

REPORT
TREASURER
STATE OF TENNESSEE



GROVER KEATON
TREASURER

REPORT
OF THE
TREASURER
OF
STATE OF TENNESSEE
FOR THE
YEAR ENDING JUNE 30, 1938



GROVER KEATON, Treasurer
NASHVILLE, TENNESSEE

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STATE OF TENNESSEE
TREASURY DEPARTMENT

July 1, 1938

To His Excellency,
GORDON BROWNING, *Governor*,
State of Tennessee,
Nashville, Tennessee.

Sir:

In compliance with the state law, I submit to you my report as Treasurer of the State of Tennessee for the period ending June 30, 1938.

Respectfully,

GROVER KEATON, *Treasurer*.

STATE OFFICIALS

GORDON BROWNING, *Governor*

CONSTITUTIONAL OFFICERS

A. B. BROADBENT, *Secretary of State*

M. F. PRIEST, *Comptroller*

GROVER KEATON, *Treasurer*

COMMISSIONERS

WALLACE EDWARDS, *Administration*

JOHN M. GOODMAN, *Agriculture*

SAM F. BREWSTER, *Conservation*

HALBERT HARVILL, *Education*

WALTER STOKES, JR., *Finance and Taxation*

DR. W. C. WILLIAMS, *Health*

M. O. ALLEN, *Highways*

JOHN W. BRITTON, *Insurance*

GEO. H. CATE, *Institutions and Public Welfare*

F. G. SCOTT, *Labor*

TREASURERS OF TENNESSEE

TERRITORIAL

DANIEL SMITH.....	1790-1794
HOWELL TATUM (Mero District).....	1794-1796
LANDON CARTER (Washington and Hamilton Districts).....	1794-1796

UNDER CONSTITUTION OF 1796

For Washington and Hamilton Districts

LANDON CARTER.....	1796-1800
JOHN MACLIN.....	1800-1803
THOMAS MCCORRY.....	1803-1813

For Mero District

WILLIAM BLACK.....	1796-1797
ROBERT SEARCY.....	1797-1803
THOMAS CRUTCHER.....	1803-1813

For East Tennessee

THOMAS MCCORRY.....	1813-1815
MATTHEW NELSON.....	1815-1827
MILLER FRANCIS.....	1827-1836

For West Tennessee

THOMAS CRUTCHER.....	1813-1836
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For Western District

JAMES CRUTCHER.....	1827-1836
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UNDER CONSTITUTION OF 1834

MILLER FRANCIS.....	1836-1843
MATTHEW NELSON.....	1843-1845
ROBERT B. TURNER.....	1845-1847
ANTHONY DIBRELL.....	1847-1855

G. C. TORBETT.....	1855-1857
W. Z. MCGREGOR.....	1857-1865
R. L. STANFORD.....	1865-1866
JOHN R. HENRY.....	1866-1868
W. H. STILWELL.....	1868-1869
J. E. RUST.....	1869-1871
WILLIAM MORROW.....	1871-1877
M. T. POLK.....	1877-1883
ATHA THOMAS.....	1883-1885
J. W. THOMAS.....	1885-1886
ATHA THOMAS.....	1886-1889
M. F. HOUSE.....	1889-1893
E. B. CRAIG.....	1893-1901
REAU E. FOLK.....	1901-1911
G. T. TAYLOR.....	1911-1913
W. P. HICKERSON.....	1913-1915
PORTER DUNLAP.....	1915-1919
HILL MCALISTER.....	1919-1927
JOHN F. NOLAN.....	1927-1931
HILL MCALISTER.....	1931-1933
J. J. BEAN.....	1933-1935
J. J. BEAN.....	1935-1937
GROVER KEATON.....	1937-

PERSONNEL OF THE STATE TREASURY

Name	Title	County	Town
Grover Keaton.....	Treasurer.....	Gibson.....	Milan
I. M. Vaughn.....	Supervising Clerk.....	Madison.....	Jackson
J. D. Bradberry.....	Book-keeper.....	Weakley.....	Gleason
Mrs. G. W. Brown.....	Teller.....	Davidson.....	Nashville
Anne Goodman.....	Secretary.....	Davidson.....	Nashville
T. K. Happel.....	Social Security Clerk.....	Gibson.....	Trenton
J. N. Church.....	Messenger-Porter.....	Davidson.....	Nashville

COMMENTS

FUNCTIONS OF THE STATE TREASURER.

