OHIO TUITION TRUST AUTHORITY
FRANKLIN COUNTY

FINANCIAL STATEMENT AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Kennedy
Cottrell
Richards

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Ohio Tuition Trust Authority, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2009 through June 30, 2010. 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 17, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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OHIO TUITION TRUST AUTHORITY
FRANKLIN COUNTY

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383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the enterprise fund and the remaining fund information of the Ohio Tuition Trust Authority, State of Ohio (the Authority), as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the remaining fund information. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for the remaining fund information 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

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 the remaining fund information 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, 2010, 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 respective financial position of the enterprise fund and the remaining fund information of the Ohio Tuition Trust Authority, State of Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards
September 30, 2010

Ohio Tuition Trust Authority
Management's Discussion and Analysis
June 30, 2010
(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, 2010. 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 2010 by $7,988,000 or 1.4%, due in part to tuition payouts during FY10.
- Tuition Benefits Payable decreased during the fiscal year by $15,600,000 or 2.40% as a result of the continued suspension of sales in the Guaranteed Savings Plan and participants continuing redeeming their units and credits.
- The Net Asset Balance had an increase of $5,387,522 or 10.2% due to strong investment returns of 11.0% during the fiscal year.

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, 2010. 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 affect cash flows in prior and 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 BlackRock 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, BlackRock, 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 the 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, 2010 and June 30, 2009:

Condensed Comparative Balance Sheet

(all amounts expressed in thousands of dollars)

	2010	2009	Dollar Change	Total Percent Change
Current Assets	$5,186	$6,981	($1,795)	-25.7%
Restricted Assets	494,289	509,798	(15,509)	-3.0%
Non-Current Assets	88,080	80,559	7,521	9.3%
Capital Assets	210	154	56	36.4%
Total Assets	587,765	597,492	(9,727)	-1.6%
Current Liabilities	81,319	75,933	5,386	7.1%
Non-Current Liabilities	553,900	574,400	(20,500)	-3.6%
Total Liabilities	635,219	650,333	(15,114)	-2.3%

Condensed Comparative Balance Sheet
(all amounts expressed in thousands of dollars)

	2010	2009	Dollar Change	Total Percent Change
Total Net Assets	(47,454)	(52,841)	5,387	10.2%
Total Liabilities and Net Assets	$587,765	$597,492	($9,727)	-1.6%

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 $47,453,644 as of June 30, 2010. As stated, this represents a 10.2% increase over OTTA's negative position at June 30, 2009. The investment return of 11.0% during fiscal year 2010 contributed significantly to this increase position.

During fiscal year 2010, OTTA's total assets decreased by $9,727 or 1.6%.

The following table summarizes the changes in OTTA's Revenues and Expenses during fiscal years 2010 and 2009:

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

	2010	2009	Dollar Change	Total Percent Change
Operating Revenues:				
Investment Income (Loss)	$62,168	($87,369)	$149,537	171.2%
Miscellaneous Revenue	8,738	9,317	(579)	-6.2%
Total Operating Revenues	70,906	(78,052)	148,958	190.8%
Operating Expenses	9,718	10,393	(675)	-6.5%
Tuition Benefits Expense	71,395	84,495	(13,100)	-15.5%
Actuarial Tuition Benefits Expense	(15,600)	(151,300)	135,700	89.7%
Total Operating Expenses	65,513	(56,412)	121,925	216.1%
Operating Income (Loss)	5,393	(21,640)	27,033	124.9%
Gain (Loss) on Disposal of Capital Assets	(6)	6	0	0%

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

	2010	2009	Dollar Change	Total Percent Change
Non Operating Gain (Loss)	(6)	6	0	0%
Beginning Net Assets	(52,841)	(31,207)	(21,635)	-69.3%
Ending Net Assets	($47,454)	($52,841)	$5,388	10.2%

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, 2010, OTTA had operating gains of $5,393,469 compared to a net operating loss in fiscal year 2009 of $21,640,053, an improvement in FY10 versus FY09 of $27,033,522 or 124.9%. This was attributable mainly to the following:

- A $13,100,000 decrease in actual tuition benefits expense primarily as a result of less reallocations to variable investment options within the Plan and less redemptions in FY10 versus FY09.
- A $135,700,000 increase in actuarial tuition benefits expense as a result of the change in tuition benefits payable from FY09 to FY10. This was due to tuition inflation being higher than anticipated and investment returns being higher than anticipated.
- A $159,116,122 increase in the fair value of investments due to the positive investment returns in FY10 that were higher than the negative investment returns in FY09.

