

JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
JobsOhio:

We have audited the accompanying financial statements of JobsOhio, a component unit of the State of Ohio, and its discretely presented component unit JobsOhio Beverage System (collectively the "Entity"), which comprise the Statement of Net Position as of June 30, 2016, and the related statements of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the year then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobsOhio as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Predecessor Auditors' Opinion on 2015 Financial Statements

The financial statements of the Entity as of and for the year ended June 30, 2015 were audited by other auditors whose report, dated October 28, 2015, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

September 28, 2016

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

(In thousands)

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the fiscal years ended June 30, 2016 and 2015. The information presented in this overview and analysis should be considered in conjunction with JobsOhio's basic financial statements, which follow this material.

Financial Highlights

- Total assets increased 27% in the fiscal year ended June 30, 2016 from \$343,504 in fiscal year 2015 to \$437,279 in fiscal year 2016. In the fiscal year ended June 30, 2015, total assets had increased 28% from \$269,020 in fiscal year 2014 to \$343,504 in fiscal year 2015.
- Total liabilities increased 24% in the fiscal year ended June 30, 2016 from \$31,103 in fiscal year 2015 to \$38,548 in fiscal year 2016. In the fiscal year ended June 30, 2015, total liabilities had increased 424% from \$5,940 in fiscal year 2014 to \$31,103 in fiscal year 2015.
- Operating and non-operating revenues increased 28% in the fiscal year ended June 30, 2016 from \$121,736 in fiscal year 2015 to \$156,194 in fiscal year 2016. In the fiscal year ended June 30, 2015, operating and non-operating revenues increased 21% from \$100,610 in fiscal year 2014 to \$121,736 in fiscal year 2015.
- Total operating expenses decreased 4% in the fiscal year ended June 30, 2016 from \$72,415 in fiscal year 2015 to \$69,864 in fiscal year 2016. In the fiscal year ended June 30, 2015, total operating expenses had increased 252% from \$20,574 in fiscal year 2014 to \$72,415 in fiscal year 2015.

Overview

JobsOhio is a 501(c)(4) non-profit organization formed under chapters 1702 and 187 of the Ohio Revised Code to promote economic development, job creation, job retention, job training, and the recruitment of business to the state of Ohio (State). JobsOhio is the sole member of the JobsOhio Beverage System (JOBS), which operates the franchise for the sale of spirituous liquor throughout the State. The purchase was financed in fiscal year 2013 by JOBS' issuance of \$1,510,685 of special obligation bonds.

During the fiscal years ended June 30, 2016, 2015, and 2014, JobsOhio received grants and contributions from JOBS totaling \$150,000, \$120,000, and \$100,000, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds of the bond issue.

Discussion of Basic Financial Statements

The activities of JobsOhio are accounted for on a fiscal year basis, comprising 12 calendar months ending June 30 of each year. These activities are accounted for as an enterprise fund, reporting all financial activity, assets, and liabilities using the accrual basis of accounting in the same manner as with private sector businesses. Financial statements prepared by JobsOhio include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows and the related notes.

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June 30, 2016 and 2015

(In thousands)

The statement of net position provides information about assets and liabilities and reflects the financial position at the fiscal year-end. The statement of revenues, expenses, and changes in net position reports the revenue activity and the expenses related to such activity for the fiscal year. The statement of cash flows outlines the cash inflows and outflows for the fiscal year. These statements provide current and long-term information about JobsOhio's financial position.

The financial statements also include notes that provide additional information essential to a full understanding of the information provided in the statements.

Financial Analysis

Net Position

The following is a summary of net position as of June 30, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 80,213	\$ 58,833	\$ 159,443
Cash and cash equivalents - restricted	-	4,798	-
Investments	324,254	270,272	101,985
Loans	2,270	508	-
Receivables	529	245	28
Prepaid expenses	3,375	427	398
Due from JOBS	183	-	-
Total current assets	<u>410,824</u>	<u>335,083</u>	<u>261,854</u>
Long-term assets:			
Cash and cash equivalents - restricted	-	-	5,048
Capital assets, net of accumulated depreciation	1,377	1,811	1,736
Loans	25,078	6,610	382
Total long-term assets	<u>26,455</u>	<u>8,421</u>	<u>7,166</u>
Total assets	<u>437,279</u>	<u>343,504</u>	<u>269,020</u>
Liabilities:			
Current liabilities:			
Accounts payable	2,205	624	3,293
Accrued liabilities	36,305	30,431	2,637
Capital lease payable - current portion	10	10	-
Due to component unit - JOBS	-	-	10
Total current liabilities	<u>38,520</u>	<u>31,065</u>	<u>5,940</u>
Long-term liabilities:			
Capital lease payable	28	38	-
Total long-term liabilities	<u>28</u>	<u>38</u>	<u>-</u>
Total liabilities	<u>38,548</u>	<u>31,103</u>	<u>5,940</u>
Net position:			
Net investment in capital assets	1,377	1,811	1,736
Restricted	-	4,798	5,048
Unrestricted	397,354	305,792	256,296
Total net position	<u>\$ 398,731</u>	<u>\$ 312,401</u>	<u>\$ 263,080</u>

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June 30, 2016 and 2015

(In thousands)

Current assets consist of cash in demand deposits, investments, prepaid expenses, and receivables due from JOBS for management services as well as outstanding principal from loans to promote economic development due within the following twelve months. Current assets increased 23% in the fiscal year ended June 30, 2016 from \$335,083 in fiscal year 2015 to \$410,824 in fiscal year 2016. In the fiscal year ended June 30, 2015, current assets increased 28% from \$261,854 in fiscal year 2014 to \$335,083 in fiscal year 2015. These increases in current assets are primarily due to funds received from JOBS for grants to support JobsOhio's mission.