The 1937 "Administrative Reorganization" of the State, sponsored by your Excellency, and authorized primarily by Chapter 33, Public Acts of Tennessee, 1937, has sharply defined, consolidated, and simplified, the financial control of the State into a highly workable and efficient system. At the present time, the preparation and maintenance of the State's budget is vested in the Director of the Budget, under the Department of Administration; centralized accounts of receipts, disbursements, and budget control, are maintained by the Division of Accounts, under the Department of Administration; the duties of post audit are placed upon the Comptroller; and the State Treasurer, in addition to membership on the several Boards, has been vested with his proper Constitutional powers, namely, the custody and disbursement of State Funds.

Under Section 9, Chapter 33, Public Acts of Tennessee, 1937, it is my duty and pleasure to report to your Excellency the condition of the Treasury and the results of my work during the past biennium.

CUSTODY AND PROTECTION OF STATE FUNDS.

Upon my advent into office, I discovered an inadequate protection of State Funds. \$11,750,045.16 of cash resided in various banks, while only \$4,524,913.00 protective collateral had been placed with the State Treasurer by these banks to secure these State Deposits. Moreover, a very large portion of the existing collateral was in the form of personal bonds, and no record of the present worth of these bonds was in evidence.

At the present time, as will be seen on the following schedule, exists \$12,162,117.20 of collateral. It will be noted that collateral has increased over 250%. All personal bonds existing today have been carefully checked as to value in cooperation with the credit surveys of Dun and Bradstreet of New York City, N. Y.

At present, State money is deposited in 300 banks, which have established collateral as follows:

- 162 banks—Securities and F. D. I. C. guarantee
- 53 banks—F. D. I. C. guarantee only
- 82 banks—F. D. I. C. guarantee and personal bonds
- 3 banks—Personal Bonds only

It will be of interest to you to note that only three banks secured state funds by means of personal bonds only and 82 banks secured state funds by F. D. I. C. guarantee and personal

bonds. The security furnished the State by banks giving personal bonds only amounts to 6 times the amount of funds deposited, while the security furnished the State by banks giving F. D. I. C. guarantees and personal bonds amounts to 3 times the funds deposited.

It will be of further interest to you to note that upon my advent into office, I discovered many bonds established as collateral which had not been renewed since 1927. During the past two years, every old security and personal bond has been checked and renewed.

During the past year, three banks of the State, having State Deposits, have failed. However, the State has collected 100% of its deposits due to the security established.

There has been no discrimination in the deposit of State Funds. Every bank in the State that desired State deposits and were willing to establish collateral has been given a proper share of State Funds. It has further been the policy of this administration to withdraw funds equitably, and we have notified all depositories of anticipated large withdrawals in 1939.

Great care has been taken to accommodate all banks daily in the exchange of collateral and in the return of all maturing bonds and coupons placed with the State Treasurer to guarantee State funds.

INVESTMENT OF STATE FUNDS.

Since August 23, 1937, a ruling of the Federal Deposit Insurance Corporation has prevented member banks from paying interest to the State on checking accounts. This ruling threatened to eliminate a substantial source of revenue, and has made it necessary for me to negotiate with the several banks to the end that most of money not currently needed could be placed on Time Deposit and thus draw interest. To date \$6,005,791.46 has been placed on Time Deposit drawing a uniform interest of 2%. Since August 23, 1937, \$102,141.54 of interest has been received from this source.

As a further means of putting our idle money to work, and upon the authority vested in me by the State Board of Liquidation, Sinking Fund Money has been used to purchase State Bonds due in 1938 and 1939. Inasmuch as all present Sinking Funds will be needed in 1939, no State bonds have been purchased which mature after that time. As of June 30, 1938, \$3,784,000 par value State bonds had been purchased as shown on Schedule. Since June 30, 1938, and as of October 5, 1938, this figure has increased to \$4,801,000. To date \$80,511.04 in interest has been saved by these purchases.

