

**NON-STATE SYSTEM STREET-AID ALLOCATION  
(STATE STREET-AID TO MUNICIPALITIES “POWELL BILL”)**

**State Authorization:** N.C.G.S. 136-41.1 through 41.4

**N.C. Department of Transportation  
Financial Management Division**

**Agency Contact - Program**

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**The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.**

The Single Audit Compliance Unit of the Office of Inspector General reviews all single audits, financial audits, and management letters of all “grantees”. We are looking at both the presentation (information as to program, pass-through and state funding, NCDOT identification numbers) and the dollar amounts presented versus our records. Any reports not received will be requested.

We verify the following:

1. Powell Bill expenditures in the Schedule of Expenditures of Federal and State Awards and/or the Statement of Revenues Expenditures and Changes in Fund Balance to the expenditures shown on the Powell Bill Expenditures Report.
2. Powell Bill Reserve on the financial balance sheet to the Powell Bill Balance on Hand on the Powell Bill Expenditures Report.
3. Any difference(s) should be explained in a note to the Schedule of Expenditures of Federal and State Awards or to the financial statements.

The participating municipality receives their Powell Bill funds as either a check or an electronic funds transfer (EFT); these funds should be identified on the Schedule of Expenditures of Federal and State Awards as Powell Bill, DOT-4. On NCDOT’s confirmation from the Grant Master List (GML), these funds are shown as DOT-4 under the heading CFDA/DOT No. If an EFT, “ACH” will be shown under the check column number; if a check, the check number will be shown under the check column number.

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A Powell Bill History file, which will give auditors the recent history of Powell Bill activity with regard to allocations and expenditures, can be requested from the Powell Bill unit. Please note the Powell Bill Expenditures Report is due August 1 and expenditures are reported 1 year in arrears from July 1 to June 30 of the current year; thus, the most recent expenditures will not be shown.

**I. PROGRAM OBJECTIVES**

Powell Bill funds are distributed to cities and towns to assist them in maintaining, constructing, reconstructing, repairing and improving streets or public thoroughfares, bikeways, greenways, and sidewalks within their corporate limits (G. S. 136-41.1 through 41.4).

**II. PROGRAM PROCEDURES**

Eligible municipalities receive allocations upon appropriation of funds by the General Assembly to the NCDOT, per stabilization of funding for state aid to municipalities, Session 2017-57, SENATE BILL 257 requires that a sum of \$147,500,000 be disbursed to the qualifying municipalities annually. The NCDOT is required to keep \$500,000 in reserve for work order adjustments in each Fiscal Year. If there is any unexpended allotment balance it is to be brought forward. Any penalties that are collected from the municipalities will be added to the \$147,500,000 also.

One-half of the amount appropriated shall be allocated by check or EFT on or before October 1 of each year to the participating municipalities of the State and in accordance with this section. The second one-half of the amount appropriated shall be allocated by check or EFT on or before January 1 of each year to the participating municipalities of the State in accordance with this section. A municipality's allocation may be held if all the required statements, reports, street listing or map have not been submitted or there are unanswered questions concerning them. The withheld allocation receives a block on the document and is held in an open status in SAP. Once the release is received, Financial Management will release the block and process the allocation for payment to the municipality. The local government of the municipality may undertake the work itself by force account, may let contracts in the usual manner as prescribed by the N. C. General Statutes to private contractors for performance of the work, or may contract with the NCDOT to do the work. The annual allocation that is sent to the participating municipalities may be reduced due to penalties. One type of penalty is having an excess balance of Powell Bill funds. When the Powell Bill annual ending balance equals more than the sum of the last ten (10) allocations, the excess balance is the amount of the penalty. Beginning in FY2011/12, small municipalities (A small municipality is defined as having a population of less than 5,000) can apply to the NCDOT to be allowed to accumulate up to the sum of their past 20 allocations, if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of Powell Bill. Municipalities are to send a written request to increase their allocations to 20 to the Powell Bill unit. Another type of penalty is when a municipality has any past due account with NCDOT. These amounts (allocation and the penalties) are shown individually on page 1 of the Powell Bill Expenditures Report (Revenues for Powell Bill Streets and Penalty Section). The allocation for the municipality's accounting purposes will still be the full amount. The municipality will need to post the penalties to their records as well.

