JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JobsOhio

We have audited the accompanying financial statements of JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively the “Entity”), which comprise the Statements of Net Position as of June 30, 2017 and 2016, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobsOhio as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Combining Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules for 2017 and 2016 are presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the financial statements. This additional combining information is the responsibility of the Entity's management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2017 and 2016 financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Notes 1(a) and 1(b) to the accompanying financial statements, the Entity 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 statements to include JobsOhio Beverage System as a blended component unit of the Entity as of and for the periods ended June 30, 2017 and 2016.

Deloitte & Touche LLP

Columbus, Ohio
September 28, 2017

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the fiscal years ended June 30, 2017 and 2016. The information presented in this overview and analysis should be considered in conjunction with JobsOhio's basic financial statements, which follow this material. Financial statements prepared by JobsOhio include its sole component unit, JobsOhio Beverage System (JOBS), however the following information is solely based on JobsOhio's financial activities and is presented in a non-blended format. The overview and analysis of JOBS is included in that corporation's separately issued annual report.

Financial Highlights

- Total assets increased 23% in the fiscal year ended June 30, 2017 from $437,279 in fiscal year 2016 to $537,855 in fiscal year 2017. In the fiscal year ended June 30, 2016, total assets had increased 27% from $343,504 in fiscal year 2015 to $437,279 in fiscal year 2016.

- Total liabilities increased 31% in the fiscal year ended June 30, 2017 from $38,548 in fiscal year 2016 to $50,618 in fiscal year 2017. In the fiscal year ended June 30, 2016, total liabilities had increased 24% from $31,103 in fiscal year 2015 to $38,548 in fiscal year 2016.

- Operating and non-operating revenues increased 18% in the fiscal year ended June 30, 2017 from $156,194 in fiscal year 2016 to $184,753 in fiscal year 2017. In the fiscal year ended June 30, 2016, operating and non-operating revenues increased 28% from $121,736 in fiscal year 2015 to $156,194 in fiscal year 2016.

- Total operating expenses increased 38% in the fiscal year ended June 30, 2017 from $69,864 in fiscal year 2016 to $96,247 in fiscal year 2017. In the fiscal year ended June 30, 2016, total operating expenses had decreased 4% from $72,415 in fiscal year 2015 to $69,864 in fiscal year 2016.

Overview

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

During the fiscal years ended June 30, 2017, 2016, and 2015, JobsOhio received grants and contributions from JOBS totaling $180,000, $150,000, and $120,000, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds of the bond issue.

Discussion of Basic Financial Statements

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

(In thousands)

statements of cash flows and the related notes. This information is also presented in a non-blended format in the notes to financial statements.

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

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

Financial Analysis

Net Position

The following is a summary of net position as of June 30, 2017, 2016, and 2015:

	2017	2016	2015
Assets:			
Current assets:			
Cash and cash equivalents - unrestricted	$ 93,302	$ 80,213	$ 58,833
Cash and cash equivalents - restricted	-	-	4,798
Investments	393,331	324,254	270,272
Loans	4,500	2,270	508
Receivables	1,024	529	245
Prepaid expenses	580	3,375	427
Due from JOBS	152	183	-
Total current assets	492,889	410,824	335,083
Long-term assets:			
Cash and cash equivalents - restricted	-	-	-
Capital assets, net of accumulated depreciation	1,188	1,377	1,811
Loans	43,778	25,078	6,610
Total long-term assets	44,966	26,455	8,421
Total assets	**537,855**	**437,279**	**343,504**
Liabilities:			
Current liabilities:			
Accounts payable	2,166	2,205	624
Accrued liabilities	48,424	36,305	30,431
Capital lease payable - current portion	10	10	10
Due to component unit - JOBS	-	-	-
Total current liabilities	50,600	38,520	31,065
Long-term liabilities:			
Capital lease payable	18	28	38
Total long-term liabilities	18	28	38
Total liabilities	**50,618**	**38,548**	**31,103**
Net position:			
Net investment in capital assets	1,188	1,377	1,811
Restricted	-	-	4,798
Unrestricted	486,049	397,354	305,792
Total net position	**$ 487,237**	**$ 398,731**	**$ 312,401**