ADMINISTRATION OF THE TREASURER'S OFFICE.

During the past year, a complete change has occurred in the administration of this office. In the past, a top heavy personnel and an archaic system of records was kept, making it very difficult to determine the status of the treasury without recourse to minute and lengthy examination and audit.

In February, a new system of book-keeping was introduced using modern methods of machine posting and accounts. At present, there is a uniform set-up whereby every transaction of this office is available at a moment's notice, and a daily balance in all funds is possible.

This new system has been effected at a substantial savings inasmuch as it has been possible to reduce the book-keeping personnel of the department 50%.

DEBT REORGANIZATION PROGRAM.

It is with considerable pride that I report to you the satisfactory results of your debt reorganization program.

During the past biennium, \$1,178,000.00 of bonds have matured and been cancelled. \$3,806,000 of bonds, maturing during or prior to 1939 have been purchased into the Board of Liquidation in anticipation of cancellation.

As of June 30, 1938, as you will note from the Schedule showing the condition of the Sinking Fund, the State has set aside sufficient cash to pay every matured bond and coupon not yet presented for payment. In addition to the reserve, there exists \$15,860,000.00 of liquid assets which will be applied to the payment of the State debt maturing in 1939. This amount of \$15,860,000.00 will be sufficient, together with future accruals, to provide funds with which to retire the \$23,737,000.00 of State debt maturing during 1939.

For the first time in the State's history your debt reorganization plan has established a procedure of orderly future debt retirement, which will make it possible for the State to pay every outstanding obligation at maturity. The necessity for refunding some \$60,000,000.00 of the State's debt at maturity has been eliminated. This prevention of interest extension can be estimated conservatively as saving the State \$20,000,000.00 in future interest costs alone.

It should be pointed out that under the debt reorganization plan, the General Fund has been relieved of all debt service expense. Moreover, the Highway Department receives all proceeds of five cents of the gasoline tax over and above the amount needed for debt service. During the past year the General Fund has been relieved of over \$1,359,695.25 of expendi-

tures, while the Highway Department, in addition to nine-tenths of one cent of the gasoline tax, received \$396,058.21 more than it would have received under the old plan of debt administration. Therefore, it is evident that some \$1,700,000.00 a year less money is being used for debt service than heretofore, even though all bonds are being retired out of current receipts.

Future prospects are bright. It is contemplated that over \$120,000,000.00 of the State's \$132,581,824.27 of debt will be paid off by 1953. After 1944, large additional yearly amounts of the gasoline tax will be freed from debt service to be used for highway purposes or tax reduction. In the absence of future bond issues against the gasoline tax, after 1955, less than three-tenths of one cent of the gasoline tax will be needed for debt service as against approximately four cents now being used. Moreover, the yearly debt service levy of \$307,500.00 from the Tobacco Tax can be eliminated after 1946-1947.

The credit of the State is at an all time high due to the reforms instituted during the past year. This past month, June 1938, the State sold bonds at a net interest cost of 2.67% which is the most favorable rate ever obtained by the State on a long term bond issue of over \$500,000.00. The prices paid for the State of Tennessee bonds in the financial markets of the country are verifications of our enhanced credit.

BUDGET OPERATIONS.

On January 1, 1937, upon our advent into office, there existed a deficit in the general fund of \$3,303,987.50. Due to proper budgetary operations the State now has a balanced budget and a substantial surplus in the general fund.

