



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

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**Dennis F. Dycus, CPA, CFE, Director**  
Division of Municipal Audit

October 4, 2004

Honorable Mayor and Members of the  
Board of Aldermen  
City of Lexington  
P.O. Box 87  
Lexington, TN 38351

Gentlemen:

We have completed our investigative audit of selected records of the Lexington Electric System as requested by the Honorable Jerry Woodall, District Attorney General for the 26<sup>th</sup> Judicial District. The audit focused solely on retirement benefits awarded to a former electric system employee, specifically the propriety of allowing repayment of a previously received contribution refund and related restoration of credited service, and was limited to a review of related documents and corresponding inquiries. To help ensure completeness and accuracy, in addition to reviewing documents on file at the electric system office, we requested copies of all correspondence related to this matter from the retirement plan administrators and spoke with both current and former employees of the system.

Nothing came to our attention during our audit to indicate that retirement benefits were not determined and awarded in accordance with the applicable retirement income plan and written communication from the plan administrator. We did note that the system's amended and restated retirement income plan, effective as of January 1, 1999, disallowed restoration of credited service if a refund of accumulated contributions had been received at the time of employment termination. The amended and restated plan provided an exception for members who had, prior to January 1, 1999, been permitted to repay previously withdrawn contributions and thereby had prior vesting and credited service restored. We also noted the following:

1. We saw no documentation in the minutes of meetings of the Lexington Electric Board that retirement income plan amendments made in 1986 and 1999 were approved by the

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Board of Aldermen  
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Lexington Electric Board (currently Lexington Utility Board). We recommend that all amendments to the retirement income plan be formally approved by the Lexington Utility Board and that the approval be documented in the minutes.

If you have any questions concerning the above matter, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

xc: Honorable Jerry Woodall  
District Attorney General