(In thousands)

Current assets consist of cash in demand deposits, investments, prepaid expenses, and receivables due from JOBS for management services as well as outstanding principal from loans to promote economic development due within the following twelve months. Current assets increased 20% in the fiscal year ended June 30, 2017 from $410,824 in fiscal year 2016 to $492,889 in fiscal year 2017. In the fiscal year ended June 30, 2016, current assets increased 23% from $335,083 in fiscal year 2015 to $410,824 in fiscal year 2016. These increases in current assets are primarily due to funds received from JOBS for grants to support JobsOhio's mission.

Long-term assets consist of software, furniture, equipment and leasehold improvements, as well as outstanding principal from loans made for economic development programs due after the following twelve months. Long-term assets increased 70% in the fiscal year ended June 30, 2017 from $26,455 in fiscal year 2016 to $44,966 in fiscal year 2017. In the fiscal year ended June 30, 2016, long-term assets increased 214% from $8,421 in fiscal year 2015 to $26,455 in fiscal year 2016. The increases in long-term assets are primarily due to JobsOhio's loan program, which was first established in fiscal year 2014 and experienced growth in fiscal years 2017 and 2016.

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

The increase of total net position at June 30, 2017 of $88,506 results primarily from the receipt of grants from JOBS during the fiscal year totaling $180,000. The increase of total net position as of June 30, 2016 of $86,330 resulted primarily from the receipt of grants from JOBS during the fiscal year totaling $150,000.

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2017, 2016, and 2015:

	2017	2016	2015
Operating revenues:			
Interest income - loans	$ 1,708	$ 830	$ 140
Fees and other	1,208	867	918
Total operating revenues	2,916	1,697	1,058
Operating expenses:			
Economic development programs	56,949	35,349	46,552
Salaries and benefits	11,058	9,205	7,514
Economic development purchased services	10,735	10,243	9,321
Professional services	3,761	4,958	1,914
Insurance	204	200	182
Administrative and support	3,223	2,772	2,328
Marketing	10,317	7,137	4,604
Total operating expenses	96,247	69,864	72,415
Operating loss	**(93,331)**	**(68,167)**	**(71,357)**
Nonoperating revenues:			
Grants	180,000	150,000	120,000
Investment income	1,837	4,497	678
Total nonoperating revenues	181,837	154,497	120,678
Change in net position	**88,506**	**86,330**	**49,321**
Net position, beginning of year	398,731	312,401	263,080
Net position, end of year	**$ 487,237**	**$ 398,731**	**$ 312,401**

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the fiscal year ended June 30, 2017, total operating and nonoperating revenues were $184,753, an increase of $28,559 over the prior year's total of $156,194. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2017 of $30,000, as well as an increase in the amount of interest income. For the fiscal year ended June 30, 2016, total operating and nonoperating revenues increased $34,458 from $121,736 in fiscal year 2015 to $156,194 in fiscal year 2016. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2016 of $30,000.

Operating expenses increased by $26,383 in the fiscal year ended June 30, 2017, from $69,864 in fiscal year 2016 to $96,247 in fiscal year 2017, primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. In the fiscal year ended June 30, 2016, operating expenses decreased by $2,551 from $72,415 in fiscal year 2015 to $69,864 in fiscal year 2016 primarily due to a decrease in the amount of grants issued to support JobsOhio's mission and reported as economic development program expense. JobsOhio had an increase in workforce over the past three fiscal years as it continues to build upon its employee base to facilitate economic development in the State. Other operating expenses for the fiscal years ended June 30, 2017, 2016, and 2015 included professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a change in net position of $88,506 in the fiscal year ended June 30, 2017, which was an increase of $2,176 from the change in net position as of June 30, 2016 of $86,330. JobsOhio had an increase of $37,009 in the change of net position for the fiscal year ended June 30, 2016 of $86,330, from the change of net position for the fiscal year ended June 30, 2015 of $49,321. The major factor affecting these changes were the increase in the amount of grant money received from JOBS during fiscal years 2017 and 2016.

