

# **Central State University Foundation and Subsidiary**

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**Consolidated Financial Report  
June 30, 2006**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Central State University Foundation  
P.O. Box 1004  
Wilberforce, Ohio 45384

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2005 through June 30, 2006. 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 Central State University Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 11, 2006

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# Central State University Foundation and Subsidiary

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## Contents

<b>Report Letter</b>	1
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-11
<b>Report Letter on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	12-13



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**Independent Auditor's Report**

To the Board of Trustees  
Central State University Foundation  
and Subsidiary

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiary (the "Foundation") as of June 30, 2006 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2005 financial statements and, in our report dated October 14, 2006, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit 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 audit provides 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 Central State University Foundation and Subsidiary as of June 30, 2006 and the changes in their net assets and their cash flows for the year 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 a report dated October 10, 2006 on our consideration of Central State University Foundation and Subsidiary's internal control over financial reporting and our tests of their 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 the testing, and not to provide opinions on the 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 10, 2006

# Central State University Foundation and Subsidiary

## Consolidated Statement of Financial Position

June 30, 2006

(with comparative totals for June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,286,275	\$ 1,641,176
Investments (Note 2)	3,392,734	3,360,144
Contributions receivable (Note 3)	406,443	109,221
Other receivables	162,464	88,559
Prepaid expenses	<u>21,846</u>	<u>1,664</u>
Total current assets	5,269,762	5,200,764
Restricted cash and cash equivalents (Note 2)	2,456,889	2,231,655
Fixed assets - Net (Note 4)	14,747,635	15,252,127
Financing costs - Net (Note 1)	<u>2,032,898</u>	<u>2,135,666</u>
Total assets	<u><b>\$ 24,507,184</b></u>	<u><b>\$ 24,820,212</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 370,662	\$ 508,613
Construction payable	-	-
Accrued interest payable	517,842	520,247
Current portion of long-term debt (Note 6)	<u>355,000</u>	<u>160,000</u>
Total current liabilities	1,243,504	1,188,860
Long-term debt (Note 6)	<u>19,946,040</u>	<u>20,260,708</u>
Total liabilities	21,189,544	21,449,568
<b>Net Assets (Note 5)</b>		
Unrestricted	(508,839)	12,078
Temporarily restricted	2,105,862	1,782,619
Permanently restricted	<u>1,720,617</u>	<u>1,575,947</u>
Total net assets	<u>3,317,640</u>	<u>3,370,644</u>
Total liabilities and net assets	<u><b>\$ 24,507,184</b></u>	<u><b>\$ 24,820,212</b></u>

# Central State University Foundation and Subsidiary

## Consolidated Statement of Activities and Changes in Net Assets Year Ended June 30, 2006

(with comparative totals for the year ended June 30, 2005)

	2006			2005	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue</b>					
Rental revenues	\$ 2,363,182	\$ -	\$ -	\$ 2,363,182	\$ 2,115,047
Contributions	27,424	1,294,632	144,670	1,466,726	742,418
Reimbursements	77,511	58,222	-	135,733	38,683
Other	-	236,105	-	236,105	141,860
Unrealized gain on investments	21,243	58,763	-	80,006	66,400
Investment income	183,736	120,887	-	304,623	241,234
Net assets released from restrictions	1,445,366	(1,445,366)	-	-	-
<b>Total revenue</b>	<b>4,118,462</b>	<b>323,243</b>	<b>144,670</b>	<b>4,586,375</b>	<b>3,345,642</b>
<b>Expenses</b>					
Programs:					
Scholarship programs	354,078	-	-	354,078	497,065
Athletic programs	475,447	-	-	475,447	481,962
Academic programs	239,055	-	-	239,055	259,490
Institution programs	229,033	-	-	229,033	321,972
Support activities:					
Management fees	171,378	-	-	171,378	142,100
Operating expenses	755,025	-	-	755,025	606,244
Depreciation and amortization expense	607,260	-	-	607,260	606,780
Interest expense	1,076,010	-	-	1,076,010	1,083,475
Surplus expense (Note 1)	269,866	-	-	269,866	-
Other	462,227	-	-	462,227	235,089
<b>Total expenses</b>	<b>4,639,379</b>	<b>-</b>	<b>-</b>	<b>4,639,379</b>	<b>4,234,177</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(520,917)</b>	<b>323,243</b>	<b>144,670</b>	<b>(53,004)</b>	<b>(888,535)</b>
<b>Net Assets - Beginning of year</b>	<b>12,078</b>	<b>1,782,619</b>	<b>1,575,947</b>	<b>3,370,644</b>	<b>4,259,179</b>
<b>Net Assets - End of year</b>	<b>\$ (508,839)</b>	<b>\$ 2,105,862</b>	<b>\$ 1,720,617</b>	<b>\$ 3,317,640</b>	<b>\$ 3,370,644</b>

