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HARLAN MATHEWS
TREASURER
STATE CAPITOL
NASHVILLE, TENNESSEE 37219

FOR THE FISCAL YEAR JULY 1, 1976 THROUGH JUNE 30, 1977

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REPORT
of the
TREASURER
of the
STATE OF TENNESSEE

For the Fiscal Year
July 1, 1976 through June 30, 1977

Harlan Mathews
Treasurer
Nashville, Tennessee



TENNESSEE
TREASURY DEPARTMENT
NASHVILLE

HARLAN MATHEWS
TREASURER

August 22, 1977

Honorable Ray Blanton
Governor
State of Tennessee
The Capitol
Nashville, Tennessee 37219

Dear Governor Blanton:

Submitted herewith is the Annual Financial Report of the
Treasurer's Office for the Fiscal Year ending June 30,
1977.

Very truly yours,

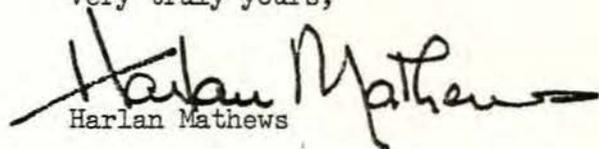

Harlan Mathews

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STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

DEPARTMENT OF AUDIT

DIVISION OF STATE AUDIT

1530 ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-3697

Frank L. Greathouse, CPA,
Director of State Audit and
Assistant to the Comptroller

William R. Snodgrass
Comptroller

December 21, 1977

Mr. W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the balance sheets of the Department of the Treasury as of June 30, 1977 and June 30, 1976 and the related statements of changes in reserves and fund balances for the period then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Department of the Treasury as of June 30, 1977 and June 30, 1976 and the results of its operations and changes in reserves and fund balances for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with preceding years.

Very truly yours,

A handwritten signature in cursive script that reads "Frank L. Greathouse".

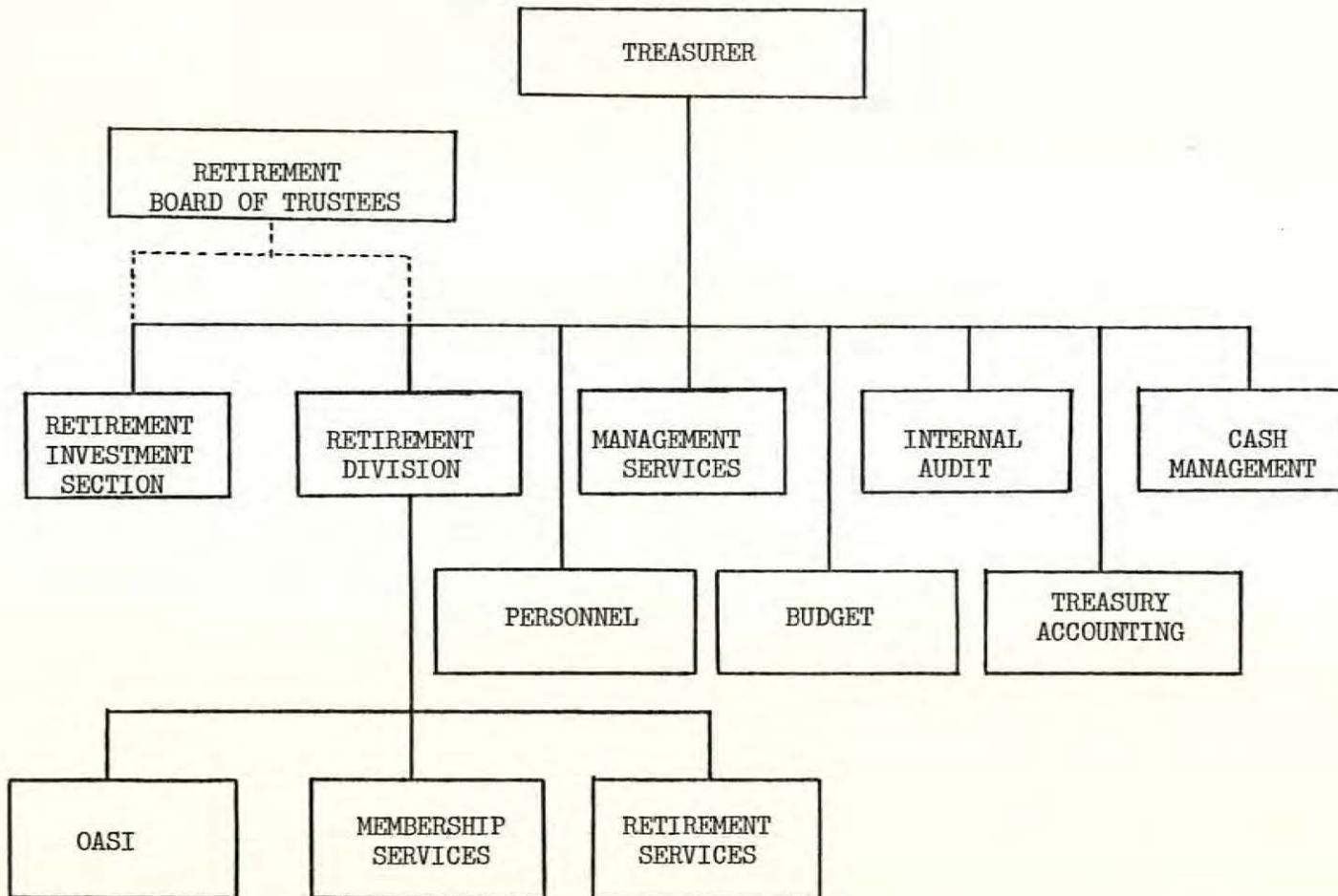
Frank L. Greathouse, CPA, Director
Division of State Audit

