



Dave Yost • Auditor of State

April 14, 2016

To the people of the State of Ohio:

The General Assembly created by statute a requirement that JobsOhio's private independent auditor perform an engagement to review compliance with relevant statutes and internal controls for JobsOhio. The Ohio Auditor of State is required to participate in the development of the audit program, but has no other authority in the process.

Ohio Revised Code section 187.01(J) provides in relevant part that:

The articles shall require that the audit committee hire a firm of independent certified public accountants, selected in consultation with the auditor of state, to perform, once each year, a financial audit of the corporation and of any nonprofit entity the sole member of which is JobsOhio. The articles also shall require all of the following:

- (1) Commencing with JobsOhio's fiscal year beginning July 1, 2012, the financial statements to be audited are to be prepared in accordance with accounting principles and standards set forth in all applicable pronouncements of the governmental accounting standards board;
- (2) The firm of independent certified public accountants hired is to conduct a supplemental compliance and control review pursuant to a written agreement by and among the firm, the auditor of state, JobsOhio, and any nonprofit entity the sole member of which is JobsOhio; and
- (3) A copy of each financial audit report and each report of the results of the compliance and control review are to be provided to the governor, the auditor of state, the speaker of the house of representatives, and the president of the senate.

This report is the fulfillment of those statutory obligations for the fiscal year ended June 30, 2015. The Auditor of State did not examine the records or books of JobsOhio and did not conduct any interviews. Our role was solely to suggest what work should be performed, and to review the work once it was performed. The work, and this report, are the product of the private auditor, KPMG.

Accordingly, we express no professional opinion regarding it or the operations and finances of JobsOhio, lacking independent means to form such opinions.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State



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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Directors and Management
JobsOhio and JobsOhio Beverage System:

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by management of JobsOhio and its component unit, JobsOhio Beverage System (JOBS), and the Ohio Auditor of State, solely to assist these specified parties in evaluating JobsOhio's and JOBS' compliance with certain requirements including Chapter 187 of the Ohio Revised Code (collectively referred to as Compliance Matters) for the year ended June 30, 2015. Management is responsible for JobsOhio's and JOBS' compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and associated results are enumerated in Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Compliance Matters. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of JobsOhio and its component unit, JOBS, and the Ohio Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 29, 2016

Exhibit A

JobsOhio

Procedure 1

Obtain from management a list of JobsOhio credit cardholders and the credit card statements for four months selected haphazardly during fiscal year 2015. Inquire of management and inspect documentation that credit card transactions were reviewed on a monthly basis by the appropriate person, as identified on management's list of authorized approvers. Obtain an employee expense report and the supporting documentation completed by the cardholder for each of the selected months. Determine that an authorized approver approved each selected employee expense report, and compare and agree the amounts to the credit card statement.

Results

We were informed that JobsOhio has one credit card account with separate cards issued to each of the multiple users and one credit card statement is received each month, which lists all transactions. JobsOhio's Chief Financial Officer (CFO) or a designated member of the accounting team downloads the credit card statement each month from the bank website and populates separate expense report templates for each cardholder with charges for the given month. The employee expense report is sent to the respective employee, who completes the expense report, provides receipts and sends to an authorized approver for review. JobsOhio CFO or a designated member of the accounting team then reviews each report to ensure that each transaction on the bank statement has been reconciled without exception to an approved entry on an expense report.

We obtained one employee expense report for each of the haphazardly selected four months (July 2014, December 2014, January 2015, and June 2015) during the fiscal year 2015 along with supporting receipts. The total of the expense reports amounted to \$19,182. We compared each of the items claimed on the employee expense reports to the amounts on the corresponding receipts and found that each amount agreed. We also compared and agreed each of the items claimed on the employee expense report to the corresponding credit card statement. All amounts from the credit card statement for the specific employees selected were included on the employee expense report. The employee expense reports were approved by an authorized approver, who was listed on the authorized approvers list provided by management. No exceptions were found as a result of applying the procedure.

Procedure 2

Haphazardly select a sample of 20 expenditures which are not ACH transactions from a detailed listing of expenditures for fiscal year 2015, and determine if JobsOhio used payment authorization forms in fiscal year 2015 for these transactions.

Results

We haphazardly selected 20 expenditures from the detailed listing of expenditures provided by management. The total of the detailed listing was reconciled to the total operating expenses (excluding salaries and wages) per the audited financial statements for the fiscal year ended 2015 and agreed within \$147. For each of the expenditures, we obtained the invoice and corresponding payment authorization form. No exceptions were found as a result of applying the procedure.

Procedure 3

Ohio Revised Code (ORC) 187.01(F)(2) - Inquire of management if an employee compensation plan was approved by the Board and verify by inspection of the minutes of the Board of Directors (Board). If such plan was approved, haphazardly select a sample of 10 employees from the June 30, 2015 payroll register and verify that employees' compensation was approved by the President and Chief Investment Officer in accordance with the plan, by reference to the employee's offer letter or other wage document. For the 10 employees selected above verify their compensation was in accordance with the approved amount.

Results

We inquired of management and were informed that an employee compensation plan was approved by the Board on December 12, 2014. We inspected meeting minutes for the executive session of the Board, which evidenced such approval. The compensation plan requires the board to approve the compensation for executives (of which there are seven) and management to approve the compensation for all other employees.

We haphazardly selected a sample of ten employees from the June 30, 2015 payroll register. One of the employees selected was an executive and we compared and agreed the individual's name and compensation amount to the Board approved compensation plan. For the remaining nine sampled employees, we obtained the employee's respective offer letter and adjustment authorization form, if applicable, noting the compensation amount was approved by President and Chief Investment Officer (CIO). We also obtained the employee's payment stub dated June 30, 2015 for the pay period June 9, 2015 – June 23, 2015 and recalculated the annual compensation amount approved by multiplying the pay rate per the payment statement by twenty-four as payroll is paid semi-monthly. We then compared and agreed the annual pay rate to the approved amount, noting no exceptions for nine of the ten employees selected. For one employee, we noted that the compensation amount approved by the President and CIO did not agree to the amount paid per the June 30, 2015 payroll register. Per discussion with management, the offer letter for this employee indicated the incorrect compensation amount, as a different amount was verbally committed when the employee received an offer of employment. The employee notified Human Resources, which resulted in a correction of the compensation amount in the payroll system, but neither an adjustment authorization form nor an updated offer letter was created or signed by the President and CIO.

Procedure 4

ORC 187.01(F)(4) – Obtain a list of all major contracts from management (as defined by the JobsOhio Board) for services recommended by the President and Chief Investment Officer. Compare such contracts with the minutes of the Board to determine whether the Board approved these contracts.

Results

We received a written representation from management that there were no major contracts for services (as defined by the JobsOhio Board) recommended by the President and CIO during the fiscal year 2015.

