

JOBSOHIO

(A Component Unit of the State of Ohio)

Basic Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Review Report Thereon)

Table of Contents

	Page(s)
Independent Auditors' Review Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 8
Basic Financial Statements:	
Statements of Net Position (Unaudited)	9
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)	10
Statements of Cash Flows (Unaudited)	11
Notes to Basic Financial Statements (Unaudited)	12 - 44

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(In thousands)

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the six months ended December 31, 2020 and 2019. 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. Management's discussion and analysis of JOBS is included in that corporation's separately issued basic financial statements.

Financial Highlights

- Total assets increased 7% in the six months ended December 31, 2020 from \$907,157 in the fiscal year ended June 30, 2020 to \$966,263 in the six months ended December 31, 2020. Total assets increased 7% in the six months ended December 31, 2019 from \$875,969 in the fiscal year ended June 30, 2019 to \$938,012 in the six months ended December 31, 2019.
- Total liabilities increased 59% in the six months ended December 31, 2020 from \$116,511 in the fiscal year ended June 30, 2020 to \$184,804 in the six months ended December 31, 2020. Total liabilities increased 47% in the six months ended December 31, 2019 from \$92,795 in the fiscal year ended June 30, 2019 to \$136,594 in the six months ended December 31, 2019.
- Operating and non-operating revenues decreased 24% in the six months ended December 31, 2020 when compared to the same time period one-year prior from \$169,631 in the six months ended December 31, 2019 to \$129,200 in the six months ended December 31, 2020. Operating and non-operating revenues increased 55% in the six months ended December 31, 2019 when compared to the same time period one year prior from \$109,494 in the six months ended December 31, 2018 to \$169,631 in the six months ended December 31, 2019.
- Total operating expenses decreased 9% in the six months ended December 31, 2020 when compared to the same time period one-year prior from \$151,387 in the six months ended December 31, 2019 to \$138,387 in the six months ended December 31, 2020. Total operating expenses increased 9% in the six months ended December 31, 2019 when compared to the same time period one year prior from \$138,518 in the six months ended December 31, 2018 to \$151,387 in the six months ended December 31, 2019.

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.

The Franchise and Transfer Agreement ("Transfer Agreement") calls for JOBS to pay the State an annual "Supplemental Payment" as additional consideration for the liquor enterprise, when profits of the franchise exceed a predetermined level. The Supplemental Payment to the State is based upon a formula specified in the Transfer Agreement and is paid based on results of the fiscal year. In accordance with this provision, JOBS recorded Supplemental Payment expense of \$52,284 and \$32,817, respectively, for the six months ended December 31, 2020 and 2019. The final payment amount due to the State is calculated at the conclusion of the fiscal year.

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(In thousands)

During the six months ended December 31, 2020 and 2019, JobsOhio received grants and contributions from JOBS totaling \$120,000 and \$155,000, 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, 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 statements of net position provide information about assets and liabilities and reflects the financial position at fiscal year-end. The statements 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 statements of cash flows outline 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.

JOB SOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(In thousands)

Financial Analysis

Net Position

	December 31, 2020	June 30, 2020
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 83,154	\$ 39,491
Investments	716,806	724,121
Loans	9,709	8,179
Receivables, net of allowance for uncollectable accounts	13,609	2,778
Prepaid expenses	3,728	1,343
Due from JOBS	1,064	306
Total current assets	828,070	776,218
Long-term assets:		
Loans, net of loss allowance	128,701	129,059
Other long-term investments	7,489	-
Capital assets, net of accumulated depreciation	1,993	1,880
Intangible asset - trademark, net of amortization	10	-
Total long-term assets	138,193	130,939
Total assets	966,263	907,157
Liabilities:		
Current liabilities:		
Accounts payable	3,863	4,137
Accrued liabilities	179,885	111,575
Community bank loan guarantee - current portion	487	350
Capital lease payable - current portion	23	23
Total current liabilities	184,258	116,085
Long-term liabilities:		
Community bank loan guarantee	487	355
Capital lease payable	59	71
Total long-term liabilities	546	426
Total liabilities	184,804	116,511
Net position:		
Net investment in capital assets	1,993	1,880
Unrestricted	779,466	788,766
Total net position	\$ 781,459	\$ 790,646

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(In thousands)

Current assets consist of cash in demand deposits, investments, prepaid expenses, and receivables due from JOBS for management services as well as outstanding principal from loans to promote economic development due within the following twelve months. Current assets increased 7% in the six months ended December 31, 2020 from \$776,218 in the fiscal year ended June 30, 2020 to \$828,070 in the six months ended December 31, 2020. Current assets increased 8% in the six months ended December 31, 2019 from \$790,465 in the fiscal year ended June 30, 2019 to \$855,558 in six months ended December 31, 2019. The current year increase in current assets is primarily due to the JOBS grant received during the period.

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 six months ended December 31, 2020 from \$130,939 in the fiscal year ended June 30, 2020 to \$138,193 in the six months ended December 31, 2020. Long-term assets decreased 4% in the six months ended December 31, 2019 from \$85,504 in the fiscal year ended June 30, 2019 to \$82,454 in six months ended December 31, 2019. The changes in long-term assets are primarily due to assets related to JobsOhio's loan programs, including innovation loans that converted to equity during the period.

Current liabilities represent accounts payable and accrued liabilities, as well as amounts due within the following twelve months for a capital lease that was added in fiscal year 2020. Current liabilities increased 59% in the six months ended December 31, 2020 from \$116,085 in the fiscal year ended June 30, 2020 to \$184,258 in the six months ended December 31, 2020. Current liabilities increased 47% in the six months ended December 31, 2019 from \$92,708 in the fiscal year ended June 30, 2019 to \$136,518 in the six months ended December 31, 2019. These changes in current liabilities are primarily due to increases in grants that JobsOhio has awarded to companies to promote economic development in the State in support of its mission.

Long-term liabilities consist of amounts due for capital leases after the following twelve months, as well as an economic development program designed to support community banks. Long-term liabilities increased 28% in the six months ended December 31, 2020 from \$426 in the fiscal year ended June 30, 2020 to \$546 in the six months ended December 31, 2020. Long-term liabilities decreased 13% in the six months ended December 31, 2019 from \$87 in the fiscal year ended June 30, 2019 to \$76 in the six months ended December 31, 2019. These changes in long-term liabilities are primarily due to the addition of an economic development program to support community bank loans.

Net position decreased by \$9,187 for the six months ended December 31, 2020, from a net position of \$790,646 in the fiscal year ended June 30, 2020 to a net position of \$781,459 as of the six months ended December 31, 2020. Net position increased by \$18,244 for the six months ended December 31, 2019, from a net position of \$783,174 in the fiscal year ended June 30, 2019 to a net position of \$801,418 as of the six months ended December 31, 2019. The changes in net position are primarily due to the fluctuations in the amount of grants received from JOBS.

JOB SOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(In thousands)

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the six months ended December 31, 2020 and 2019:

	Six Months Ended December 31, 2020	Six Months Ended December 31, 2019
	<u> </u>	<u> </u>
Operating revenues:		
Interest income - loans	\$ 2,269	\$ 1,285
Fees and other	4,893	4,010
Total operating revenues	<u>7,162</u>	<u>5,295</u>
Operating expenses:		
Economic development programs	104,112	126,879
Salaries and benefits	7,717	6,950
Economic development purchased services	6,748	6,114
Professional services	8,393	3,225
Insurance	111	112
Administrative and support	3,479	2,342
Marketing	7,827	5,807
Other	-	(42)
Total operating expenses	<u>138,387</u>	<u>151,387</u>
Operating loss	<u>(131,225)</u>	<u>(146,092)</u>
Nonoperating revenues:		
Grants	120,000	155,000
Investment income	2,038	9,336
Total nonoperating revenues	<u>122,038</u>	<u>164,336</u>
Change in net position	(9,187)	18,244
Net position, beginning of period	<u>790,646</u>	<u>783,174</u>
Net position, end of period	<u>\$ 781,459</u>	<u>\$ 801,418</u>

JOBSONHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

(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 six months ended December 31, 2020, total operating and nonoperating revenues were \$129,200, a decrease of \$40,431 over the same time period one-year prior of \$169,631. This change is primarily due to a decrease in the amount of grant revenue received from JOBS, as well as a decrease in the amount of investment income due to market fluctuations. For the six months ended December 31, 2019, total operating and nonoperating revenues were \$169,631, an increase of \$60,137 over the same time period one year prior of \$109,494. This change is primarily due to an increase in the amount of grant revenue received from JOBS of \$55,000, as well as an increase in the amount of investment income of \$1,928.

