JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JobsOhio

We have audited the accompanying financial statements of JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively the "Entity"), which comprise the Statements of Net Position as of June 30, 2018 and 2017, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobsOhio as of June 30, 2018 and 2017, and the results of its operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Combining Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules for 2018 and 2017 are presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the financial statements. This additional combining information is the responsibility of the Entity's management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2018 and 2017 financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 and 2017 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the 2018 and 2017 financial statements as a whole.

Deloitte & Touche LLP

Columbus, Ohio
September 28, 2018

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the fiscal years ended June 30, 2018 and 2017. The information presented in this overview and analysis should be considered in conjunction with JobsOhio's basic financial statements, which follow this material. Financial statements prepared by JobsOhio include its sole component unit, JobsOhio Beverage System ("JOBS"), however the following information is solely based on JobsOhio's financial activities and is presented in a non-blended format. The overview and analysis of JOBS is included in that corporation's separately issued annual report.

Financial Highlights

- Total assets increased 17% in the fiscal year ended June 30, 2018 from $537,855 in fiscal year 2017 to $626,905 in fiscal year 2018. In the fiscal year ended June 30, 2017, total assets had increased 23% from $437,279 in fiscal year 2016 to $537,855 in fiscal year 2017.
- Total liabilities increased 13% in the fiscal year ended June 30, 2018 from $50,618 in fiscal year 2017 to $57,232 in fiscal year 2018. In the fiscal year ended June 30, 2017, total liabilities had increased 31% from $38,548 in fiscal year 2016 to $50,618 in fiscal year 2017.
- Operating and non-operating revenues increased 9% in the fiscal year ended June 30, 2018 from $184,753 in fiscal year 2017 to $201,005 in fiscal year 2018. In the fiscal year ended June 30, 2017, operating and non-operating revenues increased 18% from $156,194 in fiscal year 2016 to $184,753 in fiscal year 2017.
- Total operating expenses increased 23% in the fiscal year ended June 30, 2018 from $96,247 in fiscal year 2017 to $118,569 in fiscal year 2018. In the fiscal year ended June 30, 2017, total operating expenses had increased 38% from $69,864 in fiscal year 2016 to $96,247 in fiscal year 2017.

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 JOBS, which operates the franchise for the sale of spirituous liquor throughout the State. The purchase was financed in fiscal year 2013 by JOBS' issuance of $1,510,685 of special obligation bonds.

During the fiscal years ended June 30, 2018, 2017, and 2016, JobsOhio received grants and contributions from JOBS totaling $195,000, $180,000, and $150,000, 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 statement of net position provides information about assets and liabilities and reflects the financial position at the fiscal year-end. The statement of revenues, expenses, and changes in net position reports the revenue activity and the expenses related to such activity for the fiscal year. The statement of cash flows outlines the cash inflows and outflows for the fiscal year. These statements provide current and long-term information about JobsOhio's financial position.

(In thousands)

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

Financial Analysis

Net Position

The following is a summary of net position as of June 30, 2018, 2017, and 2016:

	2018	2017	2016
Assets:			
Current assets:			
Cash and cash equivalents - unrestricted	$ 70,974	$ 93,302	$ 80,213
Investments	460,682	393,331	324,254
Loans	6,401	4,500	2,270
Receivables, net of allowance for uncollectable accounts	2,126	1,024	529
Prepaid expenses	996	580	3,375
Due from JOBS	103	152	183
Total current assets	541,282	492,889	410,824
Long-term assets:			
Capital assets, net of accumulated depreciation	1,080	1,188	1,377
Loans	84,543	43,778	25,078
Total long-term assets	85,623	44,966	26,455
Total assets	**626,905**	**537,855**	**437,279**
Liabilities:			
Current liabilities:			
Accounts payable	1,461	2,166	2,205
Accrued liabilities	55,753	48,424	36,305
Capital lease payable - current portion	10	10	10
Total current liabilities	57,224	50,600	38,520
Long-term liabilities:			
Capital lease payable	8	18	28
Total long-term liabilities	8	18	28
Total liabilities	**57,232**	**50,618**	**38,548**
Net position:			
Net investment in capital assets	1,080	1,188	1,377
Unrestricted	568,593	486,049	397,354
Total net position	**$ 569,673**	**$ 487,237**	**$ 398,731**

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 10% in the fiscal year ended June 30, 2018 from $492,889 in fiscal year 2017 to $541,282 in fiscal year 2018. In the fiscal year ended June 30, 2017, current assets increased 20% from $410,824 in fiscal year 2016 to $492,889 in fiscal year 2017. These increases in current assets are primarily due to funds received from JOBS for grants to support JobsOhio's mission.

Long-term assets consist of software, furniture, equipment and leasehold improvements, as well as outstanding principal from loans made for economic development programs due after the following twelve months. Long-term assets increased 90% in the fiscal year ended June 30, 2018 from $44,966 in fiscal year 2017 to $85,623 in fiscal year 2018. In the fiscal year ended June 30, 2017, long-term assets increased 70% from $26,455 in fiscal year 2016 $44,966 in fiscal year 2017. The increases in long-term assets are primarily due to JobsOhio's loan program, which was first established in fiscal year 2014 and experienced growth in fiscal years 2018 and 2017.

