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

Financial Statements

March 31, 2019 and 2018

(With Independent Auditors' Review Report Thereon)

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## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors of JobsOhio:

We have reviewed the accompanying statements of net position of JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively the "Entity") as of March 31, 2019, and the related statements of revenues, expenses, and changes in net position for the three-month and nine-month periods ended March 31, 2019 and 2018, and of cash flows for the nine-month periods ended March 31, 2019 and 2018, and the related notes (the "interim financial information").

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

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

### Auditors' Responsibility

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

### Required Supplementary Information

Management's Discussion and Analysis on pages 3-6, although not a part of the 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 interim financial information 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 interim financial information, and other knowledge we obtained during our review of the interim financial information. 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.

## Conclusion

Based on our reviews, 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, 2018

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, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended

(not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2018. In our opinion, the accompanying statement of net position of the Entity as of June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte + Touche LLP

May 30, 2019

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the nine months ended March 31, 2019 and 2018. 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 financial statements.

**Financial Highlights**

- Total assets increased 11% in the nine months ended March 31, 2019 from $626,905 in the fiscal year ended June 30, 2018 to $694,841 in the nine months ended March 31, 2019. In the nine months ended March 31, 2018, total assets had increased 14% from $537,855 in the fiscal year ended June 30, 2017 to $612,111 in the nine months ended March 31, 2018.

- Total liabilities increased 138% in the nine months ended March 31, 2019 from $57,232 in the fiscal year ended June 30, 2018 to $135,971 in the nine months ended March 31, 2019. In the nine months ended March 31, 2018, total liabilities had increased 124% from $50,618 in the fiscal year ended June 30, 2017 to $113,630 in the nine months ended March 31, 2018.

- Operating and non-operating revenues increased 12% in the nine months ended March 31, 2019 when compared to the same time period one year prior from $148,125 in the nine months ended March 31, 2018 to $166,207 in the nine months ended March 31, 2019. In the nine months ended March 31, 2018, operating and non-operating revenues increased 8% from $137,764 in the nine months ended March 31, 2017 to $148,125 in the nine months ended March 31, 2018.

- Total operating expenses increased 29% in the nine months ended March 31, 2019 when compared to the same time period one year prior from $136,881 in the nine months ended March 31, 2018 to $177,010 in the nine months ended March 31, 2019. In the nine months ended March 31, 2018, total operating expenses had increased 44% from $94,987 in the nine months ended March 31, 2017 to $136,881 in the nine months ended March 31, 2018.

**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 nine months ended March 31, 2019, 2018, and 2017, JobsOhio received grants and contributions from JOBS totaling $150,000, $145,000, and $135,000, 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; 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 quarter end and the previous 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 quarter and current fiscal year to date. The statement of cash flows outlines the cash inflows and outflows for the current fiscal year to date. 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*

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 12% in the nine months ended March 31, 2019 from $541,282 in the fiscal year ended June 30, 2018 to $604,282 in nine months ended March 31, 2019. In the nine months ended March 31, 2018, current assets increased 9% from $492,889 in the fiscal year ended June 30, 2017 to $536,874 in nine months ended March 31, 2018. The 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 6% in the nine months ended March 31, 2019 from $85,623 in the fiscal year ended June 30, 2018 to $90,559 in nine months ended March 31, 2019. In the nine months ended March 31, 2018, long-term assets increased 67% from $44,966 in the fiscal year ended June 30, 2017 to $75,237 in the nine months ended March 31, 2018. The increases in long-term assets are primarily due to JobsOhio's loan program and reflect an increase in disbursements to borrowers.

Current liabilities consist of accounts payable, accrued liabilities, and a capital lease that was added in fiscal year 2015.

Net position decreased by $10,803 for the nine months ended March 31, 2019, from a net position of $569,673 in the fiscal year ended June 30, 2018 to a net position of $558,870 as of the nine months ended March 31, 2019. Net position increased by $11,244 for the nine months ended March 31, 2018, from a net position of $487,237 in the fiscal year ended June 30, 2017 to a net position of $498,481 as of the nine months ended March 31, 2018. The changes in net position are primarily due to JobsOhio's grant economic development program and reflect the accrual of grant expense, as well as economic development purchased services. Increases in salaries and benefits and professional services also contributed to the changes in net position.

(In thousands)

*Revenues, Expenses, and Changes in Net Position*

The following is a summary of revenues, expenses, and changes in net position for the nine months ended March 31, 2019, 2018, and 2017:

| | March 31, 2019 | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| **Operating revenues:** | | | |
| Interest income - loans | $ 2,029 | $ 1,582 | $ 1,205 |
| Fees and other | 1,175 | 989 | 918 |
| Total operating revenues | 3,204 | 2,571 | 2,123 |
| **Operating expenses:** | | | |
| Economic development programs | 140,242 | 102,693 | 66,635 |
| Salaries and benefits | 11,580 | 9,870 | 8,448 |
| Economic development purchased services | 9,916 | 8,529 | 7,801 |
| Professional services | 4,399 | 3,819 | 2,713 |
| Insurance | 171 | 155 | 152 |
| Administrative and support | 3,242 | 3,566 | 2,233 |
| Marketing | 7,424 | 8,249 | 7,005 |
| Other | 36 | - | - |
| Total operating expenses | 177,010 | 136,881 | 94,987 |
| **Operating loss** | **(173,806)** | **(134,310)** | **(92,864)** |
| **Nonoperating revenues:** | | | |
| Grants | 150,000 | 145,000 | 135,000 |
| Investment income | 13,003 | 554 | 641 |
| Total nonoperating revenues | 163,003 | 145,554 | 135,641 |
| **Change in net position** | **(10,803)** | **11,244** | **42,777** |
| Net position, beginning of period | 569,673 | 487,237 | 398,731 |
| **Net position, end of period** | **$ 558,870** | **$ 498,481** | **$ 441,508** |



(Continued)

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 nine months ended March 31, 2019, total operating and nonoperating revenues were $166,207, an increase of $18,082 over the same time period one year prior of $148,125. This change is primarily due to an increase in the amount of investment income, as well as an increase in the amount of grant revenue received from JOBS of $5,000. For the nine months ended March 31, 2018, total operating and nonoperating revenues increased $10,361 from $137,764 in the nine months ended March 31, 2017 to $148,125 in the nine months ended March 31, 2018. This change is primarily due to an increase in the amount of grant revenue received from JOBS of $10,000, as well as an increase in the amount of interest income received on loans made for economic development programs.

Operating expenses increased by $40,129 in the nine months ended March 31, 2019, from $136,881 in the nine months ended March 31, 2018 to $177,010 in the nine months ended March 31, 2019, 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 nine months ended March 31, 2018, operating expenses increased by $41,894 from $94,987 in the nine months ended March 31, 2017 to $136,881 in the nine months ended March 31, 2018, primarily due to a increase in the amount of grants issued to support JobsOhio's mission and reported as economic development program expense. JobsOhio also had an increase in its 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 nine months ended March 31, 2019, 2018, and 2017 included economic development purchased services, professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a decrease in net position of $10,803 in the nine months ended March 31, 2019, which was a decrease of $22,047 from the increase in net position as of March 31, 2018 of $11,244. The increase in net position of $11,244 for the nine months ended March 31, 2018, was a decrease of $31,533 from the increase in net position for the nine months ended March 31, 2017 of $42,777. The major factor affecting these changes was the increase in the amount of economic development program grants issued to support JobsOhio's mission.

