OHIO TUITION TRUST AUTHORITY
Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the year ended June 30, 2012

and Independent Auditors' Report Thereon

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Tuition Trust Authority, Franklin County, prepared by Schneider Downs & Co. Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

Dave Yost
Auditor of State

December 21, 2012

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OHIO TUITION TRUST AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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, 2012. We encourage readers to consider the information presented here in conjunction with OTTA's financial statements, which begin on Page 7 of this report.

The primary objectives for OTTA are to help make higher education affordable by providing citizens of Ohio with tax-advantaged investment opportunities to save in advance for higher education expenses. The program consists of offering a variable college savings program and maintaining recordkeeping and distributions for the Guaranteed Savings Fund program. All available programs are collectively called CollegeAdvantage. The variable college savings program has two separate and distinct sales channels: direct and advisor. The OTTA is currently responsible for all recordkeeping, fund accounting and administration of the direct options. OTTA is in the process of seeking a provider for recordkeeping and fund accounting services for the direct program and hopes to have the transition completed by June 2013.

Financial Highlights - Enterprise Fund

- OTTA's invested assets decreased during fiscal year 2012 by $59,761,000 or 10.0%, attributable to the small investment return, net of fees, of 1.2% in FY12, sales into the Guaranteed Saving Fund continuing to be suspended, and payouts.

- Tuition Benefits Payable decreased during the fiscal year by $39,599,000, or 6.7%, as a result of the continued suspension of sales in the Guaranteed Savings Plan and participants' continued redemption of their units and credits.

- The Net Deficit Balance decreased $22,337,000 due to investment returns in fiscal year 2012 of 1.3% as compared to 15.9% in fiscal year 2011 as well as participants continuing to redeem their investment.

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, 2012. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(UNAUDITED)

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 options offered in the Variable Savings Program. Those options are available in 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 BlackRock, Vanguard Investments, Fifth Third Bank, PIMCO, Oppenheimer and GE Asset Management, respectively.

The financial statements can be found on Pages 7-12 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 13-27 of this report.

OHIO TUITION TRUST AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(UNAUDITED)

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, 2012 and June 30, 2011:

Condensed Comparative Balance Sheet
As of June 30, 2012 and 2011

	2012	2011	Dollar Change	Percent Change
Current Assets	$ 5,768,943	$ 7,371,881	$ (1,602,938)	(21.7%)
Securities	96,485,717	90,669,107	5,816,610	6.4%
Restricted Securities	442,872,982	508,450,369	(65,577,387)	(12.9%)
Other Assets	137,281	190,361	(53,080)	27.9%
Total Assets	545,264,923	606,681,718	(61,416,795)	10.1%
Current Liabilities	2,573,465	2,053,902	519,563	25.3%
Tuition Benefits Liability	553,000,000	592,599,000	(39,599,000)	6.7%
Total Liabilities	555,573,465	594,652,902	(39,079,437)	6.6%
Total Net (Deficit) Assets	(10,308,542)	12,028,816	(22,337,358)	185.7%
Total Liabilities And Net (Deficit) Assets	$ 545,264,923	$ 606,681,718	$ (61,416,795)	10.1%

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 $10.3 million as of June 30, 2012.

During fiscal year 2012, OTTA's total assets decreased by $61.4 million, or 10.1%.

OHIO TUITION TRUST AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(UNAUDITED)

The following table summarizes the changes in OTTA's Revenues and Expenses during fiscal years 2012 and 2011:

Condensed Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Years ended June 30, 2012 and 2011

