

UNIVERSITY HOUSING CORPORATION

Financial Report
for the Years Ended July 31, 2007 and 2006





Mary Taylor, CPA
Auditor of State

Board of Directors
University Housing Corporation
One University Plaza
Youngstown, Ohio 44555

We have reviewed the *Report of Independent Auditors* of the University Housing Corporation, Mahoning County, prepared by Ernst & Young LLP, for the audit period August 1, 2006 through July 31, 2007. 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 University Housing Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 12, 2007

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TABLE OF CONTENTS

| | <i>Page</i> |
|---|-------------|
| <i>Financial Report</i> | |
| <i>Report of Independent Auditors</i> | 1 |
| <i>Statements of Financial Position</i> | 2 |
| <i>Statements of Activities</i> | 3 |
| <i>Statements of Cash Flows</i> | 4 |
| <i>Notes to Financial Statements</i> | 5 |
| <i>Board of Trustees</i> | 11 |

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Report of Independent Auditors

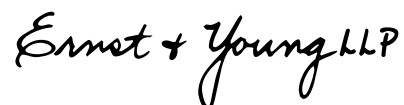
The Board of Directors
University Housing Corporation

We have audited the accompanying statements of financial position of University Housing Corporation (the Corporation) as of July 31, 2007 and 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 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. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 the Corporation as of July 31, 2007 and 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007 on our consideration of the Corporation'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 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 15, 2007

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION

| | July 31, | |
|---|----------------------|----------------------|
| | 2007 | 2006 |
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 172,557 | \$ 171,539 |
| Restricted cash | 299,080 | 83,857 |
| Accounts receivable, net | 32,285 | 23,539 |
| Accounts receivable, Youngstown State University | 14,934 | 15,879 |
| Interest receivable | 15,476 | 13,516 |
| Restricted investments | 3,324,291 | 2,935,241 |
| Prepaid expenses | 30,305 | 216,685 |
| Total Current Assets | 3,888,928 | 3,460,256 |
| Property, Facilities, and Equipment | 16,267,002 | 16,771,069 |
| Other Assets | | |
| Bond issue costs, net | 343,434 | 357,311 |
| TOTAL ASSETS | \$ 20,499,364 | \$ 20,588,636 |
| LIABILITIES & NET DEFICIT | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 29,895 | \$ 6,799 |
| Capital lease payable, current portion | 23,977 | 21,273 |
| Accrued bond interest payable | 68,646 | 66,143 |
| Bonds payable, current portion | 100,000 | 60,000 |
| Prepaid rent | 42,320 | 42,006 |
| Due to Ambling Companies | 9,626 | 9,626 |
| Security deposits | 77,838 | 96,543 |
| Other accruals | 77,703 | 17,417 |
| Total Current Liabilities | 430,005 | 319,807 |
| Long Term Debt | | |
| Bonds payable | 21,430,000 | 21,580,000 |
| Interest rate swap | 429,618 | 365,214 |
| Loan payable - Youngstown State University Foundation | 121,592 | 108,376 |
| Capital lease payable | 18,067 | 41,739 |
| Total Long Term Debt | 21,999,277 | 22,095,329 |
| Total Liabilities | 22,429,282 | 22,415,136 |
| Unrestricted Net Deficit | (1,929,918) | (1,826,500) |
| TOTAL LIABILITIES & NET DEFICIT | \$ 20,499,364 | \$ 20,588,636 |