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

The increase of total net position at June 30, 2018 of $82,436 results primarily from the receipt of grants from JOBS during the fiscal year totaling $195,000. The increase of total net position as of June 30, 2017 of $88,506 resulted primarily from the receipt of grants from JOBS during the fiscal year totaling $180,000.

(In thousands)

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2018, 2017 and 2016:

	2018	2017	2016
Operating revenues:			
Interest income - loans	$ 2,207	$ 1,708	$ 830
Fees and other	1,229	1,208	867
Total operating revenues	3,436	2,916	1,697
Operating expenses:			
Economic development programs	72,469	56,949	35,349
Salaries and benefits	12,861	11,058	9,205
Economic development purchased services	11,642	10,735	10,243
Professional services	5,256	3,761	4,958
Insurance	212	204	200
Administrative and support	4,696	3,223	2,772
Marketing	11,433	10,317	7,137
Total operating expenses	118,569	96,247	69,864
Operating loss	**(115,133)**	**(93,331)**	**(68,167)**
Nonoperating revenues:			
Grants	195,000	180,000	150,000
Investment income	2,569	1,837	4,497
Total nonoperating revenues	197,569	181,837	154,497
Change in net position	**82,436**	**88,506**	**86,330**
Net position, beginning of year	487,237	398,731	312,401
Net position, end of year	**$ 569,673**	**$ 487,237**	**$ 398,731**

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the fiscal year ended June 30, 2018, total operating and nonoperating revenues were $201,005, an increase of $16,252 over the prior year's total of $184,753. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2018 of $15,000, as well as an increase in the amount of interest income. For the fiscal year ended June 30, 2017, total operating and nonoperating revenues increased $28,559 from $156,194 in fiscal year 2016 to $184,753 in fiscal year 2017. This change is primarily due to an increase in the amount of grant revenue received from JOBS in fiscal year 2017 of $30,000.

(Continued)

Operating expenses increased by $22,322 in the fiscal year ended June 30, 2018, from $96,247 in fiscal year 2017 to $118,569 in fiscal year 2018, primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. In the fiscal year ended June 30, 2017, operating expenses increased by $26,383 from $69,864 in fiscal year 2016 to $96,247 in fiscal year 2017, primarily due to a increase in the amount of grants issued to support JobsOhio's mission and reported as economic development program expense. JobsOhio had an increase in workforce over the past three fiscal years as it continues to build upon its employee base to facilitate economic development in the State. Other operating expenses for the fiscal years ended June 30, 2018, 2017, and 2016 included professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a change in net position of $82,436 in the fiscal year ended June 30, 2018, which was a decrease of $6,070 from the change in net position as of June 30, 2017 of $88,506. JobsOhio had an increase of $2,176 in the change of net position for the fiscal year ended June 30, 2017 of $88,506, from the change of net position for the fiscal year ended June 30, 2016 of $86,330. The major factors affecting these changes were the increase in the amount of grant money received from JOBS during fiscal years 2018 and 2017 and the increase in the amount of grants issued to support JobsOhio's mission.

Capital Asset Activity

Capital asset additions to leasehold improvements of $360 in the fiscal year ended June 30, 2018 were primarily attributable to an expansion of office space. There were no capital asset additions to furniture and equipment or to software in the fiscal year ended June 30, 2018. Capital asset additions to leasehold improvements of $5 in the fiscal year ended June 30, 2017 were primarily attributable to an office company logo replacement. An addition to software of $308 in the fiscal year ended June 30, 2017 was attributable to the launch and continued maintenance of the JobsOhio website with increased search and mobile capabilities. Refer to page 24 of the notes to the financial statements for further information on capital assets.

Requests for Information

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

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

June 30, 2018 and 2017

(In thousands)

	June 30, 2018	June 30, 2017
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 274,322	$ 274,020
Cash and cash equivalents - restricted	143,464	128,948
Investments	460,682	393,331
Inventory	75,997	73,533
Loans	6,401	4,500
Receivables, net of allowance for uncollectable accounts	6,061	1,562
Prepaid expenses	2,322	4,826
Total current assets	969,249	880,720
Long-term assets:		
Intangible asset - liquor franchise, net of amortization	1,080,940	1,136,137
Capital assets, net of accumulated depreciation	2,233	1,310
Loans, net of loss allowance	84,543	43,778
Total long-term assets	1,167,716	1,181,225
Total assets	**2,136,965**	**2,061,945**
Liabilities:		
Current liabilities:		
Accounts payable	19,013	17,175
Accrued liabilities	125,498	95,730
Special obligation bonds payable - current portion	45,845	44,870
Bond interest payable	28,524	29,012
Capital lease payable - current portion	10	10
Total current liabilities	218,890	186,797
Long-term liabilities:		
Special obligation bonds payable	1,333,921	1,382,532
Capital lease payable	8	18
Total long-term liabilities	1,333,929	1,382,550
Total liabilities	**1,552,819**	**1,569,347**
Net position:		
Net investment in capital assets	2,233	1,310
Unrestricted	581,913	491,288
Total net position	**$ 584,146**	**$ 492,598**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2018 and 2017

