

CONTROLLER'S REPORT

FEDERAL RESERVE BANK OF MINNEAPOLIS

FOR THE YEAR

1926.

To the Director..

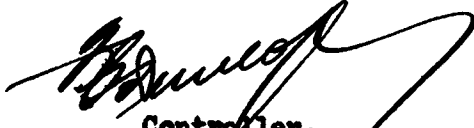
The within tables covering volume and costs of operation together with comments on 1926 results and indicated trend for 1927, are offered for your information.

In practically all of the functional tables the figures given are for Minneapolis only. Helena operations are covered separately.

For the first time since our work and expense have been allocated under functions, we have been able to make satisfactory comparisons with the prior year. Our efficiency should increase during 1927 but so many items of expense are beyond our complete control that there is some doubt of our ability to materially improve on 1926 operating costs. Some of the reasons for expecting increased expense in some functions and a lowering of costs in others, are touched on in this report.

At the close of the year all our operations were being handled in an efficient manner. The auditing of the bank has disclosed nothing of importance during the year and at all times the records have represented the true condition.

Respectfully submitted,


Controller.

January 1, 1927.

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COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1926</u>	<u>December 31, 1925</u>
Gold redemption fund - F. R. notes - - - - -	\$ 2,073,829.64	\$ 2,059,266.97
Gold with Federal Reserve Agent - - - - -	60,538,890.00	57,419,840.00
Gold settlement fund - - - - -	20,483,291.01	13,759,942.63
Gold coin - - - - -	3,222,345.00	3,273,640.00
Gold certificates - - - - -	3,650,500.00	3,631,000.00
Legal-tender notes - - - - -	466,117.00	765,503.00
Silver certificates - - - - -	2,316,602.00	1,159,219.00
Standard silver dollars - - - - -	369,761.00	276,011.00
National bank notes - - - - -	684,100.00	994,000.00
Federal Reserve bank notes - - - - -	600.00	4,200.00
Subsidiary silver, nickels and cents - - - - -	217,972.06	146,896.55
F.R. notes of other F. R. banks - - - - -	382,050.00	579,000.00
Our Federal Reserve notes on hand - - - - -	5,174,195.00	2,289,800.00
Mutilated F.R. notes forwarded for redemption - -	997,600.00	794,700.00
Bills discounted - - - - -	2,242,422.09	2,602,129.61
Member banks collateral notes - - - - -	1,795,642.00	818,483.96
Bills bought in open market - - - - -	12,614,674.84	18,741,259.17
Participation in investments through foreign banks	-	-
U.S. Government securities - - - - -	17,039,211.00	19,077,711.00
Municipal warrants - - - - -	120,750.00	55,020.67
Federal Intermediate Credit Bank debentures - - -	500,000.00	-
Foreign Loans on Gold - - - - -	-	257,400.00
Premium on U.S. securities - - - - -	7,950.69	8,308.98
Premium on Federal Int. Cr. Bank debentures - - -	378.00	-
Interest accrued - - - - -	62,426.66	53,649.87
Expense current - - - - -	1,063,757.20	1,104,981.02
Furniture and equipment - - - - -	20,870.48	10,348.43
Dividends accrued - - - - -	187,609.25	193,559.46
Transit items - - - - -	12,559,519.58	13,002,266.88
Exchanges for clearing house - - - - -	359,485.64	250,548.10
Checks and other cash items - - - - -	241,792.13	366,961.84
Banking Houses:		
Land - - - - -	505,520.66	505,520.66
Buildings including vaults - - - - -	1,975,720.14	2,106,183.98
Fixed machinery and equipment - - - - -	636,162.54	540,074.54
Overdrafts - - - - -	-	-
Coupons paid before maturity - - - - -	55.57	80.00
Deferred charges - - - - -	19,396.71	23,699.23
Claims account closed or suspended banks - - - -	3,384,450.52	4,496,678.69
Property acquired under foreclosure - - - - -	49,260.26	62,455.73
Suspense account temporary investments - - - - -	181,567.26	137,820.65
Suspense account general - - - - -	-	489.07
Difference account - - - - -	468.67	258.79
Fiscal Agency expenses, reimbursable - - - - -	2,179.53	1,207.61
War Finance Corporation expenses, reimbursable - -	120.60	409.24
Reimbursable expenditures - postage - - - - -	194.26	183.87
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	\$156,149,438.99	\$156,570,710.20

COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1926</u>	<u>December 31, 1925</u>
Federal Reserve notes outstanding	\$ 75,062,890.00	\$ 73,245,840.00
Member banks - Reserve account	50,756,122.20	52,916,243.68
Funds of closed banks held for receivers and others	189,936.74	154,910.27
U.S. Treasurer - General account	1,333,011.03	1,225,708.14
Due to foreign banks	900,998.89	272,388.93
Non-member banks - Clearing account	29,026.12	44,128.43
Officers' checks	92,791.75	242,153.75
Federal Reserve drafts	20,000.00	12,062.75
Other deposits	9,533.47	63,211.77
Government transit items	176,379.55	115,491.93
All other transit items	12,681,820.94	13,033,251.09
Accrued taxes other than franchise tax unpaid	81,044.90	83,133.25
Capital stock suspense account		3,750.00
Sundry items payable	15,738.55	4,996.91
Suspense account general	5,096.33	
Discount on U.S. securities	39,506.25	42,447.57
Unearned discount	67,025.84	53,643.10
Reserve for depreciation on U.S. bonds	3,444.00	3,444.00
Reserve for possible losses account failed banks	700,000.00	700,000.00
Reserve for depreciation on fixed machinery and equipment - Minneapolis	64,428.88	12,814.73
Reserve for depreciation on fixed machinery and equipment - Helena	6,374.43	4,763.53
Reserve for depreciation on building - Minneapolis	38,814.40	-
Reserve for depreciation on building - Helena	67,818.74	64,692.94
Special credits account closed banks	1,543,570.77	2,114,796.57
Discount earned	715,935.15	672,125.80
Interest earned	862,789.00	724,824.34
Penalties on deficient reserves	16,473.12	17,414.50
Miscellaneous earnings	27,135.37	23,976.64
Profit and loss	76,996.94	38,601.40
Capital stock paid in	3,063,750.00	3,183,050.00
Surplus	7,500,985.63	7,496,846.18
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	\$156,149,438.99	\$156,570,710.20

FEDERAL RESERVE BANK OF MINNEAPOLIS

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR 1926.

Discount earned on bills discounted - Minneapolis		\$ 295,081.83
Discount earned on bills discounted - Helena Branch		15,341.88
Discount earned on bills purchased		405,511.44
Interest earned on United States securities		723,347.45
Interest earned on Federal Intermediate Credit Bank Debentures		16,567.68
Interest earned on Municipal Warrants		385.50
Interest earned on Foreign Loans on Gold		5,980.29
Interest received on past due paper of closed banks		116,434.12
Interest earned on delayed wire transfers - Helena Branch		73.98
Deficient reserve penalties - Minneapolis		11,810.64
Deficient reserve penalties - Helena Branch		4,662.48
Net profit on U. S. securities sold		24,533.49
Participation in transactions with foreign banks		1,928.22
Sale of waste paper		250.28
Service charges on collection items returned - Minneapolis		204.33
Service charges on collection items returned - Helena		15.96
Monthly letters sold		29.09
Clearing house fines		174.00
Expense current - Minneapolis	\$ 966,254.37	
Expense current - Helena Branch	97,502.83	
Furniture and equipment - Minneapolis	20,568.48	
Furniture and equipment - Helena Branch	301.00	
Reserve for depreciation on fixed machinery and equipment - Minneapolis building	72,005.35	
Reserve for depreciation on fixed machinery and equipment - Helena Branch building	1,610.90	
Reserve for depreciation on building - Minneapolis	32,516.86	
Reserve for depreciation on building - Helena Branch	2,700.00	
Charge-off of Minneapolis building to reduce book value to revised estimated replacement cost	57,438.64	
General differences - Minneapolis	1.53	
Tellers and coupon differences - Minneapolis	340.15	
Clearing differences - Minneapolis	4.37	
Collection differences - Minneapolis		.01
Transit and return item differences - Minneapolis	51.32	
Transit and return item differences - Helena Branch		8.38
Tellers and coupon differences - Helena Branch	9.69	
Recovery of expenses incurred in connection with closed banks		75,853.49
Sales and allowances of old furniture and equipment		2,932.05
Recovery of protest fees on transit items account closed banks		22.32
Recovery of transit items previously charged off		72.52
Return premium on insurance policies		830.44
Difference between amount allowed and amount recovered on uncurrent coin		53.28
Protest fees incurred on transit items account closed banks	10.52	
Items drawn on closed banks which could not be charged back to our endorsers	1,072.17	
Settlement made with member banks for currency which was lost after being delivered to us by ordinary mail	62.00	
Loss on sale of U. S. securities	9.22	
Adjustment of dividends on capital stock account First National Bank, Brookings, S. D. (closed)	70.65	
Reimbursement made J. J. Gillette for loss of property	13.00	
Net loss on sale of fixed machinery and equipment (two mechanical coal stokers)	1,529.60	
Dividends paid	187,609.25	
Transferred to Surplus Fund - 10% of balance of net earnings	26,042.32	
Franchise tax paid to United States Government 90% of balance of net earnings	234,380.91	
	<hr/>	
	\$1,702,105.13	\$1,702,105.13

