JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

March 31, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

JOBSOHIO
(A Component Unit of the State of Ohio)

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Deloitte.

Deloitte & Touche LLP
180 East Broad Street
Suite 1400
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors of JobsOhio:

We have reviewed the accompanying statement of net position of JobsOhio (the "Entity"), a component unit of the State of Ohio, as of March 31, 2017, and the related statements of revenues, expenses, and changes in net position for the three-month and nine-month periods ended March 31, 2017 and 2016, and of cash flows for the nine-month periods ended March 31, 2017 and 2016 (the "interim financial information").

Management's Responsibility for the Interim Financial Information

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

Auditors' Responsibility

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

Emphasis of Matter

As discussed in Notes 2(a) and 2(b) to the accompanying interim financial information, the Entity now includes JobsOhio Beverage System as a blended component unit in accordance with the adoption of GASB Statement No, 80, *Blending Requirements for Certain Component Units*. The Entity has applied this change retrospectively in the accompanying financial information to include JobsOhio Beverage System as a blended component unit of the Entity for the periods ended March 31, 2017 and 2016, and as of March 31, 2017 and June 30, 2016.

Basis for Modification

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

Conclusion

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

Report on Statement of Net Position as of June 30, 2016

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net position of the Entity as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position, and statement of cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2016. In our opinion, the accompanying statement of net position of the Entity as of June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche LLP

May 26, 2017

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

(Unaudited)

(In thousands)

	March 31, 2017	June 30, 2016
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 270,208	$ 263,122
Cash and cash equivalents - restricted	112,089	134,725
Investments	392,117	324,254
Inventory	79,381	72,948
Loans	3,674	2,270
Receivables	1,801	1,025
Prepaid expenses	3,401	4,364
Total current assets	862,671	802,708
Long-term assets:		
Intangible asset - liquor franchise, net of amortization	1,149,936	1,191,334
Capital assets, net of accumulated depreciation	1,299	1,377
Loans, net of loss allowance	39,302	25,078
Total long-term assets	1,190,537	1,217,789
Total assets	**2,053,208**	**2,020,497**
Liabilities:		
Current liabilities:		
Accounts payable	28,827	26,831
Accrued liabilities	132,718	90,362
Special obligation bonds payable - current portion	44,870	44,020
Bond interest payable	14,506	29,438
Capital lease payable - current portion	10	10
Total current liabilities	220,931	190,661
Long-term liabilities:		
Special obligation bonds payable	1,383,228	1,430,203
Capital lease payable	20	28
Total long-term liabilities	1,383,248	1,430,231
Total liabilities	**1,604,179**	**1,620,892**
Net position:		
Net investment in capital assets	1,299	1,377
Unrestricted	447,730	398,228
Total net position	**$ 449,029**	**$ 399,605**

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 March 31, 2017	Three Months Ended March 31, 2016
Operating revenues:		
Net liquor sales	$ 249,608	$ 240,124
Interest income - loans	455	193
Fees and other	76	25
Total operating revenues	250,139	240,342
Operating expenses:		
Cost of goods sold	155,435	138,243
Sales commissions	13,585	13,074
Liquor gallonage taxes	10,580	10,340
Amortization of intangible asset - liquor franchise	13,799	13,799
Service fees	1,546	1,985
Supplemental Payment	740	8,666
Economic development programs	21,649	6,538
Salaries and benefits	3,691	3,203
Economic development purchased services	2,812	2,452
Professional services	2,494	1,155
Insurance	146	139
Administrative and support	1,526	714
Marketing	2,391	1,437
Other	35	29
Total operating expenses	230,429	201,774
Operating income	**19,710**	**38,568**
Nonoperating revenues (expenses):		
Bond interest, net	(13,810)	(14,015)
Investment income	1,464	3,018
Other, net	274	182
Total nonoperating revenues (expenses)	(12,072)	(10,815)
Change in net position	**7,638**	**27,753**
Net position, beginning of period	441,391	333,314
Net position, end of period	**$ 449,029**	**$ 361,067**

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)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Operating revenues:		
Net liquor sales	$ 817,422	$ 783,978
Interest income - loans	1,205	455
Fees and other	389	175
Total operating revenues	819,016	784,608
Operating expenses:		
Cost of goods sold	482,567	451,802
Sales commissions	44,879	42,940
Liquor gallonage taxes	34,786	33,853
Amortization of intangible asset - liquor franchise	41,398	41,398
Service fees	8,477	5,851
Supplemental Payment	18,147	26,079
Economic development programs	66,635	38,207
Salaries and benefits	8,448	6,999
Economic development purchased services	7,801	7,247
Professional services	5,428	4,045
Insurance	429	417
Administrative and support	2,915	2,005
Marketing	7,005	4,456
Other	79	59
Total operating expenses	728,994	665,358
Operating income	**90,022**	**119,250**
Nonoperating revenues (expenses):		
Bond interest, net	(41,840)	(42,324)
Investment income	641	2,883
Other, net	601	296
Total nonoperating revenues (expenses)	(40,598)	(39,145)
Change in net position	**49,424**	**80,105**
Net position, beginning of period	399,605	280,962
Net position, end of period	**$ 449,029**	**$ 361,067**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

(Unaudited)

(In thousands)

