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Auditor-Controller

1195 Third Street - Room B10
Napa, CA 94559
www.countyofnapa.org

Main: (707) 253-4551
Fax: (707) 226-9065

Tracy A. Schulze
Auditor-Controller

March 13, 2018

Honorable Board of Supervisors
Napa County
Napa, California

The Compliance Audit Division of the Napa County Auditor-Controller's Office has completed a review of the Napa Valley Tourism Improvement District funds for July 1, 2016 through June 30, 2017. The objectives of this review were to assess whether Tourism Improvement District funds were administered consistently throughout the County and verify that funds were collected, distributed and spent in accordance with the Management District Plan.

Although the results of our procedures indicated minor exceptions, we are confident that the overall administration of Tourism Improvement District funds throughout the County is effective and in accordance with the requirements outlined in the Management District Plan.

The following appendices are attached to provide additional summary information from our review:

- Appendix A – Schedule of Tourism Improvement District Assessment Collections
- Appendix B – Procedures and Results (Local Jurisdictions)
- Appendix C – Procedures and Results (Visit Napa Valley)

Each local jurisdiction's annual and financial reports are available upon request.

Thank you,

A handwritten signature in blue ink, appearing to read "T. Schulze", is written over the printed name.

Tracy A. Schulze
Auditor-Controller

Appendix A

Schedule of Tourism Improvement District Assessment Collections For the Period of July 1, 2016 – June 30, 2017

| | To District 74% | Local Share 25% | Admin 1% | Total 100% |
|-----------------------------------------------|----------------------------|----------------------------|------------------------|---------------------------|
| City of American Canyon | \$ 191,374 | \$ 64,653 | \$ 2,586 | \$ 258,613 |
| City of Calistoga | 734,179 | 248,034 | 9,921 | 992,134 |
| City of Napa | 2,340,656 | 790,762 | 31,631 | 3,163,049 |
| City of St. Helena | 260,960 | 88,162 | 3,609 | 352,731 |
| Town of Yountville | 882,410 | 298,112 | 11,924 | 1,192,446 |
| Unincorporated Napa County | 1,688,682 | 570,496 | 22,586 | 2,281,764 |
| | <u>\$6,098,261</u> | <u>\$2,060,219</u> | <u>\$82,257</u> | <u>\$8,240,737</u> |
| Less: timing and rounding variances | (1,389) | | | |
| Less: accounting fees | (4,294) | | | |
| Add: interest | 1,745 | | | |
| Napa Valley Tourism Corporation (NVTC) | <u>\$6,094,323</u> | \$ 416,322 | \$ - | \$6,510,645 |

Appendix B

Procedures and Results (Local Jurisdictions)

- A. Obtain the annual report from each local jurisdiction for fiscal year 2016-17. This report provides a full accounting of Tourism Improvement District (TID) funds and includes a summary of how they were spent during the year.

- Review the report and verify accuracy by tracing to the general ledger and other supporting documentation.

Results:

City of American Canyon - No exceptions noted.
City of Calistoga – No exceptions noted.
City of Napa – No exceptions noted.
City of St. Helena – No exceptions noted.
Town of Yountville – No exceptions noted.
Unincorporated Napa County – No exceptions noted.

- B. Obtain the financial report from each local jurisdiction for fiscal year 2016-17. This report recalculates expected TID revenue based on Transient Occupancy Tax (TOT) reported in the Comprehensive Annual Financial Report. TOT and TID should be 12% and 2% respectively of the same gross rental revenue number.

- Review the report and investigate variances between actual and expected TID greater than 1%.

Results:

City of American Canyon - No exceptions noted.
City of Calistoga – No exceptions noted.
City of Napa – No exceptions noted.
City of St. Helena – No exceptions noted.
Town of Yountville – No exceptions noted.
Unincorporated Napa County – No exceptions noted.

- Calculate 74% of the expected total assessment and compare to what was remitted to the Napa County Auditor-Controller's Office. Investigate variances greater than 1%.

Results:

City of American Canyon – No exceptions noted.
City of Calistoga – No exceptions noted.
City of Napa – No exceptions noted.
City of St. Helena – No exceptions noted
Town of Yountville – No exceptions noted.
Unincorporated Napa County – No exceptions noted.