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

SUMMARY REPORT OF EARNINGS, EXPENSES AND
PROFIT AND LOSS ACCOUNT DURING 1926

Earnings	\$ 1,622,332.64	
Current Expenses	<u>1,063,757.20</u>	
Current Net Earnings		\$ 558,575.44
Additions to Current Net Earnings:		79,772.49
		<u>\$ 638,347.93</u>
Deductions from Current Net Earnings:		
Charge-off of Minneapolis Building to reduce book value to revised estimated replacement cost	\$ 57,438.64	
2% depreciation on estimated replacement cost:		
Minneapolis Building	32,516.86	
Helena Building	2,700.00	
10% reserve on fixed machinery and equipment:		
Minneapolis Building	72,005.35	
Helena Building	1,610.90	
Furniture and Equipment:		
Minneapolis	20,568.48	
Helena	301.00	
All Other	<u>3,174.22</u>	
Total deductions		\$ <u>190,315.45</u>
Net Earnings available for dividends, surplus and franchise tax		\$ <u>448,032.48</u>
Dividends Paid		\$ 187,609.25
Transferred to Surplus Account		26,042.32
Franchise Tax paid United States Government		<u>234,380.91</u>
		<u>\$ 448,032.48</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH
STATEMENT OF EARNINGS, EXPENSES AND PROFIT AND LOSS ACCOUNT
SINCE ORGANIZATION

Earnings - - - - -	\$ 24,747,020.
Current Expenses - - - - -	9,023,304.
Current Net Earnings - - - - -	\$ 15,723,716.
ADDITIONS TO CURRENT NET EARNINGS:	
Withdrawn from reserve for depreciation on U. S. Bonds	\$143,469.
All other - - - - -	229,669.
TOTAL ADDITIONS - - - - -	<u>373,138.</u>
DEDUCTIONS FROM CURRENT NET EARNINGS:	
Bank Premises Depreciation - - - - -	\$ 941,876.
Furniture and Equipment (Including \$40,000 for vault in New York Life Building)	416,028.
Reserve for possible losses - - - - -	700,000.
Reserve for depreciation on U. S. Bonds - - - - -	146,913.
Other Real Estate - New Building site:	
Expense	\$60,407.
Income	35,800.
Net Expense - - - - -	24,607.
All other - - - - -	88,582.
TOTAL DEDUCTIONS - - - - -	<u>\$2,318,006.</u>
Net Deductions - - - - -	\$ 1,944,868.
Net Earnings - - - - -	\$ 13,778,848.
Distribution of Net Earnings:	
Dividends paid - - - - -	2,137,934.
Transferred to Surplus - - - - -	7,527,028.
Franchise Tax paid to U. S. Government - - - - -	4,063,886.
	<u>\$ 13,778,848.</u>

DIVIDENDS PAID SINCE ORGANIZATION - BY YEARS

1916	-	67,719.87
1917	-	368,894.19
1918	-	166,102.97
1919	-	180,186.21
1920	-	175,870.65
1921	-	211,857.08
1922	-	218,774.01
1923	-	212,732.68
1924	-	202,627.98
1925	-	193,559.46
1926	-	137,609.25

Total - - - - - \$ 2,187,934.30

DETAIL STATEMENT OF SURPLUS ACCOUNT SINCE ORGANIZATION

January 4, 1918, Transferred to Surplus from Profit and Loss		\$ 37,500.00
December 31, 1918	"	688,871.82
March 4, 1919	" from Reserve for Franchise Tax	688,871.82
June 30, 1919	to Surplus from Profit and Loss	904,357.40
December 31, 1919	"	1,249,399.04
June 30, 1920	"	1,609,241.56
December 31, 1920	"	1,801,706.54
June 30, 1921	"	323,121.95
December 31, 1921	"	166,407.67
December 31, 1922	"	56,892.10
December 31, 1923	"	11,272.25
December 31, 1924	"	12,627.39
December 31, 1925	"	4,139.46
December 31, 1926	"	26,042.32
Total - - - - -		\$ 7,579,451.31
Less Amount Paid as an Additional Franchise Tax for 1920 and 1921		52,423.36
Total December 31, 1926 - - - - -		\$ 7,527,027.95

STATEMENT OF TOTAL FRANCHISE TAX PAID SINCE ORGANIZATION

December 31, 1918, Transfer from Profit and Loss		\$ 37,500.00
December 31, 1920	"	524,233.58
June 30, 1921	"	1,284,497.62
December 31, 1921	"	1,166,468.98
December 31, 1922	Transferred on account of underpayment years 1920 and 1921	52,423.36
December 31, 1922	Transfer from Profit and Loss	512,028.98
December 31, 1923	"	101,450.25
December 31, 1924	"	113,646.88
December 31, 1925	"	37,255.04
December 31, 1926	"	234,380.91
Total - - - - -		\$ 4,063,885.30

PROFIT AND LOSS

Our gross income for the year 1926 was somewhat lower than had been expected when we entered the Fall months of the year, but earnings after reaching \$182,000 in October, fell off for the balance of the year. Total income from all sources was \$1,702,105.13 and \$224,396.87 greater than the income for 1925. Larger recoveries of interest on the paper of closed banks and also recoveries of expenses entailed in the collection of this paper contributed to our income. During the year \$75,853.49 was obtained to reimburse us for travel, legal and other expenses created at closed banks prior to 1926. In 1925 we obtained \$34,668.51 from this source. Our collections of interest on the past due paper of closed banks making final settlement were \$116,434.12 in comparison with \$36,652.70 received one year ago. Other settlements are pending and no credit is made in Profit and Loss until the final adjustment is reached.

After the final closing of our books the total earnings were disposed of as follows:

CURRENT EXPENSES

Minneapolis	\$966,254.37	
Helena	<u>97,502.83</u>	\$1,063,757.20

The above figures represent the ordinary operating costs and this year include expense of operating cafeteria which formerly was charged direct to Profit and Loss. After making allowance for 1925 cafeteria expense, our total operating costs were \$41,223.82 lower than in 1925. Of the reduction in expense \$36,308.66 was effected at Minneapolis and \$4,915.16 at Helena. All expense items will be commented upon elsewhere and the reasons given for any material change from the 1925 figures.

FURNITURE AND EQUIPMENT

Minneapolis	\$ 20,568.48	
Helena	<u>301.00</u>	\$20,869.48

With normal replacements only our total expenditures for equipment would have been lower than for any previous year. However, in December we charged up the cost of 8 currency counting machines which will be put in use in January and we believe the \$12,000 expended will result in a material saving of money handling ~~and~~ expense and increase the efficiency of our Currency Department.

RESERVE FOR DEPRECIATION ON FIXED
MACHINERY AND EQUIPMENT

Minneapolis	\$72,005.55	
Helena	<u>1,610.90</u>	\$73,616.25

The larger amount set up this year as reserve for depreciation at Minneapolis is not due to an increase in the regular 10 per cent allowed by the Federal Reserve Board, but to a re-allocation of architect's fees and expenses. We were advised that a portion of these fees and expenses might properly be allocated to fixed machinery and equipment. On competent authority \$100,000 was decided on as a fair amount to deduct from Building Account. Fixed machinery and equipment account has, accordingly, been increased to \$620,053.55 and \$62,005.35 or 10% of this total may be added to depreciation reserve yearly. The \$10,000 additional reserved this year was to make proper adjustment for 1926. No change was made in the reserve set up yearly for Helena.

At the close of 1926 our reserve for fixed machinery and equipment was \$136,434.23 at Minneapolis and \$7,985.33 at Helena.

RESERVE FOR DEPRECIATION ON BANK BUILDING

Minneapolis	\$32,516.86	
Helena	<u>2,700.00</u>	\$35,216.86

<u>Charge-off on Minneapolis Building to Reduce Book Value to Estimated Replacement Cost</u>	\$57,438.64
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In refusing to grant our request for a special allowance of \$200,000 on Bank Building this year, the Federal Reserve Board stated that it would be correct procedure to eliminate taxes and maintenance during construction of building, which we had not done. These amounted to \$96,055.66. We later, under Board approval, allocated \$100,000 of architect's fees and expenses to fixed machinery and equipment. These reductions in Building Account brought about a new replacement cost of \$1,783,281.50. To reduce book value to replacement cost a charge-off of \$57,438.64 was necessary. Under Board ruling book value and replacement cost in the future will be the same on our ledger and an Account "Reserve for Depreciation-Building" has been opened to which the reserve allowances will be credited yearly. The present replacement cost brought about an adjustment in the 2 per cent allowance for 1925 and 1926. The charge of \$32,516.86 will be increased to \$35,665.63 in 1927 and the \$100,000 transferred to Fixed Machinery and Equipment, will be reduced \$10,000 yearly instead of \$2,000 yearly had it remained in Building Account. Total amount reserved for building depreciation at Minneapolis on December 31 was \$71,331.26.

Helena building replacement cost was fixed at \$150,000. Amounts which had been written off the building account are now placed in a reserve account. The reserve for depreciation on Helena building on December 31 was \$70,518.74. Future additions to depreciation reserve at Helena will be based on replacement cost rather than actual cost of building.

<u>DIFFERENCE ACCOUNTS</u> (Debit)		
Minneapolis		\$397.36
Helena		1.31
		\$398.67

Of the total differences at Minneapolis \$340.15 were Teller and Coupon department differences. These are somewhat higher than usual. With the advent of our new money counting machines we look for a lessened number of errors.

<u>DIVIDENDS PAID</u>	\$187,609.25
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Payments on Capital Stock were lower than for any other year since 1919. Payments in 1925 were \$193,559.46. Capital paid in by member banks was \$3,063,750 on December 31, 1926 and a reduction of \$119,300 during 1926. Since organization we have paid \$2,187,934.30 in dividends.

SURPLUS and FRANCHISE TAX

After provision had been made for all of the above charges there remained in Profit and Loss account \$260,425.23. Ten per cent of this amount or \$26,042.32 was added to Surplus Account and \$234,380.91 credited to the Treasurer of the United States as Franchise Tax.

Total Surplus from Earnings since organization \$ 7,527,027.95

Total Franchise Tax payments since organization 4,063,885.30

COMPARATIVE STATEMENT OF GROSS EARNINGS
FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH.