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES

| | Year ended July 31, | |
|--|----------------------------|-----------------------|
| | 2007 | 2006 |
| REVENUE | | |
| Rental income | \$ 2,214,370 | \$ 2,131,506 |
| Interest income | 173,436 | 148,670 |
| Other income | 123,237 | 87,816 |
| TOTAL REVENUE | 2,511,043 | 2,367,992 |
| EXPENSES | | |
| Administrative | 40,845 | 31,124 |
| Contract services | 56,525 | 48,709 |
| Interest expense | 866,782 | 868,847 |
| Bond fees | 278,792 | 258,883 |
| Depreciation and amortization expense | 577,171 | 562,913 |
| Bad debt expense | 75,382 | 59,179 |
| Management fees | 114,312 | 114,312 |
| Advertising costs | 26,001 | 13,880 |
| Payroll and payroll-related | 148,735 | 149,479 |
| Accounting and legal | 46,310 | 25,125 |
| Repairs and maintenance | 116,331 | 85,202 |
| Loss (gain) on interest rate swap | 64,404 | (727,090) |
| Insurance and taxes | 46,951 | 48,546 |
| Unit utilities expense | 155,920 | 162,704 |
| TOTAL EXPENSES | 2,614,461 | 1,701,813 |
| (INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT | (103,418) | 666,179 |
| UNRESTRICTED NET DEFICIT AT BEGINNING OF YEAR | (1,826,500) | (2,492,679) |
| UNRESTRICTED NET DEFICIT AT JULY 31 | \$ (1,929,918) | \$ (1,826,500) |

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF CASH FLOWS

| | Year ended July 31, | |
|---|----------------------------|-------------------|
| | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Increase) decrease in unrestricted net deficit | (\$103,418) | \$ 666,179 |
| Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities: | | |
| Depreciation and amortization | 577,171 | 562,913 |
| Loss (gain) on interest rate swap | 64,404 | (727,090) |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (8,746) | 3,605 |
| Interest receivable | (1,960) | (3,536) |
| Prepaid expenses | 186,380 | (16,798) |
| Accounts payable | 23,096 | (2,231) |
| Accrued bond interest payable | 2,503 | (3,048) |
| Prepaid rent | 314 | 6,533 |
| Accounts receivable/payable - Youngstown State University | 945 | 57,889 |
| Security deposits | (18,705) | (2,045) |
| Other accruals | 60,286 | (5,568) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 782,270 | 536,803 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, facilities, and equipment | (59,227) | (47,739) |
| Change in restricted investments | (389,050) | (321,875) |
| NET CASH (USED IN) INVESTING ACTIVITIES | (448,277) | (369,614) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan payable - Youngstown State University Foundation | 13,216 | 4,913 |
| Principal payments on debt and capital lease | (130,968) | (148,332) |
| NET CASH (USED IN) FINANCING ACTIVITIES | (117,752) | (143,419) |
| NET INCREASE IN CASH | 216,241 | 23,770 |
| CASH AT BEGINNING OF YEAR | 255,396 | 231,626 |
| CASH AT END OF YEAR | \$ 471,637 | \$ 255,396 |

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED) YEARS ENDED JULY 31, 2007 AND 2006

Note 1 – Organization

Nature of Business

University Housing Corporation (the Corporation) was formed on July 18, 2001 to further the educational mission of Youngstown State University (University) by developing and owning housing for the students, faculty and staff of the University. Its rental units are located in Youngstown, Ohio and house approximately 400 residents.

Management Agreement

On May 1, 2002 the Corporation entered into a Management Agreement with Ambling Management Company (Ambling Management) to manage the operations of the student housing facility and act as its leasing agent. The Management Agreement is effective August 1, 2003 and expires in 2008 and can be renewed annually thereafter. Under the Management Agreement, Ambling Management receives a monthly management fee of \$9,526. The Corporation owed Ambling Management \$9,526 at July 31, 2007 and 2006 for management fees, which are recorded in Due to Ambling Companies on the statement of financial position. In fiscal year 2007, additional payments to Ambling Management included:

| Reimbursement for: | Amount |
|-----------------------------|--------------------------|
| Payroll and payroll related | \$ 150,452 |
| Administrative expenses | <u>2,394</u> |
| Total | <u>\$ 152,846</u> |

Note 2 – Summary of Significant Accounting Policies

Cash

The Corporation considers all highly liquid investments with a maturity of three months or

less when purchased to be cash equivalents. The Corporation maintains its cash balances in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Corporation's deposits may at times exceed the insured limit.

