



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ May 10, 2007

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt 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), in Waterloo, Iowa for the years ended December 31, 2006 and 2005.

Silos and Smokestacks was organized in 1996 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 that celebrate the land, people and communities of the area.

Vaudt reported Silos and Smokestacks' public support and revenues totaled \$823,622 for the year ended December 31, 2006, a 5.6% increase over 2005. Public support and revenue consisted primarily of a \$770,633 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 \$837,009 for the year ended December 31, 2006, a 12% increase over 2005, and included \$378,863 in project expenses and \$381,081 in personnel expenses. Federal grant revenues increased \$77,325 from fiscal year 2005 to 2006, primarily to support increased personnel expenses. There was an increase in the number of staff members with a corresponding increase in salaries, payroll taxes, insurance and employee benefits.

A copy of the audit report is available for review in the office of the Executive Director 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/reports.htm>.

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

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

DECEMBER 31, 2006 AND 2005

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Silos and Smokestacks National Heritage Area

Board of Trustees

<u>Name</u>	<u>Title</u>
Fred Kirschenmann	Chairman
Daniel Brown	Vice Chair
Soo Greiman	Treasurer
Tom Husnik	Secretary
Ron Birkenholz	Member
Kristopher Einsweiler	Member
Jerry Enzler	Member
Geoffrey Grimes	Member
Robert Gunderson	Member
Jim Hosch	Member
Ruby Triplett	Member
Sandy Scholl	Partnership Panel Chair
Donald Short	Executive Director

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:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, 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, 2006 and 2005. These financial statements are the responsibility of Silos and Smokestacks' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silos and Smokestacks as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also included our report dated March 28, 2007 on our consideration of Silos and Smokestacks' internal control over financial reporting and 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2, 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 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 28, 2007

Silos and Smokestacks National Heritage Area

Financial Statements

Exhibit A

Silos and Smokestacks National Heritage Area

Statements of Net Assets

December 31, 2006 and 2005

	2006	2005
Assets		
Cash and cash equivalents	\$ 276,124	76,194
Accounts receivable	-	5,360
Grants receivable	50,405	256,509
Prepaid expenses	2,258	676
Equipment, less accumulated depreciation of \$30,364 and \$21,662	15,057	17,824
Total assets	\$ 343,844	356,563
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 771	16,515
Payroll tax payable	6,780	6,256
Compensated absences	7,451	6,115
Deferred revenue	61,084	46,532
Total liabilities	76,086	75,418
Net assets - unrestricted	267,758	281,145
Total liabilities and net assets	\$ 343,844	356,563

See notes to financial statements.

Silos and Smokestacks National Heritage Area

Statements of Activities

Years ended December 31, 2006 and 2005

	2006	2005
Public support and revenues:		
Public support:		
Contributions	\$ 15,184	52,350
Federal support	770,633	693,308
	<u>785,817</u>	<u>745,658</u>
Revenues:		
Conference and workshop income	12,238	9,740
Tour income	24,762	22,348
Rent	-	1,650
Interest income	805	167
Miscellaneous	-	170
	<u>37,805</u>	<u>34,075</u>
Total public support and revenues	<u>823,622</u>	<u>779,733</u>
Expenses:		
Project	378,863	383,144
Personnel	381,081	281,798
Occupancy	24,213	25,738
Administration	52,852	56,930
Total expenses	<u>837,009</u>	<u>747,610</u>
Change in net assets	(13,387)	32,123
Net assets beginning of year	<u>281,145</u>	<u>249,022</u>
Net assets end of year	<u>\$ 267,758</u>	<u>281,145</u>

See notes to financial statements.

Exhibit C

Silos and Smokestacks National Heritage Area

Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from federal sources	\$ 976,737	614,419
Contributions received	72,096	100,320
Rent received	-	1,650
Interest received	805	167
Cash paid for goods and services and to employees	(843,773)	(721,779)
Net cash provided (used) by operating activities	205,865	(5,223)
Cash flows from capital activities:		
Acquisition of equipment	(5,935)	(7,847)
Net increase (decrease) in cash and cash equivalents	199,930	(13,070)
Cash and cash equivalents beginning of year	76,194	89,264
Cash and cash equivalents end of the year	\$ 276,124	76,194
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (13,387)	32,123
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,702	7,931
Loss on disposal of equipment	-	789
(Increase) decrease in grants receivable	206,104	(78,889)
Decrease in accounts receivable	5,360	44,640
(Increase) decrease in prepaid expenses	(1,582)	5
Increase (decrease) in accounts payable	(15,744)	15,461
Increase in payroll tax payable	524	1,779
Increase (decrease) in compensated absences	1,336	(134)
Increase (decrease) in deferred revenue	14,552	(28,928)
Net cash provided (used) by operating activities	\$ 205,865	(5,223)

See notes to financial statements.

Silos and Smokestacks National Heritage Area

Notes to Financial Statements

December 31, 2006 and 2005

(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 1996 as a non-profit corporation for charitable and educational purposes. It was created to support and facilitate the development of regional heritage tourism and to share the story of American agriculture. 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 received from the National Park Service.

Silos and Smokestacks is 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. Fund Accounting

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 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 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 fixed 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, 2006 and 2005.