Operating expenses decreased by \$13,000 in the six months ended December 31, 2020, from \$151,387 in the six months ended December 31, 2019 to \$138,387 in the six months ended December 31, 2020. This change is primarily due to the claw back of grant funds from a grantee. Operating expenses increased by \$12,869 in the six months ended December 31, 2019, from \$138,518 in the six months ended December 31, 2018 to \$151,387 in the six months ended December 31, 2019. This change is primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. Other operating expenses for the six months ended December 31, 2020 and 2019 included economic development purchased services, salaries and benefits, professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a change in net position of (\$9,187) in the six months ended December 31, 2020, which was a decrease of \$27,431 from the increase in net position as of December 31, 2019 of \$18,244. JobsOhio experienced an increase in net position of \$18,244 in the six months ended December 31, 2019, which was an increase of \$47,268 from the change in net position as of December 31, 2018 of (\$29,024). The major factor affecting these changes was the amount of economic development program grants issued to support JobsOhio's mission.

Capital Asset Activity

Capital asset additions of \$537 in the six months ended December 31, 2020 were due to expenses related to a new website. Capital asset additions of \$1,410 in the fiscal year ended June 30, 2020 were due to expenses related to a new website, as well as capital office expenses. 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.

JOB SOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position (unaudited)

December 31, 2020 and 2019

(In thousands)

	December 31, 2020	June 30, 2020
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 112,663	\$ 53,184
Cash and cash equivalents - restricted	196,762	214,201
Investments at fair value	716,806	724,121
Inventory	87,913	87,830
Loans	9,709	8,179
Receivables, net of allowance for uncollectable accounts	15,445	4,682
Prepaid expenses	5,089	6,010
Total current assets	1,144,387	1,098,207
Long-term assets:		
Accounts receivable - long-term	58,293	42,263
Loans, net of loss allowance	128,701	129,059
Other long-term investments	7,489	-
Capital assets, net of accumulated depreciation	6,123	2,965
Intangible asset - liquor franchise, net of amortization	942,948	970,546
Intangible asset - trademark, net of amortization	15	5
Total long-term assets	1,143,569	1,144,838
Total assets	2,287,956	2,243,045
Deferred outflow of resources:		
Deferred outflow on bond defeasance	23,264	29,080
Total deferred outflow of resources	23,264	29,080
Liabilities:		
Current liabilities:		
Accounts payable	20,553	55,179
Accrued liabilities	283,261	220,669
Special obligation bonds payable - current portion	51,880	51,880
Bond interest payable	23,751	22,779
Community bank loan guarantee - current portion	487	350
Capital lease payable - current portion	23	23
Total current liabilities	379,955	350,880
Long-term liabilities:		
Special obligation bonds payable	1,252,864	1,259,577
Community bank loan guarantee	487	355
Capital lease payable	59	71
Total long-term liabilities	1,253,410	1,260,003
Total liabilities	1,633,365	1,610,883
Net position:		
Net investment in capital assets	6,123	2,965
Unrestricted	671,732	658,277
Total net position	\$ 677,855	\$ 661,242

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)

Three months ended December 31, 2020 and 2019

(In thousands)

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Operating revenues:		
Net liquor sales	\$ 435,105	\$ 373,895
Distribution center revenue	2,296	2,021
Interest income - loans	1,381	600
Fees and other	176	74
	438,958	376,590
Operating expenses:		
Cost of goods sold	255,112	220,788
Sales commissions	28,875	22,024
Liquor gallonage taxes	15,021	14,038
Amortization of intangible asset - liquor franchise	13,799	13,799
Service fees	4,926	4,885
Supplemental Payment	30,120	16,903
Economic development programs	32,641	63,450
Salaries and benefits	3,733	3,514
Economic development purchased services	2,933	2,882
Professional services	7,388	3,745
Insurance	155	157
Administrative and support	3,245	2,171
Marketing	4,144	3,286
Other	76	(7)
	402,168	371,635
Total operating expenses	402,168	371,635
	36,790	4,955
Operating income		
Nonoperating revenues (expenses):		
Bond interest, net	(11,427)	(13,295)
Investment income	747	4,092
Other, net	(1)	684
	(10,681)	(8,519)
Total nonoperating revenues (expenses)	(10,681)	(8,519)
	26,109	(3,564)
Change in net position		
Net position, beginning of period	651,746	658,606
	\$ 677,855	\$ 655,042
Net position, end of period		

See accompanying notes to financial statements

JOBSONIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position (unaudited)

Three months ended December 31, 2020 and 2019

(In thousands)

	Six months ended December 31, 2020	Six months ended December 31, 2019
Operating revenues:		
Net liquor sales	\$ 847,077	\$ 706,393
Less: wholesale rebates	(1,202)	-
Distribution center revenue	4,620	3,887
Interest income - loans	2,269	1,285
Fees and other	222	168
	852,986	711,733
Operating expenses:		
Cost of goods sold	496,421	416,436
Sales commissions	54,816	41,365
Liquor gallonage taxes	29,526	27,087
Amortization of intangible asset - liquor franchise	27,598	27,598
Service fees	9,853	9,770
Supplemental Payment	52,284	32,817
Economic development programs	104,112	126,879
Salaries and benefits	7,717	6,950
Economic development purchased services	6,748	6,114
Professional services	12,353	7,250
Insurance	311	314
Administrative and support	5,871	4,312
Marketing	7,827	5,807
Other	129	52
	815,566	712,751
	37,420	(1,018)
Nonoperating revenues (expenses):		
Bond interest, net	(22,854)	(26,591)
Investment income	2,038	9,336
Other, net	9	1,736
	(20,807)	(15,519)
	16,613	(16,537)
Net position, beginning of period	661,242	671,579
Net position, end of period	\$ 677,855	\$ 655,042

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows (unaudited)

Six months ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Receipts from fees and other	\$ 1,489	\$ 1,948
Receipts from customers	845,879	706,738
Receipts from suppliers	4,680	3,900
Payments to employees	(7,987)	(6,941)
Payments to suppliers	(562,926)	(448,660)
Payments for economic development programs	(36,060)	(80,313)
Payments for commissions	(57,488)	(36,591)
Receipts from sales taxes	55,998	41,850
Payments for sales tax collections to State and county	(53,434)	(39,248)
Payments for gallonage tax collections to State	(28,771)	(26,053)
Payments for servicing fees	(6,423)	(8,690)
Payments for Supplemental Payment to State	(71,218)	(56,495)
Net cash provided by operating activities	<u>83,739</u>	<u>51,445</u>
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(17,425)	(39)
Net cash used in noncapital financing activity	<u>(17,425)</u>	<u>(39)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,379)	(187)
Payments for capital lease	(12)	(14)
Payments for bond interest	(22,779)	(27,947)
Net cash used in capital and related financing activities	<u>(26,170)</u>	<u>(28,148)</u>
Cash flows from investing activities:		
Conversion of loans to equity	(7,261)	
Loan conversion proceeds	(228)	
Dividends and interest income	8,119	9,867
Purchases of investments	(143,249)	(117,714)
Proceeds from maturities of investments	144,515	68,538
Net cash provided by (used in) investing activities	<u>1,896</u>	<u>(39,309)</u>
Net decrease in cash and cash equivalents	42,040	(16,051)
Cash and cash equivalents, beginning of period	267,385	304,742
Cash and cash equivalents, end of period	\$ 309,425	\$ 288,691
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 37,420	\$ (1,018)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Amortization of intangible asset - liquor franchise	27,598	27,598
Increase in intangible asset - trademark	(10)	-
Depreciation and amortization expense	647	308
Increase (decrease) in loans	14,585	2,468
Increase (decrease) in loan valuation allowance	(15,757)	(85)
Increase in inventory	(83)	(2,396)
(Increase) decrease in receivables, net of allowance for doubtful accounts	(10,763)	993
Decrease in prepaid expenses	921	885
Increase (decrease) in accounts payable	(33,368)	5,704
Increase in community bank guarantee	269	-
Decrease in accrued liabilities	62,280	16,988
Total adjustments	<u>46,319</u>	<u>52,463</u>
Net cash provided by operating activities	\$ 83,739	\$ 51,445
Noncash capital and related financing activities:		
Purchases of capital assets on account	\$ 558	\$ 36
Amortization of bonds payable	\$ 897	\$ 1,356

