

**JOBSOHIO**

(A Component Unit of the State of Ohio)

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors of JobsOhio:

We have reviewed the accompanying statements of net position of JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively the "Entity") as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position for the three-month and six-month periods ended December 31, 2017 and 2016, and of cash flows for the six-month periods ended December 31, 2017 and 2016, and the related notes (the "interim financial information").

### **Management's Responsibility for the Interim Financial Information**

The Entity's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

### **Auditors' Responsibility**

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

### **Basis for Modification**

Management has omitted the Management's Discussion and Analysis section, which we believe is required to be disclosed in accordance with accounting principles generally accepted in the United States of America. Such missing information, although not a part of the accompanying basic interim financial information, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic interim financial information in an appropriate operational, economic, or historical context. Our reviews on the basic interim financial information are not affected by this missing information.

## **Conclusion**

Based on our reviews, with the exception of the matter described in the Basis for Modification paragraph, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

## **Report on Statement of Net Position as of June 30, 2017**

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net position of the Entity as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2017. In our opinion, the accompanying statement of net position of the Entity as of June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Deloitte & Touche LLP*

Columbus, Ohio  
February 28, 2018

**JOB SOHIO**  
(A Component Unit of the State of Ohio)

Statements of Net Position

(Unaudited)

(In thousands)

	December 31, 2017	June 30, 2017
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 319,907	\$ 274,020
Cash and cash equivalents - restricted	152,175	128,948
Investments	407,511	393,331
Inventory	71,595	73,533
Loans	5,957	4,500
Receivables	3,495	1,562
Prepaid expenses	2,565	4,826
Total current assets	963,205	880,720
Long-term assets:		
Intangible asset - liquor franchise, net of amortization	1,108,539	1,136,137
Capital assets, net of accumulated depreciation	1,255	1,310
Loans, net of loss allowance	67,379	43,778
Total long-term assets	1,177,173	1,181,225
<b>Total assets</b>	<b>2,140,378</b>	<b>2,061,945</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	21,299	17,175
Accrued liabilities	162,340	95,730
Special obligation bonds payable - current portion	44,870	44,870
Bond interest payable	29,012	29,012
Capital lease payable - current portion	10	10
Total current liabilities	257,531	186,797
Long-term liabilities:		
Special obligation bonds payable	1,381,140	1,382,532
Capital lease payable	13	18
Total long-term liabilities	1,381,153	1,382,550
<b>Total liabilities</b>	<b>1,638,684</b>	<b>1,569,347</b>
<b>Net position:</b>		
Net investment in capital assets	1,255	1,310
Unrestricted	500,439	491,288
<b>Total net position</b>	<b>\$ 501,694</b>	<b>\$ 492,598</b>

**JOBSONHIO**  
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	<b>Three Months Ended December 31, 2017</b>	<b>Three Months Ended December 31, 2016</b>
<b>Operating revenues:</b>		
Net liquor sales	\$ 318,420	\$ 298,103
Distribution center revenue	2,127	-
Interest income - loans	569	398
Fees and other	190	194
Total operating revenues	321,306	298,695
<b>Operating expenses:</b>		
Cost of goods sold	188,176	171,834
Sales commissions	17,488	16,541
Liquor gallonage taxes	12,804	12,475
Amortization of intangible asset - liquor franchise	13,799	13,799
Service fees	3,585	2,522
Supplemental Payment	9,422	9,279
Economic development programs	40,993	29,550
Salaries and benefits	2,669	2,370
Economic development purchased services	2,899	2,976
Professional services	2,701	1,683
Insurance	149	142
Administrative and support	1,765	745
Marketing	2,979	2,570
Other	362	25
Total operating expenses	299,791	266,511
<b>Operating income</b>	<b>21,515</b>	<b>32,184</b>
<b>Nonoperating revenues (expenses):</b>		
Bond interest, net	(13,810)	(14,015)
Investment income	(344)	(1,723)
Other, net	702	48
Total nonoperating revenues (expenses)	(13,452)	(15,690)
<b>Change in net position</b>	<b>8,063</b>	<b>16,494</b>
Net position, beginning of period	493,631	424,897
<b>Net position, end of period</b>	<b>\$ 501,694</b>	<b>\$ 441,391</b>

**JOB SOHIO**  
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	<b>Six Months Ended December 31, 2017</b>	<b>Six Months Ended December 31, 2016</b>
<b>Operating revenues:</b>		
Net liquor sales	\$ 610,024	\$ 567,814
Distribution center revenue	3,231	-
Interest income - loans	1,124	750
Fees and other	317	312
Total operating revenues	614,696	568,876
<b>Operating expenses:</b>		
Cost of goods sold	361,815	327,132
Sales commissions	33,347	31,294
Liquor gallonage taxes	24,952	24,206
Amortization of intangible asset - liquor franchise	27,598	27,598
Service fees	8,980	6,931
Supplemental Payment	16,625	17,407
Economic development programs	79,373	44,986
Salaries and benefits	5,238	4,757
Economic development purchased services	5,802	4,989
Professional services	6,472	2,934
Insurance	297	283
Administrative and support	3,586	1,389
Marketing	5,681	4,614
Other	479	45
Total operating expenses	580,245	498,565
<b>Operating income</b>	<b>34,451</b>	<b>70,311</b>
<b>Nonoperating revenues (expenses):</b>		
Bond interest, net	(27,620)	(28,029)
Investment income	951	(823)
Other, net	1,314	327
Total nonoperating revenues (expenses)	(25,355)	(28,525)
<b>Change in net position</b>	<b>9,096</b>	<b>41,786</b>
Net position, beginning of period	492,598	399,605
<b>Net position, end of period</b>	<b>\$ 501,694</b>	<b>\$ 441,391</b>

**JOBSOHIO**  
(A Component Unit of the State of Ohio)

Statements of Cash Flows

Six Months Ended December 31, 2017 and 2016

(Unaudited)

(In thousands)

	2017	2016
<b>Cash flows from operating activities:</b>		
Receipts from fees and other	\$ 1,068	\$ 709
Receipts from customers	610,032	567,621
Receipts from suppliers	2,035	-
Payments to employees	(5,231)	(4,773)
Payments to suppliers	(375,873)	(340,900)
Payments for economic development programs	(48,675)	(21,506)
Payments for commissions	(28,960)	(29,594)
Receipts from sales taxes	35,864	35,251
Payments for sales tax collections to State and county	(33,495)	(32,423)
Payments for gallonage tax collections to State	(24,034)	(23,231)
Payments for servicing fees	(9,031)	(2,481)
Payments for Supplemental Payment to State	(13,495)	(35,665)
Net cash provided by operating activities	110,205	113,008
<b>Cash flows from noncapital financing activities:</b>		
Payments for other nonoperating expenses	(5)	(1)
Net cash used in noncapital financing activity	(5)	(1)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(157)	(49)
Payments for capital lease	(5)	(5)
Payments for bond interest	(29,012)	(29,438)
Net cash used in capital and related financing activities	(29,174)	(29,492)
<b>Cash flows from investing activities:</b>		
Dividends and interest income	4,365	2,069
Purchases of investments	(89,544)	(112,218)
Proceeds from maturities of investments	73,267	55,131
Net cash used in investing activities	(11,912)	(55,018)
Net increase in cash and cash equivalents	69,114	28,497
Cash and cash equivalents, beginning of period	402,968	397,847
<b>Cash and cash equivalents, end of period</b>	<b>\$ 472,082</b>	<b>\$ 426,344</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 34,451	\$ 70,311
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of intangible asset - liquor franchise	27,598	27,598
Depreciation expense	264	252
Increase in loans	(25,405)	(9,183)
Increase in loan valuation allowance	347	-
Decrease (increase) in inventory	1,938	(1,422)
Increase in receivables	(1,933)	(524)
Decrease in prepaid expenses	2,261	1,654
Increase in accounts payable	4,093	7,213
Increase in accrued liabilities	66,591	17,109
Total adjustments	75,754	42,697
Net cash provided by operating activities	<b>\$ 110,205</b>	<b>\$ 113,008</b>
<b>Noncash capital and related financing activities:</b>		
Purchases of capital assets on account	\$ 58	\$ 20
Amortization of bonds payable	\$ 1,392	\$ 1,409

See accompanying notes to financial statements.



