



JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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KPMG LLP
Suite 500
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Independent Auditors' Report

The Board of Directors
JobsOhio:

Report on the Financial Statements

We have audited the accompanying financial statements of JobsOhio and its discretely presented component unit, a component unit of the State of Ohio, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise JobsOhio's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of JobsOhio and its discretely presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

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

KPMG LLP

Columbus, Ohio
October 28, 2015

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(In thousands)

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the fiscal years ended June 30, 2015 and 2014. The information presented in this overview and analysis should be considered in conjunction with JobsOhio's basic financial statements, which follow this material.

Financial Highlights

- Total assets increased 28% in the fiscal year ended June 30, 2015 from \$269,020 in fiscal year 2014 to \$343,504 in fiscal year 2015. In the fiscal year ended June 30, 2014, total assets had increased 46% from \$184,374 in fiscal year 2013 to \$269,020 in fiscal year 2014.
- Total liabilities increased 424% in the fiscal year ended June 30, 2015 from \$5,940 in fiscal year 2014 to \$31,103 in fiscal year 2015. In the fiscal year ended June 30, 2014, total liabilities had increased 347% from \$1,330 in fiscal year 2013 to \$5,940 in fiscal year 2014.
- Operating and non-operating revenues increased 21% in the fiscal year ended June 30, 2015 from \$100,610 in fiscal year 2014 to \$121,736 in fiscal year 2015. In the fiscal year ended June 30, 2014, operating and non-operating revenues decreased 47% from \$188,422 in fiscal year 2013 to \$100,610 in fiscal year 2014.
- Total operating expenses increased 252% in the fiscal year ended June 30, 2015 from \$20,574 in fiscal year 2014 to \$72,415 in fiscal year 2015. In the fiscal year ended June 30, 2014, total operating expenses had increased 271% from \$5,546 in fiscal year 2013 to \$20,574 in fiscal year 2014.

Overview

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

During the fiscal years ended June 30, 2015, 2014, and 2013, JobsOhio received grants and contributions from JOBS totaling \$120,000, \$100,000, and \$187,179, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds of the bond issue.

Discussion of Basic Financial Statements

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

The statement of net position provides information about assets and liabilities and reflects the financial position at the fiscal year-end. The statement of revenues, expenses, and changes in net position reports the revenue

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(In thousands)

activity and the expenses related to such activity for the fiscal year. The statement of cash flows outlines the cash inflows and outflows for the fiscal year. These statements provide current and long-term information about JobsOhio's financial position.

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

Financial Analysis

Net Position

The following is a summary of net position as of June 30, 2015, 2014, and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 58,833	\$ 159,443	\$ 176,725
Cash and cash equivalents - restricted	4,798	-	-
Investments	270,272	101,985	-
Loans	508	-	-
Receivables	245	28	8
Prepaid expenses	427	398	198
Due from component unit - JOBS	-	-	414
Total current assets	<u>335,083</u>	<u>261,854</u>	<u>177,345</u>
Long-term assets:			
Cash and cash equivalents - restricted	-	5,048	5,070
Capital assets, net of accumulated depreciation	1,811	1,736	1,959
Loans	6,610	382	-
Total long-term assets	<u>8,421</u>	<u>7,166</u>	<u>7,029</u>
Total assets	<u>343,504</u>	<u>269,020</u>	<u>184,374</u>
Liabilities:			
Current liabilities:			
Accounts payable	624	3,293	912
Accrued liabilities	30,431	2,637	418
Capital lease payable - current portion	10	-	-
Due to component unit - JOBS	-	10	-
Total current liabilities	<u>31,065</u>	<u>5,940</u>	<u>1,330</u>
Long-term liabilities:			
Capital lease payable	38	-	-
Total long-term liabilities	<u>38</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>31,103</u>	<u>5,940</u>	<u>1,330</u>
Net position:			
Net investment in capital assets	1,811	1,736	1,959
Restricted	4,798	5,048	5,070
Unrestricted	305,792	256,296	176,015
Total net position	<u>\$ 312,401</u>	<u>\$ 263,080</u>	<u>\$ 183,044</u>

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

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development due within the following twelve months. Current assets increased 28% in the fiscal year ended June 30, 2015 from \$261,854 in fiscal year 2014 to \$335,083 in fiscal year 2015. In the fiscal year ended June 30, 2014, current assets increased 48% from \$177,345 in fiscal year 2013 to \$261,854 in fiscal year 2014. These increases in current assets are primarily due to funds received from JOBS for grants to support JobsOhio's mission.

