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RIALTO SQUARE THEATRE CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

COMPONENT UNIT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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WRDR WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Rialto Square Theatre Corporation
15 East Van Buren Street
Joliet, Illinois 60432

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rialto Square Theatre Corporation (an Illinois not-for-profit corporation) a component unit of Will County Metropolitan Exposition And Auditorium Authority, as of and for the year ended June 30, 2008, which collectively comprise Rialto Square Theatre Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rialto Square Theatre Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rialto Square Theatre Corporation, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages two through six is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rialto Square Theatre Corporation's basic financial statements. The schedule of organization data on page twenty is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Werner, Rogers, Doran & Ruzon, LLC

January 30, 2009

Members of American Institute of Certified Public Accountants/Illinois CPA Society

RIALTO SQUARE THEATRE CORPORATION

Management's Discussion And Analysis
For The Year Ended June 30, 2008

Our discussion and analysis of the Rialto Square Theatre Corporation's financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Corporation's financial statements, which begins on page 7.

FINANCIAL HIGHLIGHTS

The Corporation's net assets increased by $119 thousand, or 6.6 percent as a result of this year's operations.

During the year, the Corporation's governmental activities had revenues of $941 thousand as compared to revenues of $564 thousand in the prior year. The Corporation's governmental activities had expenditures of $822 thousand as compared to expenditures of $141 thousand in the prior year. This represented increases in revenues of 67% and increases in expenditures of 484%.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 7) and the Statement of Activities (on page 8) provide information about the activities of the Corporation as a whole and present a long-term view of the Corporation's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Corporation's operations in more detail than the government-wide statements by providing information about the Corporation's most significant funds. The remaining statements provide financial information about the activities for which the Corporation acts solely as a trustee or agent for the benefit of those outside of the Corporation.

The Statement Of Net Assets And The Statement Of Activities

Our analysis of the Corporation as a whole begins on page 3. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Corporation as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Corporation's *net assets* and changes in them. You can think of the Corporation's net assets (the difference between assets and liabilities) as one way to measure the Corporation's financial health, or *financial position.* Over time, *increases or decreases* in the Corporation's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's revenue base, to assess the *overall health* of the Corporation.

In the Statement of Net Assets and the Statement of Activities, the entity would typically be divided into two kinds of activities, governmental activities and business-type activities. Since the Corporation has no business-type activities, the presentation only deals with governmental activities. Governmental activities include all of the Corporation's basic services, including general administrative, development and sustaining, capital campaign and endowment, fundraising, and support to the primary government. Grants and donations finance most of these activities.

RIALTO SQUARE THEATRE CORPORATION

Management's Discussion And Analysis
For The Year Ended June 30, 2008

Reporting The Corporation's Most Significant Funds

Fund Financial Statements

Our analysis of the Corporation's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the Corporation as a whole. Some funds are required to be established by State law and by bond covenants. However, the Corporation Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. The Corporation only uses governmental funds.

Governmental Funds – All of the Corporation's administration and management services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Corporation's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources than can be spent in the near future to finance the Corporation's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation to the right of fund financial statements.

The Corporation As Trustee

Reporting The Corporation's Fiduciary Responsibility

The Corporation is the trustee, or fiduciary, for the Volunteers Fund. All of the Corporation's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 11. We exclude these activities from the Corporation's other financial statements because the Corporation cannot use these assets to finance its operations. The Corporation is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CORPORATION AS A WHOLE

The Corporation's net assets increased by about 6.6 percent – increasing from $1.8 million to $1.9 million. The increase of $119 thousand was significantly less than the previous year's increase of $423 thousand primarily due to the increase in expenses for support to the primary government which increased from $61 thousand in the prior year to $723 thousand in the current year. The primary positive factor was an increase in the capital improvement donations which increased to $455 thousand as compared to $174 thousand in the prior year. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Corporation's governmental activities:

RIALTO SQUARE THEATRE CORPORATION

Management's Discussion And Analysis
For The Year Ended June 30, 2008

Table 1
Net Assets
(In Thousands)

	Government Activities	
	2008	2007
Total Current And Other Assets	$ 1,938	$ 1,811
Total Liabilties	8	-
Net Assets		
Restricted	526	476
Temporarily Restricted	362	343
Unrestricted	1,042	992
Total Net Assts	$ 1,930	$ 1,811

The net assets of the Corporation's governmental activities increased by 6.6 percent ($1.9 million compared to $1.8 million). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by $50 thousand. This increase is attributable to grant revenue and many generous donations.