**JOBSOHIO**  
(A Component Unit of the State of Ohio)

Notes to Financial Statements

(Unaudited)

(In thousands)

**(1) Unaudited Financial Statements**

The financial information included in these financial statements is unaudited. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows for the period presented have been made on a consistent basis.

These financial statements should be read in conjunction with the financial statements and notes contained in JobsOhio's audited financial statements for the year ended June 30, 2017.

**(2) Summary of Significant Accounting Policies**

**(a) Organization**

JobsOhio was formed under the laws of the state of Ohio (State) and was established to encourage business development in the State. JobsOhio was incorporated on July 5, 2011, as a nonprofit corporation under Chapters 1702 and 187, Revised Code, to promote economic development, job creation, job retention, job training, and the recruitment of business to Ohio. JobsOhio is governed by a Board of Directors appointed by the Governor of Ohio.

The accompanying financial statements include the accounts of JobsOhio Beverage System (JOBS), its sole component unit. JOBS is governed by a Board of Directors appointed by JobsOhio as the sole member of JOBS and is considered a blended component unit of JobsOhio. JOBS, previously known as the Ohio Business Development Coalition (OBDC), was incorporated on June 3, 2004, as a nonprofit corporation under Chapter 1702, Revised Code, for the promotion of business and economic development in the State. On July 6, 2011, by action of its Board of Directors, the OBDC amended its Articles of Incorporation to transfer control of OBDC to JobsOhio. JOBS qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code for federal income tax purposes.

On February 1, 2013, JOBS effected a major change in its business model, acquiring an exclusive 25-year franchise for the sale of spirituous liquor in the State to fund economic development activities by JobsOhio, its sole member. See note 2(t), below, for information on this transaction.

The accounting policies and financial reporting practices of JobsOhio and JobsOhio Beverage System conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units.

**(b) Change in Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, *The Financial Reporting Entity*, for financial reporting purposes, JobsOhio's reporting entity now includes JOBS as a blended component unit (the Entity). Accordingly, the change in reporting entity has been applied retrospectively in the accompanying financial statements to include JOBS as a blended component unit of JobsOhio as of and for the periods ended December 31, 2017 and 2016, as well as for the year ended June 30, 2017. The effect of the change as of July 1, 2016 was to increase JobsOhio's net position by \$874.

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(Unaudited)

(In thousands)

**(c) Financial Statements**

As a special-purpose primary reporting entity engaged only in business-type activities, JobsOhio presents financial statements required for enterprise funds. For such entities, the basic financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to financial statements.

**(d) Measurement Focus and Basis of Accounting**

JobsOhio reports its financial statements using the economic resources measurement focus (i.e., full accrual) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**(e) Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount 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.

**(f) Cash and Cash Equivalents**

Cash equivalents includes all demand deposits with commercial banks and money market accounts, as well as all short-term, highly liquid investments that are readily convertible to cash and all short-term debt securities purchased with an original maturity of three months or less. Cash equivalents include money market investment funds in overnight investments.

**(g) Restricted Assets**

In accordance with a Master Trust Indenture and related agreements associated with JOBS' bond issuance, separate restricted accounts are required to be established. Assets held in these accounts are restricted for specific uses, including debt service and other special reserve requirements.

**(h) Investments**

Investments are reported at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Accordingly, changes in fair value are included in net income in the period earned.

**(i) Inventory**

The Entity's inventory of spirituous liquor consists of inventory withdrawn from bailment for shipment to agency stores, inventory in transit in commercial carriers, and inventory in agency stores. Inventory is valued at the lower of cost or market and the costing assumption is First In First Out (FIFO). The costs of

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Notes to Financial Statements

(Unaudited)

(In thousands)

liquor product, warehouse services, transportation services, and transfer movements are reported as part of merchandise inventory and are charged to cost of goods sold as product is sold.

In the business model used by the Entity, throughout most of the State spirituous liquor inventory is purchased at warehouses, transported by freight companies under contract to the Entity, and delivered to agency stores. Although the freight companies and the agency stores contractually assume the risk of loss, the ultimate risk of loss remains with the Entity. Legal title to the inventory is held by the Entity to the point of sale by the agency stores, which collect sale proceeds as agents for the Entity and make daily remittances to the Entity. A commission for the sales is subsequently paid to the agency stores by the Entity.

In regard to a subset of agency stores known as “interim agency stores,” under the terms of the Franchise and Transfer Agreement (Transfer Agreement), at the point inventory is delivered to an interim agency store, title to such inventory transfers to the Ohio Division of Liquor Control on a cost-free basis. However, the economic substance of such transactions does not differ from that for regular agency stores. On the basis of the Entity’s contractual rights and the status of the interim agency stores as agents of the Entity, such inventory is considered an asset of the Entity, is reported as inventory on the Entity’s statements of net position, and upon sale the cost of such inventory is included in cost of goods sold. Inventory at interim agency stores as of December 31, 2017 and June 30, 2017 was \$13,410 and \$13,609, respectively.

**(j) Loans**

Loans are carried at the unpaid principal balance outstanding, less the allowance for estimated loan losses. They are included in current assets, except for maturities greater than twelve months after the statements of net position date, which are classified as long-term assets.

**(k) Allowance for Loan Losses**

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating future loan losses. Management’s estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At December 31, 2017 and June 30, 2017, the amount of allowance for loan losses was \$4,931 and \$4,584, respectively, and is reported in the Entity’s statements of net position as part of “loans, net of loss allowance”.

**(l) Receivables**

Receivables are reported at the actual outstanding balance. Interest is not accrued on overdue receivables.

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(A Component Unit of the State of Ohio)

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(Unaudited)

(In thousands)

**(m) Prepaid Expenses**

Payments to vendors representing costs applicable to future accounting periods are recorded as prepaid expenses in the financial statements. The cost of prepaid expenses is recorded as expenses when consumed rather than when purchased.

**(n) Amortization of Premiums**

Bond premiums are recorded as an addition to bonds payable. Bond premiums are amortized using the effective-interest method over the term of the related bonds and are included as a component of interest expense.

**(o) Intangible Assets**

The intangible asset represents an exclusive franchise for the sale of spirituous liquor in the State. The liquor franchise is amortized on a straight-line basis over the 25-year term of the franchise. Amortization expense for the liquor franchise for the three and six months ended December 31, 2017 and 2016 was \$13,799 and \$27,598, respectively.

**(p) Capital Assets**

Capital assets, which include property and equipment, are reported in the financial statements. The Entity defines capital assets as assets with an expected useful life of one year or more from the time of acquisition and a cost of five thousand dollars or more. Such assets are recorded at historical cost.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Software	3 – 5 years
Furniture and equipment	3 – 10 years
Leasehold improvements	Lesser of 10-year amortization period or lease term

**(q) Net Position**

Net position is displayed in three components as follows:

- Net investment in capital assets – represents capital assets, net of accumulated depreciation less the outstanding balances of bonds, notes, and other borrowings used to acquire, construct, or improve those assets.
- Restricted – consists of net position that is legally restricted externally by creditors, contributors, laws, or regulations or internally by enabling legislation.
- Unrestricted – consists of net position that does not meet the definition of net investment in capital assets or restricted.

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Notes to Financial Statements

(Unaudited)

(In thousands)

***(r) Classification of Revenues and Expenses***

Revenues and expenses are classified as operating or nonoperating and are recognized in the period received. Under the Entity's definition:

- "Operating revenues" includes all revenues resulting from transactions and activities, other than financing and investing activities, related to the distribution, merchandising, and sale of spirituous liquor in the State, as well as revenue related to warehousing spirituous liquor, loan application fees, and loan interest.
- "Operating expenses" includes all expenses resulting from transactions and activities, other than financing and investing activities, related to the distribution, merchandising, and sale of spirituous liquor in the State, as well as costs that support economic development activities.

All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Entity has initiated loan and grant programs to private businesses in the State to support economic development. For the three and six months ended December 31, 2017 and 2016, the Entity issued grants for such purposes, reported in the Entity's statements of revenues, expenses, and changes in net position as "economic development programs" expense.