The Powell Bill unit reviews the certified statements, street listings, certified maps (if necessary), and expenditure reports submitted by the municipalities between July 1 and August 1. Municipalities are contacted concerning problems or questions with the statements, street listing, maps and reports. Any adjustments made to the expenditures report, based on the review of the expenditure report, by an independent auditor or findings by the Single Audit Compliance Unit are made on an as needed basis.

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The Powell Bill unit also reviews the Municipal Street Fiscal Data Report which the municipalities must submit by December 1. The staff reports the data from the Powell Bill Expenditures Report to the General Assembly by October 1 and the data from the Municipal Street Fiscal Data Report to file an annual report with the Federal Highway Administration by April 1.

The Powell Bill staff answers questions from municipalities throughout the year and consults with the Attorney General's staff on matters of administration of the Powell Bill Program.

### III. COMPLIANCE REQUIREMENTS

#### 1. ACTIVITIES ALLOWED OR UNALLOWED

**Compliance Requirement** - N.C.G.S. 136-41.3 and 136-41.4 provide that the funds allocated to cities and towns under the provisions of the Powell Bill "shall be expended by said cities and towns only for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of bikeways, greenways, or sidewalks."

#### EXAMPLES OF PURPOSES FOR WHICH POWELL BILL FUNDS MAY BE USED:

- a. Improvements or new construction streets or public thoroughfares within the corporate limits, as defined in G.S. 136-41.1: ("The word 'street' as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet.") Eligible uses are:
  1. Stabilizing, grading.
  2. Paving, retreatments, and seal coating.
  3. Curb and gutter construction, including curb cuts for handicapped persons.
  4. Construction of necessary storm drainage for protection of street.
  5. Construction of bridges and culverts.
  6. Grade crossing eliminations.
  7. Necessary landscaping or seeding required for proper street maintenance.
  8. Widening.
  9. Purchase, rental, operation, and maintenance of equipment necessary for street construction.
  10. Sidewalk, Greenway, and Bikeway Construction.
  11. Engineering, surveying, and other expenses incurred in qualifying for Powell Bill Funds provided such data is to be used as basic information for the construction and maintenance of streets.
  12. Necessary legal expense incurred in street improvement programs.
  13. Acquisition of right-of-way.
  14. Salaries for street labor, supervision of street labor, and engineering used exclusively in street construction.
  15. Payments to contractors for any of the above.
- b. Routine maintenance on streets or public thoroughfares within the corporate limits such as:
  1. Dragging, machining, blading, or shaping.
  2. Patching, sealing or crack filling.

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3. Shoulder or curb and gutter maintenance and repair, including curb cuts for handicapped persons.
  4. Ditching, repair or maintenance of storm drains, culverts, catch basins, inlets, bridges, fills, etc. which are necessary and essential to street maintenance.
  5. Dust control treatments, calcium chloride applications.
  6. Snow, sand, or debris removal resulting from natural causes. (**Not normal garbage or refuse collection.**)
  7. Mowing along and within Powell Bill streets' rights of way only. (Mowing along state system streets is not eligible.)
  8. Labor, supervision, and engineering used exclusively in street maintenance.
  9. Purchase, rental, operation and maintenance of equipment necessary and essential for street maintenance.
  10. Purchase of materials and supplies for proper street maintenance and drainage.
  11. Payments to contractors for any of the above.
  12. Sidewalk, Greenway, and Bikeway Maintenance.
  13. Street Sweeping.
- c. Traffic Control Purposes such as:
1. Purchase and maintenance of traffic control devices.
  2. Purchase and maintenance of other traffic signs necessary for proper traffic control.
  3. Purchase and application of traffic paint.
  4. Computerized traffic signal system construction and maintenance.
  5. Construction and maintenance of speed bumps.
  6. Purchase of traffic cones.
- d. Special Street Assessments:
- Payment of municipality's proportionate share of a special street assessment levy and cost incurred for improving intersections in an assessment program.
- e. Bonds:
- Current payment of principal or interest due on bonds outstanding, issued exclusively for streets, provided bonds were issued after enactment of Powell Bill. Installment Purchase Contract, principal and interest.
- f. Bikeways, Greenways, and Sidewalks:
- Planning, construction, and maintenance of bikeways, greenways, and sidewalks within the municipal limits or within the area of any metropolitan planning organization or rural planning organization.
- g. Banking fees:
- For fees associated with a checking account **ONLY** for Powell Bill. Prorated fees associated with a General Fund checking account with Powell Bill funds are not eligible. **Banking fees are only Powell Bill eligible if the checking account is established only for Powell Bill funds.**