The renewal and restatement of contracts with Appalachian Partnership for Economic Growth, Columbus 2020, Dayton Development Coalition, REDI Cincinnati, Regional Growth Partnership and Team NEO were presented to the Board of Directors as a group of "Network Services Agreements" and were approved by the Board of Directors on June 24, 2014 as evidenced by the meeting minutes. Renewal of those agreements for calendar year 2015 pursuant to Section 5.1 of each original approved agreement was not separately acted on by the Board during calendar year 2015.

Procedure 5

ORC 187.01(G) – Obtain from management a listing of disbursements, and the corresponding documentation, made to Directors in fiscal year 2015. From that list, review any supporting documentation and list any disbursements that are not classified as expense reimbursements for travel, lodging, meals, or supplies. For those disbursements that were not classified as reimbursements for travel, lodging, meals or supplies, through review of documentation and inquiry of management, determine if any of those disbursements were for compensation and if so, report the disbursements that were for compensation.

Results

We obtained a listing of disbursements made to Directors in fiscal year 2015, which listed 47 disbursements for a total of \$5,885. All of the disbursements were classified as travel, lodging, meals or supplies and thus, we did not perform any procedures over these disbursements. No exceptions were found as a result of applying the procedure.

Procedure 6

Obtain a listing from JobsOhio of all individuals who were required to file a financial disclosure statement with the Ohio Ethics Commission (“OEC”) according to ORC 187.03(B)(2). For each of these individuals who have filed a confidential statement, obtain from management the file stamped cover page for the financial disclosure statement and identify the date such statement was filed and identify any statements not filed on or before April 15, 2015 or, if an individual is appointed or employed after that date and up to June 30, 2015, within 90 days after appointment or employment (as calculated from the start date indicated on the employee’s offer letter).

Results

We obtained a listing from management of all individuals who were required to file a financial disclosure statement with the OEC. Management indicated that employees are required to file if they carry the title of program manager or above (or if an individual sits on the Board of Directors). For each employee, we obtained the file stamped cover page for the financial disclosure statement and verified that such statement was filed on or before April 15, 2015. For the three individuals appointed or employed after that date and up to June 30, 2015, we obtained the file stamped cover page for the financial disclosure statement and verified that such statement was filed within 90 days after appointment or employment. No exceptions were found as a result of applying the procedure.

Procedure 7

Obtain the quarterly written reports of expenditures filed with the Ohio Development Services Agency (“DSA”) for the Governor and public officials designated by the Governor required to be submitted for compliance with ORC 187.03(B)(3) (“187.03 Report”) for the period July 1, 2014 through June 30, 2015. Verify the date that each report was submitted as required by inspecting email correspondence for the submittal. For submittals that cannot be verified by email, confirm in writing with DSA the receipt date of the report. Verify that the report contained the following elements: the dollar value and purpose of each expenditure, the date of each expenditure, the name of the person that paid or incurred each expenditure, and the location, if any, where services or benefits of an expenditure were received. Obtain a copy of the business rules for preparing the 187.03 Reports (“Business Rules”). Haphazardly select a sample of 10 transactions from the reports’ sub-ledgers and compare and agree the dollar value, purpose of each expenditure, the date of each expenditure, and the location, if any, where services or benefits of an expenditure were received, to the Business Rules and corresponding documentation. Report any instances

where the expenditure reported was not supported by the Business Rules and the supporting documentation.

Results

We obtained the quarterly written reports of expenditures filed with the Ohio DSA for the Governor and public officials designated by the Governor required to be submitted for compliance with ORC 187.03(B)(3) (“187.03 Report”) for the period July 1, 2014 through June 30, 2015, which reported a total of \$11,627 expenditures. There were no expenditures reported during the second quarter of fiscal year 2015. The quarters with expenditures contained columns which identified the following elements “dollar value”, “purpose”, “date”, “name of person that paid” and “location”. We verified the date that each report was submitted as required by inspecting email correspondence for the submittal. We also obtained a copy of the business rules for preparing the 187.03 Reports (“Business Rules”) dated July 1, 2014.

We haphazardly selected a sample of ten transactions, amounting to \$10,713, from the reports’ sub-ledgers. For all samples, we compared and agreed the dollar value, purpose of each expenditure, the date of each expenditure, and the location, if any, where services or benefits of an expenditure were received, to the Business Rules and corresponding documentation. We noted that each reported transaction was supported by management’s Business Rules and supporting documentation. No exceptions were found as a result of applying the procedure.

Procedure 8

Obtain minutes and a list of public meetings of the JobsOhio Board of Directors at which a quorum is required to be physically present under ORC 187.01(F), for the fiscal year ended June 30, 2015. Obtain JobsOhio’s method for notifying persons of the time/place of such public meetings, and obtain the notices given for each such meeting. Verify that a minimum of four meetings were held and that the minutes contained documentation that the meetings were open to the public except, by a majority vote of the directors present at the meeting, the meeting may be closed to the public. Ascertain that minutes were prepared, filed, and maintained for each of the meetings on the list of meetings provided by JobsOhio. For any such meetings during which a portion of the meeting was closed to the public, read the Board approved description of why a portion of such meeting was closed to the public and verify it was for one or more of the following purposes:

- (1) To consider business strategy of the corporation;
- (2) To consider proprietary information belonging to potential applicants or potential recipients of business recruitment, retention, or creation incentives. For the purposes of this division, "proprietary information" means marketing plans, specific business strategy, production techniques and trade secrets, financial projections, or personal financial statements of applicants or members of the applicants' immediate family, including, but not limited to, tax records or other similar information not open to the public inspection.
- (3) To consider legal matters, including litigation, in which the corporation is or may be involved;
- (4) To consider personnel matters related to an individual employee of the corporation. [ORC 187.03(C)]

Results

We obtained the Board of Directors meeting minutes for public meetings where a quorum is required to be physically present under ORC 187.01(F). Four such meetings were held during fiscal year 2015. Management informed us that their method for notifying persons of the time/place of such public meetings is to issue a press release one to two days prior to the meeting date. Press releases are issued to the press and posted on the JobsOhio website. The dates of each meeting and the results of the relevant procedures are enumerated above were as follows:

<u>Meeting date</u>	<u>Press release issued?</u>	<u>Documentation in minutes that meeting is public?</u>	<u>Minutes prepared, filed and maintained?</u>	<u>Executive session (closed to public)?</u>	<u>If executive session, reason disclose in minutes and is for one or more of the purposes indicated above?</u>
September 26, 2014	Yes	Yes	Yes	Yes	Yes
December 12, 2014	Yes	Yes	Yes	Yes	Yes
March 19, 2015	Yes	Yes	Yes	Yes	Yes
June 18, 2015	Yes	Yes	Yes	Yes	Yes

Procedure 9

Inspect the report submitted by the President and Chief Investment Officer of JobsOhio to the Governor detailing the Corporation's activities for the year ended December 31, 2014. Determine that it was submitted by March 1, 2015 by inspecting email correspondence for submittal. Through a written certification of management which will provide a listing of the pages from the report which correspond with the below five elements and inspection of the report, verify that the report contained the following five elements:

- (1) An analysis of the state's economy;
- (2) A description of the structure, operation, and financial status of the corporation;
- (3) A description of the corporation's strategy to improve the state economy and the standards of measure used to evaluate its progress;
- (4) An evaluation of the performance of current strategies and major initiatives;
- (5) An analysis of any statutory or administrative barriers to successful economic development, business recruitment, and job growth in the state identified by JobsOhio during the preceding year.