As part of the loan program, the Entity charges applicants an application fee, which is used to offset the cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the three and six months ended December 31, 2017 was \$36 and \$132, respectively. Total revenue from application fees received during the three and six months ended December 31, 2016 was \$48 and \$144, respectively. Revenue from application fees are included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

***(s) Risk Management/Insurance***

The Entity is exposed to various risks of loss related to torts and general liability; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Entity procures commercial insurance policies for commercial crime, management liability, directors' and officers' liability, employment practices, automobile liability, employers' liability, general liability, crime, and property. No claims have been submitted against the Entity since its incorporation and no liabilities have been identified or recorded. It is the Entity's policy that liabilities are to be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Since no claims have been submitted, settled claims have not exceeded commercial coverage.

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(Unaudited)

(In thousands)

**(t) *Liquor Franchise***

On February 1, 2013, the Entity and the State, through the Ohio Department of Commerce and the Ohio Office of Budget and Management, entered into a Transfer Agreement. Under the terms of the Transfer Agreement, the Entity purchased from the State an exclusive franchise for the sale of spirituous liquor throughout the State. In return, the Entity transferred cash to the State and committed to Supplemental Payments (described below), to the State based upon sales of spirituous liquor by the Entity. Pursuant to the Transfer Agreement, the Entity will receive all gross revenue from the distribution, merchandising, and sale of spirituous liquor in the State.

The liquor franchise established by the Transfer Agreement terminates 25 years from February 1, 2013. During the term of the franchise, the Entity is responsible for operating the Liquor Business, while the State will, under contract with the Entity, perform merchandising as a contract service, and will retain all liquor regulatory functions.

“Supplemental Payments,” are payments to the State based upon a formula specified in the Transfer Agreement. Beginning with the fiscal year ended June 30, 2014, if “Liquor Business Profits,” as that term is defined in the Transfer Agreement, for a fiscal year exceed a threshold amount of Liquor Business Profits set for that fiscal year (Base Franchise Profits (\$298,513 for fiscal year ending June 30, 2018 and \$289,819 for fiscal year ended June 30, 2017)), then the Entity is required to make a cash payment to the State equal to 75 percent of the amount by which Liquor Business Profits exceed Base Franchise Profits. Total Supplemental Payment expense for the three and six months ended December 31, 2017 was \$9,422 and \$16,625, respectively. Total Supplemental Payment expense for the three and six months ended December 31, 2016 was \$9,279 and \$17,407, respectively.

The Entity also contemporaneously contracted with the Ohio Department of Commerce for the continued operation and management of the Liquor Business under an Operations Services Agreement (Services Agreement). Under the Services Agreement, the Ohio Department of Commerce will provide ongoing operations, management, and administrative services related to the Liquor Business. Covered services include administrative support, tax support and reporting, information technology, agency operation and review, merchandise marketing and advertising, real property leasing, and management. Total service fees expense in the three and six months ended December 31, 2017 was \$3,585 and \$8,980, respectively. Total service fees expense in the three and six months ended December 31, 2016 was \$2,522 and \$6,931, respectively.

Contemporaneously with the execution of the Transfer Agreement and the Services Agreement, special obligation revenue bonds were issued by the Entity under the provisions of a Master Trust Indenture and first and second Supplemental Trust Indentures, dated February 1, 2013 (collectively referred to as the Indenture) between the Entity and Huntington National Bank (Trustee). The bonds and any additional obligations are paid solely from the Trust Estate, which consists primarily of the Liquor Business Profits, the Revenue Fund, the Tax Fund, the Debt Service Fund, and Supplemental Payment Reserve Fund,

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Notes to Financial Statements

(Unaudited)

(In thousands)

maintained by the Trustee. The bonds are special, limited obligations of the Entity, payable solely from assets held in the Trust Estate, and are not general obligations of the Entity or the State.

The Entity is required to maintain certain accounts with the Trustee as specified by the Indenture. The Entity grants, assigns, pledges, and transfers to the Trustee, for the benefit of the bondholders, all right, title, and interest in the Liquor Business Profits to provide for debt service of the bonds. Funds established by the Indenture are restricted for State tax payment, operating expenses of the Liquor Business, debt service, and Supplemental Payments to the State.

**(u) Use of Restricted and Unrestricted Resources**

In the event that the Entity is to fund outlays for a particular purpose from both restricted and unrestricted resources, in order to calculate the amounts to report as restricted and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Entity's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**(v) Compensated Absences**

The Entity provides no paid time off to part-time employees. Full-time employees (nonexecutive) are granted paid time off in annual amounts which increase with the individual employees' years of service on the basis of the following schedule:

<u>Years of Service</u>	<u>Annual Paid Time Off</u>
0 - 2	3 weeks
3 - 6	4 weeks
7+	5 weeks

Paid time off is not contingent upon services already rendered and no payment is made for unused paid time off at termination or retirement.

**(w) New Accounting Pronouncements**

GASB Statement No. 87, *Leases*, addresses improving accounting and financial reporting for leases. The definition of a lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement provides guidance for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2019. The Entity is assessing the impact of GASB Statement No. 87 to its financial statements and will implement in the timeline required by GASB.

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Notes to Financial Statements

(Unaudited)

(In thousands)

**(3) Detailed Notes on Activities and Funds**

**(a) Assets**

**1. Cash Deposits and Investments with Financial Institutions**

At December 31, 2017, the carrying amount of the Entity's deposits was \$163,363, and the respective bank balance was \$134,269. At June 30, 2017, the carrying amount of the Entity's deposits was \$125,345 and the respective bank balance was \$110,591. The difference in the carrying amount and the bank balances as of these dates are attributed to cash with fiscal agents and outstanding checks. See note 3(a)2 below.

The Entity is not subject to statutory restrictions on deposits or investments on certain accounts. All deposit and investment activity is governed by a policy adopted by the Entity's Board of Directors. Cash deposits consist of amounts held in demand accounts.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at December 31, 2017 and June 30, 2017, \$40,606 and \$8,190, respectively, was insured through the Federal Deposit Insurance Corporation (FDIC), including up to \$40,106 and \$7,690, respectively, deposited into money market accounts through a brokered deposit program permitting the Entity to obtain full FDIC coverage on the principal deposit amount. The remaining \$93,663 and \$102,491, respectively, was uninsured and exposed to custodial credit risk.

The Entity has two checking accounts that are linked to an overnight sweep account. One account is structured whereby total cash deposits in excess of \$6,000, less the \$40,106 in the brokered deposit accounts, are automatically transferred (or swept) from the primary cash account into a money market mutual fund that invests primarily in U.S. Treasuries guaranteed in full by the U.S. government. The money market fund is rated AAA by Standard & Poor's.

The Entity also has a separate account that is linked to an overnight sweep account, under which total uninvested cash is automatically transferred (or swept) from the primary cash accounts into a money market mutual fund that invests primarily in short-term, high-quality, fixed-income, domestic-sourced securities issued by banks, corporations, and the U.S. government, rated in the highest short-term category or of comparable quality. The money market mutual fund was rated Aaa-mf by Moody's. The amount invested in the money market mutual fund was \$308,984 and \$277,622 at December 31, 2017 and June 30, 2017, respectively.



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(Unaudited)

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Certain Investments Classified as Cash Equivalents

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of December 31, 2017 and June 30, 2017.

The Entity is required to maintain certain accounts with the Trustee as specified by the Indenture. The Entity grants, assigns, pledges, and transfers to the Trustee, for the benefit of the bondholders, all right, title, and interest in the Liquor Business Profits to provide for debt service of the bonds. Funds maintained in certain accounts are restricted for State tax payments, operating expenses of the Liquor Business, debt service, and Supplemental Payments. The following funds have been established by the Indenture:

		<u>December 31, 2017</u>	
<u>Fund</u>	<u>Fund custody</u>	<u>Unrestricted</u>	<u>Restricted</u>
Revenue fund	Trustee	\$ 183,479	\$ 40,767
Operations fund	Entity	-	26,670
Debt service fund	Trustee	-	73,967
General purpose fund	Entity	2,162	-
Supplemental Payment reserve fund	Trustee	-	10,771
	Total funds required by indenture	<u>185,641</u>	<u>152,175</u>
Cash		105,333	
Cash held at fiscal agents		28,930	-
Other		3	-
	Total cash and cash equivalents	<u>\$ 319,907</u>	<u>\$ 152,175</u>