## Capital Asset Activity

In the nine months ended March 31, 2019, capital asset additions to furniture and fixtures and leasehold improvements were primarily attributable to updates to JobsOhio's marketing displays and there were no capital asset additions to software. In the fiscal year ended June 30, 2018, capital asset additions to leasehold improvements of $360 were primarily attributable to an expansion of office space and there were no capital asset additions to furniture and equipment or software. Refer to page 25 of the notes to the financial statements for further information on capital assets.

## Requests for Information

This report is designed to provide a general overview of JobsOhio's finances. The report of its component unit JOBS is issued separately by that corporation. Questions concerning information presented in this report should be addressed to Brian Faust, Chief Financial Officer, JobsOhio at faust@jobsohio.com.

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

Statements of Net Position

(Unaudited)

(In thousands)

| | March 31, 2019 | June 30, 2018 |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents - unrestricted | $ 308,110 | $ 274,322 |
| Cash and cash equivalents - restricted | 116,502 | 143,464 |
| Investments | 507,900 | 460,682 |
| Inventory | 80,231 | 75,997 |
| Loans | 7,608 | 6,401 |
| Receivables, net of allowance for uncollectable accounts | 3,436 | 6,061 |
| Prepaid expenses | 2,512 | 2,322 |
| Total current assets | 1,026,299 | 969,249 |
| Long-term assets: | | |
| Intangible asset - liquor franchise, net of amortization | 1,039,542 | 1,080,940 |
| Capital assets, net of accumulated depreciation | 2,001 | 2,233 |
| Loans, net of loss allowance | 89,658 | 84,543 |
| Total long-term assets | 1,131,201 | 1,167,716 |
| **Total assets** | **2,157,500** | **2,136,965** |
| **Liabilities:** | | |
| Current liabilities: | | |
| Accounts payable | 18,338 | 19,013 |
| Accrued liabilities | 203,305 | 125,498 |
| Special obligation bonds payable - current portion | 46,720 | 45,845 |
| Bond interest payable | 13,973 | 28,524 |
| Capital lease payable - current portion | 10 | 10 |
| Total current liabilities | 282,346 | 218,890 |
| Long-term liabilities: | | |
| Special obligation bonds payable | 1,285,149 | 1,333,921 |
| Capital lease payable | 1 | 8 |
| Total long-term liabilities | 1,285,150 | 1,333,929 |
| **Total liabilities** | **1,567,496** | **1,552,819** |
| **Net position:** | | |
| Net investment in capital assets | 2,001 | 2,233 |
| Unrestricted | 588,003 | 581,913 |
| **Total net position** | **$ 590,004** | **$ 584,146** |

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, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Operating revenues:** | | |
| Net liquor sales | $ 292,344 | $ 273,693 |
| Distribution center revenue | 1,733 | 1,541 |
| Interest income - loans | 713 | 458 |
| Fees and other | 140 | 98 |
| Total operating revenues | 294,930 | 275,790 |
| **Operating expenses:** | | |
| Cost of goods sold | 172,817 | 156,769 |
| Sales commissions | 15,744 | 14,845 |
| Liquor gallonage taxes | 11,474 | 11,171 |
| Amortization of intangible asset - liquor franchise | 13,799 | 13,799 |
| Service fees | 4,143 | 4,883 |
| Supplemental Payment | 12,598 | 12,164 |
| Economic development programs | 27,050 | 23,320 |
| Salaries and benefits | 3,393 | 4,632 |
| Economic development purchased services | 3,507 | 2,727 |
| Professional services | 2,854 | 2,805 |
| Insurance | 167 | 152 |
| Administrative and support | 2,118 | 2,425 |
| Marketing | 2,419 | 2,568 |
| Other | 89 | 319 |
| Total operating expenses | 272,172 | 252,579 |
| **Operating income** | **22,758** | **23,211** |
| **Nonoperating revenues (expenses):** | | |
| Bond interest, net | (13,295) | (13,575) |
| Investment income | 5,595 | (397) |
| Other, net | 1,708 | 819 |
| Total nonoperating revenues (expenses) | (5,992) | (13,153) |
| **Change in net position** | **16,766** | **10,058** |
| Net position, beginning of period | 573,238 | 501,694 |
| **Net position, end of period** | **$ 590,004** | **$ 511,752** |

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, 2019 | Nine Months Ended March 31, 2018 |
|---|---|---|
| **Operating revenues:** | | |
| Net liquor sales | $ 949,526 | $ 883,716 |
| Distribution center revenue | 5,359 | 4,771 |
| Interest income - loans | 2,029 | 1,582 |
| Fees and other | 314 | 415 |
| Total operating revenues | 957,228 | 890,484 |
| **Operating expenses:** | | |
| Cost of goods sold | 559,335 | 518,584 |
| Sales commissions | 51,659 | 48,193 |
| Liquor gallonage taxes | 37,428 | 36,123 |
| Amortization of intangible asset - liquor franchise | 41,398 | 41,398 |
| Service fees | 12,429 | 13,863 |
| Supplemental Payment | 40,591 | 28,788 |
| Economic development programs | 140,242 | 102,693 |
| Salaries and benefits | 11,580 | 9,870 |
| Economic development purchased services | 9,916 | 8,529 |
| Professional services | 9,815 | 9,277 |
| Insurance | 474 | 449 |
| Administrative and support | 6,135 | 6,011 |
| Marketing | 7,424 | 8,249 |
| Other | 207 | 794 |
| Total operating expenses | 928,633 | 832,821 |
| **Operating income** | **28,595** | **57,663** |
| **Nonoperating revenues (expenses):** | | |
| Bond interest, net | (40,446) | (41,196) |
| Investment income | 13,003 | 554 |
| Other, net | 4,706 | 2,133 |
| Total nonoperating revenues (expenses) | (22,737) | (38,509) |
| **Change in net position** | **5,858** | **19,154** |
| Net position, beginning of period | 584,146 | 492,598 |
| **Net position, end of period** | **$ 590,004** | **$ 511,752** |

**JOBSOHIO**

(A Component Unit of the State of Ohio)

Statements of Cash Flows

Nine Months Ended March 31, 2019 and 2018

(Unaudited)

(In thousands)

