



Iowa Propane Gas Association  
P.O. Box 57188  
Des Moines, IA 50317

515.564.1260 Phone  
515.564.1262 Fax  
[www.iapropane.org](http://www.iapropane.org)

August 31, 2020

Meghan Nelson  
Chief Clerk  
State Capitol Building  
Des Moines, IA 50319

Dear Ms. Nelson,

Per the Propane Education and Research Council [599] 1.4(101C) I am sending you a copy of the IowaPERC audit and the report detailing the programs and projects conducted by the Council in 2019. Please note 101C.12 – Iowa PERC is not a state agency.

If you have any questions please contact me at 515-564-1260 or [dgrooms@iapropane.org](mailto:dgrooms@iapropane.org).

Sincerely,

Deb Grooms  
CEO  
Iowa Propane Gas Association

**IOWA PROPANE EDUCATION AND  
RESEARCH COUNCIL - STATE**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2019 AND 2018**

## CONTENTS

Independent Auditor's Report	1
Statements of Cash Receipts and Disbursements	3
Notes to Financial Statements	4
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Schedule of Findings and Questioned Costs	10
Status of Prior Audit Findings	11



1601 West Lakes Parkway, Suite 300  
West Des Moines, Iowa 50266  
515-288-3279 • Fax: 515-280-1490

106 E. Jefferson Street, P.O. Box 312  
Winterset, Iowa 50273-0312  
515-462-1882 • Fax: 515-462-1577

[MHCScpa.com](http://MHCScpa.com)

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Iowa Propane Education and Research Council - State

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Iowa Propane Education and Research Council - State, a program of Iowa Propane Education and Research Council (a nonprofit organization), which comprise the statements of cash receipts and disbursements as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of Iowa Propane Education and Research Council - State as of and for the years ended December 31, 2019 and 2018, in accordance with the basis of accounting described in Note A.

***Basis of Accounting***

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 30, 2020, on our consideration of Iowa Propane Education and Research Council - State'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Iowa Propane Education and Research Council - State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iowa Propane Education and Research Council - State's internal control over financial reporting and compliance.

*McGowan, Hurst, Clark + Smith, P.C.*

West Des Moines, Iowa  
March 30, 2020

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH RECEIPTS</b>		
Monthly assessments	\$ 449,823	\$ 456,464
Interest	752	313
<b>TOTAL CASH RECEIPTS</b>	<u>450,575</u>	<u>456,777</u>
<b>CASH DISBURSEMENTS</b>		
Directors' and officers' insurance	673	673
Bond insurance	213	-
Safety director	143,732	134,216
Legal fees	-	3,890
Audit and tax return preparation fees	4,398	3,385
Administrative fee agreement	48,000	30,000
LIHEAP regulator	7,020	4,884
Fire schools	3,197	5,333
Hazmat classes	11,435	7,315
Training materials	1,113	3,443
Water heater rebates	50,000	35,098
Furnace rebates	200,600	-
Iowa Duty to Warn	5,452	-
Owners and Managers meeting	5,000	-
Computer project	-	5,858
"Propane Can Do That" toothpick dispensers	-	4,000
Fire service props	-	1,499
Coloring books	-	7,270
Farm Bureau cookout contest	1,420	1,198
LIHEAP - "Out of Gas" brochure	1,359	1,205
Miscellaneous	3,076	2,792
<b>TOTAL CASH DISBURSEMENTS</b>	<u>486,688</u>	<u>252,059</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(36,113)	204,718
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>535,278</u>	<u>330,560</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 499,165</u>	<u>\$ 535,278</u>

The accompanying notes are an integral part of these financial statements.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Program** - The Iowa Propane Education and Research Council - State (the Program) is a program of Iowa Propane Education and Research Council (the Council), a nonprofit organization established by the Iowa Propane Education and Research Act. The Program is only one component of Iowa Propane Education and Research Council. The purpose of the Program is to provide activities designed to give information regarding propane, propane equipment, mechanical and technical practices, and uses of propane to consumers and members of the propane industry. Under the Iowa Propane Education and Research Act, the Program receives an assessment fee on the sale of odorized propane.