(In thousands)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating revenues:		
Net liquor sales	$ 1,186,823	$ 1,102,485
Distribution center revenue	6,456	-
Interest income - loans	2,207	1,708
Fees and other	426	477
Total operating revenues	1,195,912	1,104,670
Operating expenses:		
Cost of goods sold	702,314	659,250
Sales commissions	64,791	60,390
Liquor gallonage taxes	48,473	46,621
Amortization of intangible asset - liquor franchise	55,197	55,197
Service fees	17,432	18,189
Supplemental Payment	36,831	13,495
Economic development programs	72,469	56,949
Salaries and benefits	12,861	11,058
Economic development purchased services	11,642	10,735
Professional services	12,225	10,890
Insurance	604	588
Administrative and support	8,029	4,810
Marketing	11,433	10,317
Other	1,151	391
Total operating expenses	1,055,452	958,880
Operating income	**140,460**	**145,790**
Nonoperating revenues (expenses):		
Bond interest, net	(54,771)	(55,650)
Investment income	2,569	1,837
Other, net	3,290	1,016
Total nonoperating revenues (expenses)	(48,912)	(52,797)
Change in net position	**91,548**	**92,993**
Net position, beginning of period	492,598	399,605
Net position, end of period	**$ 584,146**	**$ 492,598**

See accompanying notes to financial statements.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows

June 30, 2018 and 2017

(In thousands)

	2018	2017
Cash flows from operating activities:		
Receipts from fees and other	$ 2,365	$ 1,644
Receipts from customers	1,184,858	1,102,519
Receipts from suppliers	5,205	-
Payments to employees	(12,733)	(11,005)
Payments to suppliers	(742,616)	(699,203)
Payments for economic development programs	(108,547)	(64,368)
Payments for commissions	(64,449)	(60,104)
Receipts from sales taxes	69,085	65,562
Payments for sales tax collections to State and county	(68,340)	(65,172)
Payments for gallonage tax collections to State	(48,139)	(46,460)
Payments for servicing fees	(22,561)	(13,066)
Payments for Supplemental Payment to State	(13,495)	(35,665)
Net cash provided by operating activities	180,633	174,682
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(19)	(15)
Net cash used in noncapital financing activity	(19)	(15)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,415)	(434)
Payments for capital lease	(10)	(10)
Payments for bond principal	(44,870)	(44,020)
Payments for bond interest	(58,024)	(58,876)
Net cash used in capital and related financing activities	(104,319)	(103,340)
Cash flows from investing activities:		
Dividends and interest income	9,981	5,480
Purchases of investments	(219,775)	(201,299)
Proceeds from maturities of investments	148,317	129,613
Net cash used in investing activities	(61,477)	(66,206)
Net increase (decrease) in cash and cash equivalents	14,818	5,121
Cash and cash equivalents, beginning of period	402,968	397,847
Cash and cash equivalents, end of period	**$ 417,786**	**$ 402,968**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 140,460	$ 145,790
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of intangible asset - liquor franchise	55,197	55,197
Depreciation and amortization expense	496	506
Increase in loans	(40,542)	(21,928)
Increase (decrease) in loan valuation allowance	(2,124)	998
(Increase) in inventory	(2,464)	(585)
Increase in receivables, net of allowance for uncollectable accounts	(4,499)	(537)
(Increase) decrease in prepaid expenses	2,504	(462)
Increase (decrease) in accounts payable	1,837	(9,665)
Increase in accrued liabilities	29,768	5,368
Total adjustments	40,173	28,892
Net cash provided by operating activities	**$ 180,633**	**$ 174,682**
Noncash capital and related financing activities:		
Purchases of capital assets on account	$ 10	$ 5
Amortization of bonds payable	$ 2,766	$ 2,801

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

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

The accompanying financial statements include the accounts of JobsOhio Beverage System ("JOBS"), its sole component unit. JOBS is governed by a Board of Directors appointed by JobsOhio as the sole member of JOBS and is considered a blended component unit of JobsOhio. JOBS, previously known as the Ohio Business Development Coalition ("OBDC"), was incorporated on June 3, 2004, as a nonprofit corporation under Chapter 1702, Revised Code, for the promotion of business and economic development in the State. On July 6, 2011, by action of its Board of Directors, the OBDC amended its Articles of Incorporation to transfer control of OBDC to JobsOhio. 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 1(u), 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) Change in Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Codification Section 2100, *The Financial Reporting Entity*, for financial reporting purposes, JobsOhio's reporting entity now includes JOBS as a blended component unit (the "Entity"). Accordingly, the change in reporting entity has been applied retrospectively in the accompanying financial statements to include JOBS as a blended component unit of JobsOhio as of and for the fiscal years ended June 30, 2018 and 2017. The effect of the change as of July 1, 2016 was to increase JobsOhio's net position by $874.

(c) Financial Statements

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

(d) Measurement Focus and Basis of Accounting

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

(e) 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.