CONDITION OF TREASURY—STATE OF TENNESSEE

June 30, 1938

CASH:	RESOURCES	
Treasurer's Cash.....		\$11,599,974.58
Board of Claims Cash.....	\$ 997,000.07	
Board of Liquidation Cash.....	10,411,762.88	
Sinking Fund Board Cash.....	2,663,839.04	
Total Sinking Fund Cash.....		14,072,601.99
Unemployment Comp. Clearing Acct.....		14,038.05
INVESTMENTS:		
Board of Liquidation.....		3,981,377.77
TRUST FUND:		
Unemployment Comp.—Fed. Treas.....		7,054,320.42
DEFERRED CASH:		
Banks in Liquidation.....		552,649.85
Total Resources.....		<u>\$37,274,962.66</u>

GENERAL:	OBLIGATIONS	
Regular.....		\$ 738,573.10
SPECIAL ACCOUNTS:		
Hotel and Restaurant Inspection.....	(182.28)	
Game and Fish.....	89,815.63	89,633.35
SPECIAL DEPOSIT ACCOUNTS:		
Unemployment Comp. Administrative.....	36,115.66	
Unemployment Comp. Employ. Serv.....	17,249.12	
Unemployment Comp. Benefit Fund.....	253,292.52	
Child Welfare Service.....	18,195.99	
Public Welfare—Administrative.....	40,839.96	
Aid to Blind.....	5,954.66	
Aid to Dependent Children.....	78,159.52	
Old Age Assistance.....	161,734.72	
Maternal Welfare.....	1,822.30	
Unemployment Comp. Clearing Acct.....	14,038.05	
Department of Health.....	168,341.63	
Vocational Education.....	56,095.40	
Crippled Children.....	44,500.00	
Smoky Mt. Park.....	646.68	896,986.21
SPECIAL LIABILITY ACCOUNTS:		
Supreme Court Bldg.....	5,659.97	
Insurance Fund.....	136,778.68	142,438.65
BOND FUND.....		643,790.52
HIGHWAY FUND.....		5,642,371.41
SINKING FUND.....		17,132,543.00
UNDISTRIBUTED COLLECTIONS.....		2,052,840.25
DUE MUNICIPALITIES—BEER TAX.....		19,703.16
DUE COUNTIES—BEER TAX.....		19,703.16
DUE COUNTIES AND CITIES—INCOME TAX.....		(5.41)
OUTSTANDING WARRANTS.....		2,096,072.49
OUTSTANDING CHECKS:		
Social Security.....	17,149.27	
Unemployment Comp. Benefit Fund.....	146,775.59	163,924.86
OUTSTANDING CERTIFICATES:		
Confederate Pensions.....		29,164.95
RESERVES:		
Warrants outstanding.....	252.69	
Banks in Liquidation.....	552,649.85	
Unemployment Comp. Trust Fund.....	7,054,320.42	7,607,222.96
Total Obligations.....		<u>\$37,274,962.66</u>

CONSOLIDATED BALANCE SHEET

SINKING SUNDS—STATE OF TENNESSEE

June 30, 1938

ASSETS

Cash—Sinking Fund Board.....	\$ 414,161.40	
Cash—Board of Liquidation.....	13,215,344.86	
Investments—Board of Liquidation.....	4,003,899.42	
Cash—Board of Claims.....	33,040.76	
Accounts receivable—Matured coupons held in Board of Liquidation.....	124,472.50	
Total.....		\$17,790,918.94

LIABILITIES

Reserve for unpaid bonds—Board of Li- quidation.....	\$ 262,000.00	
Reserve for unpaid coupons—Board of Liquidation.....	1,202,155.55	
Reserve for unpaid coupons—Sinking Fund Board.....	179,173.84	
Reserve for bonds due 1939.....	15,860,000.00	
Reserve for transfer from Sinking Fund Board to Board of Liquidation.....	234,977.56	
Reserve for Outstanding Warrants.....	31,470.08	
Unallocated reserves—Board of Claims.....	9,890.55	
Unallocated reserves—Board of Liquida- tion.....	11,251.36	
Total.....		\$17,790,918.94

RECONCILIATION OF SINKING FUND STATEMENT
WITH CASH AS SHOWN BY TREASURER

Treasurers balance.....	\$17,132,543.00	
Plus outstanding warrants 7-16-38.....	31,470.08	
Plus accounts receivable.....	124,472.50	
Plus receipts to sinking fund 7-1-38 to 7-16-38.....	911,201.40	
	\$18,199,686.98	
Less payments made 7-1-38 to 7-16-38 ...	408,768.04	
Balance shown by consolidated balance sheet.....		\$17,790,918.94