	2017	2016
Cash flows from operating activities:		
Receipts from fees and other	$ 1,135	$ 527
Receipts from customers	817,062	783,710
Payments to employees	(8,270)	(6,860)
Payments to suppliers	(503,122)	(473,622)
Payments for economic development programs	(33,449)	(32,136)
Payments for commissions	(44,698)	(45,056)
Receipts from sales taxes	49,485	46,135
Payments for sales tax collections to State and county	(49,661)	(45,960)
Payments for gallonage tax collections to State	(34,786)	(33,808)
Payments for servicing fees	(3,988)	(5,215)
Payments for Supplemental Payment to State	(35,665)	(26,810)
Net cash provided by operating activities	154,043	160,905
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(1)	(8)
Net cash used in noncapital financing activity	(1)	(8)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(68)	(33)
Payments for capital lease	(8)	(8)
Payments for bond principal	(44,020)	(43,440)
Payments for bond interest	(58,876)	(59,458)
Net cash used in capital and related financing activities	(102,972)	(102,939)
Cash flows from investing activities:		
Dividends and interest income	3,589	2,257
Purchases of investments	(161,840)	(60,687)
Proceeds from maturities of investments	91,631	9,001
Net cash used in investing activities	(66,620)	(49,429)
Net increase (decrease) in cash and cash equivalents	(15,550)	8,529
Cash and cash equivalents, beginning of period	397,847	335,508
Cash and cash equivalents, end of period	**$ 382,297**	**$ 344,037**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 90,022	$ 119,250
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of intangible asset - liquor franchise	41,398	41,398
Depreciation and amortization expense	377	373
Increase in loans	(15,628)	(12,495)
(Increase) decrease in inventory	(6,433)	(8,558)
Increase in receivables	(776)	40
(Increase) decrease in prepaid expenses	963	(3,407)
Increase (decrease) in accounts payable	1,822	5,261
Increase (decrease) in accrued liabilities	42,298	19,043
Total adjustments	64,021	41,655
Net cash provided by operating activities	**$ 154,043**	**$ 160,905**
Noncash capital and related financing activities:		
Purchases of capital assets on account	$ 231	$ -
Amortization of bonds payable	$ 2,105	$ 2,124

(Continued)

(1) Unaudited Financial Statements

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

These financial statements should be read in conjunction with the financial statements and notes contained in JobsOhio's audited financial statements for the year ended June 30, 2016.

(2) Summary of Significant Accounting Policies

(a) Organization

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

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

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

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

(b) Change in Reporting Entity

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

(c) Financial Statements

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

(d) Measurement Focus and Basis of Accounting

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

(e) Estimates

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

(f) Cash and Cash Equivalents

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

(g) Restricted Assets

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

(h) Investments

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

(i) Inventory

The Entity's inventory of spirituous liquor consists of inventory withdrawn from bailment for shipment to agency stores, inventory in transit in commercial carriers, and inventory in agency stores. Inventory is valued at the lower of cost or market and the costing assumption is First In First Out (FIFO). The costs of liquor product, warehouse services, transportation services, and transfer movements are reported as part of merchandise inventory and are charged to cost of goods sold as product is sold.

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

In regard to a subset of agency stores known as “interim agency stores,” under the terms of the Franchise and Transfer Agreement (Transfer Agreement), at the point inventory is delivered to an interim agency store, title to such inventory transfers to the Ohio Division of Liquor Control on a cost-free basis. However, the economic substance of such transactions does not differ from that for regular agency stores. On the basis of the Entity’s contractual rights and the status of the interim agency stores as agents of the Entity, such inventory is considered an asset of the Entity, is reported as inventory on the Entity’s statements of net position, and upon sale the cost of such inventory is included in cost of goods sold. Inventory at interim agency stores as of March 31, 2017 and June 30, 2016 was $13,791 and $12,783, respectively.

(j) Loans

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

(k) Allowance for Loan Losses

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating future loan losses. Management’s estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At March 31, 2017 and June 30, 2016, the amount of allowance for loan losses was $3,585 and is reported in the Entity’s statements of net position as part of “loans, net of loss allowance”.

(l) Receivables

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

(m) Prepaid Expenses

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

(n) Amortization of Premiums

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

(o) Intangible Assets

The intangible asset represents an exclusive franchise for the sale of spirituous liquor in the State. The liquor franchise is amortized on a straight-line basis over the 25-year term of the franchise. Amortization expense for the liquor franchise for the three and nine months ended March 31, 2017 and 2016 was $13,799 and $41,398, respectively.

(p) Capital Assets

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

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

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

(q) Net Position

Net position is displayed in three components as follows:

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

(Continued)

(r) Classification of Revenues and Expenses

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

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

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

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

As part of the loan program, the Entity charges applicants an application fee, which is used to offset the cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the three and nine months ended March 31, 2017 was $48 and $192, respectively. Total revenue from application fees received during the three and nine months ended March 31, 2016 was $12 and $153, respectively. Revenue from application fees are included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

(s) Risk Management/Insurance

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

(Continued)

(t) Liquor Franchise

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

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

"Supplemental Payments," are payments to the State based upon a formula specified in the Transfer Agreement. Beginning with the fiscal year ended June 30, 2014, if "Liquor Business Profits," as that term is defined in the Transfer Agreement, for a fiscal year exceed a threshold amount of Liquor Business Profits set for that fiscal year (Base Franchise Profits ($289,819 for fiscal year ending June 30, 2017 and $281,377 for fiscal year ended June 30, 2016)), then the Entity is required to make a cash payment to the State equal to 75 percent of the amount by which Liquor Business Profits exceed Base Franchise Profits. Total Supplemental Payment expense for the three and nine months ended March 31, 2017 was $740 and $18,147, respectively. Total Supplemental Payment expense for the three and nine months ended March 31, 2016 was $8,666 and $26,079, respectively.