(f) Cash and Cash Equivalents

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

(g) Restricted Assets

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

(h) Investments

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

(i) Inventory

The Entity's inventory of spirituous liquor consists of inventory withdrawn from bailment for shipment to agency stores, inventory in transit in commercial carriers, and inventory in agency stores. Inventory is valued at the lower of cost or market 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

(Continued)

collect sale proceeds as agents for the Entity and make daily remittances to the Entity. A commission for the sales is subsequently paid to the agency stores by the Entity.

In regard to a subset of agency stores known as "interim agency stores," under the terms of the Franchise and Transfer Agreement ("Transfer Agreement"), at the point inventory is delivered to an interim agency store, title to such inventory transfers to the Ohio Division of Liquor Control on a cost-free basis. However, the economic substance of such transactions does not differ from that for regular agency stores. On the basis of the Entity's contractual rights and the status of the interim agency stores as agents of the Entity, such inventory is considered an asset of the Entity, is reported as inventory on the Entity's statements of net position, and upon sale the cost of such inventory is included in cost of goods sold. Inventory at interim agency stores as of June 30, 2018 and 2017 was $14,906 and $13,609, respectively.

(j) Loans

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

(k) Allowance for Loan Losses

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating future loan losses. Management's estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At June 30, 2018 and 2017, the amount of allowance for loan losses was $2,460 and $4,584, 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.

(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. At June 30, 2018 and 2017, the amount of allowance for uncollectable accounts was $2,546 and $0, respectively and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectable accounts".

(Continued)

(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 an exclusive franchise for the sale of spirituous liquor in the State. The liquor franchise is amortized on a straight-line basis over the 25-year term of the franchise. Amortization expense for the liquor franchise for each of the fiscal years ended June 30, 2018 and 2017 was $55,197.

(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:

- Net investment in capital assets – represents capital assets, net of accumulated depreciation less the outstanding balances of bonds, notes, and other borrowings used to acquire, construct, or improve those assets.

- Restricted – consists of net position that is legally restricted externally by creditors, contributors, laws, or regulations or internally by enabling legislation.

- Unrestricted – consists of net position that does not meet the definition of net investment in capital assets or restricted.

(Continued)

(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. 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, 2018 and 2017, the Entity issued grants for such purposes, reported in the Entity's statements of revenues, expenses, and changes in net position as "economic development programs" expense.

As part of the loan program, the Entity charges applicants an application fee, which is used to offset the cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the fiscal years ended June 30, 2018 and 2017 was $192 and $252, 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 ($298,513 for fiscal year ending June 30, 2018 and $289,819 for fiscal year ended June 30, 2017)), then the Entity is required to make a cash payment to the State equal to 75 percent of the amount by which Liquor Business Profits exceed Base Franchise Profits. Total Supplemental Payment expense for the fiscal years ended June 30, 2018 and 2017 was $36,831 and $13,495, respectively.

The Entity also contemporaneously contracted with the Ohio Department of Commerce for the continued operation and management of the Liquor Business under an Operations Services Agreement ("Services Agreement"). Under the Services Agreement, the Ohio Department of Commerce will provide ongoing operations, management, and administrative services related to the Liquor Business. Covered services include administrative support, tax support and reporting, information technology, agency operation and review, merchandise marketing and advertising, real property leasing, and management. Total service fees expense in the fiscal years ended June 30, 2018 and 2017 was $17,432 and $18,189, respectively.

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

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

(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 (non-executive) are granted paid time off in annual amounts which increase with the individual employees' years of service on the basis of the following schedule:

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

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

(x) New Accounting Pronouncements

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

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

(2) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

At June 30, 2018, the carrying amount of the Entity's deposits was $117,774, and the respective bank balance was $98,963. At June 30, 2017, the carrying amount of the Entity's deposits was $125,345, and the respective bank balance was $110,591. The difference in the carrying amount and the bank balances as of these dates is attributed to cash with fiscal agents and outstanding checks. See note 2(a)2 below.

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at June 30, 2018 and 2017, $25,772 and $8,190, respectively, was insured through the Federal Deposit Insurance Corporation ("FDIC"), including up to $25,272 and $7,690, respectively, deposited into money market accounts through a brokered deposit program permitting the Entity to obtain full FDIC coverage on the principal deposit amount. The remaining $73,191 and $102,491, 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 $300,004 and $277,622 at June 30, 2018 and 2017, respectively.

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

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of June 30, 2018 and 2017.

(In thousands)

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

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

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

(Continued)

(In thousands)

2. Cash with Fiscal Agents

As indicated in note 1(i) above, agency stores under contract with the Entity collect sale proceeds as agents for the Entity and are contractually required to segregate such proceeds and to remit them to the Entity on a daily basis. The agency stores are responsible for any risk of loss while in their possession and such amounts are typically swept into the Entity's bank accounts within two to three business days. The balance of these sale proceeds under such contractual arrangements as of June 30, 2018 and 2017 was $19,201 and $15,121, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

3. Investments

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

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of June 30, 2018, the Entity had the following investments and maturities held in trust pursuant to the terms of that agreement, as well as the Huntington Asset Management Agreement dated January 13, 2014:

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

As of June 30, 2017, the Entity had the following investments and maturities held in trust pursuant to the terms of that agreement, as well as the Huntington Asset Management Agreement dated January 13, 2014:

(In thousands)