See accompanying notes to financial statements

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

(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, 2020.

(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 JOBS conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units.

(b) Basic 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;

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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) Investments – other

Investments – other represent equity holdings in unrelated companies. These holdings were originally recognized as loan receivable balances and converted to investments upon borrowers achieving certain criteria.

(i) Inventory

The Entity's inventory of spirituous liquor consists of inventory withdrawn from bailment for shipment to agency stores, inventory in transit in commercial carriers, and inventory in agency stores. Inventory is

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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 December 31, 2020 and June 30, 2020 was \$17,593.

(j) Loans

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

(k) Allowance for Loan Losses

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating future loan losses. Management’s estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At December 31, 2020 and June 30, 2020, the amount of allowance for loan losses was \$3,663 and \$19,420, respectively, and is reported in the Entity’s statements of net position as part of “loans, net of loss allowance”.

(l) Receivables

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

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

(m) 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. As of December 31, 2020 and June 30, 2020, the amount of allowance for uncollectable accounts was \$13 and \$5, respectively, and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectable accounts".

(n) 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.

(o) 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.

(p) Intangible Assets

The intangible asset represents both an exclusive franchise for the sale of spirituous liquor in the State, as well as a trademark for the OHLQ logo. 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 six months ended December 31, 2020 and 2019 was \$13,799 and \$27,598, respectively.

(q) 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

(r) Net Position

Net position is displayed in three components as follows:

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

- 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.

The Entity's restricted assets relate to the debt service and are reported as part of "cash and cash equivalents – restricted" on the statements of net position. However, such amounts are always than less than or equal to the current portion of the special obligation bonds payable. As a result, the restricted component of net position, as defined above, would be negative or zero, and it would be irrelevant to present this line separately if the balance is negative (deficit) or zero.

(s) 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, as well as rebates on those sales. 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 fiscal years ended June 30, 2020 and 2019, 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

JOB SOHIO

(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the three and six months ended December 31, 2020 was \$60. Total revenue from application fees received during the three and six months ended December 31, 2019 was \$12 and \$51, respectively. Revenue from application fees are included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

(t) Risk Management/Insurance

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

(u) 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 (\$326,193 for fiscal year ending June 30, 2021 and \$316,693 for fiscal year ending June 30, 2020)), 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 six months ended December 31, 2020 was \$30,120 and \$52,284, respectively. Total Supplemental Payment expense for the three and six months ended December 31, 2019 was \$16,903 and \$32,817, respectively.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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 six months ended December 31, 2020 was \$4,926 and \$9,853, respectively. Total service fees expense in the three and six months ended December 31, 2019 was \$4,885 and \$9,770, 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 payments of tax related to the sale of liquor, operating expenses of the Liquor Business, debt service, and Supplemental Payments to the State.

(v) 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.

(w) 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:

<u>Years of Service</u>	<u>Annual Paid Time Off</u>
0 - 2	3 weeks
3 - 6	4 weeks

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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.

(x) New Accounting Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This Statement is effective immediately and has been implemented for the basic financial statements for the six months ended December 31, 2020.

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 June 15, 2021. The Entity is assessing the impact of GASB Statement No. 87 to its financial statements and will implement in the timeline required by GASB.

(y) Subsequent Events

The Entity has evaluated subsequent events through February 26, 2021, the date of basic financial statement issuance, to determine if either recognition or disclosure of significant events or transactions was required. No subsequent events requiring additional disclosure were identified.

(3) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

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 as of December 31, 2020 and June

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

30, 2020, \$500 was insured through the Federal Deposit Insurance Corporation (FDIC). The remaining \$107,133 and \$78,226, 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 \$174,176 and \$171,602 at December 31, 2020 and June 30, 2020, respectively.

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 December 31, 2020 and June 30, 2020.

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, costs of bond issuance, and Supplemental Payments. The following funds have been established by the Indenture:

<u>Fund</u>	<u>Fund custody</u>	<u>December 31, 2020</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Revenue fund	Trustee	\$ -	\$ 58,966
Operations fund	Entity	-	20,764
Debt service fund	Trustee	-	75,632
General purpose fund	Entity	2,475	-
Cost of issuance	Trustee	-	-
Supplemental Payment reserve fund	Trustee	-	39,579
	Total funds required by indenture	2,475	194,941
Cash		83,154	-
Cash held at fiscal agents		27,031	1,821
Other		3	-
	Total cash and cash equivalents	<u>\$ 112,663</u>	<u>\$ 196,762</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

Fund	Fund custody	June 30, 2020	
		Unrestricted	Restricted
Revenue fund	Trustee	\$ -	\$ 56,800
Operations fund	Entity	-	29,612
Debt service fund	Trustee	-	53,760
General purpose fund	Entity	9,572	-
Cost of issuance	Trustee	-	77
Supplemental Payment reserve fund	Trustee	-	60,965
Total funds required by indenture		9,572	201,214
Cash		39,491	12,987
Cash held at fiscal agents		4,118	-
Other		3	-
Total cash and cash equivalents		\$ 53,184	\$ 214,201

2. Cash with Fiscal Agents

As indicated in note 1(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 December 31, 2020 and June 30, 2020 was \$28,852 and \$17,105, 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.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of December 31, 2020, 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:

	<u>Fair Value</u>	<u>Investment maturity</u>			
		<u>1 year or less</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Between 4 and 5 years</u>
US Treasury	\$ 308,183	\$ 144,977	\$ 53,191	\$ 70,358	\$ 39,657
FHLB Notes	84,616	26,389	44,734	8,488	5,005
FFCB Notes	105,488	34,658	17,298	38,223	15,309
FHLMC Notes	9,571	5,058	-	4,513	-
FNMA Notes	38,878	3,036	-	-	35,842
Corporates	170,070	37,117	46,520	60,238	26,195
Total	<u>\$ 716,806</u>	<u>\$ 251,235</u>	<u>\$ 161,743</u>	<u>\$ 181,820</u>	<u>\$ 122,008</u>

As of June 30, 2020, 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:

	<u>Fair Value</u>	<u>Investment maturity</u>			
		<u>1 year or less</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Between 4 and 5 years</u>
US Treasury	\$ 313,860	\$ 137,678	\$ 72,355	\$ 103,827	\$ -
FHLB Notes	80,414	26,766	15,650	37,998	-
FFCB Notes	111,247	24,492	25,764	60,991	-
FHLMC Notes	17,719	10,152	-	7,567	-
FNMA Notes	27,074	8,113	-	16,305	2,656
Corporates	173,807	45,157	46,605	82,045	-
Total	<u>\$ 724,121</u>	<u>\$ 252,358</u>	<u>\$ 160,374</u>	<u>\$ 308,733</u>	<u>\$ 2,656</u>

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 1 or Level 3 inputs.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2020 and June 30, 2020:

	<u>December 31, 2020</u>	<u>Fair Value Measurements Using</u>		<u>June 30, 2020</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
US Treasury	\$ 308,183	\$ -	\$ 308,183	\$ 313,860	\$ -	\$ 313,860
FHLB Notes	84,616	-	84,616	80,414	-	80,414
FFCB Notes	105,488	-	105,488	111,247	-	111,247
FHLMC Notes	9,571	-	9,571	17,719	-	17,719
FNMA Notes	38,878	-	38,878	27,074	-	27,074
Corporates	170,070	-	170,070	173,807	-	173,807
Total	<u>\$ 716,806</u>	<u>\$ -</u>	<u>\$ 716,806</u>	<u>\$ 724,121</u>	<u>\$ -</u>	<u>\$ 724,121</u>

Investments classified in Level 1 of the fair value hierarchy 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.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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 December 31, 2020:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+
FHLB Notes	\$ 84,616	\$ -	\$ 84,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FFCB Notes	105,488	-	105,488	-	-	-	-	-	-
FHLMC Notes	9,571	-	9,571	-	-	-	-	-	-
FNMA Notes	38,878	-	38,878	-	-	-	-	-	-
Corporates	170,070	3,254	3,056	8,261	15,057	28,632	71,153	37,921	2,736
Total	\$ 408,623	\$ 3,254	\$ 241,609	\$ 8,261	\$ 15,057	\$ 28,632	\$ 71,153	\$ 37,921	\$ 2,736

The Entity’s investments were rated as follows by Standard & Poor’s or Moody’s Investor Services as of June 30, 2020:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+
FHLB Notes	\$ 80,414	\$ -	\$ 80,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FFCB Notes	111,247	-	111,247	-	-	-	-	-	-
FHLMC Notes	17,719	-	17,719	-	-	-	-	-	-
FNMA Notes	27,074	-	27,074	-	-	-	-	-	-
Corporates	173,807	2,014	3,090	12,371	14,241	23,790	79,611	37,056	1,634
Total	\$ 410,261	\$ 2,014	\$ 239,544	\$ 12,371	\$ 14,241	\$ 23,790	\$ 79,611	\$ 37,056	\$ 1,634

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 \$716,806 and \$724,121 as of December 31, 2020 and June 30, 2020, respectively, are uninsured and held in the name of its investment manager.

Investment activity for the six months ended December 31, 2020 is summarized as follows:

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

	Balance, July 1, 2020	Purchases	Maturities	Accrued income (loss)	Balance, December 31, 2020
US Treasury	\$ 313,860	\$ 87,045	\$ (90,000)	\$ (2,722)	\$ 308,183
FHLB	80,414	4,992	-	(790)	84,616
FFCB	111,247	-	(5,000)	(759)	105,488
FHLMC	17,719	2,998	(11,000)	(146)	9,571
FNMA	27,074	16,914	(5,000)	(110)	38,878
Corporates	173,807	31,300	(33,514)	(1,523)	170,070
Total	<u>\$ 724,121</u>	<u>\$ 143,249</u>	<u>\$ (144,514)</u>	<u>\$ (6,050)</u>	<u>\$ 716,806</u>

Investment activity for the fiscal year ended June 30, 2020 is summarized as follows:

	Balance, July 1, 2019	Purchases	Maturities	Accrued income (loss)	Balance, June 30, 2020
US Treasury	\$ 333,430	\$ 64,486	\$ (90,055)	\$ 5,999	\$ 313,860
FHLB	105,727	19,343	(45,910)	1,254	80,414
FFCB	84,600	49,716	(24,742)	1,673	111,247
FHLMC	30,739	7,503	(13,100)	(7,423)	17,719
FNMA	9,748	18,731	(1,700)	295	27,074
Corporates	149,640	52,112	(38,648)	10,703	173,807
Total	<u>\$ 713,884</u>	<u>\$ 211,891</u>	<u>\$ (214,155)</u>	<u>\$ 12,501</u>	<u>\$ 724,121</u>

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 six months ended December 31, 2020 totaled (\$5) and (\$110), respectively. Income realized from maturities during the three and six months ended December 31, 2019 totaled \$44 and \$199, 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 (\$6,050) and \$12,501 as of December 31, 2020 and June 30, 2020, respectively, represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

The Entity also has unlisted private equity investments in 4 companies. The Entity does not have a controlling interest in the companies and does not participate in the operation or management of the companies. Total unlisted private equity investments as of December 31, 2020 and June 30, 2020 were \$7,489 and \$0, respectively and are reported as other long-term investments.

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

4. Capital Assets

Capital assets activity for the six months ended December 31, 2020 is as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, December 31, 2020
Furniture and equipment	\$ 823	\$ -	\$ -	\$ 823
Leasehold improvements	2,854	513	-	3,367
Software	2,900	3,261	-	6,161
Equipment	38	32	-	70
Total capital assets being depreciated	<u>6,615</u>	<u>3,806</u>	<u>-</u>	<u>10,421</u>
Less: accumulated depreciation				
Furniture and equipment	(628)	(38)	-	(666)
Leasehold improvements	(1,370)	(284)	-	(1,654)
Software	(1,650)	(319)	-	(1,969)
Equipment	(2)	(7)	-	(9)
Total accumulated depreciation	<u>(3,650)</u>	<u>(648)</u>	<u>-</u>	<u>(4,298)</u>
Total capital assets being depreciated, net	<u>\$ 2,965</u>	<u>\$ 3,158</u>	<u>\$ -</u>	<u>\$ 6,123</u>

Capital assets activity for the fiscal year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020
Furniture and equipment	\$ 808	\$ 15	\$ -	\$ 823
Leasehold improvements	2,613	241	-	2,854
Software	1,521	1,379	-	2,900
Equipment	-	38	-	38
Total capital assets being depreciated	<u>4,942</u>	<u>1,673</u>	<u>-</u>	<u>6,615</u>
Less: accumulated depreciation				
Furniture and equipment	(542)	(86)	-	(628)
Leasehold improvements	(925)	(445)	-	(1,370)
Software	(1,433)	(217)	-	(1,650)
Equipment	-	(2)	-	(2)
Total accumulated depreciation	<u>(2,900)</u>	<u>(750)</u>	<u>-</u>	<u>(3,650)</u>
Total capital assets being depreciated, net	<u>\$ 2,042</u>	<u>\$ 923</u>	<u>\$ -</u>	<u>\$ 2,965</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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.

The Entity established a loan program to support companies during the COVID-19 pandemic. The Workforce Retention Loan was a forgivable loan program that allowed companies to borrow funds to support their payroll over the course of six months. At the end of the six-month period, the companies were required to provide documentation to the Entity that illustrated they were able to maintain certain payroll metrics over the period. For borrowers that were able to maintain those certain payroll metrics, the loan was forgiven with no balance due. As of December 31, 2020, 82 of the 84 companies that participated in the program had their loan forgiven. The remaining 2 companies had an outstanding balance of \$1,100 that is included in Loans, net of loss allowance. As of June 30, 2020, disbursements associated with the Workforce Retention Loan program were made to 76 companies totaling \$16,676 included in loans, net of loss allowance. The terms of the loans outstanding at December 31, 2020 and June 30, 2020 provide for disbursements of up to \$50,000. The outstanding balance of the commitments as of December 31, 2020 and June 30, 2020 were \$0 and \$33,324, respectively.

The Entity also established a loan program to support early-stage companies in their efforts to promote economic development across the State. The Innovation Loan program was designed to provide loans to companies that are convertible to equity in the event the borrower meets certain qualified financing requirements. As of December 31, 2020 and June 30, 2020, disbursements associated with the Innovation Loan program were made to 28 and 24 companies, respectively, totaling \$32,323 and \$29,288, respectively, and are included in Loans, net of loss allowance. The terms of the loans outstanding at December 31, 2020 and June 30, 2020 provide for disbursements of up to \$32,323 and \$30,298 respectively. The outstanding balance of the commitments as of December 31, 2020 and June 30, 2020 and 2019 were \$0 and \$1,010, respectively.