The Entity also contemporaneously contracted with the Ohio Department of Commerce for the continued operation and management of the Liquor Business under an Operations Services Agreement (Services Agreement). Under the Services Agreement, the Ohio Department of Commerce will provide ongoing operations, management, and administrative services related to the Liquor Business. Covered services include administrative support, tax support and reporting, information technology, agency operation and review, merchandise marketing and advertising, real property leasing, and management. Total service fees expense in the three and nine months ended March 31, 2017 was $1,546 and $8,477, respectively. Total service fees expense in the three and nine months ended March 31, 2016 was $1,985 and $5,851, respectively.

Contemporaneously with the execution of the Transfer Agreement and the Services Agreement, special obligation revenue bonds were issued by the Entity under the provisions of a Master Trust Indenture and first and second Supplemental Trust Indentures, dated February 1, 2013 (collectively referred to as the Indenture) between the Entity and Huntington National Bank (Trustee). The bonds and any additional obligations are paid solely from the Trust Estate, which consists primarily of the Liquor Business Profits, the Revenue Fund, the Tax Fund, the Debt Service Fund, and Supplemental Payment Reserve Fund, maintained by the Trustee. The bonds are special, limited obligations of the Entity, payable solely from assets held in the Trust Estate, and are not general obligations of the Entity or the State.

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

(u) Use of Restricted and Unrestricted Resources

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

(v) Compensated Absences

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

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

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

(w) New Accounting Pronouncements

There were no new accounting pronouncements issued by GASB that are applicable to the Entity.

(3) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

At March 31, 2017, the carrying amount of the Entity's deposits was $119,365, and the respective bank balance was $107,410. At June 30, 2016, the carrying amount of the Entity's deposits was $109,037 and the respective bank balance was $99,013. The difference in the carrying amount and the bank balances as of these dates are attributed to cash with fiscal agents and outstanding checks. See note 3(a)2 below.

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

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at March 31, 2017 and June 30, 2016, $8,100 and $33,100, respectively, was insured through the Federal Deposit Insurance Corporation (FDIC), including up to $7,500 and $32,600, respectively, deposited into money market accounts through a brokered deposit program permitting the Entity to obtain full FDIC coverage on the principal deposit amount. The remaining $99,310 and $65,913, respectively, was uninsured and exposed to custodial credit risk.

The Entity has two checking accounts that are linked to an overnight sweep account. One account is structured whereby total cash deposits in excess of $6,000, less the $7,500 in the brokered deposit accounts, are automatically transferred (or swept) from the primary cash account into a money market mutual fund that invests primarily in U.S. Treasuries guaranteed in full by the U.S. government. The money market fund is rated AAA by Standard & Poor's.

The Entity also has a separate account that is linked to an overnight sweep account, under which total uninvested cash is automatically transferred (or swept) from the primary cash accounts into a money market mutual fund that invests primarily in short-term, high-quality, fixed-income, domestic-sourced securities issued by banks, corporations, and the U.S. government, rated in the highest short-term category or of comparable quality. The money market mutual fund was rated Aaa-mf by Moody's. The amount invested in the money market mutual fund was $262,932 and $288,810 at March 31, 2017 and June 30, 2016, respectively.

(In thousands)

Certain Investments Classified as Cash Equivalents

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of March 31, 2017 and June 30, 2016.

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

		March 31, 2017	
Fund	**Fund custody**	**Unrestricted**	**Restricted**
Revenue fund	Trustee	$ 167,375	$ 40,543
Operations fund	Entity	-	16,532
Debt service fund	Trustee	-	30,868
General purpose fund	Entity	853	-
Supplemental Payment reserve fund	Trustee	-	24,146
Total funds required by indenture		168,228	112,089
Cash		89,895	-
Cash held at fiscal agents		12,082	-
Other		3	-
Total cash and cash equivalents		$ 270,208	$ 112,089

(In thousands)

Fund	Fund custody	June 30, 2016 Unrestricted	June 30, 2016 Restricted
Revenue fund	Trustee	$ 171,745	$ 31,406
Operations fund	Entity	-	17,660
Debt service fund	Trustee	-	55,859
General purpose fund	Entity	853	-
Supplemental Payment reserve fund	Trustee	-	29,800
Total funds required by indenture		172,598	134,725
Cash		80,213	-
Cash held at fiscal agents		10,308	-
Other		3	-
Total cash and cash equivalents		$ 263,122	$ 134,725

2. Cash with Fiscal Agents

As indicated in note 2(t) above, agency stores under contract with the Entity collect sale proceeds as agents for the Entity and are contractually required to segregate such proceeds and to remit them to the Entity on a daily basis. The agency stores are responsible for any risk of loss while in their possession and such amounts are typically swept into the Entity's bank accounts within two to three business days. The balance of these sale proceeds under such contractual arrangements as of March 31, 2017 and June 30, 2016 was $12,082 and $10,308, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

3. Investments

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

(In thousands)