	Fair value	Investment maturity: 1 year or less	Between 1 and 2 years	Between 2 and 4 years
US Treasury	$ 193,312	$ 47,990	$ 34,054	$ 111,268
FHLB Notes	33,946	27,021	5,030	1,895
FFCB Notes	49,700	20,034	4,998	24,668
FHLMC Notes	13,346	10,253	-	3,093
FNMA Notes	36,820	9,976	20,141	6,703
Corporates	66,207	30,586	21,777	13,844
Total	$ 393,331	$ 145,860	$ 86,000	$ 161,471

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

The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2018 and 2017:

		Fair Value Measurements Using			Fair Value Measurements Using	
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
US Treasury	$ 219,678	$ 219,678	$ -	$ 193,312	$ 193,312	$ -
FHLB Notes	49,394	-	49,394	33,946	-	33,946
FFCB Notes	53,370	-	53,370	49,700	-	49,700
FHLMC Notes	15,371	-	15,371	13,346	-	13,346
FNMA Notes	29,597	-	29,597	36,820	-	36,820
Corporates	93,272	-	93,272	66,207	-	66,207
Total	$ 460,682	$ 219,678	$ 241,004	$ 393,331	$ 193,312	$ 200,019

Investments classified in Level 1 of the fair value hierarchy, valued at $219,678 and $193,312 as of June 30, 2018 and 2017, respectively, are valued using quoted prices in active markets.

Investments classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by Huntington National Bank.

(In thousands)

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

Credit Risk – To minimize credit risk, the Entity prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Entity will do business. In addition, the investment portfolio is diversified to minimize risk of loss. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2018:

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

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2017:

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

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 $460,682 and $393,331 as of June 30, 2018 and 2017, respectively, are uninsured and held in the name of its investment manager.

(In thousands)

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

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

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

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

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the fiscal years ended June 30, 2018 and 2017 totaled $16 and ($4), 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 ($4,107) and ($2,609) as of June 30, 2018 and 2017, respectively, represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

(In thousands)

4. Capital Assets

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

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

Capital assets activity for the fiscal year ended June 30, 2017 is as follows:

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

(Continued)

5. Loans Receivable

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

Loans receivable balance of $90,944 as of June 30, 2018 relates to disbursements to 44 companies, and is net of loss allowance of $2,460. Loans receivable balance of $48,278 as of June 30, 2017 relates to disbursements to 27 companies, and is net of loss allowance of $4,584. The current portion of the loans receivable balance of $6,401 and $4,500 as of June 30, 2018 and 2017, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2018 and 2017 provide for disbursements of up to $129,361 and $89,014, respectively. The outstanding balance of the commitments as of June 30, 2018 and 2017 were $28,912 and $33,103, respectively.

The Entity's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that the Entity will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. The amount of valuation allowance was $2,460 and $4,584 as of June 30, 2018 and 2017, respectively.

6. Accounts Receivable Balances

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors. These amounts due are attributable to inventory adjustments from audits, store manager adjustments, distribution center services, and other miscellaneous claims. Accounts receivable also includes interest receivable on investments and loans. Accounts receivable balance of $6,061 and $1,562 as of June 30, 2018 and 2017, respectively, is net of allowance for uncollectable accounts of $2,546 and $0, respectively.

7. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements. This includes $742 and $2,642 of service fees to the Ohio Department of Commerce as of June 30, 2018 and 2017, respectively, as well as $188 and $1,068, respectively, as of June 30, 2018 and 2017 for prepaid rent payments on two separate operating lease agreements. See note 2(b)5 below.

(In thousands)

8. Intangible Asset – Liquor Franchise

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

The intangible asset – liquor franchise, is amortized over its useful life that coincides with the related contractual rights of the Transfer Agreement of 25 years. Amortization expense was $55,197 for the fiscal years ended June 30, 2018 and 2017. No impairment of the intangible asset existed as of June 30, 2018 and 2017.

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

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

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

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

(Continued)

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at June 30, 2018 and 2017 are as follows:

	2018	2017
Economic development programs	$ 52,924	$ 46,828
Liquor purchases	17,243	13,112
Agency commissions	3,129	2,787
Taxes	10,768	9,690
Supplemental Payment	36,831	13,495
Service fees	-	7,029
Economic development purchased services	1,178	686
Professional services	705	1,160
Payroll	204	165
Legal services	83	114
Liquor operations	57	-
Paid time off	194	117
Deferred rent	807	174
Employee benefits	44	41
Other	1,331	332
	$ 125,498	$ 95,730

2. Economic Development Programs – Grants

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

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

(Continued)

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

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

As of June 30, 2018, the Entity had executed 664 grants, including 253 economic development grants, 247 workforce grants, 157 revitalization grants and 7 research and development grants with a total committed amount of $276,778. As of June 30, 2018, the Entity had $118,440 in committed, but unpaid grants. As of June 30, 2017, the Entity had executed 479 grants, including 170 economic development grants, 195 workforce grants, and 114 revitalization grants with a total committed amount of $148,673. As of June 30, 2017, the Entity had $69,688 in committed, but unpaid grants. The grants are funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred.

