



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 30, 2014

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Auditor of State Mary Mosiman today released an audit report on America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks) and Silos and Smokestacks Natural Heritage Area Foundation (Foundation) in Waterloo, Iowa for the years ended December 31, 2013 and 2012.

Silos and Smokestacks was organized in 1991 as a non-profit corporation for charitable and educational purposes. The mission of Silos and Smokestacks is to preserve and tell the story of American agriculture and its global significance through partnerships and activities which celebrate the land, people and communities of the area. The Foundation was organized in January 2011 to raise money to support the programs of Silos and Smokestacks.

Mosiman reported Silos and Smokestacks' public support and revenues totaled \$682,680 for the year ended December 31, 2013, a 9.4% decrease from 2012. Public support and revenue consisted primarily of a \$580,703 federal grant, provided through the National Park Service, for conserving, interpreting and developing the historical, cultural, natural and recreational resources related to the industrial and cultural heritage of Northeast Iowa. Expenses totaled \$674,117 for the year ended December 31, 2013, a 9.2% decrease from 2012, and included \$589,454 of project expenses and \$84,663 of administration expenses.

A copy of the audit report is available for review in the office of the President of Silos and Smokestacks, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1333-0011-B000.pdf>.

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**AMERICA'S AGRICULTURAL
INDUSTRIAL HERITAGE LANDSCAPE, INC.
D/B/A SILOS AND SMOKESTACKS NATIONAL HERITAGE AREA**

**INDEPENDENT AUDITOR'S REPORTS
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

DECEMBER 31, 2013 AND 2012

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Silos and Smokestacks National Heritage Area

Board of Trustees

<u>Name</u>	<u>Title</u>
Matt Heitz	Chair
Dan Schurr	Vice Chair
Audrey Savage	Secretary
Soo Greiman	Treasurer
Ron Birkenholz	Member
Jerry Bolton	Member
Beth Hansen	Member
Maureen Hanson	Member
Jim Hoyt	Member
Troy Louwagie	Member
Bill Northey	Member
Doug Reimer	Member
Lynette Telleen	Member
Gail Carter	Audit Committee Chair
Randy Heitz	Partnership Panel Chair
Donald Short	President

Silos and Smokestacks National Heritage Area



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Independent Auditor's Report

To the Board of Trustees of Silos and Smokestacks National Heritage Area:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks), as of and for the years ended December 31, 2013 and 2012, and the related Notes to Consolidated Financial Statements, which collectively comprise Silos and Smokestacks' consolidated financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Silos and Smokestacks' preparation and fair presentation of the consolidated 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 Silos and Smokestacks' 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Silos and Smokestacks as of December 31, 2013 and 2012, and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Silos and Smokestacks' consolidated financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2014 on our consideration of Silos and Smokestacks' 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 in considering Silos and Smokestacks' internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 23, 2014

Consolidated Financial Statements

Exhibit A

Silos and Smokestacks National Heritage Area

Consolidated Statements of Net Assets

December 31, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 273,712	276,583
Accounts receivable	-	500
Grants receivable	157,670	128,574
Prepaid expenses	2,579	2,142
Equipment, less accumulated depreciation of \$64,495 in 2013 and \$59,537 in 2012	3,051	6,548
Total assets	\$ 437,012	414,347
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,327	1,847
Payroll tax payable	4,980	4,406
Compensated absences	13,001	16,011
Advances from others	62,224	46,260
Total liabilities	82,532	68,524
Net assets - unrestricted	354,480	345,823
Total liabilities and net assets	\$ 437,012	414,347

See notes to consolidated financial statements.

Silos and Smokestacks National Heritage Area

Consolidated Statements of Activities

Years ended December 31, 2013 and 2012

	2013	2012
Public support and revenues:		
Public support:		
Contributions	\$ 91,916	38,109
Federal support	580,703	702,306
	<u>672,619</u>	<u>740,415</u>
Revenues:		
Conference and workshop income	9,700	9,500
Miscellaneous	361	3,693
	<u>10,061</u>	<u>13,193</u>
Total public support and revenues	<u>682,680</u>	<u>753,608</u>
Expenses:		
Project	589,454	641,784
Administration	84,663	100,789
Total expenses	<u>674,117</u>	<u>742,573</u>
Operating gain	8,563	11,035
Non-operating revenue:		
Interest income	94	110
Change in net assets	8,657	11,145
Net assets beginning of year	345,823	334,678
Net assets end of year	<u>\$ 354,480</u>	<u>345,823</u>

See notes to consolidated financial statements.

