

Division of Accounting – Policies and Procedures Manual Standard Policies and Procedures	
Policy Number – AUB-05-02	Revision Number: 3
Subject: Financial Accounting	Effective date 07-01-2010
	Superintendent Approval:
	General Manager Approval:

1.0 General Ledger Chart of Accounts

A separate general ledger chart of accounts shall be maintained for each of Athens Utilities Board's (AUB) divisions using the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (FERC). Separate bank accounts shall be maintained for each of the division's operating funds. Excess funds of each division may be commingled to obtain higher rates of return on certificates of deposit and money market account deposits. Subsidiary records will be maintained to account for each division's ownership of all commingled funds.

2.0 Bill Payment

All bills for expenses of AUB shall be properly approved by purchase order, or they shall bear approval of divisional management. Routine monthly expenditures (e.g. rent) require initial approval. Documentation of approval is not required for subsequent payments. Initial approval documentation of routine monthly expenditures will be maintained by accounting personnel. All bills shall be submitted to accounting for payment. Accounting personnel will verify and maintain approval documentation for all payments. Receipt of materials purchased will be substantiated by reviewing warehouse receipt documentation prior to expense payment. Expenditures for each division will be segregated and paid from separate operating accounts. Checks for each division's operating account will require two signatures. These checks may be signed by any combination of the division's Superintendent, the Superintendent of Accounting, the General Manager, or the Accountant II.

3.0 Excess Funds

Each division's funds in excess of those funds necessary for the day-to-day operation of the division shall be removed from the operating account (typically non-interest bearing accounts) and deposited in an interest bearing deposit account. Funds that will be needed in the near term shall be deposited in a money market deposit account that allows for withdrawal. These funds shall be "swept" in and out of this account as needs dictate. Funds from each division may be commingled in this account to improve interest earnings. This account shall be maintained at an FDIC insured financial institution, and the institution shall pledge acceptable investments from its investment portfolio to secure 105% of the uninsured balance of all deposits in that institution, or the institution will participate in the State of Tennessee Collateral Pool.

Funds that will not be needed in the near term may be deposited in savings accounts, certificates of deposit, short-term treasury bills and certificates, or deposits in the Tennessee Local Government Investment Pool. All deposits in financial institutions shall be maintained only at FDIC insured institutions. The depository institution shall

pledge acceptable investments from its portfolio to secure 105% of the uninsured balance of all funds on deposit, or the institution will participate in the State of Tennessee Collateral Pool.

4.0 Budget/Finance Committee

The Board of Directors shall appoint a three-member committee consisting of members of the Board of Directors to serve as the Budget/Finance Committee. These members shall serve one-year terms. The Superintendent of Accounting will serve as the liaison between management and the Budget/Finance Committee. It shall be the responsibility of this committee to review the monthly financial performance of each division and report this information to the full board. Furthermore, this committee shall approve the selection of the utility's auditor. It will review the results of the annual audit in detail and report to the full board. Management of AUB shall present the annual budget to the Budget/Finance committee for detail analysis and discussion. Once the committee approves the budget, it will be presented to the full board. All banking relationships shall be the responsibility of the Budget/Finance Committee upon the recommendation of the Superintendent of Accounting and the General Manager. The committee shall also review any and all other financial information as necessary.

5.0 Budgeting

Each division shall operate under its own unique budget. Budgets shall be prepared annually. They shall be approved first by the Budget/Finance Committee of the Board of Directors and then by the full board prior to commencement of the applicable fiscal year. Preparation and presentation of the annual budget for each division shall be the primary responsibility of the Superintendent of Accounting with input from the divisional superintendents. Each budget shall consist of a financial performance budget and a capital budget. The total annual budget for each division shall be listed by general ledger account. This information will be presented in the form of a budget worksheet. The total of each category of income and expense as enumerated on the budget worksheets shall flow into the financial performance budget. The divisional capital budgets shall provide information relative to each division's planned capitalized expenditures for the fiscal year. These budgets shall provide cash flow information before and after the planned expenditures. Expenditures to be financed by borrowed funds shall be reported separately.

6.0 Financial Reporting

Preparation of the monthly financial statements for each division shall be the responsibility of the Superintendent of Accounting. These statements shall consist of at least the monthly balance sheet, income statement and cash flow statement for each division. These statements shall contain sufficient comparative data from prior periods to gauge the current period's financial performance for each division. The Superintendent of Accounting shall present each division's financial statement to the Budget/Finance

Committee each month and then to the full Board of Directors. Other financial information may be reported as deemed appropriate. Monthly financial statements will provide information comparing actual performance to the monthly and annual budgets. All statements will be prepared using Generally Accepted Accounting Principles (GAAP).