Capital Asset Activity

Capital asset additions to leasehold improvements of $5 in the fiscal year ended June 30, 2017 were primarily attributable to an office company logo replacement. There were no capital asset additions to furniture and equipment in the fiscal year ended June 30, 2017. Capital asset additions to furniture and equipment of $27 and to leasehold improvements of $8 in the fiscal year ended June 30, 2016 were primarily attributable to establishing a new training room for the purpose of workforce utilization and to an office flooring replacement. Additions to software of $308 and $26 in the fiscal years ended June 30, 2017 and 2016, respectively, were attributable to the launch and continued maintenance of a new website with increased search and mobile capabilities. Refer to pages 22 and 23 of the notes to the financial statements for further information on capital assets.

Requests for Information

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

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

June 30, 2017 and 2016

(In thousands)

	June 30, 2017	June 30, 2016
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 274,020	$ 263,122
Cash and cash equivalents - restricted	128,948	134,725
Investments	393,331	324,254
Inventory	73,533	72,948
Loans	4,500	2,270
Receivables	1,562	1,025
Prepaid expenses	4,826	4,364
Total current assets	880,720	802,708
Long-term assets:		
Intangible asset - liquor franchise, net of amortization	1,136,137	1,191,334
Capital assets, net of accumulated depreciation	1,310	1,377
Loans, net of loss allowance	43,778	25,078
Total long-term assets	1,181,225	1,217,789
Total assets	**2,061,945**	**2,020,497**
Liabilities:		
Current liabilities:		
Accounts payable	17,175	26,831
Accrued liabilities	95,730	90,362
Special obligation bonds payable - current portion	44,870	44,020
Bond interest payable	29,012	29,438
Capital lease payable - current portion	10	10
Total current liabilities	186,797	190,661
Long-term liabilities:		
Special obligation bonds payable	1,382,532	1,430,203
Capital lease payable	18	28
Total long-term liabilities	1,382,550	1,430,231
Total liabilities	**1,569,347**	**1,620,892**
Net position:		
Net investment in capital assets	1,310	1,377
Unrestricted	491,288	398,228
Total net position	**$ 492,598**	**$ 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

Years Ended June 30, 2017 and 2016

(In thousands)

	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating revenues:		
Net liquor sales	$ 1,102,485	$ 1,051,438
Interest income - loans	1,708	830
Fees and other	477	264
Total operating revenues	1,104,670	1,052,532
Operating expenses:		
Cost of goods sold	659,250	605,990
Sales commissions	60,390	57,522
Liquor gallonage taxes	46,621	45,369
Amortization of intangible asset - liquor franchise	55,197	55,197
Service fees	18,189	12,116
Supplemental Payment	13,495	35,665
Economic development programs	56,949	35,349
Salaries and benefits	11,058	9,205
Economic development purchased services	10,735	10,243
Professional services	10,890	5,434
Insurance	588	559
Administrative and support	4,810	2,772
Marketing	10,317	7,137
Other	391	72
Total operating expenses	958,880	882,630
Operating income	**145,790**	**169,902**
Nonoperating revenues (expenses):		
Bond interest, net	(55,650)	(56,339)
Investment income	1,837	4,497
Other, net	1,016	583
Total nonoperating revenues (expenses)	(52,797)	(51,259)
Change in net position	**92,993**	**118,643**
Net position, beginning of period	399,605	280,962
Net position, end of period	**$ 492,598**	**$ 399,605**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Cash flows from operating activities:		
Receipts from fees and other	$ 1,644	$ 797
Receipts from customers	1,102,519	1,051,125
Payments to employees	(11,005)	(9,154)
Payments to suppliers	(699,203)	(636,948)
Payments for economic development programs	(64,368)	(51,420)
Payments for commissions	(60,104)	(59,566)
Receipts from sales taxes	65,562	61,822
Payments for sales tax collections to State and county	(65,172)	(61,325)
Payments for gallonage tax collections to State	(46,460)	(45,130)
Payments for servicing fees	(13,066)	(9,129)
Payments for Supplemental Payment to State	(35,665)	(26,810)
Net cash provided by operating activities	174,682	214,262
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(15)	(8)
Net cash used in noncapital financing activity	(15)	(8)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(434)	(113)
Payments for capital lease	(10)	(10)
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	(103,340)	(103,021)
Cash flows from investing activities:		
Dividends and interest income	5,480	3,557
Purchases of investments	(201,299)	(77,427)
Proceeds from maturities of investments	129,613	24,976
Net cash used in investing activities	(66,206)	(48,894)
Net increase (decrease) in cash and cash equivalents	5,121	62,339
Cash and cash equivalents, beginning of period	397,847	335,508
Cash and cash equivalents, end of period	**$ 402,968**	**$ 397,847**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 145,790	$ 169,902
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of intangible asset - liquor franchise	55,197	55,197
Depreciation and amortization expense	506	495
Increase in loans	(21,928)	(23,815)
Increase in loan valuation allowance	998	3,585
(Increase) decrease in inventory	(585)	(13,434)
Increase in receivables	(537)	(595)
(Increase) decrease in prepaid expenses	(462)	(2,991)
Increase (decrease) in accounts payable	(9,665)	9,504
Increase (decrease) in accrued liabilities	5,368	16,414
Total adjustments	28,892	44,360
Net cash provided by operating activities	**$ 174,682**	**$ 214,262**
Noncash capital and related financing activities:		
Purchases of capital assets on account	$ 5	$ -
Amortization of bonds payable	$ 2,801	$ 2,828