Earnings From	Minneapolis 1926	Helena Branch 1925	Combined 1926	1925	1924
Discounted Bills	\$ 295,081.83	\$ 15,341.88	\$ 310,423.71	\$ 231,341.87	\$ 578,446.58
Purchased Bills	405,511.44		405,511.44	440,783.93	84,268.91
United States securities	723,347.45		723,347.45	676,696.32	848,070.29
Federal Intermediate Credit Bank Debentures	16,567.88		16,567.88	-	-
Municipal Warrants	385.50		385.50	180.74	31.19
Foreign loans on gold	5,980.29		5,980.29	11,111.70	532.50
Deficient reserve penalties	11,810.64	4,682.48	16,473.12	17,414.50	40,176.08
Income from banking house				-	900.00
Interest received on past due paper of closed banks	116,434.12		116,434.12	36,552.70	19,529.77
Interest on noncurrent funds, delayed wire transfers, etc.,		73.98	73.98	182.88	773.25
Net profit on U. S. securities sold	24,533.49		24,533.49	19,599.18	33,809.05
Participations in transactions with foreign banks	1,928.22		1,928.22	3,606.41	2,118.50
Sale of canceled stamps, waste paper, money bags,	250.28		250.28	218.13	-
Service charges on collection items returned unpaid	204.33	15.96	220.29	192.93	39.26
Monthly letters sold	29.09		29.09	24.99	-
Clearing house fines	174.00		174.00	336.00	376.00
Total Earnings . . .	\$ 1,602,238.34	\$ 20,094.30	\$ 1,622,332.64	\$ 1,438,341.28	\$ 1,609,070.36

GROSS EARNINGS AND

AVERAGE RATE OF EARNINGS ON EARNING ASSETS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>1926</u>	<u>1925</u>
Earnings from:		
Discounted bills - - - - -	\$ 310,423.71	\$ 231,341.87
Purchased bills - - - - -	405,511.44	440,783.93
United States securities - - - - -	723,347.45	676,696.32
Federal Intermediate Credit Bank Debentures - - - - -	16,567.66	-
Municipal Warrants - - - - -	385.50	180.74
Foreign Loans on Gold - - - - -	5,980.29	11,111.70
Deficient reserve penalties - - - - -	16,473.12	17,414.50
Miscellaneous - - - - -	<u>143,643.47</u>	<u>60,812.22</u>
 TOTAL - - - - -	 \$1622,332.64	 \$1438,341.28
 Monthly Average of Gross earnings - - - - -	 \$ 135,194.39	 \$ 119,861.77
Monthly Average of Current expenses - - - - -	88,646.43	92,081.75
Monthly Proportion of Operating profits - - - - -	46,547.96	27,780.02
Monthly Proportion of Dividends paid - - - - -	15,634.10	16,129.96
Monthly proportion of Original cost of Federal Reserve notes including shipping charges to us - - - - -	2,799.78	2,554.57
 Rate per cent of Current net Earnings on paid capital stock	 17.86	 17.35

AVERAGE RATE OF EARNINGS ON EARNING ASSETS

	Bills Discounted	Bills Purchased	U. S. Securities	Federal Int. Credit Bank Debentures	Municipal Warrants	Foreign Loans on Gold	Total
1926	4.000	3.548	3.850	3.327	4.000	4.500	3.793
1925	4.030	3.245	3.841	-	4.000	3.569	3.651
1924	4.458	3.720	3.899	-	4.374	3.000	4.084
1923	4.502	4.125	4.250	-	4.500	-	4.411
1922	5.119	-	3.427	-	4.752	-	4.640
1921	6.479	6.087	2.055	-	5.807	-	6.091
1920	6.223	5.259	2.016	-	-	-	5.755
1919	4.381	4.267	2.460	-	-	-	4.114

Discount rate effective January 1, 1922 5 1/2%
Discount rate lowered January 11, 1922 to 5%
Discount rate lowered August 15, 1922 to 4 1/2%
Discount rate lowered October 14, 1924 to 4%

EARNINGS

\$1,622,332.34

Earned at Minneapolis \$1,602,238.34

Earned at Helena 20,094.00

Total earnings for the year are in excess of any other year since 1923 and during this period the volume of some of the classes of earning assets has changed materially. Earnings from discounts for member banks are \$80,000 greater than in 1925 and \$268,000 less than in 1924. Bills purchased which are allotted through the Investment Committee in New York gave us discount earnings of \$405,511.44 in 1926. The volume carried averaged less than in 1925 but rates were higher. Five times the volume of purchased bills were carried in 1925 and 1926 as were carried in 1924. United States securities held have been our chief source of income and in recent years this revenue has exceeded the combined earnings from discounts and purchased bills. For 1926 the interest on United States securities was \$723,347.45 and of this amount \$352,086.26 was derived from our own permanent holdings and \$371,261.19 through our participation in such securities held in New York by the Investment Committee.

There has been no change in our discount rate of 4 per cent since October 14, 1924. The average rate earned in 1925 was slightly higher than in 1926 owing to the maturity of some 4½ per cent rediscounts in 1925 that had been discounted in 1924. The rates on all other classes of earning assets show improvement over the 1925 rates. Beginning with 1922 our average earning rate on all classes of earning assets had steadily decreased until an average rate of 3.651 per cent was reached last year. For the year just closed an average rate of 3.793 per cent was obtained. During 1926 we had an average amount of \$38,550,000 invested and for the year 1925 our average of invested funds was \$37,250,000.

In the comparison which follows, it will be noted that the proportion of our income, which originates in our own district, increased to 27.4 per cent of our total income. This proportion was but 20 per cent in 1925. The classification of 1923 earnings is given in order to show that four years ago 68 per cent of our total income originated in our own District. That our 1926 percentage has improved is largely due to the increased amount of interest collected on the past due paper of closed banks making final settlement.

Income from District

	<u>1926</u>	<u>1925</u>	<u>1924</u>	<u>1923</u>
Discounts for members	\$ 510,423.71	\$ 251,341.87	\$ 570,416.56	\$ 1,090,845.04
Warrants	305.50	180.74	31.19	65.78
Penalties for Deficient Reserves	16,473.12	17,414.50	40,175.08	91,943.18
Interest on Past Due Paper	116,434.12	36,652.70	19,529.77	7,073.69
Interest on Delayed Transfers	73.96	182.88	773.25	3,213.79
Miscellaneous	673.66	772.05	1,315.26	1,005.74
	<u>\$ 444,464.09</u>	<u>\$ 286,544.74</u>	<u>\$ 640,271.11</u>	<u>\$ 1,194,148.02</u>

Income from Without District

	<u>1926</u>	<u>1925</u>	<u>1924</u>	<u>1923</u>
Discount from Purchased Bills	\$ 405,511.44	\$ 440,783.93	\$ 04,268.91	\$ 31,413.58
Interest on U. S. Securities	723,347.45	676,696.32	648,070.29	520,725.79
Foreign Loans on Gold	5,980.29	11,111.70	532.50	
Interest on Federal Intermediate Credit Bank Debentures	16,567.66			
Profit on Purchase and Sale of U. S. Securities	24,533.49	19,599.18	33,009.05	
Participation in Transactions with Foreign Banks	1,926.22	3,605.41	2,118.50	2,968.07
	<u>\$ 1,177,868.55</u>	<u>\$ 1,151,796.54</u>	<u>\$ 960,799.25</u>	<u>\$ 555,108.24</u>

The increased volume of earning assets after April made possible the best showing we have had since 1923. During the first quarter of the year our income barely covered our current expenses and dividend. Average income for the first three months of 1926 was \$106,800 and \$120,000 was the monthly average necessary to cover estimated needs. For the balance of the year with the exception of July, volume of Acceptances received was well maintained and the amount of United States securities allotted us varied but little until November. Advances to member banks represented a larger volume of collateral loans to city banks. During the last quarter of the year discount earned from members fell off rapidly with \$17,330.29 only earned in December. The largest amount of discount obtained from members in any one month was in August when \$44,422.87 was received from an average of \$15,076,000 in re-discounts and collateral loans. In 1925 August was also the month during which the greatest average amount of member bank paper was held. This average was \$8,788,000 and the income \$29,915.66. On December 31, 1926 paper under discount for member banks amounted to \$4,058,064.09 in comparison with

\$3,420,613.57 held at the close of 1925.

Earnings from Acceptances did not fluctuate in 1926 as they had done in 1925 and we had a fair volume of this class of earnings throughout the year. Income from Acceptances however, was \$35,000 less than the similar income of 1925 due to the fact that heavy allotments were made in the closing months of 1925 in order that all our requirements might be covered. The average earning rate on Acceptances fluctuated between 3.32 per cent obtained in August and 5.74 per cent in December with an average rate for the year of 3.548 per cent compared to 3.245 per cent received in 1925.

Interest earned on United States securities was \$46,000 in excess of the amount earned in the previous year. There was no material change in the volume carried except that at one time during October we were carrying \$10,500,000 for Twin City banks under repurchase agreement. The average rate earned on United States securities for 1926 was 3.85 per cent which was fractionally higher than the 3.841 rate received in 1925.

Under the heading "Profits from sale of United States securities" we show earnings of \$24,533.49. In this amount is \$7,378.71 of interest on United States securities which we purchased on request of member banks and on which we retain the income from purchase date until payment is made to us. The \$17,154.78 balance remaining under this heading is the net profit on transactions handled by the Investment Committee at New York.

On April 15 we purchased \$500,000 of the New Orleans Federal Intermediate Credit Bank debentures maturing in six months on a 3.80 per cent basis. In August we procured \$500,000 in debentures of the Louisville bank on a 3.875 per cent basis and maturing February 15. Interest earned on these debentures during 1926 was \$16,567.66.

Earnings on amounts loaned to Foreign banks on gold were \$5,980.29. These transactions are all handled through the Federal Reserve Bank, New York with our entries based on advice from New York. No loans have been made since August last and the rate earned on such loans as we participated in was 4.50 percent.

Deficient reserve penalties of \$16,473.12 were approximately \$1,000 less than the penalties of 1925. The frequent additions to our list of closed banks has removed practically all of the banks with chronically

depleted balances and our income from this source should be even less for 1927. Of the penalties assessed \$4,662.48 was collected at Helena.