FLG:pjr

PAST TREASURER'S

Miller Francis	1836-1843	W. P. Hickerson	1913-1915
Matthew Nelson	1843-1845	Porter Dunlap	1915-1919
Robert B. Turner	1845-1847	Hill McAlister	1919-1927
Anthony Dibrell	1847-1855	John F. Nolan	1927-1931
G. C. Torbett	1857-1865	Hill McAlister	1931-1933
W. Z. McGregor	1857-1865	James J. Bean	1933-1937
R. L. Standford	1865-1866	Grover Keaton	1937-1939
John R. Henry	1866-1868	John W. Harton	1939-1945
W. H. Stilwell	1868-1869	Cecil C. Wallace	1945-1948
J. E. Rust	1869-1871	J. Floyd Murrey	1948-1949
William Morrow	1871-1877	W. N. Estes	1949-1953
M. T. Polk	1877-1883	J. B. Walker, Sr.	1953-1955
Atha Thomas	1883-1885	Ramon Davis	1955-1963
J. W. Thomas	1885-1886	James H. Alexander	1963-1964
Atha Thomas	1886-1889	Nobel Caudill	1964-1964
M. F. House	1889-1893	James H. Alexander	1964-1967
E. B. Craig	1893-1901	Charlie Worley	1967-1971
Reau Folk	1901-1911	Thomas A. Wiseman	1971-1974
G. T. Taylor	1911-1913	Harlan Mathews	1974 - present

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
ORGANIZATION CHART
AS OF JUNE 30, 1977



COMMENTS

The office of the State Treasurer is a constitutional office established by Article 7, Section 3, of the State Constitution. The duties of the State Treasurer, as outlined by statute, involve three (3) major areas of operation: accounting for the receipt and disbursement of public funds; the investment of state funds; and the administration of the retirement system.

1. Accounting for the Receipt and Disbursement of Public Funds

Chapter 5 of Title 8 of the Tennessee Code Annotated (T.C.A.), requires that the Treasurer maintain accounting records for the receipt and disbursement of state funds in accounts maintained with banks in the name of the State Treasurer. The Treasurer is also charged with the custodial responsibilities for all securities, bonds, and other valuable papers deposited with the state or any department thereof.

As custodian, the Treasurer had \$659 million cash invested on June 30, 1977. Banks had pledged to the Treasurer \$801 million in collateral to secure state deposits as of June 30, 1977.

The Treasurer has accounts in 384 commercial banks and 81 savings and loan associations. Accounts are maintained in every county of Tennessee.

The Treasury Department is custodian of \$32.6 million of bonds and securities deposited with the Department of Insurance.

2. Investment of State Funds

a. Investment of Idle Cash

Section 9-406, T.C.A., requires the investment of idle cash by the State Treasurer, under the provisions of investment guidelines established by the Funding Board.

Idle Cash Invested as of June 30, 1977:

Time Deposits	\$612,898,636.24
Repurchase Agreements (Overnight Investments)	<u>46,000,000.00</u>
Total Investment of Idle Cash	<u>\$658,898,636.24</u>

Earnings collected from investments during Fiscal Year ended June 30, 1977:

Time Deposits	\$ 24,847,901.65
Repurchase Agreements	<u>4,599,988.25</u>
Total Earnings Collected	<u>\$ 29,447,889.90</u>

Collections were seven percent (7%) less than the preceeding Fiscal Year. This was due primarily to a further decline in the interest rate.

The Treasury Department invests idle cash for the Consolidated Retirement System as part of the department's regular operations. The Consolidated Retirement Fund was allocated \$1,857,253.13 of the above earnings.

b. Consolidated Retirement System Investments

Section 8-3929, T.C.A., provides that the power of investment of Retirement Fund monies shall be subject to approval by the Board of Trustees and shall further be subject to all terms, conditions, limitations, and restrictions imposed by the laws of the State of Tennessee upon domestic life insurance companies in the making and disposing of their investments. This section further provides that the total sum invested in common and preferred stocks cannot exceed fifty percent (50%) of the total of the funds of the Retirement System.