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N.C.G.S. 136-41.3 further provides “It shall be unlawful for any municipal employee or member of any governing body to authorize, direct, or permit the expenditure of any funds accruing to any municipality by virtue of the Powell Bill for any purpose not herein authorized. Any member of any governing body or municipal employee shall be personally liable for any unauthorized expenditure.”

h. Transportation Improvement Project (TIP):

N.C.G.S. 136-41.4b provides the municipality an option to have its allocation reprogrammed. The amount that may be reprogrammed is an amount equal to that amount necessary to complete one full phase of the project selected by the municipality or an amount that, when added to the amount already programmed for the Transportation Improvement Project selected, would permit the completion of at least one full phase of the project. The restriction set forth in this subsection shall not apply to any bicycle or pedestrian projects. **EXAMPLES OF PURPOSES FOR WHICH POWELL BILL FUNDS CANNOT BE USED ARE:**

1. Construction, maintenance, or repair on Private Streets.
2. Street lighting.
3. Purchase or maintenance of parking meters.
4. Construction or maintenance of off-street parking areas or facilities.
5. Street name signs.
6. Leaf vacuums.
7. Street repairs necessitated by utility installation or repairs.
8. Installation, repair, removal of underground or overhead utility lines or fire hydrants.
9. Garbage or refuse collections or removal, including purchase, operation or maintenance of garbage trucks. (Municipalities with combined street and sanitary departments should be careful with respect to separation of payrolls and purchases. Keep time records).
10. Salaries or other expenses for traffic policemen.
11. Police cars and motorcycles.
12. Construction or maintenance of streets outside corporate limits even though on municipally owned property.
13. Thoroughfare planning studies, Bicycle/Pedestrian Planning Grants or Pavement Management System studies/inventories.
14. Construction of equipment shed for housing street equipment.
15. Indirect costs such as budget administration, data processing, office equipment, etc.
16. Mowing along state system streets.
17. Small Urban Construction Projects as defined by G.S. 136-66.3(b). Revised and ratified by the North Carolina General Assembly August 2, 2000 to become effective July 1, 2000.
18. The construction of a sidewalk into which is built a mailbox, utility pole, fire hydrant, or other similar obstruction that would impede the clear passage of pedestrians on the sidewalk.

Where the purpose for which Powell Bill funds are proposed to be used is not clearly authorized, legal advice should be sought from the municipality’s attorney, the attorney for the League of Municipalities or the office of the Attorney General.

**Audit Objective** – Determine whether Powell Bill funds are expended for allowable activities.

### Suggested Audit Procedure

Examine the annual Powell Bill Expenditures Report to test expenditures against related supporting records. (See 12, Reporting).

#### 2. ALLOWABLE COSTS/COST PRINCIPLES

##### a. Charging of Equipment Purchased with Powell Bill Funds

**Compliance Requirement** - The cost of capital equipment purchased and charged to Powell Bill should be on an equitable basis if the equipment is used for more than Powell Bill purposes, i.e. sanitation, water and sewer, etc.

**Audit Objective** - Determine that equipment purchased with Powell Bill funds is charged out equitably if the equipment is used on non-Powell Bill related projects.