See accompanying notes to financial statements.

(1) 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 1(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 fiscal years ended June 30, 2017 and 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 June 30, 2017 and 2016 was $13,609 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 June 30, 2017 and 2016, the amount of allowance for loan losses was $4,584 and $3,585, respectively and is reported in the Entity's statements of net position as part of "loans, net of loss allowance".

(l) Receivables

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

(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 each of the fiscal years ended June 30, 2017 and 2016 was $55,197.

(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.

(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 fiscal years ended June 30, 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 fiscal years ended June 30, 2017 and 2016 was $252 and $225, 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.

(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 fiscal years ended June 30, 2017 and 2016 was $13,495 and $35,665, 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 fiscal years ended June 30, 2017 and 2016 was $18,189 and $12,116, 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.

(In thousands)

(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

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

(2) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

At June 30, 2017, the carrying amount of the Entity's deposits was $125,345, and the respective bank balance was $110,591. 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 2(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 June 30, 2017 and 2016, $8,190 and $33,100, respectively, was insured through the Federal Deposit Insurance Corporation (FDIC), including up to $7,690 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 $102,491 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 $7,690 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 $277,622 and $288,810 at June 30, 2017 and 2016, respectively.

<u>Certain Investments Classified as Cash Equivalents</u>

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 June 30, 2017 and 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:

(In thousands)

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

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 1(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 June 30, 2017 and 2016 was $15,121 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.

(In thousands)

3. Investments

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

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of June 30, 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	$ 193,312	$ 47,990	$ 34,054	$ 111,268	$ -
FHLB Notes	33,946	27,021	5,030	1,895	-
FFCB Notes	49,700	20,034	4,998	24,668	-
FHLMC Notes	13,346	10,253	-	3,093	-
FNMA Notes	36,820	9,976	20,141	6,703	-
Corporates	66,207	30,586	21,777	13,844	-
Total	$ 393,331	$ 145,860	$ 86,000	$ 161,471	$ -

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:

(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	$ 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	$ -

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 June 30, 2017 and 2016:

		Fair Value Measurements Using			Fair Value Measurements Using	
	June 30, 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	$ 193,312	$ 193,312	$ -	$ 157,823	$ 157,823	$ -
FHLB Notes	33,946	-	33,946	45,377	-	45,377
FFCB Notes	49,700	-	49,700	29,860	-	29,860
FHLMC Notes	13,346	-	13,346	8,260	-	8,260
FNMA Notes	36,820	-	36,820	35,468	-	35,468
Corporates	66,207	-	66,207	47,466	-	47,466
Total	$ 393,331	$ 193,312	$ 200,019	$ 324,254	$ 157,823	$ 166,431

Investments classified in Level 1 of the fair value hierarchy, valued at $193,312 and $157,823 as of June 30, 2017 and 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.