	2012	2011	Dollar Change	Percent Change
Operating Revenues:				
Investment Income	$ 6,895,852	$ 88,874,037	$ (81,978,185)	(92.2%)
Basis Points Revenue	11,324,984	9,978,615	1,346,369	13.5%
Total Operating Revenues	18,220,836	98,852,652	(80,631,816)	(81.6%)
Operating Expenses:	13,397,104	12,229,619	1,167,485	9.5%
Tuition Benefits Expense	66,760,090	67,441,573	(681,483)	(1.0%)
Actuarial Tuition Benefits Expense	(39,599,000)	(40,301,000)	702,000	(1.7%)
Total Operating Expenses	40,558,194	39,370,192	1,188,002	3.0%
Change in Net Assets	$ (22,337,358)	$ 59,482,460	$ (81,819,818)	(137.6%)
Beginning Net Assets	12,028,816	(47,453,644)	59,482,460	(125.3%)
Ending Net Assets	$ (10,308,542)	$ 12,028,816	$ (22,337,358)	(185.7%)

OTTA's primary source of operating revenue is investment income and a small administrative fee that is assessed again the assets of the CollegeAdvantage participants, while the significant operating expense is tuition benefits expense. For the fiscal year ended June 30, 2012, OTTA's net assets decreased $22.3 million compared to fiscal year 2011 increase of $59.5 million. This was attributable mainly to a decrease of $82 million in investment income on investment returns of, net of fees, of 1.2% during the fiscal year.

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.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ohio Tuition Trust Authority
Columbus, Ohio

We have audited the accompanying financial statements of the Enterprise Fund and the Private Purpose Trust Fund information of the Ohio Tuition Trust Authority (OTTA), a department of the State of Ohio (State), as of and for the year ended June 30, 2012, which collectively comprise the OTTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the OTTA's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit a majority of the financial statements of the Private Purpose Trust Fund. Those separate fund financial statements that collectively represent 98% of net assets and contributions were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Private Purpose Trust Fund, is based 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the OTTA are intended to present the financial position and changes in financial position and, where applicable, cash flows of only the Enterprise Fund and the Private Purpose Trust Fund information of the OTTA. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows 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 other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Private Purpose Trust Fund information of the OTTA, as of June 30, 2012, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the OTTA'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 28, 2012

OHIO TUITION TRUST AUTHORITY

BALANCE SHEET
ENTERPRISE FUND
AS OF JUNE 30, 2012

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	3,874,544
Collateral on loaned securities		170,131
Basis points receivable		1,701,881
Other current assets		22,387
Securities restricted for tuition benefits payable		84,000,000
Total Current Assets		89,768,943
SECURITIES		96,485,717
SECURITIES RESTRICTED FOR TUITION BENEFITS PAYABLE		358,872,982
OTHER ASSETS		137,281
Total Assets	$	545,264,923
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	1,656,290
Accrued compensation and compensated leave		331,749
Payable to fund managers		415,295
Obligation under securities lending		170,131
Liabilities payable from restricted assets:		
Tuition Benefits Payable		84,000,000
Total Current Liabilities		86,573,465
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Tuition benefits payable		469,000,000
Total Liabilities		555,573,465
UNRESTRICTED NET DEFICIT		(10,308,542)
Total Liabilities And Net Deficit	$	545,264,923

See notes to financial statements.

OHIO TUITION TRUST AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Interest and dividend income	$ 12,680,364
Basis points revenue	11,324,984
Net decrease in fair value of marketable securities	(5,784,512)
Total Revenues	18,220,836
OPERATING EXPENSES	
Tuition benefits expenses (payouts)	66,760,090
Actuarial tuition benefits expense	(39,599,000)
Payroll, personnel and consulting services	9,844,016
Maintenance	3,493,593
Depreciation	59,495
Total Operating Expenses	40,558,194
Change In Net Assets	(22,337,358)
NET ASSETS	
Beginning of Year	12,028,816
End of Year	$ (10,308,542)

See notes to financial statements.