		<u>June 30, 2017</u>	
<u>Fund</u>	<u>Fund custody</u>	<u>Unrestricted</u>	<u>Restricted</u>
Revenue fund	Trustee	\$ 164,752	\$ 32,739
Operations fund	Entity	-	16,079
Debt service fund	Trustee	-	55,948
General purpose fund	Entity	842	-
Supplemental Payment reserve fund	Trustee	-	24,182
	Total funds required by indenture	<u>165,594</u>	<u>128,948</u>
Cash		93,302	
Cash held at fiscal agents		15,121	-
Other		3	-
	Total cash and cash equivalents	<u>\$ 274,020</u>	<u>\$ 128,948</u>

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**2. Cash with Fiscal Agents**

As indicated in note 2(t) above, agency stores under contract with the Entity collect sale proceeds as agents for the Entity and are contractually required to segregate such proceeds and to remit them to the Entity on a daily basis. The agency stores are responsible for any risk of loss while in their possession and such amounts are typically swept into the Entity's bank accounts within two to three business days. The balance of these sale proceeds under such contractual arrangements as of December 31, 2017 and June 30, 2017 was \$28,930 and \$15,121, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

**3. Investments**

The Entity is not subject to statutory restrictions on investments. The Entity's formal investment policy, as adopted by the Board, is the basis for all investment activity. Authorized investments under the Board policy include sweep accounts, United States Treasury Securities and Agency Securities, repurchase agreements, certifications of deposit, bankers' acceptances, commercial paper, public corporate fixed income securities, and money market funds. The weighted average maturity of the portfolio should not exceed four years.

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of December 31, 2017, the Entity had the following investments and maturities held in trust pursuant to the terms of that agreement, as well as the Huntington Asset Management Agreement dated January 13, 2014:

	Fair value	Investment maturity			
		1 year or less	Between 1 and 2 years	Between 2 and 4 years	Between 4 and 5 years
US Treasury	\$ 200,439	\$ 38,947	\$ 24,795	\$ 136,697	\$ -
FHLB Notes	28,875	17,014	5,003	6,858	-
FFCB Notes	44,517	14,999	3,948	25,570	-
FHLMC Notes	18,469	7,998	-	10,471	-
FNMA Notes	36,676	24,991	5,037	6,648	-
Corporates	78,535	26,012	14,063	38,460	-
Total	<u>\$ 407,511</u>	<u>\$ 129,961</u>	<u>\$ 52,846</u>	<u>\$ 224,704</u>	<u>\$ -</u>

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As of June 30, 2017, the Entity had the following investments and maturities held in trust pursuant to the terms of the Huntington Investment Management Account Agreement dated February 6, 2015, as well as the Huntington Asset Management Agreement dated January 13, 2014:

	Fair value	Investment maturity			
		1 year or less	Between 1 and 2 years	Between 2 and 4 years	Between 4 and 5 years
US Treasury	\$ 193,312	\$ 47,990	\$ 34,054	\$ 111,268	\$ -
FHLB Notes	33,946	27,021	5,030	1,895	-
FFCB Notes	49,700	20,034	4,998	24,668	-
FHLMC Notes	13,346	10,253	-	3,093	-
FNMA Notes	36,820	9,976	20,141	6,703	-
Corporates	66,207	30,586	21,777	13,844	-
Total	<u>\$ 393,331</u>	<u>\$ 145,860</u>	<u>\$ 86,000</u>	<u>\$ 161,471</u>	<u>\$ -</u>

The Entity categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The Entity does not value any of its investments using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2017 and June 30, 2017:

	December 31, 2017	Fair Value Measurements Using		June 30, 2017	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
US Treasury	\$ 200,439	\$ 200,439	\$ -	\$ 193,312	\$ 193,312	\$ -
FHLB Notes	28,875	-	28,875	33,946	-	33,946
FFCB Notes	44,517	-	44,517	49,700	-	49,700
FHLMC Notes	18,469	-	18,469	13,346	-	13,346
FNMA Notes	36,676	-	36,676	36,820	-	36,820
Corporates	78,535	-	78,535	66,207	-	66,207
Total	<u>\$ 407,511</u>	<u>\$ 200,439</u>	<u>\$ 207,072</u>	<u>\$ 393,331</u>	<u>\$ 193,312</u>	<u>\$ 200,019</u>

Investments classified in Level 1 of the fair value hierarchy, valued at \$200,439 and \$193,312 as of December 31, 2017 and June 30, 2017, respectively, are valued using quoted prices in active markets.

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Investments classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by Huntington National Bank.

*Liquidity and Interest Rate Risk* – As a means of limiting exposure to fair value losses arising from rising interest rates, the Entity's investment policy generally requires that the investment portfolio remain sufficiently liquid to meet all operating and economic development programmatic needs.

*Credit Risk* – To minimize credit risk, the Entity prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Entity will do business. In addition, the investment portfolio is diversified to minimize risk of loss. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of December 31, 2017:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>
FHLB Notes	\$ 28,875	\$ -	\$ 28,875	\$ -	\$ -	\$ -	\$ -	\$ -
FFCB Notes	44,517	-	44,517	-	-	-	-	-
FHLMC Notes	18,469	-	18,469	-	-	-	-	-
FNMA Notes	36,676	-	36,676	-	-	-	-	-
Corporates	78,535	1,997	4,006	6,065	13,997	17,615	25,746	9,109
Total	<u>\$ 207,072</u>	<u>\$ 1,997</u>	<u>\$ 132,543</u>	<u>\$ 6,065</u>	<u>\$ 13,997</u>	<u>\$ 17,615</u>	<u>\$ 25,746</u>	<u>\$ 9,109</u>

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2017:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>
FHLB Notes	\$ 33,946	\$ -	\$ 33,946	\$ -	\$ -	\$ -	\$ -	\$ -
FFCB Notes	49,700	-	49,700	-	-	-	-	-
FHLMC Notes	13,346	-	13,346	-	-	-	-	-
FNMA Notes	36,820	-	36,820	-	-	-	-	-
Corporates	66,207	1,999	5,003	-	20,096	13,659	17,302	8,148
Total	<u>\$ 200,019</u>	<u>\$ 1,999</u>	<u>\$ 138,815</u>	<u>\$ -</u>	<u>\$ 20,096</u>	<u>\$ 13,659</u>	<u>\$ 17,302</u>	<u>\$ 8,148</u>

*Concentration of Credit Risk* – To limit exposure to the risk of loss due to the magnitude of the Entity's investments in a single issuer, no more than five percent of the total market value of the Entity's portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than five percent of the total market value of the portfolio may be invested in commercial paper of any one issuer. Investments are to be diversified in accordance with allocations determined by the Board of Directors, after consultation with the Board's Investment Committee.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the

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counterparty, the Entity will not be able to recover the value of its investments that are in the possession of an outside party. The Entity's investments of \$407,511 and \$393,331 as of December 31, 2017 and June 30, 2017, respectively, are uninsured and held in the name of its investment manager.

Investment activity for the six months ended December 31, 2017 is summarized as follows:

	<u>Balance,</u> <u>July 1, 2017</u>	<u>Purchases</u>	<u>Maturities</u>	<u>Accrued</u> <u>income (loss)</u>	<u>Balance,</u> <u>December 31, 2017</u>
US Treasury	\$ 193,312	\$ 41,203	\$ (32,953)	\$ (1,123)	\$ 200,439
FHLB	33,946	5,024	(9,999)	(96)	28,875
FFCB	49,700	4,993	(10,000)	(176)	44,517
FHLMC	13,346	7,427	(2,250)	(54)	18,469
FNMA	36,820	-	-	(144)	36,676
Corporates	66,207	30,896	(18,064)	(504)	78,535
Total	<u>\$ 393,331</u>	<u>\$ 89,543</u>	<u>\$ (73,266)</u>	<u>\$ (2,097)</u>	<u>\$ 407,511</u>

Investment activity for the fiscal year ended June 30, 2017 is summarized as follows:

	<u>Balance,</u> <u>July 1, 2016</u>	<u>Purchases</u>	<u>Maturities</u>	<u>Accrued</u> <u>income</u>	<u>Balance,</u> <u>June 30, 2017</u>
US Treasury	\$ 157,823	\$ 141,330	\$ (104,558)	\$ (1,283)	\$ 193,312
FHLB	45,377	1,929	(13,055)	(305)	33,946
FFCB	29,860	20,081	-	(241)	49,700
FHLMC	8,260	5,116	-	(30)	13,346
FNMA	35,468	6,699	(5,000)	(347)	36,820
Corporates	47,466	26,144	(7,000)	(403)	66,207
Total	<u>\$ 324,254</u>	<u>\$ 201,299</u>	<u>\$ (129,613)</u>	<u>\$ (2,609)</u>	<u>\$ 393,331</u>