Long-term assets consist of software, furniture, equipment and leasehold improvements, as well as outstanding principal from loans made for economic development programs due after the following twelve months. Long-term assets increased 18% in the fiscal year ended June 30, 2015 from \$7,166 in fiscal year 2014 to \$8,421 in fiscal year 2015. The increase in long-term assets is primarily due to JobsOhio's loan program, which was established in fiscal year 2014 and experienced growth in fiscal year 2015. In the fiscal year ended June 30, 2014, long-term assets increased 2% from \$7,029 in fiscal year 2013 to \$7,166 in fiscal year 2014. This increase was primarily attributable to the establishment of JobsOhio's loan program.

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

The increase of total net position at June 30, 2015 of \$49,321 results primarily from the receipt of grants from JOBS during the fiscal year totaling \$120,000. The increase of total net position as of June 30, 2014 of \$80,036 resulted primarily from the receipt of grants from JOBS during the fiscal year totaling \$100,000.

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	2014	2013
Operating revenues:			
Interest income - loans	\$ 140	\$ 31	\$ -
Fees and other	918	521	1,243
Total operating revenues	<u>1,058</u>	<u>552</u>	<u>1,243</u>
Operating expenses:			
Economic development programs	46,552	3,863	-
Salaries and benefits	7,514	4,648	2,546
Economic development purchased services	9,321	4,235	-
Professional services	1,914	4,710	999
Insurance	182	185	254
Administrative and support	2,328	1,690	966
Marketing	4,604	1,243	781
Total operating expenses	<u>72,415</u>	<u>20,574</u>	<u>5,546</u>
Operating loss	<u>(71,357)</u>	<u>(20,022)</u>	<u>(4,303)</u>
Nonoperating revenues:			
Grants	120,000	100,000	187,179
Investment income	678	58	-
Total nonoperating revenues	<u>120,678</u>	<u>100,058</u>	<u>187,179</u>
Income before special item	49,321	80,036	182,876
Special item - voluntary repayment to state	-	-	1,677
Change in net position	49,321	80,036	181,199
Net position, beginning of year	263,080	183,044	1,845
Net position, end of year	<u>\$ 312,401</u>	<u>\$ 263,080</u>	<u>\$ 183,044</u>

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June 30, 2015 and 2014

(In thousands)

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the fiscal year ended June 30, 2015, total operating and nonoperating revenues were \$121,736, an increase of \$21,126 over the prior year's total of \$100,610. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2015 of \$20,000, as well as increases in the amount of investment and interest income. For the fiscal year ended June 30, 2014, total operating and nonoperating revenues decreased \$87,812 from \$188,422 in fiscal year 2013 to \$100,610 in fiscal year 2014. This change is primarily due to a decrease in the amount of grant revenue received from JOBS in fiscal year 2014 of \$87,179.

Operating expenses increased by \$51,841 in the fiscal year ended June 30, 2015, from \$20,574 in fiscal year 2014 to \$72,415 in fiscal year 2015, primarily due to grants issued to support JobsOhio's mission and reported as economic development program expense. In the fiscal year ended June 30, 2014, operating expenses increased \$15,028 from \$5,546 in fiscal year 2013 to \$20,574 in fiscal year 2014 as JobsOhio established its grant program and contracted with its network partners throughout the State. JobsOhio had an increase in workforce over the past three fiscal years as it continues to build upon its employee base to facilitate economic development in the State. Other operating expenses for the fiscal years ended June 30, 2015, 2014, and 2013 included professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a change in net position of \$49,321 in the fiscal year ended June 30, 2015, which was a decrease of \$30,715 from the change in net position as of June 30, 2014 of \$80,036. The major factor affecting this change was the increase in the amount of grants provided for economic development in fiscal year 2015. JobsOhio had a decrease of \$101,163 in the change of net position for the fiscal year ended June 30, 2014 of \$80,036, from the change of net position for the fiscal year ended June 30, 2013 of \$181,199. The major factor affecting this change was the decreased amount of grant money received from JOBS during fiscal year 2014.

Capital Asset Activity

Capital asset additions to furniture and equipment of \$178 and \$31 and to leasehold improvements of \$296 and \$72 in the fiscal years ended June 30, 2015 and 2014, respectively, were primarily attributable to the construction and implementation of an office expansion. Additions to software of \$98 in the fiscal year ended June 30, 2015 were attributable to the launch of a new website with increased search and mobile capabilities. In the fiscal year ended June 30, 2014, software additions of \$77 were attributable to the purchase of a project management system. Refer to page 19 of the notes to the financial statements for further information on capital assets.