# Central State University Foundation and Subsidiary

## Consolidated Statement of Cash Flows Year Ended June 30, 2006 (with comparative totals for year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (53,004)	\$ (888,535)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	102,768	102,288
Amortization of bond discount	40,332	42,984
Unrealized gain on investments	(157,734)	(66,400)
(Increase) decrease in assets:		
Contributions receivable	(297,222)	119,557
Prepaid expenses	(20,182)	2,668
Other receivables	(73,905)	10,560
Increase (decrease) in liabilities:		
Accounts payable	(137,951)	411,846
Accrued interest payable	(2,405)	69,378
Net cash provided by operating activities	<u>(94,811)</u>	<u>308,838</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	125,144	380,647
Decrease in construction payable	-	(1,293,646)
Increase (decrease) in restricted cash	(225,234)	1,412,795
Net cash (used in) provided by investing activities	<u>(100,090)</u>	<u>499,796</u>
<b>Cash Flows from Financing Activities - Principal payment on bonds payable</b>	<u>(160,000)</u>	<u>(95,000)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(354,901)	713,634
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>1,641,176</u>	<u>927,542</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 1,286,275</u></u>	<u><u>\$ 1,641,176</u></u>

Cash paid for interest in 2006 and 2005 was \$1,076,010 and \$1,014,097, respectively.

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies

**Nature of Activities** - Central State University Foundation and its wholly owned subsidiary, Marauder Development, LLC ("Marauder") have been consolidated (together referred to as the "Foundation"). All significant intercompany transactions have been eliminated. On October 19, 2001, Marauder was incorporated as a wholly owned subsidiary of Central State University Foundation.

**Description of Entity** - Central State University Foundation is an Ohio, nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Central State University Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University (the "University"). Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder Development, LLC, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. The Foundation operates exclusively for the benefit of the University. The University provides certain administrative and payroll services for the Foundation.

**Method of Accounting and Basis of Presentation** - The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. For external financial reporting purposes, in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Foundation presents its consolidated financial statements by unrestricted, temporarily restricted, and permanently restricted net asset classifications. The Foundation's significant accounting policies are described below.

**Cash Equivalents** - The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Investments** - Investments are generally carried at fair market value, which is determined using published exchange market quotations. Realized gains and losses are recorded using specific identifications of the securities sold.

**Restricted Cash** - Restricted cash represents various trust account balances in bond trust accounts established in accordance with bond legislation for specific purposes.

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fixed Assets** - Fixed assets include land and 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 yrs
Furniture	7 yrs

**Financing Costs** - The unamortized financing costs include consulting, attorney's 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, 2006 was \$282,271.

**Rent** - The agreement with the University provides 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 year ended August 31, 2006 was \$269,866.

**Net Assets** - The Foundation classifies its net assets into the following categories:

**Unrestricted Net Assets** - The Foundation has the following significant unrestricted funds, which have no donor-imposed restrictions:

**Unrestricted Fund** - This fund is used to account for all financial resources presently available for use by the Foundation.

**President's Discretionary Fund** - This fund is used to account for contributions that are expendable at the discretion of the University's president.

**Temporarily Restricted Net Assets** - These funds are used to account for resources presently available for use, but expendable only for purposes specified by the donor. The Foundation had the following significant, temporarily restricted funds:

**General Scholarship Fund** - This fund receives contributions for general scholarships to students who demonstrate financial need.

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Tom Joyner Fund** - This fund receives donations from the Tom Joyner Foundation Program for scholarships to students who demonstrate financial need.

**College of Education Fund** - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Education.

**College of Business Fund** - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Business.

**Golf Classic Fund** - This fund collects receipts and issues disbursements relevant to the Cleveland Chapter Golf Classic. The net revenues of this fund are for the issuance of scholarships.

**CSU Chorus Gift Fund** - Receives donations and General Fund transfers to fund travel expenses, awards, supplies, and professional services in relation to the University chorus.