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the three and six months ended December 31, 2017 totaled \$6 and (\$65), respectively. Income (loss) realized from maturities during the three and six months ended December 31, 2016 totaled (\$169) and (\$172), respectively. Interest on public corporate fixed income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued income (loss) of (\$2,097) and (\$2,609) as of December 31, 2017 and June 30, 2017, respectively, represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

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**4. Capital Assets**

Capital assets activity for the six months ended December 31, 2017 is as follows:

	<b>Balance, July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, December 31, 2017</b>
Furniture and equipment	\$ 656	\$ -	\$ -	\$ 656
Leasehold improvements	1,010	211	-	1,221
Software	1,702	-	-	1,702
Total capital assets being depreciated	<u>3,368</u>	<u>211</u>	<u>-</u>	<u>3,579</u>
Less: accumulated depreciation				
Furniture and equipment	(412)	(34)	-	(446)
Leasehold improvements	(413)	(64)	-	(477)
Software	(1,233)	(168)	-	(1,401)
Total accumulated depreciation	<u>(2,058)</u>	<u>(266)</u>	<u>-</u>	<u>(2,324)</u>
Total capital assets being depreciated, net	<u>\$ 1,310</u>	<u>\$ (55)</u>	<u>\$ -</u>	<u>\$ 1,255</u>

Capital assets activity for the fiscal year ended June 30, 2017 is as follows:

	<b>Balance, July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2017</b>
Furniture and equipment	\$ 656	\$ -	\$ -	\$ 656
Leasehold improvements	879	131	-	1,010
Software	1,394	308	-	1,702
Total capital assets being depreciated	<u>2,929</u>	<u>439</u>	<u>-</u>	<u>3,368</u>
Less: accumulated depreciation				
Furniture and equipment	(331)	(81)	-	(412)
Leasehold improvements	(303)	(110)	-	(413)
Software	(918)	(315)	-	(1,233)
Total accumulated depreciation	<u>(1,552)</u>	<u>(506)</u>	<u>-</u>	<u>(2,058)</u>
Total capital assets being depreciated, net	<u>\$ 1,377</u>	<u>\$ (67)</u>	<u>\$ -</u>	<u>\$ 1,310</u>

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**5. Loans Receivable**

The Entity's economic development initiatives include loans to companies that have limited access to capital and funding from conventional private sources of funding. In order to obtain a disbursement, the borrower submits to the Entity a draw request that identifies the applicable costs that have been incurred. The Entity recognizes the receivable at time of disbursement to the borrower.

Loans receivable balance of \$73,336 as of December 31, 2017 relates to disbursements to 37 companies, and is net of loss allowance of \$4,931. Loans receivable balance of \$48,278 as of June 30, 2017 relates to disbursements to 27 companies and is net of loss allowance of \$4,584. The current portion of the loans receivable balance of \$5,957 and \$4,500 as of December 31, 2017 and June 30, 2017, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at December 31, 2017 and June 30, 2017 provide for disbursements of up to \$113,409 and \$89,014, respectively. The outstanding balance of the commitments as of December 31, 2017 and June 30, 2017 were \$29,917 and \$33,103, respectively.

The Entity's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that the Entity will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. The amount of valuation allowance was \$4,931 and \$4,584, respectively, as of December 31, 2017 and June 30, 2017.

**6. Accounts Receivable Balances**

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors. These amounts due are attributable to inventory adjustments from audits, store manager adjustments, distribution center services, and other miscellaneous claims.

**7. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements. This includes \$637 and \$2,642 of service fees to the Ohio Department of Commerce as of December 31, 2017 and June 30, 2017, respectively, as well as \$464 and \$1,068, respectively, as of December 31, 2017 and June 30, 2017 for prepaid rent payments on two separate operating lease agreements. See note 3(b)6 below.

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**8. Intangible Asset – Liquor Franchise**

As a result of the purchase of the franchise for the sale of spirituous liquor, the Entity recorded an intangible asset of \$1,379,924, reflecting the net franchise fee paid to the State, net of certain tangible assets received in the transfer pursuant to the Transfer Agreement.

The intangible asset – liquor franchise, is amortized over its useful life that coincides with the related contractual rights of the Transfer Agreement of 25 years. Amortization expense was \$13,799 and \$27,598 for the three and six months ended December 31, 2017 and 2016. No impairment of the intangible asset existed as of December 31, 2017 and June 30, 2017.

Intangible asset – liquor franchise activity for the six months ended December 31, 2017 is as follows:

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2017</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: Accumulated amortization	<u>(243,787)</u>	<u>(27,598)</u>	<u>-</u>	<u>(271,385)</u>
Liquor franchise, net of amortization	<u>\$ 1,136,137</u>	<u>\$ (27,598)</u>	<u>\$ -</u>	<u>\$ 1,108,539</u>

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2017</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: Accumulated amortization	<u>(188,590)</u>	<u>(55,197)</u>	<u>-</u>	<u>(243,787)</u>
Liquor franchise, net of amortization	<u>\$ 1,191,334</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 1,136,137</u>



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**(b) Liabilities**

**1. Accrued Liabilities**

Accrued liabilities reported at December 31, 2017 and June 30, 2017 are as follows:

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Economic development programs	\$ 101,834	\$ 46,828
Liquor purchases	15,190	13,112
Agency commissions	7,174	2,787
Taxes	12,976	9,690
Supplemental Payment	16,625	13,495
Service fees	4,973	7,029
Economic development purchased services	1,436	686
Professional services	600	1,160
Payroll	191	165
Legal services	149	114
Paid time off	95	117
Deferred rent	251	174
Employee benefits	34	41
Other	812	332
	<u>\$ 162,340</u>	<u>\$ 95,730</u>

**2. Economic Development Programs – Grants**

The Entity operates five grant programs to encourage economic development within the State. These comprise:

- Economic Development Grants – The Economic Development grant program focuses on fixed asset and infrastructure investment.
- Workforce Grants – The Workforce grant program focuses on training costs associated with new or incumbent employees.
- Revitalization Grants – The Revitalization grant program is designed to support the acceleration of redeveloping sites in Ohio, with the primary focus on projects where the cost of redevelopment and remediation is more than the value of the land in question.

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- Revitalization Phase II Assessment Grants – The Revitalization Phase II Assessment grant program is designed to assist in the review of potential environmental risks on a project site where redevelopment for job creation or retention is likely to occur.
- Research and Development Grants – The Research and Development grant program provides opportunity to collaborate and partner on new discoveries that can further companies’ competitive advantage and impact their respective industries.

As of December 31, 2017, the Entity had executed 577 grants, including 210 economic development grants, 228 workforce grants, 137 revitalization grants, and 2 research and development grants with a total committed amount of \$206,960. As of December 31, 2017, the Entity had \$104,316 in committed, but unpaid grants. As of June 30, 2017, the Entity had executed 479 grants, including 170 economic development grants, 195 workforce grants, and 114 revitalization grants with a total committed amount of \$148,673. As of June 30, 2017, the Entity had \$69,688 in committed, but unpaid grants. The grants are funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred.

In accordance with generally accepted accounting principles, the Entity recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. The Entity has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued economic development programs and is included in accrued liabilities in the statements of net position. The accrued economic development programs were \$101,834 and \$46,828 as of December 31, 2017 and June 30, 2017, respectively.

**3. 401(k) Savings Plan**

The Entity operates a defined contribution pension plan titled JobsOhio 401(k) Plan (herein referred to as the Plan) created in accordance with Internal Revenue Code Section 401(k). The Plan, available to all qualified employees of the Entity, permits employees to defer a percentage of their salary up to the maximum percentage allowed by the Internal Revenue Service. The Entity matches 100 percent of the first three percent of the employee contribution, plus 50 percent of the employee contribution over three percent but not greater than five percent, bringing the maximum match percentage to four percent. Employees are fully vested in the Plan at the time contributions begin and there are no forfeitures. Participants must be over 21 years of age and have completed three consecutive months of service.