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from fees and other | $ 2,424 | $ 1,698 |
| Receipts from customers | 951,625 | 881,363 |
| Receipts from suppliers | 5,512 | 3,501 |
| Payments to employees | (11,351) | (9,594) |
| Payments to suppliers | (601,580) | (552,217) |
| Payments for economic development programs | (68,406) | (72,936) |
| Payments for commissions | (51,774) | (47,847) |
| Receipts from sales taxes | 55,504 | 51,540 |
| Payments for sales tax collections to State and county | (55,662) | (51,138) |
| Payments for gallonage tax collections to State | (37,658) | (35,945) |
| Payments for servicing fees | (12,348) | (11,498) |
| Payments for taxes | (36) | - |
| Payments for Supplemental Payment to State | (36,831) | (13,495) |
| Net cash provided by operating activities | 139,419 | 143,432 |
| **Cash flows from noncapital financing activities:** | | |
| Payments for other nonoperating expenses | (1) | (5) |
| Net cash used in noncapital financing activity | (1) | (5) |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition of capital assets | (183) | (520) |
| Payments for capital lease | (7) | (8) |
| Payments for bond principal | (45,845) | (44,870) |
| Payments for bond interest | (57,049) | (58,024) |
| Net cash used in capital and related financing activities | (103,084) | (103,422) |
| **Cash flows from investing activities:** | | |
| Dividends and interest income | 12,255 | 6,677 |
| Purchases of investments | (125,137) | (127,932) |
| Proceeds from maturities of investments | 83,374 | 93,266 |
| Net cash used in investing activities | (29,508) | (27,989) |
| Net increase in cash and cash equivalents | 6,826 | 12,016 |
| Cash and cash equivalents, beginning of period | 417,786 | 402,968 |
| **Cash and cash equivalents, end of period** | **$ 424,612** | **$ 414,984** |
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | $ 28,595 | $ 57,663 |
| 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 | 413 | 385 |
| (Increase) in loans | (6,892) | (31,775) |
| Increase (decrease) in loan valuation allowance | 570 | (304) |
| (Increase) in inventory | (4,234) | (1,768) |
| (Increase) decrease in receivables, net of allowance for doubtful accounts | 2,625 | (4,387) |
| (Increase) decrease in prepaid expenses | (190) | 1,708 |
| Increase (decrease) in accounts payable | (673) | 1,207 |
| Increase in accrued liabilities | 77,807 | 79,305 |
| Total adjustments | 110,824 | 85,769 |
| **Net cash provided by operating activities** | **$ 139,419** | **$ 143,432** |
| **Noncash capital and related financing activities:** | | |
| Purchases of capital assets on account | $ 8 | $ 308 |
| Amortization of bonds payable | $ 2,052 | $ 2,079 |

See accompanying notes to financial statements 

## (1) Unaudited Financial Statements

The financial information included in these financial statements is unaudited. In the opinion of management, 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, 2018.

## (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. The Internal Revenue Service determined that 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 accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units.

### *(b) Financial Statements*

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

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

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

***(d) Use of Estimates***

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

***(e) Cash and Cash Equivalents***

Cash equivalents 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.

***(f) 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.

***(g) Investments***

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

***(h) 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 net realizable value with costs determined using the first-in, first-out method ("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, 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, 2019 and June 30, 2018 was $15,642 and $14,906, respectively.

***(i) 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.

***(j) 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, 2019 and June 30, 2018, the amount of allowance for loan losses was $3,030 and $2,460, respectively, and is reported in the Entity’s statements of net position as part of “loans, net of loss allowance”.

***(k) Receivables***

Receivables are reported at the actual outstanding balance, less the allowance for uncollectable accounts. Interest is not accrued on overdue receivables.

***(l) Allowance for Uncollectable Accounts***

The allowance for uncollectable accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating future uncollectable accounts. Management’s estimate considers such factors as inventory reconciliation and historical experience. 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. At March 31, 2019 and June 30, 2018, the amount of allowance for uncollectable accounts was $0 and $2,546, respectively, and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectible accounts".

***(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, 2019 and 2018 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.

***(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 under the authority of the liquor franchise sold to the Entity by the State on February 1, 2013. Included are revenues for services performed in the distribution centers related to receiving and preparing product for distribution, 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 under the authority of the liquor franchise sold to the Entity by the State on February 1, 2013, 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, 2019 and 2018, 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, 2019 was $72 and $130, respectively. Total revenue from application fees received during the three and nine months ended March 31, 2018 was $48 and $180, 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

 (Continued)

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", as that term is defined in the Transfer Agreement, 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 ($307,468 for fiscal year ending June 30, 2019 and $298,513 for fiscal year ended June 30, 2018), 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, 2019 was $12,598 and $40,591, respectively. The Supplemental Payment expense for the three and nine months ended March 31, 2018 was $12,164 and $28,788, 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, 2019 was $4,143 and $12,429, respectively. Total service fees expense in the three and nine months ended March 31, 2018 was $4,883 and $13,863, 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*

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.



(Continued)

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, requires that additional essential information related to debt be disclosed in notes to financial statements. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2018. The Entity is assessing the impact of GASB Statement No. 88 to its financial statements and will implement in the timeline required by GASB.

## (3) Detailed Notes on Activities and Funds

### *(a) Assets*

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

At March 31, 2019, the carrying amount of the Entity's deposits was $137,503, and the respective bank balance was $117,993. At June 30, 2018, the carrying amount of the Entity's deposits was $117,774 and the respective bank balance was $98,963. 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, 2019 and June 30, 2018, $26,139 and $25,772, respectively, was insured through the Federal Deposit Insurance Corporation (FDIC), including up to $25,639 and $25,272, 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 $91,854 and $73,191, respectively, was uninsured and exposed to custodial credit risk.

The Entity has a checking 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 $287,108 and $300,004 at March 31, 2019 and June 30, 2018, 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, 2019 and June 30, 2018.

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, 2019 | |
|---|---|---|---|
| **Fund** | **Fund custody** | **Unrestricted** | **Restricted** |
| Revenue fund | Trustee | $ 191,971 | $ 24,142 |
| Operations fund | Entity | - | 21,365 |
| Debt service fund | Trustee | - | 30,784 |
| General purpose fund | Entity | 10,908 | - |
| Supplemental Payment reserve fund | Trustee | - | 40,211 |
| | Total funds required by indenture | 202,879 | 116,502 |
| Cash | | 85,459 | - |
| Cash held at fiscal agents | | 19,769 | - |
| Other | | 3 | - |
| | Total cash and cash equivalents | $ 308,110 | $ 116,502 |

(In thousands)

| Fund | Fund custody | June 30, 2018 Unrestricted | | Restricted | |
|---|---|---|---|---|---|
| Revenue fund | Trustee | $ | 178,807 | $ | 29,907 |
| Operations fund | Entity | | - | | 22,266 |
| Debt service fund | Trustee | | - | | 56,064 |
| General purpose fund | Entity | | 5,338 | | - |
| Supplemental Payment reserve fund | Trustee | | - | | 35,227 |
| | Total funds required by indenture | | 184,145 | | 143,464 |
| Cash | | | 70,974 | | - |
| Cash held at fiscal agents | | | 19,200 | | - |
| Other | | | 3 | | - |
| | Total cash and cash equivalents | $ | 274,322 | $ | 143,464 |

## 2. Cash with Fiscal Agents

As indicated in note 2(h) 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, 2019 and June 30, 2018 was $19,769 and $19,201, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

## 3. Investments

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

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of March 31, 2019, 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:

(In thousands)

| | Fair Value | Investment maturity: 1 year or less | Between 1 and 2 years | Between 2 and 4 years |
|---|---|---|---|---|
| US Treasury | $ 241,737 | $ 29,806 | $ 147,535 | $ 64,396 |
| FHLB Notes | 69,659 | - | 49,472 | 20,187 |
| FFCB Notes | 64,295 | 11,607 | 31,152 | 21,536 |
| FHLMC Notes | 20,498 | - | 15,482 | 5,016 |
| FNMA Notes | 9,710 | 1,679 | 4,984 | 3,047 |
| Corporates | 102,001 | 18,613 | 33,055 | 50,333 |
| Total | $ 507,900 | $ 61,705 | $ 281,680 | $ 164,515 |