Table 2
Changes In Net Assets
(In Thousands)

	2008	2007
Revenues		
Program Revenues:		
Charges For Services	$ -	$ -
Operating Grants And Contributions	473	220
Capital Grants And Contributions	467	254
General Revenues:		
Interest And Investment Earnings	1	90
Total Revenues	941	564
Program Expenses		
General Administration	15	15
Development And Sustaining	13	-
Capital Campaign	18	9
Fundraising	53	56
Support To Primary Government	723	61
Total Expenses	822	141
Increase In Net Assets	$ 119	$ 423

RIALTO SQUARE THEATRE CORPORATION

Management's Discussion And Analysis
For The Year Ended June 30, 2008

Governmental Activities

Revenues for the Corporation's governmental activities increased by $377 thousand or 67 percent while total expenses increased by $681 thousand or 484 percent. The increase in revenues is attributable to the capital campaign fund which increased from $174 thousand last year to $455 thousand this year, an increase in government grants from $50 thousand last year to $248 thousand this year, a decrease in the unrealized investment gain/ (loss) from $60 thousand gain last year to a $30 thousand loss this year, and a decrease of $12 thousand on miscellaneous donations. The increase in expenses was attributable to the increase in support to the primary government in the amount of $662 thousand in addition to increases in capital campaign expenses of $9 thousand and a $10 thousand increase within the sustaining fund expense.

Table 3 presents the cost of each of the Corporation's five activity categories – General Administration, Development and Sustaining, Capital Campaign and Endowment, Fundraising, and Support to Primary Government – as well as each category's *net* cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Corporation by each of these functions.

The General Administrative category included professional fees, office expenses, trust fees, and other miscellaneous expenses. Development and Sustaining includes development expense and sustaining fund expense. Capital Campaign and Endowment includes all expenses related to the capital campaign and endowment fund acquisitions. Fundraising includes all other fundraising events and activities. Support to Primary Government represents all payments made to the Will County Metropolitan Exposition And Auditorium Authority except those made directly from the agency fund (*Volunteers Fund*).

Table 3
Governmental Activities
(In Thousands)

	Total Cost Of Services		Net Cost (Surplus From) Services	
	2008	2007	2008	2007
General Administrative	$ 15	$ 15	$ 15	$ 15
Development And Sustaining	13	-	13	-
Capital Campaign & Endownment	18	9	(491)	(296)
Fundraising	53	56	(37)	(30)
Support To Primary Government	723	61	382	(22)
Totals	$ 822	$ 141	$ (118)	$ (333)

THE CORPORATION'S FUNDS

As the Corporation completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a *combined* fund balance of $1.9 million, which is above last year's total of $1.8 million. The Corporation also experienced an increase in its cash and investments for a combined total of $1 thousand.

RIALTO SQUARE THEATRE CORPORATION

Management's Discussion And Analysis
For The Year Ended June 30, 2008

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Corporation's administrative office, 15 East Van Buren Street, Joliet, Illinois 60432.

RIALTO SQUARE THEATRE CORPORATION

Statement Of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Current Assets	
Cash	$ 490,541
Investments	733,436
Pledges Receivable - Current	233,216
Accrued Interest Receivable	5
Grant Advance	11,004
Due From Primary Government	340,172
Total Current Assets	1,808,374
Non-Current Assets	
Pledges Receivable - Non Current	129,480
Total Assets	$ 1,937,854
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 2,500
Deferred Revenue	5,099
Total Current Liabilities	7,599
NET ASSETS	
Restricted For Permanent Funds	525,624
Temporarily Restricted	362,696
Unrestricted	1,041,935
Total Net Assets	1,930,255
Total Liabilities And Net Assets	$ 1,937,854

See Accompanying Notes To The Basic Financial Statements

RIALTO SQUARE THEATRE CORPORATION

Statement Of Activities
For The Year Ended June 30, 2008

Functions / Programs	Expenses	Program Charges For Services
Governmental Activities:		
General Administration	$ 14,904	$ -
Development And Sustaining	12,589	-
Capital Campaign And Endowment	18,001	-
Fundraising	53,224	-
Support To Primary Government	723,215	-
Total Governmental Activities	$ 821,933	$ -

See Accompanying Notes To The Basic Financial Statements

Revenues		Net (Expense) Revenue And Changes In Net Assets
Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
$ -	$ -	($ 14,904)
-	-	(12,589)
41,475	467,629	491,103
89,834	-	36,610
341,389	-	(381,826)
$ 472,698	$ 467,629	118,394