The book value of the Retirement Fund investments as of June 30, 1977:

	<u>Amount</u>	<u>Percent of Total</u>
Investments by Investment Section:		
Certificates of Deposit	\$ 300,000	.03
Stocks	246,159,125	24.95
Bonds	659,592,842	66.86
Mortgages	<u>11,251,751</u>	<u>1.14</u>
Total Investment Section	\$917,303,718	92.98
Investments by Cash Management Section:		
Short Term Investments	<u>69,300,000</u>	<u>7.02</u>
Total	<u>\$986,603,718</u>	<u>100.00</u>

The Consolidated Retirement Act of 1972 provides for an Investment Advisory Council, the function of which is to provide policy guidance to the Investment staff. The policy statement of the Investment Advisory Council at June 30, 1977, is as follows:

1. The council considers that due to the public nature of the fund undue risks should be carefully avoided.
2. The percentage of total assets in equities is to be maintained within a range of 25% to 35%.
3. Bond investments will normally be confined to the top four rating categories, AAA through BAA, and private placements of comparable quality.
4. When market spreads are favorable older low coupon bonds may be traded for bonds with higher yields.

Recent average yield on retirement fund investments are as follows:

<u>Fiscal Year</u>	<u>Percentage</u>
1972-73	5.93
1973-74	6.47
1974-75	6.65
1975-76	7.13
1976-77	6.98

Average yield to maturity on bonds purchased during Fiscal Year 1976-77 was 7.89 percent, down from 8.32 percent for the 1975-76 Fiscal Year.

3. Administration of the Retirement System

Section 4-340, T.C.A., established the Division of Retirement within the Treasury Department and has delegated to the Treasurer the responsibility for the administration of the division. The Consolidated Retirement Act of 1972, effective July 1, 1972, consolidated the previously existing seven (7) retirement systems into a single system with three (3) classes or groups of members; i.e., Group I - Teachers and General Employees; Group II - State Policemen, Game and Fish Officers, Firemen and Policemen; Group III - State Judges, County Judges, Attorneys General, County Officials, and Public Service Commissioners. All new members entering the Retirement System after July 1, 1976 will be classified as a Group I member. Prior members of the superseded systems were allowed to remain in these systems with all rights, privileges, and benefits which were provided therein. This necessitates the administration of not only the new system but also the seven (7) superseded systems.

Salaries of all state employees, including teachers and employees of political subdivisions are reported to the Social Security Administration on a quarterly basis and funds are transmitted that have been collected for the Federal Insurance Contribution Act as required in Section 8-3800, T.C.A. A schedule of the above information is included on page 23 of this report.

In addition to the above mentioned duties, the State Treasurer is a member of the following entities:

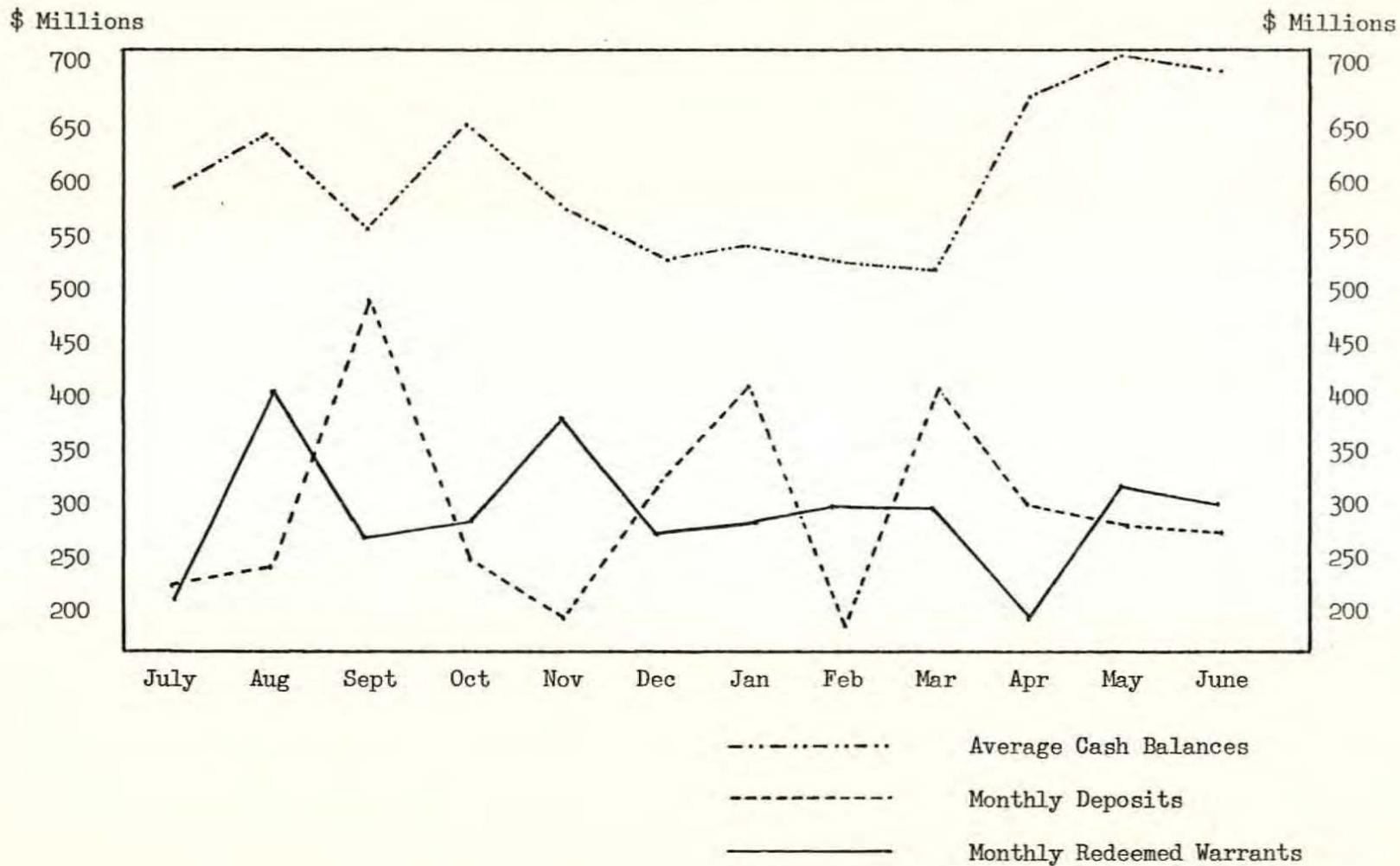
1. Funding Board
2. Board of Claims
3. Board of Equalization
4. State School Bond Authority
5. Tennessee Student Assistance Corporation
6. Licensing Board for Healing Arts
7. Tennessee Housing Development Agency
8. Tennessee Industrial Development Agency
9. Board of Trustees of the Tennessee Consolidated Retirement System
10. Board of Banking
11. Investment Advisory Council
12. Tollway Authority
13. Council on Pensions and Retirement
14. Commission to Purchase Federal Property
15. Liquor Study Commission

and is the Treasurer of the Tennessee Housing Rehabilitation Corporation.

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
COMPARATIVE BALANCE SHEET
AS OF JUNE 30, 1977 AND JUNE 30, 1976

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
ASSETS		
CASH		
Deposits in Transit	\$ 1,901,967.70	\$ 1,540,278.84
Petty Cash	198,611.47	248,290.00
Cash in Treasurer's Account	745,422,003.47	617,602,112.76
Total Cash	<u>\$ 747,522,582.64</u>	<u>\$ 619,390,681.60</u>
RECEIVABLES		
Due from Federal Government	\$ 366,538,784.79	\$ 376,617,255.56
Due from County Governments	916,411.08	1,085,894.14
Due from Political Subdivisions	69,199,097.86	55,106,984.83
Due from Universities	334,864,979.26	343,633,362.50
Inter Departmental Receivables	808,786.45	
Retirement Contribution Receivables	7,997,461.87	6,798,794.11
Investment Income Receivables	15,169,604.35	21,059,392.82
Travel Advances and Other	143,561.40	159,814.74
Total Receivables	<u>\$ 795,635,607.05</u>	<u>\$ 604,461,595.17</u>
OTHER ASSETS		
Assets with Trustee	\$ 12,833,616.10	\$ 12,798,157.33
Investments	975,353,717.75	840,755,383.79
Prepaid Expenses	5,920.00	175,635.00
Unissued Bonds	645,005,000.00	718,700,000.00
Improvements Authorized	278,520,940.70	45,752,810.08
Total Other Assets	<u>\$1,911,719,194.55</u>	<u>\$1,610,135,986.20</u>
TOTAL ASSETS	<u>\$3,454,880,464.25</u>	<u>\$2,042,041,173.50</u>
LIABILITIES, RESERVES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 20,387,120.81	\$ 21,685,193.09
Warrants Payable	63,069,611.01	70,522,404.60
Accrued Payroll and Deductions	17,731,174.91	15,681,309.62
Notes Payable	95,000,000.00	139,800,000.00
Bonds Payable	277,415,000.00	228,113,000.00
Interest on Notes and Bonds	179,016,311.25	159,135,433.50
Contract Retainage Payables	2,704,614.51	3,282,741.58
Miscellaneous Deposits/Advances	10,169,700.40	3,120,190.00
Payable to Political Subdivisions	41,508,208.17	37,941,880.55
Other	3,318,629.73	220,199.84
Total Liabilities	<u>\$ 710,320,371.69</u>	<u>\$ 709,507,352.83</u>
RESERVES		
Encumbrances	\$ 79,512,885.56	\$ 94,221,460.62
Unencumbered Balances	860,954.49	485,101,313.99
Capitol Outlay	3,322,628.93	26,634.15
Retirement System Reserves	1,009,776,391.55	845,340,172.53
Other Specific Reserves	1,604,223,713.06	863,529,732.00
Total Reserves	<u>\$2,697,696,574.39</u>	<u>\$2,890,220,713.29</u>
FUND BALANCES		
General Fund	\$ 26,186,675.67	\$ 22,516,984.75
Highway Fund	3,399,280.83	5,650,693.51
Sinking Fund	3,245,071.72	1,250,162.34
School Bond Authority Fund	230,092.55	445,600.95
Sewage Treatment Facilities Fund		184,304.00
Board of Equalization Loan Fund	13,802,398.00	14,071,244.58
Total Fund Balances	<u>\$ 46,663,518.77</u>	<u>\$ 44,319,070.13</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	<u>\$3,454,880,464.25</u>	<u>\$2,042,041,173.50</u>