As of June 30, 2018, the Entity had the following investments and maturities held in trust pursuant to the terms of the Huntington Investment Management Account Agreement dated February 6, 2015, as well as the Huntington Asset Management Agreement dated January 13, 2014:

| | Fair Value | Investment maturity: 1 year or less | Between 1 and 2 years | Between 2 and 4 years |
|---|---|---|---|---|
| US Treasury | $ 219,678 | $ 33,970 | $ 61,444 | $ 124,264 |
| FHLB Notes | 49,394 | 4,997 | 18,840 | 25,557 |
| FFCB Notes | 53,370 | 4,992 | 23,423 | 24,955 |
| FHLMC Notes | 15,371 | - | 3,976 | 11,395 |
| FNMA Notes | 29,597 | 20,026 | 1,665 | 7,906 |
| Corporates | 93,272 | 20,480 | 23,486 | 49,306 |
| Total | $ 460,682 | $ 84,465 | $ 132,834 | $ 243,383 |

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.


(Continued)

(In thousands)

The following is a summary of the fair value hierarchy of the fair value of investments as of March 31, 2019 and June 30, 2018:

| | | Fair Value Measurements Using | | | Fair Value Measurements Using | |
|---|---|---|---|---|---|---|
| | March 31, 2019 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | June 30, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| US Treasury | $ 241,737 | $ 241,737 | - | $ 219,678 | $ 219,678 | $ - |
| FHLB Notes | 69,659 | - | 69,659 | 49,394 | - | 49,394 |
| FFCB Notes | 64,295 | - | 64,295 | 53,370 | - | 53,370 |
| FHLMC Notes | 20,498 | - | 20,498 | 15,371 | - | 15,371 |
| FNMA Notes | 9,710 | - | 9,710 | 29,597 | - | 29,597 |
| Corporates | 102,001 | - | 102,001 | 93,272 | - | 93,272 |
| Total | $ 507,900 | $ 241,737 | $ 266,163 | $ 460,682 | $ 219,678 | $ 241,004 |

Investments classified in Level 1 of the fair value hierarchy, valued at $241,737 and $219,678 as of March 31, 2019 and June 30, 2018, 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.

*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 March 31, 2019:

(In thousands)

| | Fair Value | AAA | AA+ | AA | AA- | A+ | A | A- |
|---|---|---|---|---|---|---|---|---|
| FHLB Notes | $ 69,659 | $ - | $ 69,659 | $ - | $ - | $ - | $ - | $ - |
| FFCB Notes | 64,295 | - | 64,295 | - | - | - | - | - |
| FHLMC Notes | 20,498 | - | 20,498 | - | - | - | - | - |
| FNMA Notes | 9,710 | - | 9,710 | - | - | - | - | - |
| Corporates | 102,001 | 2,002 | 4,040 | 10,540 | 16,139 | 19,477 | 37,598 | 12,205 |
| Total | $ 266,163 | $ 2,002 | $ 168,202 | $ 10,540 | $ 16,139 | $ 19,477 | $ 37,598 | $ 12,205 |

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2018:

| | Fair Value | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ |
|---|---|---|---|---|---|---|---|---|---|
| FHLB Notes | $ 49,394 | $ - | $ 49,394 | $ - | $ - | $ - | $ - | $ - | $ - |
| FFCB Notes | 53,370 | - | 53,370 | - | - | - | - | - | - |
| FHLMC Notes | 15,371 | - | 15,371 | - | - | - | - | - | - |
| FNMA Notes | 29,597 | - | 29,597 | - | - | - | - | - | - |
| Corporates | 93,272 | 1,973 | 2,003 | 9,444 | 13,441 | 24,965 | 28,486 | 10,999 | 1,961 |
| Total | $ 241,004 | $ 1,973 | $ 149,735 | $ 9,444 | $ 13,441 | $ 24,965 | $ 28,486 | $ 10,999 | $ 1,961 |

*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 $507,900 and $460,682 as of March 31, 2019 and June 30, 2018, respectively, are uninsured and held in the name of its investment manager.

(In thousands)

Investment activity for the nine months ended March 31, 2019 is summarized as follows:

| | Balance, July 1, 2018 | Purchases | Maturities | Accrued income | Balance, March 31, 2019 |
|---|---|---|---|---|---|
| US Treasury | $ 219,678 | $ 53,222 | $ (33,991) | $ 2,828 | $ 241,737 |
| FHLB | 49,394 | 24,885 | (5,000) | 380 | 69,659 |
| FFCB | 53,370 | 15,022 | (5,000) | 903 | 64,295 |
| FHLMC | 15,371 | 5,000 | - | 127 | 20,498 |
| FNMA | 29,597 | - | (20,000) | 113 | 9,710 |
| Corporates | 93,272 | 27,008 | (19,383) | 1,104 | 102,001 |
| Total | $ 460,682 | $ 125,137 | $ (83,374) | $ 5,455 | $ 507,900 |

Investment activity for the fiscal year ended June 30, 2018 is summarized as follows:

| | Balance, July 1, 2017 | Purchases | Maturities | Accrued income (loss) | Balance, June 30, 2018 |
|---|---|---|---|---|---|
| US Treasury | $ 193,312 | $ 76,805 | $ (47,953) | $ (2,486) | $ 219,678 |
| FHLB | 33,946 | 42,319 | (26,999) | 128 | 49,394 |
| FFCB | 49,700 | 23,906 | (20,000) | (236) | 53,370 |
| FHLMC | 13,346 | 12,407 | (10,250) | (132) | 15,371 |
| FNMA | 36,820 | 2,986 | (10,000) | (209) | 29,597 |
| Corporates | 66,207 | 61,352 | (33,115) | (1,172) | 93,272 |
| Total | $ 393,331 | $ 219,775 | $ (148,317) | $ (4,107) | $ 460,682 |

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, 2019 totaled ($19) and ($60), respectively. Income (loss) realized from maturities during the three and nine months ended March 31, 2018 totaled $8 and ($57), 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 $5,455 and ($4,107) as of March 31, 2019 and June 30, 2018, 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 nine months ended March 31, 2019 is as follows:

| | Balance, July 1, 2018 | Additions | Reductions | Balance, March 31, 2019 |
|---|---|---|---|---|
| Furniture and equipment | $ 656 | $ 54 | $ - | $ 710 |
| Leasehold improvements | 2,436 | 127 | - | 2,563 |
| Software | 1,521 | - | - | 1,521 |
| Total capital assets being depreciated | 4,613 | 181 | - | 4,794 |
| Less: accumulated depreciation | | | | |
| Furniture and equipment | (479) | (54) | - | (533) |
| Leasehold improvements | (569) | (283) | - | (852) |
| Software | (1,332) | (76) | - | (1,408) |
| Total accumulated depreciation | (2,380) | (413) | - | (2,793) |
| Total capital assets being depreciated, net | $ 2,233 | $ (232) | $ - | $ 2,001 |