### Suggested Audit Procedure

1. Verify that the equipment is being used for allowable Powell Bill purposes.
2. Verify that the basis for allocating cost to Powell Bill is reasonable. (Example: 35% of cost is reasonable if Powell Bill labor is \$35,000 compared to total Public Works Labor cost of \$100,000.)

##### b. Separate Detailed and Documented Records are Required for Powell Bill Funds

**Compliance Requirement** – G.S. 136-41.3 requires that all municipalities receiving Powell Bill funds maintain a separate detail record of all Powell Bill expenditures and receipts (including all investment income on Powell Bill funds being held).

The recommended rates for labor, equipment, and material for such expenditures are as follows:

**Administrative Labor** - Rate should be computed using actual rates plus an established rate for fringe benefits.

**Field Labor** - Rate should be computed using actual or average actual rate for Public Works laborers plus an established rate for fringe benefits.

**Note:** **If municipalities pay their street department from Powell Bill funds, and their street forces perform a variety of functions, the municipality can prorate salaries based on a sample analysis of work functions. The sample should consist of 3 months - January, June, and October. A daily log/timesheet of work activities must be kept for these months to determine the percentage of salaries allocated to Powell Bill activities. The average percentage of the 3 months should be used. The municipality should maintain work papers supporting the percentage being used and must re-sample their daily logs every other year. This proration method should only be used if the percentage generated by the sample analysis is reasonable.**

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**Equipment** - Actual hourly rates are based upon municipalities accounting records for equipment owned by the town or vendor invoice for rented equipment. If municipality's records cannot support a rate, the municipality's charge for a piece of equipment may not exceed the NCDOT's standard hourly rate (see special note below). NCDOT rates are based upon the NCDOT's actual cost records and are acceptable to the Federal Highway Administration. Municipalities that buy equipment with Powell Bill funds and also charge the NCDOT Equipment Rental rates must only use 65% of the NCDOT rental rate. The remaining 35% is a capital cost recovery factor and must be excluded in order that Powell Bill funds are not charged twice for equipment capital costs. If the municipality computes their own equipment rates, they should examine the application of those rates to equipment purchased with Powell Bill funds and eliminate any of the rental cost that results in duplicate recovery of equipment capital costs.

This policy will not affect any municipality that contracts out its street work.

This policy is effective with the fiscal year beginning July 1, 1999.

**Special Note:** The NCDOT Equipment Rental Rate Schedule is updated monthly. Please contact your local NCDOT Division Engineer's office for the current schedule. *Not* all of the equipment listed on the NCDOT Equipment Rental Rate Schedule is Powell Bill eligible; please make sure that you use only the equipment that is eligible.

**Material** - Actual Cost

**Audit Objective** - Determine that separate detailed and documented records are kept for administrative labor, field labor, equipment and material charged to Powell Bill funds.

**Suggested Audit Procedure**

1. Ascertain that costs charged and receipts credited to Powell Bill funds for administrative labor, field labor, equipment and material are accurately and adequately documented.
  2. Test the field labor rates as well as the equipment rates charged to the Powell Bill funds for reasonableness and accuracy. Test the percentage used to allocate administrative salaries to Powell Bill funds. Examine the municipality's work-papers that these rates were used for the entire fiscal year.
- c. Crediting Powell Bill Funds for Sales Tax Refunds, Discounts and Rebates

**Compliance Requirement** - Sales tax refunds, discounts, and rebates must be returned to Powell Bill funds.

**Audit Objective** - Determine that any refunds, discounts or rebates obtained when using Powell Bill funds are credited to the Powell Bill fund.

**Suggested Audit Procedure** - Examine source documentation for selected Powell Bill expenditures and verify that any sales tax refunds, trade or volume discounts, and rebates are appropriately and timely reflected in the Powell Bill accounts.

