

MARAUDER DEVELOPMENT, LLC
(a wholly owned subsidiary of Central
State University Foundation)
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2018 and 2017



Dave Yost • Auditor of State

Board of Trustees
Marauder Development, LLC
1400 Brush Row Road
Wilberforce, Ohio 45384

We have reviewed the *Independent Auditor's Report* of the Marauder Development, LLC, Greene County, prepared by Crowe LLP, for the audit period September 1, 2017 through August 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marauder Development, LLC is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

November 14, 2018

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MARAUDER DEVELOPMENT, LLC

Wilberforce, Ohio

FINANCIAL STATEMENTS

August 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Marauder Development, LLC
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, which comprise the balance sheets as of August 31, 2018 and 2017, and the related statement of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder as of August 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, 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, and 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marauder's internal control over financial reporting and compliance.

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Crowe LLP

Columbus, Ohio
October 31, 2018

MARAUDER DEVELOPMENT, LLC
BALANCE SHEETS
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 385,742	\$ 1,506,034
Prepaid expenses	<u>6,700</u>	<u>6,233</u>
Total current assets	392,442	1,512,267
Restricted Cash and Cash Equivalents	3,799,825	3,274,192
Capital Assets-Net	<u>9,726,505</u>	<u>10,124,639</u>
Total assets	<u>\$ 13,918,772</u>	<u>\$ 14,911,098</u>
 LIABILITIES AND MEMBER'S CAPITAL		
Current Liabilities		
Management fees payable	\$ 212,974	\$ 211,572
Surplus payable	-	160,915
Repairs and replacement fees payable	-	413,836
Interest payable	366,353	380,138
Current portion of long-term debt	<u>600,000</u>	<u>570,000</u>
Total current liabilities	1,179,327	1,736,461
Long-term debt, net of unamortized financing costs of \$854,809 and \$954,083 for 2018 and 2017, respectively	12,454,792	12,939,213
Member's Capital	<u>284,653</u>	<u>235,424</u>
Total liabilities and excess in member's capital	<u>\$ 13,918,772</u>	<u>\$ 14,911,098</u>

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF OPERATIONS
Years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Rental revenues	\$ 3,042,486	\$ 3,022,440
Interest income	<u>65,867</u>	<u>34,859</u>
Total revenues	<u>3,108,353</u>	<u>3,057,299</u>
EXPENSES		
Management fees	212,974	211,572
Operating expenses	1,414,462	1,236,577
Surplus expense	185,269	160,915
Depreciation and amortization expense	497,408	489,507
Interest expense	<u>749,011</u>	<u>779,295</u>
Total expenses	<u>3,059,124</u>	<u>2,877,866</u>
Net income	49,229	179,433
Member's Capital - Beginning of year	<u>235,424</u>	<u>55,991</u>
Member's Capital - End of year	<u>\$ 284,653</u>	<u>\$ 235,424</u>

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF CASH FLOWS
Years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net income	\$ 49,229	\$ 179,433
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	398,134	398,133
Amortization of issuance costs	99,274	91,374
Amortization of bond discount	16,305	19,000
Increase (decrease) in liabilities		
Prepaid expenses	(467)	-
Management fees payable	1,402	1,797
Surplus payable	(160,915)	160,915
Repair and replacement fees payable	(413,836)	30,325
Accrued interest payable	<u>(13,785)</u>	<u>(13,006)</u>
Net cash provided by operating activities	(24,659)	867,971
Cash Flows from Financing Activities		
Repayment of bonds payable	<u>(570,000)</u>	<u>(545,000)</u>
Net Increase in Cash and Cash Equivalents	(594,659)	322,971
Cash and Cash Equivalents - Beginning of year	<u>4,780,226</u>	<u>4,457,255</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,185,567</u>	<u>\$ 4,780,226</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 746,491	\$ 773,301

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

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% of gross rental receipts.

Cash and Cash Equivalents: 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.

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of August 31, 2018 and 2017, amounts held in financial institutions that exceeded insured limits were approximately \$2,170,000 and \$2,839,000, respectively.

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

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

<u>Description</u>	<u>Years</u>
Building	40
Building improvements	15
Furniture	7

Impairment or Disposal of Long-lived Assets: Marauder reviews the recoverability of long-lived assets, including buildings and equipment, and other assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Financing Costs: The unamortized financing costs include consulting fees, attorney's fees and other fees incurred in connection with the bond obligations. These costs are netted against the long-term debt balance and are amortized on the interest method over the lives of the bonds and are included as amortization expense. The balance at August 31, 2018 and 2017 was \$854,809 and \$954,803, respectively. Accumulated amortization at August 31, 2018 and 2017 was \$1,460,360 and \$1,361,086, respectively.

Recognition of Revenue: Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to students at Central State University. Rental revenue is recognized when rent becomes due over the terms of the lease.

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MARAUDER DEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. 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 to be paid for the years ended August 31, 2018 and 2017 was \$185,269 and \$160,915, respectively. The trustee has paid the surplus fee for both years.

Management Fee: During 2018 and 2017, Marauder incurred a management fee of \$212,974 and \$211,572, respectively, to the University for administrative services.

Repair and Replacement Costs: During 2018 and 2017, Marauder incurred repair and replacement costs of \$581,979 and \$413,836, respectively, to the University. In 2018, the amount was paid in August and no accrual was necessary.