STATE OF TENNESSEE
 DEPARTMENT OF THE TREASURY
 GRAPH OF THE TREASURER'S TRANSACTIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 1977



STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
SCHEDULE OF CASH BALANCES, INVESTMENTS AND PERCENTAGE
INVESTED BY AVERAGE MONTHLY BALANCES FOR THE
FISCAL YEAR ENDED JUNE 30, 1977

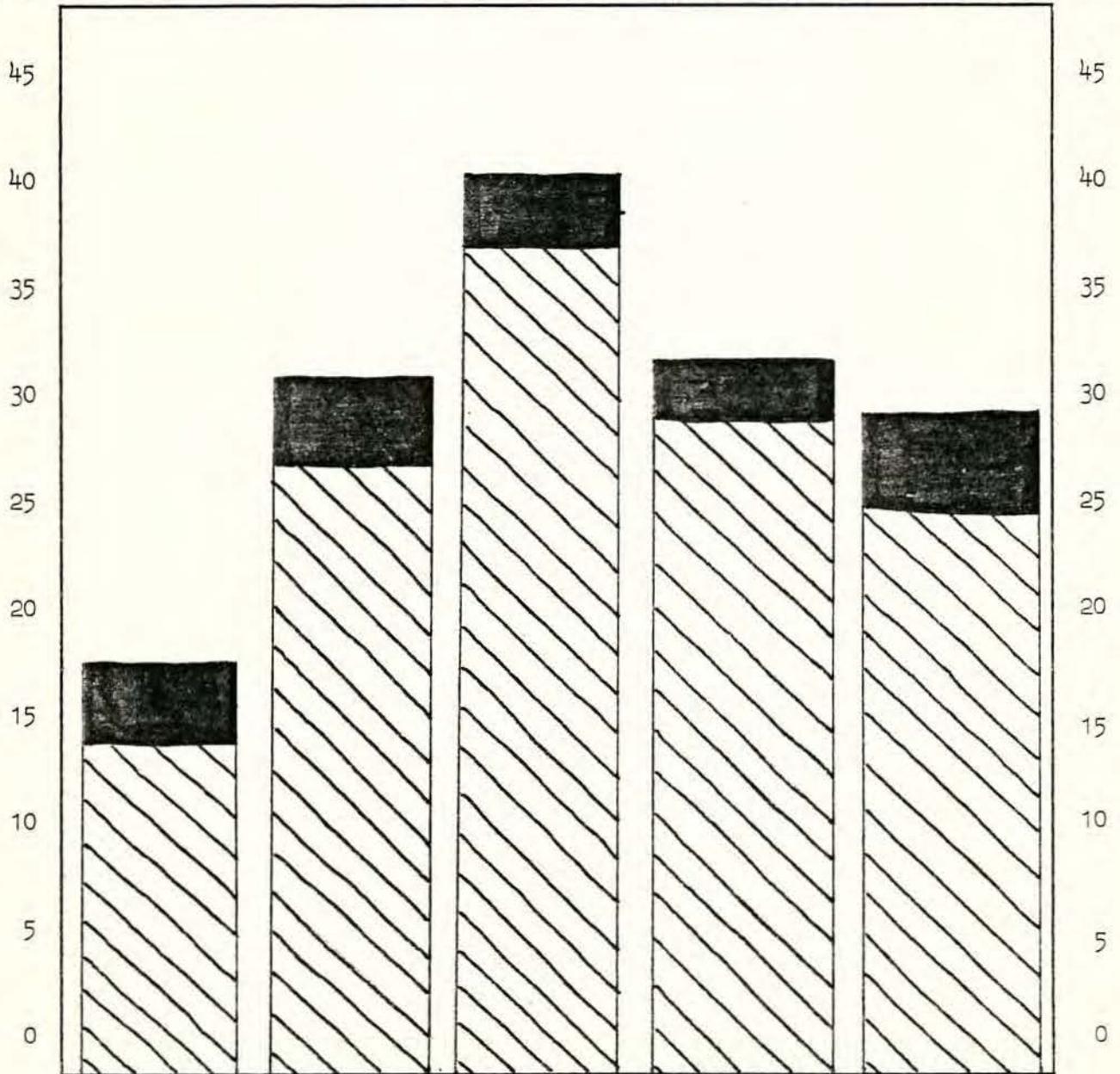
<u>Month</u>	<u>AVERAGE CASH</u>		<u>INVESTMENTS</u>		<u>Percentage Of Funds Invested</u>
	<u>Available In Paying Banks</u>	<u>Available In Other Depositories</u>	<u>Repurchase Agreements</u>	<u>Time Deposits</u>	
July, 1976	\$17,649,656.24	\$17,912,630.79	\$ 98,787,677.42	\$464,082,839.46	94.2
August, 1976	20,878,718.83	18,400,007.94	118,110,838.71	485,916,587.87	93.9
September, 1976	17,484,732.30	19,842,435.66	57,766,666.67	456,865,302.96	94.2
October, 1976	22,744,492.32	19,001,313.03	100,650,157.26	508,084,120.10	93.6
November, 1976	20,762,823.51	17,443,297.00	99,633,333.33	436,946,969.51	93.4
December, 1976	19,311,958.86	20,043,049.75	71,903,225.81	417,689,345.94	92.6
January, 1977	22,413,347.07	18,801,306.23	65,370,967.74	433,238,958.83	92.4
February, 1977	21,784,598.71	29,204,153.43	68,607,142.85	407,712,922.03	90.3
March, 1977	22,228,649.96	24,903,763.28	68,641,935.48	407,967,991.12	91.0
April, 1977	23,470,549.94	29,107,120.68	129,860,000.00	493,848,636.29	92.2
May, 1977	23,680,522.34	24,929,458.80	114,354,838.71	554,217,991.07	93.2
June, 1977	20,924,208.69	22,492,505.28	67,446,666.66	594,936,969.61	93.8