(In thousands)

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

Credit Risk – To minimize credit risk, the Entity prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Entity will do business. In addition, the investment portfolio is diversified to minimize risk of loss. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2017:

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

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	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 $393,331 and $324,254 as of June 30, 2017 and 2016, respectively, are uninsured and held in the name of its investment manager.

(In thousands)

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

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

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 fiscal years ended June 30, 2017 and 2016 totaled ($4) and $89, 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 ($2,609) and $1,531 as of June 30, 2017 and 2016, respectively, 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 fiscal year ended June 30, 2017 is as follows:

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

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 $48,278 as of June 30, 2017 relates to disbursements to 27 companies, and is net of loss allowance of $4,584. 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 $4,500 and $2,270 as of June 30, 2017 and 2016, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2017 and 2016 provide for disbursements of up to $89,014 and $50,225, respectively. The outstanding balance of the commitments as of June 30, 2017 and 2016 were $33,103 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 $4,584 and $3,585 as of June 30, 2017 and 2016, respectively.

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 $2,642 and $736 of service fees to the Ohio Department of Commerce as of June 30, 2017 and 2016, respectively, as well as $1,068 and $0, respectively, as of June 30, 2017 and 2016 for prepaid rent payments on two separate operating lease agreements. See note 2(b)6 below.

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.

(In thousands)

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 $55,197 for the fiscal years ended June 30, 2017 and 2016. No impairment of the intangible asset existed as of June 30, 2017 and 2016.

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

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

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

(In thousands)

(b) Liabilities

1. Accrued Liabilities

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

	2017	2016
Economic development programs	$ 46,828	$ 32,182
Liquor purchases	13,112	3,223
Agency commissions	2,787	2,502
Taxes	9,690	9,139
Supplemental Payment	13,495	35,665
Service fees	7,029	3,031
Contribution payable	-	1,000
Economic development purchased services	686	1,829
Professional services	1,160	768
Payroll	165	124
Legal services	114	129
Paid time off	117	109
Deferred rent	174	44
Employee benefits	41	42
Other	332	575
	$ 95,730	$ 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.

- 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 June 30, 2017, the Entity had executed 479 grants, including 170 economic development grants, 195 workforce grants, and 114 revitalization grants with a total committed amount of $148,673. As of June 30, 2017, the Entity had $69,688 in committed, but unpaid grants. 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 $46,828 and $32,182 as of June 30, 2017 and 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 Entity; 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 June 30, 2017 and 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 June 30, 2017 and 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 fiscal year ended June 30, 2017, the total 401(k) match expense was $258 on total employee contributions of $553. For the fiscal year ended June 30, 2016, the total 401(k) match expense was $213 on total employee contributions of $510. As of June 30, 2017 and 2016, accrued employee 401(k) deferrals and accrued employer match were $30 and $26, respectively, and are included in the statements of net position as accrued liabilities.

5. Commitments and Contingencies – Litigation

On October 27, 2014, an action was filed in the Franklin County Court of Appeals challenging JobsOhio and the legislation authorizing its creation and the transfer of the State's spirituous liquor system. On February 12, 2015, the Court of Appeals' Magistrate issued a decision dismissing the case in its entirety, ruling it clear beyond doubt that the Relator does not have standing to bring this action. Relator filed objections to the Magistrate's decision and other motions. On August 4, 2015, the Court of Appeals overruled Relator's objections, adopted that portion of the Magistrate's decision that dismissed the case for lack of standing, and dismissed all other pending motions. Relator timely appealed this decision to the Supreme Court of Ohio, which on August 31, 2016 issued its final decision affirming the dismissal of the entire case for lack of standing. 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 $472 and $469, respectively, for the fiscal years ended June 30, 2017 and 2016.