During 1926 we obtained full settlement from forty eight closed banks, including interest at the rate of 4 per cent on all liabilities to us from date of closing to date of settlement. The total of \$116,434.12 is \$80,000 in excess of 1925 collections of interest.

As our share of income for "Participation in transactions with foreign banks" we received \$1,928.22. The transactions consist of selling bankers acceptances and United States securities to foreign banks. A commission is charged the foreign bank for handling and the commission is increased when agreement to repurchase is given. The accounting is performed by the New York bank and our entries are made on advice.

Other minor earnings which do not aggregate more than \$1,000 were obtained from discounting school warrants; selling waste paper; charging on collection items returned unpaid; selling monthly letters and imposing clearing house fines.

From all the sources mentioned we received during 1926 an average monthly income of \$135,194.39 in comparison with \$119,861.77 in 1925. After deducting Current Expenses only from Gross Earnings we have an amount remaining equivalent to 17.86 per cent on paid in Capital Stock. The percentage of current net earnings on paid in Capital Stock for 1925 was 10.53.

COMPARATIVE STATEMENT
CURRENT EXPENSES OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	Minneapolis 1926	Helena Branch 1926	Combined 1926	1925	1924
Salaries:					
Bank Officers	\$ 120,656.65	\$ 15,013.91	\$ 135,680.56	\$ 126,551.54	\$ 121,350.33
Clerical Staff	320,824.84	36,398.67	357,223.51	375,112.43	429,492.89
Special Officers and Watchmen	20,558.29	5,400.00	25,958.29	25,568.02	25,575.50
All Other	76,548.76	3,541.67	80,090.43	93,343.68	67,148.32
Governors' conferences	568.38	-	568.38	644.57	566.31
Federal Reserve Agents' conferences	288.03	-	288.03	300.02	245.78
Federal Advisory Council	824.34	-	824.34	990.65	1,087.20
Directors meetings	5,556.44	1,732.10	7,288.54	8,256.07	9,051.34
*Traveling expenses	34,765.59	455.99	35,221.58	45,722.62	52,454.33
Assessments for Federal Reserve Board expenses	22,595.78	-	22,595.78	23,006.06	21,866.99
Legal fees	28,876.29	1,825.00	30,701.29	29,883.75	23,463.32
Insurance (other than on currency & security shpts.)	24,744.27	3,501.63	28,245.90	31,793.25	29,599.89
Insurance on currency and security shipments	11,851.91	2,238.75	14,090.66	14,423.78	16,175.05
Taxes on banking house	81,000.00	1,713.11	82,713.11	80,030.71	1,580.05
Light, heat and power	18,202.27	1,559.49	19,761.76	19,757.45	1,467.53
Repairs and alterations banking house	4,324.97	215.50	4,540.47	7,931.34	425.60
Rent	-	-	-	7,889.05	43,398.99
Office and other supplies	18,747.38	977.85	19,725.21	22,890.91	20,890.76
Printing and stationery	22,808.66	2,759.42	25,568.08	22,035.00	38,063.50
Telephone	5,027.89	788.30	5,816.19	6,769.14	7,309.85
Telegraph	14,680.24	8,597.04	23,277.28	21,974.93	23,997.66
Postage	58,944.92	7,427.71	64,372.63	61,597.13	74,683.10
Expressage	7,827.62	609.16	8,436.68	9,553.45	10,092.88
Cafeteria (Net expense)	8,314.51	-	8,314.51	7,152.04	6,132.70
Miscellaneous	23,747.87	2,747.53	26,495.40	32,084.10	36,645.66
Total exclusive of cost of currency	930,295.76	97,502.83	1,027,798.59	1,073,271.68	1,062,765.53
Federal Reserve currency:					
Original cost, including shipping charges	33,597.38	-	33,597.38	28,254.82	6,796.42
Cost of redemption, including shipping charges	2,361.23	-	2,361.23	3,454.62	1,738.34
	\$ 966,254.37	\$ 97,502.83	\$ 1,063,757.20	\$ 1,104,981.02	\$ 1,071,300.29

*Other than those connected with governors' and agents' conferences and meetings of the directors and advisory council.

EXPENSES

1,068,757.20

In practically all items of expense over which we had full control, reductions have been made in comparison with similar costs in 1926. Total expense for the year is quite close to our early estimates although there has been considerable variation in the cost of some of the items. The experience gained during 1926 should result in a closer estimate of functional costs for our 1927 Budget now being prepared. Satisfactory progress has been made in reducing the expense of building operation. This expense is approximately \$35,000 yearly less than our estimate upon coming into the building. At the beginning of 1926 we estimated our expense at \$190,000 more than had we occupied rented quarters. This building expense was \$187,400 for 1926 and should be approximately \$183,700 in 1927. If we are successful in bringing about lower taxes on our property a further material saving should result.

Country bank conditions still have considerable bearing on our operating costs as all functions of the bank are affected. The handling of securities will be much heavier in 1927 with increased costs. This applies to safekeeping facilities which are now charged for by Twin City banks and which we perform for member banks without charge.

The various items of expense are discussed below and comparisons made with former years also the likely trend for 1927.

SALARIES

\$ 598,952.79

Actual payments to employees in 1926 were \$20,622.88 less than the pay-roll of 1925. Salary adjustments of \$14,300 to officers and \$14,580 to employees at Minneapolis and Helena were made in January 1926 so that our savings through deletions during the year were \$45,232.54 after allowing for recoveries of \$4,270.34 on account of salaries paid representatives at closed banks. Salary increases to officers and employees effective January 1, 1927 are \$27,300 and it is doubtful if this amount may be offset with reductions in staff during 1927. It is likely however, that recoveries of salary paid representatives at closed banks will show an increase over 1926. Thirty-seven less people were in our employment on January 1, 1927 than one year ago, the Minneapolis staff being reduced from 345 to 310 persons and that of Helena from 38 to 36 persons. During 1925 number of persons employed was reduced from 413 to 385 so that our 1926 reductions were greater by 7 persons and from a smaller staff.

TRAVELING EXPENSES

\$ 35,221.58

This total shows a pleasing reduction in comparison with 1924 and 1925. At least 90 per cent of the total represents the maintenance and transportation of our representatives in making collections of paper received from closed banks. During the year we recovered \$3,307.10 of traveling expenses created during 1926. Allowing for recoveries of a similar nature in 1925 the net decrease for the year in comparison with 1925 was 9,514.25. Through the handling of the paper of several adjacent banks by one representative and by turning paper over to receivers for collection in other cases, we believe this expense item will be lowered in 1927.

ASSESSMENT FOR FEDERAL
RESERVE BOARD EXPENSES

\$ 22,595.76

Payments to the Board were approximately \$400 less than in 1925 although the assessment for the last half of 1926 was increased. Based on the assessment already levied for first half of 1927, our payment to the Board for 1927 will exceed the 1926 payment by nearly \$2,000.

LEGAL FEES

\$ 30,701.29

No change was made during 1926 in the retainers or office expenses allowed our counsel at Minneapolis and Helena. The fees paid our counsel for special work in connection with closed bank matters and also fees to other legal representatives at closed banks amounted to \$13,908.27. For test cases in which all Federal Reserve Banks participated, our proportion of fees in 1926 was \$1,793.02.

INSURANCE
(Other than on currency
and security shipments)

\$ 28,245.90

The above amount was expended for all types of protection and includes premium on our group life policy. Total payments for the year are \$3,500 less than in 1925. An adjustment of our general liability premium, which was made after completion of the building in 1925, raised the payment of that year \$1,000. On August this year we cancelled our excess blanket bond of \$1,000,000 and increased our primary bond from \$500,000 to \$1,000,000. This change made a saving of \$2,500 yearly. Through the reduction in our employees our payments on group life policy were lowered from \$5,529 in 1925 to \$5,074 in 1926. No changes have been made in the following policies:

Fire insurance on building 1,200,000 with 50% coinsurance; 25,000 tornado; 25,000 boiler and 125,000 water damage.

INSURANCE ON CURRENCY
AND SECURITY SHIPMENTS

\$ 14,090.66

Shipments of currency on which we assumed the expense continued heavy in 1926. However, during 1926 we assumed none of the expense on shipments of safekeeping securities sent or received by us unless the charge was small. During part of 1925 we had assumed this expense. With a larger volume in 1926 than in 1925 our costs were \$353.00 less.

TAXES ON BANKING HOUSE

Minneapolis	\$ 81,000.00
Helena	1,715.11

Until October we had been reserving \$7,000 monthly for taxes at Minneapolis to be paid in 1927. The revision of the tax rate made it possible to reduce our charge \$1,000 monthly for the last quarter of the year. We were unable to have the valuation of our property lowered, so recently had an appraisal made by the Real Estate Board and are hopeful of receiving a material revision in our taxes.

At Helena the amount reserved is \$57.79 more than one year ago.

LIGHT, HEAT AND POWER

Minneapolis	16,202.27
Helena	1,559.49

Expenditures at Minneapolis represent an increase of \$267.95 over 1925 and a reduction at Helena of \$265.64. There was actually less fuel oil consumed at Minneapolis in 1926 than during 1925 by 6800 gallons. Expense of power and light was approximately \$600 less in 1926 than in 1925. Payment for part of a month only in January, 1925 and a credit of \$800 received from contractor for light and power used during construction, resulted in an unfavorable comparison. Our new light and power contract should bring about a reduction of approximately 10 per cent in electricity charges while there will be little change in fuel expense.

REPAIRS AND ALTERATIONS
BANKING HOUSE

\$ 4,540.47

The above amount includes \$2,166 paid the Otis Elevator Company yearly for the satisfactory operation of our elevators. Several alterations are in prospect for 1927 and it is not expected much improvement may be shown over the 1926 expenditures. Repairs and alterations at Helena costing \$215.50 are included in above amount.