Requests for Information

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

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Statements of Net Position

June 30, 2015 and 2014

(In thousands)

	June 30, 2015		June 30, 2014	
	JobsOhio	Component Unit	JobsOhio	Component Unit
		JobsOhio Beverage System		JobsOhio Beverage System
Assets:				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 58,833	\$ 155,810	\$ 159,443	\$ 103,272
Cash and cash equivalents - restricted	4,798	116,067	-	105,805
Investments	270,272	-	101,985	-
Inventory	-	59,514	-	52,107
Loans	508	-	-	-
Receivables	245	185	28	375
Prepaid expenses	427	946	398	1,460
Due from JobsOhio	-	-	-	10
Total current assets	<u>335,083</u>	<u>332,522</u>	<u>261,854</u>	<u>263,029</u>
Long-term assets:				
Cash and cash equivalents - restricted	-	-	5,048	-
Intangible asset - liquor franchise, net of amortization	-	1,246,531	-	1,301,728
Capital assets, net of accumulated depreciation	1,811	-	1,736	-
Loans	6,610	-	382	-
Total long-term assets	<u>8,421</u>	<u>1,246,531</u>	<u>7,166</u>	<u>1,301,728</u>
Total assets	<u>343,504</u>	<u>1,579,053</u>	<u>269,020</u>	<u>1,564,757</u>
Liabilities:				
Current liabilities:				
Accounts payable	624	16,755	3,293	23
Accrued liabilities	30,431	43,517	2,637	50,039
Capital lease payable - current portion	10	-	-	-
Special obligation bonds payable - current portion	-	43,440	-	42,955
Bond interest payable	-	29,729	-	29,970
Due to component unit - JOBS	-	-	10	-
Total current liabilities	<u>31,065</u>	<u>133,441</u>	<u>5,940</u>	<u>122,987</u>
Long-term liabilities:				
Capital lease payable	38	-	-	-
Special obligation bonds payable	-	1,477,051	-	1,523,341
Total long-term liabilities	<u>38</u>	<u>1,477,051</u>	<u>-</u>	<u>1,523,341</u>
Total liabilities	<u>31,103</u>	<u>1,610,492</u>	<u>5,940</u>	<u>1,646,328</u>
Net position (deficit):				
Net investment in capital assets	1,811	-	1,736	-
Restricted	4,798	-	5,048	-
Unrestricted (deficit)	305,792	(31,439)	256,296	(81,571)
Total net position (deficit)	<u>\$ 312,401</u>	<u>\$ (31,439)</u>	<u>\$ 263,080</u>	<u>\$ (81,571)</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2015 and 2014

(In thousands)

	Year ended June 30, 2015		Year ended June 30, 2014	
	JobsOhio	Component Unit	JobsOhio	Component Unit
		JobsOhio Beverage System		JobsOhio Beverage System
Operating revenues:				
Net liquor sales	\$ -	\$ 982,337	\$ -	\$ 916,704
Interest income - loans	140	-	31	-
Fees and other	918	-	521	-
Total operating revenues	<u>1,058</u>	<u>982,337</u>	<u>552</u>	<u>916,704</u>
Operating expenses:				
Cost of goods sold	-	565,254	-	526,418
Sales commissions	-	53,468	-	49,683
Liquor gallonage taxes	-	43,562	-	41,871
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197
Service fees	-	9,555	-	13,598
Supplemental Payment	-	26,810	-	14,030
JobsOhio management fees	-	814	-	447
Economic development programs	46,552	-	3,863	-
Salaries and benefits	7,514	-	4,648	-
Economic development purchased services	9,321	-	4,235	-
Professional services	1,914	353	4,710	312
Insurance	182	325	185	268
Administrative and support	2,328	-	1,690	-
Marketing	4,604	-	1,243	-
Other	-	74	-	175
Total operating expenses	<u>72,415</u>	<u>755,412</u>	<u>20,574</u>	<u>701,999</u>
Operating income (loss)	<u>(71,357)</u>	<u>226,925</u>	<u>(20,022)</u>	<u>214,705</u>
Nonoperating revenues (expenses):				
Grants	120,000	(120,000)	100,000	(100,000)
Bond interest, net	-	(56,849)	-	(57,078)
Investment income	678	-	58	-
Other, net	-	56	-	(25)
Total nonoperating revenues (expenses)	<u>120,678</u>	<u>(176,793)</u>	<u>100,058</u>	<u>(157,103)</u>
Change in net position	<u>49,321</u>	<u>50,132</u>	<u>80,036</u>	<u>57,602</u>
Net position (deficit), beginning of year	263,080	(81,571)	183,044	(128,680)
Restatement due to GASB 65	-	-	-	(10,493)
Net position (deficit), beginning of year, as restated	<u>263,080</u>	<u>(81,571)</u>	<u>183,044</u>	<u>(139,173)</u>
Net position (deficit), end of year	<u>\$ 312,401</u>	<u>\$ (31,439)</u>	<u>\$ 263,080</u>	<u>\$ (81,571)</u>

See accompanying notes to financial statements.

JOBSONHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

(In thousands)

	2015		2014	
	Component unit		Component unit	
	JobsOhio	JobsOhio Beverage System	JobsOhio	JobsOhio Beverage System
Cash flows from operating activities:				
Receipts from fees and other	\$ 86	\$ -	\$ 77	\$ -
Receipts from customers	-	938,783	-	874,863
Payments to employees	(7,419)	-	(4,599)	-
Payments to suppliers	(20,465)	(576,818)	(9,624)	(535,963)
Payments for economic development programs	(25,748)	-	(1,940)	-
Payments for commissions	-	(52,980)	-	(49,602)
Receipts from sales taxes	-	56,811	-	52,278
Receipts from gallonage taxes	-	43,562	-	41,871
Payments for sales tax collections to State and county	-	(56,539)	-	(51,826)
Payments for gallonage tax collections to State	-	(43,362)	-	(41,825)
Payments for servicing fees	-	(8,979)	-	(11,530)
Payments for Supplemental Payment to State	-	(14,030)	-	-
Receipts (payments) between JobsOhio and component unit	804	(804)	978	(978)
Net cash provided by (used in) operating activities	(52,742)	285,644	(15,108)	277,288
Cash flows from noncapital financing activities:				
Receipts (payments) between JobsOhio and component unit for grants	120,000	(120,000)	100,000	(100,000)
Payments for other nonoperating expenses	-	(9)	-	(46)
Net cash provided by (used in) noncapital financing activities	120,000	(120,009)	100,000	(100,046)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(520)	-	(270)	-
Payments for bond principal	-	(42,955)	-	-
Payments for bond interest	-	(59,939)	-	(54,944)
Net cash used in capital and related financing activities	(520)	(102,894)	(270)	(54,944)
Cash flows from investing activities:				
Dividends and interest income	394	59	45	30
Purchases of investments	(432,815)	-	(249,517)	-
Proceeds from maturities of investments	264,823	-	147,546	-
Net cash provided by (used in) investing activities	(167,598)	59	(101,926)	30
Net increase (decrease) in cash and cash equivalents	(100,860)	62,800	(17,304)	122,328
Cash and cash equivalents, beginning of period	164,491	209,077	181,795	86,749
Cash and cash equivalents, end of period	\$ 63,631	\$ 271,877	\$164,491	\$ 209,077
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (71,357)	\$ 226,925	\$ (20,022)	\$ 214,705
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197
Depreciation and amortization expense	482	-	403	-
Increase in loans	(6,736)	-	(382)	-
Increase in inventory	-	(7,407)	-	(1,447)
(Increase) decrease in receivables	(217)	190	(20)	14
(Increase) decrease in prepaid expenses	(29)	514	(200)	2,048
(Increase) decrease in due from/to component unit (net)	(10)	10	424	(424)
Increase (decrease) in accounts payable	(2,669)	16,732	2,470	(10,448)
Increase (decrease) in accrued liabilities	27,794	(6,517)	2,219	17,643
Total adjustments	18,615	58,719	4,914	62,583
Net cash provided by (used in) operating activities	\$ (52,742)	\$ 285,644	\$ (15,108)	\$ 277,288
Noncash capital activities:				
Purchase of capital assets through capital lease	\$ 52	\$ -	\$ 3	\$ -

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015 and 2014

(In thousands)

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

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

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*; Statement No. 39, *Determining Whether Organizations Are Component Units*; and Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities, functions, and component units for which JobsOhio (the primary reporting entity) is financially accountable.

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

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

(b) Financial Statements

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

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

(c) Measurement Focus and Basis of Accounting

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

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Notes to Financial Statements

June 30, 2015 and 2014

(In thousands)

(d) Estimates

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

(e) Cash and Cash Equivalents

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

(f) Restricted Assets

JobsOhio holds grant funds to be used to fund capital related economic development activities. The amount of funds held at June 30, 2015 and 2014 was \$4,798 and \$5,048, respectively. Use of these moneys is not further restricted.