The remaining loans receivable balance of \$108,650 as of December 31, 2020 relates to disbursements to 56 companies, and is net of loss allowance of \$3,663. Loans receivable balance of \$91,274 as of June 30, 2020 relates to disbursements to 59 companies and is net of loss allowance of \$19,420. The current portion of the loans receivable balance of \$9,709 and \$8,179 as of December 31, 2020 and June 30, 2020, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at December 31, 2020 and June 30, 2020 provide for disbursements of up to \$145,055 and \$142,305, respectively. The outstanding balance of the commitments as of December 31, 2020 and June 30, 2020 were \$15,848 and \$11,091, respectively. The Entity offered a six-month deferral of principal and interest payments to its existing borrowers in response to the COVID-19 pandemic. Interest accrues at 0% during the deferral period. As of December 31, 2020, the deferral period expired and interest resumed accruing. As of June 30, 2020, 41 borrowers opted into the program

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

totaling \$4,108 in deferred payments.

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 \$3,663 and \$19,420, respectively, as of December 31, 2020 and June 30, 2020.

6. Accounts Receivable Balances

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors, and the Ohio Department of Administrative Services ("DAS"). The amounts due from liquor agency stores and liquor vendors 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 \$15,445 and \$4,682 as of December 31, 2020 and June 30, 2020, respectively, is net of allowance for uncollectable accounts of \$13 and \$5, respectively.

The amount due from DAS totals \$58,293 and \$42,263 as of December 31, 2020 and June 30, 2020, respectively, and is attributable to the Entity's purchases of Personal Protective Equipment on behalf of DAS in response to the COVID-19 pandemic. The amount due from DAS is included in Accounts receivable – long-term.

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 \$788 and \$4,217 of service fees to the Ohio Department of Commerce as of December 31, 2020 and June 30, 2020, respectively, as well as \$341 and \$91 as of December 31, 2020 and June 30, 2020, respectively, for prepaid rent payments on two separate operating lease agreements. See note 2(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 \$27,598 for the three and six months ended December 31, 2020 and 2019, respectively. No impairment

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

of the intangible asset existed as of December 31, 2020 and June 30, 2020.

Intangible asset – liquor franchise activity for the six months ended December 31, 2020 is as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, December 31, 2020
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: Accumulated amortization	(409,378)	(27,598)	-	(436,976)
Liquor franchise, net of amortization	\$ 970,546	\$ (27,598)	\$ -	\$ 942,948

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: accumulated amortization	(354,181)	(55,197)	-	(409,378)
Liquor franchise, net of amortization	\$ 1,025,743	\$ (55,197)	\$ -	\$ 970,546

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at December 31, 2020 and June 30, 2020 are as follows:

	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Economic development programs	\$ 177,962	\$ 109,338
Liquor purchases	20,315	7,547
Agency commissions	12,664	15,336
Taxes	17,103	13,785
Supplemental Payment	52,284	71,218
Economic development purchased services	331	-
Professional services	771	787
Payroll	497	589
Legal services	34	39
Liquor operations	21	122
Paid time off	133	289
Deferred rent	698	751
Employee benefits	4	25
Other	423	843
	<u>\$ 283,240</u>	<u>\$ 220,669</u>

2. Economic Development Programs – Grants

The Entity operates eight 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.

JOB SOHIO

(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

- 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.
- Innovation District Grants – The Innovation District grant program provides funds for Innovation hubs across the State in support of research and STEM projects within the districts and provides the opportunity for businesses to operate from a centralized location to promote economic development growth.
- Inclusion Grants – The Inclusion grant program provides financial support in designated distressed communities and/or businesses owned by underrepresented populations across the State.
- Speculative Development Grants – The Ohio Site Inventory Program (OSIP) offers funding to support speculative site and building development projects with no identified end user.

As of December 31, 2020, the Entity had executed 1,219 grants, including 502 economic development grants, 365 workforce grants, 264 revitalization grants, 20 research and development grants, 3 innovation district grants, 61 inclusion grants, and 4 speculative development grants with a total committed amount of \$682,127. As of December 31, 2020, the Entity had \$246,765 in committed, but unpaid grants. As of June 30, 2020, the Entity had executed 1,056 grants, including 442 economic development grants, 345 workforce grants, 250 revitalization grants, 16 research and development grants, and 3 innovation district grants with a total committed amount of \$601,439. As of June 30, 2020, the Entity had \$173,324 in committed, but unpaid grants. The grants are historically funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred. In light of the COVID-19 pandemic, the Entity implemented a Rapid Deployment Initiative program where grantees could request funds on a non-reimbursement basis to support their cash needs during the crisis.

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 \$177,962 and \$108,801 as of December 31, 2020 and June 30, 2020, respectively.

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

3. Economic Development Programs – Community Banks Loan Guarantee

The Entity has partnered with two community banks in Ohio to bolster their lending capability to assist small, lifestyle businesses. The Entity is providing a loan guarantee of up to \$50,000 to support the banks in the event of default on the additional lending to their borrowers.

As of December 31, 2020 and June 30, 2020, the community banks had provided loans totaling \$10,823 and \$7,051, respectively. The outstanding commitment for the program as of December 31, 2020 and June 30, 2020 was \$0 and \$42,949, respectively. As of December 31, 2020 and June 30, 2020 there were no reported defaults. The Entity estimates that the program will have a default rate of 10%, with a portion of the estimated default occurring in the next twelve months. The Entity recognized an expense associated with the program of \$974 and \$705, respectively, as of December 31, 2020 and June 30, 2020, which is included in economic development programs expense. The Entity recorded current and long-term liabilities associated with the program totaling \$487 and \$487, respectively, as of December 31, 2020 and \$350 and \$355, respectively, as of June 30, 2020.

4. 401(k) Savings Plan

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

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

The Plan was implemented in February 2014. For the three and six months ended December 31, 2020, the total 401(k) match expense was \$107 and \$210, respectively, on total employee contributions of \$225 and \$446, respectively. For the three and six months ended December 31, 2019, the total 401(k) match expense was \$96 and \$178, respectively, on total employee contributions of \$233 and \$421, respectively. As of December 31, 2020, and June 30, 2020, accrued employee 401(k) deferrals and accrued employer match was \$0 and \$25, respectively, and are included in the statements of net position as accrued liabilities.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

5. 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.

6. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$155 and \$310, respectively, for the three and six months ended December 31, 2020. Rent expense was \$151 and \$304, respectively, for the three and six months ended December 31, 2019.

Minimum future lease payments as of December 31, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 285
2022	387
2023	396
2024	404
2025 - 2027	<u>1,117</u>
Total	<u>\$ 2,589</u>

In fiscal years 2019 and 2015, the Entity entered into lease agreements for office equipment, which are classified as capital leases. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment was \$75 and \$64 at December 31, 2020 and June 30, 2020, respectively. Property on capital lease as of December 31, 2020 is as follows:

Office equipment	\$ 157
Less: accumulated amortization	<u>(75)</u>
Total	<u>\$ 82</u>

Property on capital lease as of June 30, 2020 is as follows:

Office equipment	\$ 157
Less: accumulated amortization	<u>(64)</u>
Total	<u>\$ 93</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

The interest rate related to the 2019 lease obligation is 0% and the maturity date is August 2024. Minimum future lease payments as of December 31, 2020 under this capital lease are as follows:

Year ending June 30:	
2021	\$ 16
2022	21
2023	21
2024	21
2025	<u>3</u>
Total	<u>\$ 82</u>

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 \$727 and \$1,508, respectively, for the three and six months ended December 31, 2020. Rent expense on the two facilities was \$732 and \$1,457, respectively, for the three and six months ended December 31, 2019.