Long-term assets consist of software, furniture, equipment and leasehold improvements, as well as outstanding principal from loans made for economic development programs due after the following twelve months. Long-term assets increased 214% in the fiscal year ended June 30, 2016 from \$8,421 in fiscal year 2015 to \$26,455 in fiscal year 2016. In the fiscal year ended June 30, 2015, long-term assets increased 18% from \$7,166 in fiscal year 2014 to \$8,421 in fiscal year 2015. The increases in long-term assets are primarily due to JobsOhio's loan program, which was first established in fiscal year 2014 and experienced growth in fiscal years 2016 and 2015.

Current liabilities represent accounts payables and accrued liabilities as of fiscal year-end, as well as a capital lease that was added in fiscal year 2015.

The increase of total net position at June 30, 2016 of \$86,330 results primarily from the receipt of grants from JOBS during the fiscal year totaling \$150,000. The increase of total net position as of June 30, 2015 of \$49,321 resulted primarily from the receipt of grants from JOBS during the fiscal year totaling \$120,000.

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2016, 2015, and 2014:

	2016	2015	2014
Operating revenues:			
Interest income - loans	\$ 830	\$ 140	\$ 31
Fees and other	867	918	521
Total operating revenues	<u>1,697</u>	<u>1,058</u>	<u>552</u>
Operating expenses:			
Economic development programs	35,349	46,552	3,863
Salaries and benefits	9,205	7,514	4,648
Economic development purchased services	10,243	9,321	4,235
Professional services	4,958	1,914	4,710
Insurance	200	182	185
Administrative and support	2,772	2,328	1,690
Marketing	7,137	4,604	1,243
Total operating expenses	<u>69,864</u>	<u>72,415</u>	<u>20,574</u>
Operating loss	<u>(68,167)</u>	<u>(71,357)</u>	<u>(20,022)</u>
Nonoperating revenues:			
Grants	150,000	120,000	100,000
Investment income	4,497	678	58
Total nonoperating revenues	<u>154,497</u>	<u>120,678</u>	<u>100,058</u>
Change in net position	<u>86,330</u>	<u>49,321</u>	<u>80,036</u>
Net position, beginning of year	312,401	263,080	183,044
Net position, end of year	<u>\$ 398,731</u>	<u>\$ 312,401</u>	<u>\$ 263,080</u>

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June 30, 2016 and 2015

(In thousands)

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the fiscal year ended June 30, 2016, total operating and nonoperating revenues were \$156,194, an increase of \$34,458 over the prior year's total of \$121,736. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2016 of \$30,000, as well as increases in the amount of investment and interest income. For the fiscal year ended June 30, 2015, total operating and nonoperating revenues increased \$21,126 from \$100,610 in fiscal year 2014 to \$121,736 in fiscal year 2015. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2015 of \$20,000.

Operating expenses decreased by \$2,551 in the fiscal year ended June 30, 2016, from \$72,415 in fiscal year 2015 to \$69,864 in fiscal year 2016, primarily due to a decrease in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. In the fiscal year ended June 30, 2015, operating expenses increased by \$51,841 from \$20,574 in fiscal year 2014 to \$72,415 in fiscal year 2015 primarily due to grants issued to support JobsOhio's mission and reported as economic development program expense. JobsOhio had an increase in workforce over the past three fiscal years as it continues to build upon its employee base to facilitate economic development in the State. Other operating expenses for the fiscal years ended June 30, 2016, 2015, and 2014 included professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a change in net position of \$86,330 in the fiscal year ended June 30, 2016, which was an increase of \$37,009 from the change in net position as of June 30, 2015 of \$49,321. JobsOhio had a decrease of \$30,715 in the change of net position for the fiscal year ended June 30, 2015 of \$49,321, from the change of net position for the fiscal year ended June 30, 2014 of \$80,036. The major factor affecting these changes were the increase in the amount of grant money received from JOBS during fiscal years 2016 and 2015.

Capital Asset Activity

Capital asset additions to furniture and equipment of \$27 in the fiscal year ended June 30, 2016 were primarily attributable to establishing a new training room for the purpose of workforce utilization. Capital asset additions to leasehold improvements of \$8 in the fiscal year ended June 30, 2016 were primarily attributable to an office flooring replacement. Capital asset additions to furniture and equipment of \$178 and to leasehold improvements of \$296 in the fiscal year ended June 30, 2015 were primarily attributable to the construction and implementation of an office expansion in that fiscal year. Additions to software of \$26 and \$98 in the fiscal years ended June 30, 2016 and 2015, respectively, were attributable to the launch and continued maintenance of a new website with increased search and mobile capabilities. Refer to page 20 of the notes to the financial statements for further information on capital assets.

Requests for Information

This annual report is designed to provide a general overview of JobsOhio's finances. The annual report of its component unit JOBS is issued separately by that corporation. Questions concerning information presented in this report should be addressed to Kevin Giangola, Chief Financial Officer, JobsOhio, giangola@jobs-ohio.com.

