JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Review Report Thereon)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
JobsOhio:

We have reviewed the accompanying statements of net position of JobsOhio, a component unit of the State of Ohio, and its discretely presented component unit JobsOhio Beverage System (collectively the "Companies") as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position for the three-month and six-month periods then ended, and of cash flows for the six-month period then ended (the "interim financial information"). The statements of revenues, expenses, and changes in net position for the three-month and six-month periods ended December 31, 2014 and of cash flows for the six-month periods ended December 31, 2014, were reviewed by other auditors whose report dated March 13, 2015, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with accounting principles generally accepted in the United States of America, with the exception of the matter described below in the Basis for Modification paragraph. The statement of net position of the Company as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended (not presented herein) were audited by other auditors whose report dated October 28, 2015, expressed an unmodified opinion on this statement.

Management's Responsibility for the Interim Financial Information

The Company'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, which we believe are 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 basic financial statements, is required by the Governmental 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. Our review on the basic financial information is not affected by this missing information.

Conclusion

Based on our review, 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.

May 27, 2016

Deloitte & Touche LLP

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

(Unaudited)

(In thousands)

	December 31, 2015		June 30, 2015	
		Component Unit		Component Unit
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Assets:				
Current assets:				
Cash and cash equivalents - unrestricted	$ 65,542	$ 170,542	$ 58,833	$ 155,810
Cash and cash equivalents - restricted	4,798	132,971	4,798	116,067
Investments	319,520	-	270,272	-
Inventory	-	62,172	-	59,514
Loans	1,018	-	508	-
Receivables	274	1,040	245	185
Prepaid expenses	642	628	427	946
Due from JOBS	134	-	-	-
Total current assets	391,928	367,353	335,083	332,522
Long-term assets:				
Intangible asset - liquor franchise, net of amortization	-	1,218,933	-	1,246,531
Capital assets, net of accumulated depreciation	1,575	-	1,811	-
Loans, net of loss allowance	9,502	-	6,610	-
Total long-term assets	11,077	1,218,933	8,421	1,246,531
Total assets	**403,005**	**1,586,286**	**343,504**	**1,579,053**
Liabilities:				
Current liabilities:				
Accounts payable	403	24,435	624	16,755
Accrued liabilities	46,943	35,219	30,431	43,517
Capital lease payable - current portion	10	-	10	-
Special obligation bonds payable - current portion	-	43,440	-	43,440
Bond interest payable	-	29,729	-	29,729
Due to JobsOhio	-	134	-	-
Total current liabilities	47,356	132,957	31,065	133,441
Long-term liabilities:				
Capital lease payable	33	-	38	-
Special obligation bonds payable	-	1,475,631	-	1,477,051
Total long-term liabilities	33	1,475,631	38	1,477,051
Total liabilities	**47,389**	**1,608,588**	**31,103**	**1,610,492**
Net position (deficit):				
Net investment in capital assets	1,575	-	1,811	-
Restricted	4,798	-	4,798	-