3. CASH MANAGEMENT

**Compliance Requirement** – Investment Income/ Interest Income earned on Powell Bill funds accrues to that fund in accordance with G. S. 159-30(e) and G.S. 136-41.3, and must be recorded on the Powell Bill Expenditures Report. Interest shall be used only for the purposes permitted in the provisions of G.S. 136-41.3.

**Audit Objective** - Determine that Investment Income/Interest Income earned by Powell Bill funds is credited/added to the Powell Bill funds. Auditor should report amount received from NCDOT as well as expenditures.

**Suggested Audit Procedure** - Ascertain that Investment Income/Interest Income are credited to the Powell Bill funds, shown on line 2 (Interest Earned on Powell Bill Funds) of the Revenue section of the Powell Bill Expenditures Report, noted in the General Ledger, and included in the ~~Reserved~~ Restricted for Powell Bill on the Government-wide Statement of Net position and Governmental Funds Balance Sheet. If moneys are invested in a joint account, then a prorated share of interest earned must be computed in accordance with N.C.G.S. 159-30(e).

4. CONFLICT OF INTEREST: G.S. 14-234 includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.

5. ELIGIBILITY

a. Eligibility in Determining Powell Bill Allocation

**Compliance Requirement** - As provided by N.C.G.S. 136-41.1 through 136-41.3, seventy-five percent (75%) of the funds appropriated for Powell Bill allocation is based on the most recent annual estimate of population as certified by the Office of State Budget Management (OSBM) and twenty-five (25%) of said funds appropriated is based on the certified street miles within the municipality's corporate limits which do not form a part of the State highway system. It is the duty of the Mayor of each municipality to report to the NCDOT (through its Powell Bill Program) each year such information as the NCDOT may request (Powell Bill Expenditures Report, Certified Statement, Street Listing and Certified Powell Bill Map) and in the time so prescribed by the NCDOT to determine the municipality's eligibility to receive Powell Bill funds. If the municipality fails to comply, the NCDOT may withhold the allocation until the municipality complies by providing all required documents.

On or before July 1, the NCDOT Powell Bill unit sends out an email to the current participating municipalities notifying them that the qualifying Powell Bill information is available on the online Powell Bill Reporting System, Enterprise Business System (EBS). The information includes forms, instructions and explanations regarding the Expenditures Report, certified statement, street listing, certified map and other pertinent information:

1. There are three different versions of the **Certified Statement**. The version used is based on the date of incorporation of the municipality by the General Assembly; see the last line on the front side of the form for the date:

a. Municipalities incorporated before 1/1/45.



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- b. Municipalities incorporated after 1/1/45 thru 12/31/99.
- c. Municipalities incorporated on or after 1/1/2000.

The Powell Bill legislation requires that the municipality provide a number of certain services to the citizens. The statement is asking the Mayor to certify about the various services provided and the number of miles of streets paved and unpaved that are in the municipality. The information for the Certified Statement is entered in the EBS system, the appropriate form automatically opens in the system.

- 2. The **Certified Map** is an actual map of the municipality that has been prepared and certified by a Registered Professional Engineer or Land Surveyor. It requires a legend, legible street names, a directional arrow, an outline of corporate limits, outline of any annexations and incorporated satellite areas outside the municipality's corporate limits and an outline of any unincorporated areas inside the corporate limits. A street listing for all of the Powell Bill streets is required. If the certified map is less than five years old and there are no reported street changes (adding or deleting Powell Bill streets), then no map is required, the one on file is adequate. The Mayor and Town Clerk will sign off on the certified statement. If there have been changes to the corporate limits or Powell Bill street mileage, then a new certified map will be required.
- 3. The statutes (N.C.G.S. 136-41.1 through 136-41.4) require municipalities receiving Powell Bill funds to maintain a separate record of accounts indicating, in detail, all receipts and expenditures of said funds and to report said receipts and expenditures to the NCDOT's Powell Bill Program on or before August 1 each year. This is done on the **Expenditures Report** form.

The **Expenditures Report** is generated through the online Powell Bill Reporting System, EBS.

**Audit Objective** - Determine that the information submitted on the required documents to the NCDOT's Powell Bill Program is accurate.

