

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

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

**DECEMBER 31, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Iowa Propane Education and Research Council

We have audited the accompanying statement of cash receipts and disbursements for the Iowa Propane Education and Research Council – State, a program of Iowa Propane Education and Research Council (a nonprofit organization) for the year ended December 31, 2008. This financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Iowa Propane Education and Research Council – State program for the year ended December 31, 2008, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2009, 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 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 important for assessing the results of our audit.

*McGowen, Hurst, Clark & Smith, P.C.*

West Des Moines, Iowa  
February 25, 2009

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEAR ENDED DECEMBER 31, 2008**

**CASH RECEIPTS**

Monthly assessments	\$ 331,609
Funds received from Propane Education and Research Council for the purchase of computers	4,340
Interest	1,684
<b>TOTAL CASH RECEIPTS</b>	<b>337,633</b>

**CASH DISBURSEMENTS**

Safety director	69,818
Service agreement	22,770
Legal fees	10,219
Computer	4,340
Radio Iowa flood project	4,000
Red danger tag	3,174
Miscellaneous	2,506
D&O Insurance	569
LIHEAP Regulator	92
<b>TOTAL CASH DISBURSEMENTS</b>	<b>117,488</b>

**RECEIPTS OVER DISBURSEMENTS**

220,145

**CASH - beginning of year**

-

**CASH - end of year**

\$ 220,145

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

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

**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, 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.

Method of Accounting – The Program’s records are maintained on a 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 treated as a current-year expense 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 statement does not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

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.

Financial Statement Presentation – The Program’s information regarding its net assets and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Program has no temporarily or permanently restricted net assets.

**NOTE B – FUNCTIONAL ALLOCATION OF EXPENSES**

Allocations of functional expenses are made by direct assignment of cost to functional categories.

Following is a summary of the functional allocation of expenses:

Program services	\$ 80,274
General and administrative	<u>37,214</u>
	<u><u>\$ 117,488</u></u>

**NOTE C – IOWA PROPANE GAS ASSOCIATION**

Certain administrative functions are performed by the Iowa Propane Gas Association (Association). The Council paid the Association \$23,920 in 2008 for administrative services provided to the Program.

**OTHER REQUIRED**  
**INDEPENDENT AUDITOR REPORTS**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENT PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the statement of cash receipts and disbursements for the Iowa Propane Education and Research Council – State, a program of Iowa Propane Education and Research Council (a nonprofit organization), for the year ended December 31, 2008, and have issued our report thereon dated February 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Iowa Propane Education and Research Council – State’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, 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 the Iowa Propane Education and Research Council – State’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a deficiency that we consider to be a material weakness.

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 a 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 council’s financial statement that is more than inconsequential will not be prevented or detected by the council’s internal control. We consider the following control deficiencies to be significant deficiencies:

**Segregation of Duties**

Accounting functions are provided by Iowa Propane Gas Association. The Association’s staff consists of two 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 relating to those assets. Adequate segregation of incompatible accounting duties is often not possible in this size of organization.

As a result, it is important for the Board of Directors to continue to closely monitor and investigate unexpected operating results and review the bank statements. We recommend the board treasurer review copies of the cancelled checks for evidence of policy violations or unapproved disbursements.

#### Monthly Remittances

A majority of wholesale companies are not using the lockbox at Wells Fargo to submit their remittances. Instead, payments are being sent directly to the Iowa Propane Gas Association office. There is a risk that the assessments could be misappropriated. We recommend the Executive Director send an annual statement back to remitters summarizing their remittances for the year. If wholesale companies are not remitting, the Executive Director can send a statement showing \$-0- and ask them to consider remitting in the future if they sell propane in Iowa.

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 statement will not be prevented or detected by the council's internal control. We believe the following deficiency constitutes a material weakness:

#### External Financial Reporting Expertise

Internal control over financial reporting includes controls over not only general ledger and internal financial reporting, but also over external financial statement reporting, including financial statement disclosures. The Council engages us to assist them with their external financial statement reporting as the staff does not possess, as is the case with most small non-profit organizations, the necessary familiarity with certain of the financial statement reporting and disclosure reporting requirements of generally accepted accounting principles. As we cannot be considered part of the Council's internal control according to generally accepted auditing standards, this lack of internal expertise results in the matter being considered a material weakness. We recommend that the Council continue to work closely with us in the preparation of their audited financial statement.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Propane Education and Research Council – State's financial statement is 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 the Board of Directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*McBreen, Hunt, Clark & Smith, P.C.*

West Des Moines, Iowa  
February 25, 2009