Unrestricted (deficit)	349,243	(22,302)	305,792	(31,439)
Total net position (deficit)	**$ 355,616**	**$ (22,302)**	**$ 312,401**	**$ (31,439)**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Three months ended December 31, 2015		Three months ended December 31, 2014	
		Component Unit		Component Unit
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Operating revenues:				
Net liquor sales	$ -	$ 287,863	$ -	$ 269,130
Interest income - loans	148	-	23	-
Fees and other	233	-	307	-
Total operating revenues	381	287,863	330	269,130
Operating expenses:				
Cost of goods sold	-	166,472	-	155,213
Sales commissions	-	15,872	-	14,717
Liquor gallonage taxes	-	12,213	-	11,770
Amortization of intangible asset - liquor franchise	-	13,799	-	13,799
Service fees	-	1,422	-	1,104
Supplemental Payment	-	9,535	-	6,563
JobsOhio management fees	-	157	-	267
Economic development programs	14,855	-	11,175	-
Salaries and benefits	1,919	-	1,575	-
Economic development purchased services	2,426	-	2,712	-
Professional services	1,098	20	506	10
Insurance	51	91	45	82
Administrative and support	645	-	860	-
Marketing	1,541	-	610	-
Other	-	15	-	18
Total operating expenses	22,535	219,596	17,483	203,543
Operating income (loss)	**(22,154)**	**68,267**	**(17,153)**	**65,587**
Nonoperating revenues (expenses):				
Grants	-	-	-	-
Bond interest, net	-	(14,154)	-	(14,270)
Investment income	(1,213)	-	41	-
Other, net	-	67	-	9
Total nonoperating revenues (expenses)	(1,213)	(14,087)	41	(14,261)
Change in net position	**(23,367)**	**54,180**	**(17,112)**	**51,326**
Net position (deficit), beginning of period	378,983	(76,482)	353,402	(162,407)
Net position (deficit), end of period	**$ 355,616**	**$ (22,302)**	**$ 336,290**	**$ (111,081)**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Six months ended December 31, 2015		Six months ended December 31, 2014	
		Component Unit		Component Unit
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Operating revenues:				
Net liquor sales	$ -	$ 543,854	$ -	$ 508,277
Interest income - loans	262	-	38	-
Fees and other	465	-	463	-
Total operating revenues	727	543,854	501	508,277
Operating expenses:				
Cost of goods sold	-	313,558	-	292,308
Sales commissions	-	29,866	-	27,675
Liquor gallonage taxes	-	23,513	-	22,663
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598
Service fees	-	3,866	-	7,072
Supplemental Payment	-	17,413	-	11,255
JobsOhio management fees	-	315	-	422
Economic development programs	31,669	-	35,404	-
Salaries and benefits	3,796	-	3,062	-
Economic development purchased services	4,795	-	4,744	-
Professional services	2,707	182	953	75
Insurance	100	179	88	163
Administrative and support	1,291	-	1,343	-
Marketing	3,019	-	1,784	-
Other	-	32	-	36
Total operating expenses	47,377	416,522	47,378	389,267
Operating income (loss)	**(46,650)**	**127,332**	**(46,877)**	**119,010**
Nonoperating revenues (expenses):				
Grants	90,000	(90,000)	120,000	(120,000)
Bond interest, net	-	(28,309)	-	(28,539)
Investment income	(135)	-	87	-
Other, net	-	114	-	19
Total nonoperating revenues (expenses)	89,865	(118,195)	120,087	(148,520)
Change in net position	**43,215**	**9,137**	**73,210**	**(29,510)**
Net position (deficit), beginning of period	312,401	(31,439)	263,080	(81,571)
Net position (deficit), end of period	**$ 355,616**	**$ (22,302)**	**$ 336,290**	**$ (111,081)**

See accompanying notes to financial statements.

JOBSOHIO

(A Component Unit of the State of Ohio)

Statements of Cash Flows

Six months ended December 31, 2015 and 2014

(Unaudited)

(In thousands)