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Statements of Net Position

June 30, 2016 and 2015

(In thousands)

	June 30, 2016		June 30, 2015	
		Component Unit		Component Unit
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Assets:				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 80,213	\$ 182,909	\$ 58,833	\$ 155,810
Cash and cash equivalents - restricted	-	134,725	4,798	116,067
Investments	324,254	-	270,272	-
Inventory	-	72,948	-	59,514
Loans	2,270	-	508	-
Receivables	529	496	245	185
Prepaid expenses	3,375	989	427	946
Due from JOBS	183	-	-	-
Total current assets	410,824	392,067	335,083	332,522
Long-term assets:				
Intangible asset - liquor franchise, net of amortization	-	1,191,334	-	1,246,531
Capital assets, net of accumulated depreciation	1,377	-	1,811	-
Loans, net of loss allowance	25,078	-	6,610	-
Total long-term assets	26,455	1,191,334	8,421	1,246,531
Total assets	437,279	1,583,401	343,504	1,579,053
Liabilities:				
Current liabilities:				
Accounts payable	2,205	24,626	624	16,755
Accrued liabilities	36,305	54,057	30,431	43,517
Capital lease payable - current portion	10	-	10	-
Special obligation bonds payable - current portion	-	44,020	-	43,440
Bond interest payable	-	29,438	-	29,729
Due to JobsOhio	-	183	-	-
Total current liabilities	38,520	152,324	31,065	133,441
Long-term liabilities:				
Capital lease payable	28	-	38	-
Special obligation bonds payable	-	1,430,203	-	1,477,051
Total long-term liabilities	28	1,430,203	38	1,477,051
Total liabilities	38,548	1,582,527	31,103	1,610,492
Net position (deficit):				
Net investment in capital assets	1,377	-	1,811	-
Restricted	-	-	4,798	-
Unrestricted (deficit)	397,354	874	305,792	(31,439)
Total net position (deficit)	\$ 398,731	\$ 874	\$ 312,401	\$ (31,439)

See accompanying notes to financial statements.

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(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2016 and 2015

(In thousands)

	Year ended June 30, 2016		Year ended June 30, 2015	
	Component Unit		Component Unit	
	JobsOhio Beverage System		JobsOhio Beverage System	
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Operating revenues:				
Net liquor sales	\$ -	\$ 1,051,438	\$ -	\$ 982,337
Interest income - loans	830	-	140	-
Fees and other	867	-	918	-
Total operating revenues	<u>1,697</u>	<u>1,051,438</u>	<u>1,058</u>	<u>982,337</u>
Operating expenses:				
Cost of goods sold	-	605,990	-	565,254
Sales commissions	-	57,522	-	53,468
Liquor gallonage taxes	-	45,369	-	43,562
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197
Service fees	-	12,116	-	9,555
Supplemental Payment	-	35,665	-	26,810
JobsOhio management fees	-	603	-	814
Economic development programs	35,349	-	46,552	-
Salaries and benefits	9,205	-	7,514	-
Economic development purchased services	10,243	-	9,321	-
Professional services	4,958	476	1,914	353
Insurance	200	359	182	325
Administrative and support	2,772	-	2,328	-
Marketing	7,137	-	4,604	-
Other	-	72	-	74
Total operating expenses	<u>69,864</u>	<u>813,369</u>	<u>72,415</u>	<u>755,412</u>
Operating income (loss)	<u>(68,167)</u>	<u>238,069</u>	<u>(71,357)</u>	<u>226,925</u>
Nonoperating revenues (expenses):				
Grants	150,000	(150,000)	120,000	(120,000)
Bond interest, net	-	(56,339)	-	(56,849)
Investment income	4,497	-	678	-
Other, net	-	583	-	56
Total nonoperating revenues (expenses)	<u>154,497</u>	<u>(205,756)</u>	<u>120,678</u>	<u>(176,793)</u>
Change in net position	<u>86,330</u>	<u>32,313</u>	<u>49,321</u>	<u>50,132</u>
Net position (deficit), beginning of period	312,401	(31,439)	263,080	(81,571)
Net position (deficit), end of period	<u>\$ 398,731</u>	<u>\$ 874</u>	<u>\$ 312,401</u>	<u>\$ (31,439)</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended June 30, 2016 and 2015

(In thousands)

	2016		2015	
	JobsOhio	Component unit	JobsOhio	Component unit
		JobsOhio Beverage System		JobsOhio Beverage System
Cash flows from operating activities:				
Receipts from fees and other	\$ 797	\$ -	\$ 86	\$ -
Receipts from customers	-	1,005,756	-	938,783
Payments to employees	(9,154)	-	(7,419)	-
Payments to suppliers	(24,453)	(612,495)	(20,465)	(576,818)
Payments for economic development programs	(51,420)	-	(25,748)	-
Payments for commissions	-	(59,566)	-	(52,980)
Receipts from sales taxes	-	61,822	-	56,811
Payments for sales tax collections to State and county	-	(61,325)	-	(56,539)
Receipts from customers for gallonage taxes	-	45,369	-	43,562
Payments for gallonage tax collections to State	-	(45,130)	-	(43,362)
Payments for servicing fees	-	(9,129)	-	(8,979)
Payments for Supplemental Payment to State	-	(26,810)	-	(14,030)
Receipts (payments) between JobsOhio and component unit	420	(420)	804	(804)
Net cash provided by (used in) operating activities	<u>(83,810)</u>	<u>298,072</u>	<u>(52,742)</u>	<u>285,644</u>
Cash flows from noncapital financing activities:				
Receipts (payments) between JobsOhio and component unit for grants	150,000	(150,000)	120,000	(120,000)
Payments for other nonoperating expenses	-	(8)	-	(9)
Net cash provided by (used in) noncapital financing activity	<u>150,000</u>	<u>(150,008)</u>	<u>120,000</u>	<u>(120,009)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(113)	-	(520)	-
Payments for capital lease	(10)	-	-	-
Payments for bond principal	-	(43,440)	-	(42,955)
Payments for bond interest	-	(59,458)	-	(59,939)
Net cash used in capital and related financing activities	<u>(123)</u>	<u>(102,898)</u>	<u>(520)</u>	<u>(102,894)</u>
Cash flows from investing activities:				
Dividends and interest income	2,966	591	394	59
Purchases of investments	(77,427)	-	(432,815)	-
Proceeds from maturities of investments	24,976	-	264,823	-
Net cash provided by (used in) investing activities	<u>(49,485)</u>	<u>591</u>	<u>(167,598)</u>	<u>59</u>
Net increase in cash and cash equivalents	16,582	45,757	(100,860)	62,800
Cash and cash equivalents, beginning of period	63,631	271,877	164,491	209,077
Cash and cash equivalents, end of period	<u>\$ 80,213</u>	<u>\$ 317,634</u>	<u>\$ 63,631</u>	<u>\$ 271,877</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (68,167)	\$ 238,069	\$ (71,357)	\$ 226,925
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197
Depreciation and amortization expense	495	-	482	-
Increase in loans	(23,815)	-	(6,736)	-
Increase in loan valuation allowance	3,585	-	-	-
Increase in inventory	-	(13,434)	-	(7,407)
(Increase) decrease in receivables	(284)	(311)	(217)	190
(Increase) decrease in prepaid expenses	(2,948)	(43)	(29)	514
(Increase) decrease in due from/to component unit (net)	(183)	183	(10)	10
Increase (decrease) in accounts payable	1,633	7,871	(2,669)	16,732
Increase (decrease) in accrued liabilities	5,874	10,540	27,794	(6,517)
Total adjustments	<u>(15,643)</u>	<u>60,003</u>	<u>18,615</u>	<u>58,719</u>
Net cash provided by (used in) operating activities	<u>\$ (83,810)</u>	<u>\$ 298,072</u>	<u>\$ (52,742)</u>	<u>\$ 285,644</u>
Noncash capital activities:				
Purchases of capital assets on account	\$ -	\$ -	\$ 52	\$ -