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
EARNINGS ON TIME DEPOSITS AND REPURCHASE AGREEMENTS
FOR THE FISCAL YEARS JULY 1, 1972 THROUGH JUNE 30, 1977

<u>FISCAL YEAR</u>	<u>EARNINGS ON TIME DEPOSITS</u>	<u>EARNINGS ON REPURCHASE AGREEMENTS</u>	<u>TOTAL EARNINGS</u>
1972-73	\$13,415,548	\$2,005,172	\$15,420,720
1973-74	26,441,570	3,926,659	30,368,229
1974-75	37,643,580	2,963,069	40,606,649
1975-76	29,318,124	2,471,190	31,789,314
1976-77	24,847,902	4,599,988	29,447,890

STATE OF TENNESSEE
 DEPARTMENT OF THE TREASURY
 BAR CHART ON EARNINGS FROM SHORT TERM INVESTMENTS
 FOR THE FISCAL YEARS JULY 1, 1972 THROUGH JUNE 30, 1977

Millions 1972-73 1973-74 1974-75 1975-76 1976-77 Millions



Repurchase Agreement Earnings



Time Deposit Earnings

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
ANALYSIS OF PERCENTAGE RETURN ON INVESTMENTS
FOR THE FISCAL YEARS JULY 1, 1972 THROUGH JUNE 30, 1977

<u>FISCAL YEAR</u>	<u>AVERAGE AMOUNT INVESTED</u>	<u>AMOUNT EARNED</u>	<u>PERCENTAGE EARNED</u>
<u>RETIREMENT INVESTMENTS</u>			
1972-73	\$513,288,990	\$30,458,120	5.93
1973-74	554,056,250	35,826,000	6.47
1974-75	632,635,705	42,076,402	6.65
1975-76	713,036,235	50,814,904	7.13
1976-77	821,343,952	57,321,198	6.98
<u>TIME DEPOSITS</u>			
1972-73	\$359,006,062	\$13,415,548	3.74
1973-74	382,773,768	26,441,570	6.91
1974-75	436,871,936	37,643,580	8.62
1975-76	378,653,184	29,318,124	7.74
1976-77	469,542,386	24,847,902	5.29
<u>REPURCHASE AGREEMENTS</u>			
1972-73	\$ 32,769,090	\$ 2,005,172	6.11
1973-74	40,383,065	3,926,659	9.72
1974-75	39,479,178	2,963,069	7.50
1975-76	51,838,985	2,471,190	4.77
1976-77	88,427,788	4,599,988	5.20