	2015		2014	
		Component unit		Component unit
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Cash flows from operating activities:				
Receipts from fees and other	$ 391	$ -	$ 45	$ -
Receipts from customers	-	519,485	-	485,797
Receipts from customers for gallonage taxes	-	23,513	-	22,663
Payments to employees	(3,794)	-	(3,141)	-
Payments to suppliers	(12,120)	(310,749)	(10,873)	(283,522)
Payments for economic development programs	(18,548)	-	(4,102)	-
Payments for commissions	-	(30,332)	-	(25,801)
Receipts from sales taxes	-	32,217	-	29,617
Payments for sales tax collections to State and county	-	(29,747)	-	(27,609)
Payments for gallonage tax collections to State	-	(22,407)	-	(21,575)
Payments for servicing fees	-	(3,735)	-	(6,681)
Payments for Supplemental Payment to State	-	(26,810)	-	(14,030)
Receipts (payments) between JobsOhio and component unit	183	(183)	325	(325)
Net cash provided by (used in) operating activities	(33,888)	151,252	(17,746)	158,534
Cash flows from noncapital financing activities:				
Receipts (payments) between JobsOhio and component unit for grants	90,000	(90,000)	120,000	(120,000)
Payments for other nonoperating expenses	-	(8)	-	(9)
Net cash provided by (used in) noncapital financing activity	90,000	(90,008)	120,000	(120,009)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(15)	-	(141)	-
Payments for capital lease	(5)	-	-	-
Payments for bond interest	-	(29,729)	-	(29,970)
Net cash used in capital and related financing activities	(20)	(29,729)	(141)	(29,970)
Cash flows from investing activities:				
Dividends and interest income	1,255	121	68	21
Purchases of investments	(55,638)	-	(162,839)	-
Proceeds from maturities of investments	5,000	-	162,869	-
Net cash provided by (used in) investing activities	(49,383)	121	98	21
Net increase in cash and cash equivalents	6,709	31,636	102,211	8,576
Cash and cash equivalents, beginning of period	63,631	271,877	164,491	209,077
Cash and cash equivalents, end of period	**$ 70,340**	**$ 303,513**	**$ 266,702**	**$ 217,653**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (46,650)	$ 127,332	$ (46,877)	$ 119,010
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598
Depreciation and amortization expense	251	-	228	-
Increase in loans	(3,402)	-	(1,638)	-
Increase in inventory	-	(2,658)	-	(3,621)
(Increase) decrease in receivables	(29)	(855)	(211)	367
(Increase) decrease in prepaid expenses	(215)	318	5	554
(Increase) decrease in due from/to component unit (net)	(134)	134	(97)	97
Increase (decrease) in accounts payable	(221)	7,680	(2,689)	13,564
Increase (decrease) in accrued liabilities	16,512	(8,297)	33,533	965
Total adjustments	12,762	23,920	29,131	39,524
Net cash provided by (used in) operating activities	**$ (33,888)**	**$ 151,252**	**$ (17,746)**	**$ 158,534**
Noncash capital activities:				
Purchases of capital assets on account	$ -	$ -	$ 126	$ -

See accompanying notes to financial statements.

(1) Unaudited Financial Statements

The financial information included in these financial statements is unaudited. In the opinion of management of JobsOhio, 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, 2015.

(2) 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, 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, Revised Code, was acquired by JobsOhio on July 6, 2011. As the sole member of JOBS under Chapter 1702, 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.

(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 December 31, 2015 and June 30, 2015 was $4,798. 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 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, 2015 and June 30, 2015, the amount of allowance for loan losses was $1,820 and $0, respectively and is reported in the JobsOhio statements of revenues, expenses and changes in net position as "economic development program expense".

(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.

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 three and six months ended December 31, 2015 and 2014, JobsOhio issued grants 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 three and six months ended December 31, 2015 and 2014 were $72 and $141, 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 of the grant award by the JOBS' President, as authorized by the JOBS' Board of Directors. For the three and six months ended December 31, 2015, JOBS granted $0 and $90,000, respectively, to JobsOhio. For the three and six months ended December 31, 2014, JOBS granted $0 and $120,000, respectively, to JobsOhio. 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 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:

Years of Service	Annual Paid Time Off
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 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 period ended December 31, 2015.

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 period ended December 31, 2015.

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. JobsOhio is assessing the impact of this Statement and intends to adopt it, as applicable, at the required time.

