

Marauder Development, LLC

Financial Report

August 31, 2008

Marauder Development, LLC

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Plante & Moran, PLLC

3434 Granite Circle
P.O. Box 353090
Toledo, OH 43635-3090
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Marauder Development, LLC

We have audited the accompanying balance sheet of Marauder Development, LLC (Marauder) as of August 31, 2008 and 2007 and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of Marauder's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder Development, LLC as of August 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2008 on our consideration of Marauder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 15, 2008

Marauder Development, LLC

Balance Sheet

	August 31	
	2008	2007
Assets		
Assets		
Cash and cash equivalents	\$ 2,450,459	\$ 1,323,277
Receivable from Central State University (Note 1)	-	127,261
Prepaid expenses	<u>5,672</u>	<u>5,724</u>
Total current assets	2,456,131	1,456,262
Restricted Cash and Cash Equivalents (Note 2)	2,973,473	2,458,508
Fixed Assets - Net (Note 3)	13,663,321	14,167,813
Financing Costs - Net	<u>1,828,598</u>	<u>1,930,466</u>
Total assets	<u>\$ 20,921,523</u>	<u>\$ 20,013,049</u>
Liabilities and Member's Capital		
Liabilities		
Management fees payable (Note 1)	\$ 192,492	\$ 183,193
Deferred revenue	888,484	-
Interest payable	504,909	511,884
Current portion of long-term debt (Note 4)	<u>380,000</u>	<u>370,000</u>
Total current liabilities	1,965,885	1,065,077
Long-term Debt - Net of current portion (Note 4)	19,268,856	19,613,720
Deficiency in Member's Capital - Unrestricted	<u>(313,218)</u>	<u>(665,748)</u>
Total liabilities and deficiency in member's capital	<u>\$ 20,921,523</u>	<u>\$ 20,013,049</u>

Marauder Development, LLC

Statement of Operations

	Year Ended August 31	
	2008	2007
Revenues		
Rental revenues	\$ 2,749,852	\$ 2,617,070
Interest income	147,578	144,803
Total revenues	2,897,430	2,761,873
Expenses - Housing facilities		
Management fees	192,492	183,193
Operating expenses	701,094	654,162
Surplus expense (Note 1)	-	13,353
Depreciation and amortization expense	606,360	606,924
Interest expense	1,044,954	1,061,448
Total expenses	2,544,900	2,519,080
Increase in Member's Capital	352,530	242,793
Deficiency in Member's Capital - Beginning of year	(665,748)	(908,541)
Deficiency in Member's Capital - End of year	<u>\$ (313,218)</u>	<u>\$ (665,748)</u>

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31	
	2008	2007
Cash Flows from Operating Activities		
Increase in member's capital	\$ 352,530	\$ 242,793
Adjustments to reconcile increase in member's capital to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	101,868	102,432
Amortization of bond discount	35,136	37,680
Increase (decrease) in assets and liabilities:		
Receivables	127,261	31,693
Prepaid expenses	52	16,122
Deferred revenue	888,484	
Management fees payable	9,299	(187,469)
Accrued interest payable	(6,975)	(5,958)
Net cash provided by operating activities	2,012,147	741,785
Cash Flows from Investing Activities - Increase in restricted cash	(514,965)	(1,619)
Cash Flows from Financing Activities - Retirement of notes payable	(370,000)	(355,000)
Net Increase in Cash and Cash Equivalents	1,127,182	385,166
Cash and Cash Equivalents - Beginning of year	1,323,277	938,111
Cash and Cash Equivalents - End of year	<u>\$ 2,450,459</u>	<u>\$ 1,323,277</u>

Cash paid for interest in 2008 and 2007 was \$1,051,929 and \$1,067,406, respectively.

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 1 - Nature of Entity and Significant Accounting Policies

The financial statements of Marauder Development, LLC (Marauder) have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of Central State University Foundation (the "Foundation"), which was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7 percent of gross rental receipts.

The financial operations of the Foundation, which maintains a fiscal year end of June 30, have not been consolidated within these financial statements. The Foundation's financial statements are issued separately from those of Marauder and the University and those statements should be considered in evaluating the financial results of Marauder, the Foundation, and the University, taken as a whole.

Basis of Presentation - The financial statements of Marauder have been prepared on the accrual basis in accordance with accounting standards generally accepted in the United States of America.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents - Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

Fixed Assets - Fixed assets include the building and furniture related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Furniture	7 years

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Financing Costs - The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2008 and 2007 was \$486,571 and \$384,703, respectively.

Surplus Expense - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, are paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to remain with Marauder Development, LLC. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2008 and 2007 was \$0 and \$13,353, respectively.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivable from Central State University - The University collects the housing fee from the students each semester and remits it to Marauder. The amount due at August 31, 2008 and 2007 was fully paid to Marauder subsequent to year end.