Results

We obtained and inspected the report entitled "JobsOhio 2014 Annual Report and 2015 Strategic Plan" which details JobsOhio's activities for the year ended December 31, 2014. We obtained and inspected the email correspondence which transmitted this report to the Governor's office and noted that the date of submittal was February 27, 2015, which is before the required submittal of March 1, 2015. As per email correspondence, the following documents were submitted to the Governor: a.) a letter from JobsOhio

President & CIO, John Minor, to Governor Kasich; b.) the JobsOhio 2014 Annual Report and 2015 Strategic Plan; and c.) JobsOhio 2014 Policy Recommendations.

We obtained written representation from management identifying the pages from the report entitled “JobsOhio 2015 Annual Report and 2015 Strategic Plan” which correspond to the five elements indicated in the procedure above. We compared and agreed the page numbers and respective sections from the written representation to the report noting all elements to be present. For the element specified in (5) above, management provided a one page document entitled “Top Issues to Improve Ohio’s Overall Competitiveness” and this document was submitted with the report as evidenced by the email correspondence. No exceptions were found as a result of applying the procedure.

Procedure 10

Obtain from management documentation of the filing with the DSA the following designated records described in the contract entered into between JobsOhio and the DSA to assist the DSA in its functions and duties:

- (1) The corporation's federal income tax returns;
- (2) The report of expenditures described in division (B)(3) of section 187.03 of the Revised Code. The records shall be filed with the agency at such times and frequency as agreed to by the corporation and the agency, which shall not be less frequently than quarterly.
- (3) The annual total compensation paid to each officer and employee of the corporation;
- (4) A copy of the report for each financial audit of the corporation and of each supplemental compliance and control review of the corporation performed by a firm of independent certified public accountants pursuant to division (J) of section 187.01 of the Revised Code.
- (5) Records of any fully executed incentive proposals, to be filed annually;
- (6) Records pertaining to the monitoring of commitments made by incentive recipients, to be filed annually;
- (7) A copy of the minutes of all public meetings described in division (C) of section 187.03 of the Revised Code not otherwise closed to the public.

Results

We obtained a letter dated February 27, 2015 from JobsOhio to the Ohio Development Services Agency, which indicated submission of the records and / or responses required per sections 6 and 10 of the Agreement for Services dated September 30, 2013 between JobsOhio and the Ohio Development Services Agency. We verified that the filing included each of the designated records described in this procedure; however, we note that (6) records pertaining to the monitoring of commitments made by incentive recipients, to be filed annually, was not applicable for 2014. Since the first agreements made by incentive recipients with JobsOhio occurred in the fourth quarter of 2013, an Annual Report is not required to be submitted until March of the calendar year following the execution of the incentive agreement, which means that incentive recipients have until March 2015 to submit their Annual Report for the progress made in 2014. No exceptions were found as a result of applying the procedure.

Procedure 11

Determine through inquiry of management and inspection of minutes of the Board of Directors whether there were any changes to the conflicts of interest policy of JobsOhio during the fiscal year ended June 30, 2015. If there were changes during that fiscal year, inspect the revised policy(ies) and ensure that it (they) continue to prohibit any director of JobsOhio from soliciting or accepting employment with any person that receives or has received an incentive or other assistance as a result of a decision the director participated in as a director of JobsOhio.

Results

We inquired with management and inspected minutes of the Board of Directors and did not identify any changes made to the JobsOhio conflicts of interest policy for the fiscal year ended June 30, 2015. No exceptions were found as a result of applying the procedure.

Procedure 12

Inspect JobsOhio's Board of Directors' minutes for disclosures of financial interests and report whether the minutes reflect that the conflicts of interest policy was followed.

Results

We obtained all minutes of the Board of Directors meetings held during fiscal year 2015 and did not identify any instances where conflicts of interest were discussed. No exceptions were found as a result of applying the procedure.

Procedure 13

Haphazardly select a sample of 10 companies from the OEC compilation lists (of each Board member's employer or ownership interests the Board member reported per ORC 187.06 (the "OEC Compilation List") dated May 22, 2015 and June 4, 2015 for calendar year 2014 and compare it to the JobsOhio economic development incentive projects ("Projects") or arrangements made by JobsOhio taken from the DSA End-of-Year Report for calendar year 2014. Identify any companies in the sample that had active Projects or arrangements, defined as having received an offer from JobsOhio during the first six months of fiscal year 2015. From that list identify whether JobsOhio reported those companies where an offer had been made back to OEC by its letter to the OEC dated June 19, 2015.

Results

We haphazardly selected a sample of ten companies from the OEC Compilation Lists dated May 22, 2015 and June 4, 2015 and compared the company names to the DSA End-of-Year Report. We did not identify any companies that had active Projects or arrangements, defined as having received an offer from JobsOhio during the first six months of fiscal year 2015, and as such, no further procedures were performed. No exceptions were found as a result of applying the procedure.

Procedure 14

For fiscal year 2015, obtain from the JobsOhio Director of Compliance the confidential list of each Board member's and employee's financial and fiduciary interests (the "JO Disclosures List"). From the JO Disclosures List, haphazardly select a sample of ten Board members or employees and compare their financial and fiduciary interests with the Projects or arrangements listed on the DSA End-of-Year Reports covering the final six months of calendar year 2014. Where a Board member or employee had a financial or fiduciary interest in an entity that JobsOhio had a Project or arrangement with during fiscal year 2015,

review the JobsOhio Customer Relationship Management (“CRM”) System Project file for the Project or arrangement and identify whether the financial or fiduciary interest was noted in the Conflict of Interest section of that Project file. Report any Project files where the potential conflict was not identified by JobsOhio. Additionally, inspect the rest of the Project file for the subject Board members’ or employees’ name and report if the person is listed as having participated in the Project.

Results

We obtained the confidential list of financial and fiduciary interests for each Board member and employee from the JobsOhio Director of Compliance and haphazardly selected a sample of ten Board members or employees. For each of the selections, we compared their financial and fiduciary interests with the Projects or arrangements listed on the DSA End-of-Year Reports covering the final six months of calendar year 2014. We identified four Board members or employees who had a financial or fiduciary interest in an entity that JobsOhio had a Project or arrangement with during fiscal year 2015. For each of the interests, we reviewed the JobsOhio CRM System Project file for the Project or arrangement. We inspected the rest of the Project file for the respective Board member or employee name and did not identify that the person was listed as having participated in the Project. We did not identify any Project files where a potential conflict was not identified by JobsOhio. No exceptions were found as a result of applying the procedure.