(3) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits with Financial Institutions

At December 31, 2015, the carrying amount of JobsOhio's deposits was $70,340 and the respective bank balance was $70,394. 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 $54 and $2,252, respectively, represent outstanding checks. The composition of the deposits is summarized as follows:

(In thousands)

Fund type	Account type	Carrying value at December 31, 2015	Carrying value at June 30, 2015
Unrestricted	Checking	$ 32,227	$ 21,085
Unrestricted	Brokered Deposit – Money Market Account	32,685	32,652
Unrestricted	Trust	630	5,096
	Total Cash – Unrestticted	65,542	58,833
Restricted	Checking	4,798	4,798
	Total	$ 70,340	$ 63,631

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 December 31, 2015 and June 30, 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 $37,544 and $33,033, respectively, was uninsured and exposed to custodial credit risk. JobsOhio's investment policy adopted by the Board of Directors provides that JobsOhio minimizes credit risk as to cash deposits by prequalifying financial institutions with which JobsOhio will do business.

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.

On February 6, 2015, JobsOhio entered into an agreement for an Investment Management Account with Huntington National Bank. As of December 31, 2015, JobsOhio 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:

(In thousands)

		Investment maturity			
	Fair value	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 4 years**	**Between 4 and 5 years**
US Treasury	$ 156,468	$ 49,904	$ 44,806	$ 61,758	$ -
FHLB Notes	44,965	-	19,969	24,996	-
FFCB Notes	24,916	-	9,972	14,944	-
FHLMC Notes	10,181	-	2,238	7,943	-
FNMA Notes	36,517	-	4,986	31,531	-
Corporates	46,473	1,500	20,099	24,874	-
Total	$ 319,520	$ 51,404	$ 102,070	$ 166,046	$ -

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:

		Investment maturity			
	Fair value	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 4 years**	**5 years or greater**
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	$ 270,272	$ 11,484	$ 86,088	$ 170,708	$ 1,992

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 December 31, 2015 and June 30, 2015:

(In thousands)

		Fair Value Measurements Using			Fair Value Measurements Using	
	Dec. 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
US Treasury	$ 156,468	$ 156,468	$ -	$ 150,058	$ 150,058	$ -
FHLB Notes	44,965	-	44,965	42,119	-	42,119
FFCB Notes	24,916	-	24,916	20,052	-	20,052
FHLMC Notes	10,181	-	10,181	2,250	-	2,250
FNMA Notes	36,517	-	36,517	20,148	-	20,148
Corporates	46,473	-	46,473	35,645	-	35,645
Total	$ 319,520	$ 156,468	$ 163,052	$ 270,272	$ 150,058	$ 120,214

Investments classified in Level 1 of the fair value hierarchy, valued at $156,468 and $150,058 as of December 31, 2015 and June 30, 2015, respectively, are valued using quoted prices in active markets.

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 December 31, 2015:

	Fair Value	AAA	AA+	AA	AA-	A+	A
FHLB Notes	$ 44,965	$ -	$ 44,965	$ -	$ -	$ -	$ -
FFCB Notes	$ 24,916	-	24,916	-	-	-	-
FHLMC Notes	$ 10,181	-	10,181	-	-	-	-
FNMA Notes	$ 36,517	-	36,517	-	-	-	-
Corporates	$ 46,473	3,989	5,117	6,994	17,407	4,958	8,008
Total	$ 163,052	$ 3,989	$ 121,696	$ 6,994	$ 17,407	$ 4,958	$ 8,008

(In thousands)

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

	Fair Value	AAA	AA+	AA	AA-	A+
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	$ 120,210	$ 3,994	$ 88,723	$ 7,016	$ 16,494	$ 3,983

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 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 $319,520 at December 31, 2015 and $270,272 at June 30, 2015 are uninsured and held in the name of its investment manager.