Capital assets activity for the fiscal year ended June 30, 2018 is as follows:

| | Balance, July 1, 2017 | Additions | Reductions | Balance, June 30, 2018 |
|---|---|---|---|---|
| Furniture and equipment | $ 656 | $ - | $ - | $ 656 |
| Leasehold improvements | 1,010 | 1,426 | - | 2,436 |
| Software | 1,702 | - | (181) | 1,521 |
| Total capital assets being depreciated | 3,368 | 1,426 | (181) | 4,613 |
| Less: accumulated depreciation | | | | |
| Furniture and equipment | (412) | (67) | - | (479) |
| Leasehold improvements | (413) | (156) | - | (569) |
| Software | (1,233) | (99) | - | (1,332) |
| Total accumulated depreciation | (2,058) | (322) | - | (2,380) |
| Total capital assets being depreciated, net | $ 1,310 | $ 1,104 | $ (181) | $ 2,233 |

## 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 $97,266 as of March 31, 2019 relates to disbursements to 45 companies, and is net of loss allowance of $3,030. Loans receivable balance of $90,944 as of June 30, 2018 relates to disbursements to 44 companies and is net of loss allowance of $2,460. The current portion of the loans receivable balance of $7,608 and $6,401 as of March 31, 2019 and June 30, 2018, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at March 31, 2019 and June 30, 2018 provide for disbursements of up to $131,095 and $129,361, respectively. The outstanding balance of the commitments as of March 31, 2019 and June 30, 2018 were $19,993 and $28,912, 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 $3,030 and $2,460, respectively, as of March 31, 2019 and June 30, 2018.

## 6. Accounts Receivable Balances

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors. These amounts due are attributable to inventory adjustments from audits, store manager adjustments, distribution center services, and other miscellaneous claims. Accounts receivable also includes interest receivable on investments and loans. Accounts receivable balance of $3,436 and $6,061 as of March 31, 2019 and June 30, 2018, respectively, is net of allowance for uncollectable accounts of $0 and $2,546, respectively.

## 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 $661 and $742 of service fees to the Ohio Department of Commerce as of March 31, 2019 and June 30, 2018, respectively, as well as $91 and $188, respectively, as of March 31, 2019 and June 30, 2018 for prepaid rent payments on two separate operating lease agreements. See note 3(b)5 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.

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

(In thousands)

$41,398 for the three and nine months ended March 31, 2019 and 2018. No impairment of the intangible asset existed as of March 31, 2019 and June 30, 2018.

Intangible asset – liquor franchise activity for the nine months ended March 31, 2019 is as follows:

| | Balance, July 1, 2018 | Additions | Reductions | Balance, March 31, 2019 |
|---|---|---|---|---|
| Liquor franchise | $ 1,379,924 | $ - | $ - | $ 1,379,924 |
| Less: Accumulated amortization | (298,984) | (41,398) | - | (340,382) |
| Liquor franchise, net of amortization | $ 1,080,940 | $ (41,398) | $ - | $ 1,039,542 |

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2018 is as follows:

| | Balance, July 1, 2017 | Additions | Reductions | Balance, June 30, 2018 |
|---|---|---|---|---|
| Liquor franchise | $ 1,379,924 | $ - | $ - | $ 1,379,924 |
| Less: accumulated amortization | (243,787) | (55,197) | - | (298,984) |
| Liquor franchise, net of amortization | $ 1,136,137 | $ (55,197) | $ - | $ 1,080,940 |

(In thousands)

***(b) Liabilities***

**1. Accrued Liabilities**

Accrued liabilities reported at March 31, 2019 and June 30, 2018 are as follows:

| | March 31, 2019 | June 30, 2018 |
|---|---|---|
| Economic development programs | $ 131,255 | $ 52,924 |
| Liquor purchases | 13,533 | 17,243 |
| Agency commissions | 3,014 | 3,129 |
| Taxes | 10,381 | 10,768 |
| Supplemental Payment | 40,591 | 36,831 |
| Economic development purchased services | 1,005 | 1,178 |
| Professional services | 656 | 705 |
| Payroll | 460 | 204 |
| Legal services | 69 | 83 |
| Liquor operations | 160 | 57 |
| Paid time off | 184 | 194 |
| Deferred rent | 799 | 807 |
| Employee benefits | 26 | 44 |
| Other | 1,172 | 1,331 |
| | $ 203,305 | $ 125,498 |

**2. Economic Development Programs – Grants**

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

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

- Revitalization Phase II Assessment Grants – The Revitalization Phase II Assessment grant program is designed to assist in the review of potential environmental risks on a project site where redevelopment for job creation or retention is likely to occur.

- Research and Development Grants – The Research and Development grant program provides opportunity to collaborate and partner on new discoveries that can further companies' competitive advantage and impact their respective industries.

As of March 31, 2019, the Entity had executed 818 grants, including 319 economic development grants, 284 workforce grants, 201 revitalization grants, and 14 research and development grants with a total committed amount of $371,303. As of March 31, 2019, the Entity had $147,725 in committed, but unpaid grants. As of June 30, 2018, the Entity had executed 664 grants, including 253 economic development grants, 247 workforce grants, 157 revitalization grants and 7 research and development grants with a total committed amount of $276,778. As of June 30, 2018, the Entity had $118,440 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 $131,255 and $52,924 as of March 31, 2019 and June 30, 2018, respectively.

## 3. 401(k) Savings Plan

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

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

(In thousands)

The Plan was implemented in February 2014. For the three and nine months ended March 31, 2019, the total 401(k) match expense was $145 and $298, respectively, on total employee contributions of $282 and $686, respectively. For the three and nine months ended March 31, 2018, the total 401(k) match expense was $122 and $238, respectively, on total employee contributions of $240 and $515, respectively. As of March 31, 2019, and June 30, 2018, accrued employee 401(k) deferrals and accrued employer match was $26 and $41, respectively, and are included in the statements of net position as accrued liabilities.

**4. Commitments and Contingencies – Litigation**

The Entity has filed two lawsuits against two companies that have received grant funds without maintaining the job commitment related to receiving those funds. Resolution of the litigation is pending.

**5. Lease Obligations**

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was $148 and $452, respectively, for the three and nine months ended March 31, 2019. Rent expense was $673 and $911, respectively, for the three and nine months ended March 31, 2018.

Minimum future lease payments as of March 31, 2019 under this operating lease are as follows:

| | |
|---|---|
| Year ending June 30: | |
| 2019 | $ 92 |
| 2020 | 370 |
| 2021 | 379 |
| 2022 | 387 |
| 2023 | 396 |
| Thereafter | 1,521 |
| Total | $ 3,145 |

The Entity has 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 $43 and $35 at March 31, 2019 and June 30, 2018, respectively. Property on capital lease as of March 31, 2019 is as follows:

(In thousands)

| | |
|---|---|
| Office equipment | $ 52 |
| Less: accumulated amortization | (43) |
| Total | $ 9 |

Property on capital lease as of June 30, 2018 is as follows:

| | |
|---|---|
| Office equipment | $ 52 |
| Less: accumulated amortization | (35) |
| Total | $ 17 |

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, 2019 under this capital lease are as follows:

| | |
|---|---|
| Year ending June 30: | |
| 2019 | $ 2 |
| 2020 | 9 |
| Total | $ 11 |

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 $807 and $2,243, respectively, for the three and nine months ended March 31, 2019. Rent expense on the two facilities was $693 and $2,081 for the three and nine months ended March 31, 2018, respectively.