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Notes to Financial Statements

June 30, 2016 and 2015

(In thousands)

(1) Summary of Significant Accounting Policies

(a) *Financial Reporting Entity*

JobsOhio was incorporated on July 5, 2011, as a nonprofit corporation under Chapters 1702 and 187, Ohio 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 comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*; Statement No. 39; *Determining Whether Organizations Are Component Units*; and Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities, functions, and component units for which JobsOhio (the primary reporting entity) is financially accountable.

JobsOhio Beverage System (JOBS), a nonprofit corporation under Chapter 1702, Ohio Revised Code, was acquired by JobsOhio on July 6, 2011. As the sole member of JOBS under Chapter 1702, Ohio Revised Code, JobsOhio appoints all members of the JOBS' Board of Directors, its governing body. In addition, under the JOBS Articles of Incorporation, JOBS' use of its funding is limited to making grants to JobsOhio. It is the assessment of JobsOhio management that JobsOhio is "financially accountable" for JOBS and that JOBS should, therefore, be considered a component unit of JobsOhio. JOBS is reported as a discretely presented component unit of JobsOhio.

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

(b) *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.

As discussed earlier, JOBS is a discretely presented component unit of JobsOhio. As such, JOBS is disclosed in a separate column in the financial statements.

(c) *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.

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Notes to Financial Statements

June 30, 2016 and 2015

(In thousands)

(d) 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.

(e) Cash and Cash Equivalents

Cash equivalents include all demand deposits with commercial banks and money market accounts.

(f) Restricted Assets

JobsOhio holds grant funds to be used to fund capital related economic development activities. The amount of funds held at June 30, 2016 and 2015 was \$0 and \$4,798, respectively. Use of these moneys is not further restricted.

(g) 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.

(h) 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.

(i) Allowance for Loan Losses

The allowance for loan losses is a specific reserve 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 June 30, 2016 and 2015, the amount of allowance for loan losses was \$3,585 and \$0, respectively and is reported in the JobsOhio statements of revenues, expenses, and changes in net position as "economic development program" expense.

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(j) Receivables

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

(k) 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.

(l) Capital Assets

Capital assets, which include property and equipment, are reported in the financial statements. JobsOhio 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

(m) 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

(n) Classification of Revenues and Expenses

Revenues and expenses are classified as operating or nonoperating. Under the JobsOhio definition:

- “Operating revenues” represent loan application fees, loan interest, and fees for management services to JOBS.
- “Operating expenses” represent costs that support economic development activities.

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

JobsOhio has initiated loan and grant programs to private businesses in the state of Ohio to support economic development. For the fiscal years ended June 30, 2016 and 2015, JobsOhio issued grants and contributions for such purposes, reported in the JobsOhio statements of revenues, expenses, and changes in net position as “economic development program” expense.

As part of the loan program, JobsOhio 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 fiscal years ended June 30, 2016 and 2015 was \$225 and \$84, respectively, and are included in the statements of revenues, expenses, and changes in net position as fees and other.

(o) Revenue Recognition

JobsOhio’s main source of revenue is through grant funds received from its component unit, JOBS. Grants from JOBS are recognized upon approval by the JOBS’ President of the grant award, as authorized by the JOBS’ Board of Directors. JOBS granted \$150,000 and \$120,000 to JobsOhio for the fiscal years ended June 30, 2016 and 2015, respectively. JobsOhio also receives revenue from loan application fees, which are recognized in the period received.

(p) Risk Management/Insurance

JobsOhio 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. JobsOhio 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 JobsOhio since its incorporation and no liabilities have been identified or recorded. It is JobsOhio’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 since the inception of JobsOhio.

(q) Liquor Franchise

On February 1, 2013, JOBS, JobsOhio, and the State of Ohio (State), through the Ohio Department of Commerce and the Ohio Office of Budget and Management, entered into a Franchise and Transfer Agreement (Transfer Agreement). Under the terms of the Transfer Agreement, JOBS purchased from the State an exclusive franchise for the sale of spirituous liquor throughout the state of Ohio. In addition, certain assets of the existing liquor enterprise were transferred to JOBS. In return, JOBS transferred cash to the State and committed to supplemental payments, characterized in the Transfer Agreement as “Deferred Payments” and reported in the JobsOhio statements of revenues, expenses, and changes in net position as “Supplemental Payment” to the State based upon sales of spirituous

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liquor by JOBS. Pursuant to the Transfer Agreement, JOBS receives all the gross revenue from the distribution, merchandising, and sale of spirituous liquor in the state of Ohio.