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 December 31, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 746
2022	1,491
2023	1,491
2024	<u>1,118</u>
Total	<u>\$ 4,846</u>

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 December 31, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 465
2022	953
2023	<u>79</u>
Total	<u>\$ 1,497</u>

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

7. Long-Term Liabilities

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years.

On February 5, 2020, the Entity issued special obligation revenue bonds to advance refund the 2038 maturity of the Series 2013A Bonds and finance certain costs of the refunding transaction. The Series 2020A Bonds were issued in the amount of \$371,025. The obligations were issued as bonds with approximately level debt service, including both principal and interest, maturing each year with maturities that range from one to 18 years. The reasoning for refinancing was to reduce the interest rate on the debt from 5% for the Series 2013A Bonds to 1.7% – 2.8% for the Series 2020A Bonds, resulting in a net present value savings of \$61,597.

The proceeds from the 2020A Bonds were used for the advanced refunding of the 2038 maturity of the series 2013A Bonds consisting of future principal payments of \$335,970 and future interest payments of \$50,396. The net proceeds of the Series 2020A Bonds in the amount of \$370,866 were deposited in and held in trust in an escrow account. That amount was used to purchase certain direct noncallable obligations of the United States of America having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon sufficient, together with any other moneys in the escrow account after such purchase, for the payment of all principal of and interest on the 2038 maturity of the series 2013A Bonds through and including their January 1, 2023 optional redemption date. Upon the purchase of those noncallable obligations, according to the terms of the Indenture, the 2038 maturity of the series 2013A Bonds were deemed paid and discharged and legally defeased.

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

The net present value of the savings from the advanced refunding on February 5, 2020 is as follows:

<u>Debt Service on 2020A Bonds</u>	<u>Debt Service on Defeased 2013A Bonds</u>	<u>Savings</u>	<u>Present value using a yield of 2.85%</u>
\$ 535,464	\$ 616,300	\$ 80,836	\$ 63,273
Cashflows present value savings			63,273
Less: Prior funds on hand			(1,680)
Plus: Refunding funds on hand			4
Net present value savings			<u><u>\$ 61,597</u></u>

JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A; JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B; and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2020A outstanding at December 31, 2020 and June 30, 2020 are as follows:

<u>Special obligation bonds</u>	<u>Original issue date</u>	<u>Outstanding as of December 31, 2020 and June 30, 2020</u>	<u>Interest rates to maturity</u>	<u>Final maturity</u>
Series 2013A	Feb. 2013	\$ 15,000	4.0% – 5.0%	2023
Series 2013B	Feb. 2013	\$ 891,865	2.9% – 4.5%	2035
Series 2020A	Feb. 2020	\$ 371,025	1.7% – 2.8%	2038

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at December 31, 2020 and June 30, 2020 are \$51,880. 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

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

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 December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2021	\$ 51,880	\$ 23,751	\$ 75,631
2022	52,460	45,938	98,398
2023	54,135	44,253	98,388
2024	55,925	42,461	98,386
2025	58,090	40,280	98,370
2026 – 2030	326,240	165,463	491,703
2031 – 2035	401,185	89,897	491,082
2036 – 2038	277,975	15,897	293,872
Total	<u>1,277,890</u>	<u>\$ 467,940</u>	<u>\$ 1,745,830</u>
Unamortized premium	26,854		
Less current portion	<u>(51,880)</u>		
Total debt, long-term portion	<u>\$ 1,252,864</u>		

Debt service activity for the six months ended December 31, 2020 is as follows:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2020</u>	<u>Current portion</u>
Bond principal	\$ 1,277,890	\$ 51,880	\$ (51,880)	\$ 1,277,890	\$ 51,880
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(26,096)</u>	<u>(6,713)</u>	<u>-</u>	<u>(32,809)</u>	<u>-</u>
Total debt	<u>\$ 1,311,457</u>	<u>\$ 45,167</u>	<u>\$ (51,880)</u>	<u>\$ 1,304,744</u>	<u>\$ 51,880</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

Debt service activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2020</u>	<u>Current portion</u>
Bond principal	\$ 1,289,555	\$ 371,025	\$ (382,690)	\$ 1,277,890	\$ 51,880
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(18,027)</u>	<u>(8,069)</u>	<u>-</u>	<u>(26,096)</u>	<u>-</u>
Total debt	<u>\$ 1,331,191</u>	<u>\$ 362,956</u>	<u>\$ (382,690)</u>	<u>\$ 1,311,457</u>	<u>\$ 51,880</u>

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 2020A 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.

(c) Revenues

Liquor sales revenues are reported net of wholesale discounts, sales taxes, and an allowance for uncollectible accounts. Distribution center revenues are for services performed in the distribution centers related to receiving and preparing product for distribution. For the three and six months ended December 31, 2020, operating revenues were reported net of discounts of \$3,943 and \$8,315, respectively, and sales tax of \$29,156 and \$55,998, respectively and uncollectible accounts of (\$22) and \$8, respectively. For the three and six months ended December 31, 2019, operating revenues were reported net of discounts of \$5,684 and \$11,358, respectively, and sales tax of \$22,467 and \$41,850, respectively, and uncollectible accounts of \$0.

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

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

In March 2020, the Entity temporarily implemented a liquor buyback program to allow bars and restaurants to return unused product that was purchased in the thirty days prior to their shutdown due to COVID-19. Returns are reported as part of net liquor sales on the statements of revenues, expenses, and changes in net position and totaled \$15 and \$17 for the three and six months ended December 31, 2020 and \$0 for the three and six months ended December 31, 2019.

In May 2020, the Entity started offering a rebate program to bars and restaurants with liquor permits in good standing in the state of Ohio to support their efforts to reopen their businesses following the shutdown due to COVID-19. The wholesale rebates are reported on the statements of revenue, expenses, and changes in net position and totaled \$0 and \$1,202 for the three and six months ended December 31, 2020, respectively, and \$0 for the three and six months ended December 31, 2019.

(d) Deferred Outflows

For the defeasance of the 2038 maturity of the Series 2013A Bonds, proceeds from the Series 2020A bonds were deposited in and held in trust in an escrow account. The proceeds were used to purchase certain direct noncallable obligations of the United States of America having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon sufficient, together with any other moneys in the escrow account after such purchase, for the payment of all principal of and interest on the 2038 maturity of the series 2013A Bonds through and including their January 1, 2023 optional redemption date. Upon the purchase of those noncallable obligations, according to the terms of the Indenture, the 2038 maturity of the series 2013A Bonds were deemed paid and discharged and legally defeased.

The difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is reported as a deferred outflow of resources and recognized as a component of Bond interest, net over the remaining life of the refunded debt. Deferred outflow activity for the three months ended December 31, 2020 is as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, December 31, 2020
Deferred outflows	\$ 34,896	\$ -	\$ -	\$ 34,896
Less: Accumulated amortization	(5,816)	(5,816)	-	(11,632)
Total debt	<u>\$ 29,080</u>	<u>\$ (5,816)</u>	<u>\$ -</u>	<u>\$ 23,264</u>

Deferred outflow activity for the fiscal year ended June 30, 2020 is as follows:

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements (unaudited)

December 31, 2020 and 2019

(In thousands)

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020
Deferred outflows	\$ -	\$ 34,896	\$ -	\$ 34,896
Less: Accumulated amortization	-	(5,816)	-	(5,816)
Total debt	<u>\$ -</u>	<u>\$ 29,080</u>	<u>\$ -</u>	<u>\$ 29,080</u>

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

Combining Schedule of Net Position

(In thousands)