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, 2010

(amounts in thousands)

ASSETS	
Current Assets	
Cash and Cash-Equivalents	$ 1,531
Collateral on Lent Securities	140
Interest and Dividends Receivable	2,322
Basis Points Receivable	1,091
Other Current Assets	102
Total Current Assets	**5,186**
Non-Current Assets	
Marketable Securities (at market value)	88,080
Total Non-Current Assets	**88,080**
Restricted Assets	
Marketable Securities (at market value)	494,289
Total Restricted Assets	**494,289**
Capital Assets	
Equipment	469
Leasehold Improvements	71
Less: Accumulated Depreciation	(330)
Total Capital Assets	**210**
TOTAL ASSETS	**587,765**
LIABILITIES AND NET ASSETS	
Current Liabilities	
Other Current Liabilities	2,179
Obligation Under Securities Lending	140
Tuition Benefits Payable	79,000
Total Current Liabilities	**81,319**
Restricted Non-Current Liabilities	
Tuition Benefits Payable	553,900
Total Restricted Non-Current Liabilities	**553,900**
Total Liabilities	**635,219**
Net Assets	
Unrestricted Assets	(47,664)
Invested in Capital Assets	210
Total Net Assets	**(47,454)**
TOTAL LIABILITIES AND NET ASSETS	**$ 587,765**

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, 2010
(amounts in thousands)

OPERATING REVENUES		
Interest & Dividend Investment Income	$	19,269
Net Increase (Decrease) in Fair Value of Investments		42,899
Basis Point Revenue		7,269
Putnam Hard Dollar Contribution		1,469
TOTAL OPERATING REVENUES		**70,906**
OPERATING EXPENSES		
Personal Services		4,944
Maintenance		3,156
Depreciation		149
Expenses Paid By Putnam		1,469
Tuition Benefits Expense		71,395
Actuarial Tuition Benefits Expense		(15,600)
TOTAL OPERATING EXPENSES		**65,513**
OPERATING INCOME (LOSS)		**5,393**
NONOPERATING REVENUES (EXPENSES)		
Gain (Loss) on Disposal of Fixed Assets		(6)
NONOPERATING REVENUES (EXPENSES)		**(6)**
CHANGE IN NET ASSETS		**5,387**
BEGINNING NET ASSETS		**(52,841)**
ENDING NET ASSETS	**$**	**(47,454)**

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, 2010
(amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Payments to/from Suppliers for Goods and Services	$ (3,292)
Cash Payments to Employees/consultants/professional contracts for Services	(4,789)
Cash Payments for Tuition Benefits	(71,360)
Other Cash Receipts	7,786
Net cash provided (used) by operating activities	**(71,655)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(211)
Net Cash flows provided (used) by capital and related financing activities	**(211)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from the Sales and Maturities of Investments	677,641
Purchase of Investments	(626,617)
Investment Income Received	21,210
Net Cash Flows Provided (Used) by investing activities	**72,234**
Net Increase (Decrease) in Cash and Cash Equivalents	**368**
Cash and Cash Equivalents, July 1	**1,163**
Cash and Cash Equivalents, June 30 (see note 3A)	**$ 1,531**

Net Cash Provided (Used) by Operating Activities	
Provided by Operating Activities	
Operating Income (Loss)	$ 5,393
Adjustments to Reconcile Operating Income (Loss)	
to Net Cash Provided (Used) by Operating Activities	
Investment Income	(62,168)
Depreciation	149
Decrease (Increase) in Assets:	
Other Receivables	569
Increase (Decrease) in Liabilities:	
Accounts Payable	(25)
Accrued Wages and Benefits	27
Tuition Benefits Payable	(15,600)
Net Cash Flows Provided (Used) by Operating Activities	**$ (71,655)**