Procedure 15

From the list of Projects or arrangements on the DSA End-of-Year Report covering the last six months of calendar year 2014, haphazardly select a sample of 20 Projects and provide them to the Director of Compliance. The Director of Compliance will provide a list of any Board member or employee names that were identified in the Project file for the selected Projects as participating in the Project (“Participants List”). Compare the Participants List to the JO Disclosures List and determine if any individuals on the Participants List is listed as having a financial or fiduciary interest in the Project. If so, report whether JobsOhio noted the financial or fiduciary interest (not to include consumer debt which includes credit cards, student loans, and car loans) in the Conflicts of Interest section of that Project file.

Results

We haphazardly selected twenty projects from the DSA End of Year Report which covered calendar year 2014. For each of the twenty projects selected, the Director of Compliance provided us with a list of any Board member or employee names which were identified in the CRM system as participating in the project. We did not identify any individuals on the Participants List as having a financial or fiduciary interest in the selected Project, and as such, no further procedures were performed. No exceptions were found as a result of applying the procedure.

Procedure 16

Verify through a demonstration of the software, that as of the date this agreed-upon procedures engagement was conducted, the conflict identification searches have been incorporated and implemented in JobsOhio’s proprietary CRM software.

Results

Management provided a demonstration of the software, which allowed us to verify that the conflict identification searches have been incorporated and implemented in the CRM software as of the date of this agreed-upon procedures. No exceptions were found as a result of applying the procedure.

Procedure 17

ORC 187.06(G) - Obtain a listing of each officer and director and ascertain that each individual listed has signed a statement affirming that the individual:

- (1) has received the conflicts of interest policy,
- (2) has read and understands the policy,
- (3) has agreed to comply with the policy, and
- (4) understands JobsOhio's statutory purpose and that it is a nonprofit corporation.

Results

We obtained from management the listing of officers and directors in fiscal year 2015, which totaled nine individuals. We also obtained the annual conflicts of interest statement for each of the individuals, noting that all statements were signed by the officer or director between September 2014 and February 2015, affirming that the individual has received the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands JobsOhio's statutory purpose and that it is a non-profit corporation. No exceptions were found as a result of applying the procedure.

Procedure 18

ORC 187.06(H) - Inquire of management whether a periodic review that determined all of the following items was conducted during the fiscal year:

- (1) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining;
- (2) Whether JobsOhio's operations are consistent with its articles of incorporation, regulations, and contractual obligations, and are properly documented; and
- (3) Whether transactions are fair to JobsOhio, reflect reasonable investment or payments for goods and services, further JobsOhio's statutory purpose or contractual obligations, and do not result in direct private benefit to directors, officers, or other persons, in other than a de minimis manner.

If no review was performed, inquire of management when the review will be completed. If such periodic review was completed, obtain from management the results of the review, and verify that the three elements listed above were included in the results.

Results

We inquired of management, who asserted that a full periodic review addressing all three of the items described above was conducted in fiscal year 2015. We obtained the results of the review and verified that all three elements listed above were included in the results. No exceptions were found as a result of applying the procedure.

Procedure 19

Haphazardly select a sample of 10 expenditures from a detailed listing of expenditures for fiscal year 2015 that consists of all expenditures excluding salaries and benefits. For each sample item, obtain the related documentation, which may include an invoice from the vendor or a contract/agreement. Report any sample

items for which the documentation evidences the expenditure was not related to JobsOhio's nonprofit purpose as stated in Article III of the Amended and Restated Articles of Incorporation filed with the Ohio Secretary of State, dated October 21, 2013.

Results

The total expenditures excluding salaries and benefits amounted to \$64,657,081. The total of ten expenditures that were haphazardly selected amounted to \$987,663. We inspected the expense description listing and on the invoice or contract/agreement and inquired of management regarding the nature of the expense item and based on those procedures, each of the ten selected items appeared to be for the stated purpose of JobsOhio. No exceptions were found as a result of applying the procedure.

Procedure 20

ORC 187.061(A) - Obtain the ethical conduct statement and the gift policy acknowledgement for all officers and employees of JobsOhio and compare such statements to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2015.

Results

We obtained a listing of all officers and employees of JobsOhio as of the end of fiscal year 2015, which consisted of 59 employees and 3 officers. We compared and agreed each of the employees' names (excluding officers or the Board of Directors) from the last payroll register for JobsOhio for the fiscal year ended June 30, 2015 to the listing of names provided by management. All employees were listed on the payroll register. Additionally, there were no employees listed on the payroll register which were not included on management's listing. For each of the employees and officers listed, we obtained their respective ethical conduct statement and gift policy acknowledgement. No exceptions were found as a result of applying the procedure.

Procedure 21

ORC 187.061(A) - Obtain completion certificates or attendance register for annual course or program of study on ethics for all officers and employees of JobsOhio and compare the names of officers and employees to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2015.

Results

We obtained the last payroll register for JobsOhio for the fiscal year ended June 30, 2015, which had a pay date of June 30, 2015. A total of 59 employees were listed. We compared and agreed the names on the attendance register for an ethics training course entitled "JobsOhio Annual Ethics Training," which was held on September 22, 2014 for employees and September 26, 2014 for officers to the names on the listing. We also obtained the Annual Ethics Training acknowledgment for all employee hired after September 22, 2014. We identified three current employees, who were unable to attend training on September 22, 2014, where evidence of completion via a completion certificate or attendance register was not retained due to the process in place at the time. However, management represented that each of these employees viewed the training videos.

Procedure 22

Obtain a written representation from JobsOhio management that JobsOhio has not made any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01.

Results

We obtained a written representation from JobsOhio management which positively affirmed that JobsOhio did not make contributions to any campaign committee, political party, legislative campaign fund, political action committee or political contributing entity as those terms are defined in ORC 3517.01. No exceptions were found as a result of applying the procedure.

Procedure 23

From the JobsOhio Monthly Executed Agreement Reports located on the JobsOhio website covering the period July 1, 2014 through June 30, 2015, haphazardly select a sample of 5 JobsOhio Economic Development Grants, 5 JobsOhio Workforce Grants, 5 JobsOhio Growth Fund Loans, as well as the one JobsOhio Revitalization Loan.