Minimum future lease payments as of June 30, 2017 under this operating lease are as follows:

Year ending June 30:		
2018	$	306
2019		315
2020		324
2021		333
2022		198
Total	$	1,476

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 for the years ended June 30, 2017 and 2016 was $25 and $15, respectively. Property on capital lease as of June 30, 2017 is as follows:

Office equipment	$	52
Less: accumulated amortization		(25)
Total	$	27

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

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

(In thousands)

The interest rate related to the lease obligation is 1% and the maturity date is April 2020. Minimum future lease payments as of June 30, 2017 under this capital lease are as follows:

Year ending June 30:		
2018	$	10
2019		10
2020		8
Total	$	28

In the fiscal year ended June 30, 2017, the Entity entered into two separate lease agreements for the use of distribution center facilities in Green, Ohio and Groveport, Ohio. Rent expense on the two facilities was $707 and $0, respectively, for the fiscal years ended June 30, 2017 and 2016.

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

Minimum future lease payments as of June 30, 2017 under this operating lease are as follows:

Year ending June 30:		
2018	$	1,417
2019		1,417
2020		1,418
2021		1,473
2022 - 2024		4,100
Total	$	9,825

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

(In thousands)

Minimum future lease payments as of June 30, 2017 under this operating lease are as follows:

Year ending June 30:	
2018	$ 792
2019	884
2020	906
2021	928
2022 - 2023	1,032
Total	$ 4,542

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 June 30, 2017 and 2016 are as follows:

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

Special obligation bonds	Original issue date	Outstanding as of 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 June 30, 2017 and 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.

(In thousands)

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

Debt service requirements related to the bonds as of June 30, 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	47,132		
Less current portion	(44,870)		
Total debt, long-term portion	$ 1,382,532		

(In thousands)

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		

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

	Balance, July 1, 2016	Additions	Reductions	Balance, June 30, 2017	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)	(2,801)	-	(12,531)	-
Total debt	$ 1,474,223	$ (2,801)	$ (44,020)	$ 1,427,402	$ 44,870

(In thousands)

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

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

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 June 30, 2017 and 2016.

(c) Revenues

Liquor sales revenues are reported net of wholesale discounts and sales taxes. For the fiscal years ended June 30, 2017 and 2016, operating revenues were reported net of discounts of $19,579 and $19,031, respectively, and sales tax of $65,562 and $61,822, respectively.

(d) Combining Information

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Net Position

(In thousands)

	June 30, 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	$ 93,302	$ 180,718	$ -	$ 274,020	$ 80,213	$ 182,909	$ -	$ 263,122
Cash and cash equivalents - restricted	-	128,948	-	128,948	-	134,725	-	134,725
Investments	393,331	-	-	393,331	324,254	-	-	324,254
Inventory	-	73,533	-	73,533	-	72,948	-	72,948
Loans	4,500	-	-	4,500	2,270	-	-	2,270
Receivables	1,024	538	-	1,562	529	496	-	1,025
Prepaid expenses	580	4,246	-	4,826	3,375	989	-	4,364
Due from JOBS	152	-	(152)	-	183	-	(183)	-
Total current assets	492,889	387,983	(152)	880,720	410,824	392,067	(183)	802,708
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	1,136,137	-	1,136,137	-	1,191,334	-	1,191,334
Capital assets, net of accumulated depreciation	1,188	122	-	1,310	1,377	-	-	1,377
Loans, net of loss allowance	43,778	-	-	43,778	25,078	-	-	25,078
Total long-term assets	44,966	1,136,259	-	1,181,225	26,455	1,191,334	-	1,217,789
Total assets	**537,855**	**1,524,242**	**(152)**	**2,061,945**	**437,279**	**1,583,401**	**(183)**	**2,020,497**
Liabilities:								
Current liabilities:								
Accounts payable	2,166	15,009	-	17,175	2,205	24,626	-	26,831
Accrued liabilities	48,424	47,306	-	95,730	36,305	54,057	-	90,362
Special obligation bonds payable - current portion	-	44,870	-	44,870	-	44,020	-	44,020
Bond interest payable	-	29,012	-	29,012	-	29,438	-	29,438
Capital lease payable - current portion	10	-	-	10	10	-	-	10
Due to JobsOhio	-	152	(152)	-	-	183	(183)	-
Total current liabilities	50,600	136,349	(152)	186,797	38,520	152,324	(183)	190,661
Long-term liabilities:								
Special obligation bonds payable	-	1,382,532	-	1,382,532	-	1,430,203	-	1,430,203
Capital lease payable	18	-	-	18	28	-	-	28
Total long-term liabilities	18	1,382,532	-	1,382,550	28	1,430,203	-	1,430,231
Total liabilities	**50,618**	**1,518,881**	**(152)**	**1,569,347**	**38,548**	**1,582,527**	**(183)**	**1,620,892**
Net position:								
Net investment in capital assets	1,188	122	-	1,310	1,377	-	-	1,377
Unrestricted	486,049	5,239	-	491,288	397,354	874	-	398,228
Total net position	**$ 487,237**	**$ 5,361**	**$ -**	**$ 492,598**	**$ 398,731**	**$ 874**	**$ -**	**$ 399,605**