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, 2010
(amounts in thousands)

ASSETS	
Investments in securities, at value	$ 5,014,991
Cash Equivalents	62,037
Dividends, interest, and other receivables	222
Receivable for units sold	8,474
Receivable for securities sold	1,021
Total Assets	**5,086,745**
LIABILITIES	
Payable for securities purchased	7,607
Payable for units redeemed	1,569
Accrued management and administrative fees	3,484
Accrued reports to shareholders and audit fees	400
Total Liabilities	**13,060**
Net Assets Held in Trust for Plan Participants	**$ 5,073,685**

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, 2010

(amounts in thousands)

ADDITIONS	
Contributions:	
Units sold	$ 1,265,735
Investment earnings:	
Investment income	238,635
Net realized/unrealized appreciation (depreciation) on underlying fund shares	317,342
Total investment earnings	555,977
Less investment expenses	21,070
Net investment earnings	534,907
Total additions	**1,800,642**
DEDUCTIONS	
Units redeemed	1,058,719
Distributions to unitholders	2
Total deductions	**1,058,721**
Change in net assets	**741,921**
Net Assets Held in Trust for Plan Participants - Beginning	**4,331,764**
Net Assets Held in Trust for Plan Participants - Ending	**$ 5,073,685**

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 within the Board of Regents. 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 the OTTA, shall act as the 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, 2010 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, the OTTA embarked on a nationwide search for an investment firm to not only manage the new funds, but also help the OTTA provide customer service and marketing support. After an extensive review process, OTTA Board of Directors selected Putnam Investments. In October 2000, the OTTA launched the CollegeAdvantage 529 Savings Plan offering market-based options managed by Putnam Investments in addition to the OTTA's Guaranteed Savings Fund. As of June 30, 2010, 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, was offered directly to residents of the state of Ohio until January 31, 2010.

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, 2010. The Vanguard Group manages the investments for CollegeAdvantage. The 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. The 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 PIMCO options, the Oppenheimer 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. Contributors are able to request refunds at any time for any reason, subject to certain penalties for nonqualified withdrawals.

In the fall of 2009, after extensive research and work with outside investment consultants, the OTTA Board of Directors decided to add a second advisor program. On October 1, 2009, BlackRock launched the BlackRock CollegeAdvantage program through financial advisors. As of June 30, 2010, there are two age-based options, and 15 separately managed account options available through the BlackRock CollegeAdvantage program.

Contributions to the Putnam (before January 31, 2010), 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, 2010 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 the 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 investment income and basis points charges to customers for investments in CollegeAdvantage options. Operating expenses for enterprise funds include tuition benefits expense, 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 seven (7) 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, 5DC0 and 5BR0)

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, 5DC0 and 5BR0 account for the administrative revenues and administrative expenses of the Vanguard, Fifth Third and BlackRock 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, BlackRock, 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*, the 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. The 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, 5DC0 and 5BR0 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, 2010.

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, the OTTA received 20 basis points (0.20%) from July 1, 2009 through December 31, 2009 and received 10 basis points (0.10%) from January 1, 2010 through June 30, 2010 on all sales made by investment advisors. These amounts are calculated daily by Putnam Investments and payment is received by the OTTA quarterly.
- A $6 per account fee was received for the accounts that had the Putnam Option in the direct plan from July 1, 2009 until the Stable Value Option was eliminated in January 2010.
- For the Vanguard program, the OTTA received 15 basis points (0.15%) on all sales, both Ohio and National, except for on the Vanguard S&P 500 Portfolio, on which the OTTA receives 10 basis points (0.10%). This amount is calculated daily and payment is received by the OTTA monthly. The 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 the OTTA monthly. The OTTA receives 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. The OTTA receives 10 basis points (0.10%) on all the BlackRock advisor assets under management. The amount is calculated daily and payment is received 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.