OFFICE AND OFFICE SUPPLIES
PRINTING AND STATIONERY

19,725.21
25,566.06

In 1926 the most marked reduction in costs over the previous year occurred in our expenditures for printing and stationery. This was due in part to our ordering in smaller quantities in anticipation of reduced prices. Some saving was effected by lowered prices. Heavier orders in 1925 with some increase of prices raised the cost of printing and stationery \$3,500 over 1925 expenditures. On coming into our new building in 1926 we were required to spend more for supplies and our costs were \$2,000 higher than in 1924. For 1926 we reduced the cost of building and other supplies \$3,000. An inventory of our stock room taken just before the close of the year shows printing and stationery, building, cafeteria and other supplies on hand to a value of \$17,200.

TELEPHONE

5,816.19

There is no change in this expense from 1925. At Minneapolis the costs were \$5,027.69 and of this amount \$5,600 is rental. The balance represents outside calls made by ourselves and messages ordering us to make transfers and ship currency, the cost of which we assume. Our interior telephone system is no part of telephone cost as our own electrician supplies all the supervision necessary. Helena telephone expense was \$788.50.

TELEGRAPH

Minneapolis
Helena

\$ 14,680.24
8,597.04

Costs at Minneapolis were \$347.90 higher than for 1925. We eliminate all unnecessary wiring but our private wire service is free to member banks under certain restrictions and the yearly cost may not always be determined. Our proportion of private wire expense for 1926 was \$6,501.62, the balance being commercial wire messages largely assumed for members ordering money shipments or transfers. Helena's portion of private wire expense was \$246.21. Expense of all messages between Minneapolis and Helena is borne by the branch. As practically all Helena wire expense is for commercial wire service, the costs at the branch are relatively higher. Cost of private wire service to Helena would be prohibitive. The fact that Helena's expense has increased during 1926 is due to the cost of the heavy daily balance sheet wire being paid at the branch. Formerly this expense had been paid at Washington.

POSTAGE

\$64,372.65

Minneapolis \$56,944.92 Helena \$7,427.71

The cost of postage used was approximately the same in 1925 and 1926 after allowance is made for stamped envelopes and postage on hand at the close of 1926, and other credits. Transit volume was lower for 1926 but the larger number of circulars dispatched and increase in crop reports mailed monthly expanded postage account. The postage expense assumed on money shipments was also greater in 1926. All coin now shipped member bank is sent by parcel post, which increases our postage expense and makes a corresponding reduction in express charges. Helena postage costs were lower by \$583 in 1926 after making allowance for \$1,000 which was recovered on an employee's bond and credited direct to postage account in 1925.

EXPRESSAGE

\$ 8,436.68

This expense covers cost of coin shipments received from member banks and hauling expense of supplies, etc. The reduction from 1925 costs of \$1,100 is partly due to our now making shipments of coin to member banks by parcel post.

CAFETERIA

\$ 8,314.51

Our service to employees increased in cost \$1,162.47 over 1925, some of the increase being attributed to service equipment purchased and a larger stock of food supplies carried. The employment of more experienced help contributed to the higher expense for the year.

FEDERAL RESERVE CURRENCY

\$33,597.68

Original cost and shipping charges

Of the above amount, printing costs were \$29,780 and shipping charges on such notes as have been sent us during the year \$3,817.38. Printing costs were \$4,734.50 greater than for 1925 and \$600 more was charged for shipping expense this year. A forecast of 1927 expense would be \$30,000 although this depends to some extent on the volume of notes which the Federal Reserve Board maintains at Washington.

FEDERAL RESERVE CURRENCY

\$ 2,361.25

Cost of Redemption

Transportation of our notes to the Redemption Agency at Washington cost \$1,461.25. We also set aside \$500 monthly for three months in 1926 towards our share of redemption agency expense. We already had reserved \$1,932.91 for this purpose and on learning that the charge to us at the close of the Government fiscal year in June was lower than anticipated, we

ceased reserving further amounts in 1926. No further amounts will be reserved in 1927 until the second half of the year.

MISCELLANEOUS EXPENSES \$ 26,495.40

There are quite a number of expense items involving considerable amounts which are not regularly classified in the reports to the Federal Reserve Board. The total of these expenses is \$5,594.70 lower than in 1925. As in 1925 cost of copies of reports of bank examination was the largest item the total of \$8,461.75 being \$6,170.50 lower than for the prior year. Other miscellaneous items of over \$100 were as follows: Outside protection and vault inspection \$498.00; repairs and maintenance of furniture and equipment \$924.59 (\$827.59 at Helena); laundry and other cleaning \$304.33; car fare and taxi hire \$1,302.25; post office box and postage meter rental \$312.00; newspapers, books, binding, clipping service, etc. \$2,357.64; collection charges and fees absorbed \$475.60; employees education \$1,239.84; Federal Reserve Club \$3,174.88; dinners and entertainments \$175.87; commercial agency reports and services \$718.00; dues American Acceptance Council \$300.00; miscellaneous items of expense in connection with protecting our interests at closed banks \$3,893.57; our pro rata share expense of exhibit at A. B. A. convention \$122.37; dues National Association of Credit Men \$250.00; dues American Bankers Association \$315.00; cost of Bank premises valuation \$675.25; our share of expense of pension committee \$408.19

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

Amounts charged out of earnings for Furniture and Equipment
(Including \$40,000.00 for vault in New York Life Building)
since organization:

1914-1915	\$	\$
1916		5,353.00
1917		44,464.25
1918		59,976.42
1919		23,925.74
1920		100,816.40
1921		53,369.10
1922		24,639.60
1923		23,328.73
1924		48,937.98
1925		10,347.43
1926		20,869.48
		<hr/>
Total		\$416,028.13
Sales and allowances of old Furniture and Equipment		<hr/>
		10,557.02
Net Cost		\$405,471.11

**ADMINISTRATION COSTS- MINNEAPOLIS
(Minneapolis Only)**

The Federal Reserve Board in its Manual of Expense calls attention to the necessity of distributing the expenses of all banks on the same fundamental principles. They state that "A comparison of the so-called overhead expense is as important as a comparison of any other expense." With this in mind we are giving detailed analysis of our General Overhead Expense on functional lines.

Comparison with General Overhead Controllable Expense of other Federal Reserve Banks does not indicate that we are out of line.

GENERAL OVERHEAD CONTROLLABLE - ADMINISTRATION

	<u>1926</u>		<u>1925</u>		<u>1924</u>
Average number of officers	2.15		2.15		2.51
Salaries officers		\$47,625.03		\$37,400.01	\$44,282.84
Average number of employees	2.34		2.29		2.45
Salaries Employees		5,038.83		5,202.64	5,005.63
Directors Meetings		5,556.44		5,111.25	5,504.00
Traveling expenses		1,547.31		1,549.55	963.15
Officers and other dinners		174.87		500.61	588.44
Office supplies and stationery		895.88		528.25	963.31
Telephone and telegraph		687.71		579.78	907.02
Membership dues		700.00		600.00	400.00
Stenographic		258.53		511.59	1,245.04
Moving to new building				1,724.20	769.15
Publications				116.75	724.86
Supplies furnished member banks				127.80	-
All other		1,810.91		1,296.39	1,234.53
		<u>\$ 64,295.51</u>		<u>\$ 55,247.60</u>	<u>\$ 62,587.97</u>

GENERAL OVERHEAD NON-CONTROLLABLE - MINNEAPOLIS

The following summary of expenses for this function is self-explanatory. It shows the expenses over which the officers of the bank have no direct control, as they are the result of established policies.

COST OF CURRENCY

	<u>1926</u>		<u>1925</u>		<u>1924</u>
Federal Reserve currency:					
Original cost, inc. shipping charges	\$ 53,597.38		\$ 28,254.82		\$ 6,796.42
Cost of redemption, inc. shipping charges	2,361.23		3,454.52		1,738.34
Shipping charges on currency to and from member and non-member banks	27,151.06		23,166.02		21,618.00
Shipping charges on coin to and from banks	6,880.58		7,447.44		5,086.63
Cost of shipments Head Office to Branch	295.49		202.27		220.92
	<u>70,285.74</u>		<u>62,525.07</u>		<u>36,460.31</u>

ALL OTHER

Governors', Federal Reserve Agents', and Federal Advisory Conferences	\$ 1,680.78		\$ 1,935.24		\$ 1,899.29
Federal Reserve Board expenses	22,596.76		23,006.05		21,866.99
Shipping charges on securities	964.40		1,925.21		4,006.23

BANK PROMISSES REPORT QUARTER ENDING DECEMBER 31, 1926.

Federal Reserve Bank or Branch at HELENA, MONTANA.

Property located at Corner Park & Edwards Street.

(Separate report should be made for each building)

REMODELED BUILDING OPERATIONS	Current Quarter	Total to Date	Estimated Cost to Complete
1. Original cost of land and building		\$15,000.00	
2. Incidental expenditures connected with purchase		\$	
3. Total (1 & 2)		<u>\$15,000.00</u>	
4. Cost of remodeling:			
(a) Building, exclusive of vaults and fixed machinery and equipment . .		57,642.95	
(b) Vault construction, including any additional structure or foundation made necessary by vault		9,266.00	
(c) Vault equipment, including doors, lining, and all interior equipment		66,580.53	
(d) Fixed machinery and equipment . . .		16,108.99	
5. Miscellaneous building remodeling expenses incurred by F. R. Bank		\$	
6. Fees: (a) Architects		5,433.57	
(b) Contractor's Commission		7,442.12	
7. Total cost (3 to 6)		<u>\$177,474.14</u>	
8. Less proceeds from sale of salvaged material			75.00
9. Cost of building and building site		<u>\$177,399.14</u>	
10. Depreciation allowances charged off:			
(a) Charged to current net earnings		21,290.15	
(b) Charged to super-surplus		\$	
(c) Total		<u>21,290.15</u>	
11. Book value of property (9 - 10c)		<u><u>156,108.99</u></u>	

DEPRECIATION

12. Reserves against depreciation (As shown on Form 34):		
Building (B)	70,518.74	
Fixed machinery & equipment	7,985.33	
(a) Charged to current net earnings	78,504.07	
(b) Charged to super-surplus	\$	
(c) Total	<u>78,504.07</u>	

13. Floor Space:		
(a) Occupied by F. R. Bank	4700 Sq. Ft.	
(b) Rented	\$ Sq. Ft.	
(c) Unoccupied	\$ Sq. Ft.	
(d) Total floor area in remodelled building	4700 Sq. Ft.	