Exhibit C

Silos and Smokestacks National Heritage Area

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from federal sources	\$ 551,607	759,170
Contributions received	107,880	46,230
Cash received from miscellaneous sources	10,561	12,693
Cash paid for goods and services	(253,347)	(323,091)
Cash paid to employees for services	(418,206)	(416,574)
Net cash provided (used) by operating activities	(1,505)	78,428
Cash flows from capital activities:		
Acquisition of equipment	(1,460)	(2,108)
Cash flows from investing activities:		
Interest received	94	110
Net increase (decrease) in cash and cash equivalents	(2,871)	76,430
Cash and cash equivalents beginning of year	276,583	200,153
Cash and cash equivalents end of the year	\$ 273,712	276,583
Reconciliation of operating gain to net cash provided (used) by operating activities:		
Operating gain	\$ 8,563	11,035
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:		
Depreciation	4,957	6,136
(Increase) decrease in grants receivable	(29,096)	56,864
(Increase) decrease in accounts receivable	500	(500)
(Increase) decrease in prepaid expenses	(437)	29
Increase (decrease) in accounts payable	480	(7,552)
Increase (decrease) in payroll tax payable	574	(712)
Increase (decrease) in compensated absences	(3,010)	5,007
Increase in advances from others	15,964	8,121
Net cash provided (used) by operating activities	\$ (1,505)	78,428

See notes to consolidated financial statements.

Silos and Smokestacks National Heritage Area

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(1) Summary of Significant Accounting Policies

A. Reporting Entity

America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks), was organized in 1991 as a non-profit corporation for charitable and educational purposes. Silos and Smokestacks provides technical assistance, youth education opportunities and grant funding to communities and partner sites in the heritage area. Silos and Smokestacks encompasses a 37 county region in northeast Iowa and is federally designated as a National Heritage Area and operates as an affiliate of the National Park Service. The primary source of public support is a grant from the National Park Service.

On January 27, 2011, Silos and Smokestacks organized the Silos and Smokestacks National Heritage Area Foundation (Foundation), a not-for-profit corporation. The Foundation is governed by a separate Board of Directors which includes members of Silos and Smokestacks Trustees. The purpose of the Foundation is to obtain resources from gifts, grants and bequests to support programs of Silos and Smokestacks.

Silos and Smokestacks and the Foundation are exempt from tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for charitable, religious or educational purposes.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Silos and Smokestacks and the Foundation. Silos and Smokestacks is the sole beneficiary of the resources of the Foundation and is presumed to control the activities of the Foundation in accordance with applicable accounting guidance, thereby requiring consolidation.

Silos and Smokestacks accounts for all resources over which it has discretionary control to use in carrying out the operations of the organization in accordance with the limitations of its charter and bylaws.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of equipment providing future benefits are capitalized and depreciated.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Silos and Smokestacks and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related net assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

E. Assets, Liabilities and Net Assets

Cash and Cash Equivalents – Silos and Smokestacks considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Equipment – Purchased equipment is stated at cost. Donated capital assets are valued at the estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 7 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences – Employees accumulate a limited amount of earned but unused vacation benefits payable. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at December 31, 2013 and 2012.

(2) Equipment

A summary of equipment is as follows:

	December 31,	
	2013	2012
Equipment	\$ 67,546	66,085
Less: accumulated depreciation	64,495	59,537
Equipment, net	<u>\$ 3,051</u>	<u>6,548</u>

(3) Employee Benefit Plan

Silos and Smokestacks offers a SIMPLE IRA plan. Under the plan, an employee can defer up to \$12,000 for the year ended December 31, 2013 and \$11,500 for the year ended December 31, 2012 to their SIMPLE IRA. In addition, employees over 50 years of age can defer an additional \$2,500 per year for the years ended December 31, 2013 and 2012 to their SIMPLE IRA. Investments grow tax-deferred, along with employer contributions. Silos and Smokestacks provides a dollar for dollar match for each participating employee's deferral, up to 3% of the employee's compensation. Plan expenses incurred by Silos and Smokestacks during the years ended December 31, 2013 and 2012 were \$3,069 and \$8,908, respectively.