Investment activity for the six months ended December 31, 2015 is summarized as follows:

	Balance, July 1, 2015	Purchases	Maturities	Accrued income	Balance, Dec. 31, 2015
US Treasury	$ 150,062	$ 6,990	$ -	$ (584)	$ 156,468
FHLB	42,117	8,050	(5,000)	(202)	44,965
FFCB	20,053	4,999	-	(136)	24,916
FHLMC	2,250	7,983	-	(52)	10,181
FNMA	20,145	16,568	-	(196)	36,517
Corporates	35,645	11,048	-	(220)	46,473
Total	270,272	$ 55,638	$ (5,000)	$ (1,390)	$ 319,520

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

(Continued)

(In thousands)

	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	101,985	$ 432,815	$ (264,823)	$ 295	$ 270,272

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 the three and six months ended December 31, 2015 totaled $0 and $19, respectively. Income realized from maturities during the three and six months ended December 31, 2014 totaled $41 and $87, 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 ($1,390) as of December 31, 2015 and $295 as of June 30, 2015 represents unrealized bond 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 six months ended December 31, 2015 is as follows:

	Balance, July 1, 2015	Additions	Reductions	Balance, Dec. 31, 2015
Furniture and equipment	$ 629	$ -	$ -	$ 629
Leasehold improvements	871	8	-	879
Software	1,368	7	-	1,375
Total capital assets being depreciated	2,868	15	-	2,883
Less: accumulated depreciation				
Furniture and equipment	(241)	(44)	-	(285)
Leasehold improvements	(197)	(53)	-	(250)
Software	(619)	(154)	-	(773)
Total accumulated depreciation	(1,057)	(251)	-	(1,308)
Total capital assets being depreciated, net	$ 1,811	$ (236)	$ -	$ 1,575

(In thousands)

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	2,374	572	(78)	2,868
Less: accumulated depreciation				
Furniture and equipment	(163)	(84)	6	(241)
Leasehold improvements	(110)	(87)	-	(197)
Software	(365)	(311)	57	(619)
Total accumulated depreciation	(638)	(482)	63	(1,057)
Total capital assets being depreciated, net	$ 1,736	$ 90	$ (15)	$ 1,811

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 $12,339 as of December 31, 2015 relates to disbursements to nine companies. Loans receivable balance of $7,118 as of June 30, 2015 relates to disbursements to six companies. The current portion of the loans receivable balance of $1,018 and $508 as of December 31, 2015 and June 30, 2015, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at December 31, 2015 and June 30, 2015 provide for disbursements of up to $20,300 and $12,900, respectively. The outstanding balance of the commitments as of December 31, 2015 and June 30, 2015 were $7,750 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 $1,820 and $0 as of December 31, 2015 and June 30, 2015, respectively.

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at December 31, 2015 and June 30, 2015 are as follows:

	December 31, 2015	June 30, 2015
Economic development programs	$ 42,820	$ 25,554
Contribution payable	3,000	4,000
Economic development purchased services	548	292
Professional services	95	164
Payroll	134	123
Legal services	173	81
Paid time off	44	87
Deferred rent	52	58
Employee benefits	34	10
Other	43	62
	$ 46,943	$ 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.

As of December 31, 2015, JobsOhio had executed 264 grants, including 95 economic development grants, 128 workforce grants, and 41 revitalization grants with a total committed amount of $70,129. As of December 31, 2015, JobsOhio had $44,333 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 economic development programs and is included in accrued liabilities in the statements of net position. The accrued economic development programs were $42,820 and $25,554 as of December 31, 2015 and June 30, 2015, 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. In the fiscal year ended June 30, 2015, JobsOhio recognized the total committed amount of $10,000, which was reported on the statements of revenues, expenses, and changes in net position as economic development program expense. As of December 31, 2015, JobsOhio disbursed $7,000 related to this contribution and the remaining $3,000 is reported as a contribution payable and is included in accrued liabilities in the statements of net position.

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 three and six months ended December 31, 2015, the total 401(k) match expense was $39 and $83, respectively, on total employee contributions of $99 and $198, respectively. For the three and six months ended December 31, 2014, the total 401(k) match expense was $41 and $77, respectively, on total employee contributions of $106 and $198, respectively. As of December 31, 2015 and June 30, 2015, accrued employee 401(k) deferrals and accrued employer match were $22 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, where the matter has been fully briefed and is awaiting decision. It remains the opinion of JobsOhio management that the issues raised by Relator are without merit.