Income Taxes: Marauder is treated as a pass-through entity for federal income tax purposes. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Marauder is no longer subject to tax examinations by tax authorities for years before June 30, 2009. As of August 31, 2018 and 2017, Marauder's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. Marauder does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Estimates: The preparation of financial statements in conformity with generally accepted 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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including October 31, 2018, the date the financial statements were issued.

NOTE 2 - RESTRICTED CASH AND CASH EQUIVALENTS

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

	<u>2018</u>	<u>2017</u>
Debt interest account	\$ 375,318	\$ 380,326
Repair and replacement fund	632,015	965,744
Debt principal fund	600,686	570,254
Redemption fund	847,948	3,703
Debt reserve fund	<u>1,343,858</u>	<u>1,354,165</u>
Total restricted	<u>\$ 3,799,825</u>	<u>\$ 3,274,192</u>

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MARAUDER DEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 3 – CAPITAL ASSETS

Details of capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Building	\$ 15,267,051	\$ 15,267,051
Building improvements	246,851	246,851
Furniture	<u>859,653</u>	<u>859,653</u>
Total capital assets	16,373,555	16,373,555
Less accumulated depreciation	<u>(6,647,050)</u>	<u>(6,248,916)</u>
Net	<u>\$ 9,726,505</u>	<u>\$ 10,124,639</u>

Depreciation expense on property and equipment totaled \$398,134 for 2018 and \$398,133 for 2017.

NOTE 4 – LONG-TERM DEBT

For the year ended August 31, 2017, changes in debt consisted of the following:

	<u>Interest Rate</u>	<u>Maturity</u>	Balance September 1, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	Balance August 31, <u>2018</u>
Revenue Bonds Series 2002	3.0%-5.625%	2030	\$ 5,101,307	\$ 5,446	\$ (260,000)	\$ 4,846,753
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>9,361,989</u>	<u>10,859</u>	<u>(310,000)</u>	<u>9,062,848</u>
Total			<u>\$ 14,463,296</u>	<u>\$ 16,305</u>	<u>\$ (570,000)</u>	<u>\$ 13,909,601</u>
Less current portion						600,000
Less unamortized financing costs						<u>854,809</u>
Long-term portion						<u>\$ 12,454,792</u>

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MARAUDER DEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 4 – LONG-TERM DEBT (Continued)

For the year ended August 31, 2017, changes in debt consisted of the following:

	<u>Interest Rate</u>	<u>Maturity</u>	Balance September 1, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	Balance August 31, <u>2017</u>
Revenue Bonds Series 2002	3.0%-5.625%	2031	\$ 5,338,507	\$ 7,800	\$ (245,000)	\$ 5,101,307
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>9,650,789</u>	<u>11,200</u>	<u>(300,000)</u>	<u>9,361,989</u>
Total			<u>\$ 14,989,296</u>	<u>\$ 19,000</u>	<u>\$ (545,000)</u>	14,463,296
Less current portion						570,000
Less unamortized financing costs						<u>954,083</u>
Long-term portion						<u>\$ 12,939,213</u>

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

<u>Year Ending August 31,</u>	<u>Series 2002 Bonds</u>		<u>Series 2004 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 275,000	\$ 261,103	\$ 325,000	\$ 456,494	\$ 1,317,597
2020	285,000	246,053	340,000	440,275	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022	320,000	213,669	375,000	404,400	1,313,069
2023	335,000	196,066	395,000	385,150	1,311,216
2024-2028	2,000,000	671,312	2,290,000	1,599,265	6,560,577
2029-2033	1,370,000	112,781	2,940,000	936,870	5,359,651
2034-2036	<u>-</u>	<u>-</u>	<u>2,145,000</u>	<u>167,662</u>	<u>2,312,662</u>
Total	<u>\$ 4,885,000</u>	<u>\$ 1,931,315</u>	<u>\$ 9,170,000</u>	<u>\$ 4,812,891</u>	<u>\$ 20,799,206</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount was \$38,247 and \$43,693 at August 31, 2018 and 2017, 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 \$275,000 on September 1, 2018, to \$415,000 on September 1, 2030, subject to prior mandatory sinking fund redemptions. During 2016, \$200,000 of bonds due on September 1, 2032, \$545,000 of bonds due on September 1, 2031, and \$105,000 of bonds due on September 1, 2030 were called and retired in addition to \$235,000 scheduled to be retired on September 1, 2015. During 2015, \$85,000 of bonds due on September 1, 2032 were called and retired in addition to \$225,000 scheduled to be retired on September 1, 2014. During the year ending August 31, 2014, \$335,000 of bonds due on September 1, 2032 were called and retired in addition to \$215,000 scheduled to be retired on September 1, 2013. Interest, at rates varying from 5.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

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MARAUDER DEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 4 – LONG-TERM DEBT (Continued)

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is \$107,152 and \$118,011 at August 31, 2018 and 2017, 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 \$325,000 on September 1, 2018, to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 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 Development, LLC, 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). As of August 31, 2018 and 2017, Marauder Development, LLC is in compliance with these requirements.

On September 4, 2018, \$415,000 of the Housing Revenue Bonds, Series 2002 bonds due on September 1, 2030 and \$425,000 of bonds due on September 1, 2029 were called and retired.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Management and the Board of Trustees
Marauder Development, LLC

We have audited, in accordance with the 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, the financial statements of Marauder Development, LLC ('Marauder'), which comprise the balance sheet as of August 31, 2018, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marauder's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Marauder's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marauder's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely 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 an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and slightly slanted to the right.

Crowe LLP

Columbus, Ohio
October 31, 2018



Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY FOUNDATION- MARAUDER DEVELOPMENT, LLC

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2018**