(B) Not after deducting \$69.17 for replacements in the year 1925.

BANK PREMISES DEPRECIATION

Minneapolis

Charge-off of land - 1919 - - - - -		\$100,000.00
Charge-offs of building (including vault, but excluding fixed machinery and equipment) to reduce book value to estimated replacement cost:		
Taxes on building during period of construction		
1922 - - - - -	\$ 5,200.00	
1923 - - - - -	14,760.00	
1924 - - - - -	<u>54,590.00</u>	\$ 74,550.00
Cost of maintenance during period of construction		
1923 - - - - -	\$ 2,101.95	
1924 - - - - -	<u>19,608.73</u>	21,706.68
Charge-off of construction costs		
1920 - - - - -	\$100,000.00	
1921 - - - - -	3,581.40	
1922 - - - - -	6,446.87	
1923 - - - - -	20,361.04	
1924 - - - - -	219,316.89	
1925 - - - - -	30,463.84	
1926 - - - - -	<u>57,458.64</u>	437,408.68
		535,464.34
Reserve for depreciation on building		
1925 - - - - -	38,814.40	
1926 - - - - -	<u>32,516.86</u>	71,331.26
Reserve for depreciation on fixed machinery and equipment		
1924 - - - - -	12,814.73	
1925 - - - - -	52,396.55	
1926 - - - - -	(a) <u>71,222.95</u>	136,434.23
Total depreciation on bank premises - Minneapolis		\$ <u><u>841,229.85</u></u>

Helena Branch

Charge-off of building (including vault, but excluding fixed machinery and equipment) to reduce book value to estimated replacement cost		21,290.15
1920 - - - - -		
Reserve for depreciation on building		
1920 - - - - -	56,447.49	
1921 - - - - -	1,893.23	
1922 - - - - -	1,655.57	
1923 - - - - -	1,571.05	
1924 - - - - -	3,125.80	
1925 - - - - -	3,125.80	
1926 - - - - -	<u>2,700.00</u>	70,518.74
Reserve for depreciation on fixed machinery and equipment		
1922 - - - - -	1,610.90	
1923 - - - - -	(b) 1,541.73	
1924 - - - - -	1,610.90	
1925 - - - - -	1,610.90	
1926 - - - - -	<u>1,610.90</u>	7,985.33
Total depreciation on bank premises - Helena		\$ <u><u>99,792.22</u></u>

(a) Net after deducting \$782.40 on account of sale and charge-off of two mechanical coal stokers.

(b) Net after deducting \$69.17 for replacements.

798533
161090
949623

BANK PREMISES

Considerable progress has been made during the past year in solving problems of building operation which existed in 1925 and others that developed during 1926. There were no major changes or additions to the building or its mechanical equipment but there will always be a multitude of minor adjustments and improvements needed to bring about the necessary efficiency of operation. Savings have been effected in various classes of building expense, not only from close surveillance but through the ability of our own employees to perform practically every job which formerly made necessary the employing of outside workmen. Apart from our elevator maintenance contract with the Otis Elevator Company, the amount expended for outside labor, materials and machine parts during 1926 was \$2,158.97 in comparison with \$5,492.42 of similar expense in 1925.

Building employees numbered 27 at the close of 1926, there being no change from the number carried at the end of 1925. Total payroll for December 1926 was \$3,065.10 and \$163.43 higher than in December one year ago, salary adjustments having been made in a few cases. Our budget also provides for \$1,000 yearly to cover the cost of extra janitors on special work such as wall and ceiling cleaning which requires additional help. Attention is also drawn to the fact that building employees do not include guards or chauffeurs.

During the year various tests have been made in connection with our heating and power plants. By some relatively small additions to equipment, the heating has been improved with a saving in fuel. In 1925 we consumed 135,600 gallons of oil and approximately 130,000 gallons in 1926. Until October 1, 1926 oil costs were at the rate of 5.88 cents per gallon. Since that date our contract calls for a price of 5.95 cents per gallon. Our 1927 heating expense will, no doubt, be about \$500 higher unless weather conditions or further improvements bring about the burning of less fuel. Actual payments for oil were \$8,136.04 in 1925 and \$7,625.78 in 1926.

At the close of 1925 we were of the opinion we could produce enough electrical power on the premises to operate the elevators and heavy machinery during the eight months of the year in which steam is kept up and obtain only the power necessary for lighting from the outside. While this might be done the saving effected would not warrant our doing so and we are accordingly receiving all power from outside. Our emergency equipment is satisfactory but in the event of a breakdown of city power, it would be necessary for us to omit

operation of the elevators in order that lighting and other electrical equipment might receive the full power necessary.

It is now our practise to alternate the operation of the elevators at the front of the building, thus saving the pay of an operator and allowing ample time for care of equipment. In only one month of the year did the cost of electrical power exceed that of the corresponding month in 1925. After making allowance for the small amount of power paid for in January 1926 due to curtailed operations and a payment of \$500 by Pike & Cooke, Contractors, for light and power consumed during construction of building, the total cost of light and power was \$1,450 greater than the \$10,104.72 expended in 1925. We have just signed a contract with the General Electric Company in which we are given an industrial classification and a reduction of approximately 10 per cent in rates. Based on current consumed in 1926 our saving for 1927 will be over \$1,000.

The following are the more important additions and improvements made to building and equipment during the calendar year.

1. Emergency Electric Power Plant has been completed by adding synchronisers and automatic circuit breakers. It is now in complete running order. Test shows it equal to furnish power and light for emergency needs of the bank, in case of breakdown in outside connections.
2. A 10-H.P. Steam Boiler has been installed in the Boiler Room. This boiler furnishes steam for starting the oil-burning furnaces, saving fuel formerly required to raise steam in a big boiler for that purpose.
3. Furnaces of boilers No. 2 and No. 3 have been rebuilt, with changes in fire-brick walls and baffles which save fuel and increase heating efficiency.
4. Garage No. 1 has had trouble with freezing of steam radiators. This has been remedied by piping hot air from above the boilers, which furnishes ample heat at no expense for fuel.
5. Changes have been made in arrangement of fresh air ducts to the banking floor and basement, which improve the ventilating system and economise electric power.
6. Trouble with freezing of steam coils used for preheating fresh air has been cured by constructing shutters and shields which control the inrush of coil air in winter.
7. Machine Shop and Carpenter Shop have been supplied with labor saving machinery which results in prompt repair service at reduced costs.
8. Waterproofing of expansion joints in the tile roof began to disintegrate in spots. The entire roof has been placed in good condition.
9. Bronze deflectors have been installed over radiators in main offices to prevent discoloration of walls by deposits of soot.
10. A steam heated hot water tank has been purchased which will save its cost in fuel in two years.
11. In addition a compressed-air tank has been ordered, which will improve the operation of the bar doors.

12. Concrete floors have been treated with acid and covered with a special paint. Cost of floor soaps and mops has been cut 50%, besides lessening labor of cleaning.

BANK PREMISES (Depreciation)

At the close of 1926 we were requested by the Federal Reserve Board to rearrange our Bank Premises Account so as to show separately book value of the land; replacement cost of building proper and actual cost of fixed machinery and equipment. The normal 2 per cent depreciation allowances on replacement cost of building are to be carried as a reserve and not applied to reduce Building Account figures.

While we feel the replacement cost as determined by the Board methods gives our property much too high a figure, we have been unable to obtain approval for additional charge-offs. The Board, however, suggested that we might eliminate taxes and maintenance expense during construction in figuring replacement cost and they have also consented to our allocating \$100,000 of architect's fees to Fixed Machinery and Equipment. As the reserve for fixed machinery and equipment may be established at a rate of 10 per cent yearly, there will be a gain of \$8,000 yearly in our total allowances over the next eight years.

In approving the \$100,000 transfer to Fixed Machinery and Equipment the Board authorized increasing this year's reserve \$10,000 to cover the depreciation for 1925 on the added amount. The total cost of fixed machinery and equipment at Minneapolis was \$620,053.55 and we now have reserves of \$136,434.23. The Helena fixed machinery and equipment cost \$16,108.99 and we have almost a 50 per cent reserve, or \$7,895.33, already set aside.

The building valuation established by the Federal Reserve Board is now \$1,783,281.50 at Minneapolis with a reserve at the end of 1926 of \$71,331.26 and at Helena the replacement cost has been fixed at \$135,000 with reserves accumulated of \$70,518.74. Book value of our ground is \$500,520.66. At the close of 1919 \$100,000 was written off cost of site and no further charges will be allowed unless book value should exceed market value. The present market value is in excess of cost. Helena site is carried at \$5,000 which is its approximate value.

EXPENSES AND EQUIPMENT

Our 1926 purchases of furniture and equipment exceeded the 1925 outlay for the reason that special machinery for the counting of bills was provided for out of this year's earnings and amounting to approximately \$12,000. This machinery was partially installed in our Currency Department during December. Our normal purchases of furniture and machinery covering replacements should not exceed \$10,000 yearly, and, we believe with the facilities we now have for the maintenance of our equipment, that the average yearly expenditure will be under \$10,000.

No Transit adding machines were purchased during the year and only one new typewriter was required. We did, however, replace the worn out combination adding machine-typewriters in our Collection Department and this machinery should not need replacing for six or seven years. Addressing and folding machinery reached a condition that made repairs out of the question and new machines were bought. Expansion of the filing and transfer equipment called for an expense of \$900.