**Basis of Accounting** - The Program's records are maintained on the cash basis. Under this method, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Property and equipment purchases are expensed as paid in accordance with the cash basis method of accounting. The cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statements do not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of interest-bearing demand and money market accounts in federally insured financial institutions. The Program occasionally maintains bank deposits in excess of federally insured limits. Balances in excess of federally insured limits at December 31, 2019 totaled approximately \$250,400. The risk is managed by maintaining all deposits in high quality financial institutions.

**Funds Received from Assessments** - The Program's sole source of revenue is an annual assessment from propane marketers in the state of Iowa at a rate of one-tenth of one cent on each gallon of odorized propane sold in Iowa that is remitted monthly, as required by Iowa legislative code.

**Income Tax Matters** - The Program's activities are included in the informational tax filings prepared by the Council. The Council is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Council is subject to federal and state corporate income taxes on any unrelated business income generated from activities not specifically related to its tax-exempt purpose.

The Council is unaware of any uncertain income tax positions at December 31, 2019 and 2018. Interest and penalties associated with income tax matters would be presented as components of income tax expense. There were no interest or penalty charges during 2019 and 2018.

**Subsequent Events** - Management has evaluated subsequent events through March 30, 2020, the date the financial statements were available to be issued.

As of March 30, 2020, the Council believes it understands the risk associated with COVID-19. The Council is in the process of implementing risk mitigation tactics for the Council as to the risk of the impact, if any, of COVID-19 related to all aspects of the Council's business transactions and human interaction within and outside of the Council. At this point, the extent to which COVID-19 may impact the Council's financial condition or results of operations is uncertain.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - LIQUIDITY AND AVAILABILITY**

The Council has \$499,165 and \$535,278 of financial assets (cash) available within one year of the Statement of Cash Receipts and Disbursements date to meet cash needs for general expenditure at December 31, 2019 and 2018, respectively. The financial assets noted above are not subject to donor restrictions that make them unavailable for general expenditure within one year of the Statement of Cash Receipts and Disbursements date; however \$33,667 and \$39,399 of Program funds are committed for future projects as described in Note D at December 31, 2019 and 2018, respectively. The Council has a goal to maintain financial assets on hand to be available as its general expenditures, liabilities and other obligations come due.

**NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing program and administrative activities have been summarized on a functional basis for the years ended December 31, 2019 and 2018 in the tables below. Accordingly, certain costs have been allocated based on specific program and administrative activities. The Council uses requirements of National PERC to determine program and administrative allocations. Program costs consist of direct expenses attributable to specific projects, and administrative costs consist of indirect expenses allocated to the projects. The Council had no fundraising expenses.

	Program	Administrative	2019 Total
Directors' and officers' insurance	\$ 673	\$ -	\$ 673
Bond insurance	213	-	213
Safety director	138,432	5,300	143,732
Audit and tax preparation fees	-	4,398	4,398
Administrative fee agreement	-	48,000	48,000
LIHEAP regulator	6,920	100	7,020
Fire schools	3,156	41	3,197
Hazmat classes	11,196	239	11,435
Training materials	1,113	-	1,113
Water heater rebates	49,300	700	50,000
Furnace rebates	199,100	1,500	200,600
Iowa Duty to Warn	5,356	96	5,452
Owners and managers meeting	4,676	324	5,000
Farm Bureau cookout contest	1,325	95	1,420
LIHEAP - "Out of Gas" brochure	1,359	-	1,359
Miscellaneous	3,076	-	3,076
	<u>\$ 425,895</u>	<u>\$ 60,793</u>	<u>\$ 486,688</u>