(e) Combining Information

	December 31, 2020				June 30, 2020			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	Beverage System	Eliminating Entries		JobsOhio	Beverage System	Eliminating Entries	
	JobsOhio	Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Beverage System	Eliminating Entries	Combined Balance
Assets:								
Current assets:								
Cash and cash equivalents - unrestricted	\$ 83,154	\$ 29,509	\$ -	\$ 112,663	\$ 39,491	\$ 13,693	\$ -	\$ 53,184
Cash and cash equivalents - restricted	-	196,762	-	196,762	-	214,201	-	214,201
Investments at fair value	716,806	-	-	716,806	724,121	-	-	724,121
Inventory	-	87,913	-	87,913	-	87,830	-	87,830
Loans	9,709	-	-	9,709	8,179	-	-	8,179
Receivables, net of allowance for uncollectable accounts	13,609	1,836	-	15,445	2,778	1,904	-	4,682
Prepaid expenses	3,728	1,361	-	5,089	1,343	4,667	-	6,010
Due from JOBS	1,064	-	(1,064)	-	306	-	(306)	-
Total current assets	<u>828,070</u>	<u>317,381</u>	<u>(1,064)</u>	<u>1,144,387</u>	<u>776,218</u>	<u>322,295</u>	<u>(306)</u>	<u>1,098,207</u>
Long-term assets:								
Accounts receivable - long-term	-	58,293	-	58,293	-	42,263	-	42,263
Loans, net of loss allowance	128,701	-	-	128,701	129,059	-	-	129,059
Other long-term investments	7,489	-	-	7,489	-	-	-	-
Capital assets, net of accumulated depreciation	1,993	4,130	-	6,123	1,880	1,085	-	2,965
Intangible asset - liquor franchise, net of amortization	-	942,948	-	942,948	-	970,546	-	970,546
Intangible asset - trademark, net of amortization	10	5	-	15	-	5	-	5
Total long-term assets	<u>138,193</u>	<u>1,005,376</u>	<u>-</u>	<u>1,143,569</u>	<u>130,939</u>	<u>1,013,899</u>	<u>-</u>	<u>1,144,838</u>
Total assets	<u>966,263</u>	<u>1,322,757</u>	<u>(1,064)</u>	<u>2,287,956</u>	<u>907,157</u>	<u>1,336,194</u>	<u>(306)</u>	<u>2,243,045</u>
Deferred outflow of resources:								
Deferred outflow on bond defeasance	-	23,264	-	23,264	-	29,080	-	29,080
Total deferred outflow of resources	<u>-</u>	<u>23,264</u>	<u>-</u>	<u>23,264</u>	<u>-</u>	<u>29,080</u>	<u>-</u>	<u>29,080</u>
Liabilities:								
Current liabilities:								
Accounts payable	3,863	16,690	-	20,553	4,137	51,042	-	55,179
Accrued liabilities	179,885	103,376	-	283,261	111,575	109,094	-	220,669
Special obligation bonds payable - current portion	-	51,880	-	51,880	-	51,880	-	51,880
Bond interest payable	-	23,751	-	23,751	-	22,779	-	22,779
Community bank loan guarantee - current portion	487	-	-	487	350	-	-	350
Capital lease payable - current portion	23	-	-	23	23	-	-	23
Due to JobsOhio	-	1,064	(1,064)	-	-	306	(306)	-
Total current liabilities	<u>184,258</u>	<u>196,761</u>	<u>(1,064)</u>	<u>379,955</u>	<u>116,085</u>	<u>235,101</u>	<u>(306)</u>	<u>350,880</u>
Long-term liabilities:								
Special obligation bonds payable	-	1,252,864	-	1,252,864	-	1,259,577	-	1,259,577
Community bank loan guarantee	487	-	-	487	355	-	-	355
Capital lease payable	59	-	-	59	71	-	-	71
Total long-term liabilities	<u>546</u>	<u>1,252,864</u>	<u>-</u>	<u>1,253,410</u>	<u>426</u>	<u>1,259,577</u>	<u>-</u>	<u>1,260,003</u>
Total liabilities	<u>184,804</u>	<u>1,449,625</u>	<u>(1,064)</u>	<u>1,633,365</u>	<u>116,511</u>	<u>1,494,678</u>	<u>(306)</u>	<u>1,610,883</u>
Net position:								
Net investment in capital assets	1,993	4,130	-	6,123	1,880	1,085	-	2,965
Unrestricted	779,466	(107,734)	-	671,732	788,766	(130,489)	-	658,277
Total net position	<u>\$ 781,459</u>	<u>\$ (103,604)</u>	<u>\$ -</u>	<u>\$ 677,855</u>	<u>\$ 790,646</u>	<u>\$ (129,404)</u>	<u>\$ -</u>	<u>\$ 661,242</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(In thousands)

	Three Months Ended December 31, 2020				Three Months Ended December 31, 2019			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	Beverage System	Eliminating Entries		JobsOhio	Beverage System	Eliminating Entries	
Operating revenues:								
Net liquor sales	\$ -	\$ 435,105	\$ -	\$ 435,105	\$ -	\$ 373,895	\$ -	\$ 373,895
Distribution center revenue	-	2,296	-	2,296	-	2,021	-	2,021
Interest income - loans	1,381	-	-	1,381	600	-	-	600
Fees and other	2,584	-	(2,408)	176	2,144	-	(2,070)	74
Total operating revenues	3,965	437,401	(2,408)	438,958	2,744	375,916	(2,070)	376,590
Operating expenses:								
Cost of goods sold	-	255,112	-	255,112	-	220,788	-	220,788
Sales commissions	-	28,875	-	28,875	-	22,024	-	22,024
Liquor gallonage taxes	-	15,021	-	15,021	-	14,038	-	14,038
Amortization of intangible asset - liquor franchise	-	13,799	-	13,799	-	13,799	-	13,799
Service fees	-	4,926	-	4,926	-	4,885	-	4,885
Supplemental Payment	-	30,120	-	30,120	-	16,903	-	16,903
JobsOhio management fees	-	2,408	(2,408)	-	-	2,070	(2,070)	-
Economic development programs	32,641	-	-	32,641	63,450	-	-	63,450
Salaries and benefits	3,733	-	-	3,733	3,514	-	-	3,514
Economic development purchased services	2,933	-	-	2,933	2,882	-	-	2,882
Professional services	5,440	1,948	-	7,388	1,681	2,064	-	3,745
Insurance	55	100	-	155	56	101	-	157
Administrative and support	2,027	1,218	-	3,245	1,174	998	-	2,172
Marketing	4,144	-	-	4,144	3,286	-	-	3,286
Other	-	76	-	76	(42)	35	-	(7)
Total operating expenses	50,973	353,603	(2,408)	402,168	76,001	297,705	(2,070)	371,636
Operating income (loss)	(47,008)	83,798	-	36,790	(73,257)	78,211	-	4,954
Nonoperating revenues (expenses):								
Grants	70,000	(70,000)	-	-	80,000	(80,000)	-	-
Bond interest, net	-	(11,427)	-	(11,427)	-	(13,295)	-	(13,295)
Investment income	747	-	-	747	4,092	-	-	4,092
Other, net	-	(1)	-	(1)	-	684	-	684
Total nonoperating revenues (expenses)	70,747	(81,428)	-	(10,681)	84,092	(92,611)	-	(8,519)
Change in net position	23,739	2,370	-	26,109	10,835	(14,400)	-	(3,565)
Net position, beginning of period	757,720	(105,974)	-	651,746	790,583	(131,976)	-	658,607
Net position, end of period	\$ 781,459	\$ (103,604)	\$ -	\$ 677,855	\$ 801,418	\$ (146,376)	\$ -	\$ 655,042

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(In thousands)