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

Financial reports for JOBS are separately issued by that corporation. They may be obtained by contacting JOBS at 41 South High Street, Suite 1500, Columbus, OH 43215.

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

In the event that JobsOhio 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. JobsOhio generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. JobsOhio may defer the use of restricted assets based on a review of the specific transaction.

(s) ***Compensated Absences***

JobsOhio 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>
0-3	3 weeks
4-7	4 weeks
8+	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.

(t) ***New Accounting Pronouncements***

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements

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of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015. JobsOhio has implemented GASB Statement No. 72 for the financial statements for the fiscal year ended June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, replaces the requirements of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015. JobsOhio has implemented GASB Statement No. 76 for the financial statements for the fiscal year ended June 30, 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, addresses financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Financial statements for those reporting periods will be blended as a result of this pronouncement.

(2) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits with Financial Institutions

At June 30, 2016, the carrying amount of JobsOhio's deposits was \$80,213 and the respective bank balance was \$80,289. At June 30, 2015, the carrying amount of JobsOhio's deposits was \$63,631 and the respective bank balance was \$65,883. The differences of \$76 and \$2,252, respectively, represent outstanding checks. The composition of the deposits is summarized as follows:

<u>Fund type</u>	<u>Account type</u>	<u>Carrying value at June 30, 2016</u>	<u>Carrying value at June 30, 2015</u>
Unrestricted	Checking	\$ 47,100	\$ 21,085
	Brokered Deposit – Money		
Unrestricted	Market Account	32,730	32,652
Unrestricted	Trust	383	5,096
	Total Cash – Unrestricted	<u>80,213</u>	<u>58,833</u>
Restricted	Checking	<u>-</u>	<u>4,798</u>
	Total	<u>\$ 80,213</u>	<u>\$ 63,631</u>

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Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, JobsOhio's deposits may not be returned. JobsOhio's investment policy adopted by the Board of Directors provided that JobsOhio minimizes credit risk as to cash deposits by prequalifying financial institutions with which JobsOhio will do business. Of the total bank balance at June 30, 2016 and 2015, \$32,850 was insured through the Federal Deposit Insurance Corporation (FDIC), including up to \$32,600 deposited into money market accounts through a brokered deposit program permitting JobsOhio to obtain full FDIC coverage on the principal deposit amount. The remaining \$47,439 and \$33,033, respectively, was uninsured and exposed to custodial credit risk.

JobsOhio's principal checking account is linked to an overnight sweep account, whereby total cash deposits in excess of \$6,000, less the \$32,600 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.

2. Investments

JobsOhio is not subject to statutory restrictions on investments. JobsOhio'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.

As of June 30, 2016, JobsOhio 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	\$ 157,823	\$ 60,032	\$ 55,226	\$ 42,565	\$ -
FHLB Notes	45,377	10,024	28,262	7,091	-
FFCB Notes	29,860	2,688	20,109	7,063	-
FHLMC Notes	8,260	-	8,260	-	-
FNMA Notes	35,468	5,010	10,040	20,418	-
Corporates	47,466	7,012	26,747	13,707	-
Total	<u>\$ 324,254</u>	<u>\$ 84,766</u>	<u>\$ 148,644</u>	<u>\$ 90,844</u>	<u>\$ -</u>

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As of June 30, 2015, JobsOhio 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:

	<u>Fair value</u>	<u>Investment maturity</u>			
		<u>1 year or less</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Between 4 and 5 years</u>
US Treasury	\$ 150,062	\$ 9,984	\$ 60,037	\$ 80,041	\$ -
FHLB Notes	42,117	-	15,022	27,095	-
FFCB Notes	20,053	-	-	20,053	-
FHLMC Notes	2,250	-	-	2,250	-
FNMA Notes	20,145	-	5,006	15,139	-
Corporates	35,645	1,500	6,023	26,130	1,992
Total	<u>\$ 270,272</u>	<u>\$ 11,484</u>	<u>\$ 86,088</u>	<u>\$ 170,708</u>	<u>\$ 1,992</u>

JobsOhio 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. JobsOhio 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 June 30, 2016:

	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
US Treasury	\$ 157,823	\$ 157,823	\$ -
FHLB Notes	45,377	-	45,377
FFCB Notes	29,860	-	29,860
FHLMC Notes	8,260	-	8,260
FNMA Notes	35,468	-	35,468
Corporates	47,466	-	47,466
Total	<u>\$ 324,254</u>	<u>\$ 157,823</u>	<u>\$ 166,431</u>

Investments classified in Level 1 of the fair value hierarchy, valued at \$157,823 as of June 30, 2016, 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, JobsOhio'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, JobsOhio prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Corporation will do business. In addition, the investment portfolio is diversified to minimize risk of loss. JobsOhio's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2016:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>
FHLB Notes	\$ 45,377	\$ -	\$ 45,377	\$ -	\$ -	\$ -	\$ -
FFCB Notes	29,860	-	29,860	-	-	-	-
FHLMC Notes	8,260	-	8,260	-	-	-	-
FNMA Notes	35,468	-	35,468	-	-	-	-
Corporates	47,466	2,003	7,146	2,007	17,061	7,073	12,176
Total	<u>\$ 166,431</u>	<u>\$ 2,003</u>	<u>\$ 126,111</u>	<u>\$ 2,007</u>	<u>\$ 17,061</u>	<u>\$ 7,073</u>	<u>\$ 12,176</u>

JobsOhio's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2015:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>
FHLB Notes	\$ 42,117	\$ -	\$ 42,117	\$ -	\$ -	\$ -
FFCB Notes	20,053	-	20,053	-	-	-
FHLMC Notes	2,250	-	2,250	-	-	-
FNMA Notes	20,145	-	20,145	-	-	-
Corporates	35,645	3,994	4,158	7,016	16,494	3,983
Total	<u>\$ 120,210</u>	<u>\$ 3,994</u>	<u>\$ 88,723</u>	<u>\$ 7,016</u>	<u>\$ 16,494</u>	<u>\$ 3,983</u>

Concentration of Credit Risk – To limit exposure to the risk of loss due to the magnitude of JobsOhio's investments in a single issuer, no more than five percent of the total market value of JobsOhio'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

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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 counterparty, JobsOhio will not be able to recover the value of its investments that are in the possession of an outside party. JobsOhio's investments of \$324,254 and \$270,272 as of June 30, 2016 and 2015, respectively, are uninsured and held in the name of its investment manager.