To meet the postal requirements and also increase our facilities for hauling mail and supplies, we purchased a small type Dodge truck with special closed body, costing in all \$1,101.56. This was a much needed improvement over the old Ford touring car formerly used. More equipment for cooking and heating was added with improvement to our lunch room facilities.

Approximately \$1500 was spent on iron and wood working machinery which makes us practically independent of outside shops in most kinds of repair work as well as our ability to complete repairs without delay. Very little of this Marine and Carpenter shop equipment is new but all of it is in first class condition and was obtained at a very favorable price.

Credits to Profit and Loss for equipment sold or traded in on other purchases amounted to \$2932.05 for 1926. Federal Reserve Board instructions make necessary the placing of all allowances on old equipment in Profit and Loss account rather than to the credit of Furniture and Equipment account.

Since organization we have expended \$405,471.11 on equipment for Minneapolis and Helena branch. In making up our inventory to the close of 1926 no charge has been made in valuations prior to 1925 as these figures are low enough. Articles purchased during 1926 will be shown at 50 per cent of cost with the exception of money counting machinery which will not be placed in use before January 1. There will also be no necessity for accepting the maker's valuation on adding machines because we have demonstrated during the year that after our mechanic has overhauled a machine we could procure at least double the trade-in allowance value by a cash sale. At Helena machinery cannot be given as good care and lower valuations are necessary.

We are at present carrying \$25,000 insurance on equipment and supplies which amount is ample. The premium is \$100 per year. Our furniture, machinery and supplies are also covered in water and steam damage policy placed on Bank premises at a yearly premium of \$156.50.

Figures at the close of 1925 with additions, allowances and inventory up to the end of 1926 are given below:

Amount expended for furniture and equipment (Including Vault in former building) to end of 1925	\$395,158.66	
Purchased during 1926 - Minneapolis	20,568.48	
Purchased during 1926-Helena	<u>301.00</u>	\$416,028.13
Less amounts received for furniture sold or traded in		<u>10,557.02</u>
Total expended		405,471.11
Inventory valuation at Minneapolis		117,200.48
Inventory valuation at Helena		<u>12,144.35</u>
Total Inventory		129,344.83
Fire insurance carried at Minneapolis	\$ 25,000.00	
Fire insurance carried at Helena	<u>5,000.00</u>	30,000.00

PERSONNEL FUNCTION

At the close of the year we had 210 persons at Minneapolis and 86 at Helena, the total of 296 showing a reduction of 37 persons during the year. The representatives at closed banks throughout our district are included in Minneapolis total of employees. Deletions for the year include two officers, Mr. Langdon at Minneapolis and Mr. Brown, Cashier at Helena; 14 employees on general work at Minneapolis; 14 transit employees; 7 collectors and clerks on closed bank work and one employe at Helena. Building employees were increased at Minneapolis from 26 to 27 persons. There was no change in Fiscal Agency employees, 9 persons of the total of 15 being paid by the bank. No reference is made to War Finance Corporation employees who occupy part of the second floor as we have no jurisdiction over these employees except as to our office regulations. Of our own employees there are 224 men and 46 women including 6 janitresses. At Helena there are 30 men and 6 women.

The monthly salary basis as of December 31, 1926, was \$50,563.77 in comparison with a basis of \$52,780.03 in the corresponding month of 1925. Our net payroll reduction in 1926 over 1924 was greater than the reduction of 1926 over 1925. There were 7 more persons released in 1926 than in 1925 but the 1926 deletions covered more persons on a higher salary scale.

We believe the efficiency of the staff generally has improved during the past year and this is clearly indicated in comparison of volume and operating costs of many functions with similar figures of one year ago. More employees have been tried on closed bank work with satisfactory results. The more substantial salary adjustment to employees filling posts of greatest responsibility should bring about an increased efficiency in 1927. Approximately \$23,000 was added to 1927 pay-roll in increases to employees in comparison with \$14,600 in 1926 when we had a larger staff.

The cost of Personnel Function for the year was \$20,268.00 or approximately \$1,260 more than in 1925. Apart from the cost of hiring employees and keeping records, all of this expense is for direct service to our employees. Education and training unit cost \$1,600 more than in 1925 due to heavier contributions to the Federal Reserve Club. Cafeteria expense for salaries was increased \$1,100 but all other units of the function show curtailment.

All functions of the bank are covered in this yearly report with the number of persons required to operate each function and the cost together with the 1925 comparisons.

COST OF PERSONNEL FUNCTION

Administration	Number of Officers	Officers Salaries	Other Expense	Total Expense	
Year 1926	.90	\$ 3,240.00	\$ 1.25	\$ 3,241.25	
Year 1925	.90	3,240.00	9.03	3,249.03	
Hiring employees & Employees Records	Number of Employees	Employees Salaries	Other Expense	Total Expense	
Year 1926	1.48	\$ 2,220.17	\$ 209.63	\$ 2,429.80	
Year 1925	2.57	3,359.50	380.20	3,719.70	
Education and Training	Contributions to F. R. Club	Contributions to Am. Inst. Banking	Other Expense	Total Expense	
Year 1926	\$ 2,870.00	\$ 295.00	\$ 714.92	\$ 3,879.92	
Year 1925	1,060.34	310.00	919.26	2,289.60	
Welfare and Medical	Number of Employees	Employees Salaries	Other Expense	Total Expense	
Year 1926	1.34	\$ 2,066.75	\$ 335.79	\$ 2,402.52	
Year 1925	1.32	2,043.34	566.60	2,609.94	
Cafeteria	Number of Employees	Employees Salaries	Cost of Food	Other Expense	Total Expense
Year 1926	5.84	\$ 5,649.84	\$ 12,543.46	\$ 2,135.79	\$ 20,329.09
				Receipts - - - -	12,014.58
				Net Expenses - - -	8,314.51
Year 1925	4.96	4,553.25	11,391.69	1,861.37	17,806.31
				Receipts - - - -	10,654.27
				Net Expense - - -	7,152.04
Total Personnel Function	Number of Officers	Number of Employees	Expense		
Year 1926	.90	8.64	\$ 20,268.00		
Year 1925	.90	8.85	19,020.31		

CHANGES IN STAFF DURING 1926

	<u>January 1, 1927</u>		<u>January 1, 1926</u>	
Minneapolis Officers	14		15	
Minneapolis Bank General	141	(4 ex.help)	156	
Minneapolis Closed Bank Dept. (Collectors and Clerks)	29		36	
Minneapolis Transit Dept.	<u>83.45</u>	267.45	<u>98</u>	304
Helena Branch (not including representatives at closed banks)		36		38
Building employees		27		26
<u>Fiscal Agency:</u>				
Paid by bank				
Reimbursable:				
Officers	1		1	
Employees	<u>4</u>	15	<u>5</u>	15
War Finance Corporation				
Reimbursable		<u>.55</u>		
		346		333

WELFARE - CAFETERIA
(Minneapolis Only)

Welfare services rendered employees in the office during 1926 total-
ed 2432 as compared with 2803 in 1925. One year ago vaccinations of the whole
staff materially increased services. Calls made at homes or hospitals were 53
in 1926 and 103 in 1925. In addition to having fewer employees, sickness has
been much reduced during the past year.

Comparative expenses for 1926 and 1925 were as follows:

	<u>1926</u>	<u>1925</u>
Salaries	\$2,066.73	\$2,043.34
Medical Supplies	99.84	91.40
Office Supplies	90.02	272.68
All Other	145.83	202.52
	<u>\$2,402.52</u>	<u>\$2,609.94</u>

A Circulating Library was installed late in 1925 through the co-
operation of the Minneapolis Public Library. This service has been taken ad-
vantage of by the employees and 5034 books were issued during 1926.

Supervision of the Cafeteria by the Welfare Unit took about 33% of
the time of both welfare secretaries. The bank continued to furnish free milk
and coffee to all employees and assumed all labor costs and other supplies.
Food was served at actual cost of material.

Comparative Cafeteria Expense

	<u>1926</u>	<u>1925</u>
Salaries Managers	\$1,033.27	\$1,021.62
Salaries Cooks-Waitresses	4,616.67	3,531.63
Service Supplies	1,833.72	1,623.46
Glass, China, Furnishings	146.44	212.13
Gas - Fuel	108.78	
Cost of Food	12,543.46	11,391.69
Miscellaneous	46.85	25.78
	<u>\$ 20,329.09</u>	<u>\$ 17,806.31</u>

Receipts from sale of food were \$12,014.58 in 1926 and \$10,654.27 in
1925 leaving net cost to bank for 1926 \$8,314.51 as compared with \$7,152.04 for
1925.

During 1926 most of the cooked food was prepared on the premises, where-
as, in 1925 most of it was purchased from outside places. Increased net expense
to bank was in salaries of waitresses, an average of 5.18 employees being re-
quired as compared with 3.44 in 1925. Food costs for 1926 increased \$1,151.77
and receipts from sale of food increased \$1,360.31 over 1925. We are now carry-
ing larger stocks of food so that 1926 comparison with 1925 expense assumed is
somewhat higher than should be. We hope to keep 1927 total cost below \$8,000.