- (1) Through review of notes of the twice-weekly JO/DSA Project Review meetings in the CRM (“JO/DSA Project Review meeting”), determine that the grant/loan was discussed during at least one of those meetings and before the agreement was executed as reflected in the CRM.
- (2) By review of the JO/DSA Project Review meeting notes, verify the leadership of both JobsOhio (at least two of the following: President, Executive Director of Operations, Managing Directors, and/or General Counsel) and DSA (the Director, Assistant Director and/or Chief of the Business Services Division) was in attendance at the JO/DSA Project Review meeting.
- (3) Obtain from management the original offer letter that was sent to the company. Compare the date of the offer letter to the date of the notes of the twice-weekly JO/DSA Project Review meeting. Report the number of grants/loans tested where (a) an offer letter was issued before the review at a JO/DSA Project Review meeting or (b) the offer letter was never issued.
- (4) Compare the application submission date of the company indicated in the Project record in the CRM to the offer letter date. Report the number of grants/loans where an application submission date was prior to the original offer letter.
- (5) For each of the 5 Growth Fund Loans selected, and the Revitalization Loan, review the Project record and verify that the JobsOhio loan review committee reviewed each loan by reference to the loan review meeting notes (“Loan Review Meeting Notes”) in the CRM.
- (6) Through review of the agenda and other records of the Independent Review Panel meeting notes (“Independent Review Panel Notes”) in the CRM, verify that the Panel reviewed each grant/loan.
- (7) JobsOhio requires the creation of jobs within a specified time period, known as the Metric Evaluation Date (“MEvD”). Review the grant/loan agreement and determine if a MEvD was included. Compare the MEvD in the agreement to the MEvD approved during the JO/DSA Project Review meeting and reflected in the most recent offer letter (either an offer letter or a supersedes offer letter) for the Project. If there are any differences, review the Project records for and identify documentation confirming the change in MEvD from the offer letter to the final approved Agreement.
- (8) In the record for the Project, review the Project description and identified industry cluster and verify that it was not for retail and “other population driven businesses” (defined as hospitals,

schools, entertainment uses, residential or multi-family developments). Report the number of Projects tested that were for retail and/or other population businesses.

- (9) Obtain from the Project record the average hourly rate of the jobs committed to be created and recalculate that it is at or above the wage floor defined by JobsOhio as 150% of Federal minimum wage applicable on the execution date of the grant/loan agreement.

Results

We selected a sample of five JobsOhio Economic Development Grants, five JobsOhio Workforce Grants, five JobsOhio Growth Fund Loans, as well as the one JobsOhio Revitalization Loan. We performed each of the aforementioned procedures for each of the grants and loans selected. For one of the loans selected, we identified that the MEvD per the executed agreement (12/31/2015) could not be matched to the MEvD in the most recent Offer Letter for the project because it was executed prior to the practice of including the MEvD in the Offer Letter [procedure 23(7)].

Procedure 24

For the 5 JobsOhio Economic Development grants selected in procedure 23, obtain the executed grant agreement and determine that it includes one or more of the following Eligible Costs (as outlined in the program guidelines approved by the Board and posted on the JobsOhio website (“Board Guidelines”)) and does not include any Ineligible Costs as eligible for reimbursement under the grant:

Eligible Costs include the following: Freight shipping of equipment related to the Project; infrastructure including utility, telecommunications, information technology; site development costs; purchase of land; machinery and equipment; leasehold improvements; fees and material costs related to planning or feasibility studies; moving and relocation costs of machinery and equipment related to the Project; and engineering services. Ineligible costs include: Bonds or other debt issuances issued by Grantee to finance completion of the site; administrative costs including salaries and travel expenses; rolling stock, contributions and donations by the grantee to individuals or to other organizations; costs relating to violations of or failure to comply with federal, state, and local laws and regulations (specifically, payment of fines, penalties or assessments); food, drinks, and entertainment; goods and services for personal use by the Grantee’s employees; long-term housing expenses; interest on borrowed money; organized fundraising; travel expenses; and taxes from which the Grantee is normally exempt.

Results

For each of the JobsOhio Economic Development grants selected in procedure 23, we obtained the executed grant agreement and determined that it included at least one of the Eligible Costs, as specifically described in this procedure. We also observed that the executed grant agreements selected did not include Ineligible Costs, as specifically described in this procedure, as eligible for reimbursement. No exceptions were found as a result of applying the procedure.

Procedure 25

For the 5 JobsOhio Workforce grants selected in procedure 23, obtain the executed grant agreement and determine that it includes one or more of the following Eligible Costs (as outlined in the Board Guidelines for the program) and does not include any Ineligible Costs as eligible for reimbursement under the grant:

Eligible Costs include the following: Information technology; maintenance, skilled trades; leadership skills; product knowledge; quality management and processes; safety training (industry specific); supervisory; technical processes; technical training; on-the-job training; equipment; materials; travel costs

(domestic and international); Co-Op; and apprenticeship. Ineligible costs include: college degrees; consumables (such as pens, pencils and materials for practice welds); food, drinks, and entertainment; GED; infrastructure; soft skills; trainee wages; training which is reimbursed by other public agencies or departments; OSHA Regulatory; membership dues, license fees; preparation time or travel time; and profit-oriented courses.

Results

For each of the JobsOhio Workforce Development grants selected in procedure 23, we obtained the executed grant agreement and determined that it included at least one of the Eligible Costs, as specifically described in this procedure. We also observed that the executed grant agreements selected did not include Ineligible Costs, as specifically described in this procedure, as eligible for reimbursement. No exceptions were found as a result of applying the procedure.

Procedure 26

For the 5 JobsOhio Growth Fund loans selected in procedure 23, obtain the executed loan agreement and perform the following:

- (1) Verify by review of the executed loan agreements that the Growth Fund loans were within the typical range of \$500,000 to \$5,000,000 as outlined in the Board Guidelines. If the loans were not within that range, agree the amount of the loan in the executed loan agreement to the amount of the loan approved in the most recent term sheet reviewed and approved by the JobsOhio loan review committee for the loan.
- (2) Eligible Costs include the following as described by the Board Guidelines: Land and/or building purchases - if the Project involves the purchase of an existing building, the business must occupy more than half the premises; machinery and equipment purchases; building construction and/or renovation costs - if the Project involves new construction, the business must occupy at least two-thirds of the premises; long-term lease hold improvements; capitalized costs directly related to a fixed-asset purchase; and software development. Review the loan agreement and determine that it includes one or more of the foregoing Eligible Costs (as outlined in the Board Guidelines for the program).
- (3) Compare the term of the loan in the executed loan agreement to the term of the loan approved by the JobsOhio loan review committee and reflected in the most recent term sheet for the loan.
- (4) By reviewing the most recent term sheet reviewed by the JobsOhio loan review committee for the Project, calculate that the applicant committed to make at least a 10% contribution/equity in the allowable Project costs and uses.
- (5) Inquire of management what security documents were used to secure the loan, and obtain the Closing Binder to determine if those documents were included.