General Revenues:	
Interest Income	30,779
Unrealized Investment (Loss)	(30,160)
Total General Revenues	619
Change In Net Assets	119,013
Net Assets, Beginning Of Year	1,811,242
Net Assets, End Of Year	$ 1,930,255

RIALTO SQUARE THEATRE CORPORATION

Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Endowment Fund *(Nonexpendable Portion)*
ASSETS		
Cash	$ 462,978	$ 18,170
Investments	203,033	439,221
Pledges Receivable	362,696	-
Accrued Interest Receivable	-	-
Grant Advance	11,004	-
Due From General Fund	-	41,400
Due From Endowment Fund Expendable Portion	-	30
Due From Primary Government	682,667	26,803
Total Assets	$ 1,722,378	$ 525,624
LIABILITIES		
Accounts Payable	$ 2,500	$ -
Due To Primary Government	369,298	-
Due To Endowment Fund Nonexpendable Portion	41,400	-
Deferred Revenue	5,000	-
Total Liabilities	418,198	-
FUND BALANCES		
Restricted For Endowments	-	525,624
Temporarily Restricted	362,696	-
Unreserved, Reported In:		
General Fund	941,484	-
Special Revenue Fund	-	-
Total Fund Balance	1,304,180	525,624
Total Liabilities And Fund Balance	$ 1,722,378	$ 525,624

See Accompanying Notes To The Basic Financial Statements

Endowment Fund *(Expendable Portion)*	Total Governmental Funds
$ 9,393	$ 490,541
91,182	733,436
-	362,696
5	5
-	11,004
-	41,400
-	30
-	709,470
$ 100,580	$ 2,348,582
$ -	$ 2,500
-	369,298
30	41,430
99	5,099
129	418,327
-	525,624
-	362,696
-	941,484
100,451	100,451
100,451	1,930,255
$ 100,580	$ 2,348,582

Reconciliation Of Governmental Funds Balance Sheet
To Statement Of Net Assets
June 30, 2008

Total Fund Balance - Governmental Funds	$ 1,930,255
Amounts reported for governmental activities in the Statement Of Net Assets are currently the same as amounts reported in this Statement	-
Net Assets Of Governmental Activities	$ 1,930,255

RIALTO SQUARE THEATRE CORPORATION

Statement Of Revenue, Expenditures, And
Changes In Fund Balance
Governmental Funds
For The Year Ended June 30, 2008

	General Fund	Endowment Fund *(Nonexpendable Portion)*
Revenue		
Fundraiser	$ 81,618	$ -
Grants	12,000	-
Government Grants	247,500	-
Sustaining Fund	81,889	-
Endowment Donations	-	41,475
Improvement Donations	455,269	-
Capital Campaign Fundraiser Donations	12,360	-
Preservation Dues	-	8,216
Dividends	866	-
Other Income	5,823	-
Interest	7,703	-
Unrealized (Loss) On Investments	(8,556)	-
Total Revenue	896,472	49,691
Expenditures		
Support To Primary Government	723,215	-
Fundraising	53,224	-
Capital Campaign Expense	18,001	-
Professional Fees	3,600	-
Office Supplies	1,792	-
Development Expense	315	-
Sustaining Fund Expense	12,274	-
Miscellaneous	529	-
Trust Fees	2,768	-
Total Expenditures	815,718	-
Excess Of Revenue Over Expenditures	80,754	49,691
Fund Balance, Beginning Of Year	1,223,426	475,933
Fund Balance, End Of Year	$ 1,304,180	$ 525,624

See Accompanying Notes To The Basic Financial Statements

Endowment Fund *(Expendable Portion)*	Total Governmental Funds
$ -	$ 81,618
-	12,000
-	247,500
-	81,889
-	41,475
-	455,269
-	12,360
-	8,216
3,026	3,892
13,164	18,987
197	7,900
(21,604)	(30,160)
(5,217)	940,946
-	723,215
-	53,224
-	18,001
-	3,600
-	1,792
-	315
-	12,274
-	529
6,215	8,983
6,215	821,933
(11,432)	119,013
111,883	1,811,242
$ 100,451	$ 1,930,255

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balance Of Governmental Funds To The Statement Of Activities For The Year Ended June 30, 2008

Net Change In Fund Balance - Governmental Funds	$ 119,013
Amounts reported for governmental activities in the Statement Of Activities are currently the same as amounts reported in this statement.	-
Change In Net Assets Of Governmental Funds	$ 119,013