Investment activity for the fiscal year ended June 30, 2016, is summarized as follows:

	Balance, July 1, 2015	Purchases	Maturities	Accrued Income	Balance, June 30, 2016
US Treasury	\$ 150,058	\$ 16,990	\$ (9,977)	\$ 752	\$ 157,823
FHLB	42,119	8,050	(5,000)	208	45,377
FFCB	20,052	9,676	-	132	29,860
FHLMC	2,250	7,983	(2,000)	27	8,260
FNMA	20,148	16,568	(1,500)	252	35,468
Corporates	35,645	18,160	(6,499)	160	47,466
Total	<u>\$ 270,272</u>	<u>\$ 77,427</u>	<u>\$ (24,976)</u>	<u>\$ 1,531</u>	<u>\$ 324,254</u>

Investment activity for the fiscal year ended June 30, 2015 is summarized as follows:

	Balance, July 1, 2014	Purchases	Maturities	Accrued Income	Balance, June 30, 2015
US Treasury	\$ -	\$ 149,682	\$ -	\$ 376	\$ 150,058
FHLB	92,485	84,467	(134,873)	40	42,119
FFCB	-	20,029	-	23	20,052
FHLMC	-	44,236	(41,986)	-	2,250
FNMA	9,500	98,611	(87,964)	1	20,148
Corporates	-	35,790	-	(145)	35,645
Total	<u>\$ 101,985</u>	<u>\$ 432,815</u>	<u>\$ (264,823)</u>	<u>\$ 295</u>	<u>\$ 270,272</u>

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Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income realized from maturities during each of the fiscal years ended June 30, 2016 and 2015 totaled \$89. Interest on public corporate fixed income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued income of \$1,531 and \$295 as of June 30, 2016 and 2015, respectively, represents unrealized interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

3. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is as follows:

	Balance, July 1, 2015	Additions	Reductions	Balance, June 30, 2016
Furniture and equipment	\$ 629	\$ 27	\$ -	\$ 656
Leasehold improvements	871	8	-	879
Software	1,368	26	-	1,394
Total capital assets being depreciated	<u>2,868</u>	<u>61</u>	<u>-</u>	<u>2,929</u>
Less: accumulated depreciation				
Furniture and equipment	(241)	(90)	-	(331)
Leasehold improvements	(197)	(106)	-	(303)
Software	(619)	(299)	-	(918)
Total accumulated depreciation	<u>(1,057)</u>	<u>(495)</u>	<u>-</u>	<u>(1,552)</u>
Total capital assets being depreciated, net	<u>\$ 1,811</u>	<u>\$ (434)</u>	<u>\$ -</u>	<u>\$ 1,377</u>

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Capital assets activity for the fiscal year ended June 30, 2015 is as follows:

	Balance, July 1, 2014	Additions	Reductions	Balance, June 30, 2015
Furniture and equipment	\$ 461	\$ 178	\$ (10)	\$ 629
Leasehold improvements	575	296	-	871
Software	1,338	98	(68)	1,368
Total capital assets being depreciated	<u>2,374</u>	<u>572</u>	<u>(78)</u>	<u>2,868</u>
Less: accumulated depreciation				
Furniture and equipment	(163)	(84)	6	(241)
Leasehold improvements	(110)	(87)	-	(197)
Software	(365)	(311)	57	(619)
Total accumulated depreciation	<u>(638)</u>	<u>(482)</u>	<u>63</u>	<u>(1,057)</u>
Total capital assets being depreciated, net	<u>\$ 1,736</u>	<u>\$ 90</u>	<u>\$ (15)</u>	<u>\$ 1,811</u>

4. Loans Receivable

JobsOhio'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 JobsOhio a draw request that identifies the applicable costs that have been incurred. JobsOhio recognizes the receivable at time of disbursement to the borrower.

Loans receivable balance of \$27,348 as of June 30, 2016 relates to disbursements to eighteen companies and is net of loss allowance of \$3,585. Loans receivable balance of \$7,118 as of June 30, 2015 relates to disbursements to six companies and is net of loss allowance of \$0. The current portion of the loans receivable balance of \$2,270 and \$508 as of June 30, 2016 and 2015, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2016 and 2015 provide for disbursements of up to \$50,225 and \$12,900, respectively. The outstanding balance of the commitments as of June 30, 2016 and 2015 are \$18,635 and \$5,735, respectively.

JobsOhio'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 JobsOhio 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 \$3,585 and \$0 as of June 30, 2016 and 2015, respectively.

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(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at June 30, 2016 and 2015 are as follows:

	2016	2015
Economic development programs	\$ 32,182	\$ 25,554
Contribution payable	1,000	4,000
Economic development purchased services	1,829	292
Professional services	768	164
Payroll	124	123
Legal services	129	81
Paid time off	109	87
Deferred rent	44	58
Employee benefits	42	10
Other	78	62
	\$ 36,305	\$ 30,431

2. Economic Development Programs - Grants

JobsOhio operates four grant programs to encourage economic development within the state of Ohio. These comprise:

- JobsOhio Economic Development Grants – The Economic Development grant program focuses on fixed asset and infrastructure investment.
- JobsOhio Workforce Grants – The Workforce grant program focuses on training costs associated with new or incumbent employees.
- JobsOhio 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.
- JobsOhio 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.