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
COMPARATIVE BALANCE SHEET
FOR THE CONSOLIDATED RETIREMENT SYSTEM
AS OF JUNE 30, 1976 AND JUNE 30, 1977

<u>ASSETS</u>	<u>June 30, 1977</u>	<u>June 30, 1976</u>
Cash	<u>\$79,908,779.18</u>	<u>\$55,717,581.25</u>
Receivables		
Members' Contributions	5,040,014.63	4,470,378.36
Employers' Contributions	2,745,289.99	2,267,103.42
Political Subdivisions	212,157.25	61,312.33
Investment Income	<u>15,169,604.35</u>	<u>13,248,630.47</u>
Total Receivables	<u>\$23,167,066.22</u>	<u>\$20,047,424.58</u>
Investments (See Note 1)		
Government Guaranteed Bonds	\$141,840,503.22	\$ 50,546,935.75
Foreign Bonds	84,394,994.25	89,018,327.59
Corporate Bonds	446,765,524.22	454,748,162.26
Mortgages	11,251,750.92	12,441,923.16
Short Term Investments	300,000.00	200,000.00
Convertible Debentures	975,000.00	6,117,000.00
Common Stock	246,159,124.76	184,707,477.00
Unamortized Premium (See Note 2)	3,499,282.13	3,093,801.10
Unamortized Discount (See Note 2)	<u>(17,882,461.75)</u>	<u>(18,168,243.07)</u>
Total Investments	<u>\$917,303,717.75</u>	<u>\$782,705,383.79</u>
Total Assets	<u>\$1,020,379,563.15</u>	<u>\$858,470,389.62</u>
<u>LIABILITIES AND RESERVES</u>		
Accounts Payable	\$ 2,580,475.53	\$ 3,018,603.89
Warrants Payable	8,018,196.49	10,105,594.30
Liabilities - Deferred Credits	4,499.58	4,018.88
Reserve for Members' Accumulation	334,012,175.22	284,213,429.36
Reserve for Employers' Accumulation	675,499,539.68	560,858,122.05
Reserve for Former Members' Accumulation	<u>264,676.65</u>	<u>270,621.14</u>
Total Liabilities and Reserves	<u>\$1,020,379,563.15</u>	<u>\$858,470,389.62</u>

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE CONSOLIDATED RETIREMENT SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 1977 AND JUNE 30, 1976

	<u>July 1, 1976 through June 30, 1977</u>	<u>July 1, 1975 through June 30, 1976</u>
Source:		
Revenue	\$255,361,530.80	\$196,740,225.97
Proceeds from sale or maturity of investments	133,928,186.79	134,830,839.34
Collections on receivables	20,103,712.58	17,255,417.20
Expenditures not requiring cash:		
1. Amortization of Premium	202,636.42	195,067.46
Increase in deferred credits	480.70	416.35
Increase in Accounts Payable		3,018,603.89
Increase in Warrants Payable		3,933,617.81
	<hr/>	<hr/>
Gross Total of Sources	<u>\$409,596,547.29</u>	<u>\$355,974,188.02</u>
 Application:		
Expenditures	\$ 90,927,311.80	\$ 79,286,902.01
Purchase of Investments	264,495,013.01	221,023,323.89
Payments subsequently established as receivables	144,242.57	217,567.65
Revenues not providing cash:		
1. Accrued Income	23,079,290.68	19,908,220.22
2. Discount Amortization	1,170,744.79	1,279,389.45
3. Profit on sale of investments	3,063,220.34	1,279,065.14
Decrease in Accounts Payable	438,128.36	
Decrease in Warrants Payable	2,087,397.81	
	<hr/>	<hr/>
Gross Total of Applications	<u>\$385,405,349.36</u>	<u>\$322,994,468.36</u>
Net Increase in Cash	<u>\$ 24,191,197.93</u>	<u>\$ 32,979,719.66</u>

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
COMPARATIVE SCHEDULE OF REVENUE AND DISBURSEMENTS
OF THE CONSOLIDATED RETIREMENT SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 1977 AND JUNE 30, 1976