(g) Investments

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

(h) 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.

(i) Capital Assets

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

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

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

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(j) 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

(k) Classification of Revenues and Expenses

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

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

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

JobsOhio has initiated loan and grant programs to private businesses in the state of Ohio to support economic development. For the fiscal years ended June 30, 2015 and 2014, JobsOhio issued grants and contributions for such purposes, reported in the JobsOhio statements of revenues, expenses, and changes in net position as “economic development program expense.”

As part of the loan program JobsOhio charges applicants an application fee, which is used to offset the cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the fiscal years ended June 30, 2015 and 2014 were \$84 and \$73, respectively, and are included in the statements of revenues, expenses, and changes in net position as fees and other.

(l) Revenue Recognition

JobsOhio’s main source of revenue is through grant funds received from its component unit, JOBS. Grants from JOBS are recognized upon approval by the JOBS’ President of the grant award, as authorized by the JOBS’ Board of Directors. JOBS granted \$120,000 and \$100,000 to JobsOhio for the fiscal years ended June 30, 2015 and 2014, respectively. JobsOhio also receives revenue from loan application fees, which are recognized in the period received.

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(m) Risk Management/Insurance

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

(n) Liquor Franchise

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

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

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

(o) Use of Restricted and Unrestricted Resources

In the event that JobsOhio is to fund outlays for a particular purpose from both restricted and unrestricted resources, in order to calculate the amounts to report as restricted and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. JobsOhio generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. JobsOhio may defer the use of restricted assets based on a review of the specific transaction.

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(p) *Compensated Absences*

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

<u>Years of Service</u>	<u>Annual Paid Time Off</u>
0-3	3 weeks
4-7	4 weeks
8+	5 weeks

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

(q) *New Accounting Pronouncements*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions administered as trust of equivalent arrangements that meet certain criteria. The statement establishes standards for measuring and reporting liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2014. JobsOhio initiated a 401(k) plan in the fiscal year ended June 30, 2014 and has implemented GASB Statement No. 68 for the financial statements for the fiscal year ended June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68, addresses transition issues related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is to be applied simultaneously with the provisions of GASB Statement No. 68. This new standard did not have any impact upon JobsOhio's financial statements for the fiscal year ended June 30, 2015.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2015. JobsOhio intends to adopt this pronouncement, as applicable, at the required time.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and*

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Local Governments, replaces the requirements of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2015. JobsOhio intends to adopt this pronouncement, as applicable, at the required time.

(2) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits with Financial Institutions

At June 30, 2015, the carrying amount of JobsOhio's deposits was \$63,631 and the respective bank balance was \$65,883. At June 30, 2014, the carrying amount of JobsOhio's deposits was \$164,491 and the respective bank balance was \$164,650. The differences of \$2,252 and \$159, respectively, represent outstanding checks. The composition of the deposits is summarized as follows:

Fund type	Account type	Carrying value at June 30, 2015	Carrying value at June 30, 2014
Unrestricted	Checking	\$ 21,085	\$ 146,897
	Brokered Deposit – Money Market		
Unrestricted	Account	32,652	12,511
Unrestricted	Trust	5,096	35
	Total Cash – Unrestricted	58,833	159,443
Restricted	Checking	4,798	5,048
	Total	\$ 63,631	\$ 164,491

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, JobsOhio's deposits may not be returned. JobsOhio's investment policy adopted by the Board of Directors provided that JobsOhio minimizes credit risk as to cash deposits by prequalifying financial institutions with which JobsOhio will do business. Of the total bank balance at June 30, 2015, \$32,850 was insured through the Federal Deposit Insurance Corporation (FDIC), including up to \$32,600 deposited into money market accounts through a brokered deposit program permitting JobsOhio to obtain full FDIC coverage on the principal deposit amount. The remaining \$33,033 was uninsured and exposed to custodial credit risk. Of the total bank balance at June 30, 2014, \$12,750 was insured through the FDIC including up to \$12,500 deposited into money market accounts through a brokered deposit program permitting JobsOhio to obtain full FDIC coverage on the principal deposit amount. The remaining \$151,900 was uninsured and exposed to custodial credit risk. JobsOhio's investment policy adopted by the Board of Directors provides that JobsOhio minimizes credit risk as to cash deposits by prequalifying financial institutions with which JobsOhio will do business.

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JobsOhio's principal checking account is linked to an overnight sweep account, whereby total cash deposits in excess of \$6,000, less the \$32,600 in the brokered deposit accounts, are automatically transferred (or swept) from the primary cash account into a money market mutual fund that invests primarily in U.S. Treasuries guaranteed in full by the U.S. government. The money market fund is rated AAA by Standard & Poor's.

