

Napa County

Auditor-Controller

Internal Audit Report

Napa Valley Tourism Improvement District  
Annual Review  
Tourism Improvement District Funds

For Fiscal Year Ended June 30, 2023

Report Date: May 31, 2024



A Tradition of Stewardship  
A Commitment to Service

Tracy A. Schulze, CPA  
Auditor-Controller

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A Tradition of Stewardship  
A Commitment to Service

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**Tracy A. Schulze**  
Auditor-Controller

May 31, 2024  
Board of Supervisors  
Napa, CA

### Executive Summary

The internal audit section of the Napa County Auditor-Controller's Office has completed an annual review of the Napa Valley Tourism Improvement District (NVTID) funds for fiscal year ended June 30, 2023. The objectives of this review were to assess whether Tourism Improvement District (TID) funds were administered consistently throughout the County and verify that the funds were collected, distributed, and spent in accordance with the Management District Plan approved by the County Board of Supervisors in 2010.

Based on the financial reports and general ledger detail provided by each of the jurisdictions, we are confident that the collection and disbursement of the Tourism Improvement District funds throughout the reporting jurisdictions is in accordance with the requirements outlined in the Management District Plan. However, there were exceptions found to the administrative procedures which are noted in Appendix B.

The following appendices provide additional 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 submitted report is available upon request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tracy Schulze".

Tracy A. Schulze, CPA  
Auditor-Controller

**Annual Review**  
**Napa Valley Tourism Improvement District**  
**For Fiscal Year Ended June 30, 2023**

**Background**

On January 19, 2010, the Napa County Board of Supervisors adopted Resolution No. 2010-07 to begin proceedings “to form the Napa Valley Tourism Business Improvement District (NVTBID), in accordance with the Property and Business Improvement District Law of 1994”, as requested by tourism business owners providing lodging located throughout the unincorporated County and the cities of American Canyon, Calistoga, St. Helena, Napa, and the town of Yountville. The 1994 law allows for the creation of benefit assessments within specific geographic areas.

As a result of the request and passage of the 2010 Resolution, the Napa Valley Tourism Improvement District (NVTID) was established with a five-year term and regulated through the adoption of the Management District Plan by the Board of Supervisors, requiring the jurisdictions to collect a 2% assessment of gross short-term room rental revenues from the lodging establishments and then distribute the revenue according to the Management District Plan for the purpose of promoting tourism and providing services that increase room night sales. The Board of Supervisors renewed the NVTID in 2014 to extend from June 2015 – June 2025.

Per the Management District Plan (Plan), *Section VII – Governance*, the Napa County Auditor-Controller conducts an annual review of each jurisdiction’s reconciliation of TID collections and disbursements and presents the findings to the Board of Supervisors. The jurisdictions are requested to complete a single-page financial report which provides total Transient Occupancy Tax (TOT) collected, the total Tourism Improvement District (TID) assessment, and the TID distributions mandated by the Plan. Jurisdictions are required to submit accounting detail to support the data provided in the financial report.

The local governing committees (LGCs) are also required to provide a report for the 25% of TID retained by the jurisdictions, along with an annual budget/expense reconciliation and approvals in committee meeting minutes to demonstrate spending in accordance with the Plan.

Appendix A provides a summary of the jurisdictions’ reporting, while Appendix B represents the results of internal audit’s review based on the financial reports and documentation submitted by the jurisdictions and local governing committees.

**Annual Review**  
**Napa Valley Tourism Improvement District**  
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**Appendix A**

**Schedule of Tourism Improvement District Assessment Collections by Jurisdiction**

	ACO Collections 74%	Local Share 25%	Admin Fee 1%	Total 100%
City of American Canyon	\$ 193,498	\$ 66,454	\$ 2,427	\$ 262,379
City of Calistoga	1,511,600	510,676	20,427	\$ 2,042,703
Unincorporated Napa County	1,553,093	522,020	20,305	\$ 2,095,418
City of Napa	3,655,278	1,234,892	49,395	\$ 4,939,565
City of St. Helena	470,719	159,027	\$ 6,352	\$ 636,098
Town of Yountville	1,079,240	364,608	14,584	\$ 1,458,432
<b>Total TID Assessment Collections</b>	<b><u>\$ 8,463,428</u></b>	<b><u>\$ 2,857,677</u></b>	<b><u>\$ 113,490</u></b>	<b><u>\$ 11,434,595</u></b>
Less: accounting fees	(10,742)			
Less: timing and rounding variances	(22,770)			
Add: interest	3,709			
<b>Net FY22-23 TID Collections</b>	<b><u>\$ 8,433,625</u></b>			

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**Appendix B**

**I. Jurisdictional Financial Reporting – Procedures and Results**

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Obtain the TID Financial Reporting Form from each local jurisdiction for fiscal year 2022-23. This form calculates expected TID assessments based on Transient Occupancy Tax (TOT) reported in the Annual Comprehensive Financial Report (ACFR).