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

		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	$ 194,319	$ 60,073	$ 53,170	$ 81,076	$ -
FHLB Notes	34,002	15,049	17,053	1,900	-
FFCB Notes	43,680	15,009	10,043	18,628	-
FHLMC Notes	11,877	3,258	7,016	1,603	-
FNMA Notes	41,906	5,017	30,174	6,715	-
Corporates	66,333	22,121	28,318	15,894	-
Total	$ 392,117	$ 120,527	$ 145,774	$ 125,816	$ -

As of June 30, 2016, the Entity had the following investments and maturities held in trust pursuant to the terms of the Huntington Investment Management Account Agreement dated February 6, 2015, as well as the Huntington Asset Management Agreement dated January 13, 2014:

		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	$ 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	$ 324,254	$ 84,766	$ 148,644	$ 90,844	$ -

(In thousands)

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

The following is a summary of the fair value hierarchy of the fair value of investments as of March 31, 2017 and June 30, 2016:

		Fair Value Measurements Using			Fair Value Measurements Using	
	March 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
US Treasury	$ 194,319	$ 194,319	$ -	$ 157,823	$ 157,823	$ -
FHLB Notes	34,002	-	34,002	45,377	-	45,377
FFCB Notes	43,680	-	43,680	29,860	-	29,860
FHLMC Notes	11,877	-	11,877	8,260	-	8,260
FNMA Notes	41,906	-	41,906	35,468	-	35,468
Corporates	66,333	-	66,333	47,466	-	47,466
Total	$ 392,117	$ 194,319	$ 197,798	$ 324,254	$ 157,823	$ 166,431

Investments classified in Level 1 of the fair value hierarchy, valued at $194,319 and $157,823 as of March 31, 2017 and June 30, 2016, 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, the Entity's investment policy generally requires that the investment portfolio remain sufficiently liquid to meet all operating and economic development programmatic needs.

(In thousands)

Credit Risk – To minimize credit risk, the Entity 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. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of March 31, 2017:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-
FHLB Notes	$ 34,002	$ -	$ 34,002	$ -	$ -	$ -	$ -	$ -
FFCB Notes	43,680	-	43,680	-	-	-	-	-
FHLMC Notes	11,877	-	11,877	-	-	-	-	-
FNMA Notes	41,906	-	41,906	-	-	-	-	-
Corporates	66,333	2,000	7,091	-	21,128	9,145	18,849	8,120
Total	$ 197,798	$ 2,000	$ 138,556	$ -	$ 21,128	$ 9,145	$ 18,849	$ 8,120

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2016:

	Fair Value	AAA	AA+	AA	AA-	A+	A
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	$ 166,431	$ 2,003	$ 126,111	$ 2,007	$ 17,061	$ 7,073	$ 12,176

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

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the Entity will not be able to recover the value of its investments that are in the possession of an outside party. The Entity's investments of $392,117 at March 31, 2017 and $324,254 at June 30, 2016 are uninsured and held in the name of its investment manager.

(In thousands)

Investment activity for the nine months ended March 31, 2017 is summarized as follows:

	Balance, July 1, 2016	Purchases	Maturities	Accrued income (loss)	Balance, March 31, 2017
US Treasury	$ 157,823	$ 111,382	$ (73,576)	$ (1,310)	$ 194,319
FHLB	45,377	1,929	(13,055)	(249)	34,002
FFCB	29,860	14,081	-	(261)	43,680
FHLMC	8,260	3,616	-	1	11,877
FNMA	35,468	6,699	-	(261)	41,906
Corporates	47,466	24,133	(5,000)	(266)	66,333
Total	$ 324,254	$ 161,840	$ (91,631)	$ (2,346)	$ 392,117

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	$ 270,272	$ 77,427	$ (24,976)	$ 1,531	$ 324,254

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the three and nine months ended March 31, 2017 totaled ($13) and ($185), respectively. Income realized from maturities during the three and nine months ended March 31, 2016 totaled $18 and $37, respectively. Interest on public corporate fixed income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued income (loss) of ($2,346) as of March 31, 2017 and $1,531 as of June 30, 2016 represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

(In thousands)

4. Capital Assets

Capital assets activity for the nine months ended March 31, 2017 is as follows:

	Balance, July 1, 2016	Additions	Reductions	Balance, March 31, 2017
Furniture and equipment	$ 656	$ -	$ -	$ 656
Leasehold improvements	879	122	-	1,001
Software	1,394	177	-	1,571
Total capital assets being depreciated	2,929	299	-	3,228
Less: accumulated depreciation				
Furniture and equipment	(331)	(63)	-	(394)
Leasehold improvements	(303)	(80)	-	(383)
Software	(918)	(234)	-	(1,152)
Total accumulated depreciation	(1,552)	(377)	-	(1,929)
Total capital assets being depreciated, net	$ 1,377	$ (78)	$ -	$ 1,299

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	2,868	61	-	2,929
Less: accumulated depreciation				
Furniture and equipment	(241)	(90)	-	(331)
Leasehold improvements	(197)	(106)	-	(303)
Software	(619)	(299)	-	(918)
Total accumulated depreciation	(1,057)	(495)	-	(1,552)
Total capital assets being depreciated, net	$ 1,811	$ (434)	$ -	$ 1,377

5. Loans Receivable

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

Loans receivable balance of $42,976 as of March 31, 2017 relates to disbursements to 25 companies, and is net of loss allowance of $3,585. 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. The current portion of the loans receivable balance of $3,674 and $2,270 as of March 31, 2017 and June 30, 2016, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at March 31, 2017 and June 30, 2016 provide for disbursements of up to $84,673 and $50,225, respectively. The outstanding balance of the commitments as of March 31, 2017 and June 30, 2016 were $35,873 and $18,635, respectively.