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 March 31, 2019 under this operating lease are as follows:

(In thousands)

| | |
|---|---|
| Year ending June 30: | |
| 2019 | $ 354 |
| 2020 | 1,418 |
| 2021 | 1,473 |
| 2022 | 1,491 |
| 2023 - 2024 | 2,609 |
| Total | $ 7,345 |

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.

Minimum future lease payments as of March 31, 2019 under this operating lease are as follows:

| | |
|---|---|
| Year ending June 30: | |
| 2019 | $ 221 |
| 2020 | 906 |
| 2021 | 928 |
| 2022 | 953 |
| 2023 | 79 |
| Total | $ 3,087 |

## 6. Long-Term Liabilities

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years. JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at March 31, 2019 and June 30, 2018 are as follows:

(In thousands)

| Special obligation bonds | Original issue date | Outstanding as of March 31, 2019 | Interest rates to maturity | Final maturity |
|---|---|---|---|---|
| Series 2013A | Feb. 2013 | $ 379,790 | 4.0% - 5.0% | 2038 |
| Series 2013B | Feb. 2013 | $ 909,765 | 2.5% - 4.5% | 2035 |

| Special obligation bonds | Original issue date | Outstanding as of June 30, 2018 | Interest rates to maturity | Final maturity |
|---|---|---|---|---|
| Series 2013A | Feb. 2013 | $ 384,790 | 4.0% - 5.0% | 2038 |
| Series 2013B | Feb. 2013 | $ 950,610 | 2.2% - 4.5% | 2035 |

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at March 31, 2019 and June 30, 2018 are $46,720 and $45,845, 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.

Debt service requirements related to the bonds as of March 31, 2019 are as follows:

(In thousands)

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2020 | $ 46,720 | $ 55,893 | $ 102,613 |
| 2021 | 48,890 | 54,011 | 102,901 |
| 2022 | 50,395 | 52,496 | 102,891 |
| 2023 | 52,035 | 50,846 | 102,881 |
| 2024 | 53,785 | 49,090 | 102,875 |
| 2025 – 2029 | 302,660 | 211,549 | 514,209 |
| 2030 – 2034 | 371,675 | 142,225 | 513,900 |
| 2035 – 2038 | 363,395 | 46,394 | 409,789 |
| Total | 1,289,555 | $ 662,504 | $ 1,952,059 |
| Unamortized premium | 42,314 | | |
| Less: current portion | (46,720) | | |
| Total debt, long-term portion | $ 1,285,149 | | |

Debt service activity for the nine months ended March 31, 2019 is as follows:

| | Balance, July 1, 2018 | Additions | Reductions | Balance, March 31, 2019 | Current portion |
|---|---|---|---|---|---|
| Bond principal | $ 1,335,400 | $ - | $ (45,845.00) | $ 1,289,555 | $ 46,720 |
| Bond premium | 59,663 | - | - | 59,663 | - |
| Less: Accumulated amortization | (15,297) | (2,052) | - | (17,349) | - |
| Total debt | $ 1,379,766 | $ (2,052) | $ (45,845) | $ 1,331,869 | $ 46,720 |

(In thousands)

Debt service activity for the fiscal year ended June 30, 2018 is as follows:

| | Balance, July 1, 2017 | Additions | Reductions | Balance, June 30, 2018 | Current portion |
|---|---|---|---|---|---|
| Bond principal | $ 1,380,270 | $ - | $ (44,870) | $ 1,335,400 | $ 45,845 |
| Bond premium | 59,663 | | | 59,663 | - |
| Less: Accumulated amortization | (12,531) | (2,766) | - | (15,297) | - |
| Total debt | $ 1,427,402 | $ (2,766) | $ (44,870) | $ 1,379,766 | $ 45,845 |

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, 2019 and June 30, 2018.

### *(c) Revenues*

Liquor sales revenues are reported net of wholesale discounts, sales taxes, and an allowance for uncollectible accounts. For the three and nine months ended March 31, 2019, operating revenues were reported net of discounts of $5,173 and $16,038, respectively, and sales tax of $16,854 and $55,504, respectively. For the three and nine months ended March 31, 2018, operating revenues were reported net of discounts of $4,933 and $15,142, respectively, and sales tax of $15,677 and $51,540, respectively.

Distribution center revenues are for services performed in the distribution centers related to receiving and preparing product for distribution.

### *(d) Combining Information*

# JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Net Position

(Unaudited)

(In thousands)

| | March 31, 2019 | | | | June 30, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | JobsOhio | Component Unit JobsOhio Beverage System | Eliminating Entries | Combined Balance | JobsOhio | Component Unit JobsOhio Beverage System | Eliminating Entries | Combined Balance |
| **Assets:** | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents - unrestricted | $ 85,459 | $ 222,651 | $ - | $ 308,110 | $ 70,974 | $ 203,348 | $ - | $ 274,322 |
| Cash and cash equivalents - restricted | - | 116,502 | - | 116,502 | - | 143,464 | - | 143,464 |
| Investments | 507,900 | - | - | 507,900 | 460,682 | - | - | 460,682 |
| Inventory | - | 80,231 | - | 80,231 | - | 75,997 | - | 75,997 |
| Loans | 7,608 | - | - | 7,608 | 6,401 | - | - | 6,401 |
| Receivables, net of allowance for uncollectable accounts | 2,010 | 1,426 | - | 3,436 | 2,126 | 3,935 | - | 6,061 |
| Prepaid expenses | 1,270 | 1,242 | - | 2,512 | 996 | 1,326 | - | 2,322 |
| Due from JOBS | 35 | - | (35) | - | 103 | - | (103) | - |
| Total current assets | 604,282 | 422,052 | (35) | 1,026,299 | 541,282 | 428,070 | (103) | 969,249 |
| Long-term assets: | | | | | | | | |
| Intangible asset - liquor franchise, net of amortization | - | 1,039,542 | - | 1,039,542 | - | 1,080,940 | - | 1,080,940 |
| Capital assets, net of accumulated depreciation | 901 | 1,100 | - | 2,001 | 1,080 | 1,153 | - | 2,233 |
| Loans, net of loss allowance | 89,658 | - | - | 89,658 | 84,543 | - | - | 84,543 |
| Total long-term assets | 90,559 | 1,040,642 | - | 1,131,201 | 85,623 | 1,082,093 | - | 1,167,716 |
| **Total assets** | **694,841** | **1,462,694** | **(35)** | **2,157,500** | **626,905** | **1,510,163** | **(103)** | **2,136,965** |
| **Liabilities:** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | 2,062 | 16,276 | - | 18,338 | 1,461 | 17,552 | - | 19,013 |
| Accrued liabilities | 133,898 | 69,407 | - | 203,305 | 55,753 | 69,745 | - | 125,498 |
| Special obligation bonds payable - current portion | - | 46,720 | - | 46,720 | - | 45,845 | - | 45,845 |
| Bond interest payable | - | 13,973 | - | 13,973 | - | 28,524 | - | 28,524 |
| Capital lease payable - current portion | 10 | - | - | 10 | 10 | - | - | 10 |
| Due to JobsOhio | - | 35 | (35) | - | - | 103 | (103) | - |
| Total current liabilities | 135,970 | 146,411 | (35) | 282,346 | 57,224 | 161,769 | (103) | 218,890 |
| Long-term liabilities: | | | | | | | | |
| Special obligation bonds payable | - | 1,285,149 | - | 1,285,149 | - | 1,333,921 | - | 1,333,921 |
| Capital lease payable | 1 | - | - | 1 | 8 | - | - | 8 |
| Total long-term liabilities | 1 | 1,285,149 | - | 1,285,150 | 8 | 1,333,921 | - | 1,333,929 |
| **Total liabilities** | **135,971** | **1,431,560** | **(35)** | **1,567,496** | **57,232** | **1,495,690** | **(103)** | **1,552,819** |
| **Net position:** | | | | | | | | |
| Net investment in capital assets | 901 | 1,100 | - | 2,001 | 1,080 | 1,153 | - | 2,233 |
| Unrestricted | 557,969 | 30,034 | - | 588,003 | 568,593 | 13,320 | - | 581,913 |
| **Total net position** | **$ 558,870** | **$ 31,134** | **$ -** | **$ 590,004** | **$ 569,673** | **$ 14,473** | **$ -** | **$ 584,146** |