	July 1, 1976 through <u>June 30, 1977</u>	July 1, 1975 through <u>June 30, 1976</u>
Revenue:		
Member's contributions	\$ 60,151,484.89	\$ 48,538,859.31
Employer's contributions	107,362,165.86	92,330,668.86
Prior Service contributions	1,632,514.91	1,184,860.66
Earnings on investments	58,273,134.89	50,740,480.80
Discount amortization	1,170,744.79	1,279,389.45
Profit (loss) on sale of investments	3,063,220.34	1,279,065.14
Cost of living increase	23,603,800.00	1,200,000.00
Public service commissioner's revenue	34,311.35	35,393.10
State contributions - widows pension	1,800.00	1,800.00
State contributions - former governors and widows	62,499.50	75,000.00
Employer miscellaneous revenue	<u>5,854.27</u>	<u>74,708.65</u>
Total Revenue	<u>\$255,361,530.80</u>	<u>\$196,740,225.97</u>
 Disbursements:		
Retired payroll	\$ 74,437,186.86	\$ 66,974,918.68
Payments to former members	4,391.91	3,873.28
Payments to beneficiaries of deceased retired members	247,328.94	215,270.32
Amortization of premium	202,636.42	195,067.45
Tax on securities	13,571.39	17,353.08
Refund of contribution overpayments by retiring members	5,579.03	20,214.61
Payments to deceased member's beneficiary - State matching	818,965.79	750,988.93
Widows pension payroll	1,800.00	1,800.00
Refund of member's contributions and interest	10,338,529.30	7,829,450.09
Payments for cost of living increase to retired members	4,791,871.73	3,203,173.09
Former governors' and widows' payroll	62,499.50	73,958.39
Refund of employer's contributions	<u>2,950.93</u>	<u>834.09</u>
Total Disbursements	<u>\$ 90,927,311.80</u>	<u>\$ 79,286,902.01</u>

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
COMPARATIVE STATEMENT OF CHANGE IN FUND BALANCE
OF THE CONSOLIDATED RETIREMENT SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 1977 AND JUNE 30, 1976

	July 1, 1976 through <u>June 30, 1977</u>	July 1, 1975 through <u>June 30, 1976</u>
Fund Balance on July 1	\$ 845,342,172.55	\$727,813,931.65
Plus:		
Prior Year Adjustment		74,916.94
Revenues	255,361,530.80	196,740,225.97
Less:		
Disbursements	<u>(90,927,311.80)</u>	<u>(79,286,902.01)</u>
Fund Balance on June 30	<u>\$1,009,776,391.55</u>	<u>\$845,342,172.55</u>
Increase in Revenues	29.8%	28.2%
Increase in Disbursements	14.7%	14.9%

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE CONSOLIDATED RETIREMENT SYSTEM
AS OF JUNE 30, 1977

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
NOTE 1:		
Market Value of Investments:		
Bonds - Marketable	\$500,875,479.62	\$393,210,757.00
Mortgages	11,080,652.40	12,236,252.00
Bonds - Private Placements at Book Value	142,726,818.08	140,811,945.00
Stock and Convertible Debentures	<u>254,468,288.00</u>	<u>217,444,318.00</u>
Total	<u>\$909,151,238.10</u>	<u>\$763,703,272.00</u>

NOTE 2:

The premium and discount amortization on investment is computed on the straight line basis.

NOTE 3:

The Treasurer's Office administers a contributory retirement plan covering salaried and hourly employees. Retirement cost for the year ended June 30, 1977 totaled \$131 million representing provision for normal costs plus amortization of prior service cost over a 40 year period. Of the total increase over the previous years cost, \$16.3 million was an additional appropriation to increase the reserve for cost of living increases. State policy is to fund retirement cost accrued. The actuarially computed value of vested benefits exceeded the retirement fund reserves by approximately \$450 million at June 30, 1975, the date of the last actuarial valuation. This excess is not reflected as a liability in this statement. An actuarial valuation as of June 30, 1977 is in progress. The results of this study may be available in January, 1978.

STATE OF TENNESSEE
DEPARTMENT OF THE TREASURY
SCHEDULE OF SALARIES REPORTED TO OASI AND
FUNDS TRANSMITTED TO THE FEDERAL GOVERNMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 1976 AND JUNE 30, 1977

<u>Category of Employees</u>	<u>1975-76</u>	<u>1976-77</u>	<u>Percent Increase</u>
<u>SALARIES REPORTED TO SOCIAL SECURITY</u>			
State Employees	\$ 304,182,276.01	\$ 346,526,040.76	13.92%
Teachers	471,236,164.90	531,649,877.22	12.82%
Political Subdivisions	<u>714,062,162.49</u>	<u>789,328,709.39</u>	10.54%
GRAND TOTAL	<u>\$1,489,480,603.40</u>	<u>\$1,667,504,627.37</u>	11.95%
<u>FUNDS TRANSMITTED TO THE FEDERAL GOVERNMENT</u>			
State Employees	\$ 35,589,326.28	\$ 40,543,546.70	13.92%
Teachers	55,117,422.65	62,118,959.34	12.70%
Political Subdivisions	<u>83,492,891.85</u>	<u>92,351,459.64</u>	10.61%
GRAND TOTAL	<u>\$ 174,199,640.78</u>	<u>\$ 195,013,965.68</u>	11.95%