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**MIDWEST CHINA HUB COMMISSION**  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2009*

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## Independent Auditors' Report

Board of Commissioners  
Midwest China Hub Commission  
St. Louis, Missouri

We have audited the accompanying financial statements of the governmental activities and the major fund of the Midwest China Hub Commission (the Commission), as of December 31, 2009 and from December 12, 2008 (the "date of inception") to December 31, 2009, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission'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 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 Commission'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, 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 and the major fund of the Commission as of December 31, 2009, and the respective changes in financial position, from the date of inception to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented the Management's Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*RubinBrown LLP*

June 4, 2010

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**MIDWEST CHINA HUB COMMISSION**

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**GOVERNMENTAL FUNDS –  
BALANCE SHEET/STATEMENT OF NET ASSETS  
December 31, 2009**

	<u>Governmental Fund</u>		<u>Statement Of Net Assets</u>
	<u>General</u>	<u>Adjustments</u>	
<b>Assets</b>			
Cash	\$ 29,720	\$ —	\$ 29,720
Grants receivable	100,000	—	100,000
Prepaid expenses	14,507	—	14,507
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<b>Total Assets</b>	<b>\$ 144,227</b>	<b>\$ —</b>	<b>\$ 144,227</b>
<hr/>			
<b>Liabilities</b>			
Deferred revenue	\$ 100,000	\$ —	\$ 100,000
<b>Fund Balances/Net Assets</b>			
Unreserved	44,227	(44,227)	—
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<b>Total Liabilities And Fund Balances</b>	<b>\$ 144,227</b>		
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<b>Net Assets</b>			
Unrestricted		44,227	44,227
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<b>Total Net Assets</b>		<b>\$ 44,227</b>	<b>\$ 44,227</b>
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## MIDWEST CHINA HUB COMMISSION

### STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/ STATEMENT OF ACTIVITIES

From Date Of Inception To December 31, 2009

	<u>Governmental Fund</u> General	Adjustments	Statement Of Net Assets
<b>Revenues</b>			
Contributions	\$ 628,503	\$ —	\$ 628,503
<b>Expenditures/Expenses</b>			
Professional services	201,181	—	201,181
Special program funding	149,511	—	149,511
Advertising and printing	101,537	—	101,537
Catering	30,312	—	30,312
Travel	99,654	—	99,654
Other expenses	2,081	—	2,081
<b>Total Expenditures/Expenses</b>	<b>584,276</b>	<b>—</b>	<b>584,276</b>
<b>Excess Of Revenues Over Expenditures/Expenses</b>	<b>44,227</b>	<b>—</b>	<b>44,227</b>
<b>Fund Balances/Net Assets - Inception</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Fund Balances/Net Assets - End Of Period</b>	<b>\$ 44,227</b>	<b>\$ —</b>	<b>\$ 44,227</b>

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# MIDWEST CHINA HUB COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

### 1. Summary Of Significant Accounting Policies

#### **Business Description**

Midwest/China Hub Commission (the Commission) is an intergovernmental municipal joint cooperation and development commission formed December 12, 2008. The Commission coordinates, advises, plans, funds, and oversees the efforts and activities which are necessary to further cooperation among China, Missouri, City of St. Louis, St. Charles County, and St. Louis County in regard to creating a Chinese airfreight and passenger hub in the St. Louis region, in an effort to expand two-way trade, exchanges, and investment between China, Missouri and the Midwest.

The accounting policies and financial reporting practices of the Commission conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant accounting policies:

#### **Government-Wide And Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Commission. The effect of interfund activity has been removed from these statements.

Combined with the government-wide financial statements are separate financial statements for governmental funds. The major individual governmental fund is reported as a separate column in the fund financial statements.

The Commission uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain of the Commission's functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds - Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Commission is considered to have only one fund which is the general fund. The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

**Measurement Focus, Basis Of Accounting And Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Since the governmental fund financial statements and government-wide financial statements are combined, an adjustment column is provided to show the reconciliation between the two sets of financial statements, when applicable.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Commission, available means expected to be received within 60 days of year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Commission follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

GASB 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions. Only voluntary nonexchange transactions apply to the Commission.