The OTTA has conducted internal studies of operating expenses. Based on the results of those studies, the 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, 2010
- Non-current: Due after June 30, 2011
- 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 2010 was $197,772 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 2009 – November 2009
IronBridge Capital Management	Domestic Equities	November 2009 – June 2010
JP Morgan Investments Advisors	Fixed Income	July 2009 – June 2010
STAR Ohio	Short Term Investments	July 2009 – June 2010
Next Century Growth Managers	Domestic Equities	July 2009 – November 2009
Mondrian Investment Partners (US), Inc.	International Equities	July 2009 – June 2010
Seix Advisors	Fixed Income	July 2009 – June 2010
GMO (Grantham, Mayo, Van Otterloo & Co., LLC)	Equity & Fixed Income	July 2009 – June 2010
State Street Global Advisors	Domestic Equity	July 2009 – June 2010
BlackRock Investment Advisors, Inc.	Fixed Income	July 2009 –June 2010
Mellon Capital Management	Equity & Fixed Income	July 2009 – June 2010
Artio Global	International Equities	July 2009 – June 2010

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 2010, realized and unrealized gains were as follows:

	RESERVE	TRUST	TOTAL
REALIZED GAIN (LOSS)	($363,715)	($109,612)	($473,327)
CHANGE IN FAIR VALUE OVER COST (UNREALIZED)	3,821,579	39,550,395	43,371,474
UNREALIZED GAIN (LOSS) ON INVESTMENTS	8,390,837	(44,451,896)	(36,061,059)

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 $671,609, $529,629 and $977,772, respectively, as of June 30, 2010.

The State of Ohio, which governs the 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,* the 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 2010, 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 seven sub-funds are authorized to participate in Securities Lending Agreements, during Fiscal Year 2010 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 $1,531,037 and the bank balance was $2,557,695. Of the bank balance, $320,336 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, $351,411 was maintained in custodial accounts held by the Ohio Treasurer of State, and $1,885,947 was held on deposit with a banking institution.

At fiscal year end, the portion of the 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 the OTTA's name.

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, 2010, the Ohio OTTA Authority had the following investments and maturities:

	Investment Custodial Credit Risk Categories (Allocate using fair value)		
Investment Type	Investment Balance (MV @ 6/30/10)	Not Exposed to Custodial Credit Risk	Total Carrying Amount (MV @ 6/30/10)
US Agency & Instrumentality Obligations	$1,063,186	$1,063,186	$1,063,186
US Agency & Instrumentality Obligations	1,481,472	1,481,472	1,481,472
US Agency & Instrumentality Obligations	3,059,292	3,059,292	3,059,292
US Agency & Instrumentality Obligations	6,039,577	6,039,577	6,039,577
US Agency & Instrumentality Obligations	57,583,033	57,583,033	57,583,033
US Government Obligations	29,971,257	29,971,257	29,971,257
US Government Obligations-Strips	13,435,404	13,435,404	13,435,404
Municipal Bonds & Notes (Domestic)	1,198,793	1,198,793	1,198,793
Municipal Bonds & Notes (Domestic)	583,089	583,089	583,089
Municipal Bonds & Notes (Domestic)	154,946	154,946	154,946
Corporate Bonds & Notes (Domestic)	15,779,387	15,779,387	15,779,387
Corporate Bonds & Notes (Domestic)	3,824,289	3,824,289	3,824,289
Corporate Bonds & Notes (Domestic)	5,092,826	5,092,826	5,092,826
Corporate Bonds & Notes (Domestic)	3,980,638	3,980,638	3,980,638
Corporate Bonds & Notes (Domestic)	6,248,742	6,248,742	6,248,742
Corporate Bonds & Notes (Domestic)	13,048,400	13,048,400	13,048,400
Corporate Bonds & Notes (Domestic)	19	19	19
Corporate Bonds & Notes (Foreign)	1,420,083	1,420,083	1,420,083
Corporate Bonds & Notes (Foreign)	4,158,820	4,158,820	4,158,820
Corporate Bonds & Notes (Foreign)	639,038	639,038	639,038
Corporate Bonds & Notes (Foreign)	4,814,986	4,814,986	4,814,986