**Academic Funds** - Receives donations from private companies and foundations with their own restrictions.

**Football Fund** - This fund receives donations for the purpose of supporting the University football program.

**Permanently Restricted Net Assets** - These funds are used to account for resources for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation had the following categories of permanently restricted funds:

**Scholarship Endowment Funds** - Investment income of the funds may be expended for student scholarships.

**Academic Endowment Funds** - Investment income of the funds may be expended for academic purposes.

**General Endowment Funds** - Investment income of the funds may be expended for general operations of the University at the discretion of the Foundation.

**Contributions** - Gifts are recorded at their fair market value as of the date received.

**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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Comparative Financial Information** - The consolidated financial statements include certain summarized comparative information for 2005. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2005, from which the summarized information was derived.

### Note 2 - Deposits and Investments

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of June 30, 2006:

Restricted:	
Debt interest account	\$ 527,144
Debt principal account	366,174
Debt issuance account	22,720
Construction account	109,643
Debt reserve fund	<u>1,431,208</u>
Total restricted cash	<u>\$ 2,456,889</u>

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds. Investments consist of money market funds, mutual funds, and equity securities. The following summarizes the Foundation's investments by type as of June 30, 2006:

Equities	\$ 596,982
Bond mutual funds	<u>2,795,752</u>
Total investments	<u>\$ 3,392,734</u>

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 3 - Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and contributions of the appropriate net asset category. All contributions receivable are unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Conditional promises to give are not included as revenue until conditions are met.

### Note 4 - Fixed Assets

Fixed assets consisted of the following at June 30, 2006:

Land	\$	75,330
Building		15,267,051
Furniture		859,653
		<hr/>
Total fixed assets		16,202,034
Less accumulated depreciation		<hr/> (1,454,399)
Net fixed assets	\$	<hr/> <hr/> 14,747,635

### Note 5 - Classification of Net Assets

Details of restricted net assets at June 30, 2006 are as follows:

	Temporarily Restricted	Permanently Restricted
	<hr/>	<hr/>
Academic	\$ 688,779	\$ 128,130
Athletic	(229,915)	-
Scholarship	541,595	1,290,786
Alumni fund	44,789	-
Other general funds	1,060,614	301,701
	<hr/>	<hr/>
Total net assets	\$ 2,105,862	\$ 1,720,617
	<hr/> <hr/>	<hr/> <hr/>

# Central State University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2006

### Note 6 - Long-term Debt

The Foundation's subsidiary, Marauder Development, LLC, has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2006:

	Interest Rate	Maturity	Balance September 1, 2005	Additions	Payments	Balance August 31, 2006
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,880,682	\$ 13,728	\$ -	\$ 11,894,410
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,540,026	26,604	160,000	8,406,630
Total			<u>\$ 20,420,708</u>	<u>\$ 40,332</u>	<u>\$ 160,000</u>	20,301,040
Less current portion						<u>355,000</u>
Long-term portion						<u>\$ 19,946,040</u>

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

Year Ended August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2007	\$ 165,000	\$ 445,978	\$ 190,000	\$ 583,749	\$ 1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
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
2012-2016	1,075,000	1,959,138	1,315,000	2,637,233	6,986,371
2017-2021	1,365,000	1,657,288	1,635,000	2,316,128	6,973,416
2022-2026	1,795,000	1,236,259	2,075,000	1,871,375	6,977,634
2027-2031	2,335,000	668,990	2,660,000	1,290,045	6,954,035
2032-2036	1,165,000	67,671	3,410,000	538,815	5,181,486
2037	-	-	-	-	-
Total	<u>\$ 8,615,000</u>	<u>\$ 7,756,440</u>	<u>\$ 12,150,000</u>	<u>\$ 11,501,510</u>	<u>\$ 40,022,950</u>

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 \$208,370 at June 30, 2006, 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 \$165,000 on September 1, 2005 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.

# Central State University Foundation and Subsidiary

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## Notes to Consolidated Financial Statements June 30, 2006

### **Note 6 - Long-term Debt (Continued)**

During 2004, Marauder issued \$12,150,000 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 \$255,290 at August 31, 2005. 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 \$190,000 on September 1, 2006 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.

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue 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, 2006, Marauder was in compliance with this requirement.



Report Letter 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*

To the Board of Trustees  
Central State University Foundation  
and Subsidiary

We have audited the consolidated financial statements of Central State University Foundation and Subsidiary as of and for the year ended June 30, 2006 and have issued our report thereon dated October 10, 2006. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Central State University Foundation and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central State University Foundation and Subsidiary's consolidated 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*.