**Suggested Audit Procedure** - Ascertain that the information submitted on the Certified Statement, Street listing, Certified Map and the Powell Bill Expenditures Report is accurate.

- b. Qualifications for Designation as a Powell Bill Street

**Compliance Requirement** - A street or public thoroughfare qualifies for Powell Bill expenditures if it is within the corporate limits of the municipality and meets the requirements as defined in G.S. 136-41.1. The street/thoroughfare should be formally dedicated to, and accepted by, the municipality.

**Audit Objective** - Determine if the street is Powell Bill eligible.

**Suggested Audit Procedure** - Verify that Powell Bill expenditures were for city streets and thoroughfares which have been properly "accepted" by the municipality. Date of acceptance should be recorded in the Board minutes. For very "old" streets for which there is no record of acceptance, verify that the street in question is being used as a public road and is at least 16 feet wide.

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

1. Title, Records and Use of Equipment

**Compliance Requirement** – Title vests in the name of the municipality. The use of equipment is for allowable Powell Bill projects only; further charges to Powell Bill should be for labor and maintenance, not capital recovery. If the equipment is used for non-Powell Bill purposes, then Powell Bill should be credited for its use. The municipality’s accounting records should reflect how, when and where the equipment was used, whether the equipment was used for a Powell Bill project, and its recordation on the fixed assets inventory.

**Audit Objective** – Determine who holds title to the equipment and that the records include both fixed assets inventory and the equipment’s use by the municipality.

**Suggested Audit Procedures**

1. Check that equipment title vests with the municipality.
2. Test that transactions on Powell Bill projects are for labor and maintenance, not capital recovery. Test credit transactions (reimbursement to Powell Bill for use of Powell Bill equipment on non-Powell Bill projects) are for labor, maintenance and capital. Check that records are adequate to determine these factors and support these costs.

2. Disposition of Equipment acquired with Powell Bill Funds

**Compliance Requirement** - Ascertain if equipment purchased with Powell Bill funds was sold or transferred; if so, moneys must be credited to the Powell Bill fund. Powell Bill assets transferred must be done so at fair market value.

**Audit Objective** - Determine that the Powell Bill funds are credited when equipment purchased with Powell Bill funds is either transferred or sold.

**Suggested Audit Procedure**

1. Verify that moneys from the sale or transfer of equipment purchased with Powell Bill funds were credited to the Powell Bill fund.
2. Ensure that transfers were treated like an arms-length transaction and the transaction is recorded at a fair market value.

8. PERIOD OF AVAILABILITY OF STATE FUNDS

**Compliance Requirement** - N.C.G.S. 136-41.3 states that: “No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. Any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year.” Beginning in FY2011/12, small municipalities (A small municipality is defined as having a population of less than 5,000) shall apply to the NCDOT for the benefit to be allowed

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to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of Powell Bill. Municipalities are to send a written request to be allowed to accumulate up to the sum of the past 20 allocations.

**Audit Objective** - Determine if excess Powell Bill funds accumulated during this reporting period.

**Suggested Audit Procedure** - Examine the municipality's Powell Bill history file and Powell Bill Expenditures Report to ascertain if excess Powell Bills funds accumulated.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

When the Solicitation of Bids is Required

**Compliance Requirement** - N.C.G.S. 143-129 requires the solicitation of bids on construction or repair work requiring expenditure of public money in an amount equal to or more than five hundred thousand dollars (\$500,000) or purchases in an amount equal to or more than ninety thousand dollars (\$90,000). N.C.G.S. 143-131 states that all contracts for construction or repair work or for the purchase of apparatus, supplies, materials, or equipment, involving the expenditure of public money in the amount of thirty thousand dollars (\$30,000) or more, but less than the limits prescribed in G.S. 143-129, shall be made after informal bids have been secured. Bid tabulation and governing agency resolution recommending award is required for contract award to the lowest responsible bidder.