# 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)

| | Three Months Ended March 31, 2019 | | | | Three Months Ended March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 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 | $ - | $ 292,344 | $ - | $ 292,344 | $ - | $ 273,693 | $ - | $ 273,693 |
| Distribution center revenue | - | 1,733 | - | 1,733 | - | 1,541 | - | 1,541 |
| Interest income - loans | 713 | - | - | 713 | 458 | - | - | 458 |
| Fees and other | 405 | - | (265) | 140 | 273 | - | (175) | 98 |
| Total operating revenues | 1,118 | 294,077 | (265) | 294,930 | 731 | 275,234 | (175) | 275,790 |
| **Operating expenses:** | | | | | | | | |
| Cost of goods sold | - | 172,817 | - | 172,817 | - | 156,769 | - | 156,769 |
| Sales commissions | - | 15,744 | - | 15,744 | - | 14,845 | - | 14,845 |
| Liquor gallonage taxes | - | 11,474 | - | 11,474 | - | 11,171 | - | 11,171 |
| Amortization of intangible asset - liquor franchise | - | 13,799 | - | 13,799 | - | 13,799 | - | 13,799 |
| Service fees | - | 4,143 | - | 4,143 | - | 4,883 | - | 4,883 |
| Supplemental Payment | - | 12,598 | - | 12,598 | - | 12,164 | - | 12,164 |
| JobsOhio management fees | - | 265 | (265) | - | - | 175 | (175) | - |
| Economic development programs | 27,050 | - | - | 27,050 | 23,320 | - | - | 23,320 |
| Salaries and benefits | 3,393 | - | - | 3,393 | 4,632 | - | - | 4,632 |
| Economic development purchased services | 3,507 | - | - | 3,507 | 2,727 | - | - | 2,727 |
| Professional services | 961 | 1,893 | - | 2,854 | 1,415 | 1,390 | - | 2,805 |
| Insurance | 59 | 108 | - | 167 | 54 | 98 | - | 152 |
| Administrative and support | 1,067 | 1,051 | - | 2,118 | 1,571 | 854 | - | 2,425 |
| Marketing | 2,419 | - | - | 2,419 | 2,568 | - | - | 2,568 |
| Other | 36 | 53 | - | 89 | - | 319 | - | 319 |
| Total operating expenses | 38,492 | 233,945 | (265) | 272,172 | 36,287 | 216,467 | (175) | 252,579 |
| **Operating income (loss)** | **(37,374)** | **60,132** | | **22,758** | **(35,556)** | **58,767** | - | **23,211** |
| **Nonoperating revenues (expenses):** | | | | | | | | |
| Grants | 50,000 | (50,000) | - | - | 50,000 | (50,000) | - | - |
| Bond interest, net | - | (13,295) | - | (13,295) | - | (13,575) | - | (13,575) |
| Investment income | 5,595 | - | - | 5,595 | (397) | - | - | (397) |
| Other, net | - | 1,708 | - | 1,708 | - | 819 | - | 819 |
| Total nonoperating revenues (expenses) | 55,595 | (61,587) | - | (5,992) | 49,603 | (62,756) | - | (13,153) |
| **Change in net position** | **18,221** | **(1,455)** | - | **16,766** | **14,047** | **(3,989)** | - | **10,058** |
| Net position, beginning of period | 540,649 | 32,589 | - | 573,238 | 484,434 | 17,260 | - | 501,694 |
| **Net position, end of period** | **$ 558,870** | **$ 31,134** | **$ -** | **$ 590,004** | **$ 498,481** | **$ 13,271** | **$ -** | **$ 511,752** |



(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, 2019 | | | | Nine Months Ended March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ - | $ 949,526 | $ - | $ 949,526 | $ - | $ 883,716 | $ - | $ 883,716 |
| Distribution center revenue | - | 5,359 | - | 5,359 | - | 4,771 | - | 4,771 |
| Interest income - loans | 2,029 | - | - | 2,029 | 1,582 | - | - | 1,582 |
| Fees and other | 1,175 | - | (861) | 314 | 989 | - | (574) | 415 |
| Total operating revenues | 3,204 | 954,885 | (861) | 957,228 | 2,571 | 888,487 | (574) | 890,484 |
| **Operating expenses:** | | | | | | | | |
| Cost of goods sold | - | 559,335 | - | 559,335 | - | 518,584 | - | 518,584 |
| Sales commissions | - | 51,659 | - | 51,659 | - | 48,193 | - | 48,193 |
| Liquor gallonage taxes | - | 37,428 | - | 37,428 | - | 36,123 | - | 36,123 |
| Amortization of intangible asset - liquor franchise | - | 41,398 | - | 41,398 | - | 41,398 | - | 41,398 |
| Service fees | - | 12,429 | - | 12,429 | - | 13,863 | - | 13,863 |
| Supplemental Payment | - | 40,591 | - | 40,591 | - | 28,788 | - | 28,788 |
| JobsOhio management fees | - | 861 | (861) | - | - | 574 | (574) | - |
| Economic development programs | 140,242 | - | - | 140,242 | 102,693 | - | - | 102,693 |
| Salaries and benefits | 11,580 | - | - | 11,580 | 9,870 | - | - | 9,870 |
| Economic development purchased services | 9,916 | - | - | 9,916 | 8,529 | - | - | 8,529 |
| Professional services | 4,399 | 5,416 | - | 9,815 | 3,819 | 5,458 | - | 9,277 |
| Insurance | 171 | 303 | - | 474 | 155 | 294 | - | 449 |
| Administrative and support | 3,242 | 2,893 | - | 6,135 | 3,566 | 2,445 | - | 6,011 |
| Marketing | 7,424 | - | - | 7,424 | 8,249 | - | - | 8,249 |
| Other | 36 | 171 | - | 207 | - | 794 | - | 794 |
| Total operating expenses | 177,010 | 752,484 | (861) | 928,633 | 136,881 | 696,514 | (574) | 832,821 |
| **Operating income (loss)** | **(173,806)** | **202,401** | **-** | **28,595** | **(134,310)** | **191,973** | **-** | **57,663** |
| **Nonoperating revenues (expenses):** | | | | | | | | |
| Grants | 150,000 | (150,000) | - | - | 145,000 | (145,000) | - | - |
| Bond interest, net | - | (40,446) | - | (40,446) | - | (41,196) | - | (41,196) |
| Investment income | 13,003 | - | - | 13,003 | 554 | - | - | 554 |
| Other, net | - | 4,706 | - | 4,706 | - | 2,133 | - | 2,133 |
| Total nonoperating revenues (expenses) | 163,003 | (185,740) | - | (22,737) | 145,554 | (184,063) | - | (38,509) |
| **Change in net position** | **(10,803)** | **16,661** | **-** | **5,858** | **11,244** | **7,910** | **-** | **19,154** |
| Net position, beginning of period | 569,673 | 14,473 | - | 584,146 | 487,237 | 5,361 | - | 492,598 |
| **Net position, end of period** | **$ 558,870** | **$ 31,134** | **$ -** | **$ 590,004** | **$ 498,481** | **$ 13,271** | **$ -** | **$ 511,752** |