Restricted Cash and Restricted Investments

Restricted cash and restricted investments are required to be maintained per the Reimbursement Agreement (see Note 6). The Reimbursement Agreement limits the use of some of these amounts to principal and interest payments on the bonds. As of July 31, 2007 and 2006, \$3,623,371 and \$3,019,098, respectively, were recorded as restricted cash and investments for these purposes on the statement of financial position.

Property, Facilities and Equipment

Property, facilities and equipment are recorded at cost. Renewals and replacements of a routine nature are expensed, while those that extend or improve the life of existing properties are capitalized. Assets are depreciated by the straight-line method over their estimated useful lives once the assets have been placed into service (see Note 5). Leased equipment is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

The Corporation capitalizes interest in accordance with Financial Accounting Standard No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* (Statement 62), which requires the Corporation to capitalize interest costs of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
YEARS ENDED JULY 31, 2007 AND 2006

Note 2 – Summary of Significant Accounting Policies, (continued)

specified qualifying assets acquired with those borrowings are ready for their intended use.

Financial Instruments

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, and other current liabilities approximate their carrying values due to the short-term nature of these financial instruments. The carrying values of the Corporation's long-term obligations approximate fair value.

Bond Issue Costs

The costs related to the issuance of bonds are capitalized and amortized using the straight-line method over the life of the bonds.

Security Deposits

Each tenant is required to pay a refundable security deposit. The security deposit or any portion thereof may be withheld for unpaid rent or damage in excess to normal wear and tear to the premises, common areas, major appliances and furnishings. The security deposit is recorded as a liability on the statement of financial position.

Derivatives and Hedging Activities

The Corporation follows Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (Statement 133), which requires derivative financial instruments, such as interest rate swaps, to be recognized as assets or liabilities in the statement of financial position at fair value.

The fair value of the interest rate swap reflects the present value of the future potential gains (losses), if settlement were to take place. The

Corporation does not designate its derivative instrument as a hedging instrument, thus gains and losses on the derivative instrument are recognized in the statement of activities during the period of change (see Note 6).

Net Assets

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use has been limited by donor-imposed time or purpose restrictions. Permanently restricted net assets are net assets required by donor restriction or by law to be maintained by the Corporation in perpetuity. Unrestricted net assets are all other net assets.

Advertising Costs

The Corporation incurs advertising costs in the form of television, radio, newspaper and other print ads. Such costs are expensed as incurred. Advertising costs charged to expense were \$26,001 in fiscal year 2007 and \$13,880 in fiscal year 2006.

Federal Income Taxes

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED) YEARS ENDED JULY 31, 2007 AND 2006

Note 2 – Summary of Significant Accounting Policies, (continued)

disclosures. Accordingly, actual results may differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 3 – Accounts Receivable

Accounts receivable are recorded at net realizable value with an allowance for doubtful accounts of \$6,500 and \$12,000, respectively, at July 31, 2007 and 2006. The allowance is determined based on historical losses. Uncollected balances are written off in the year turned over to collection. Recoveries are recorded in the year received.

Note 4 – Investments

Investments consist of the following as of July 31, 2007 and 2006:

| | July 31, 2007 | July 31, 2006 |
|---------------------------------|--------------------|--------------------|
| Guaranteed Investment Contract: | | |
| MBIA | 1,742,041 | \$1,742,041 |
| Other investments: | | |
| Mutual funds | 1,582,250 | 1,193,200 |
| Total | <u>\$3,324,291</u> | <u>\$2,935,241</u> |

The guaranteed investment contract, whose fair value is not readily determinable, is recorded at cost plus accrued interest in the statements of financial position.