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(In thousands)

	Year Ended June 30, 2017				Year Ended June 30, 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	$ -	$ 1,102,485	$ -	$ 1,102,485	$ -	$ 1,051,438	$ -	$ 1,051,438
Interest income - loans	1,708	-	-	1,708	830	-	-	830
Fees and other	1,208	-	(731)	477	867	-	(603)	264
Total operating revenues	2,916	1,102,485	(731)	1,104,670	1,697	1,051,438	(603)	1,052,532
Operating expenses:								
Cost of goods sold	-	659,250	-	659,250	-	605,990	-	605,990
Sales commissions	-	60,390	-	60,390	-	57,522	-	57,522
Liquor gallonage taxes	-	46,621	-	46,621	-	45,369	-	45,369
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Service fees	-	18,189	-	18,189	-	12,116	-	12,116
Supplemental Payment	-	13,495	-	13,495	-	35,665	-	35,665
JobsOhio management fees	-	731	(731)	-	-	603	(603)	-
Economic development programs	56,949	-	-	56,949	35,349	-	-	35,349
Salaries and benefits	11,058	-	-	11,058	9,205	-	-	9,205
Economic development purchased services	10,735	-	-	10,735	10,243	-	-	10,243
Professional services	3,761	7,129	-	10,890	4,958	476	-	5,434
Insurance	204	384	-	588	200	359	-	559
Administrative and support	3,223	1,587	-	4,810	2,772	-	-	2,772
Marketing	10,317	-	-	10,317	7,137	-	-	7,137
Other	-	391	-	391	-	72	-	72
Total operating expenses	96,247	863,364	(731)	958,880	69,864	813,369	(603)	882,630
Operating income (loss)	**(93,331)**	**239,121**	**-**	**145,790**	**(68,167)**	**238,069**	**-**	169,902
Nonoperating revenues (expenses):								
Grants	180,000	(180,000)	-	-	150,000	(150,000)	-	-
Bond interest, net	-	(55,650)	-	(55,650)	-	(56,339)	-	(56,339)
Investment income	1,837	-	-	1,837	4,497	-	-	4,497
Other, net	-	1,016	-	1,016	-	583	-	583
Total nonoperating revenues (expenses)	181,837	(234,634)	-	(52,797)	154,497	(205,756)	-	(51,259)
Change in net position	**88,506**	**4,487**	**-**	**92,993**	**86,330**	**32,313**	**-**	**118,643**
Net position (deficit), beginning of period	398,731	874	-	399,605	312,401	(31,439)	-	280,962
Net position, end of period	**$ 487,237**	**$ 5,361**	**$ -**	**$ 492,598**	**$ 398,731**	**$ 874**	**-**	**$ 399,605**

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(In thousands)