OHIO TUITION TRUST AUTHORITY

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to suppliers for goods and services	$ (1,892,225)
Cash payments for payroll and personal services	(10,941,064)
Cash payments for tuition benefits	(66,760,090)
Cash receipts from basis points	10,595,209
Net Cash Used In Operating Activities	(68,998,170)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sales and maturities of securities	425,466,713
Purchase of securities	(368,794,186)
Interest and dividends received	13,134,474
Net Cash Provided By Investing Activities	69,807,001
Net Increase In Cash And Cash Equivalents	808,831
CASH AND CASH EQUIVALENTS	
Beginning of Year	3,065,713
End of Year	$ 3,874,544

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES

CHANGE IN NET ASSETS	$	(22,337,358)
Adjustment to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Investment income		(6,895,852)
Change in Operating Assets and Liabilities		
Basis points receivable		(729,775)
Other assets		57,217
Accounts payable and accrued liabilities		776,033
Accrued compensation and compensated leave		(129,258)
Payable to fund managers		(140,177)
Tuition benefits payable		(39,599,000)
Net Cash Used In Operating Activities	$	(68,998,170)

See notes to financial statements.

OHIO TUITION TRUST AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
AS OF JUNE 30, 2012

ASSETS	
Investments in securities, at value	$ 6,268,606,210
Cash equivalents	106,274,636
Dividends, interest, and other receivable	186,514
Receivable for units sold	3,519,864
Receivable for securities sold	356,587
Total Assets	$ 6,378,943,811
LIABILITIES	
Cash overdraft	$ 338,468
Payable for securities purchased	1,613,494
Payable for units redeemed	1,724,760
Accrued management and administrative fees	1,166,327
Accrued sales fees	1,204,909
Total Liabilities	6,047,958
NET ASSETS HELD IN TRUST FOR PLAN PARTICIPANTS	$ 6,372,895,853

See notes to financial statements.

OHIO TUITION TRUST AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS	
Contributions:	
Units sold	$ 958,236,008
Exchanges in	660,689,035
Total Contributions	1,618,925,043
Investment earnings:	
Investment income	144,187,943
Net realized/unrealized depreciation on underlying fund shares	(82,005,047)
Total Investment Earnings	62,182,896
Less: Investment Expenses	28,555,089
Net Investment Earnings	33,627,807
Total Additions	1,652,552,850
DEDUCTIONS	
Units redeemed	694,333,146
Exchanges out	660,689,035
Total Deductions	1,355,022,181
Change In Net Assets	297,530,669
NET ASSETS	
Held in Trust for Plan Participants - Beginning of Year	6,075,365,184
Held in Trust for Plan Participants - End of Year	$ 6,372,895,853

See notes to financial statements.

OHIO TUITION TRUST AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - ORGANIZATION

The Ohio Tuition Trust Authority (OTTA) was established by Chapter 3334 of the 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, one shall have experience in the field of marketing or public relations, one shall have experience in the field of information systems design or management, and two shall have experience in the field of banking, investment banking, 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 the chancellor's designee, is an ex officio voting member.

The primary objectives for OTTA are to help make higher education affordable by providing citizens of Ohio with tax-advantaged investment opportunities to save in advance for higher education expenses. The program consists of offering a variable college savings program and maintaining recordkeeping and distributions for the Guaranteed Savings Fund program (Guaranteed Program). Sales of new units of the Guaranteed Program were suspended in 2004. 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 13 state-funded universities in Ohio. Only Ohio residents were eligible to participate. The Guaranteed Program is guaranteed by the full faith and credit of the State of Ohio. The Guaranteed Program is intended for long-term savings (four or more years). Contributions 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. The redemption value increases proportionately in relation to the increase in WAT. 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.

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.

NOTE 1 - ORGANIZATION (Continued)

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.

Guaranteed Savings Program - Enterprise Fund

The accompanying enterprise financial statements report the financial position, results of operations and cash flows for the fiscal year ended June 30, 2012 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.

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. In October 2000, OTTA launched Ohio's 529 plan, CollegeAdvantage, offering market-based investment options. CollegeAdvantage has two separate and distinct sales channels: direct and advisor.