The Corporation has a Guaranteed Investment Contract in which U.S. Bank is authorized to invest in certain funds with MBIA Inc. (MBIA) pursuant to an agreement dated May 16, 2002. This investment is for the Debt Service Reserve Fund. MBIA pays interest at the rate of 5.8385% per annum.

Note 5 – Property, Facilities, and Equipment

Property, facilities and equipment are recorded at cost, net of accumulated depreciation. Recorded values as of July 31, 2007 and 2006 are as follows:

| | July 31, 2007 | July 31, 2006 |
|---|---------------------|---------------------|
| Buildings | \$17,442,241 | \$17,442,241 |
| Other capital assets | 1,022,457 | 963,229 |
| Total cost | 18,464,698 | 18,405,470 |
| Less accumulated depreciation | (2,197,696) | (1,634,401) |
| Property, facilities and equipment, net | <u>\$16,267,002</u> | <u>\$16,771,069</u> |

Note 6 – Long-Term Debt

In May 2002, the Corporation issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by JPMorgan Chase Bank as Remarketing Agent based on the weekly tax-exempt index as determined by JPMorgan Chase Bank, and are due at various dates until 2033. These variable interest rates at July 31, 2007 and 2006 were

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
YEARS ENDED JULY 31, 2007 AND 2006

Note 6 – Long-Term Debt, (continued)

5.3% and 3.7%, respectively, with an average weighted rate of 3.6% during fiscal year 2007 and 3.1% during fiscal year 2006. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. In connection with the issuance of the Series 2002 Bonds, the Corporation entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the Corporation must establish and maintain a debt service reserve fund (\$1,742,041 at July 31, 2007 and 2006) and the Youngstown State University Foundation (Foundation or Guarantor) is required to guarantee the maintenance of the debt service fund and replenish any deficits on a semi-annual basis. No replenishments were required in fiscal years 2007 or 2006.

Additionally, under the terms of the Reimbursement Agreement, the Corporation entered into an Irrevocable Letter of Credit Agreement, dated May 8, 2002, renewed in January 2007 with modified terms. The Foundation provides a conditional full guaranty of the Letter of Credit only under conditions which would indicate a failure of the Project to attain a sustained cash flow sufficient to maintain service of the debt as outlined in the Letter of Credit Agreement. Under the terms of the Reimbursement Agreement, the Guarantor executed and delivered a Guaranty Agreement for payment of the Series 2002 Bonds, dated May 1, 2002. Subsequent to fiscal year 2007, an Alternate Letter of Credit was secured with a stated expiration date of September 16, 2012.

Maturities of the bonds are as follows:

| Year ending July 31, | Amount |
|----------------------|---------------------|
| 2008 | 100,000 |
| 2009 | 130,000 |
| 2010 | 175,000 |
| 2011 | 220,000 |
| 2012 | 270,000 |
| Thereafter | 20,635,000 |
| Total | \$21,530,000 |

The Corporation's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, the Corporation entered into an interest rate swap in May 2002 with a notional amount of \$20,625,000 at July 31, 2007 and \$20,685,000 at July 31, 2006. This swap agreement effectively changes the Corporation's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, the Corporation makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to the Corporation equal to 68% of the 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal year 2007 and 2006 the 1-Month USD-LIBOR-BBA Index ranged from 5.32% to 5.42% (5.32% at July 31,

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
YEARS ENDED JULY 31, 2007 AND 2006

Note 6 – Long-Term Debt, (continued)

2007) and 3.52% to 5.39% (5.39% at July 31, 2006), respectively.

The fair value of the swap agreement at July 31, 2007 and 2006 was \$429,618 and \$365,214, respectively, and is recorded as a liability on the statements of financial position. The change of \$64,404 in the fair value of the swap during fiscal year 2007 is recorded as a loss on interest rate swap (\$727,090 recorded as a gain in fiscal year 2006) in the statements of activities.

Total interest paid was \$854,492 and \$854,269 in fiscal year 2007 and fiscal year 2006, respectively.