	2017				2016			
	JobsOhio	Component unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Component unit JobsOhio Beverage System	Eliminating Entries	Combined Balance
Cash flows from operating activities:								
Receipts from fees and other	$ 1,644	$ -	$ -	$ 1,644	$ 797	$ -	$ -	$ 797
Receipts from customers	-	1,102,519	-	1,102,519	-	1,051,125	-	1,051,125
Payments to employees	(11,005)	-	-	(11,005)	(9,154)	-	-	(9,154)
Payments to suppliers	(26,386)	(672,817)	-	(699,203)	(24,453)	(612,495)	-	(636,948)
Payments for economic development programs	(64,368)	-	-	(64,368)	(51,420)	-	-	(51,420)
Payments for commissions	-	(60,104)	-	(60,104)	-	(59,566)	-	(59,566)
Receipts from sales taxes	-	65,562	-	65,562	-	61,822	-	61,822
Payments for sales tax collections to State and county	-	(65,172)	-	(65,172)	-	(61,325)	-	(61,325)
Payments for gallonage tax collections to State	-	(46,460)	-	(46,460)	-	(45,130)	-	(45,130)
Payments for servicing fees	-	(13,066)	-	(13,066)	-	(9,129)	-	(9,129)
Payments for Supplemental Payment to State	-	(35,665)	-	(35,665)	-	(26,810)	-	(26,810)
Receipts (payments) between JobsOhio and component unit	762	(762)	-	-	420	(420)	-	-
Net cash provided by (used in) operating activities	(99,353)	274,035	-	174,682	(83,810)	298,072	-	214,262
						-		
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	180,000	(180,000)	-	-	150,000	(150,000)	-	-
Payments for other nonoperating expenses	-	(15)	-	(15)	-	(8)	-	(8)
Net cash provided by (used in) noncapital financing activity	180,000	(180,015)	-	(15)	150,000	(150,008)	-	(8)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(308)	(126)	-	(434)	(113)	-	-	(113)
Payments for capital lease	(10)	-	-	(10)	(10)	-	-	(10)
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	(318)	(103,022)	-	(103,340)	(123)	(102,898)	-	(103,021)
Cash flows from investing activities:								
Dividends and interest income	4,446	1,034	-	5,480	2,966	591	-	3,557
Purchases of investments	(201,299)	-	-	(201,299)	(77,427)	-	-	(77,427)
Proceeds from maturities of investments	129,613	-	-	129,613	24,976	-	-	24,976
Net cash provided by (used in) investing activities	(67,240)	1,034	-	(66,206)	(49,485)	591	-	(48,894)
Net increase (decrease) in cash and cash equivalents	13,089	(7,968)	-	5,121	16,582	45,757	-	62,339
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	**$ 93,302**	**$ 309,666**	**$ -**	**$ 402,968**	**$ 80,213**	**$ 317,634**	**$ -**	**$ 397,847**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (93,331)	$ 239,121	$ -	$ 145,790	$ (68,167)	$ 238,069	$ -	$ 169,902
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Depreciation and amortization expense	502	4	-	506	495	-	-	495
Increase in loans	(21,928)	-	-	(21,928)	(23,815)	-	-	(23,815)
Increase in loan valuation allowance	998	-	-	998	3,585	-	-	3,585
(Increase) decrease in inventory	-	(585)	-	(585)	-	(13,434)	-	(13,434)
(Increase) decrease in receivables	(495)	(42)	-	(537)	(284)	(311)	-	(595)
(Increase) decrease in prepaid expenses	2,795	(3,257)	-	(462)	(2,948)	(43)	-	(2,991)
(Increase) decrease in due from/to component unit (net)	31	(31)	-	-	(183)	183	-	-
Increase (decrease) in accounts payable	(44)	(9,621)	-	(9,665)	1,633	7,871	-	9,504
Increase (decrease) in accrued liabilities	12,119	(6,751)	-	5,368	5,874	10,540	-	16,414
Total adjustments	(6,022)	34,914	-	28,892	(15,643)	60,003	-	44,360
Net cash provided by (used in) operating activities	**$ (99,353)**	**$ 274,035**	**$ -**	**$ 174,682**	**$ (83,810)**	**$ 298,072**	**$ -**	**$ 214,262**
Noncash capital and related financing activities:								
Purchases of capital assets on account	$ 5	$ -	$ -	$ 5	$ -	$ -	$ -	$ -
Amortization of bonds payable	$ -	$ 2,801	$ -	$ 2,801	$ -	$ 2,828	$ -	$ 2,828