The CollegeAdvantage direct plan is for families who are comfortable selecting and managing their own investments. The direct plan is a lower-cost option, since the family is not receiving professional investment advice, and they are choosing to select their own investment strategy and manage their own accounts. The plan currently offers 23 low-cost options from The Vanguard Group, Fifth Third Bank, PIMCO, Oppenheimer Funds and GE Asset Management. The direct plan is open to investors in Ohio and across the country. The OTTA is responsible for all recordkeeping and administration of The Vanguard Group, PIMCO, Oppenheimer Funds and GE Asset Management direct plan options. Fifth Third Bank maintains, on OTTA's behalf, separate records for each account involving Savings Products; these services include the recordkeeping and accounting for each individual account. OTTA is in the process of seeking a provider for recordkeeping and fund accounting services for the direct program and plans to have the transition completed by June 2013.

Contributions to the 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 in good order. 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.

NOTE 1 - ORGANIZATION (Continued)

Contributions to the Fifth Third Savings Program are evidenced through the establishment 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 advisor plan is for families working with an investment advisor. The advisor plan offers the same 529 tax-saving benefits but has different investment options and fund managers than the direct plan. On October 1, 2009, BlackRock launched the BlackRock CollegeAdvantage Program through financial advisors. As of June 30, 2012, there are 33 investment options, including 15 age-based options, and 3 Target-Risk Investment Options and 15 Single Strategy investment options available through the BlackRock CollegeAdvantage program.

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, 2012 of the Fiduciary Fund consisting of the Variable Savings Program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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 points revenue and fees. Proprietary funds distinguish operating revenues and expenses from non-operating 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 charged to customers for investments in CollegeAdvantage options. Operating expenses for the enterprise funds include tuition benefits expense, the cost of marketing products and services and administrative expenses. All revenues and expenses not meeting this definition would be reported as non-operating revenues and expenses.

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.

OTTA classifies fund resources into five 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 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 - 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 Fund - The Variable Savings Operating Sub Fund is used to account for the administrative revenues and administrative costs of the Variable Savings Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with the State of Ohio 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. 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 pledging financial institutions' trust department or agent but not in the OTTA's name.

Collateral on Loaned Securities/Obligation under Securities Lending

During fiscal year 2012, 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 State is obligated to return the cash to the borrower when the security lending agreement terminates. The Treasurer reinvested the collateral in various types of investments, including U.S. government and agency obligations, repurchase agreements, commercial paper, corporate bonds, asset-backed securities, master notes, variable rate notes, and money market funds. Also, cash collateral may 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.

Securities

Securities consist of equity and debt securities. 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. Net increase in fair value of securities includes both realized and unrealized gains on securities. Certain securities are restricted by statute for payment of obligations of the OTTA pursuant to tuition payment contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Administrative revenue for the Variable Savings Operating Sub Funds was derived from basis points revenue, which is received on all sales of the Variable Savings Plan as follows:

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 15 basis points (0.15%) on all Fifth Third Bank program sales. This amount, paid by Fifth Third as a revenue share, 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 received 10 basis points (0.10%) on all the BlackRock advisor assets under management through October 7, 2010 from the customer. In addition, effective October 8, 2010, the OTTA receives 12 basis points (0.12%) on the first $4 billion of assets; 14 basis points (0.14%) on assets from $4 billion to $5 billion in revenue sharing from BlackRock and 17 basis points (0.17%) on assets over $5 billion. The amount is calculated daily and payment is received monthly.

For the BlackRock program, BlackRock will pay $250,000 annually to the OTTA for scholarships.

Expenses

Tuition Benefit Expenses (Payouts) are recognized when they are redeemed by the beneficiary. The actuarial tuition benefits expense reflects the amount used to adjust the tuition benefit payable 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Because OTTA is a department of the State, the income of OTTA is not subject to federal or state income tax.