	Investment Custodial Credit Risk Categories (Allocate using fair value)		
Investment Type	Investment Balance (MV @ 6/30/10)	Not Exposed to Custodial Credit Risk	Total Carrying Amount (MV @ 6/30/10)
Asset Backed Securities	1,009,389	1,009,389	1,009,389
Asset Backed Securities	3,186,244	3,186,244	3,186,244
Asset Backed Securities	28,190,355	28,190,355	28,190,355
Asset Backed Securities	692,155	692,155	692,155
Asset Backed Securities	760,255	760,255	760,255
Asset Backed Securities	2,029,184	2,029,184	2,029,184
Asset Backed Securities	397,001	397,001	397,001
Asset Backed Securities	326,505	326,505	326,505
Asset Backed Securities	304,125	304,125	304,125
Asset Backed Securities	285,556	285,556	285,556
Bond Mutual Fund (Domestic)	1,518,069	1,518,069	1,518,069
Bond Mutual Fund (Domestic)	7,283,445	7,283,445	7,283,445
Bond Mutual Fund (Domestic)	6,574,987	6,574,987	6,574,987
Common & Preferred Stock (Domestic)	38,052,614	38,052,614	38,052,614
Common & Preferred Stock (Foreign)	275,463	275,463	275,463
Equity Mutual Funds (Foreign)	69,410,613	69,410,613	69,410,613
Equity/Balanced Mutual Funds (Domestic)	225,092,901	225,092,901	225,092,901
Money Market Funds	18,725,518	18,725,518	18,725,518
STAR Ohio	2,996,101	2,996,101	2,996,101
Repurchase Agreements	1,680,565	1,680,565	1,680,565
	$582,368,322	**$582,368,322**	**$582,368,322**

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.

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.

Investment Type	Investment Balance (MV @ 6/30/10)	Investment Maturities (in years)			
		Less (<) than 1	1-5	6-10	more (>) than 10
US Agency & Instrumentality Obligations	$1,063,186	$ -	$ 901,601	$ 161,585	$ -
US Agency & Instrumentality Obligations	1,481,472	-	1,481,472	-	-
US Agency & Instrumentality Obligations	3,059,292	358,288	806,868	1,695,366	198,770
US Agency & Instrumentality Obligations	6,039,577	-	-	559,854	5,479,723
US Agency & Instrumentality Obligations	57,583,033	-	155,513	8,166,081	49,261,439
US Government Obligations	29,971,257	2,050,426	11,633,352	7,485,705	8,801,774
US Government Obligations-Strips	13,435,404	524,423	8,295,360	4,394,048	221,573
Municipal Bonds & Notes (Domestic)	1,198,793	-	-	-	1,198,793
Municipal Bonds & Notes (Domestic)	583,089	-	-	-	583,089
Municipal Bonds & Notes (Domestic)	154,946	-	-	-	154,946
Corporate Bonds & Notes (Domestic)	15,779,387	986,846	7,953,204	4,899,681	1,939,656
Corporate Bonds & Notes (Domestic)	3,824,289	-	2,237,475	1,052,406	534,408
Corporate Bonds & Notes (Domestic)	5,092,826	-	4,668,739	151,791	272,296
Corporate Bonds & Notes (Domestic)	3,980,638	1,044,275	2,936,363	-	-
Corporate Bonds & Notes (Domestic)	6,248,742	903,975	5,048,915	142,524	153,328
Corporate Bonds & Notes (Domestic)	13,048,400	1,406,659	6,278,551	1,897,467	3,465,723
Corporate Bonds & Notes (Domestic)	19	-	-	19	-
Corporate Bonds & Notes (Foreign)	1,420,083	390,189	695,031	248,871	85,992
Corporate Bonds & Notes (Foreign)	4,158,820	256,476	2,891,657	1,010,687	-
Corporate Bonds & Notes (Foreign)	639,038	-	639,038	-	-
Corporate Bonds & Notes (Foreign)	4,814,986	835,348	2,527,681	1,165,708	286,249
Asset Backed Securities	1,009,389	-	-	-	1,009,389
Asset Backed Securities	3,186,244	-	-	278,298	2,907,946
Asset Backed Securities	28,190,355	918,422	4,180,098	3,753,537	19,338,298
Asset Backed Securities	692,155	-	-	-	692,155
Asset Backed Securities	760,255	-	635,048	-	125,207
Asset Backed Securities	2,029,184	-	229,923	309,166	1,490,095
Asset Backed Securities	397,001	-	-	-	397,001
Asset Backed Securities	326,505	-	-	-	326,505
Asset Backed Securities	304,125	-	-	-	304,125