Management Fee - During 2008 and 2007, Marauder incurred a management fee of \$192,492 and \$183,193, respectively, to the University for administrative services provided.

Deferred Revenue - Represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

Income Taxes - Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity.

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

New Accounting Pronouncements - Financial Accounting Standards Board (FASB) No. 157 (FAS 157), *Fair Value Measurements*, which was issued in September 2006, addresses how organizations should measure fair value when generally accepted accounting principles require use of fair value measurement for recognition or disclosure purposes. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently evaluating the impact of FAS 157.

Note 2 - Restricted Cash and Cash Equivalents

As required by the bond indenture, Marauder maintains restricted cash balances in the following accounts:

	<u>2008</u>	<u>2007</u>
Restricted:		
Debt interest account	507,981	521,912
Debt issuance account	-	23,851
Repair and replacement fund	668,704	115,103
Debt principal fund	383,327	384,115
Debt reserve fund	<u>1,413,461</u>	<u>1,413,527</u>
Total restricted	<u>\$ 2,973,473</u>	<u>\$ 2,458,508</u>

Note 3 - Fixed Assets

Details of fixed assets are as follows:

	<u>2008</u>	<u>2007</u>
Building	\$ 15,267,051	\$ 15,267,051
Furniture	<u>859,653</u>	<u>859,653</u>
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	<u>(2,463,383)</u>	<u>(1,958,891)</u>
Net	<u>\$ 13,663,321</u>	<u>\$ 14,167,813</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 4 - Long-term Debt

For the year ended August 31, 2008, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2008
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,265,726	\$ 21,744	\$ (170,000)	\$ 8,117,470
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>11,717,994</u>	<u>13,392</u>	<u>(200,000)</u>	<u>11,531,386</u>
Total			<u>\$ 19,983,720</u>	<u>\$ 35,136</u>	<u>\$ (370,000)</u>	19,648,856
Less current portion						<u>380,000</u>
Long-term portion						<u>\$ 19,268,856</u>

For the year ended August 31, 2007, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2007
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,406,630	\$ 24,096	\$ (165,000)	\$ 8,265,726
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>11,894,410</u>	<u>13,584</u>	<u>(190,000)</u>	<u>11,717,994</u>
Total			<u>\$ 20,301,040</u>	<u>\$ 37,680</u>	<u>\$ (355,000)</u>	19,983,720
Less current portion						<u>370,000</u>
Long-term portion						<u>\$ 19,613,720</u>

Principal and interest payments on long-term debt are as follows:

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2009	\$ 175,000	\$ 434,065	\$ 205,000	\$ 568,012	\$ 1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,122	245,000	547,669	1,398,791
2013	205,000	402,121	250,000	538,359	1,395,480
2014-2018	1,180,000	1,851,383	1,430,000	2,522,570	6,983,953
2019-2023	1,515,000	1,504,409	1,795,000	2,153,562	6,967,971
2024-2028	2,000,000	1,028,500	2,290,000	1,657,235	6,975,735
2029-2033	2,640,000	391,781	2,940,000	1,011,840	6,983,621
2034-2035	-	-	<u>2,145,000</u>	<u>222,360</u>	<u>2,367,360</u>
Total	<u>\$ 8,280,000</u>	<u>\$ 6,870,111</u>	<u>\$ 11,760,000</u>	<u>\$ 10,341,289</u>	<u>\$ 37,251,400</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 4 - Long-term Debt (Continued)

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University Housing Project. The bond discount was \$162,530 and \$184,274 at August 31, 2008 and 2007, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$170,000 on September 1, 2007 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$228,614 and \$242,006 at August 31, 2008 and 2007, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$200,000 on September 1, 2007 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

Marauder Development, LLC

Notes to Financial Statements August 31, 2008 and 2007

Note 4 - Long-term Debt (Continued)

The coverage ratio computed under the bond legislation is as follows:

	<u>2008</u>	<u>2007</u>
Change in net assets	\$ 352,530	\$ (358,363)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,044,954	1,076,010
Management fees	192,492	171,378
Surplus expense		269,866
Depreciation and amortization expense	<u>606,360</u>	<u>607,260</u>
Net pledged revenues as defined (1)	<u>\$ 2,196,336</u>	<u>\$ 1,766,151</u>
Debt service requirement on bonds (2)	\$ 1,386,792	\$ 1,198,085
Coverage ratio (1/2)	158%	147%
Required coverage ratio	120%	120%

Report Letter on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Marauder Development, LLC

We have audited the financial statements of Marauder Development, LLC as of and for the year ended August 31, 2008 and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marauder Development, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marauder Development, LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financials statements will not be prevented or detected by the entity's internal control.

To the Board of Trustees
Marauder Development, LLC

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of trustees, management of Marauder Development, LLC, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 15, 2008