Accounting Pronouncements

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to the OTTA:

- GASB No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34"
- GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"
- GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"
- GASB No. 65, "Items Previously Reported as Assets and Liabilities"
- GASB No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62"
- GASB No. 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27"

Management has not yet evaluated the impact that the adoption of these statements will have on its financial statements.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

NOTE 3 - DEPOSITS AND SECURITIES

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. Investment strategies specifically prohibited by the Investment Policy include borrowed money, pledges, hypothecations, mortgages or encumbered assets, loans, purchase commodities or investment in 144A securities and other nonmarketable securities.

NOTE 3 - DEPOSITS AND SECURITIES (Continued)

At fiscal year-end, the carrying amount of OTTA's deposits was approximately $3,875,000, and the bank balance was approximately $5,458,000. Of the bank balance, approximately $1,207,000 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, approximately $3,689,000 was maintained in custodial accounts held by the Ohio Treasurer of State and approximately $562,000 was held on deposit with a banking institution.

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. Standard & Poor's has assigned an "AAAm" money market rating, its highest rating, to STAR. By obtaining a triple A rating, STAR Ohio is considered to have a superior capacity to maintain principal ($1.00 per share value) and limit exposure to loss. The rating is based on an analysis of the pool's management, investment guidelines, portfolio holdings and market price exposure.

As of June 30, 2012, the OTTA Guaranteed Program had the following securities, which are stated at fair value:

Fixed maturities:	
U.S. government obligations	$ 21,353,185
U.S. agency & instrumentality obligations	5,130,942
Corporate bonds	8,926,499
Asset backed securities	2,652,195
Bond mutual funds (domestic)	123,607,610
Total Fixed Maturities	161,670,431
Domestic equity securities:	
Common & preferred stock	16,032,804
Equity mutual funds	294,909,184
Total Domestic Equity Securities	310,941,988
Foreign equity securities:	
Common & preferred stock	246,203
Equity mutual funds	59,631,728
Total Foreign Equity Securities	59,877,931
Cash equivalents:	
Cash management vehicle	2,027,008
STAR Ohio	109,098
Repurchase Agreements	4,732,243
Total Cash Equivalents	6,868,349
	$ 539,358,699

NOTE 3 - DEPOSITS AND SECURITIES (Continued)

Custodial Credit Risk - Custodial risk for securities is the risk that, in the event of failure of a counter party to a transaction, OTTA will not be able to recover the value of the security that are in the possession of an outside party. Ohio law provides that the OTTA's assets shall be held in the custody of the Treasurer of State but not comingled 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.

Credit Risk – Fixed-Income Securities - 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 downgraded below the minimum allowed in this investment policy, the manager will have a period of 90 days to liquidate the bond from the portfolio.

Quality Rating		
AAA	$	28,672,967
AA		122,157
A		842,261
BBB		2,291,052
BB		4,121,930
B		1,722,853
Total Credit Risk Equity Securities		37,773,220
U.S. agency & instrumentality obligations		5,130,942
Bond mutual funds		123,607,610
Common and preferred stocks		16,279,007
Equity mutual funds		354,540,912
Cash management vehicle		2,027,008
	$	539,358,699

Concentration of Credit Risk - Concentration of credit risk is the risk of loss that may be attributed to the magnitude of OTTA's investment in a single issuer. In 2012, there is no single issuer that comprises 5% or more of the overall portfolio with the exception of OTTA's investments in the U.S. government.

NOTE 3 - DEPOSITS AND SECURITIES (Continued)

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 are purchased for the portfolio could technically be considered derivatives, they are not the highly leveraged derivatives that are considered risky (options, futures, etc.). Currently, the Collateralized Mortgage Obligation (CMO) is allocated between CMO non-derivative and CMO derivative securities and these allocations are used to control the overall risk within the portfolio in conjunction with the other sectors within which the portfolio is invested.

