,431,521	AAA	USD
US Agency & Instrumentality Obligations	$	988,078	A	USD
US Agency & Instrumentality Obligations	$	1,478,467	AA	USD
US Agency & Instrumentality Obligations	$	5,714,908	AAA	USD
US Agency & Instrumentality Obligations	$	45,111,750	N/A	USD
US Agency & Instrumentality Obligations	$	34,603,591	N/R	USD
Municipal Bonds & Notes (Domestic)	$	716,219	A	USD
Municipal Bonds & Notes (Domestic)	$	92,758	AA	USD
Corporate Bonds & Notes (Domestic)	$	15,903,130	A	USD
Corporate Bonds & Notes (Domestic)	$	3,531,696	AA	USD
Corporate Bonds & Notes (Domestic)	$	126,015	AAA	USD
Corporate Bonds & Notes (Domestic)	$	4,282,525	B	USD
Corporate Bonds & Notes (Domestic)	$	1,906,261	BA	USD
Corporate Bonds & Notes (Domestic)	$	3,892,026	BAA	USD
Corporate Bonds & Notes (Domestic)	$	4,663,493	BB	USD
Corporate Bonds & Notes (Domestic)	$	6,393,081	BBB	USD
Corporate Bonds & Notes (Domestic)	$	19	D	USD
Corporate Bonds & Notes (Foreign)	$	1,243,437	A	USD
Corporate Bonds & Notes (Foreign)	$	2,303,571	AA	USD
Corporate Bonds & Notes (Foreign)	$	2,437,532	AAA	USD
Corporate Bonds & Notes (Foreign)	$	1,158,619	BAA	USD
Corporate Bonds & Notes (Foreign)	$	2,989,881	BBB	USD
Asset Backed Securities	$	930,710	A	USD
Asset Backed Securities	$	2,253,972	AA	USD
Asset Backed Securities	$	31,775,609	AAA	USD
Asset Backed Securities	$	391,138	B	USD
Asset Backed Securities	$	515,562	BA	USD
Asset Backed Securities	$	1,684,478	BAA	USD
Asset Backed Securities	$	264,114	BBB	USD
Asset Backed Securities	$	534,023	CAA	USD
Bond Mutual Fund (Domestic)	$	6,480,285	AAA	USD
Bond Mutual Fund (Domestic)	$	698,503	B	USD

Bond Mutual Fund (Domestic)	$ 6,409,973	BB	USD
Common & Preferred Stock (Domestic)	$ 16,892,072	Not Rated	USD
Equity/Balanced Mutual Funds (Domestic)	$ 255,602,664	Not Rated	USD
Equity Mutual Funds (Foreign)	$ 80,191,217	Not Rated	USD
STAR Ohio	$ 545,878	AAA	USD
Money Market Funds	$ 2,944,888	AAA	USD
Repurchase Agreements	$ 5,185,346	AAA	USD
	$ 590,357,345		

Custodial Credit Risk – Ohio law provides that the Authority's assets shall be held in the custody of the Treasurer of State but not co-mingled with any other state funds. Instruments of title are delivered to the Treasurer's office or to a qualified custodial bank designated by the Treasurer, as provided in Section 135.18 of the Ohio Revised Code. The Treasurer of State on order of the Executive Director of the Authority must make disbursements from the Trust and Reserve Funds.

ii. Private Purpose Trust Fund

a. Security Valuation

Investments are reported at fair value and are accounted for by the Plan accordingly, with changes in the fair value included in the results from investment operations. The Plan's investments represent shares of mutual funds rather than individual securities.

b. Security transactions and related investment income

Security transactions, normally shares of the Putnam Funds, the Vanguard Funds, the PIMCO Funds, the Oppenheimer Funds and the GE Funds are accounted for on the trade date (date the order to buy or sell is executed). Gains or losses on shares of the Putnam Funds, the Vanguard Funds, the PIMCO Funds, the Oppenheimer Funds and the GE Funds sold are determined on the identified cost basis. Investments in the Fifth Third options are accounted for on the date the contribution is accepted.

Income and capital gain distributions from the Putnam Funds, the Vanguard Funds, the PIMCO Funds, the Oppenheimer Funds and the GE Funds, if any, are recorded on the ex-dividend date. Interest is earned on the Fifth Third options each day based on the stated rate of interest for the product.

As of June 30, 2009 the Investments of the CollegeAdvantage Putnam Savings Plan Private Purpose Trust Fund were $3,009,713,441. Cash and Investments of the CollegeAdvantage Vanguard Savings Plan Private Purpose Trust Fund were $937,000 and $1,095,998,000, respectively. Cash and Investments of the CollegeAdvantage Fifth Third Savings Plan Private Purpose Trust Fund was $153,153,638. The Investments of the CollegeAdvantage PIMCO Savings Plan Private Purpose Trust Fund were $44,650,148. The Investments of the

CollegeAdvantage Oppenheimer Savings Plan Private Purpose Trust Fund were $11,843,338. The Cash and Investments of the CollegeAdvantage GE Asset Management Savings Plan Private Purpose Trust Fund were $33,139 and $18,800,604, respectively.