To the Board of Trustees  
Central State University Foundation  
and Subsidiary

This report is intended solely for the information and use of the Board of Trustees, management of Central State University Foundation and Subsidiary, 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 10, 2006

# **Marauder Development, LLC**

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**Financial Report**

**August 31, 2006**

# **Marauder Development, LLC**

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## **Contents**

<b>Report Letter</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Report Letter on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10



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## Independent Auditor's Report

To the Board of Trustees  
Marauder Development, LLC

We have audited the accompanying statement of financial position of Marauder Development, LLC ("Marauder") as of August 31, 2006 and 2005 and the related statements of activities and changes in net assets 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, 2006 and 2005 and the changes in its net assets 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 10, 2006 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. 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 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.

October 10, 2006

*Plante & Moran, PLLC*

A member of



A worldwide association of independent accounting firms

# Marauder Development, LLC

## Statement of Financial Position

	August 31	
	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 938,111	\$ 1,268,559
Receivable from Central State University	158,954	85,049
Prepaid expenses	21,846	1,664
Total current assets	1,118,911	1,355,272
Restricted cash and cash equivalents (Note 2)	2,456,889	2,231,655
Fixed assets (Note 3)	14,672,305	15,176,797
Financing costs	2,032,898	2,135,666
Total assets	<u>\$ 20,281,003</u>	<u>\$ 20,899,390</u>
<b>Liabilities and Deficiency in Net Assets</b>		
<b>Liabilities</b>		
Management fees payable (Note 1)	\$ 370,662	\$ 199,286
Interest payable	517,842	520,247
Accounts payable	-	309,327
Current portion of long-term debt (Note 4)	355,000	160,000
Total current liabilities	1,243,504	1,188,860
Long-term Debt (Note 4)	19,946,040	20,260,708
Deficiency in Net Assets - Unrestricted	(908,541)	(550,178)
Total liabilities and deficiency in net assets	<u>\$ 20,281,003</u>	<u>\$ 20,899,390</u>

# **Marauder Development, LLC**

## **Statement of Activities and Changes in Net Assets**

	Year Ended August 31	
	2006	2005
<b>Revenues</b>		
Rental revenues	\$ 2,363,182	\$ 2,115,047
Interest income	157,994	86,778
Total revenues	2,521,176	2,201,825
<b>Expenses - Housing facilities</b>		
Management fees	171,378	142,100
Operating expenses	755,025	606,244
Surplus expense (Note 1)	269,866	
Depreciation and amortization expense	607,260	606,780
Interest expense	1,076,010	1,083,475
Total expenses	2,879,539	2,438,599
<b>Decrease in Net Assets</b>	(358,363)	(236,774)
<b>Deficiency in Net Assets - Beginning of year</b>	(550,178)	(313,404)
<b>Deficiency in Net Assets - End of year</b>	<u><u>\$ (908,541)</u></u>	<u><u>\$ (550,178)</u></u>

# Marauder Development, LLC

## Statement of Cash Flows

	Year Ended August 31	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (358,363)	\$ (236,774)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	102,768	102,288
Amortization of bond discount	40,332	42,984
Change in receivables	(73,905)	-
Change in prepaid expenses	(20,182)	2,668
Increase (decrease) in liabilities:		
Accounts payable	(309,327)	269,746
Management fees payable	171,376	142,100
Accrued interest payable	(2,405)	69,378
Net cash provided by operating activities	54,786	896,882
<b>Cash Flows from Investing Activities</b>		
Acquisition of fixed assets	-	(1,293,646)
Decrease (increase) in restricted cash	(225,234)	1,412,795
Net cash provided by (used in) investing activities	(225,234)	119,149
<b>Cash Flows from Financing Activities - Retirement of notes payable</b>	(160,000)	(95,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(330,448)	921,031
<b>Cash and Cash Equivalents - Beginning of year</b>	1,268,559	347,528
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 938,111</u>	<u>\$ 1,268,559</u>

Cash paid for interest in 2006 and 2005 was \$1,078,415 and \$1,152,853, respectively.

# Marauder Development, LLC

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## Notes to Financial Statements August 31, 2006 and 2005

### 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 the Central State University Foundation (the "Foundation") that 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** - SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Assets are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.
- **Temporarily Restricted Net Assets** - Assets include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.
- **Permanently Restricted Net Assets** - Assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and temporarily restricted funds, as appropriate, in the accompanying statement of activities and changes in net assets.

# Marauder Development, LLC

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## Notes to Financial Statements August 31, 2006 and 2005

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

For the years ended August 31, 2006 and 2005, Marauder's deficiency in net assets was unrestricted.