		Securities Maturities (In Years)			
	Balance (Fair Value @ 6/30/12)	Less (<) 1	1-5	6-10	More (>) than 10
US Government Obligations	$ 21,353,185	$ 12,710,366	$ 8,642,819	-	-
US Agency & Instrumentality Obligations	5,130,942				$ 5,130,942
Corporate Bonds	8,926,499	2,921,624	6,004,875	-	-
Asset Backed Securities	2,652,195	-	810,513	-	1,841,682
Bond Mutual Fund (Domestic)	123,607,610	123,607,610	-	-	-
Common & Preferred Stock (Domestic)	16,032,804	16,032,804	-	-	-
Common & Preferred Stock (Foreign)	246,203	246,203	-	-	-
Equity/Balanced Mutual Funds (Domestic)	294,909,184	294,909,184	-	-	-
Equity Mutual Funds (Foreign)	59,631,728	59,631,728	-	-	-
Cash Management Vehicle	2,027,008	2,027,008	-	-	-
STAR Ohio	109,098	109,098	-	-	-
Repurchase Agreements	4,732,243	4,732,243	-	-	-
	$ 539,358,699	$ 516,927,868	$ 15,458,207	-	$ 6,972,624

Foreign Currency Risk - The securities in the Guaranteed Savings Fund portfolio and the Private Purpose Trust Fund are indirectly exposed to foreign currency risk through underlying investments in mutual funds that hold international securities. These investments involve risks not normally associated with investing in securities of U.S. corporations, such as foreign currency exchange rate fluctuation and adverse political and economic developments in foreign countries.

NOTE 4 - PRIVATE PURPOSE TRUST FUND

Investments are reported at fair value and are accounted for accordingly. The investments represent Private Purpose Trust Fund shares of mutual funds rather than individual securities.

Security transactions, normally shares of the 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 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 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, 2012, the cash, investments and certificates of deposit of the Private Purpose Trust Fund options were as follows:

	Cash	Investments	Certificates of Deposit
BlackRock CollegeAdvantage Savings Plan	-	$ 3,713,185,674	-
CollegeAdvantage Fifth Third Savings Plan	$ 104,858,232	-	$ 117,599,811
CollegeAdvantage GE Asset Management Savings Plan	-	35,345,076	-
CollegeAdvantage Oppenheimer Savings Plan	57,404	33,391,062	-
CollegeAdvantage PIMCO Savings Plan	-	132,950,587	-
CollegeAdvantage Vanguard Savings Plan	1,359,000	2,236,134,000	-
	$ 106,274,636	$ 6,151,006,399	$ 117,599,811

NOTE 5 - 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	\$553,000,000
Actuarial net assets available in Guaranteed Savings Fund	\$520,000,000
Assets as a percentage of tuition benefits and expense obligation	94.03%

Individual fund net asset (deficit) balances at June 30, 2012 were as follows:

Guaranteed Savings Fund:		
Operating Sub Fund	\$	(2,129,608)
Reserve Sub Fund		109,482,815
Trust Sub Fund		(140,322,705)
Total Guaranteed Savings Fund		(32,969,498)
Variable Savings Operating Sub Fund		22,660,956
Total Net Assets	\$	(10,308,542)

As mentioned in Note 2, included in the balance sheet of the Enterprise Fund is the Variable Savings Operating Fund. At June 30, 2012, the Guaranteed Savings Fund has a payable due to the Variable Savings Operating Fund of approximately \$19,452,000.

The following assumptions, as determined by management, were used in the actuarial determination of tuition benefits payable as of June 30, 2012:

Rate of return (investment of current and future assets)	5.5%
Projected tuition increase	7.0%
Consumer price index (CPI) inflation rate	2.5%
Discount rate	5.5%

NOTE 6 - OPERATING LEASES

OTTA occupies office space under an operating lease. The lease is for a two-year period ending June 30, 2013 with options to renew for three consecutive two-year terms. Lease expense for fiscal year 2012 was $170,000. Future scheduled lease payments for fiscal year 2013 are $170,000.

NOTE 7 - 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 that, in the opinion of management, are likely to have a material effect on any of the OTTA's funds.

NOTE 8 - 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, but less than, 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.