**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES** - Continued

	<u>Program</u>	<u>Administrative</u>	<u>2018 Total</u>
Directors' and officers' insurance	\$ 673	\$ -	\$ 673
Safety director	127,416	6,800	134,216
Legal fees	3,890	-	3,890
Audit and tax preparation fees	-	3,385	3,385
Administrative fee agreement	-	30,000	30,000
LIHEAP regulator	4,840	44	4,884
Fire schools	5,148	185	5,333
Hazmat classes	7,250	65	7,315
Training materials	3,443	-	3,443
Water heater rebates	34,598	500	35,098
Computer project	5,858	-	5,858
"Propane Can Do That"			
toothpick dispensers	4,000	-	4,000
Fire service props	1,499	-	1,499
Coloring books	7,109	161	7,270
Farm Bureau cookout contest	1,187	11	1,198
LIHEAP - "Out of Gas" brochure	1,170	35	1,205
Miscellaneous	2,792	-	2,792
	<u>\$ 210,873</u>	<u>\$ 41,186</u>	<u>\$ 252,059</u>

**NOTE D - FUTURE PROJECT COMMITMENTS**

The Council has committed \$33,677 of Program funds for the safety director project in 2020. The Program funds committed at December 31, 2018 of \$39,399 were disbursed during 2019.

**NOTE E - IOWA PROPANE GAS ASSOCIATION**

Certain administrative functions are performed by the Iowa Propane Gas Association (the Association). The Program paid the Association \$48,000 and \$30,000 in 2019 and 2018, respectively, for administrative services provided to the Program. The Program paid the Association \$169,556 and \$139,367, including \$34,324 and \$11,551 in project management fees, for projects performed by the Association on behalf of the Program during the years ended December 31, 2019 and 2018, respectively. The remaining payments of \$135,232 and \$127,816 were for safety director expenses during the years ended December 31, 2019 and 2018, respectively.

**OTHER REQUIRED**  
**INDEPENDENT AUDITOR'S REPORT**



1601 West Lakes Parkway, Suite 300  
West Des Moines, Iowa 50266  
515-288-3279 • Fax: 515-280-1490

106 E. Jefferson Street, P.O. Box 312  
Winterset, Iowa 50273-0312  
515-462-1882 • Fax: 515-462-1577

[MHCScpa.com](http://MHCScpa.com)

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

To the Board of Directors of  
Iowa Propane Education and Research Council - State

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Iowa Propane Education and Research Council - State (the Program), a program of Iowa Propane Education and Research Council, which comprise of the statement of cash receipts and disbursements as of December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated March 30, 2020. Our report on the financial statements includes another matter paragraph discussing the Program's use of the cash basis of accounting to prepare its financial statements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Iowa Propane Education and Research Council - State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Propane Education and Research Council - State's internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa Propane Education and Research Council - State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2019-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Iowa Propane Education and Research Council'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*.

**Iowa Propane Education and Research Council - State's Response to Findings**

Iowa Propane Education and Research Council - State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Program's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGowan, Hurst, Clark + Smith, P.C.

West Des Moines, Iowa  
March 30, 2020

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2019**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

**INTERNAL CONTROL DEFICIENCIES:**

*Finding 2019-001*

***Criteria and Condition:*** Accounting functions are provided by Iowa Propane Gas Association. The Association's staff consists of three full-time employees. The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions related to those assets.

***Context:*** The Association has three full-time employees, which makes it difficult to properly segregate accounting functions.

***Cause:*** The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions relating to those assets.

***Effect:*** Certain Association employees may have access to assets and also are responsible for recording transactions related to those assets, allowing for the opportunity to misappropriate assets.

***Recommendation:*** We recommend that the board treasurer continue to closely monitor and investigate unexpected operating results and review financial statements, bank statements and copies of cancelled checks for any evidence of unapproved disbursements. We also recommend that billings for services from the Association continue to be reviewed carefully by the Council's board treasurer or another independent party.

***Management Response:*** We agree with the finding and recommendations. The Council's treasurer will continue to review bank statements and copies of cancelled checks and will closely review billings from the Association.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2019**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:**

*Finding 2018-001*

***Criteria and Condition:*** Accounting functions are provided by Iowa Propane Gas Association. The Association's staff consists of three full-time employees. The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions related to those assets.

***Status:*** The board treasurer continues to closely monitor and investigate unexpected operating results and reviews bank statements and copies of cancelled checks for any evidence of unapproved disbursements, as well as billings for services from the Association; however, the significant deficiency continues to exist.