**Cash and Cash Equivalents** - For purposes 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 Assets** - 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

**Financing Costs** - The unamortized financing costs include consulting, attorney's 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, 2006 and 2005 was \$282,271 and \$179,503, respectively.

**Rent** - The agreement with the University 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 to be paid to the University for rent. 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 year end August 31, 2006 was \$269,866.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 quarter and remits it to Marauder. The amount due at August 31, 2006 was fully paid to Marauder subsequent to year end.

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2006 and 2005

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

**Management Fee** - During 2006 and 2005, Marauder incurred a management fee of \$370,662 and \$199,286, respectively, to the University for administrative services provided.

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

### Note 2 - Cash

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

	2006	2005
Restricted:		
Debt interest account	\$ 527,144	\$ 534,684
Debt issuance account	22,720	21,844
Construction account	2	2
Repair and replacement fund	109,641	105,417
Debt principal fund	366,174	161,011
Debt reserve fund	1,431,208	1,408,697
Total restricted	<u>\$ 2,456,889</u>	<u>\$ 2,231,655</u>

Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of \$100,000 are uninsured and uncollateralized.

### Note 3 - Fixed Assets

Details of fixed assets are as follows:

	2006	2005
Building	\$ 15,267,051	\$ 15,267,051
Furniture	859,653	859,653
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	<u>(1,454,399)</u>	<u>(949,907)</u>
Net	<u>\$ 14,672,305</u>	<u>\$ 15,176,797</u>

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2006 and 2005

### Note 4 - Long-term Debt

For the year ended August 31, 2006, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2005	Additions	Payments	Balance August 31, 2006
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,540,026	\$ 26,604	\$ (160,000)	\$ 8,406,630
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>11,880,682</u>	<u>13,728</u>	<u>-</u>	<u>11,894,410</u>
Total			<u>\$ 20,420,708</u>	<u>\$ 40,332</u>	<u>\$ (160,000)</u>	20,301,040
Less current portion						<u>355,000</u>
Long-term portion						<u>\$ 19,946,040</u>

For the year ended August 31, 2005, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2004	Additions	Payments	Balance August 31, 2005
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,605,770	\$ 29,256	\$ (95,000)	\$ 8,540,026
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>11,866,954</u>	<u>13,728</u>	<u>-</u>	<u>11,880,682</u>
Total			<u>\$ 20,472,724</u>	<u>\$ 42,984</u>	<u>\$ (95,000)</u>	20,420,708
Less current portion						<u>160,000</u>
Long-term portion						<u>\$ 20,260,708</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	
2007	\$ 165,000	\$ 445,978	\$ 190,000	\$ 583,749	\$ 1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
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
2012-2016	1,075,000	1,959,138	1,315,000	2,637,233	6,986,371
2017-2021	1,365,000	1,657,288	1,635,000	2,316,128	6,973,416
2022-2026	1,795,000	1,236,259	2,075,000	1,871,375	6,977,634
2027-2031	2,335,000	668,990	2,660,000	1,290,045	6,954,035
2032-2036	<u>1,165,000</u>	<u>67,671</u>	<u>3,410,000</u>	<u>538,815</u>	<u>5,181,486</u>
Total	<u>\$ 8,615,000</u>	<u>\$ 7,756,440</u>	<u>\$ 12,150,000</u>	<u>\$ 11,501,510</u>	<u>\$ 40,022,950</u>

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2006 and 2005

### 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 \$208,370 and \$234,974 at August 31, 2006 and 2005, 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 \$165,000 on September 1, 2006 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.

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 \$255,590 at August 31, 2006. 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 \$190,000 on September 1, 2006 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.

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).

The coverage ratio computed under the Bond Legislation is as follows:

	<u>2006</u>	<u>2005</u>
Change in net assets	\$ (358,363)	\$ (248,298)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,076,010	1,083,475
Management fees	171,378	142,100
Depreciation and amortization expense	<u>607,260</u>	<u>606,780</u>
Net pledged revenues as defined	<u>\$ 1,496,285</u>	<u>\$ 1,584,057</u>
Debt service requirement on bonds	\$ 1,198,085	\$ 1,066,113
Coverage ratio (1/2)	125%	149%
Required coverage ratio	120%	120%



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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, 2006 and have issued our report thereon dated October 10, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

October 10, 2006

*Plante & Moran, PLLC*

A member of



A worldwide association of independent accounting firms



**Auditor of State  
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**CENTRAL STATE UNIVERSITY FOUNDATION**

**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  
DECEMBER 21, 2006**