7.0 Audit

An independent certified public accountant shall be employed by the board to make such audits and reports as the board may deem necessary. The selected accountant shall perform a comprehensive audit of each division's financial records at least annually. The selection of the accountant shall be performed by competitive bid. The board shall select the best bid upon management recommendation. The selected auditor shall be approved by the City Council of the City of Athens Tennessee. The selection of the utility's auditor may be coordinated with that of the City of Athens, but is not required to be. Results of all work performed by the selected accountant shall be first reported to the Budget/Finance Committee and then to the full board.

8.0 Banking

It is the policy of the AUB to make every effort {within legal authority} to patronize local businesses. Banking relationships will be maintained with local financial institutions when possible. Local financial institutions are those institutions that are owned and operated by individuals or holding companies located in McMinn County. The depository financial institutions into which deposits are placed shall pledge acceptable securities from its investment portfolio to secure 105% of the uninsured total at all times, or the financial institution will participate in the state of Tennessee Collateral Pool. Funds of AUB will be deposited only in financial institutions insured by the FDIC. The Superintendent of Accounting may review the financial performance of any financial institution accepting AUB deposits as deemed appropriate. Unacceptable financial performance as revealed by this review may be grounds to terminate any deposit relationship.

9.0 Travel and Related Expenses

Travel reimbursement will be divided into three categories to address the diverse needs of the AUB Board and staff.

Employee Classification	Applicable Re-imbusement Policy
Board Members	\$50 Per-diem or Actual and Reasonable
Management/Salaried	\$50 Per-diem or Actual and Reasonable
Hourly	\$50 Per-diem

It is the intent of AUB to ensure that all expenses are covered for Board Members on company related business travel. Board members may fill out appropriate forms for cash advances and must turn in receipts for meals. Gratuities may be itemized without the need for receipts. Receipts should be provided for lodging, rental cars, meals, and associated incidental items (such as airport parking).

Management and salaried personnel have the flexibility to choose between actual and reasonable reimbursement dependent upon the nature of the business trip. The individual must use their own discretion upon making this choice dependent upon location and whether they are traveling with board members. Employees electing to take actual and reasonable are entitled to cash advances from AUB.

Hourly employees traveling on business related matters shall be entitled to advances totaling \$50.00 for each day of travel.

General

Travel related expenses must be approved by the appropriate superintendent, or the General Manager, prior to presentation for reimbursement or advance. Advances for travel must be submitted at least five business days prior to the date the advance will be needed. Advances should only include the anticipated per diem amount. Expense reports must be properly completed and approved before any travel related expenses (above advances for per diem) will be paid. The travel expense report must be accompanied by all receipts for incidental expenditures. Per diems cover the daily cost of meals. The cost of meals should not be included on the travel expense report. Employees should attempt to use company automobiles for business travel. The cost of the use of personal automobiles will be reimbursed to employees at the IRS statutory mileage rate when company automobiles are not available. The traveling employee will submit a log of all business miles driven in a personal automobile for reimbursement. This log will disclose beginning mileage, ending mileage and the total miles driven for business purposes. The log must be signed by the traveling employee and the appropriate superintendent (or the General Manager) before reimbursement will be made. Employees traveling in company automobiles will be reimbursed for purchases of fuel on personal credit cards or cash. These amounts should be included on the traveling employee's

travel expense report with receipts attached. Failure to attach receipts will negate the availability of reimbursement. AUB will pay all costs associated with travel on common carrier for business travel. The Director of Management Services should make these travel arrangements. These costs will be paid by company credit card and should be included on the employee's travel expense report to properly account for all expenses associated with the specific trip. All lodging expenses associated with approved business travel will be paid by AUB. These must be evidenced by original receipts and included with the employee's travel expense report. Every effort should be made to pay lodging expenses with a company credit card, but employees will be reimbursed for proper lodging expenses paid by personal credit card or cash when properly approved and documented on the travel expense report. Documentation must include the original receipt. AUB will not reimburse traveling employees for personal expenses such as in room movies or mini-bar charges. AUB will not reimburse for alcoholic beverages purchased on business trips. Employees will not be reimbursed for travel expense of the employee's spouse, with the exception of lodging. Traveling employees will reimburse AUB for any of their spouse's expenses (lodging excluded) charged on a company credit card. All documentation relative to travel expenses shall be submitted to accounting within five business days of the employee's return.