In accordance with generally accepted accounting principles, the Entity recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. The Entity has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued economic development programs and is included in accrued liabilities in the statements of net position. The accrued economic development programs were $52,924 and $46,828 as of June 30, 2018 and 2017, respectively.

3. 401(k) Savings Plan

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

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

(In thousands)

The Plan was implemented in February 2014. For the fiscal year ended June 30, 2018, the total 401(k) match expense was $317 on total employee contributions of $710. For the fiscal year ended June 30, 2017, the total 401(k) match expense was $258 on total employee contributions of $553. As of June 30, 2018 and 2017, accrued employee 401(k) deferrals and accrued employer match were $41 and $30, respectively, and are included in the statements of net position as accrued liabilities.

4. Commitments and Contingencies – Litigation

No litigation is currently pending in which the Entity is named as a party.

5. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was $1,063 and $472, respectively, for the fiscal years ended June 30, 2018 and 2017.

Minimum future lease payments as of June 30, 2018 under this operating lease are as follows:

Year ending June 30:		
2019	$	362
2020		370
2021		379
2022		387
2023 - 2027		1,917
Total	$	3,415

In fiscal year 2015, the Entity entered into a lease agreement for office equipment, which is classified as a capital lease. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment for the years ended June 30, 2018 and 2017 was $35 and $25, respectively. Property on capital lease as of June 30, 2018 is as follows:

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

Property on capital lease as of June 30, 2017 is as follows:

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

(Continued)

(In thousands)

The interest rate related to the lease obligation is one percent and the maturity date is April 2020. Minimum future lease payments as of June 30, 2018 under this capital lease are as follows:

Year ending June 30:		
2019	$	10
2020		8
Total	$	18

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 $2,810 and $707, respectively, for the fiscal years ended June 30, 2018 and 2017.

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

Minimum future lease payments as of June 30, 2018 under this operating lease are as follows:

Year ending June 30:		
2019	$	1,417
2020		1,418
2021		1,473
2022		1,491
2023 - 2024		2,609
Total	$	8,408

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 June 30, 2018 under this operating lease are as follows:

Year ending June 30:		
2019	$	884
2020		906
2021		928
2022		953
2023		79
Total	$	3,750

(Continued)

(In thousands)

6. Long-Term Liabilities

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years. JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B outstanding at June 30, 2018 and 2017 are as follows:

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

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

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at June 30, 2018 and 2017 are $45,845 and $44,870, respectively. The bond series are subject to mandatory sinking fund redemption starting in 2024 and each year thereafter to maturity. The bonds will be repaid from Liquor Business Profits. All proceeds from the Liquor Business are pledged to the Trustee to pay obligations under the Indenture. The Indenture imposes certain restrictions and requirements whereby all Liquor Business revenues are required to be deposited in a trust fund held by the Trustee to settle obligations under the Indenture, including amounts sufficient to cover annual debt service for each fiscal year on account for all outstanding revenue bonds.

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

(Continued)

(In thousands)

Debt service requirements related to the bonds as of June 30, 2018 are as follows:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 45,845	$ 57,049	$ 102,894
2020	46,720	55,893	102,613
2021	48,890	54,011	102,901
2022	50,395	52,496	102,891
2023	52,035	50,846	102,881
2024 – 2028	291,115	223,150	514,265
2029 – 2033	355,970	158,001	513,971
2034 – 2038	444,430	68,108	512,538
Total	1,335,400	$ 719,554	$ 2,054,954
Unamortized premium	44,366		
Less current portion	(45,845)		
Total debt, long-term portion	$ 1,333,921		

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

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

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

	Balance, July 1, 2016	Additions	Reductions	Balance, June 30, 2017	Current portion
Bond principal	$ 1,424,290	$ -	$ (44,020)	$ 1,380,270	$ 44,870
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	(9,730)	(2,801)	-	(12,531)	-
Total debt	$ 1,474,223	$ (2,801)	$ (44,020)	$ 1,427,402	$ 44,870

(Continued)

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

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transactions have been fully complied with as of June 30, 2018 and 2017.

(c) Revenues

Liquor sales revenues are reported net of wholesale discounts, sales taxes, and an allowance for uncollectable accounts. For the fiscal year ended June 30, 2018, operating revenues were reported net of discounts of $20,660, sales tax of $69,085, and an allowance for uncollectable accounts of $2,546. For the fiscal year ended June 30, 2017, operating revenues were reported net of discounts of $19,579, sales tax of $65,562, and an allowance for uncollectable accounts of $0.