**Procedure #1:** Review the Financial report and investigate variances between projected TID and actual booked TID greater than 1%: The TOT on the financial report should tie to the jurisdiction’s Annual Comprehensive Financial Report (ACFR).

**Results: Exceptions Noted**

1. Unincorporated Napa County receipts totaling \$33,353 were incorrectly coded to a TOT-only revenue account resulting in no TID distributions. Once notified, the County Treasurer-Tax Collector’s Office corrected the error and applied the TID disbursements to the current fiscal year.
  
2. Unincorporated Napa County collected penalties and interest totaling \$38,049 for previously unsubmitted TOT payments of which \$26,095 was subject to TID but not distributed. Per the Management District Plan, *Section V.D Collection*, the NVTID assessment “includes any delinquencies, penalties, and interest”. Once notified, the County Treasurer-Tax Collector’s Office corrected the error and applied the TID disbursements to the current fiscal year.

**Procedure #2:** Calculate 74% of the expected assessment and compare to what was remitted to the Napa County Auditor-Controller. Investigate variances greater than 1%.

**Results: No exceptions noted with a variance greater than 1%.**

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**Jurisdictional Financial Reporting – Procedures and Results (continued)**

**Procedure #3:** Calculate 25% of the expected assessment and compare to what was remitted to the Local Governing Committee. Investigate variances greater than 1%.

**Results:** No exceptions noted with a variance greater than 1%.

**Procedure #4:** Calculate the 1% administrative allowance of the expected assessment and compare to what was retained by the jurisdiction in accordance with the Management District Plan. Investigate overallocation of administrative allowance retained by jurisdiction exceeding 1%.

**Results:** No exceptions noted with a variance greater than 1%.

**II. Local Governing Committee Annual Report – Procedures and Results**

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Obtain the annual report for each local jurisdiction (Local Governing Committee) for the fiscal year 2022-23, including the adopted budget and actual expenses.

**Procedure #5:** Review the report and verify accuracy by tracing to the general ledger and other supporting documentation. Investigate variances greater than 1%.

**Results:** No exceptions noted with a variance greater than 1%.

**Procedure #6:** Verify that budget and actuals were approved through meeting minutes provided by the Committee (LGC).

**Results:** Exceptions Noted.

1. The Calistoga LGC had expenditures totaling \$34,149 that we could not verify as having been approved by the committee.

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**Local Governing Committee Annual Report – Procedures and Results (continued)**

\$33,963 was for Contract Services where no allocation had been included in the budget submitted. These expenditures included:

\$ 4,283 for Accounting Fees

\$ 3,000 for Chamber of Commerce Administrative Fees

\$ 26,680 for Urban Field Studio, LLC for Downtown Revitalization Task Force

\$ 150 included in the submitted budget for Taxes, Fees was paid to the Department of Justice for renewal fees.

\$ 36 not included in the submitted budget was for bank charges.

2. A review of the approved budget for Unincorporated Napa County LGC found that the budgeted/actual expenditure of \$500,000 for Visit Napa Valley exceeded the current contract capping the annual allocation to \$100,000. We also noted that the funds were being encumbered against the wrong contract. Once notified, the CEO's office has submitted a revised contract to the Board of Supervisors for approval. The new contract will also require approval by the local governing committee as an after-the-fact budget approval for the expenditure in fiscal year 2022-23, and in the budget submitted for fiscal year 2023-24.

**Observation:**

1. We found the meeting minutes of the local governing committees generally had insufficient detail included in the minutes to determine exactly what was approved in the budget submitted to the committees, and no after-the-fact approvals for expenditures which were not included in the original budget, or those which exceeded the approved budget. Although we eventually found approval for all expenses other than those noted as exceptions, the information was not readily available and was only obtained after significant back and forth with the local governing committees.

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**Local Governing Committee Annual Report – Procedures and Results (continued)**

**Recommendation:**

Attach the proposed budget to the minutes and include the dollar amount approved in the “Action” item for the fiscal year budget. This detail should also be added to minutes where actual expenditures are approved as “after-the-fact” when it’s a new line item or the budget has been exceeded.

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Napa Valley Tourism Improvement District  
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**Appendix C**

**Visit Napa Valley**

**Background Information**

For the scope of this review, Napa County contracted with Visit Napa Valley (VNV) and 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 is required to forward to VNV/NVTC 74% of the Napa Valley Tourism Improvement District (NVTID) assessment collected within the unincorporated area of the County and the NVTID assessment funds received from other jurisdictions.

**Procedure #1:** Obtain the audited financial statements from VNV.

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 exceptions noted.