2. Investments

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

On February 6, 2015, JobsOhio entered into an agreement for an Investment Management Account with Huntington National Bank. As of June 30, 2015, JobsOhio had the following investments and maturities held in trust pursuant to the terms of that agreement, as well as the Huntington Asset Management Agreement dated January 13, 2014:

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

As of June 30, 2014, JobsOhio had the following investments and maturities held in trust pursuant to the terms of the Huntington Asset Management Agreement dated January 13, 2014:

	Fair value	Investment maturity	
		3 months or less	4 to 6 months
FHLB Notes	\$ 92,485	\$ 51,499	\$ 40,986
FNMA Notes	9,500	9,500	-
Total	\$ 101,985	\$ 60,999	\$ 40,986

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

Credit Risk – To minimize credit risk, JobsOhio prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Corporation will do business. In addition, the investment portfolio is diversified to minimize risk of loss. JobsOhio’s investments were rated as follows by Standard & Poor’s or Moody’s Investor Services as of June 30, 2015:

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

JobsOhio’s investment in FHLB and FNMA Coupon Notes were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively, as of June 30, 2014.

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

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, JobsOhio will not be able to recover the value of its investments that are in the possession of an outside party. JobsOhio’s investments of \$270,272 at June 30, 2015 and \$101,985 at June 30, 2014 are uninsured and held in the name of its investment manager.

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

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

Investment activity for the fiscal year ended June 30, 2014 is summarized as follows:

	Balance, July 1, 2013	Purchases	Maturities	Accrued income	Balance, June 30, 2014
U.S. Treasury	\$ -	\$ 42,397	\$ (42,397)	\$ -	\$ -
FHLB	-	188,623	(96,150)	12	92,485
FNMA	-	18,497	(8,999)	2	9,500
Total	<u>\$ -</u>	<u>\$ 249,517</u>	<u>\$ (147,546)</u>	<u>\$ 14</u>	<u>\$ 101,985</u>

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income realized from maturities during the fiscal years ended June 30, 2015 and 2014 totaled \$89 and \$15, 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 of \$295 as of June 30, 2015 and \$14 as of June 30, 2014 represents unrealized interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

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3. Capital Assets

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

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

Capital assets activity for the fiscal year ended June 30, 2014 is as follows:

	<u>Balance,</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2014</u>
Furniture and equipment	\$ 430	\$ 31	\$ -	\$ 461
Leasehold improvements	503	72	-	575
Software	1,261	77	-	1,338
Total capital assets being depreciated	<u>2,194</u>	<u>180</u>	<u>-</u>	<u>2,374</u>
Less: accumulated depreciation				
Furniture and equipment	(88)	(75)	-	(163)
Leasehold improvements	(59)	(51)	-	(110)
Software	(88)	(277)	-	(365)
Total accumulated depreciation	<u>(235)</u>	<u>(403)</u>	<u>-</u>	<u>(638)</u>
Total capital assets being depreciated, net	<u>\$ 1,959</u>	<u>\$ (223)</u>	<u>\$ -</u>	<u>\$ 1,736</u>

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4. Loans Receivable

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

Loans receivable balance of \$7,118 as of June 30, 2015 relates to disbursements to six companies. Loans receivable balance of \$382 as of June 30, 2014 relates to disbursements to one company. The current portion of the loans receivable balance of \$508 and \$0 as of June 30, 2015 and 2014, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2015 and 2014 provide for disbursements of up to \$12,900 and \$750, respectively. The outstanding balance of the commitments as of June 30, 2015 and 2014 are \$5,735 and \$368, respectively.

JobsOhio's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that JobsOhio will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. JobsOhio has individually assessed all of their loans for the need of a valuation allowance and determined that no valuation allowance is necessary.

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Economic development programs	\$ 25,554	\$ 2,305
Contribution payable	4,000	-
Economic development purchased services	292	-
Professional services	164	18
Payroll	123	-
Legal services	81	124
Paid time off	87	115
Deferred rent	58	58
Employee benefits	10	16
Other	62	1
	<u>\$ 30,431</u>	<u>\$ 2,637</u>

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2. Economic Development Programs - Grants

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

- JobsOhio Economic Development Grants – The Economic Development grant program focuses on fixed asset and infrastructure investment.
- JobsOhio Workforce Grants – The Workforce grant program focuses on training costs associated with new or incumbent employees.
- JobsOhio Revitalization Grants – The Revitalization grant program is designed to support the acceleration of redeveloping sites in Ohio, with the primary focus on projects where the cost of redevelopment and remediation is more than the value of the land in question.
- JobsOhio Revitalization Phase II Assessment Grants – The Revitalization Phase II Assessment grant program is designed to assist in the review of potential environmental risks on a project site where redevelopment for job creation or retention is likely to occur.