(4) Risk Management

Silos and Smokestacks is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(5) Matching Grant Activity

Silos and Smokestacks entered into an agreement with the U.S. Department of the Interior, National Park Service (NPS) to receive up to \$15 million of grant funds during the period June 2000 through September 2013, as amended. The agreement requires a dollar for dollar match of Federal funds with non-Federal funds.

In 2013, President Obama signed a continuing resolution reinstating Federal funding through September 2014 allowing Silos and Smokestacks to continue its programs. The current agreement with NPS still requires a dollar for dollar match of Federal funds with non-Federal funds. During the year ended December 31, 2013, federal funds were over 85% of total revenues.

(6) Foundation

During the year ended December 31, 2013, the Foundation received contributions of \$6,000. Silos and Smokestacks incurred \$9,612 of administration expenses to aid in the establishment of the Foundation. These transactions are included in the consolidated financial statements.

Supplementary Information

Silos and Smokestacks National Heritage Area

Consolidating Schedule – Statement of Net Assets Information

December 31, 2013

	Silos and Smokestacks	Foundation	Subtotal	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 246,603	27,109	273,712	-	273,712
Accounts receivable	35,472	-	35,472	(35,472)	-
Grants receivable	157,670	-	157,670	-	157,670
Prepaid expenses	2,579	-	2,579	-	2,579
Equipment, less accumulated depreciation of \$64,495	3,051	-	3,051	-	3,051
Total Assets	\$ 445,375	27,109	472,484	(35,472)	437,012
Liabilities and Net Assets					
Accounts payable	\$ 2,327	35,472	37,799	(35,472)	2,327
Payroll taxes payable	4,980	-	4,980	-	4,980
Compensated absences	13,001	-	13,001	-	13,001
Unearned revenue	62,224	-	62,224	-	62,224
Total Liabilities	82,532	35,472	118,004	(35,472)	82,532
Net assets - unrestricted	362,843	(8,363)	354,480	-	354,480
Total Liabilities and Net Assets	\$ 445,375	27,109	472,484	(35,472)	437,012

See accompanying independent auditor's report.

Schedule 2

Silos and Smokestacks National Heritage Area

Consolidating Schedule – Statement of Activities Information

Year ended December 31, 2013

	Silos and Smokestacks	Foundation	Subtotal	Eliminations	Consolidated
Public support and revenues:					
Public support:					
Contributions	\$ 85,916	6,000	91,916	-	91,916
Federal support:					
National Park Service grant	580,703	-	580,703	-	580,703
	<u>666,619</u>	<u>6,000</u>	<u>672,619</u>	<u>-</u>	<u>672,619</u>
Revenues:					
Conference and workshop income	9,700	-	9,700	-	9,700
Miscellaneous	9,973	-	9,973	(9,612)	361
	<u>19,673</u>	<u>-</u>	<u>19,673</u>	<u>(9,612)</u>	<u>10,061</u>
Total public support and revenues	<u>686,292</u>	<u>6,000</u>	<u>692,292</u>	<u>(9,612)</u>	<u>682,680</u>
Expenses:					
Project:					
Personnel	346,841	-	346,841	-	346,841
Consultants	68,200	-	68,200	-	68,200
Grant and loan projects	68,266	-	68,266	-	68,266
Printing and postage	6,603	-	6,603	-	6,603
Occupancy	36,564	-	36,564	-	36,564
Travel, mileage and lodging	17,918	67	17,985	(67)	17,918
Meetings and registrations	8,443	6	8,449	(6)	8,443
Education and promotion projects	5,896	-	5,896	-	5,896
Website maintenance	5,382	-	5,382	-	5,382
Accounting	6,856	-	6,856	-	6,856
Depreciation	3,845	-	3,845	-	3,845
Insurance	5,049	-	5,049	-	5,049
Dues, memberships and subscriptions	1,990	-	1,990	-	1,990
Public awareness and promotion	1,963	-	1,963	-	1,963
Training and education	433	-	433	-	433
Other	5,205	-	5,205	-	5,205
Total project expenses	<u>589,454</u>	<u>73</u>	<u>589,527</u>	<u>(73)</u>	<u>589,454</u>