The Entity's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that the Entity will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. The amount of valuation allowance was $3,585 as of March 31, 2017 and June 30, 2016.

6. Accounts Receivable Balances

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

7. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements. This includes $523 and $736 of service fees to the Ohio Department of Commerce as of March 31, 2017 and June 30, 2016, respectively.

(In thousands)

8. Intangible Asset – Liquor Franchise

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

The intangible asset – liquor franchise, is amortized over its useful life that coincides with the related contractual rights of the Transfer Agreement of 25 years. Amortization expense was $13,799 and $41,398 for the three and nine months ended March 31, 2017 and 2016, respectively. No impairment of the intangible asset existed as of March 31, 2017 and June 30, 2016.

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

	Balance, July 1, 2016	Additions	Reductions	Balance, March 31, 2017
Liquor franchise	$ 1,379,924	$ -	$ -	$ 1,379,924
Less: Accumulated amortization	(188,590)	(41,398)	-	(229,988)
Liquor franchise, net of amortization	$ 1,191,334	$ (41,398)	$ -	$ 1,149,936

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

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

(Continued)

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at March 31, 2017 and June 30, 2016 are as follows:

	March 31, 2017	June 30, 2016
Economic development programs	$ 81,814	$ 32,182
Liquor purchases	12,977	3,223
Agency commissions	2,683	2,502
Taxes	8,963	9,139
Supplemental Payment	18,147	35,665
Service fees	4,276	3,031
Contribution payable	-	1,000
Economic development purchased services	1,004	1,829
Professional services	998	768
Liquor operations	764	-
Payroll	348	124
Legal services	109	129
Paid time off	91	109
Deferred rent	28	44
Employee benefits	2	42
Other	514	575
	$ 132,718	$ 90,362

2. **Economic Development Programs – Grants**

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

- Economic Development Grants – The Economic Development grant program focuses on fixed asset and infrastructure investment.

- Workforce Grants – The Workforce grant program focuses on training costs associated with new or incumbent employees.

- Revitalization Grants – The Revitalization grant program is designed to support the acceleration of redeveloping sites in Ohio, with the primary focus on projects where the cost of redevelopment and remediation is more than the value of the land in question.

(Continued)

- 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 March 31, 2017, the Entity had executed 439 grants, including 154 economic development grants, 180 workforce grants, and 105 revitalization grants with a total committed amount of $137,674. As of March 31, 2017, the Entity had $83,041 in committed, but unpaid grants. As of June 30, 2016, the Entity 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, the Entity had $46,372 in committed, but unpaid grants. The grants are funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred.

In accordance with generally accepted accounting principles, the Entity recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. The Entity has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued economic development programs and is included in accrued liabilities in the statements of net position. The accrued economic development programs were $81,814 and $32,182 as of March 31, 2017 and June 30, 2016, 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 March 31, 2017 and June 30, 2016, JobsOhio had disbursed $10,000 and $9,000, respectively, related to this contribution and the remaining $0 and $1,000, respectively, is reported as a contribution payable as of March 31, 2017 and June 30, 2016 and is included in accrued liabilities in the statements of net position.

4. 401(k) Savings Plan

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

The Entity is the plan administrator of the Plan and the Plan trustee is Frontier Trust Company. The Entity may amend the Plan to add new features or to change or eliminate various provisions, but may not take away or reduce protected benefits under the Plan. Participants direct the allocation of their deferral based on several investment options. The assets of the Plan are not included in the Entity's 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 nine months ended March 31, 2017, the total 401(k) match expense was $92 and $190, respectively, on total employee contributions of $197 and $408, respectively. For the three and nine months ended March 31, 2016, the total 401(k) match expense was $77 and $160, respectively, on total employee contributions of $185 and $383, respectively.

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. Relator's post-decision motion for reconsideration was denied by the Supreme Court on November 9, 2016, and the entire action is now fully and finally determined.

(In thousands)

As a result, no litigation is currently pending in which the Entity is named as a party.

6. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was $119 and $356, respectively, for the three and nine months ended March 31, 2017. Rent expense was $118 and $352, respectively, for the three and nine months ended March 31, 2016.

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

Year ending June 30:	
2017	$ 75
2018	306
2019	315
2020	324
2021	333
2022	198
Total	$ 1,551

In fiscal year 2015, the Entity entered into a lease agreement for office equipment, which is classified as a capital lease. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment is $22 and $15 at March 31, 2017 and June 30, 2016, respectively. Property on capital lease as of March 31, 2017 is as follows:

Office equipment	$ 52
Less: accumulated amortization	(22)
Total	$ 30

(In thousands)

Property on capital lease as of June 30, 2016 is as follows:

Office equipment	$	52
Less: accumulated amortization		(15)
Total	$	37

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

Year ending June 30:		
2017	$	2
2018		10
2019		10
2020		8
Total	$	30

The Entity entered into a lease agreement for the use of distribution center facilities in Green, Ohio. The lease agreement has a term of seven years with a commencement date of April 1, 2017. In November 2016, the Entity made a prepaid rent payment in the amount of $1,418, which is included in prepaid expenses on the statements of net position.

The Entity also entered into a lease agreement for the use of distribution center facilities in Groveport, Ohio. The lease agreement has a term of 63 full months with a commencement date of April 3, 2017. In January 2017, the Entity made a prepaid rent payment in the amount of $72, which is included in prepaid expenses on the statements of net position.

