**A** **BILL**

TO AMEND SECTION 5‑7‑240, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO INDEPENDENT AUDITS OF MUNICIPAL FINANCIAL RECORDS AND TRANSACTIONS, SO AS TO ALLOW MUNICIPALITIES WITH LESS THAN $500,000 IN TOTAL REVENUES TO PROVIDE A COMPILATION OF FINANCIAL STATEMENTS; AND TO AMEND SECTION 14‑1‑208, RELATING TO MUNICIPAL COURT AUDITS, SO AS TO MAKE CONFORMING CHANGES.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 5‑7‑240 of the 1976 Code is amended to read:

“Section 5‑7‑240. (A) Beginning with the municipality fiscal year which begins after July 1, 2022, the council of each municipality having total revenues of $500,000 or more shall provide for an ~~independent~~ annual audit of ~~all financial records and transactions of the municipality and any agency funded in whole by municipal funds and may provide for more frequent audits as it deems necessary. Special audits may be provided for any agency receiving municipal funds as the municipality deems necessary. Such audits shall be made by a certified public accountant or public accountant or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the municipal government or any of its officers~~ financial statements. The council may, without requiring competitive bids, designate such accountant or firm annually or for a period not exceeding four years, provided, that the designation for any particular fiscal year shall be made no later than thirty days after the beginning of such fiscal year. The report of the audit or compilation shall be made available for public inspection. ~~The council may in its discretion accept independent audits of municipal agencies and departments and include such audits in its general report of the audit of the municipality.~~

(B) The council of each municipality having total revenues of less than $500,000 may elect to provide for either an audit of financial statements or a compilation of financial statements in lieu of an audit as follows:

(1) annually for municipalities that have a court system; or

(2) at least once every three years for municipalities that do not have a court system.

(C) The audit or compilation must be performed by an independent certified public accountant or a firm of certified public accountants. A compilation must be prepared in accordance with agreed upon procedures as established by the South Carolina Office of the State Treasurer and approved by the South Carolina Office of the State Auditor.

A municipality that exceeds the threshold in the current fiscal year but was below the threshold in the previous fiscal year must begin submitting audited financial statements annually beginning no later than the fiscal year following the year in which its total revenues exceed the threshold.

(D) Beginning January 1, 2024, and each January first thereafter, the $500,000 threshold increases to the extent of the over‑the‑year increase in the consumer price index for the most recent twelve‑month period consisting of January through December. If the consumer price index experiences an over‑the‑year decrease, there is no impact on the threshold.”

SECTION 2. Section 14‑1‑208(E) of the 1976 Code is amended to read:

“(E) To ensure that fines and assessments imposed pursuant to this section and Section 14‑1‑209(A) are properly collected and remitted to the State Treasurer, the ~~annual independent external audit required to be~~ audit or compilation performed for each municipality pursuant to Section 5‑7‑240 must include ~~a review of the accounting controls over the collection, reporting, and distribution of fines and assessments from the point of collection to the point of distribution and~~ a Uniform Supplemental Schedule Form detailing all fines and assessments collected at the court level, the amount remitted to the municipal treasurer, and the amount remitted to the State Treasurer.

(1) To the extent that records are made available in the format determined pursuant to subsection (E)(4), the Uniform Supplemental Schedule Form developed by the Office of the Attorney General, South Carolina Crime Victim Services Division, must be used by all counties and municipalities to report their crime victim services funds and must include the following elements:

(a) all fines collected by the clerk of court for the municipal court;

(b) all assessments collected by the clerk of court for the municipal court;

(c) the amount of fines retained by the municipal treasurer;

(d) the amount of assessments retained by the municipal treasurer;

(e) the amount of fines and assessments remitted to the State Treasurer pursuant to this section; and

(f) the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward.

(2) For municipalities required to provide for an annual audit of financial statements pursuant to Section 5‑7‑240, the Uniform Supplemental Schedule Form must be included in the external auditor’s report as required by generally accepted auditing standards when information accompanies the basic financial statements in auditor submitted documents.

(3) For municipalities allowed to provide for a compilation of financial statements pursuant to Section 5‑7‑240, the Uniform Supplement Schedule Form must be included in the compilation report as supplemental information. In addition, the municipality is required to engage the external accountant to perform agreed upon procedures related to the supplemental schedule as established annually by the Office of the State Treasurer and approved by the Office of the State Auditor.

(4) Within thirty days of issuance of the audited or compiled financial statement, the municipality must submit to the State Treasurer a copy of the audited or compiled financial statement and a statement of the actual cost associated with the preparation of the Uniform Supplemental Schedule Form required in this section and, if applicable, the agreed upon procedures. Upon submission to the State Treasurer, the municipality may retain and pay from the fines and assessments collected pursuant to this section the actual expense charged by the external auditor ~~for the preparation of~~ or accountant associated with the Uniform Supplemental Schedule Form required in this subsection, not to exceed ~~one~~ two thousand dollars each year.

~~(4)~~(5) The clerk of court and municipal treasurer shall keep records of fines and assessments required to be reviewed pursuant to this subsection in the format determined by the municipal governing body and make those records available for review.”

SECTION 3. This act takes effect upon approval by the Governor.

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