The Entity is the plan administrator of the Plan and the Plan trustee is Frontier Trust Company. The Entity may amend the Plan to add new features or to change or eliminate various provisions, but may not take away or reduce protected benefits under the Plan. Participants direct the allocation of their deferral based on several investment options. The assets of the Plan are not included in the Entity’s

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financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

The Plan was implemented in February 2014. For the three and six months ended December 31, 2017, the total 401(k) match expense was \$62 and \$116, respectively, on total employee contributions of \$149 and \$275, respectively. For the three and six months ended December 31, 2016, the total 401(k) match expense was \$51 and \$98, respectively, on total employee contributions of \$103 and \$211, respectively. As of December 31, 2017, and June 30, 2017, accrued employee 401(k) deferrals and accrued employer match was \$31 and \$30, respectively, and are included in the statements of net position as accrued liabilities.

**4. Commitments and Contingencies – Litigation**

No litigation is currently pending in which the Entity is named as a party.

**5. Lease Obligations**

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$119 and \$238, respectively, for the three and six months ended December 31, 2017. Rent expense was \$118 and \$237, respectively, for the three and six months ended December 31, 2016.

Minimum future lease payments as of December 31, 2017 under this operating lease are as follows:

Year ending June 30:	
2018	169
2019	362
2020	370
2021	379
2022 - thereafter	<u>2,304</u>
Total	<u>\$ 3,584</u>

In fiscal year 2015, the Entity entered into a lease agreement for office equipment, which is classified as a capital lease. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment is \$30 and \$25 at December 31, 2017 and June 30, 2017, respectively. Property on capital lease as of December 31, 2017 is as follows:

Office equipment	\$ 52
Less: accumulated amortization	<u>(30)</u>
Total	<u>\$ 22</u>

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Property on capital lease as of June 30, 2017 is as follows:

Office equipment	\$ 52
Less: accumulated amortization	<u>(25)</u>
Total	<u><u>\$ 27</u></u>

The interest rate related to the lease obligation is 1% and the maturity date is April 2020. Minimum future lease payments as of December 31, 2017 under this capital lease are as follows:

Year ending June 30:	
2018	5
2019	10
2020	<u>8</u>
Total	<u><u>\$ 23</u></u>

In the fiscal year ended June 30, 2017, the Entity entered into two separate lease agreements for the use of distribution center facilities in Green, Ohio and Groveport, Ohio. Rent expense on the two facilities was \$696 and \$1,388, respectively, for the three and six months ended December 31, 2017. Rent expense on the two facilities was \$0 for the three and six months ended December 31, 2016.

The lease agreement for the distribution center in Green, Ohio has a term of seven years with a commencement date of April 1, 2017.

Minimum future lease payments as of December 31, 2017 under this operating lease are as follows:

Year ending June 30:	
2018	709
2019	1,417
2020	1,418
2021	1,473
2022 - 2024	<u>4,100</u>
Total	<u><u>\$ 9,117</u></u>

The lease agreement for the distribution center in Groveport, Ohio has a term of 63 full months with a commencement date of April 3, 2017.

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(Unaudited)

(In thousands)

Minimum future lease payments as of December 31, 2017 under this operating lease are as follows:

Year ending June 30:	
2018	432
2019	884
2020	906
2021	928
2022 - 2023	1,032
Total	\$ 4,182

**6. Long-Term Liabilities**

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years. JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at December 31, 2017 and June 30, 2017 are as follows:

<b>Special obligation bonds</b>	<b>Original issue date</b>	<b>Outstanding as of December 31, 2017 and June 30, 2017</b>	<b>Interest rates to maturity</b>	<b>Final maturity</b>
Series 2013A	Feb. 2013	\$ 389,790	4.0% – 5.0%	2038
Series 2013B	Feb. 2013	\$ 990,480	1.8% – 4.5%	2035

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at December 31, 2017 and June 30, 2017 are \$44,870. The bond series are subject to mandatory sinking fund redemption starting in 2024 and each year thereafter to maturity. The bonds will be repaid from Liquor Business Profits. All proceeds from the Liquor Business are pledged to the Trustee to pay obligations under the Indenture. The Indenture imposes certain restrictions and requirements whereby all Liquor Business revenues are required to be deposited in a trust fund held by the Trustee to settle obligations under the Indenture, including amounts sufficient to cover annual debt service for each fiscal year on account for all outstanding revenue bonds.

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(In thousands)

Liquor Business Profits must meet the minimum debt service coverage ratio of 135 percent for each fiscal year pursuant to the Transfer Agreement. Certain amounts are released from the lien of the Indenture and certain other amounts are held in funds pursuant to the terms of the Indenture for which amounts will not be pledged for the benefit of the owners of the bonds. These funds include the Tax Fund, the Operations Fund, and the General Purpose Fund. The bonds are not general obligations of the Entity or the State, and neither the faith nor credit are pledged as security for payment of the bonds.

Debt service requirements related to the bonds as of December 31, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 44,870	\$ 29,012	\$ 73,882
2019	45,845	57,049	102,894
2020	46,720	55,893	102,613
2021	48,890	54,011	102,901
2022	50,395	52,496	102,891
2023 – 2027	280,310	234,003	514,313
2028 – 2032	341,270	172,766	514,036
2033 – 2037	424,400	88,458	512,858
2038	<u>97,570</u>	<u>4,879</u>	<u>102,449</u>
Total	<u>1,380,270</u>	<u>\$ 748,567</u>	<u>\$ 2,128,837</u>
Unamortized premium	45,740		
Less current portion	<u>(44,870)</u>		
Total debt, long-term portion	<u>\$ 1,381,140</u>		

Debt service requirements related to the bonds as of June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 44,870	\$ 58,024	\$ 102,894
2019	45,845	57,049	102,894
2020	46,720	55,893	102,613
2021	48,890	54,011	102,901
2022	50,395	52,496	102,891
2023 – 2027	280,310	234,003	514,313
2028 – 2032	341,270	172,766	514,036
2033 – 2037	424,400	88,458	512,858
2038	<u>97,570</u>	<u>4,879</u>	<u>102,449</u>
Total	<u>1,380,270</u>	<u>\$ 777,579</u>	<u>\$ 2,157,849</u>
Unamortized premium	47,132		
Less current portion	<u>(44,870)</u>		
Total debt, long-term portion	<u>\$ 1,382,532</u>		

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(In thousands)

Debt service activity for the six months ended December 31, 2017 is as follows:

	<b>Balance, July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, December 31, 2017</b>	<b>Current portion</b>
Bond principal	\$ 1,380,270	\$ -	\$ -	\$ 1,380,270	\$ 44,870
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(12,531)</u>	<u>(1,392)</u>	<u>-</u>	<u>(13,923)</u>	<u>-</u>
Total debt	<u>\$ 1,427,402</u>	<u>\$ (1,392)</u>	<u>\$ -</u>	<u>\$ 1,426,010</u>	<u>\$ 44,870</u>

Debt service activity for the fiscal year ended June 30, 2017 is as follows:

	<b>Balance, July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2017</b>	<b>Current portion</b>
Bond principal	\$ 1,424,290	\$ -	\$ (44,020)	\$ 1,380,270	\$ 44,870
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(9,730)</u>	<u>(2,801)</u>	<u>-</u>	<u>(12,531)</u>	<u>-</u>
Total debt	<u>\$ 1,474,223</u>	<u>\$ (2,801)</u>	<u>\$ (44,020)</u>	<u>\$ 1,427,402</u>	<u>\$ 44,870</u>

Bonds are subject to redemption prior to their stated maturity dates at the option of the Entity, in whole or in part on any date on or after January 1, 2023 at a redemption price equal to the principal amount of bonds to be redeemed plus accrued interest. For Series 2013B Bonds, the redemption price is the greater of (1) the principal amount or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date plus accrued interest. Series 2013A Bonds maturing in 2038 are subject to mandatory sinking fund redemption on January 1, 2035 and each year thereafter to maturity. Series 2013B Bonds maturing in 2029 and 2035 are subject to mandatory sinking fund redemption on January 1, 2024 and 2030, respectively, and each year thereafter to maturity. Redemptions are from moneys in the Debt Service Fund established under the Indenture, at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest.

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transactions have been fully complied with as of December 31, 2017 and June 30, 2017.