7. Long-Term Liabilities

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years. JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at March 31, 2017 and June 30, 2016 are as follows:

(In thousands)

Special obligation bonds	Original issue date	Outstanding as of March 31, 2017	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	$ 389,790	3.0% – 5.0%	2038
Series 2013B	Feb. 2013	$ 990,480	0.9% – 4.5%	2035

Special obligation bonds	Original issue date	Outstanding as of Dec. 31, 2016 and June 30, 2016	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	$ 394,790	3.0% – 5.0%	2038
Series 2013B	Feb. 2013	$ 1,029,500	0.9% – 4.5%	2035

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at March 31, 2017 and June 30, 2016 are $44,870 and $44,020, 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 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 the Entity or the State, and neither the faith nor credit are pledged as security for payment of the bonds.

(In thousands)

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

	Principal	Interest	Total
Year ending June 30:			
2018	$ 44,870	$ 58,024	$ 102,894
2019	45,845	57,049	102,894
2020	46,720	55,893	102,613
2021	48,890	54,011	102,901
2022	50,395	52,496	102,891
2023 – 2027	280,310	234,003	514,313
2028 – 2032	341,270	172,766	514,036
2033 – 2037	424,400	88,458	512,858
2038	97,570	4,879	102,449
Total	1,380,270	$ 777,579	$ 2,157,849
Unamortized premium	47,828		
Less current portion	(44,870)		
Total debt, long-term portion	$ 1,383,228		

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

	Principal	Interest	Total
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	1,424,290	$ 836,453	$ 2,260,743
Unamortized premium	49,933		
Less current portion	(44,020)		
Total debt, long-term portion	$ 1,430,203		

(In thousands)

Debt service activity for the nine months ended March 31, 2017 is as follows:

	Balance, July 1, 2016	Additions	Reductions	Balance, December 31, 2016	Current portion
Bond principal	$ 1,424,290	$ -	$ (44,020)	$ 1,380,270	$ 44,870
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	(9,730)	(2,105)	-	(11,835)	-
Total debt	$ 1,474,223	$ (2,105)	$ (44,020)	$ 1,428,098	$ 44,870

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

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

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transactions have been fully complied with as of March 31, 2017 and June 30, 2016.

(c) Revenues

Liquor sales revenues are reported net of wholesale discounts and sales taxes. For the three and nine months ended March 31, 2017, operating revenues were reported net of discounts of $4,743 and $14,453, respectively, and sales tax of $14,234 and $49,485, respectively. For the three and nine months ended March 31, 2016, operating revenues were reported net of discounts of $4,533 and $14,012, respectively, and sales tax of $13,918 and $46,135, respectively.

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Net Position

(Unaudited)

(In thousands)

(d) Combining Information

	March 31, 2017				June 30, 2016			
		Component Unit				Component Unit		
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Assets:								
Current assets:								
Cash and cash equivalents - unrestricted	$ 89,895	$ 180,313	$ -	$ 270,208	$ 80,213	$ 182,909	$ -	$ 263,122
Cash and cash equivalents - restricted	-	112,089	-	112,089	-	134,725	-	134,725
Investments	392,117	-	-	392,117	324,254	-	-	324,254
Inventory	-	79,381	-	79,381	-	72,948	-	72,948
Loans	3,674	-	-	3,674	2,270	-	-	2,270
Receivables	944	857	-	1,801	529	496	-	1,025
Prepaid expenses	751	2,650	-	3,401	3,375	989	-	4,364
Due from JOBS	11	-	(11)	-	183	-	(183)	-
Total current assets	487,392	375,290	(11)	862,671	410,824	392,067	(183)	802,708
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	1,149,936	-	1,149,936	-	1,191,334	-	1,191,334
Capital assets, net of accumulated depreciation	1,177	122	-	1,299	1,377	-	-	1,377
Loans, net of loss allowance	39,302	-	-	39,302	25,078	-	-	25,078
Total long-term assets	40,479	1,150,058	-	1,190,537	26,455	1,191,334	-	1,217,789
Total assets	**527,871**	**1,525,348**	**(11)**	**2,053,208**	**437,279**	**1,583,401**	**(183)**	**2,020,497**
Liabilities:								
Current liabilities:								
Accounts payable	2,540	26,287	-	28,827	2,205	24,626	-	26,831
Accrued liabilities	83,793	48,925	-	132,718	36,305	54,057	-	90,362
Special obligation bonds payable - current portion	-	44,870	-	44,870	-	44,020	-	44,020
Bond interest payable	-	14,506	-	14,506	-	29,438	-	29,438
Capital lease payable - current portion	10	-	-	10	10	-	-	10
Due to JobsOhio	-	11	(11)	-	-	183	(183)	-
Total current liabilities	86,343	134,599	(11)	220,931	38,520	152,324	(183)	190,661
Long-term liabilities:								
Special obligation bonds payable	-	1,383,228	-	1,383,228	-	1,430,203	-	1,430,203
Capital lease payable	20	-	-	20	28	-	-	28
Total long-term liabilities	20	1,383,228	-	1,383,248	28	1,430,203	-	1,430,231
Total liabilities	**86,363**	**1,517,827**	**(11)**	**1,604,179**	**38,548**	**1,582,527**	**(183)**	**1,620,892**
Net position:								
Net investment in capital assets	1,177	122	-	1,299	1,377	-	-	1,377
Unrestricted	440,331	7,399	-	447,730	397,354	874	-	398,228
Total net position	**$ 441,508**	**$ 7,521**	**$ -**	**$ 449,029**	**$ 398,731**	**$ 874**	**$ -**	**$ 399,605**