RIALTO SQUARE THEATRE CORPORATION

Statement Of Net Assets
Fiduciary Funds
June 30, 2008

	Agency Fund
ASSETS	
Cash	$ 100,160
Inventory	5,807
Due From WCMEAA	4,406
Total Assets	$ 110,373
LIABILITIES	
Due To WCMEAA	$ 11,509
Due To Volunteers	98,864
Total Liabilities	$ 110,373

See Accompanying Notes To The Basic Financial Statements

RIALTO SQUARE THEATRE CORPORATION

Notes To Basic Financial Statements
June 30, 2008

1. Summary Of Significant Accounting Policies

Introduction

The Rialto Square Theatre Corporation (RSTC) was established January 1, 1989 by the Will County Metropolitan Exposition and Auditorium Authority (WCMEAA). WCMEAA is a unit of local government created by the State of Illinois in 1978 and is the owner of the Rialto Square Theatre Complex, a grouping of commercial, office and theatre buildings in Joliet, Illinois. The RSTC currently has an 8 member Board of Directors.

The WCMEAA with the assistance of several community leaders and professional consultants, worked to establish RSTC to manage the theatre operations. As of January 1, 1994, the role of RSTC was significantly modified. This modification is a result of an agreement between WCMEAA and the City of Joliet. The revised purpose of RSTC is to conduct fundraising. All other activities that were the responsibility of the RSTC are now performed by the WCMEAA.

The financial statements of the Rialto Square Theatre Corporation are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP). USGAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial Reporting Entity

Accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board, defines a financial reporting entity and other entities that qualify as potential component units. The criterion for an entity to be a component unit of another entity (primary government) is for that primary government entity to have responsibility to oversee, this responsibility includes but is not limited to the following considerations: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; accountability for fiscal matters; the scope of an organization's public service; and/or special financing relationships.

Based on the above criterion, the Rialto Square Theatre Corporation, for the year ended June 30, 2008, has met the definition as a component unit of the Will County Metropolitan Exposition And Auditorium Authority. The considerations for the Rialto Square Theatre Corporation to be a component unit of the Will County Metropolitan Exposition And Auditorium Authority are: selection of governing authority; ability to significantly influence operations; and accountability for financial matters.

RIALTO SQUARE THEATRE CORPORATION

Notes To Basic Financial Statements
June 30, 2008

1. Summary Of Significant Accounting Policies

Basis Of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and non-exchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Corporation currently has no business-types activities to report.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Corporate resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Corporation's funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund the Corporation (General Fund) or meets the following criteria:

a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

Governmental funds are those through which most governmental functions of the Corporation are financed. The Corporation's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Corporation's governmental funds:

General Fund *(Major Fund)* - The General Fund is the general operating fund of the Corporation. It is used to account for all financial resources except those required to be accounted for in another fund.

Endowment Fund - Nonexpendable *(Major Fund)*– The Board of Directors of the RSTC established the Rialto Square Theatre Endowment Fund on January 1, 1989. The fund is to be supported through public gifts and contributions. Principal cannot be used or invaded for any purpose other than those specified by the donor. This fund is classified as a permanent fund.

1. Summary Of Significant Accounting Policies

Endowment Revenue Fund - Expendable *(Nonmajor Fund)* – This fund is used to account for the unrestricted portion of the Rialto Square Theatre Endowment Fund. The balance in this fund represents earnings on the endowment fund that have not been expended or transferred to another fund. This fund is classified as a special revenue fund.

Fiduciary Funds (Not Included In Government-wide Statements)

Fiduciary funds are used to account for assets held by the Corporation in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds.

Agency Funds - Agency Funds are used to account for assets held by the Corporation as an agent for individuals, private organizations, other governmental units, and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The following are included as agency funds:

Volunteers Fund

The Board of Directors of the Rialto Square Theatre Corporation (RSTC) established the Rialto Square Theatre Volunteers Organization and Fund. The purpose of the organization is to provide volunteer manpower and to promote and support the programs of the Rialto Square Theatre. The income generated is transferred to the Will County Metropolitan Exposition And Auditorium Authority to be used as directed by the Volunteer Board of Directors.

Measurement Focus And Basis Of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement or the "economic resources" measurement is used as appropriate:

a. Governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

1. Summary Of Significant Accounting Policies

b. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis Of Accounting

Government-Wide Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Corporation.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

Fund financial statements report detailed information about the Corporation. The focus of governmental fund financial statements is on major funds rather than reporting on funds by type. Each major fund is presented in a separate column.