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Notes to Financial Statements

(Unaudited)

(In thousands)

*(c) Revenues*

Liquor sales revenues are reported net of wholesale discounts and sales taxes. For the three and six months ended December 31, 2017, operating revenues were reported net of discounts of \$5,031 and \$10,209, respectively, and sales tax of \$19,005 and \$35,864, respectively. For the three and six months ended December 31, 2016, operating revenues were reported net of discounts of \$4,778 and \$9,709, respectively, and sales tax of \$19,058 and \$35,251, respectively.

*(d) Combining Information*



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Notes to Financial Statements

Combining Schedule of Net Position

(Unaudited)

(In thousands)

	December 31, 2017				June 30, 2017			
	JobsOhio	Component Unit	Eliminating Entries	Combined Balance	JobsOhio	Component Unit	Eliminating Entries	Combined Balance
		JobsOhio Beverage System				JobsOhio Beverage System		
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents - unrestricted	\$ 105,333	\$ 214,574	\$ -	\$ 319,907	\$ 93,302	\$ 180,718	\$ -	\$ 274,020
Cash and cash equivalents - restricted	-	152,175	-	152,175	-	128,948	-	128,948
Investments	407,511	-	-	407,511	393,331	-	-	393,331
Inventory	-	71,595	-	71,595	-	73,533	-	73,533
Loans	5,957	-	-	5,957	4,500	-	-	4,500
Receivables	1,592	1,903	-	3,495	1,024	538	-	1,562
Prepaid expenses	1,145	1,420	-	2,565	580	4,246	-	4,826
Due from JOBS	111	-	(111)	-	152	-	(152)	-
Total current assets	<u>521,649</u>	<u>441,667</u>	<u>(111)</u>	<u>963,205</u>	<u>492,889</u>	<u>387,983</u>	<u>(152)</u>	<u>880,720</u>
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	1,108,539	-	1,108,539	-	1,136,137	-	1,136,137
Capital assets, net of accumulated depreciation	970	285	-	1,255	1,188	122	-	1,310
Loans, net of loss allowance	67,379	-	-	67,379	43,778	-	-	43,778
Total long-term assets	<u>68,349</u>	<u>1,108,824</u>	<u>-</u>	<u>1,177,173</u>	<u>44,966</u>	<u>1,136,259</u>	<u>-</u>	<u>1,181,225</u>
<b>Total assets</b>	<b><u>589,998</u></b>	<b><u>1,550,491</u></b>	<b><u>(111)</u></b>	<b><u>2,140,378</u></b>	<b><u>537,855</u></b>	<b><u>1,524,242</u></b>	<b><u>(152)</u></b>	<b><u>2,061,945</u></b>
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	1,355	19,944	-	21,299	2,166	15,009	-	17,175
Accrued liabilities	104,186	58,154	-	162,340	48,424	47,306	-	95,730
Special obligation bonds payable - current portion	-	44,870	-	44,870	-	44,870	-	44,870
Bond interest payable	-	29,012	-	29,012	-	29,012	-	29,012
Capital lease payable - current portion	10	-	-	10	10	-	-	10
Due to JobsOhio	-	111	(111)	-	-	152	(152)	-
Total current liabilities	<u>105,551</u>	<u>152,091</u>	<u>(111)</u>	<u>257,531</u>	<u>50,600</u>	<u>136,349</u>	<u>(152)</u>	<u>186,797</u>
Long-term liabilities:								
Special obligation bonds payable	-	1,381,140	-	1,381,140	-	1,382,532	-	1,382,532
Capital lease payable	13	-	-	13	18	-	-	18
Total long-term liabilities	<u>13</u>	<u>1,381,140</u>	<u>-</u>	<u>1,381,153</u>	<u>18</u>	<u>1,382,532</u>	<u>-</u>	<u>1,382,550</u>
<b>Total liabilities</b>	<b><u>105,564</u></b>	<b><u>1,533,231</u></b>	<b><u>(111)</u></b>	<b><u>1,638,684</u></b>	<b><u>50,618</u></b>	<b><u>1,518,881</u></b>	<b><u>(152)</u></b>	<b><u>1,569,347</u></b>
<b>Net position:</b>								
Net investment in capital assets	970	285	-	1,255	1,188	122	-	1,310
Unrestricted	483,464	16,975	-	500,439	486,049	5,239	-	491,288
<b>Total net position</b>	<b><u>\$ 484,434</u></b>	<b><u>\$ 17,260</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 501,694</u></b>	<b><u>\$ 487,237</u></b>	<b><u>\$ 5,361</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 492,598</u></b>

**JOBSOHIO**  
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Notes to Financial Statements

Combining Schedule of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	JobsOhio Beverage System	Eliminating Entries		JobsOhio	JobsOhio Beverage System	Eliminating Entries	
<b>Operating revenues:</b>								
Net liquor sales	\$ -	\$ 318,420	\$ -	\$ 318,420	\$ -	\$ 298,103	\$ -	\$ 298,103
Distribution center revenue	-	2,127	-	2,127	-	-	-	-
Interest income - loans	569	-	-	569	398	-	-	398
Fees and other	410	-	(220)	190	391	-	(197)	194
Total operating revenues	979	320,547	(220)	321,306	789	298,103	(197)	298,695
<b>Operating expenses:</b>								
Cost of goods sold	-	188,176	-	188,176	-	171,834	-	171,834
Sales commissions	-	17,488	-	17,488	-	16,541	-	16,541
Liquor gallonage taxes	-	12,804	-	12,804	-	12,475	-	12,475
Amortization of intangible asset - liquor franchise	-	13,799	-	13,799	-	13,799	-	13,799
Service fees	-	3,585	-	3,585	-	2,522	-	2,522
Supplemental Payment	-	9,422	-	9,422	-	9,279	-	9,279
JobsOhio management fees	-	220	(220)	-	-	197	(197)	-
Economic development programs	40,993	-	-	40,993	29,550	-	-	29,550
Salaries and benefits	2,669	-	-	2,669	2,370	-	-	2,370
Economic development purchased services	2,899	-	-	2,899	2,976	-	-	2,976
Professional services	946	1,755	-	2,701	853	830	-	1,683
Insurance	51	98	-	149	52	90	-	142
Administrative and support	992	773	-	1,765	745	-	-	745
Marketing	2,979	-	-	2,979	2,570	-	-	2,570
Other	-	362	-	362	-	25	-	25
Total operating expenses	51,529	248,482	(220)	299,791	39,116	227,592	(197)	266,511
<b>Operating income (loss)</b>	<b>(50,550)</b>	<b>72,065</b>	<b>-</b>	<b>21,515</b>	<b>(38,327)</b>	<b>70,511</b>	<b>-</b>	<b>32,184</b>
<b>Nonoperating revenues (expenses):</b>								
Grants	50,000	(50,000)	-	-	45,000	(45,000)	-	-
Bond interest, net	-	(13,810)	-	(13,810)	-	(14,015)	-	(14,015)
Investment income	(344)	-	-	(344)	(1,723)	-	-	(1,723)
Other, net	-	702	-	702	-	48	-	48
Total nonoperating revenues (expenses)	49,656	(63,108)	-	(13,452)	43,277	(58,967)	-	(15,690)
<b>Change in net position</b>	<b>(894)</b>	<b>8,957</b>	<b>-</b>	<b>8,063</b>	<b>4,950</b>	<b>11,544</b>	<b>-</b>	<b>16,494</b>
Net position, beginning of period	485,328	8,303	-	493,631	421,805	3,092	-	424,897
<b>Net position, end of period</b>	<b>\$ 484,434</b>	<b>\$ 17,260</b>	<b>\$ -</b>	<b>\$ 501,694</b>	<b>\$ 426,755</b>	<b>\$ 14,636</b>	<b>\$ -</b>	<b>\$ 441,391</b>

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Notes to Financial Statements