**Audit Objective** - Determine if bids, formal or informal, were required and if required were received.

**Suggested Audit Procedure** - Verify that municipality has properly solicited bids and that the contract was awarded to the lowest qualified bidder.

12. REPORTING

1. **Compliance Requirement** - The Powell Bill ending balance on hand, June 30, 20XX, reported on the Powell Bill Expenditures Report should agree to the restricted amount in the general ledger and to the Restricted for Powell Bill shown on the Government-wide Statement of Net Position and Governmental Funds Balance Sheet. Any difference and its justification should be shown in a footnote to the Schedule of Expenditures of Federal and State Awards or in the Notes to the General Purpose Financial Statements, if no compliance audit is required. Unless there is a zero balance, the Restricted for Powell Bill must be shown in the financial statements as a specific line item with the balance; it should not be combined with any other reserve nor should it be named anything else.

If the prior year's audited financial statements resulted in adjustments in the amount of Powell Bill expenditures previously reported to the Powell Bill Program, determine that the municipality recorded the differences on the R104 Bookkeeping Errors (+ or -) on the next Expenditure report.

**Audit Objective** – Determine that all Powell Bill balances agree from financial reports to the Powell Bill Expenditures Report and that any changes made are reflected in all balances.

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**Suggested Audit Procedure** - Verify the Powell Bill ending balance on hand per Powell Bill Expenditures Report ties to the general ledger, and to the Restricted for Powell Bill shown in the financial statements, and is supported by restricted funds that are currently available.

2. **Compliance Requirement** - The Powell Bill Expenditures Report may be prepared on a cash or accrual basis, and the amount reported in the Schedule of Expenditures of Federal and State Awards must be on the same basis.

*Note: If the General Purpose Financial Statements are prepared on the accrual basis and the Powell Bill Expenditures Report is prepared on a cash basis, the Schedule of Expenditures of Federal and State Awards can be prepared on the accrual basis if a footnote is added to the Schedule of Expenditures of Federal and State Awards which reconciles the Powell Bill accrual basis expenditures to Powell Bill cash basis expenditures.*

**Audit Objective** – Determine that the Powell Bill Expenditures Report and the financial reports are prepared on the same basis or that the financial reports contain a footnote reconciling any differences.

**Suggested Audit Procedure** - Verify that expenditures on the Powell Bill Expenditures Report and the expenditure amount reported in the Schedule of Expenditures of Federal and State Awards agree on a cash or accrual basis.

#### 14. SPECIAL TESTS AND PROVISIONS

1. Credit Assessments to Powell Bill Funds for Work Done with Powell Bill Funds

**Compliance Requirement** - Any assessments levied by a municipality for work performed with Powell Bill funds must be credited to the Powell Bill fund.

**Audit Objective** - Determine that any assessments levied on work using Powell Bill funds are credited back to the Powell Bill funds.

**Suggested Audit Procedure** - Ascertain if assessments were made regarding any work financed with Powell Bill funds. Verify that any such assessments were recorded as receipts in the Powell Bill fund.

2. Credit Powell Bill Funds for Reimbursements on Projects where Powell Bill Funds are used.

**Compliance Requirement** - A credit must be shown to the Powell Bill Fund Account for moneys that are spent on municipal bridge projects, enhancement projects, or other highway construction projects concerning Powell Bill streets and are later received under The Federal-Aid Bridge Program, the Enhancement Program, or other state funds through the NC Department of Transportation. These reimbursed funds must be returned to the municipality's Powell Bill Fund, not the General Fund. Powell Bill funds may be used for the municipality's match on these programs.

**Audit Objective** - Determine that any reimbursement for a project where Powell Bill funds are used is credited to the Powell Bill fund.

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**Suggested Audit Procedure** - Inquire if any moneys have been received from the Federal-Aid Bridge Program, Enhancement Program, or other state transportation programs through the NCDOT for work that was paid for with Powell Bill funds. If Federal-Aid Bridge, Enhancement Program, or state transportation moneys were received, verify that Powell Bill moneys were returned to the Powell Bill fund.