(Continued)

# JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(Unaudited)

(In thousands)

| | Nine Months Ended March 31, 2019 | | | | Nine Months Ended March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ 2,424 | $ - | $ - | $ 2,424 | $ 1,698 | $ - | $ - | $ 1,698 |
| Receipts from customers | - | 951,625 | - | 951,625 | - | 881,363 | - | 881,363 |
| Receipts from suppliers | - | 5,512 | - | 5,512 | - | 3,501 | - | 3,501 |
| Payments to employees | (11,351) | - | - | (11,351) | (9,594) | - | - | (9,594) |
| Payments to suppliers | (24,799) | (576,781) | - | (601,580) | (24,506) | (527,711) | - | (552,217) |
| Payments for economic development programs | (68,406) | - | - | (68,406) | (72,936) | - | - | (72,936) |
| Payments for commissions | - | (51,774) | - | (51,774) | - | (47,847) | - | (47,847) |
| Receipts from sales taxes | - | 55,504 | - | 55,504 | - | 51,540 | - | 51,540 |
| Payments for sales tax collections to State and county | - | (55,662) | - | (55,662) | - | (51,138) | - | (51,138) |
| Payments for gallonage tax collections to State | - | (37,658) | - | (37,658) | - | (35,945) | - | (35,945) |
| Payments for servicing fees | - | (12,348) | - | (12,348) | - | (11,498) | - | (11,498) |
| Payments for Supplemental Payment to State | - | (36,831) | - | (36,831) | - | (13,495) | - | (13,495) |
| Payments for taxes | (36) | - | - | (36) | - | - | - | - |
| Receipts (payments) between JobsOhio and component unit | 929 | (929) | - | - | 315 | (315) | - | - |
| Net cash provided by (used in) operating activities | (101,239) | 240,658 | - | 139,419 | (105,023) | 248,455 | - | 143,432 |
| **Cash flows from noncapital financing activities:** | | | | | | | | |
| Receipts (payments) between JobsOhio and component unit for grants | 150,000 | (150,000) | - | - | 145,000 | (145,000) | - | - |
| Payments for other nonoperating expenses | - | (1) | - | (1) | - | (5) | - | (5) |
| Net cash provided by (used in) noncapital financing activities | 150,000 | (150,001) | - | (1) | 145,000 | (145,005) | - | (5) |
| **Cash flows from capital and related financing activities:** | | | | | | | | |
| Acquisition of capital assets | (54) | (129) | - | (183) | (274) | (246) | - | (520) |
| Payments for capital lease | (7) | - | - | (7) | (8) | - | - | (8) |
| Payments for bond principal | - | (45,845) | - | (45,845) | - | (44,870) | - | (44,870) |
| Payments for bond interest | - | (57,049) | - | (57,049) | - | (58,024) | - | (58,024) |
| Net cash used in capital and related financing activities | (61) | (103,023) | - | (103,084) | (282) | (103,140) | - | (103,422) |
| **Cash flows from investing activities:** | | | | | | | | |
| Dividends and interest income | 7,548 | 4,707 | - | 12,255 | 4,543 | 2,134 | - | 6,677 |
| Purchases of investments | (125,137) | - | - | (125,137) | (127,932) | - | - | (127,932) |
| Proceeds from maturities of investments | 83,374 | - | - | 83,374 | 93,266 | - | - | 93,266 |
| Net cash provided by (used in) investing activities | (34,215) | 4,707 | - | (29,508) | (30,123) | 2,134 | - | (27,989) |
| Net increase (decrease) in cash and cash equivalents | 14,485 | (7,659) | - | 6,826 | 9,572 | 2,444 | - | 12,016 |
| Cash and cash equivalents, beginning of period | 70,974 | 346,812 | - | 417,786 | 93,302 | 309,666 | - | 402,968 |
| **Cash and cash equivalents, end of period** | **$ 85,459** | **$ 339,153** | **$ -** | **$ 424,612** | **$ 102,874** | **$ 312,110** | **$ -** | **$ 414,984** |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | | | | |
| Operating income (loss) | $ (173,806) | $ 202,401 | $ - | $ 28,595 | $ (134,310) | $ 191,973 | $ - | $ 57,663 |
| 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 | 241 | 172 | - | 413 | 363 | 22 | - | 385 |
| (Increase) in loans | (6,892) | - | - | (6,892) | (31,775) | - | - | (31,775) |
| Increase (decrease) in loan valuation allowance | 570 | - | - | 570 | (304) | - | - | (304) |
| (Decrease) in inventory | - | (4,234) | - | (4,234) | - | (1,768) | - | (1,768) |
| (Increase) decrease in receivables, net of allowance for doubtful accounts | 116 | 2,509 | - | 2,625 | (583) | (3,804) | - | (4,387) |
| (Increase) decrease in prepaid expenses | (274) | 84 | - | (190) | (1,091) | 2,799 | - | 1,708 |
| (Increase) decrease in due from/to component unit (net) | 68 | (68) | - | - | (259) | 259 | - | - |
| Increase (decrease) in accounts payable | 593 | (1,266) | - | (673) | (343) | 1,550 | - | 1,207 |
| Increase (decrease) in accrued liabilities | 78,145 | (338) | - | 77,807 | 63,279 | 16,026 | - | 79,305 |
| Total adjustments | 72,567 | 38,257 | - | 110,824 | 29,287 | 56,482 | - | 85,769 |
| **Net cash provided by (used in) operating activities** | **$ (101,239)** | **$ 240,658** | **$ -** | **$ 139,419** | **$ (105,023)** | **$ 248,455** | **$ -** | **$ 143,432** |
| **Noncash capital and related financing activities:** | | | | | | | | |
| Purchases of capital assets on account | $ 8 | $ - | $ - | $ 8 | $ 89 | $ 219 | $ - | $ 308 |
| Amortization of bonds payable | $ - | $ 2,052 | $ - | $ 2,052 | $ - | $ 2,079 | $ - | $ 2,079 |



(Concluded)