Results

For each of the JobsOhio Growth Fund loans selected in procedure 23, we obtained the executed loan agreement and performed each of the aforementioned procedures. We verified by review of the executed loan agreements that the Growth Fund loans were within the typical range of \$500,000 to \$5,000,000 as outlined in the Board Guidelines. We reviewed the loan agreement and verified that it includes one or more of the Eligible Costs per this procedure. We compared the term of the loan in the executed loan agreement

to the term of the loan approved by the JobsOhio loan review committee and reflected in the most recent term sheet for the loan. We reviewed the most recent term sheet reviewed by the JobsOhio loan review committee for the Project and calculated that the applicant committed to make at least a 10% contribution / equity in the allowable Project costs and uses. Except, for one of the loans selected, we calculated that the applicant committed to make less than a 10% contribution / equity in the allowable Project costs and uses [procedure 26(4)]. We inquired of management as to what security documents were used to secure the loan and obtained the Closing Binder to determine that the documents were included.

Procedure 27

For the JobsOhio Revitalization Program loan closed during fiscal year 2015, obtain the executed loan agreement and perform the following:

- (1) Review the loan agreement metric commitments to verify the executed loan agreement requires at least 20 jobs will be created and/or retained. Review the Project records for a signed agreement from the borrower such as a letter of intent, option, lease, or documentation that the Borrower holds title for the Project site.
- (2) Eligible Costs include the following as described by the Board Guidelines: demolition; environmental remediation; building renovation; asbestos and lead paint abatement; removal and disposal of universal and construction waste; site preparation; infrastructure, and environmental testing and lab fees. Review the loan agreement and determine that it includes one or more of the foregoing Eligible Costs (as outlined in the Board Guidelines for the program).
- (3) Verify the loan was within the typical range of \$500,000 to \$5,000,000 and between 20% and 75% of eligible costs. If the Project loan was not within that range, agree the amount of the loan in the executed loan agreement to the amount of the loan approved in the most recent term sheet reviewed by the JobsOhio loan review committee for the Project.
- (4) Review the term of the note and verify that it is within the typical range of between 10 and 15 years. If the term was not within that range, agree the term in the executed loan agreement to the term approved in the most recent term sheet reviewed by the JobsOhio loan review committee for the Project.

Results

For the JobsOhio Revitalization Program loan closed during the year, we obtained the executed loan agreement and performed each of the aforementioned procedures. We reviewed the loan agreement metric commitments and verified that the executed loan agreement requires at least 20 jobs will be created and / or retained. We reviewed the Project records for a signed agreement from the borrower such as a letter of intent, option, lease, or documentation that the Borrower holds title for the Project site. We reviewed the loan agreement and verified that it includes one or more of the Eligible Costs per this procedure. We verified that the loan was within the typical range of \$500,000 to \$5,000,000 and between 20% and 75% of the eligible costs. We reviewed the term of the note and verified that it is within the typical range of between 10 and 15 years. No exceptions were found as a result of applying the procedure.

Procedure 28

For the loans selected in procedures 26 and 27, perform the following:

- (1) Review the loan agreement for the disbursement requirements specific to that loan (typically located in Section 2.5) and verify by examination of the Closing Binder, disbursement and other program records for the Project that JobsOhio received proof that the conditions were met prior to JobsOhio disbursing any loan proceeds.
- (2) If the Loan Agreement requires that disbursements are limited to a certain percentage of eligible costs, examine the approved disbursement records to determine if they were within the required percentage.
- (3) For each loan, haphazardly select one reimbursement request paid during fiscal year 2015 and verify by review of the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of their agreement.
- (4) Verify the metric updates were included with the reimbursement request.
- (5) Verify that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Executive Team in the absence of the Executive Director of Operations, approved each reimbursement request prior to disbursement of funds.

Results

For each of the loans selected in procedures 26 and 27, we performed each of the aforementioned procedures. We reviewed the loan agreement for the disbursement requirements specific to that loan and verified by examination of the Closing Binder, disbursement and other program records for the Project, that JobsOhio received proof that the conditions were met prior to JobsOhio disbursing any loan proceeds. For two of the loans selected, we were not able to verify that certain disbursement requirements were met prior to JobsOhio disbursing loan proceeds [procedure 28(1)]. If the Loan Agreement required that disbursements are limited to a certain percentage of eligible costs, we examined the approved disbursement records and determined that they were within the required percentage. For each loan, we haphazardly selected one reimbursement request paid during fiscal year 2015 and verified by review of the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of the agreement. We verified that metric updates were included with the reimbursement request. We verified that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Executive Team in the absence of the Executive Director of Operations, approved the reimbursement request prior to disbursement of funds.

Procedure 29

For each of the 10 grant funds selected in procedures 24 and 25, haphazardly select one reimbursement request paid during fiscal year 2015 and perform the following:

- (1) Verify by review of the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of their agreement.
- (2) Verify the metric updates were included with the reimbursement request.
- (3) Verify that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Executive Team in the absence of the Executive Director of Operations,

approved each reimbursement request prior to disbursement of funds as evidenced by the date on the reimbursement request approval and the date the payment was disbursed.

- (4) If a deficiency in the reimbursement request was noted by JobsOhio, verify that JobsOhio notified the grantee of the deficiencies by reviewing the documentation of the notification. Ascertain through a review of the approved disbursement request that the deficiency amount was not included in the funds disbursed.

Results

For each of the grants selected in procedures 24 and 25, we haphazardly selected one reimbursement request paid during FY 2015 and performed each of the aforementioned procedures. We verified by review of the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of their agreement. We verified the metric updates were included with the reimbursement request. We verified that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Executive Team in the absence of the Executive Director of Operations, approved each reimbursement request prior to the disbursement of funds as evidenced by the date on the reimbursement request approval and the date the payment was disbursed. If a deficiency in the reimbursement request was noted by JobsOhio, we verified that JobsOhio notified the grantee of the deficiencies by reviewing documentation of the notification and ascertained through review of the approved disbursement request that the deficiency amount was not included in the funds disbursed. No exceptions were found as a result of applying the procedure.

Procedure 30

From the JobsOhio Monthly Executed Agreement Reports covering the period January 1, 2014 through December 31, 2014, haphazardly select 5 loans and 5 grants (excluding Phase II Grants) and perform the following:

- (1) For the 10 grants/loans selected, verify by review of the Project records in the CRM that an annual report was submitted to JobsOhio no later than March 1, 2015.
- (2) If an annual report was received later than March 1, 2015, by review of the Project records note the date the report was received.
- (3) Review Project Performance Review Team (“PPRT”) meeting notes in the Project record to determine if the Project was selected to go before the Project Performance Review Team (“PPRT”). If it was, confirm it was on the PPRT meeting agenda for discussion.

Results

We obtained the JobsOhio Monthly Executed Agreement Reports covering the period January 1, 2014 through December 31, 2014 and selected a sample of five loans and five grants. We performed each of the aforementioned procedures for each of the grants and loans selected. For the 10 grants / loans selected, we verified by review of the Project records in the CRM that an annual report was submitted to JobsOhio no later than March 1, 2015. We reviewed Project Performance Review Team (PPRT) meeting notes in the Project record to determine if the Project was selected to go before the PPRT and if it was, we confirmed it was on the PPRT meeting agenda for discussion. No exceptions were found as a result of applying the procedure.