Note 7 – Leases

In May 2002, the Corporation entered into a 40-year lease with Youngstown State University for land to develop the Project. The lease contains a renewal option to extend the term for an additional 40 years. Future minimum annual lease payments are \$100 per year over the life of the lease. An October 2004 amendment provided for an additional payment of \$10,000 per month to offset electrical usage, adjusted annually in accordance with a prescribed annual reconciliation statement. Due to lower than expected cost, Youngstown State University billed \$5,000 per month to minimize the annual adjustment.

In November 2003, the Corporation entered into a 5-year capital lease for building equipment. As a result, property rights under the capital lease obligation totaling \$25,368 and \$45,662, net of accumulated depreciation, are included in

property, facilities and equipment on the statement of financial position at July 31, 2007 and 2006, respectively. The net present value of future lease payments is recorded as a liability in the amount of \$42,044 and \$63,012 at July 31, 2007 and 2006, respectively. The future lease payments are as follows:

| Year ending July 31, | Amount |
|----------------------|------------------|
| 2008 | \$ 27,995 |
| 2009 | 18,664 |
| | <u>46,659</u> |
| Less interest | <u>(4,615)</u> |
| Principal | <u>\$ 42,044</u> |

Note 8 - Related Party Transactions

Periodically, Youngstown State University Foundation pays expenses on behalf of the Corporation. Amounts owed to the affiliate are payable upon demand and bear interest at Prime Rate on the beginning date of each loan and fixed thereafter. As of July 31, 2007 and 2006, the interest rates averaged 4.75% on the outstanding loan payable of \$121,592 and \$108,376 respectively. Principal additions totaled \$8,069 for legal expenses in fiscal year 2007 and \$0 in fiscal year 2006.

The University is committed to marketing the housing facility. In addition, the University annually awards housing scholarships to University students for a minimum of \$25,000.

Accounts receivable of \$14,934 and \$15,879 from the University at July 31, 2007 and 2006, respectively, represented reimbursements due the Corporation in accordance with the reconciliation statement provision of the ground lease (see Note 7).

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, *(CONTINUED)*
YEARS ENDED JULY 31, 2007 AND 2006

Note 8 - Related Party Transactions,
(continued)

Additional payments to the University during
fiscal year 2007 included:

| Reimbursement for: | Amount |
|---------------------------|--------------------------------|
| Telephone/internet | \$ 26,925 |
| Electricity | 45,066 |
| Ground rent | 100 |
| Athletic sponsorship | <u>2,650</u> |
| Total | <u><u>\$ 74,741</u></u> |



UNIVERSITY HOUSING CORPORATION

BOARD OF TRUSTEES

at JULY 31, 2007

Dianne Bitonte Miladore, MD,
Trustee

*Physician and Member of the Clinical
Faculty of NEOUCOM*

Tom Cavalier,
Secretary

*President,
Butler, Wick and Company*

Larry Fauver,
Trustee

*Executive Vice President,
Mahoning/Trumbull AFL-CIO*

Earnest Perry, MD, FACS
Trustee

*Chairman, Department of Surgery
Western Reserve Care System*

John Pogue,
President/Treasurer

Harrington, Hoppe and Mitchell, Ltd.

Richard Schiraldi,
Trustee

Cohen & Company

Jan Strasfeld,
Vice President

*Vice President,
The Muransky Companies*

UHC

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*

The Board of Directors of
University Housing Corporation

We have audited the financial statements of University Housing Corporation (the Corporation) as of and for the year ended July 31, 2007, and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the Corporation'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 the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

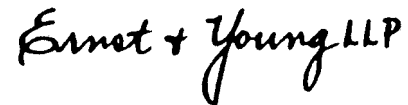
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



October 15, 2007



Mary Taylor, CPA
Auditor of State

UNIVERSITY HOUSING CORPORATION

MAHONING 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 24, 2007**