SINKING FUND INVESTMENTS

June 30, 1938

as reconciled to agree with Sinking Fund Statement

Bonds purchased to June 30, 1938:

Designation (1915)	Interest Rate	Date Issued	Date Due	Amount
Refunding Bonds.....	4 %	7- 1-15	7- 1-38	\$ 8,000.00
Refunding Bonds.....	4 %	7- 1-15	7- 1-39	20,000.00
Refunding Bonds.....	4½%	7- 1-15	7- 1-38	6,000.00
Refunding Bonds.....	4½%	7- 1-15	7- 1-39	32,000.00
Memorial Bonds.....	4½%	7- 1-25	7- 1-38	10,000.00
Memorial Bonds.....	4½%	7- 1-25	7- 1-39	1,000.00
Relief Bonds.....	4 %	8- 1-35	8- 1-38	135,000.00
Relief Bonds.....	4 %	8- 1-35	8- 1-39	150,000.00
Highway Notes.....	4½%	1- 1-30	1- 1-39	428,000.00
Highway Notes.....	4½%	1- 1-30	1- 1-39	406,000.00
Highway Notes.....	4½%	2-15-29	2-15-39	457,000.00
Hospital Bonds.....	5½%	7- 1-21	7- 1-39	11,000.00
(1923)				
Refunding Bonds.....	4½%	5- 1-23	7- 1-39	20,000.00
Western State Hospital Bonds.....	4½%	10- 1-31	10- 1-39	2,000.00
Highway Bonds.....	4½%	1- 1-30	12- 1-39	2,098,000.00
Total (Par Value).....				\$3,784,000.00
Total Premium paid for above.....				197,377.77
Total assets as of June 30, 1938.....				\$3,981,377.77
<i>Bonds Purchased from June 30, 1938—July 12, 1938</i>				
Highway Notes.....	4½%	1- 1-30	1- 1-39	\$ 16,000.00
Highway Notes.....	4½%	2-15-29	2-15-39	4,000.00
Highway Bonds.....	4½%	1- 1-30	12- 1-39	2,000.00
Total (Par Value).....				\$ 22,000.00
Total Premium Paid.....				521.65
Total assets purchased June 30, 1938.....				22,521.65
Grand Total assets to agree with Sinking Fund Statement.....				\$4,003,899.42

THE BONDED INDEBTEDNESS OF THE
STATE OF TENNESSEE

June 30, 1938

(after payments July 1, 1938)