## **MIDWEST CHINA HUB COMMISSION**

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### Notes to Financial Statements (*Continued*)

Intergovernmental revenues, representing contributions, grants, and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Estimates And Assumptions**

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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### **Net Assets/Fund Balances**

In the government-wide financial statements, net assets are classified as follows:

*Unrestricted* - the difference between the assets and liabilities that do not meet the definition of "restricted" or "invested in capital assets."

In the fund financial statements, fund balances are classified as:

*Unreserved* - Represents the amount of fund balance which is available for future appropriation.

## **MIDWEST CHINA HUB COMMISSION**

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Notes to Financial Statements (*Continued*)

### **2. Related Party Transactions**

The Commission receives fiscal and operational services from the Economic Council of St. Louis County (the Council) under an agreement between the two parties. According to the terms of the agreement, the Commission pays a fee to the Council for all fiscal services equal to 20% of the Commission's direct expenditures; however, the Council has agreed to waive the fee for the period under audit. In addition, the Commission is to compensate the Council for the actual cost of providing operational services, as well as all out of pocket expenses incurred by the Council in performing said services. No such costs were incurred in 2009.

The Commission paid the Council \$164,019 in 2009 for the Council to include as the matching requirement for the Council's Midwest/St. Louis China Hub grant received from Department of Commerce Economic Development Administration in 2009. \$14,507 of the \$164,019 paid is reported as prepaid expense at December 31, 2009.

### **3. Contributions, Grants And Deferred Revenue**

The Commission entered into an Intergovernmental China Cooperation Agreement (the Agreement) dated December 12, 2008 with the State of Missouri Department of Economic Development, St. Louis County, City of St. Louis, Missouri Partnership, Missouri Chamber of Commerce and Industry, Partners For Progress, Civic Progress, St. Louis Regional Commerce & Growth Association, State of Missouri Department of Transportation (the Members). The Agreement includes representatives of St. Louis County Economic Council and St. Louis Center for International Relations d/b/a World Trade Center St. Louis to serve on the Board of Commissioners. The Commission was formed and named in the Agreement. The operations of the Commission shall be funded by annual contributions of the Members. The Agreement allowed for the County and the City to meet their respective contributions through credits for expenditures made by either or both of them from grants or other sources the County and/or the City receives and expenses on Commission undertakings.

The Agreement also called for contributions of funds, services, or other assistance from public and private sources to offset the costs and expenses of the operations of the Commission.

## MIDWEST CHINA HUB COMMISSION

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### Notes to Financial Statements (*Continued*)

In 2009, the annual contribution per Member was established at \$100,000. According to the terms of the Agreement, the following noncash contributions and assistance was received by the Commission in 2009, however, are not reported as revenue in the financial statements because the revenue recognition criteria have not been met:

<b>City of St. Louis</b>	
Payments to Economic Council of St. Louis	
County, match for federal China Hub grant	\$ 82,301
Landrum & Brown Freight Forwarder Study	<u>25,000</u>
<b>Total City of St. Louis</b>	<u>107,301</u>
<b>St. Louis Regional Chamber &amp; Growth Association</b>	
Wilson Research Strategies Backhaul Study	26,667
Miscellaneous Project Costs	<u>31,497</u>
<b>Total St. Louis Regional Chamber &amp; Growth Association</b>	<u>58,164</u>
<b>Missouri Partnership</b>	
Wilson Research Strategies Backhaul Study	<u>13,333</u>
<b>Total Noncash Contributions</b>	<u>\$ 178,798</u>

The Missouri Department of Economic Development's 2009 contribution is reported as deferred revenue at December 31, 2009 because the revenue recognition criteria have not been satisfied as of year end. The revenue will be recorded in future years when the eligibility requirements for earning the revenue are met which will occur when eligible expenditures are incurred per the terms of the contribution.

All other Members of the Commission paid cash to the Commission for the 2009 contribution and the contributions are recorded as revenue in the financial statements.