RIALTO SQUARE THEATRE CORPORATION

Notes To Basic Financial Statements
June 30, 2008

1. Summary Of Significant Accounting Policies

Governmental Funds

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within sixty days or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Charges for services, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Revenues from Federal and State grants and similar programs are recognized when the Corporation has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

Investments

Investments of the Corporation are stated at fair value (See note 3). Short-term investments are reported at costs, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Deferred Revenue

Deferred revenue represents deposits for future events.

Use Of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

RIALTO SQUARE THEATRE CORPORATION

Notes To Basic Financial Statements
June 30, 2008

1. Summary Of Significant Accounting Policies

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges for contributions are recorded as received. An allowance for uncollectible pledges has not been recorded.

2. Income Taxes

The RSTC has qualified under the guidelines of Internal Revenue Code Section 501(c)(3) as a tax-exempt organization. Therefore, no provision for income taxes is reflected in the financial statements. Annual information returns are filed with the Internal Revenue Service. The Corporation is not considered a private foundation.

3. Cash And Investments

Cash Deposits

Cash deposits consisted of demand deposit accounts, certificates of deposit and a money market account. At June 30, 2008 the carrying amount of the Corporation's deposits was $589,201 and the bank balance was $589,231. Excluded from these amounts is cash on hand consisting of $1,500.

Custodial Credit Risk – this is the risk that in the event of a bank failure, the RSTC's deposits may not be returned to it. As of June 30, 2008 all of the RSTC's bank balances were insured or fully collateralized.

Concentration of Credit Risk. – The RSTC places no limit on the amount it may invest in any one issuer. At June 30, 2008, the RSTC held investments in three mutual funds (each of which represents 5 percent or more of the total investments as depicted in the schedule on the following page).

Interest Rate Risk – The RSTC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The RSTC's investment policy requires that short-term investments may only be invested in:

1) Certificates of deposit issued by the state and national banks, savings and loan associations, and credit unions domiciled in Joliet, IL, that are: a) guaranteed or insured by the Federal Deposit Insurance Corporation, other deposit insurance agencies, or their successors; or b) secured by the pledge of securities in the same manner as is required by the depository bank.

3. Cash And Investments

2) Obligations of the United States or its agencies and instrumentalities.

3) Direct obligations of the Sate of Illinois or its agencies.

4) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Illinois or the United States.

5) Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described above.

6) Money market funds regulated by the Securities and Exchange Commission.

Investments

Investments are carried at fair value. Unrealized losses for the endowment fund were $30,160. All investments are expected to be held until maturity.

	Fair Value	% Of Total Investments
Money Market Fund	$ 63,272	8.63%
First Midwest Fixed Income Common Fund	268,399	36.59%
First Midwest Equity Common Fund	401,765	54.78%
Total Investments	$ 733,436	100.00%

A reconciliation of the Corporation's cash and investment balances as reported on the combined balance sheet and the bank deposits and investments presented in this note is as follows:

	Deposits	Investments	Total
Reported As Cash:			
Cash On Hand	$ -	$ -	$ 1,500
Savings Demand Deposit Accounts	529,729	-	529,729
Money Market	15,753	-	15,753
Certificate Of Deposit	43,719	-	43,719
Total Reported As Cash	589,201	-	590,701
Reported As Investments:			
U.S. Treasury Money Market	-	63,272	63,272
Mutual Funds	-	670,164	670,164
Total Reported As Investments	-	733,436	733,436
Total Cash And Investments	$ 589,201	$ 733,436	$ 1,324,137
Reconciliation Of Cash:			
Governmental Funds Cash Page 9	$ 490,541		
Fiduciary Funds Cash Page 11	100,160		
Total Cash Balance	$ 590,701		

4. Pledges Receivable

Unconditional pledges receivable at June 30, 2008, are as follows:

Receivable In Less Than One Year	$	233,216
Receivable In Less Than Five Years		151,736
Receivable In More Than Five Years		-
Total Unconditional Pledges Receivable At June 30, 2008		384,952
Less Discounts To Net Present Value		22,256
Net Uncollected Promises To Give At June 30, 2008	$	362,696

A 6% discount rate was used to present value long-term pledges receivable.

5. Restrictions On Net Assets

Temporarily restricted net assets consist of unconditional promises to give to be received in future periods. Permanently restricted net assets consist of contributions to the Endowment fund.