(2) Equipment

A summary of equipment is as follows:

	December 31,	
	2006	2005
Equipment	\$ 45,421	39,486
Less: accumulated depreciation	30,364	21,662
Equipment, net	<u>\$ 15,057</u>	<u>17,824</u>

(3) Employee Benefit Plan

Silos and Smokestacks offers a SIMPLE IRA plan. Under the plan, an employee can defer to their SIMPLE IRA up to \$10,000 per year for the years ended December 31, 2006 and 2005. In addition, employees over 50 years of age can defer an additional \$2,500 and \$2,000 per year for the years ended December 31, 2006 and 2005, respectively, 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, 2006 and 2005 were \$8,489 and \$6,571, 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 the 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 a total of \$10 million in grant funds during the period June 2000 through September 2010. The agreement requires a dollar for dollar match of Federal funds with non-Federal funds.

In a prior year, Silos and Smokestacks contributed \$250,000 to the Iowa Equestrian Center at Kirkwood Community College, Cedar Rapids, Iowa. The NPS has allowed Silos and Smokestacks to use the total non-Federal project cost of Phase II of the Iowa Equestrian Center of \$2.8 million as match. As of December 31, 2006, Silos and Smokestacks has used \$2,077,000 of the Phase II project costs as match.

Silos and Smokestacks National Heritage Area

Supplementary Information

Schedule 1

Silos and Smokestacks National Heritage Area

Statements of Public Support and Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
Public support and revenues:		
Public support:		
Contributions	\$ 15,184	52,350
Federal support:		
National Park Service grant	770,633	693,308
	<u>785,817</u>	<u>745,658</u>
Revenues:		
Conference and workshop income	12,238	9,740
Tour income	24,762	22,348
Rent	-	1,650
Interest income	805	167
Miscellaneous	-	170
	<u>37,805</u>	<u>34,075</u>
Total public support and revenues	<u>823,622</u>	<u>779,733</u>
Expenses:		
Project:		
Consultants	66,645	57,825
Grant and loan projects	83,048	62,052
Dues, memberships and subscriptions	5,130	7,111
Public awareness and promotion	42,335	56,904
Printing and postage	48,538	42,600
Website maintenance	8,514	8,727
Education and promotion projects	6,488	32,904
World Food Prize Partnership	11,233	-
Signage projects	-	27,162
Iowa's Five Secretaries of Agriculture project	3,649	-
STEP-Survey project	-	10,720
Tenth Anniversary Celebration	8,207	-
Silos and Smokestacks National Heritage Area Conference	14,537	6,338
International Heritage Development Conference	-	4,100
Farm tours	22,829	21,717
Meeting and registration expense	11,165	15,960
Travel, mileage and lodging	42,518	25,297
Other	4,027	3,727
	<u>378,863</u>	<u>383,144</u>
Personnel:		
Salaries	304,149	231,314
Payroll tax	25,696	17,245
Insurance	36,332	25,257
Employee benefits	13,489	6,642
Other	1,415	1,340
	<u>381,081</u>	<u>281,798</u>

Silos and Smokestacks National Heritage Area

Statements of Public Support and Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
Expenses (continued):		
Occupancy:		
Rent	17,266	18,304
Telephone	5,867	5,309
Other	1,080	2,125
	<u>24,213</u>	<u>25,738</u>
Administration:		
Accounting	6,820	6,552
Consultants	1,520	3,700
Depreciation	8,702	7,931
Insurance	4,478	4,042
Dues, memberships and subscriptions	6,419	6,431
Materials and supplies	5,528	5,034
Internet access	1,116	-
Printing and copies	1,233	1,884
Postage and shipping	1,490	1,713
Advertising and promotion	1,909	1,798
Training and education	1,788	224
Repair and maintenance	6,263	5,075
Meetings and registrations	1,974	1,587
Travel, mileage and lodging	3,167	8,010
Other	445	2,949
	<u>52,852</u>	<u>56,930</u>
Total expenses	<u>837,009</u>	<u>747,610</u>
Change in net assets	(13,387)	32,123
Net assets beginning of year	<u>281,145</u>	<u>249,022</u>
Net assets end of year	<u>\$ 267,758</u>	<u>281,145</u>

See accompanying independent auditor's report.

Schedule 2

Silos and Smokestacks National Heritage Area

Schedule of Expenditures of Federal Awards

Year ended December 31, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
National Park Service:			
Unknown Title	15.000	CA6069A0031	\$ <u>770,633</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 on 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 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 the 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, 2006, and have issued our report thereon dated March 28, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Silos and Smokestacks' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silos and Smokestacks' 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 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 that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Silos and Smokestacks and other parties to whom Silos and Smokestacks may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 28, 2007



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STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a, Silos and Smokestacks National Heritage Area (Silos and Smokestacks), with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. Silos and Smokestacks' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Silos and Smokestacks' management. Our responsibility is to express an opinion on Silos and Smokestacks' compliance based on our audit.

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. Our audit does not provide a legal determination on Silos and Smokestacks' compliance with those requirements.

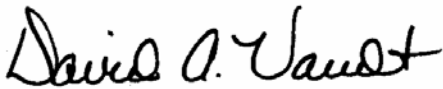
In our opinion, Silos and Smokestacks complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Silos and Smokestacks is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Silos and Smokestacks' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Silos and Smokestacks and other parties to whom Silos and Smokestacks may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 28, 2007

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

December 31, 2006

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Silos and Smokestacks' major program is CFDA #15.000 – Unknown Title.
- (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

December 31, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

December 31, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

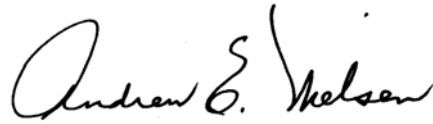
No material weaknesses in internal control over the major program were noted.

Silos and Smokestacks National Heritage Area

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Michael P. Piehl, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State