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As of June 30, 2016, JobsOhio had executed 311 grants, including 107 economic development grants, 145 workforce grants, and 59 revitalization grants with a total committed amount of \$85,568. As of June 30, 2016, JobsOhio had \$46,372 in committed, but unpaid grants. As of June 30, 2015, JobsOhio had executed 194 grants, including 71 economic development grants, 96 workforce grants, and 27 revitalization grants with a total committed amount of \$52,613. As of June 30, 2015, JobsOhio had \$39,400 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, JobsOhio 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. JobsOhio 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 grant expense and is included in accrued liabilities in the statement of net position. For the fiscal years ended June 30, 2016 and 2015, the accrued grant expense was \$32,182 and \$25,554 respectively.

3. Contribution Payable

On February 21, 2014, the JobsOhio Board of Directors adopted a resolution authorizing the President and Chief Investment Officer of JobsOhio to provide a letter indicating the intent of JobsOhio to provide financial support for up to \$10,000 of funding to an appropriate nonprofit host-city committee or municipal fund to support an Ohio city hosting one of the two national political conventions in 2016. Under the terms and conditions of the resolution:

- Such support would be provided only after award of such a convention to a city;
- Funds awarded would be usable only for purposes authorized by law and consistent with the tax-exempt purposes of the Corporation; and
- In no event could such funds be considered or used, directly or indirectly, as a contribution to, for or in aid of any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity, or for any partisan political purpose.

On August 8, 2014, the Republican National Convention selected the City of Cleveland, Ohio as the host city for the 2016 national convention and \$10,000 was reported on the statements of revenues, expenses, and changes in net position as economic development program expense for the fiscal year ended June 30, 2015. As of June 30, 2016 and 2015, JobsOhio had disbursed \$9,000 and \$6,000, respectively, related to this contribution. The remaining \$1,000 and \$4,000, respectively, is reported as contribution payable as of June 30, 2016 and 2015.

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4. 401(k) Savings Plan

JobsOhio 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 JobsOhio employees, permits employees to defer a percentage of their salary up to the maximum percentage allowed by the Internal Revenue Service. JobsOhio 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.

JobsOhio is the plan administrator of the Plan and the Plan trustee is Frontier Trust Company. JobsOhio 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 JobsOhio's 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 fiscal year ended June 30, 2016, the total 401(k) match expense was \$213 on total employee contributions of \$510. For the fiscal year ended June 30, 2015, the total 401(k) match expense was \$185 on total employee contributions of \$450. As of June 30, 2016 and 2015, accrued employee 401(k) deferrals and accrued employer match were \$26 and \$0, respectively, and are included in the statements of net position as accrued liabilities.

5. Commitments and Contingencies – Litigation

On October 27, 2014, an action was filed in the Franklin County Court of Appeals challenging JobsOhio and the legislation authorizing its creation and the transfer of the State's spirituous liquor system. On February 12, 2015, the Court of Appeals' Magistrate issued a decision dismissing the case in its entirety, ruling it clear beyond doubt that the Relator does not have standing to bring this action. Relator filed objections to the Magistrate's decision and other motions. On August 4, 2015, the Court of Appeals overruled Relator's objections, adopted that portion of the Magistrate's decision that dismissed the case for lack of standing, and dismissed all other pending motions. Relator timely appealed this decision to the Supreme Court of Ohio, which on August 31, 2016 issued its final decision affirming the dismissal of the entire case for lack of standing. On September 9, 2016, a motion for reconsideration was filed in the Supreme Court, and on September 19, 2016, counsel for the State filed a memorandum in opposition to that motion, with the matter now awaiting decision by the Supreme Court. It remains the opinion of JobsOhio management that the issues raised by Relator are without merit.

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June 30, 2016 and 2015

(In thousands)

6. Lease Obligations

JobsOhio has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$469 and \$430 for the fiscal years ended June 30, 2016 and 2015, respectively.

Minimum future lease payments as of June 30, 2016, under this operating lease are as follows:

Year ending June 30:	
2017	\$ 297
2018	306
2019	315
2020	324
2021	333
2022	<u>198</u>
Total	<u><u>\$ 1,773</u></u>

In fiscal year 2015, JobsOhio 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 for the years ended June 30, 2016 and 2015 was \$15 and \$1, respectively. Property on capital lease as of June 30, 2016 is as follows:

Office equipment	\$ 52
Less: accumulated amortization	<u>(15)</u>
Total	<u><u>\$ 37</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 June 30, 2016, under this capital lease are as follows:

Year ending June 30:	
2017	\$ 10
2018	10
2019	10
2020	<u>8</u>
Total	<u><u>\$ 38</u></u>

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(In thousands)

(4) Discretely Presented Component Unit – JOBS

(a) Revenues and Expenses

JobsOhio had multiple transactions with JOBS, a discretely presented component unit of JobsOhio. JOBS provides funds to JobsOhio pursuant to a grant agreement effective February 1, 2013 for the purpose of economic development as discussed in note 1(a). The Transfer Agreement provides for the transfer of the excess liquor business profits (after the transfer of liquor business profits into all funds and accounts in accordance with the JOBS Bond Indenture) into the General Purpose Fund to be made available to JobsOhio by grant for the sole purpose of funding JobsOhio's economic development functions. Funds granted by JOBS to JobsOhio during the fiscal years ended June 30, 2016 and 2015 totaled \$150,000 and \$120,000, respectively.