NOTE 8 - PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2011 member contribution rates were 10.0% for members in state and local classifications. The 2011 employer contribution rate for state and local employers was 14.0% 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. Employer contributions required and made to OPERS for the fiscal years ended June 30, 2012, 2011 and 2010 approximated $315,000; $324,000; and $305,000, respectively.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0% 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 and local employer units. Active members do not make contributions 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 Board of Trustees 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 for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. The portion of the OTTA's employer contributions that were used to fund post-employment benefits for calendar year 2011 approximated $94,000.

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

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004 was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six-year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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SUPPLEMENTARY FINANCIAL INFORMATION

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

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*

Board of Directors
Ohio Tuition Trust Authority
Columbus, Ohio

We have audited the financial statements of the Ohio Tuition Trust Authority (OTTA) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. We did not audit a majority of the financial statements of the Private Purpose Trust Fund. Those separate fund financial statements that collectively represent 98% of net assets and contributions were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Private Purpose Trust Fund, is based 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OTTA'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 OTTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OTTA'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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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 to be material weaknesses, as defined above. However, we identified a deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as No. 12-1 and 12-2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OTTA'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*.

We noted certain matters that we reported to management of the OTTA in a separate letter dated September 28, 2012.

The OTTA's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the OTTA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the OTTA's Board of Directors and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co., Inc.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 28, 2012

OHIO TUITION TRUST AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2012

Significant Deficiency: No. 12-1, Inadequate Control Environment

Criteria: Participant recordkeeping systems hold the private personal information of participants in benefit programs such as OTTA. As a result, such systems are generally highly secure, have many built-in controls and segregated duties, and have standardized reports. In addition, it is standard business practice to maintain portfolios in a fund accounting system. Such a system is used to calculate the daily unit value of each portfolio and provides a controlled accounting record of such calculation, including the following: a) a record of purchases and sales of each underlying investment; b) the total number of units held in each underlying investment; c) value, on a daily basis, of mutual fund investments; d) dividend income from each mutual fund; and e) daily accrual of expenses. Standard reports and routines make access to this information controlled and user friendly.

This practice is necessary to ensure that a) shares reflected in participant recordkeeping systems are backed-up by actual assets; b) to ensure that correct net asset values have been entered into the OTTA Proprietary System for participant transaction processing; and c) to ensure that any errors in trading or other systemic errors are detected on a timely basis.

Condition: OTTA utilizes a proprietary system for participant recordkeeping and performs fund accounting reconciliations on spreadsheets.

Cause: OTTA does not utilize participant recordkeeping and fund accounting systems. However, OTTA management is currently evaluating proposals from third-party service providers, so they can outsource this function.

Effect: A robust participant recordkeeping system and fund accounting system will improve controls and reporting. OTTA should purchase such a package or outsource this function to a third-party recordkeeping agent.

Management's Response: OTTA is in the process of selecting a service provider to partner with to provide recordkeeping and fund accounting services for our direct program. Our goal is to have the recordkeeping and fund accounting functions transitioned to the new service provider by June 2013. Once we have the new service model in place, we will consider engaging an audit firm to provide a SSAE16 report, if it is not already available through the new service provider.

Significant Deficiency: No. 12-2, Monitoring of External Control Environment

Criteria: A significant portion of the OTTA control environment related to investment transactions for the Guaranteed Savings Fund are maintained at the various investment managers. OTTA management monitors the control environments at these investment managers by receiving SSAE 16 SOC 1 reports.

Condition: During the performance of our audit, we noted that the SSAE 16 SOC1 reports for these investment managers were not reviewed by management.

Cause: OTTA lacks a process for monitoring the control environment at the investment managers.

Effect: There is a potential that investment transactions are not processed in accordance with OTTA's directives which could result in a misstatement of financial information.

Management's Response: OTTA will develop a policy and process, before June 2013, to review the SSAE16s received from its service organizations. We will implement any actions necessary as a result of the review process.

Dave Yost • 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
JANUARY 3, 2013

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