Interest	Description	Date	Maturity	Amount
4 %	Refunding	July 1, 1915	July 1, 1939-55	\$ 2,639,000.00
4½ %	Refunding	July 1, 1915	July 1, 1939-55	4,541,000.00
5½ %	Normal School	Oct. 1, 1920	Oct. 1, 1960	623,000.00
5 %	Victory Memorial	Jan. 1, 1921	Jan. 1, 1961	941,500.00
5½ %	Hospital	July 1, 1921	July 1, 1939-31	42,000.00
5½ %	Capitol Improvement	July 1, 1921	July 1, 1939-45	35,000.00
4½ %	Refunding	May 1, 1923	July 1, 1939-43	100,000.00
4½ %	Refunding	May 1, 1923	July 1, 1944-52	215,000.00
4½ %	Refunding	May 1, 1923	May 1, 1953	35,000.00
4½ %	Victory Memorial	July 1, 1925	July 1, 1939-59	170,000.00
4½ %	University of Tenn.	July 1, 1917	July 1, 1939-67	575,000.00
4½ %	Western State Hosp.	Oct. 1, 1931	Oct. 1, 1938-40	175,000.00
6 %	Western State Hosp.	Oct. 1, 1931	July 1, 1941	75,000.00
6 %	Gen. Fund Obligations	May 1, 1932	May 1, 1940-41	2,365,000.00
6 %	Gen. Fund Obligations	June 1, 1933	June 1, 1948	135,000.00
5½ %	Hospital Refunding	Feb. 1, 1934	Feb. 1, 1949	360,000.00
3½ %	Refunding	Sept. 1, 1935	Sept. 1, 1944-45	2,500,000.00
3½ %	Refunding	Sept. 1, 1935	Sept. 1, 1942-43	356,000.00
4 %	Unemployment Relief	Aug. 1, 1935	Aug. 1, 1938-39	500,000.00
3 %	Funding	Sept. 1, 1935	Sept. 1, 1946	1,950,000.00
3½ %	Refunding	Oct. 1, 1935	Oct. 1, 1943	50,000.00
3½ %	Court Building	Apr. 1, 1936	Apr. 1, 1956	450,000.00
2½ %	Refunding	July 1, 1936	July 1, 1944	250,000.00
3 %	Refunding	July 1, 1936	July 1, 1945	121,000.00
2½ %	Refunding	Oct. 1, 1936	Oct. 1, 1945	81,000.00
4 %	Rural School Building	July 1, 1927	July 1, 1947	980,000.00
4 %	U. T. Building	July 1, 1927	July 1, 1942	500,000.00
4 %	U. T. Building	July 1, 1928	July 1, 1943	500,000.00
4½ %	U. T. Building	July 1, 1929	July 1, 1944	490,000.00
4½ %	U. T. Building	July 1, 1930	July 1, 1945	460,000.00
4½ %	U. T. Building	July 1, 1931	July 1, 1946	500,000.00
4½ %	Smoky Mt. Park	Feb. 1, 1929	Feb. 1, 1939-49	1,199,000.00
6 %	Funding Deficit—1931	Jan. 1, 1932	July 1, 1941	1,100,000.00
6 %	Funding Deficit—1933	July 1, 1933	July 1, 1943	10,000,000.00
4½ %	Bridge	June 1, 1929	June 1, 1944	6,983,000.00
4½ %	Bridge	Jan. 1, 1930	Jan. 1, 1945	2,189,000.00
4½ %	Highway Notes	Feb. 15, 1929	Feb. 15, 1939	7,265,000.00
4½ %	Highway Notes	Jan. 1, 1930	Jan. 1, 1939	3,471,000.00
4½ %	Highway Notes	Jan. 1, 1930	Jan. 1, 1939	2,865,000.00
4½ %	Highway Bonds	Jan. 1, 1930	Dec. 1, 1939	9,400,000.00
6 %	Highway Bonds	Apr. 15, 1932	Apr. 15, 1946-47	9,000,000.00
3½ %	Refunding Highway	Sept. 1, 1935	Sept. 1, 1940-42	3,200,000.00
3.9 %	Refunding Highway	Sept. 1, 1935	Sept. 1, 1955	7,199,000.00
3.9 %	Refunding Highway	Sept. 1, 1935	Sept. 1, 1958	509,000.00
3½ %	Refunding Highway	Dec. 1, 1936	Sept. 1, 1955	3,400,000.00
3½ %	Consolidated Refunding	June 1, 1937	Dec. 1, 1944-48	5,867,000.00
3½ %	Consolidated Reimbursement	June 1, 1937	Dec. 1, 1948-49	4,199,000.00
2½ %	Consolidated Funding	Dec. 1, 1937	Dec. 1, 1947-48	2,286,000.00
3½ %	Consolidated Reimbursement	Dec. 1, 1937	Dec. 1, 1948	1,313,000.00
2½ %	Consolidated Relief	June 1, 1938	Dec. 1, 1949	750,000.00
2½ %	Consolidated Institutional	June 1, 1938	Dec. 1, 1948	401,000.00
2½ %	Consolidated Institutional	June 1, 1938	Dec. 1, 1949	1,099,000.00
2½ %	Consolidated Reimbursement	June 1, 1938	Dec. 1, 1949	218,000.00
3½ %	Consolidated Reimbursement	June 1, 1938	Dec. 1, 1952	119,000.00
Total				\$106,646,500.00

COUNTY HIGHWAY REIMBURSEMENT DEBT

The Highway Reimbursement debt due the Counties at June 30, 1938, amounted to \$25,568,824.27.

This is to be paid from the State's Sinking Fund.