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

(Continued)

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Net Position

(In thousands)

(d) Combining Information

	June 30, 2018				June 30, 2017			
	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance
Assets:								
Current assets:								
Cash and cash equivalents - unrestricted	$ 70,974	$ 203,348	$ -	$ 274,322	$ 93,302	$ 180,718	$ -	$ 274,020
Cash and cash equivalents - restricted	-	143,464	-	143,464	-	128,948	-	128,948
Investments	460,682	-	-	460,682	393,331	-	-	393,331
Inventory	-	75,997	-	75,997	-	73,533	-	73,533
Loans	6,401	-	-	6,401	4,500	-	-	4,500
Receivables, net of allowance for uncollectable accounts	2,126	3,935	-	6,061	1,024	538	-	1,562
Prepaid expenses	996	1,326	-	2,322	580	4,246	-	4,826
Due from JOBS	103	-	(103)	-	152	-	(152)	-
Total current assets	541,282	428,070	(103)	969,249	492,889	387,983	(152)	880,720
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	1,080,940	-	1,080,940	-	1,136,137	-	1,136,137
Capital assets, net of accumulated depreciation	1,080	1,153	-	2,233	1,188	122	-	1,310
Loans, net of loss allowance	84,543	-	-	84,543	43,778	-	-	43,778
Total long-term assets	85,623	1,082,093	-	1,167,716	44,966	1,136,259	-	1,181,225
Total assets	**626,905**	**1,510,163**	**(103)**	**2,136,965**	**537,855**	**1,524,242**	**(152)**	**2,061,945**
Liabilities:								
Current liabilities:								
Accounts payable	1,461	17,552	-	19,013	2,166	15,009	-	17,175
Accrued liabilities	55,753	69,745	-	125,498	48,424	47,306	-	95,730
Special obligation bonds payable - current portion	-	45,845	-	45,845	-	44,870	-	44,870
Bond interest payable	-	28,524	-	28,524	-	29,012	-	29,012
Capital lease payable - current portion	10	-	-	10	10	-	-	10
Due to JobsOhio	-	103	(103)	-	-	152	(152)	-
Total current liabilities	57,224	161,769	(103)	218,890	50,600	136,349	(152)	186,797
Long-term liabilities:								
Special obligation bonds payable	-	1,333,921	-	1,333,921	-	1,382,532	-	1,382,532
Capital lease payable	8	-	-	8	18	-	-	18
Total long-term liabilities	8	1,333,921	-	1,333,929	18	1,382,532	-	1,382,550
Total liabilities	**57,232**	**1,495,690**	**(103)**	**1,552,819**	**50,618**	**1,518,881**	**(152)**	**1,569,347**
Net position:								
Net investment in capital assets	1,080	1,153	-	2,233	1,188	122	-	1,310
Unrestricted	568,593	13,320	-	581,913	486,049	5,239	-	491,288
Total net position	**$ 569,673**	**$ 14,473**	**$ -**	**$ 584,146**	**$ 487,237**	**$ 5,361**	**$ -**	**$ 492,598**

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(In thousands)

	Year Ended June 30, 2018				Year Ended June 30, 2017			
		Component Unit				Component Unit		
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Operating revenues:								
Net liquor sales	$ -	$ 1,186,823	$ -	$ 1,186,823	$ -	$ 1,102,485	$ -	$ 1,102,485
Distribution center revenue	-	6,456	-	6,456	-	-	-	-
Interest income - loans	2,207	-	-	2,207	1,708	-	-	1,708
Fees and other	1,229	-	(803)	426	1,208	-	(731)	477
Total operating revenues	3,436	1,193,279	(803)	1,195,912	2,916	1,102,485	(731)	1,104,670
Operating expenses:								
Cost of goods sold	-	702,314	-	702,314	-	659,250	-	659,250
Sales commissions	-	64,791	-	64,791	-	60,390	-	60,390
Liquor gallonage taxes	-	48,473	-	48,473	-	46,621	-	46,621
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Service fees	-	17,432	-	17,432	-	18,189	-	18,189
Supplemental Payment	-	36,831	-	36,831	-	13,495	-	13,495
JobsOhio management fees	-	803	(803)	-	-	731	(731)	-
Economic development programs	72,469	-	-	72,469	56,949	-	-	56,949
Salaries and benefits	12,861	-	-	12,861	11,058	-	-	11,058
Economic development purchased services	11,642	-	-	11,642	10,735	-	-	10,735
Professional services	5,256	6,969	-	12,225	3,761	7,129	-	10,890
Insurance	212	392	-	604	204	384	-	588
Administrative and support	4,696	3,333	-	8,029	3,223	1,587	-	4,810
Marketing	11,433	-	-	11,433	10,317	-	-	10,317
Other	-	1,151	-	1,151	-	391	-	391
Total operating expenses	118,569	937,686	(803)	1,055,452	96,247	863,364	(731)	958,880
Operating income (loss)	**(115,133)**	**255,593**	**-**	**140,460**	**(93,331)**	**239,121**	**-**	**145,790**
Nonoperating revenues (expenses):								
Grants	195,000	(195,000)	-	-	180,000	(180,000)	-	-
Bond interest, net	-	(54,771)	-	(54,771)	-	(55,650)	-	(55,650)
Investment income	2,569	-	-	2,569	1,837	-	-	1,837
Other, net	-	3,290	-	3,290	-	1,016	-	1,016
Total nonoperating revenues (expenses)	197,569	(246,481)	-	(48,912)	181,837	(234,634)	-	(52,797)
Change in net position	**82,436**	**9,112**	**-**	**91,548**	**88,506**	**4,487**	**-**	**92,993**
Net position, beginning of period	487,237	5,361	-	492,598	398,731	874	-	399,605
Net position, end of period	**$ 569,673**	**$ 14,473**	**$ -**	**$ 584,146**	**$ 487,237**	**$ 5,361**	**$ -**	**$ 492,598**