- Calculate the 1% treasurer administrative allowance of the expected total assessment and compare to what was retained by the jurisdiction in accordance with the Management District Plan. Investigate variances greater than \$100.

Results:

City of American Canyon - No exceptions noted.

City of Calistoga – No exceptions noted.

City of Napa – No exceptions noted.

City of St. Helena – No exceptions noted.

Town of Yountville – Exception: The Administration fee retained by the Town of Yountville exceeded the 1% of TID allowed by the Management District Plan.

Town staff performed an analysis from the inception of the TID assessment in fiscal year 2010-11 through fiscal year 2016-17, resulting in a \$911 overpayment to the Town for administration. The overpayment will be corrected in fiscal year 2017-18. Please refer to calculation below:

| <u>Fiscal Years 2010-11 through 2016-17</u> | |
|----------------------------------------------------|------------------------|
| Administration fee (1%) | \$ 69,133 |
| Recorded in general ledger | <u>70,044</u> |
| Adjustment for fiscal year 17-18 | <u><u>\$ (911)</u></u> |

Unincorporated Napa County – No exceptions noted.

- C. Obtain a detailed transaction schedule of the portion of the assessment retained by each local jurisdiction for local destination marketing (25%) reconciled to their general ledger and annual reports.

- Review the reconciliation and verify accuracy by tracing to the annual report and general ledger.

Results:

City of American Canyon - No exceptions noted.

City of Calistoga – No exceptions noted.

City of Napa – No exceptions noted.

City of St. Helena – No exceptions noted.

Town of Yountville – No exceptions noted.

Unincorporated Napa County – No exceptions noted.

- Ensure the expenses were approved in the minutes of the Local Governing Committee.

Results:

City of American Canyon - No exceptions noted.

City of Calistoga – No exceptions noted.

City of Napa – No exception noted, although actual City staff support costs exceeded approved budgeted costs by \$7,028 or 21%. This increase was never explicitly approved by the Local Governing Committee. However, the actual costs were subsequently presented when the fiscal year 2017-18 budget was approved. Per City of Napa staff, the difference was caused by an underestimation of required staff time to attend to TID business. Going forward, the budget will be increased to accommodate higher actual costs.

City of St. Helena – No exceptions noted.

Town of Yountville – Exceptions: The following amounts were not approved in the Yountville local governing committee meeting minutes.

| <u>Expense Description</u> | <u>Amount</u> |
|----------------------------|-----------------|
| Holiday banners | \$ 993 |
| Lunch for meeting | 227 |
| Expense for FAM trip | 1,511 |
| | <u>\$ 2,731</u> |

Unincorporated Napa County – No exceptions noted.

Appendix C

Procedures and Results (Visit Napa Valley)

Background Information

For the scope of this review, Napa County contracted with the Napa Valley Tourism Corporation (NVTC) under Professional Services Agreement No. 170218B to provide marketing and tourism serving programs for the valley-wide portion of assessments allocated for that purpose under the Management District Plan. Under the agreement, the County was required to forward to NVTC 74% of the Napa Valley Tourism Improvement District (NVTID) assessment collected within the unincorporated area of the County, and all of the NVTID assessment funds received from other jurisdictions. NVTC passed these funds to Visit Napa Valley (VNV), a nonprofit mutual benefit corporation with an objective to manage the marketing of countywide tourism. The majority of VNV's funding is provided by NVTC. Therefore, our procedures were performed at VNV.

Procedures and Results

Obtain the audited financial statements.

- Compare the Napa Valley Tourism Improvement District revenue from Visit Napa Valley's audited financial statements to the records maintained in the Napa County Auditor-Controller's Office. Determine if a variance exists.

Results: No exception noted. A variance of \$6,218 was found between Visit Napa Valley's audited financial statements and Napa County Auditor-Controller's Office records. After investigation, the difference was attributed to accounting and insurance fees paid by the Napa Valley Tourism Corporation prior to disbursement of funds to Visit Napa Valley. See reconciliation below.

Reconciliation of Remitted vs. Reported

| | |
|----------------------------------------|---------------------|
| Amount remitted to NVTC | \$ 6,094,323 |
| Less: accounting fees | (4,075) |
| Less: insurance | (2,143) |
| Amount remitted to and reported by VNV | <u>\$ 6,088,105</u> |