Silos and Smokestacks National Heritage Area

Consolidating Schedule – Statement of Activities Information

Year ended December 31, 2013

	Silos and Smokestacks	Foundation	Subtotal	Eliminations	Consolidated
Administration:					
Personnel	68,929	8,734	77,663	(8,734)	68,929
Consultants	610	-	610	-	610
Printing and postage	204	-	204	-	204
Occupancy	6,600	805	7,405	(805)	6,600
Travel, mileage and lodging	235	-	235	-	235
Meetings and registrations	75	-	75	-	75
Website maintenance	1,168	-	1,168	-	1,168
Accounting	1,983	-	1,983	-	1,983
Depreciation	1,112	-	1,112	-	1,112
Insurance	1,457	744	2,201	-	2,201
Dues, memberships and subscriptions	575	-	575	-	575
Training and education	125	-	125	-	125
Other	846	-	846	-	846
Total administration expenses	83,919	10,283	94,202	(9,539)	84,663
Total expenses	673,373	10,356	683,729	(9,612)	674,117
Operating gain (loss)	12,919	(4,356)	8,563	-	8,563
Non-operating revenue:					
Interest income	93	1	94	-	94
Change in net assets	13,012	(4,355)	8,657	-	8,657
Net assets beginning of year	349,831	(4,008)	345,823	-	345,823
Net assets end of year	\$ 362,843	(8,363)	354,480	-	354,480

See accompanying independent auditor's report.

Schedule 3

Silos and Smokestacks National Heritage Area

Schedule of Expenditures of Federal Awards

Year ended December 31, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
National Park Service:			
National Heritage Area Preservation and Conservation Assistance	15.939	CA6069A0031	\$ <u>559,393</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Silos and Smokestacks National Heritage Area and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

See accompanying independent auditor's report.



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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 Trustees of Silos and Smokestacks National Heritage Area:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks), as of and for the year ended December 31, 2013, and the related Notes to Consolidated Financial Statements, and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Silos and Smokestacks' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Silos and Smokestacks' internal control. Accordingly, we do not express an opinion on the effectiveness of Silos and Smokestacks' internal control.

A deficiency in internal control exists when the design or operation of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Silos and Smokestacks' consolidated financial statements will not be prevented or detected and corrected on a timely basis.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silos and Smokestacks' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of consolidated 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 non-compliance or other matters required to be reported under Government Auditing Standards.

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 results of that testing and not to provide an opinion on the effectiveness of Silos and Smokestacks' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Silos and Smokestacks' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Silos and Smokestacks during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 23, 2014



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STATE OF IOWA**

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Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over Compliance Required by
OMB Circular A-133

To the Board of Trustees of Silos and Smokestacks National Heritage Area:

Report on Compliance for Each Major Federal Program

We have audited America's Agricultural Industrial Heritage Landscape, Inc., d/b/a, Silos and Smokestacks National Heritage Areas (Silos and Smokestacks), compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2013. Silos and Smokestacks' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Silos and Smokestacks' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Silos and Smokestacks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Silos and Smokestacks' compliance.

Opinion on the Major Federal Program

In our opinion, Silos and Smokestacks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013

Report on Internal Control Over Compliance

The management of Silos and Smokestacks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Silos and Smokestacks' internal control over compliance with the types of requirements that could have a

direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Silos and Smokestacks' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 23, 2014

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the consolidated financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the consolidated financial statements.
- (c) The audit did not disclose any non-compliance which is material to the consolidated financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA #15.939 – National Heritage Area Preservation and Conservation Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Silos and Smokestacks qualified as a low-risk auditee.

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Silos and Smokestacks National Heritage Area

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Leanna J. Showman, Staff Auditor
Kyle C. Smith, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State