Combining Schedule of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Six Months Ended December 31, 2017				Six Months Ended December 31, 2016			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	JobsOhio Beverage System	Eliminating Entries		JobsOhio	JobsOhio Beverage System	Eliminating Entries	
<b>Operating revenues:</b>								
Net liquor sales	\$ -	\$ 610,024	\$ -	\$ 610,024	\$ -	\$ 567,814	\$ -	\$ 567,814
Distribution center revenue	-	3,231	-	3,231	-	-	-	-
Interest income - loans	1,124	-	-	1,124	750	-	-	750
Fees and other	716	-	(399)	317	686	-	(374)	312
Total operating revenues	<u>1,840</u>	<u>613,255</u>	<u>(399)</u>	<u>614,696</u>	<u>1,436</u>	<u>567,814</u>	<u>(374)</u>	<u>568,876</u>
<b>Operating expenses:</b>								
Cost of goods sold	-	361,815	-	361,815	-	327,132	-	327,132
Sales commissions	-	33,347	-	33,347	-	31,294	-	31,294
Liquor gallonage taxes	-	24,952	-	24,952	-	24,206	-	24,206
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598	-	27,598	-	27,598
Service fees	-	8,980	-	8,980	-	6,931	-	6,931
Supplemental Payment	-	16,625	-	16,625	-	17,407	-	17,407
JobsOhio management fees	-	399	(399)	-	-	374	(374)	-
Economic development programs	79,373	-	-	79,373	44,986	-	-	44,986
Salaries and benefits	5,238	-	-	5,238	4,757	-	-	4,757
Economic development purchased services	5,802	-	-	5,802	4,989	-	-	4,989
Professional services	2,404	4,068	-	6,472	1,752	1,182	-	2,934
Insurance	101	196	-	297	102	181	-	283
Administrative and support	1,995	1,591	-	3,586	1,389	-	-	1,389
Marketing	5,681	-	-	5,681	4,614	-	-	4,614
Other	-	479	-	479	-	45	-	45
Total operating expenses	<u>100,594</u>	<u>480,050</u>	<u>(399)</u>	<u>580,245</u>	<u>62,589</u>	<u>436,350</u>	<u>(374)</u>	<u>498,565</u>
<b>Operating income (loss)</b>	<u>(98,754)</u>	<u>133,205</u>	<u>-</u>	<u>34,451</u>	<u>(61,153)</u>	<u>131,464</u>	<u>-</u>	<u>70,311</u>
<b>Nonoperating revenues (expenses):</b>								
Grants	95,000	(95,000)	-	-	90,000	(90,000)	-	-
Bond interest, net	-	(27,620)	-	(27,620)	-	(28,029)	-	(28,029)
Investment income	951	-	-	951	(823)	-	-	(823)
Other, net	-	1,314	-	1,314	-	327	-	327
Total nonoperating revenues (expenses)	<u>95,951</u>	<u>(121,306)</u>	<u>-</u>	<u>(25,355)</u>	<u>89,177</u>	<u>(117,702)</u>	<u>-</u>	<u>(28,525)</u>
<b>Change in net position</b>	<u>(2,803)</u>	<u>11,899</u>	<u>-</u>	<u>9,096</u>	<u>28,024</u>	<u>13,762</u>	<u>-</u>	<u>41,786</u>
Net position, beginning of period	487,237	5,361	-	492,598	398,731	874	-	399,605
<b>Net position, end of period</b>	<u>\$ 484,434</u>	<u>\$ 17,260</u>	<u>\$ -</u>	<u>\$ 501,694</u>	<u>\$ 426,755</u>	<u>\$ 14,636</u>	<u>\$ -</u>	<u>\$ 441,391</u>

**JOBSOHIO**  
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(Unaudited)

(In thousands)

	Six months ended December 31, 2017				Six months ended December 31, 2016			
	JobsOhio	Component unit	Eliminating Entries	Combined Balance	JobsOhio	Component unit	Eliminating Entries	Combined Balance
		JobsOhio Beverage System				JobsOhio Beverage System		
<b>Cash flows from operating activities:</b>								
Receipts from fees and other	\$ 1,068	\$ -	\$ -	\$ 1,068	\$ 709	\$ -	\$ -	\$ 709
Receipts from customers	-	610,032	-	610,032	-	567,621	-	567,621
Receipts from suppliers	-	2,035	-	2,035	-	-	-	-
Payments to employees	(5,231)	-	-	(5,231)	(4,773)	-	-	(4,773)
Payments to suppliers	(17,306)	(358,567)	-	(375,873)	(12,365)	(328,535)	-	(340,900)
Payments for economic development programs	(48,675)	-	-	(48,675)	(21,506)	-	-	(21,506)
Payments for commissions	-	(28,960)	-	(28,960)	-	(29,594)	-	(29,594)
Receipts from sales taxes	-	35,864	-	35,864	-	35,251	-	35,251
Payments for sales tax collections to State and county	-	(33,495)	-	(33,495)	-	(32,423)	-	(32,423)
Payments for gallonage tax collections to State	-	(24,034)	-	(24,034)	-	(23,231)	-	(23,231)
Payments for servicing fees	-	(9,031)	-	(9,031)	-	(2,481)	-	(2,481)
Payments for Supplemental Payment to State	-	(13,495)	-	(13,495)	-	(35,665)	-	(35,665)
Receipts (payments) between JobsOhio and component unit	440	(440)	-	-	489	(489)	-	-
Net cash provided by (used in) operating activities	(69,704)	179,909	-	110,205	(37,446)	150,454	-	113,008
<b>Cash flows from noncapital financing activities:</b>								
Receipts (payments) between JobsOhio and component unit for grants	95,000	(95,000)	-	-	90,000	(90,000)	-	-
Payments for other nonoperating expenses	-	(5)	-	(5)	-	(1)	-	(1)
Net cash provided by (used in) noncapital financing activity	95,000	(95,005)	-	(5)	90,000	(90,001)	-	(1)
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	(32)	(125)	-	(157)	(49)	-	-	(49)
Payments for capital lease	(5)	-	-	(5)	(5)	-	-	(5)
Payments for bond interest	-	(29,012)	-	(29,012)	-	(29,438)	-	(29,438)
Net cash used in capital and related financing activities	(37)	(29,137)	-	(29,174)	(54)	(29,438)	-	(29,492)
<b>Cash flows from investing activities:</b>								
Dividends and interest income	3,049	1,316	-	4,365	1,741	328	-	2,069
Purchases of investments	(89,544)	-	-	(89,544)	(112,218)	-	-	(112,218)
Proceeds from maturities of investments	73,267	-	-	73,267	55,131	-	-	55,131
Net cash provided by (used in) investing activities	(13,228)	1,316	-	(11,912)	(55,346)	328	-	(55,018)
Net increase (decrease) in cash and cash equivalents	12,031	57,083	-	69,114	(2,846)	31,343	-	28,497
Cash and cash equivalents, beginning of period	93,302	309,666	-	402,968	80,213	317,634	-	397,847
<b>Cash and cash equivalents, end of period</b>	<b>\$ 105,333</b>	<b>\$ 366,749</b>	<b>\$ -</b>	<b>\$ 472,082</b>	<b>\$ 77,367</b>	<b>\$ 348,977</b>	<b>\$ -</b>	<b>\$ 426,344</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (98,754)	\$ 133,205	\$ -	\$ 34,451	\$ (61,153)	\$ 131,464	\$ -	\$ 70,311
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598	-	27,598	-	27,598
Depreciation expense	255	9	-	264	252	-	-	252
Increase in loans	(25,405)	-	-	(25,405)	(9,183)	-	-	(9,183)
Increase in loan valuation allowance	347	-	-	347	-	-	-	-
Decrease (increase) in inventory	-	1,938	-	1,938	-	(1,422)	-	(1,422)
(Increase) decrease in receivables	(568)	(1,365)	-	(1,933)	(331)	(193)	-	(524)
(Increase) decrease in prepaid expenses	(565)	2,826	-	2,261	2,743	(1,089)	-	1,654
(Increase) decrease in due from/to component unit (net)	41	(41)	-	-	115	-	-	-
Increase (decrease) in accounts payable	(817)	4,910	-	4,093	(1,254)	8,467	-	7,213
Increase (decrease) in accrued liabilities	55,762	10,829	-	66,591	31,365	(14,256)	-	17,109
Total adjustments	29,050	46,704	-	75,754	23,707	18,990	-	42,697
Net cash provided by (used in) operating activities	<b>\$ (69,704)</b>	<b>\$ 179,909</b>	<b>\$ -</b>	<b>\$ 110,205</b>	<b>\$ (37,446)</b>	<b>\$ 150,454</b>	<b>\$ -</b>	<b>\$ 113,008</b>
<b>Noncash capital and related financing activities:</b>								
Purchases of capital assets on account	\$ 11	\$ 47	\$ -	\$ 58	\$ 20	\$ -	\$ -	\$ 20
Amortization of bonds payable	-	1,392	-	1,392	-	1,409	-	1,409