	Six Months Ended December 31, 2020				Six Months Ended December 31, 2019			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	JobsOhio Beverage System	Eliminating Entries		JobsOhio	JobsOhio Beverage System	Eliminating Entries	
Operating revenues:								
Net liquor sales	\$ -	\$ 847,077	\$ -	\$ 847,077	\$ -	\$ 706,393	\$ -	\$ 706,393
Less: wholesale rebates	-	(1,202)	-	(1,202)	-	-	-	-
Distribution center revenue	-	4,620	-	4,620	-	3,887	-	3,887
Interest income - loans	2,269	-	-	2,269	1,285	-	-	1,285
Fees and other	4,893	-	(4,671)	222	4,010	-	(3,842)	168
Total operating revenues	7,162	850,495	(4,671)	852,986	5,295	710,280	(3,842)	711,733
Operating expenses:								
Cost of goods sold	-	496,421	-	496,421	-	416,436	-	416,436
Sales commissions	-	54,816	-	54,816	-	41,365	-	41,365
Liquor gallonage taxes	-	29,526	-	29,526	-	27,087	-	27,087
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598	-	27,598	-	27,598
Service fees	-	9,853	-	9,853	-	9,770	-	9,770
Supplemental Payment	-	52,284	-	52,284	-	32,817	-	32,817
JobsOhio management fees	-	4,671	(4,671)	-	-	3,842	(3,842)	-
Economic development programs	104,112	-	-	104,112	126,879	-	-	126,879
Salaries and benefits	7,717	-	-	7,717	6,950	-	-	6,950
Economic development purchased services	6,748	-	-	6,748	6,114	-	-	6,114
Professional services	8,393	3,960	-	12,353	3,225	4,025	-	7,250
Insurance	111	200	-	311	112	202	-	314
Administrative and support	3,479	2,392	-	5,871	2,342	1,970	-	4,312
Marketing	7,827	-	-	7,827	5,807	-	-	5,807
Other	-	129	-	129	(42)	94	-	52
Total operating expenses	138,387	681,850	(4,671)	815,566	151,387	565,206	(3,842)	712,751
Operating income (loss)	(131,225)	168,645	-	37,420	(146,092)	145,074	-	(1,018)
Nonoperating revenues (expenses):								
Grants	120,000	(120,000)	-	-	155,000	(155,000)	-	-
Bond interest, net	-	(22,854)	-	(22,854)	-	(26,591)	-	(26,591)
Investment income	2,038	-	-	2,038	9,336	-	-	9,336
Other, net	-	9	-	9	-	1,736	-	1,736
Total nonoperating revenues (expenses)	122,038	(142,845)	-	(20,807)	164,336	(179,855)	-	(15,519)
Change in net position	(9,187)	25,800	-	16,613	18,244	(34,781)	-	(16,537)
Net position (deficit), beginning of period	790,646	(129,404)	-	661,242	783,174	(111,595)	-	671,579
Net position (deficit), end of period	\$ 781,459	\$ (103,604)	\$ -	\$ 677,855	\$ 801,418	\$ (146,376)	\$ -	\$ 655,042

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(In thousands)

	Six Months Ended December 30, 2020				Six Months Ended December 30, 2019			
	Component Unit				Component Unit			
	JobsOhio Beverage System				JobsOhio Beverage System			
	JobsOhio	Beverage System	Eliminating Entries	Combined Balance	JobsOhio	System	Eliminating Entries	Combined Balance
Cash flows from operating activities:								
Receipts from fees and other	\$ 1,489	\$ -	\$ -	\$ 1,489	\$ 1,948	\$ -	\$ -	\$ 1,948
Receipts from customers	-	845,879	-	845,879	-	706,738	-	706,738
Receipts from suppliers	-	4,680	-	4,680	-	3,900	-	3,900
Payments to employees	(7,987)	-	-	(7,987)	(6,941)	-	-	(6,941)
Payments to suppliers	(38,875)	(524,051)	-	(562,926)	(18,051)	(430,609)	-	(448,660)
Payments for economic development programs	(36,060)	-	-	(36,060)	(80,313)	-	-	(80,313)
Payments for commissions	-	(57,488)	-	(57,488)	-	(36,591)	-	(36,591)
Receipts from sales taxes	-	55,998	-	55,998	-	41,850	-	41,850
Payments for sales tax collections to State and county	-	(53,434)	-	(53,434)	-	(39,248)	-	(39,248)
Payments for gallonage tax collections to State	-	(28,771)	-	(28,771)	-	(26,053)	-	(26,053)
Payments for servicing fees	-	(6,423)	-	(6,423)	-	(8,690)	-	(8,690)
Payments for Supplemental Payment to State	-	(71,218)	-	(71,218)	-	(56,495)	-	(56,495)
Receipts (payments) between JobsOhio and component unit	3,912	(3,912)	-	-	2,936	(2,936)	-	-
Net cash provided by (used in) operating activities	(77,521)	161,260	-	83,739	(100,421)	151,866	-	51,445
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	120,000	(120,000)	-	-	155,000	(155,000)	-	-
Payments for other nonoperating expenses	-	(17,425)	-	(17,425)	-	(39)	-	(39)
Net cash provided by (used in) noncapital financing activities	120,000	(137,425)	-	(17,425)	155,000	(155,039)	-	(39)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(668)	(2,711)	-	(3,379)	(32)	(155)	-	(187)
Payments for capital lease	(12)	-	-	(12)	(14)	-	-	(14)
Payments for bond interest	-	(22,779)	-	(22,779)	-	(27,947)	-	(27,947)
Net cash used in capital and related financing activities	(680)	(25,490)	-	(26,170)	(46)	(28,102)	-	(28,148)
Cash flows from investing activities:								
Conversion of loans to equity	(7,261)	-	-	(7,261)	-	-	-	-
Proceeds from loan conversion	(228)	-	-	(228)	-	-	-	-
Dividends and interest income	8,087	32	-	8,119	8,092	1,775	-	9,867
Purchases of investments	(143,249)	-	-	(143,249)	(117,714)	-	-	(117,714)
Proceeds from maturities of investments	144,515	-	-	144,515	68,538	-	-	68,538
Net cash provided by (used in) investing activities	1,864	32	-	1,896	(41,084)	1,775	-	(39,309)
Net Increase (decrease) in cash and cash equivalents	43,663	(1,623)	-	42,040	13,449	(29,500)	-	(16,051)
Cash and cash equivalents, beginning of period	39,491	227,894	-	267,385	65,186	239,556	-	304,742
Cash and cash equivalents, end of period	\$ 83,154	\$ 226,271	\$ -	\$ 309,425	\$ 78,635	\$ 210,056	\$ -	\$ 288,691
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (131,225)	\$ 168,645	\$ -	\$ 37,420	\$ (146,092)	\$ 145,074	\$ -	\$ (1,018)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	27,598	-	27,598	-	27,598	-	27,598
Increase in intangible asset - trademark	(10)	-	-	(10)	-	-	-	-
Depreciation and amortization expense	428	219	-	647	166	142	-	308
Decrease in loans	14,585	-	-	14,585	2,468	-	-	2,468
Decrease in loan valuation allowance	(15,757)	-	-	(15,757)	(85)	-	-	(85)
Increase in inventory	-	(83)	-	(83)	-	(2,396)	-	(2,396)
(Increase) decrease in receivables, net of allowance for doubtful accounts	(10,831)	68	-	(10,763)	636	357	-	993
(Increase) decrease in prepaid expenses	(2,385)	3,306	-	921	(407)	1,292	-	885
(Increase) decrease in due from/to component unit (net)	(758)	758	-	-	(905)	905	-	-
Increase (decrease) in accounts payable	(147)	(33,221)	-	(33,368)	60	5,645	-	5,705
Increase in community bank guarantee	269	-	-	269	-	-	-	-
Increase (decrease) in accrued liabilities	68,310	(6,030)	-	62,280	43,738	(26,751)	-	16,987
Total adjustments	53,704	(7,385)	-	46,319	45,671	6,792	-	52,463
Net cash provided by (used in) operating activities	\$ (77,521)	\$ 161,260	\$ -	\$ 83,739	\$ (100,421)	\$ 151,866	\$ -	\$ 51,445
Noncash capital and related financing activities:								
Purchases of capital assets on account	\$ -	\$ 558	\$ -	\$ 558	\$ 16	\$ 20	\$ -	\$ 36
Amortization of bonds payable	\$ -	\$ 897	\$ -	\$ 897	\$ -	\$ 1,356	\$ -	\$ 1,356