JobsOhio Beverage System (JOBS)

Procedure 1

Inquire of management if a business plan was implemented in fiscal year 2015 that covered no less than a three year period and coincides with the Ohio Department of Commerce, Division of Liquor Control's ("DLC's") fiscal years. If management answers the question affirmatively, request a copy of the plan to verify management's representation.

Results

We inquired with management and were informed that a business plan was implemented in fiscal year 2015 that covered no less than a three year period and coincides with the Ohio Department of Commerce, DLC's fiscal years. We also obtained the Liquor Enterprise Business Plan for fiscal years 2015-2017 dated April 7, 2015 and verified that the business plan covers three years from 2015-2017. No exceptions were found as a result of applying the procedure.

Procedure 2

Inquire of management if any changes or amendments were made to the conflicts of interest policy of JOBS during fiscal year 2015. If so, inspect action of the Board of Directors evidencing formal adoption and approval.

Results

We inquired with management and were informed that no changes or amendments were made to the conflicts of interest policy of JOBS during fiscal year 2015. No exceptions were found as a result of applying the procedure.

Procedure 3

Obtain a written representation from JOBS's management that JOBS has not made any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01.

Results

We obtained a copy of management's representation indicating that at no time did JOBS or any of its employees or agents, on its behalf, make a contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01. No exceptions were found as a result of applying the procedure.

Procedure 4

Verify that JOBS paid DLC the Estimated Expense Payment identified in the Expense Budget document covering fiscal year 2015 no later than the 1st business day of each quarter as evidenced by the date on the disbursement utilized to pay such amounts.

Results

We obtained the check copies dated July 1, 2014; October 1, 2014; January 1, 2015; and April 1, 2015, which paid the Estimated Expense Payment identified in the Expense Budget document. We noted that each check was dated for the first business day of each quarter and the amount of each check agreed to the

Expense Budget document for the respective quarter. No exceptions were found as a result of applying the procedure.

Procedure 5

Through a review of the JOBS Annual Reconciliation Report for 2015, determine whether JOBS management approved any Extraordinary Expense (as defined in Section 2.1 of the Operations Service Agreement) in an amount greater than 2% of the total Estimated Expenses for the Fiscal Year, individually or 4% of the total Estimated Expenses for the Fiscal Year in the aggregate. If not approved by JOBS, verify that JOBS provided DLC with written notice of its disapproval within 20 days of its receipt of DLC's request to make such Extraordinary Expense as evidenced by email correspondence from JOBS.

Results

We obtained JOBS Annual Reconciliation Report for 2015 showing extraordinary expenses totaling \$339,162 incurred during the fiscal year. The total extraordinary expenses incurred did not exceed 4% of the total estimated expenses for the fiscal year in the aggregate; however, we identified an individual expense greater than 2% of the total estimated expenses for the fiscal year individually. We inquired of management and management confirmed that they did not disapprove of the use of the extraordinary expense allowance fund for this expense; therefore, no written notice was provided to DLC. No exceptions were found as a result of applying the procedure.

Procedure 6

Determine if the annual allowance for Extraordinary Expenses in an amount equal to 4% of the total estimated expenses for such fiscal year was paid to DLC by JOBS no later than 15 days after the beginning of the fiscal year as evidenced by the date on the disbursement utilized to pay such amount. If the amount of any Extraordinary Expense permitted or approved under the Sections 2.4(a) or 2.4(b) is above the current balance in the Allowance Fund at DLC, ensure JOBS paid the amount not covered by the funds in the Allowance Fund to DLC no later than 30 days after receipt of written request from DLC as evidenced by the date on the disbursement utilized to pay such amount.

Results

We recalculated that the extraordinary expenses amount was equal to 4% of the total estimated expenses by multiplying the total expenses of \$9,316,535 per the "Ohio Department of Commerce JobsOhio Fee Budget FY 2014 / 2014" by 4%, which amounted to \$372,661. We inquired of management and determined that an annual allowance for extraordinary expenses was not paid to DLC by JOBS since the prepaid balance at the beginning of the fiscal year was \$931,113, which is greater than the calculated allowance. No exceptions were found as a result of applying the procedure.

Procedure 7

Through inquiry and review of service fees, determine if any Capital Expenditures (as defined in Section 2.1 of the Operations Service Agreement) occurred. Inquire of management and inspect documentation that the Capital Expenditures were necessary and appropriate for the improvement of the services or operation of the Liquor Business and were approved by JOBS.

Results

We inquired of JOBS' management and were informed that no capital expenditures occurred during fiscal year 2015. We also reviewed management's FY15 Service Fee Summary and noted no capital expenditures were incurred during FY 2015. No exceptions were found as a result of applying the procedure.

Procedure 8

Obtain a listing of Liquor Tax payments from JOBS management and haphazardly select a sample of ten Liquor Tax payments. Verify that JOBS (or the Master Trustee on its behalf) paid applicable Liquor Taxes on or before the 5th and 20th days of the calendar month following applicable tax calculations made by DLC as evidenced by the date on the disbursement utilized to pay such amount.

Results

We obtained a listing of liquor tax payments from JOBS management and haphazardly selected ten liquor tax payments amounting to \$39,509,125. We noted that two of the ten liquor tax payments were paid after the 5th or 20th days of the calendar month following applicable tax calculations made by DLC as evidenced by the date on the disbursement utilized to pay such amount. These payments were made on the first business day following the 5th or the 20th.

Procedure 9

Through inquiry of management, determine if JOBS provided DLC with a written copy of any proposed New Vendor Contract for the operation of the Liquor Business. Inspect all contracts identified and determine that notification occurred no later than 30 days prior to the effective date of such New Vendor Contract.

Results

We inquired with management and were informed that there were four new vendor contracts for the operation of the Liquor Business in FY 2015. The contracts were effective as of July 1, 2015 and JOBS provided DLC with written notice on May 29, 2015, which is more than 30 days prior to the effective date of such new vendor contracts. No exceptions were found as a result of applying the procedure.

Procedure 10

Obtain a listing of Commission and Vendor Payment disbursements from JOBS management. From the Commission and Vendor Payment disbursements list provided by JOBS, haphazardly select a sample of 20 disbursements and inspect electronic records and determine that JOBS provided DLC with an electronic record no later than the same day on which such disbursements were made.

Results

We haphazardly selected a sample of 20 transactions from the listing of Commission and Vendor Payment disbursements provided by management for the period July 1, 2014 to June 30, 2015. Total transactions were \$624,645,395. The 20 items sampled totaled \$62,035 and we noted that JOBS provided DLC with an electronic record no later than the same day on which such disbursements were made. No exceptions were found as a result of applying the procedure.