As of June 30, 2015, JobsOhio had executed 194 grants, including 71 economic development grants, 96 workforce grants, and 27 revitalization grants with a total committed amount of \$52,613. As of June 30, 2015, JobsOhio had \$39,400 in committed, but unpaid grants. As of June 30, 2014, JobsOhio had executed 39 grants, including 17 economic development grants and 22 workforce grants with a total committed amount of \$3,879. As of June 30, 2014, JobsOhio had \$3,519 in committed, but unpaid grants. The grants are funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred.

In accordance with generally accepted accounting principles, JobsOhio recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. JobsOhio has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued grant expense and is included in accrued liabilities in the statement of net position. For the fiscal years ended June 30, 2015 and 2014, the accrued grant expense was \$25,554 and \$2,305, respectively.

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3. Contribution Payable

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

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

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

4. 401(k) Savings Plan

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

JobsOhio is the plan administrator of the Plan and the Plan trustee is Frontier Trust Company. JobsOhio may amend the Plan to add new features or to change or eliminate various provisions, but may not take away or reduce protected benefits under the Plan. Participants direct the allocation of their deferral based on several investment options. The assets of the Plan are not included in JobsOhio's financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

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The Plan was implemented in February 2014. For the fiscal year ended June 30, 2015, the total 401(k) match expense was \$185 on total employee contributions of \$450. For the fiscal year ended June 30, 2014, the total 401(k) match expense was \$40 on total employee contributions of \$96. As of June 30, 2015, accrued employee 401(k) deferrals and accrued employer match were \$0. As of June 30, 2014, accrued employee 401(k) deferrals and accrued employer match were \$11 and \$5, respectively, and are included in the statements of net position as accrued liabilities.

5. Commitments and Contingencies – Litigation

On October 27, 2014, an action was filed in the Franklin County Court of Appeals challenging JobsOhio and the legislation authorizing its creation and the transfer of the State's spirituous liquor system. On February 12, 2015, the Court of Appeals' Magistrate issued a decision dismissing the case in its entirety, ruling it clear beyond doubt that the Relator does not have standing to bring this action. On February 26, 2015, Relator filed objections to the Magistrate's decision and petitioned the Court of Appeals to issue specific findings of fact and conclusions of law related to that decision. On August 4, 2015, however, the Court of Appeals overruled Relator's objections, adopted that portion of the Magistrate's decision that dismissed the case for lack of standing, and dismissed all other pending motions. It remains the opinion of JobsOhio management that the issues raised by Relator are without merit.

6. Lease Obligations

JobsOhio has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$430 and \$321 for the fiscal years ended June 30, 2015 and 2014, respectively.

Minimum future lease payments as of June 30, 2015 under this operating lease are as follows:

Year ending June 30:	
2016	\$ 288
2017	297
2018	306
2019	315
2020	324
2021 – 2022	531
Total	<u>\$ 2,061</u>

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In fiscal year 2015, JobsOhio entered into a lease agreement for office equipment, which is classified as a capital lease. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment is \$1 for the year ended June 30, 2015. Property on capital lease as of June 30, 2015 is as follows:

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

The interest rate related to the lease obligation is 1% and the maturity date is April 2020. Minimum future lease payments as of June 30, 2015 under this capital lease are as follows:

Year ending June 30:		
2016	\$	10
2017		10
2018		10
2019		10
2020		8
Total	\$	48

(4) Discretely Presented Component Unit – JOBS

(a) Revenues and Expenses

JobsOhio had multiple transactions with JOBS, a discretely presented component unit of JobsOhio. JOBS provides funds to JobsOhio pursuant to a grant agreement effective February 1, 2013 for the purpose of economic development as discussed in note 1(a). The Transfer Agreement provides for the transfer of the excess liquor business profits (after the transfer of liquor business profits into all funds and accounts in accordance with the JOBS Bond Indenture) into the General Purpose Fund to be made available to JobsOhio by grant for the sole purpose of funding JobsOhio's economic development functions. Funds granted by JOBS to JobsOhio during the fiscal years ended June 30, 2015 and 2014 totaled \$120,000 and \$100,000, respectively.

