



COMMONWEALTH of VIRGINIA

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218
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August 23, 2024

The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Luke E. Torian, Chair
House Appropriations Committee

The Honorable L. Louise Lucas, Chair
Senate Finance and Appropriations Committee

Joseph Fawbush, Mayor
City of Norton

The Honorable Stephen E. Cummings
Secretary of Finance

The Honorable Candi Mundon King, Chair
House Counties, Cities, and Towns Committee

The Honorable Jeremy S. McPike, Chair
Senate Local Government Committee

Jeff Shupe, City Manager
City of Norton

The Virginia Acts of Assembly and Code of Virginia direct the office of the Auditor of Public Accounts (Office) to establish a prioritized early warning system and annually monitor data and information from this system to identify whether a locality may meet the defined criteria for fiscal distress. As part of this annual fiscal distress monitoring process, the Office analyzes leading financial indicators through ratio analysis using data from each locality's audited annual financial report. During 2024, the General Assembly passed legislation that amended and codified the annual fiscal distress monitoring process at § 15.2-2512.1 of the Code of Virginia. The legislation established an additional provision for the annual fiscal distress monitoring process, requiring the Office to notify certain legislative committees and executive branch officials if a locality has not submitted its audited financial report within 18 months of the required December 15 deadline pursuant to the applicable governing statutes, or provided a plan for submission of its delayed audited financial report.

In accordance with the new legislative requirement related to the 18-month reporting delay, the Office provides this notification that the City of Norton (City) currently remains delayed with submitting its audited financial report for fiscal year 2022, which was due on December 15, 2022. Additionally, the City has not yet submitted its fiscal year 2023 audited financial report, which was due on December 15, 2023. The City's financial reporting delays continue to impact our ability to evaluate the financial indicators for the City as part of the annual fiscal distress monitoring process.

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City management appropriately notified the Office about the City's delays with finalizing and submitting its audited financial reports. We have corresponded on multiple occasions with City management and the City's external auditor regarding updates on the status of the delayed audited financial reports for both fiscal years 2022 and 2023. The City and its external auditor provided a plan and expected timeline for finalizing the audits and submitting the City's delayed audited financial reports to the Office. However, the expected timeline for completion has continued to fluctuate, primarily due to staffing challenges for the City, the external audit firm, and the consulting firm the City engages for accounting and pre-audit services. In addition, challenges with the implementation of new governmental accounting standards have contributed to the delays. The City's external auditor responded to our outreach on multiple occasions during June and July 2024 with information that the firm was completing its wrap-up process and quality review over the audited financial report. The City would then need to complete its final review with an expectation to submit the audited financial report to the Office by end of July 2024. As of the date of this letter, we are still awaiting the City's submission of its fiscal year 2022 audited financial report.

We will continue to monitor the City's efforts to ensure timely issuance of its audited financial reports, along with evaluating other notable trends or indicators as part of our annual fiscal distress monitoring process, and we will provide future updates as necessary. Should you have any questions or require any further information, please contact me at (804) 225-3350 or Staci.Henshaw@apa.virginia.gov.

Sincerely,

Staci A. Henshaw
Auditor of Public Accounts

cc: Mark A. Caruso, Norton Vice Mayor
Robert Fultz, Jr., Norton City Council
Stacy Salyers, Norton City Council
Chris Jones, Norton City Council
Treavor Calhoun, Norton Finance Director
John Markowitz, Deputy Secretary of Finance
Delegate Terry G. Kilgore
Senator Todd E. Pillion