6. Transactions With Primary Government

During the current year, the Rialto Square Theatre Corporation transferred $750,863 to the Will County Metropolitan Exposition And Auditorium Authority (Primary Government). Of that amount, $27,648 was transferred from the RSTC agency fund to purchase equipment.

RIALTO SQUARE THEATRE CORPORATION

Schedule Of Organization Data
June 30, 2008

BOARD OF DIRECTORS

President	David Hacker
Vice-President	James V. Smith
Secretary	David Thornton
Treasurer	Randall Green
Director	Mary Babich
Director	Lee Ann Goodson
Director	Robert Rogina

WRDR WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS
755 ESSINGTON ROAD, JOLIET, ILLINOIS 60435 • 815/730-6250 • FAX 815/730-6257 • WWW.WRDR.COM

January 30, 2009

MAY 0 1 2009

To the Board of Directors
Rialto Square Theatre Corporation
15 East Van Buren Street
Joliet, Illinois 60432

Communication with Those Charged with Governance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Rialto Square Theatre Corporation for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 8, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 8, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rialto Square Theatre Corporation are described in Note 1 to the financial statements. The application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepares by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Members of American Institute of Certified Public Accountants/Illinois CPA Society

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have attached a list of adjustments at the end of this letter which were corrected by management. Many of the adjustments relate to reclassifications for financial reporting purposes.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Rialto Square Theatre Corporation's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Wermer, Rogers, Doran + Renzon, LLC

Adjusting Journal Entries
Rialto Square Theatre Corporation
June 30, 2008

2/2/2009 4:38:16 PM

Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
1	Investments Major Endowment	1100.04	1-2-10100	2900		11,667.51	
1	Interfund Transfers		3-2-29810	5600			11,667.51
1	Investments FMB		1-2-10101	2900			11,667.51
1	Interfund Transfers		3-2-29811	5600		11,667.51	
To adjust one sided entries made by the client							
2	Fund Balance Restricted	Misc.	3-2-29800	5600			30.00
2	A/R from Endowment Expendable		1-2-11010	2350		30.00	
To record prior year adjustment not booked by client							
3	Investments CD's	1000.08	1-3-10110	2100			170.76
3	Interest Income		6-3-31002	6000		170.76	
To adjust interest income for the volunteer fund CD's							
4	Endowment Fund MMA	1000.04	1-2-10000	2000			3,170.00
4	Interfund Transfers		3-2-29811	5600		3,170.00	
4	Restricted Endowment Fund MMA		1-2-10001	2050		3,170.00	
4	Interfund Transfers		3-2-29810	5600			3,170.00
To reclassify the restricted funds of the endowment fund							
5	Investments Mavrich	1000.05	1-2-10111	2050		15,000.00	
5	Interfund Transfers		3-2-29810	5600			15,000.00
5	Investments Mavrich Endowment		1-2-10110	2000			15,000.00
5	Interfund Transfers		3-2-29811	5600		15,000.00	
To segregate restricted portion of donation							
6	Cap Camp Endowment Receivable	1200.07	1-4-11350	2320		8,048.19	
6	Improvement Donations		6-4-70002	6000			8,048.19
6	Cap Camp Endowment Receivable		1-4-11350	2320		1,352.57	
6	Improvement Donations		6-4-70002	6000			1,352.57
To amortize the discount over the future years							
7	Improvement Donations	1200.07	6-4-70002	6000		2,102.21	
7	Cap Camp Endowment Receivable		1-4-11350	2320			2,102.21
To record pledges receivable discount							
8	Grant Advances	1200.08	1-1-11400	3600			270.00
8	Grants For WCMEAA		6-1-40202	6601		270.00	
To adjust grant advances for the AIE ticket subsidiaries							
9	Investments Major Endowment	PY	1-2-10100	2900			102,849.09
9	Interfund Transfers		3-2-29810	5600		102,849.09	
9	Investments FMB		1-2-10101	2900		102,849.09	
9	Interfund Transfers		3-2-29811	5600			102,849.09
To record prior year entry not posted by client							
10	Cap Camp Due From Gen Fund	130.02	1-4-11006	4475		6,797.83	
10	Gen Fund Due To Cap Camp		2-1-20140	4475			6,797.83
10	Cap Camp Grant To WCMEAA		6-4-40202	6601		2,500.00	
10	(r) Accounts Payable		2-4-20000	4100			2,500.00
To record fees paid by the WCMEAA and not reimbursed by the capital campaign fund and to reclassify HUD grant money to cover the carpeting project. (Adjustment per the client).							
	Totals					286,644.76	286,644.76