JOBSOHIO

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Notes to Financial Statements

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

(Unaudited)

(In thousands)

	Three Months Ended March 31, 2017				Three Months Ended March 31, 2016			
		Component Unit				Component Unit		
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Operating revenues:								
Net liquor sales	$ -	$ 249,608	$ -	$ 249,608	$ -	$ 240,124	$ -	$ 240,124
Interest income - loans	455	-	-	455	193	-	-	193
Fees and other	232	-	(156)	76	171	-	(146)	25
Total operating revenues	687	249,608	(156)	250,139	364	240,124	(146)	240,342
Operating expenses:								
Cost of goods sold	-	155,435	-	155,435	-	138,243	-	138,243
Sales commissions	-	13,585	-	13,585	-	13,074	-	13,074
Liquor gallonage taxes	-	10,580	-	10,580	-	10,340	-	10,340
Amortization of intangible asset - liquor franchise	-	13,799	-	13,799	-	13,799	-	13,799
Service fees	-	1,546	-	1,546	-	1,985	-	1,985
Supplemental Payment	-	740	-	740	-	8,666	-	8,666
JobsOhio management fees	-	156	(156)	-	-	146	(146)	-
Economic development programs	21,649	-	-	21,649	6,538	-	-	6,538
Salaries and benefits	3,691	-	-	3,691	3,203	-	-	3,203
Economic development purchased services	2,812	-	-	2,812	2,452	-	-	2,452
Professional services	961	1,533	-	2,494	1,057	98	-	1,155
Insurance	50	96	-	146	49	90	-	139
Administrative and support	844	682	-	1,526	714	-	-	714
Marketing	2,391	-	-	2,391	1,437	-	-	1,437
Other	-	35	-	35	-	29	-	29
Total operating expenses	32,398	198,187	(156)	230,429	15,450	186,470	(146)	201,774
Operating income (loss)	**(31,711)**	**51,421**	**-**	**19,710**	**(15,086)**	**53,654**	**-**	**38,568**
Nonoperating revenues (expenses):								
Grants	45,000	(45,000)	-	-	30,000	(30,000)	-	-
Bond interest, net	-	(13,810)	-	(13,810)	-	(14,015)	-	(14,015)
Investment income	1,464	-	-	1,464	3,018	-	-	3,018
Other, net	-	274	-	274	-	182	-	182
Total nonoperating revenues (expenses)	46,464	(58,536)	-	(12,072)	33,018	(43,833)	-	(10,815)
Change in net position	**14,753**	**(7,115)**	**-**	**7,638**	**17,932**	**9,821**	**-**	**27,753**
Net position (deficit), beginning of period	426,755	14,636	-	441,391	355,616	(22,302)	-	333,314
Net position (deficit), end of period	**$ 441,508**	**$ 7,521**	**$ -**	**$ 449,029**	**$ 373,548**	**$ (12,481)**	**$ -**	**$ 361,067**

(Continued)

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(Unaudited)

(In thousands)

	Nine Months Ended March 31, 2017				Nine Months Ended March 31, 2016			
	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance
Operating revenues:								
Net liquor sales	$ -	$ 817,422	$ -	$ 817,422	$ -	$ 783,978	$ -	$ 783,978
Interest income - loans	1,205	-	-	1,205	455	-	-	455
Fees and other	918	-	(529)	389	636	-	(461)	175
Total operating revenues	2,123	817,422	(529)	819,016	1,091	783,978	(461)	784,608
Operating expenses:								
Cost of goods sold	-	482,567	-	482,567	-	451,802	-	451,802
Sales commissions	-	44,879	-	44,879	-	42,940	-	42,940
Liquor gallonage taxes	-	34,786	-	34,786	-	33,853	-	33,853
Amortization of intangible asset - liquor franchise	-	41,398	-	41,398	-	41,398	-	41,398
Service fees	-	8,477	-	8,477	-	5,851	-	5,851
Supplemental Payment	-	18,147	-	18,147	-	26,079	-	26,079
JobsOhio management fees	-	529	(529)	-	-	461	(461)	-
Economic development programs	66,635	-	-	66,635	38,207	-	-	38,207
Salaries and benefits	8,448	-	-	8,448	6,999	-	-	6,999
Economic development purchased services	7,801	-	-	7,801	7,247	-	-	7,247
Professional services	2,713	2,715	-	5,428	3,764	281	-	4,045
Insurance	152	277	-	429	149	268	-	417
Administrative and support	2,233	682	-	2,915	2,005	-	-	2,005
Marketing	7,005	-	-	7,005	4,456	-	-	4,456
Other	-	79	-	79	-	59	-	59
Total operating expenses	94,987	634,536	(529)	728,994	62,827	602,992	(461)	665,358
Operating income (loss)	**(92,864)**	**182,886**	**-**	**90,022**	**(61,736)**	**180,986**	**-**	119,250
Nonoperating revenues (expenses):								
Grants	135,000	(135,000)	-	-	120,000	(120,000)	-	-
Bond interest, net	-	(41,840)	-	(41,840)	-	(42,324)	-	(42,324)
Investment income	641	-	-	641	2,883	-	-	2,883
Other, net	-	601	-	601	-	296	-	296
Total nonoperating revenues (expenses)	135,641	(176,239)	-	(40,598)	122,883	(162,028)	-	(39,145)
Change in net position	**42,777**	**6,647**	**-**	**49,424**	**61,147**	**18,958**	**-**	**80,105**
Net position (deficit), beginning of period	398,731	874	-	399,605	312,401	(31,439)	-	280,962
Net position (deficit), end of period	**$ 441,508**	**$ 7,521**	**$ -**	**$ 449,029**	**$ 373,548**	**$ (12,481)**	**$ -**	**$ 361,067**