Investment Type	Investment Balance (MV @ 6/30/10)	Investment Maturities (in years) Less (<) than 1	1-5	6-10	more (>) than 10
Asset Backed Securities	285,556	-	285,556	-	-
Bond Mutual Fund (Domestic)	1,518,069	1,518,069	-	-	-
Bond Mutual Fund (Domestic)	7,283,445	7,283,445	-	-	-
Bond Mutual Fund (Domestic)	6,574,987	6,574,987	-	-	-
Common & Preferred Stock (Domestic)	38,052,614	38,052,614	-	-	-
Common & Preferred Stock (Foreign)	275,463	275,463	-	-	-
Equity Mutual Funds (Foreign)	69,410,613	69,410,613	-	-	-
Equity/Balanced Mutual Funds (Domestic)	225,092,901	225,092,901	-	-	-
Money Market Funds	18,725,518	18,725,518	-	-	-
STAR Ohio	2,996,101	2,996,101	-	-	-
Repurchase Agreements	1,680,565	1,680,565	-	-	-
	$582,368,322	**$381,285,603**	**$ 64,481,445**	**$37,372,794**	**$99,228,480**

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.

Investment Type	Investment Balance (MV @ 6/30/10)	Credit Rating	Foreign Currency
US Agency & Instrumentality Obligations	$1,063,186	A	USD
US Agency & Instrumentality Obligations	1,481,472	AA	USD
US Agency & Instrumentality Obligations	3,059,292	AAA	USD
US Agency & Instrumentality Obligations	6,039,577	N/A	USD
US Agency & Instrumentality Obligations	57,583,033	NR	USD
US Government Obligations	29,971,257	AAA	USD
US Government Obligations-Strips	13,435,404	AAA	USD
Municipal Bonds & Notes (Domestic)	1,198,793	A	USD
Municipal Bonds & Notes (Domestic)	583,089	AA	USD
Municipal Bonds & Notes (Domestic)	154,946	AAA	USD
Corporate Bonds & Notes (Domestic)	15,779,387	A	USD
Corporate Bonds & Notes (Domestic)	3,824,289	AA	USD
Corporate Bonds & Notes (Domestic)	5,092,826	AAA	USD
Corporate Bonds & Notes (Domestic)	3,980,638	B	USD

Investment Type	Investment Balance (MV @ 6/30/10)	Credit Rating	Foreign Currency
Corporate Bonds & Notes (Domestic)	6,248,742	BA	USD
Corporate Bonds & Notes (Domestic)	13,048,400	BAA/BBB	USD
Corporate Bonds & Notes (Domestic)	19	C	USD
Corporate Bonds & Notes (Foreign)	1,420,083	A	USD
Corporate Bonds & Notes (Foreign)	4,158,820	AA	USD
Corporate Bonds & Notes (Foreign)	639,038	AAA	USD
Corporate Bonds & Notes (Foreign)	4,814,986	BAA/BBB	USD
Asset Backed Securities	1,009,389	A	USD
Asset Backed Securities	3,186,244	AA	USD
Asset Backed Securities	28,190,355	AAA	USD
Asset Backed Securities	692,155	B	USD
Asset Backed Securities	760,255	BA/BB	USD
Asset Backed Securities	2,029,184	BAA/BBB	USD
Asset Backed Securities	397,001	CC	USD
Asset Backed Securities	326,505	CCC	USD
Asset Backed Securities	304,125	N/A	USD
Asset Backed Securities	285,556	NR	USD
Bond Mutual Fund (Domestic)	1,518,069	B	USD
Bond Mutual Fund (Domestic)	7,283,445	BA	USD
Bond Mutual Fund (Domestic)	6,574,987	AAA	USD
Common & Preferred Stock (Domestic)	38,052,614	NR	USD
Common & Preferred Stock (Foreign)	275,463	NR	USD
Equity Mutual Funds (Foreign)	69,410,613	NR	USD
Equity/Balanced Mutual Funds (Domestic)	225,092,901	NR	USD
Money Market Funds	18,725,518	AAA	USD
STAR Ohio	2,996,101	AAA	USD
Repurchase Agreements	1,680,565	AAA	USD
	$582,368,322		