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

- Accounting system lease – Coinciding with the franchise purchase, JobsOhio entered into a three-year lease agreement as lessor for the use of a financial accounting software system valued at \$763. The asset has a five-year estimated useful life. The lease agreement qualifies as an operating lease for accounting purposes, and therefore, amounts are recorded as fee revenue.

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Lease amounts for the fiscal years ended June 30, 2015 and 2014 totaled \$160. Minimum future lease payments as of June 30, 2015 are as follows:

	<u>Lease obligation</u>
Year ending June 30, 2016	<u>\$ 93</u>

- Management fee – In a separate agreement, JobsOhio entered into an Employee Lease and Asset License Agreement (Agreement) as lessor on February 1, 2013 with JOBS for the lease of personnel, administrative support, equipment, supplies, office space, and services necessary for JOBS’ operations. Monthly charges under the lease are determined and calculated based on actual identifiable payroll costs incurred on behalf of supporting JOBS, including administrative, equipment, supplies, office space, and services allocated on the basis of the lease agreement terms. Lease amounts for the fiscal years ended June 30, 2015 and 2014 totaled \$814 and \$447, respectively. The Agreement qualifies as an operating lease for accounting purposes. Revenues under the lease are recorded as fee revenue.

(b) Intangible Asset – Liquor Franchise

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

The intangible asset – liquor franchise is amortized over its useful life that coincides with the related contractual rights of the Transfer Agreement of 25 years. Amortization expense was \$55,197 for the fiscal years ended June 30, 2015 and 2014. No impairment of the intangible asset existed as of June 30, 2015 and 2014.

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

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

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Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2014 is as follows:

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2014</u>
Liquor franchise	\$ 1,379,924	-	-	\$ 1,379,924
Less: Accumulated amortization	(22,999)	(55,197)	-	(78,196)
Liquor franchise, net of amortization	<u>\$ 1,356,925</u>	<u>(55,197)</u>	<u>-</u>	<u>\$ 1,301,728</u>

(c) **Special Obligation Bonds**

Special obligation revenue bonds were issued on February 1, 2013, by JOBS to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The bonds were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years. JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at June 30, 2015 are as follows:

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

JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at June 30, 2014 were as follows:

<u>Special obligation bonds</u>	<u>Original issue date</u>	<u>Original borrowing and outstanding as of June 30, 2014</u>	<u>Interest rates to maturity</u>	<u>Final maturity</u>
Series 2013A	Feb. 2013	\$ 404,790	3.0% – 5.0%	2038
Series 2013B	Feb. 2013	1,105,895	0.9% – 4.5%	2038

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The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at June 30, 2015 and 2014 are \$43,440 and \$42,955, respectively. The bond series are subject to mandatory sinking fund redemption starting in 2024 and each year thereafter to maturity. The bonds will be repaid from the Liquor Business profits. All proceeds from the Liquor Business are pledged to the Trustee to pay obligations under the Indenture. The Indenture imposes certain restrictions and requirements whereby all Liquor Business revenues are required to be deposited in a trust fund held by the Trustee to settle obligations under the Indenture, including amounts sufficient to cover annual debt service for each fiscal year on account for all outstanding revenue bonds.

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

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

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

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Debt service requirements as of June 30, 2014 related to the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 42,955	59,939	102,894
2016	43,440	59,458	102,898
2017	44,020	58,876	102,896
2018	44,870	58,024	102,894
2019	45,845	57,049	102,894
2020 - 2024	251,825	262,336	514,161
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	<u>1,510,685</u>	<u>955,850</u>	<u>2,466,535</u>
Unamortized premium	55,611		
Less current portion	<u>(42,955)</u>		
Total debt, long-term portion	<u>\$ 1,523,341</u>		

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

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

Debt service activity for the fiscal year ended June 30, 2014 is as follows:

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2014</u>	<u>Current portion</u>
Bond principal	\$ 1,510,685	-	-	\$ 1,510,685	\$ 42,955
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(1,192)</u>	<u>(2,860)</u>	<u>-</u>	<u>(4,052)</u>	<u>-</u>
Total debt	<u>\$ 1,569,156</u>	<u>(2,860)</u>	<u>-</u>	<u>\$ 1,566,296</u>	<u>\$ 42,955</u>

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Bonds are subject to redemption prior to their stated maturity dates at the option of JOBS, in whole or in part on any date on or after January 1, 2023 at a redemption price equal to the principal amount of bonds to be redeemed plus accrued interest.

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, JOBS is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of June 30, 2015 and 2014.