(Continued)

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(Unaudited)

(In thousands)

	2017				2016			
		Component unit				Component unit		
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Cash flows from operating activities:								
Receipts from fees and other	$ 1,135	$ -	$ -	$ 1,135	$ 527	$ -	$ -	$ 527
Receipts from customers	-	817,062	-	817,062	-	783,710	-	783,710
Payments to employees	(8,270)	-	-	(8,270)	(6,860)	-	-	(6,860)
Payments to suppliers	(18,137)	(484,985)	-	(503,122)	(15,726)	(457,896)	-	(473,622)
Payments for economic development programs	(33,449)	-	-	(33,449)	(32,136)	-	-	(32,136)
Payments for commissions	-	(44,698)	-	(44,698)	-	(45,056)	-	(45,056)
Receipts from sales taxes	-	49,485	-	49,485	-	46,135	-	46,135
Payments for sales tax collections to State and county	-	(49,661)	-	(49,661)	-	(45,960)	-	(45,960)
Payments for gallonage tax collections to State	-	(34,786)	-	(34,786)	-	(33,808)	-	(33,808)
Payments for servicing fees	-	(3,988)	-	(3,988)	-	(5,215)	-	(5,215)
Payments for Supplemental Payment to State	-	(35,665)	-	(35,665)	-	(26,810)	-	(26,810)
Receipts (payments) between JobsOhio and component unit	701	(701)	-	-	429	(429)	-	-
Net cash provided by (used in) operating activities	(58,020)	212,063	-	154,043	(53,766)	214,671	-	160,905
						-		
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	135,000	(135,000)	-	-	120,000	(120,000)	-	-
Payments for other nonoperating expenses	-	(1)	-	(1)	-	(8)	-	(8)
Net cash provided by (used in) noncapital financing activity	135,000	(135,001)	-	(1)	120,000	(120,008)	-	(8)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(68)	-	-	(68)	(33)	-	-	(33)
Payments for capital lease	(8)	-	-	(8)	(8)	-	-	(8)
Payments for bond principal	-	(44,020)	-	(44,020)	-	(43,440)	-	(43,440)
Payments for bond interest	-	(58,876)	-	(58,876)	-	(59,458)	-	(59,458)
Net cash used in capital and related financing activities	(76)	(102,896)	-	(102,972)	(41)	(102,898)	-	(102,939)
Cash flows from investing activities:								
Dividends and interest income	2,987	602	-	3,589	1,954	303	-	2,257
Purchases of investments	(161,840)	-	-	(161,840)	(60,687)	-	-	(60,687)
Proceeds from maturities of investments	91,631	-	-	91,631	9,001	-	-	9,001
Net cash provided by (used in) investing activities	(67,222)	602	-	(66,620)	(49,732)	303	-	(49,429)
Net increase (decrease) in cash and cash equivalents	9,682	(25,232)	-	(15,550)	16,461	(7,932)	-	8,529
Cash and cash equivalents, beginning of period	80,213	317,634	-	397,847	63,631	271,877	-	335,508
Cash and cash equivalents, end of period	**$ 89,895**	**$ 292,402**	**$ -**	**$ 382,297**	**$ 80,092**	**$ 263,945**	**$ -**	**$ 344,037**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (92,864)	$ 182,886	$ -	$ 90,022	$ (61,736)	$ 180,986	$ -	$ 119,250
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	41,398	-	41,398	-	41,398	-	41,398
Depreciation and amortization expense	377	-	-	377	373	-	-	373
Increase in loans	(15,628)	-	-	(15,628)	(12,495)	-	-	(12,495)
(Increase) decrease in inventory	-	(6,433)	-	(6,433)	-	(8,558)	-	(8,558)
(Increase) decrease in receivables	(415)	(361)	-	(776)	(46)	86	-	40
(Increase) decrease in prepaid expenses	2,624	(1,661)	-	963	(3,140)	(267)	-	(3,407)
(Increase) decrease in due from/to component unit (net)	172	(172)	-	-	(32)	32	-	-
Increase (decrease) in accounts payable	226	1,596	-	1,822	1,284	3,977	-	5,261
Increase (decrease) in accrued liabilities	47,488	(5,190)	-	42,298	22,026	(2,983)	-	19,043
Total adjustments	34,844	29,177	-	64,021	7,970	33,685	-	41,655
Net cash provided by (used in) operating activities	**$ (58,020)**	**$ 212,063**	**$ -**	**$ 154,043**	**$ (53,766)**	**$ 214,671**	**$ -**	**$ 160,905**
Noncash capital and related financing activities:								
Purchases of capital assets on account	$ 109	$ 122	$ -	$ 231	$ -	$ -	$ -	$ -
Amortization of bonds payable	$ -	$ 2,105	$ -	$ 2,105	$ -	$ 2,124	$ -	$ 2,124