Additionally, JobsOhio provided administrative services and facilities to JOBS that were the subject of charges to and payments by JOBS. These included:

- Accounting system lease – Coinciding with the franchise purchase, JobsOhio entered into a three-year lease agreement as lessor for the use of a financial accounting software system valued at \$763. The asset has a five-year estimated useful life. The lease agreement qualifies as an operating lease for accounting purposes, and therefore, amounts are recorded as fee revenue. Lease amounts for the fiscal years ended June 30, 2016 and 2015 totaled \$93 and \$160, respectively. As of June 30, 2016, there are no minimum future lease payments.
- Management fee – In a separate agreement, JobsOhio entered into an Employee Lease and Asset License Agreement (Agreement) as lessor on February 1, 2013 with JOBS for the lease of personnel, administrative support, equipment, supplies, office space, and services necessary for JOBS' operations. Monthly charges under the lease are determined and calculated based on actual identifiable payroll costs incurred on behalf of supporting JOBS, including administrative, equipment, supplies, office space, and services allocated on the basis of the lease agreement terms. Lease amounts for the fiscal years ended June 30, 2016 and 2015 totaled \$510 and \$814, respectively. The Agreement qualifies as an operating lease for accounting purposes. Revenues under the lease are recorded as fee revenue. As of June 30, 2016 and 2015, JobsOhio had an amount due from JOBS of \$183 and \$0, respectively.

(b) Intangible Asset – Liquor Franchise

As a result of the purchase of the franchise for the sale of spirituous liquor, JOBS 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 for the liquor franchise for each of the fiscal years ended June 30, 2016 and 2015 was \$55,197. No impairment of the intangible asset existed as of June 30, 2016 and 2015.

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June 30, 2016 and 2015

(In thousands)

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2016 is as follows:

	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2016</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: accumulated amortization	(133,393)	(55,197)	-	(188,590)
Liquor franchise, net of amortization	<u>\$ 1,246,531</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 1,191,334</u>

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2015, is as follows:

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2015</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: accumulated amortization	(78,196)	(55,197)	-	(133,393)
Liquor franchise, net of amortization	<u>\$ 1,301,728</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 1,246,531</u>

(c) ***Special Obligation Bonds***

Special obligation revenue bonds were issued on February 1, 2013, by JOBS 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 bonds 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 June 30, 2016 are as follows:

<u>Special obligation bonds</u>	<u>Original issue date</u>	<u>Outstanding as of June 30, 2016</u>	<u>Interest rates to maturity</u>	<u>Final maturity</u>
Series 2013A	Feb. 2013	\$ 394,790	3.0% – 5.0%	2038
Series 2013B	Feb. 2013	1,029,500	0.9% – 4.5%	2035

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(In thousands)

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 June 30, 2015 were as follows:

Special obligation bonds	Original issue date	Outstanding as of June 30, 2015	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	\$ 399,790	3.0% – 5.0%	2038
Series 2013B	Feb. 2013	1,067,940	0.9% – 4.5%	2035

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at June 30, 2016 and 2015 are \$44,020 and \$43,440, respectively. 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 the 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.

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 JOBS or the State, and neither the faith nor credit are pledged as security for payment of the bonds.

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June 30, 2016 and 2015

(In thousands)

Debt service requirements as of June 30, 2016 related to the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2017	\$ 44,020	\$ 58,876	\$ 102,896
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 – 2026	270,265	244,097	514,362
2027 – 2031	327,520	186,577	514,097
2032 – 2036	405,665	107,523	513,188
2037 – 2038	190,495	14,403	204,898
Total	<u>1,424,290</u>	<u>\$ 836,453</u>	<u>\$ 2,260,743</u>
Unamortized premium	49,933		
Less current portion	<u>(44,020)</u>		
Total debt, long-term portion	<u>\$ 1,430,203</u>		

Debt service requirements as of June 30, 2015, related to the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 43,440	\$ 59,458	\$ 102,898
2017	44,020	58,876	102,896
2018	44,870	58,024	102,894
2019	45,845	57,049	102,894
2020	46,720	55,893	102,613
2021 – 2025	261,020	253,389	514,409
2026 – 2030	314,670	199,488	514,158
2031 – 2035	388,155	125,381	513,536
2036 – 2038	278,990	28,353	307,343
Total	<u>1,467,730</u>	<u>\$ 895,911</u>	<u>\$ 2,363,641</u>
Unamortized premium	52,761		
Less current portion	<u>(43,440)</u>		
Total debt, long-term portion	<u>\$ 1,477,051</u>		

JOB SOHIO
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Notes to Financial Statements

June 30, 2016 and 2015

(In thousands)

Debt service activity for the fiscal year ended June 30, 2016 is as follows:

	Balance, July 1, 2015	Additions	Reductions	Balance, June 30, 2016	Current portion
Bond principal	\$ 1,467,730	\$ -	\$ (43,440)	\$ 1,424,290	\$ 44,020
Bond premium	59,663	-	-	59,663	-
Less: accumulated amortization	(6,902)	(2,828)	-	(9,730)	-
Total debt	\$ 1,520,491	\$ (2,828)	\$ (43,440)	\$ 1,474,223	\$ 44,020

Debt service activity for the fiscal year ended June 30, 2015 is as follows:

	Balance, July 1, 2014	Additions	Reductions	Balance, June 30, 2015	Current portion
Bond principal	\$ 1,510,685	\$ -	\$ (42,955)	\$ 1,467,730	\$ 43,440
Bond premium	59,663	-	-	59,663	-
Less: accumulated amortization	(4,052)	(2,850)	-	(6,902)	-
Total debt	\$ 1,566,296	\$ (2,850)	\$ (42,955)	\$ 1,520,491	\$ 43,440

Bonds are subject to redemption prior to their stated maturity dates at the option of JOBS, 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, JOBS 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 June 30, 2016 and 2015.