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, BlackRock 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, Blackrock 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, BlackRock 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, 2010, the Investments of the CollegeAdvantage Putnam Savings Plan Private Purpose Trust Fund were $3,310,462,613. Cash and Investments of the CollegeAdvantage Vanguard Savings Plan Private Purpose Trust Fund were $339,000 and $1,421,035,000, respectively. Cash and Certificates of Deposit of the CollegeAdvantage Fifth Third Savings Plan Private Purpose Trust Fund were $61,684,961 and $132,660,917, respectively. The Investments of the CollegeAdvantage PIMCO Savings Plan Private Purpose Trust Fund were $80,739,917. The Investments of the CollegeAdvantage Oppenheimer Savings Plan Private Purpose Trust Fund were $16,413,153. The Cash and Investments of the CollegeAdvantage GE Asset Management Savings Plan Private Purpose Trust Fund were $13,473 and $26,288,739, respectively. The Investments of the BlackRock CollegeAdvantage Savings Plan Private Purpose Trust Fund were $27,389,364.

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	$ 632,900,000
Actuarial net assets available	$ 562,100,000
Assets as a percentage of tuition benefits and expense obligation	88.81%

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	7.00%	Annually
Consumer Price Index (CPI) Inflation Rate	2.5 %	Annually

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, 2009	$ (62.8)
Adjustment to beginning of year's assets	(9.8)
Interest on the deficit at 6.5%	(4.7)
Investment gain	24.0
Higher actual 2010-2011 tuition than assumed	(18.0)
Interest gain on timing of tuition payouts	0.6
Other gains	(0.1)
Reserve/(Deficit) as of June 30, 2010	$ (70.8)

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, the 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 the OTTA's PLR stating that unlike privately run tuition programs, state sponsored tuition programs (such as that administered by the 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 the 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 the 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 2009, member and employer contribution rates were consistent across all three plans.

The 2009 member contribution rates were 10.0% for members in state classifications.

The 2009 employer contribution rate for state employers was 14.00% of covered payroll.

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 2009 employee contribution rate was 10.0 percent of covered payroll costs. The 2009 employer contribution rate was 14.0 percent of the covered payroll costs. Employer contributions required and made to OPERS for FY 2010, 2009, and 2008 were $305,306, $330,463, and $310,473, respectively. These contribution figures were extracted from the OTTA's records.

8. Other Post-Employment Benefits

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. 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 OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not contribute to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The portion of the OTTA's employer contributions that were used to fund post-employment benefits in 2009 was approximately $139,444.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

9. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 reported for the OTTA was as follows:

Asset Category	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 334,944	$ 213,640	$(8,495)	$ 540,089
Subtotal	334,944	213,640	(8,495)	540,089
Accumulated Depreciation	(181,212)	(148,705)	0	(329,917)
Net Capital Assets	$ 153,732	$ 64,935	$ (8,495)	$ 210,172

For fiscal year 2010, the OTTA reported $148,705 in depreciation expense.

10. Non-Current Liabilities

Changes in non-current liabilities for the year ended June 30, 2010 are presented for the 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	$ 648,500	$ 0	$(15,600)	$ 632,900	$ 79,000

383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

We have audited the accompanying financial statements of the enterprise fund and the remaining fund information of the Ohio Tuition Trust Authority, State of Ohio (the Authority), as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 30, 2010. Our report refers 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 the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the remaining fund information, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report 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
September 30, 2010

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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
NOVEMBER 30, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us