Procedure 11

Inquire of management and through review of documentation determine if JOBS provided to DLC: (i) unaudited, interim Financial Statements no later than 30 days after their preparation, defined as the date of the independent accountant's review report; and (ii) audited financial statements no later than 90 days after the end of the fiscal year.

Results

We inquired of JOBS' management and were informed that the unaudited interim financial statements were not submitted to DLC for the quarter ended September 30, 2014. For the quarters ended December 31, 2014 and March 31, 2015, the unaudited interim financial statements were submitted to DLC prior to the independent accountant's review report. We obtained email correspondence from JOBS to DLC, which submitted the audited financial statements for JOBS for the year ended June 30, 2015. This email correspondence was dated October 28, 2015, which is later than 90 days after fiscal year-end; however, we note that DLC granted a 30 day extension to this requirement, and JOBS submitted within this extended deadline.

Procedure 12

Obtain from JOBS management a listing of all tax payments by JOBS to the Ohio Treasurer of State (OTS). Haphazardly select a sample of 10 payments and provide the payment dates and amounts to the DLC. For each payment, obtain from DLC management a written representation as to whether or not the OTS's receipt of the payment in the OTS's State Bank Account for Taxation was, within 30-days of the date of payment, observed by DLC using the web portal provided by Key Bank. Obtain from DLC copies of the bank transaction receipt for each such payment.

Results

We obtained a listing of all tax payments, which numbered 24 and amounted to \$100,373,573. We haphazardly selected a sample of ten tax payments, which totaled \$39,549,874, to apply the above procedure. We obtained a written representation from DLC management which positively confirmed that the OTS's receipt of the payment in the OTS's State Bank Account for Taxation was within 30 days of the date of payment for all 10 sample items. We also requested from DLC copies of the bank transaction receipt for each of the 10 selections. DLC provided the bank transaction receipt for all selections. No exceptions were found as a result of applying the procedure.

Procedure 13

Inquire of management if they have a process in place to determine if "reportable events" have occurred per Section 6 of the Continuing Disclosure Undertaking Agreement. Inquire of management whether any reportable event did occur that was required to be disclosed. If so, determine by reference to the Electronic Municipal Market Access ("EMMA") System (<https://emma.msrb.org>) that the disclosure was made.

Results

We inquired of JOBS' management and were informed that they regularly monitor events per Section 6 during the normal course of business through weekly meetings attended by the CFO, General Counsel, and President. Management also informed us that no "reportable events" occurred during fiscal year 2015, which were required to be disclosed per Section 6 of the Continuing Disclosure Undertaking Agreement. No exceptions were found as a result of applying the procedure.

Procedure 14

Obtain from management filings to the Trustee (as evidenced by email correspondence for submittal), for filing on the EMMA System, the following financial information with respect to the Series 2013 Bonds:

- (a) Within 120 days, or when available, the audited financial statements for the year ended June 30, 2014.

- (b) Within 60 days of the close of each March 31, June 30, September 30, and December 31, commencing June 30, 2013, financial information for the preceding 3 month period, including unaudited financial statements and income statements, if audited financial statements are not available. Perform this procedure for any 3 month period for which the filing date was in fiscal year 2015.
- (c) Within 120 days of the close of each fiscal year, commencing June 30, 2013, operating data of the general type included under the heading, "THE LIQUOR ENTERPRISE" in the Final Offering Circular. Perform this procedure for the required filing which occurred in fiscal year 2015.

Report any instances where the filings were not made to the Trustee within the time period specified above.

Results

All the above referenced filings were made within the required time periods specified above. No exceptions were found as a result of applying the procedure.

Procedure 15

For a haphazardly selected sample of six weeks, determine if JOBS provided the Trustee with an Officer's Certificate providing an estimated Operating Expense of the Liquor Enterprise for the next week, including the amounts estimated to be paid under the Service Agreement.

Results

We selected a sample of six weeks and noted that JOBS provided the Trustee with an Officer's Certificate providing an estimated Operating Expense of the Liquor Enterprise for the next week, including the amounts estimated to be paid under the Service Agreement. No exceptions were found as a result of applying the procedure.

Procedure 16

Obtain management's calculation of the Minimum Debt Service Coverage Ratio. Recalculate the Minimum Debt Service Ratio and verify that it was at least 1.35 as required in Sections 1.1 and 14.5 of the FTA.

Results

We obtained the management prepared document entitled Debt Coverage Statement, which was addressed to the Ohio Office of Budget and Management and the Ohio Department of Commerce. We recalculated the Minimum Debt Service Coverage Ratio noting the ratio was in excess of 1.35. We did not perform any procedures to verify the accuracy of the amounts provided in management's calculation. No exceptions were found as a result of applying the procedure.

Procedure 17

If the Minimum Debt Service Ratio of 1.35 is not met, inquire of management if JOBS retained a consultant no later than 30 days after completion of the fiscal year during which the ratio was not met to review, analyze, and make recommendations with respect to revenues, expenses and operations to DLC. Inspect documentation that a consultant was retained. Determine that a written report was submitted to DLC, JOBS and the State within 60 days of the issuance of the written engagement report.

Results

The Minimum Debt Service Ratio was greater than 1.35 as calculated in Procedure 16. Therefore, no further procedures were performed. No exceptions were found as a result of applying the procedure.

Procedure 18

Inquire of management and through inspection of management provided memorandum to the Ohio Office of Budget and Management, determine if Liquor Enterprise Profits exceeded the Base Franchise Profits (for fiscal year 2015, the base amount is \$273,181,750.) If the Base Franchise Profits were exceeded, recalculate that the cash payment made to the state (the Deferred Payment) was equal to 75% of the amount by which the Liquor Enterprise Profits exceeded the Base Franchise Profits. Verify that JOBS paid the calculated amount to the state by vouching the payment.

Results

We inquired of management and obtained the memorandum to the Ohio Office of Budget and Management (entitled "Deferred Payment Notice"), which indicated that the Liquor Enterprise Profits were \$308,928,033. The profits exceeded the Base Franchise Profits of \$273,181,750 by \$35,746,283. We recalculated the resultant Deferred Payment amount of \$26,809,713 by multiplying the excess profit of \$35,746,283 by 75%. We also obtained the JOBS' bank statement for October 2015 and verified that the payment of \$26,809,713 was made on October 9, 2015. No exceptions were found as a result of applying the procedure.

Procedure 19

Obtain a schedule of debt service requirements from management for the fiscal year 2015. Verify that JOBS paid each debt service amount by vouching to the check or wire transfer and ensuring that the payment was made on or before the debt service requirement due date.

Results

The debt service requirement schedule obtained from management indicated that a total of four debt service payments were required to be paid during fiscal year 2015 amounting to \$59,939,063. Two of the debt service payments totaling \$29,969,532 were made on the debt service requirement due date. The other two payments totaling \$29,969,532 were made one day later than the debt service requirement due date. These payments were both due on January 1, 2015 and they were made on the first business day following this holiday on January 2, 2015.