4. Tuition Benefits Payable

Tuition Benefits Payable represents the actuarially determined present value (APV) of future tuition obligations. This valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases and the termination of OTTA contracts. The results are as follows:

APV of future benefits and expenses payable	$ 648,500,000
Actuarial net assets available	$ 585,700,000
Assets as a percentage of tuition benefits and expense obligation	90.32%

The following assumptions, as determined by management, were used in the actuarial determination of tuition benefits payable:

Rate of return (investment of current and future assets)	6.5 %	Compounded annually
Projected tuition increase	3.50%	For Fall 2010
	7.00%	Afterwards annually
Consumer Price Index (CPI) Inflation Rate	2.5 %	

The reserve/(deficit) changes due to experience and actuarial assumption changes can be summarized as follows:

(amounts in millions)

Reserve/(Deficit) as of June 30, 2008	$ (40.2)
Adjustment to beginning of year’s assets	0.1
Interest on the deficit at 6.5%	(2.6)
Investment loss	(134.9)
Lower actual 2009-2010 tuition than assumed	39.0
Change in assumption for future tuition growth	73.3
Interest gain on timing of tuition payouts	0.9
Other gains	1.6
Reserve/(Deficit) as of June 30, 2009	$ (62.8)

5. Tax Status

Section 529 of the *Internal Revenue Code* provides that all "Qualified State Tuition Programs" are exempt from federal taxation with the exception that they are subject to the unrelated business income tax (UBIT). This new law also includes a transition rule that allows for tax-exempt treatment for all earlier years of OTTA operations.

On August 24, 1998 the IRS issued proposed regulations to clarify Section 529. Prior to the release of such regulations, OTTA worked with legal counsel to amend its enabling state legislation, Chapter 3334 of the *Ohio Revised Code,* and its administrative rules, filed in Chapter 3334 of the *Ohio Administrative Code,* to insure that the Ohio Guaranteed Savings Program is in timely compliance with all known requirements of Section 529.

In October of 2000, OTTA filed a Private Letter Ruling Request ("PLR") with the IRS seeking a determination that its program (including all of its investment options) met the requirements for exemption from federal income tax as a qualified state tuition program described in IRC Section 529. Based on subsequent tax law changes, an amended PLR was filed with the IRS in March 2002. On February 14, 2006, the IRS returned OTTA's PLR stating that unlike privately run tuition programs, state sponsored tuition programs (such as that administered by OTTA) are not required to obtain a ruling or determination from the IRS in order to be exempt from federal tax as a qualified tuition program. The IRS further stated that after final regulations are issued for 529 qualified programs, it would reconsider the above referenced "No Rule" position on PLR's.

6. Contingencies

State agencies and their employees are parties to numerous legal proceedings, which normally occur, in governmental operations. Those cases, which result in an unfavorable outcome, are either absorbed in OTTA's subsequent year budget or are funded through the General Assembly. There are no legal proceedings, which, in the opinion of management, are likely to have a material effect on any of OTTA's funds.

7. Pension Plan

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

Total required employer contributions for all plans are equal to 100% of employer charges.

Required employee and employer contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. The 2008 employee contribution rate was 10.0 percent of covered payroll costs. The 2008 employer contribution rate was 14.0 percent of the covered payroll costs. Employer contributions required and made to OPERS for 2009, 2008, and 2007 were $330,463, $310,473 and $283,514, respectively. These contribution figures were extracted from OTTA's records.

8. Other Post-Employment Benefits

Ohio Public Employees Retirement System provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer contribution rate for state employers was 14.0% of covered payroll. The portion of Traditional and Combined Plan employer contributions allocated to health care was 7% for 2008. The portion of the OTTA's employer contributions that were used to fund post-employment benefits in 2008 was approximately $167,090.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The Traditional Pension and Combined Plans had 374,002 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076.

The amount of $12.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2007. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $29.8 billion and $17.0 billion, respectively.

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal actuarial cost method of valuation. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2007 (the latest information available), include a rate of return on investments of 6.5 percent, an annual increase in total payroll for active employees of 4 percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. Health care costs were assumed to increase at the projected wage inflation rate of 4% plus an additional factor ranging from .5% to 4.0% for the next 7 years. In subsequent years, (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

9. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

Asset Category	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 368,022	$ 12,730	$(45,808)	$ 334,944
Subtotal	368,022	12,730	(45,808)	334,944
Accumulated Depreciation	(199,797)	(33,168)	51,753	(181,212)
Net Capital Assets	$ 168,225	$ (20,438)	$ 5,945	$ 153,732

For fiscal year 2009, OTTA reported $33,168 in depreciation expense.

10. Non-Current Liabilities

Changes in non-current liabilities for the year ended June 30, 2009 are presented for OTTA in the following table. Amounts are shown in thousands.

Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due In One Year
Tuition Benefits Payable	$ 799,800	$ 0	$(151,300)	$ 648,500	$ 74,100

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INDEPENDENT AUDITOR'S 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*

To the Board of Trustees
Ohio Tuition Trust Authority

We have audited the financial statements of the Ohio Tuition Trust Authority (the "Authority"), State of Ohio, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. Our report was modified to include a reference to other auditors. 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 G*overnment Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the private purpose trust fund, as described in our report on the Authority's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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.*

This report is intended for the information and use of management, the Board of Trustees, and the Ohio General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
October 30, 2009

OHIO TUITION TRUST AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2008-1	Lockbox Reconciliation	No	Partially Corrected

Mary Taylor, CPA
Auditor of State

OHIO TUITION TRUST AUTHORITY

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
DECEMBER 1, 2009

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