(In thousands)

6. Lease Obligations

JobsOhio has an agreement for an office facilities lease and pays monthly rent. Rent expense was $117 and $234 for the three and six months ended December 31, 2015, respectively. Rent expense was $100 and $184 for the three and six months ended December 31, 2014, respectively.

Minimum future lease payments as of December 31, 2015 under this operating lease are as follows:

Year ending June 30:	
2016	$ 162
2017	297
2018	306
2019	315
2020	324
2021 – 2022	531
Total	$ 1,935

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 is $10 and $1 at December 31, 2015 and June 30, 2015, respectively. Property on capital lease as of December 31, 2015 is as follows:

Office equipment	$ 52
Less: accumulated amortization	(10)
Total	$ 42

Property on capital lease as of June 30, 2015 is as follows:

Office equipment	$ 52
Less: accumulated amortization	(1)
Total	$ 51

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, 2015 under this capital lease are as follows:

(In thousands)

Year ending June 30:		
2016	$	5
2017		10
2018		10
2019		10
2020		8
Total	$	43

(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 three and six months ended December 31, 2015 totaled $0 and $90,000, respectively. Funds granted by JOBS to JobsOhio during the three and six months ended December 31, 2014 totaled $0 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 three and six months ended December 31, 2015 totaled $40 and $80, respectively. Lease amounts for the three and six months ended December 31, 2014 totaled $40 and $80, respectively. Minimum future lease payments as of December 31, 2015 are as follows:

	Lease obligation	
Year ending June 30, 2016	$	13

- 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 three and six months ended December 31, 2015 totaled $117 and $235, respectively. Lease amounts for the three and six months ended December 31, 2014 totaled $227 and $342, respectively. The Agreement qualifies as an operating lease for accounting purposes. Revenues under the lease are recorded as fee revenue.

(In thousands)

(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 was $13,799 and $27,598 for the three and six months ended December 31, 2015, respectively. Amortization expense was $13,799 and $27,598 for the three and six months ended December 31, 2014, respectively. No impairment of the intangible asset existed as of December 31, 2015 and June 30, 2015.

Intangible asset – liquor franchise activity for the six months ended December 31, 2015 is as follows:

	Balance, July 1, 2015	Additions	Reductions	Balance, Dec. 31, 2015
Liquor franchise	$ 1,379,924	$ -	$ -	$ 1,379,924
Less: Accumulated amortization	(133,393)	(27,598)	-	(160,991)
Liquor franchise, net of amortization	$ 1,246,531	$ (27,598)	$ -	$ 1,218,933

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

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

(In thousands)

(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 December 31, 2015 and June 30, 2015 are as follows:

Special obligation bonds	Original issue date	Outstanding as of Dec. 31, 2015 and 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%	2038

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at December 31, 2015 and June 30, 2015 are $43,440. 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.

Debt service requirements related to the bonds are as follows:

(In thousands)

	Principal	Interest	Total
Year ending June 30:			
2016	$ 43,440	$ 29,729	$ 73,169
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	1,467,730	$ 866,182	$ 2,333,912
Unamortized premium	51,341		
Less current portion	(43,440)		
Total debt, long-term portion	$ 1,475,631		

Debt service activity for the six months ended December 31, 2015 is as follows:

	Balance, July 1, 2015	Additions	Reductions	Balance, Dec. 31, 2015	Current portion
Bond principal	$ 1,467,730	$ -	$ -	$ 1,467,730	$ 43,440
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	(6,902)	(1,420)	-	(8,322)	-
Total debt	$ 1,520,491	$ (1,420)	$ -	$ 1,519,071	$ 43,440

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.

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 December 30, 2015 and June 30, 2015.