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(In thousands)

	2018				2017			
	JobsOhio	Component unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Component unit JobsOhio Beverage System	Eliminating Entries	Combined Balance
Cash flows from operating activities:								
Receipts from fees and other	$ 2,365	$ -	$ -	$ 2,365	$ 1,644	$ -	$ -	$ 1,644
Receipts from customers	-	1,184,858	-	1,184,858	-	1,102,519	-	1,102,519
Receipts from suppliers	-	5,205	-	5,205	-	-	-	-
Payments to employees	(12,733)	-	-	(12,733)	(11,005)	-	-	(11,005)
Payments to suppliers	(34,115)	(708,501)	-	(742,616)	(26,386)	(672,817)	-	(699,203)
Payments for economic development programs	(108,547)	-	-	(108,547)	(64,368)	-	-	(64,368)
Payments for commissions	-	(64,449)	-	(64,449)	-	(60,104)	-	(60,104)
Receipts from sales taxes	-	69,085	-	69,085	-	65,562	-	65,562
Payments for sales tax collections to State and county	-	(68,340)	-	(68,340)	-	(65,172)	-	(65,172)
Payments for gallonage tax collections to State	-	(48,139)	-	(48,139)	-	(46,460)	-	(46,460)
Payments for servicing fees	-	(22,561)	-	(22,561)	-	(13,066)	-	(13,066)
Payments for Supplemental Payment to State	-	(13,495)	-	(13,495)	-	(35,665)	-	(35,665)
Receipts (payments) between JobsOhio and component unit	852	(852)	-	-	762	(762)	-	-
Net cash provided by (used in) operating activities	(152,178)	332,811	-	180,633	(99,353)	274,035	-	174,682
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	195,000	(195,000)	-	-	180,000	(180,000)	-	-
Payments for other nonoperating expenses	-	(19)	-	(19)	-	(15)	-	(15)
Net cash provided by (used in) noncapital financing activity	195,000	(195,019)	-	(19)	180,000	(180,015)	-	(15)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(358)	(1,057)	-	(1,415)	(308)	(126)	-	(434)
Payments for capital lease	(10)	-	-	(10)	(10)	-	-	(10)
Payments for bond principal	-	(44,870)	-	(44,870)	-	(44,020)	-	(44,020)
Payments for bond interest	-	(58,024)	-	(58,024)	-	(58,876)	-	(58,876)
Net cash used in capital and related financing activities	(368)	(103,951)	-	(104,319)	(318)	(103,022)	-	(103,340)
Cash flows from investing activities:								
Dividends and interest income	6,676	3,305	-	9,981	4,446	1,034	-	5,480
Purchases of investments	(219,775)	-	-	(219,775)	(201,299)	-	-	(201,299)
Proceeds from maturities of investments	148,317	-	-	148,317	129,613	-	-	129,613
Net cash provided by (used in) investing activities	(64,782)	3,305	-	(61,477)	(67,240)	1,034	-	(66,206)
Net increase (decrease) in cash and cash equivalents	(22,328)	37,146	-	14,818	13,089	(7,968)	-	5,121
Cash and cash equivalents, beginning of period	93,302	309,666	-	402,968	80,213	317,634	-	397,847
Cash and cash equivalents, end of period	**$ 70,974**	**$ 346,812**	**$ -**	**$ 417,786**	**$ 93,302**	**$ 309,666**	**$ -**	**$ 402,968**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (115,133)	$ 255,593	$ -	$ 140,460	$ (93,331)	$ 239,121	$ -	$ 145,790
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Depreciation and amortization expense	461	35	-	496	502	4	-	506
Increase in loans	(40,542)	-	-	(40,542)	(21,928)	-	-	(21,928)
Increase (decrease) in loan valuation allowance	(2,124)	-	-	(2,124)	998	-	-	998
(Increase) decrease in inventory	-	(2,464)	-	(2,464)	-	(585)	-	(585)
(Increase) decrease in receivables, net of allowance for uncollectable accounts	(1,102)	(3,397)	-	(4,499)	(495)	(42)	-	(537)
(Increase) decrease in prepaid expenses	(416)	2,920	-	2,504	2,795	(3,257)	-	(462)
(Increase) decrease in due from/to component unit (net)	49	(49)	-	-	31	(31)	-	-
Increase (decrease) in accounts payable	(700)	2,537	-	1,837	(44)	(9,621)	-	(9,665)
Increase (decrease) in accrued liabilities	7,329	22,439	-	29,768	12,119	(6,751)	-	5,368
Total adjustments	(37,045)	77,218	-	40,173	(6,022)	34,914	-	28,892
Net cash provided by (used in) operating activities	**$ (152,178)**	**$ 332,811**	**$ -**	**$ 180,633**	**$ (99,353)**	**$ 274,035**	**$ -**	**$ 174,682**
Noncash capital and related financing activities:								
Purchases of capital assets on account	$ -	$ 10	$ -	$ 10	$ 5	$ -	$ -	$ 5
Amortization of bonds payable	$ -	$ 2,766	$ -	$ 2,766	$ -	$ 2,801	$ -	$ 2,801