MONTHLY BASIS OF SALARIES PAID BY BANK
BY FUNCTIONS

(Minneapolis Only)

Function:	December 31, 1926				December 31, 1925			
	Officers		Employees		Officers		Employees	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
General Overhead-Controllable	2.15	\$ 5,968.86	2.21	\$ 586.05	2.15	\$5,116.70	2.51	\$ 381.89
Provision of Space			22.26	2,640.52			25.77	2,755.69
Provision of Personnel	.90	270.00	8.30	782.65	.90	270.00	9.40	880.26
General Service	1.00	330.06	59.55	6,408.72	1.00	330.07	68.40	7,121.23
Insurance	.10	33.34			.10	33.33		
Failed Banks	2.00	1,625.10	29.46	5,124.74	2.00	1,458.45	35.89	6,114.65
Loans, Rediscounts & Acceptances	.35	394.60	5.15	762.57	.35	365.35	6.34	899.36
Securities	.50	329.20	4.99	808.92	.90	423.39	4.06	618.05
Currency and Cash	.60	275.04	20.33	2,764.34	1.00	381.71	21.54	2,986.93
Check Collections	.65	195.00	67.69	6,955.44	.65	195.00	75.75	7,332.86
Non-Cash Collections	.25	75.00	19.25	1,793.46	.25	75.00	20.20	1,827.63
Accounting	1.00	750.00	19.34	2,542.37	1.00	636.70	20.30	2,661.56
Fiscal Agency	1.00	333.40	14.80	1,854.42	1.50	386.75	12.49	1,526.67
Auditing	1.00	541.70	7.87	1,232.00	1.00	541.70	8.85	1,338.60
Bank Relations	.75	385.02	.55	77.57	.75	385.02	.70	98.59
Federal Reserve Note Issues	.25	100.00	1.12	137.94	.20	100.00	.32	147.12
Bank Examinations	.65	310.46	3.59	701.42	.65	289.61	5.40	626.74
Statistical & Analytical	.85	375.42	3.37	577.24	.85	375.42	3.92	539.18
	14.00	10,292.20	290.35	30,549.47	15.00	19,392.20	318.92	37,857.18
Less Reimbursable Salaries	.86	291.70	5.53	711.15	.88	291.70	5.57	690.30
Salaries Paid by Bank	13.14	10,000.50	284.76	29,838.32	14.12	19,100.50	313.35	37,166.88

COMPARATIVE FUNCTIONAL STATEMENT
SHOWING NUMBER OF OFFICERS, NUMBER OF EMPLOYEES, AND EXPENSES
1926 - 1924
(MINNEAPOLIS ONLY)

	Number of Officers			Average Number Employees		
	1926	1925	1924	1926	1925	1924
General Overhead - Controllable	2.15	2.15	3.51	2.34	2.29	2.45
Provision of Space			.10	22.63	27.90	1.50
Provision of Personnel	.90	.90	.48	8.64	8.85	6.77
General Service	1.00	1.00	.87	64.02	73.42	79.81
Insurance	.10	.10	.17			
Failed Banks	2.00	2.00	2.84	29.06	36.74	43.48
Loans, Rediscounts & Acceptances	.35	.35	.73	5.64	7.78	14.29
Securities	.59	.90	.23	4.74	4.49	3.41
Currency and Coin	.68	1.00	.26	21.68	21.66	22.18
Check Collections	.65	.65	.65	72.98	78.41	88.49
Non-Cash Collections	.25	.25	.25	19.99	20.99	23.76
Accounting	1.00	1.00	1.32	19.84	21.50	23.39
Fiscal Agency	1.04	1.20	.53	12.24	13.90	30.77
Auditing	1.00	1.00	.50	9.08	9.59	10.62
Bank Relations	.75	.75	.67	.58	.44	.59
Federal Reserve Agent	.25	.25	.44	.77	.71	1.60
Bank Examinations	.65	.65	.71	3.89	3.81	4.50
Statistical and Analytical	.85	.85	.55	4.05	3.76	3.86
	<u>14.21</u>	<u>15.00</u>	<u>14.81</u>	<u>302.17</u>	<u>336.24</u>	<u>361.47</u>

	Expenses 1926	Expenses 1925	Expenses 1924
General Overhead - Controllable	\$ 64,395.51	\$ 55,247.60	\$ 62,587.97
General Overhead - Non-Controllable	95,526.65	89,391.57	63,233.42
Provision of Space	145,485.99	159,290.24	51,348.04
Provision of Personnel	20,268.00	19,020.31	17,960.68
General Service	77,998.70	82,675.76	78,166.86
Postage	34,436.86	32,896.33	41,314.60
Insurance	23,781.57	27,027.61	26,370.47
Failed Banks	137,385.24	163,674.01	178,167.74
Loans, Rediscounts & Acceptances	17,677.02	19,949.72	36,126.82
Securities	16,233.91	14,286.28	7,934.95
Currency and Coin	48,335.34	45,336.00	42,476.55
Check Collections	117,616.95	123,143.25	146,429.12
Non-Cash Collections	27,370.23	28,877.59	31,843.38
Accounting	49,633.69	51,805.14	55,099.28
Fiscal Agency	30,941.72	34,111.37	66,035.71
Legal	9,543.35	6,537.73	9,760.37
Auditing	24,603.75	24,480.47	23,611.38
Bank Relations	7,242.49	6,279.71	7,160.94
Federal Reserve Agent	2,841.11	2,769.31	6,589.73
Bank Examinations	24,014.97	29,329.37	29,908.31
Statistical and Analytical	16,685.61	14,879.16	14,260.01
	<u>\$989,918.66</u>	<u>\$1,031,008.53</u>	<u>\$996,386.33</u>
Total Current Expense	\$966,254.37	\$1,002,563.03	\$947,039.22
Total Reimbursable Expenditures	17,219.33	16,430.23	42,896.84
Protest fees (Paid to employees in lieu of salaries)	5,378.48	5,191.77	5,773.99
Stock of Supplies (Net Debit)	1,066.48	6,823.50	676.28
	<u>\$989,918.66</u>	<u>\$1,031,008.53</u>	<u>\$996,386.33</u>

FEDERAL RESERVE CLUB

Activities of the Club have been maintained along similar lines to those of 1925. The spirit shown by the employees has improved over former years and at the present time the membership of the club is 100 per cent.

There has been some broadening of the educational features and additional amusements have been provided in order that every member of the Club might be encouraged to take part in some branch of study or recreation that appealed to him or her. This is particularly true of the women of the bank who had been afforded less advantages than the men. The reduced number of requests for leave of absence on account of ill health may be attributed in part at least, to the recreation provided for club members.

While many educational features are provided, the more important elements are not furnished in the bank but through attending the various courses furnished by the American Institute of Banking and by night classes at the University of Minnesota. The fees charged are refunded to each employee obtaining the necessary credits. We have provided \$300 for educational refunds in 1927.

Our efforts to promote healthful sports have been helpful in developing interest in other institutions of the City. Our hockey team, which won the City Championship last season, created interest enough to form a Bank and Industrial league this season. Our Diamond Ball team has won the Championship in its division for several years and teams in other branches of sport have made excellent showings.

Some of the pleasures afforded the staff are now looked forward to annually and the competitive spirit is highly developed. As further evidence that the cooperative spirit continues, especially among the women, over 200 dolls were again supplied by the officers and dressed by the young ladies of the bank. These dolls, with candy and toys, were turned over to the Public Welfare Committees for distribution among the poor children of the City at Christmas.

Every three weeks a social gathering is held in the lounge room and the entertainment provided largely by club members. These meetings and others held outside the bank, have brought about a greater feeling of harmony in our organization.

The budget covering club activities is practically the same as for last year and is classified as follows:

Athletics	\$ 550.00
Welfare	200.00
House Committee	2,085.00
Educational refunds	300.00
Contingencies	125.00
	<u>\$5,250.00</u>
Less dues	575.00
To be provided by bank	<u>\$4,675.00</u>

GENERAL SERVICE FUNCTION

(Minneapolis Only)

General Service Function includes those activities of the bank, which, as the name implies, serves all the other functions.

Costs for the entire function were \$77,998.70 in 1926 as compared with \$82,675.76 in 1925, a decrease of \$4,677.06. Average number of employees in 1926 was 64 as compared with 73 in 1925.

Administration costs were \$6,057.61 in 1926 and \$7,614.99 in 1925; the decrease being accounted for by less employees in 1926.

Purchasing and Stock Room expense for 1926 was \$2,898.19 as compared with \$3,898.57 in 1925, a decrease of \$1,000 in cost. To this unit are charged all expenses for buying of supplies and maintaining the stock room.

Total telephone expense including toll charges, trunk lines and the maintenance of the interior telephone system was \$9,559.42 in 1926 and \$8,329.11 in 1925. Long distance toll charges increased from \$1,545.33 in 1925 to \$2,925.54 in 1926, of which \$1,100 was recovered from the War Finance Corporation. Under our plan of expense distribution these toll charges are redistributed to the unit or department incurring the expense. Other expenses however, show a slight decrease for 1926.

Maintenance of the mail unit which handles all outgoing and incoming mail, with the exception of registered mail, was \$6,745.47 in 1926 and \$7,931.93 for 1925, a decrease of \$1,186.46. This decrease was in salaries and supplies.

Handling registered mail and express cost \$2,842.45 in 1926 and \$2,946.14 in 1925.

Duplicating unit to which is charged expense of ditto work, photostatic pictures, addressograph and multigraph work cost \$4,513.93 as compared with \$4,297.55 in 1925.

Protection unit carries all expense incident to the protection and safeguarding of the property of the bank including the guarding of messengers while on the street. To this unit is also charged outside protection and burglar alarm service except when exclusively for Vault protection. Costs for 1926 were \$21,243.98 as compared with \$25,042.00 in 1925. The decrease in cost was a matter of allocation. Two guards whose salaries were charged to Protection unit in 1925 were charged to vault maintenance in 1926.

Vault maintenance unit expense for 1926 was \$3,710.62 as compared to \$664.72 in 1925. The increase was salaries \$2,740.00 and lock repairs and inspection \$300.00

Office Boys and Pages expense 1926 was \$3,592.60 and in 1925 \$3,721.26. Decreased expenses are due to fewer employees.

Automobile expense and maintenance was \$3,819.05 in 1926 as compared to \$3,878.78 in 1925.

Equipment repairs were \$4,826.38 in 1926 and \$4,594.93 in 1925. In 1926 two employees were assigned as compared with 1.6 in 1925.

Files and Old Records include all the expense of central filing division, custody of old records and destruction of old records. Expense in 1926 \$9,105.08 and in 1925 \$10,704.40. Decrease in number of employees due to eliminations and greater efficiency accounts for the saving.

Stenographic unit includes all the expense incident to the maintenance and operation of the Central Stenographic Department. All expenses of this unit are pro rated to the departments using the stenographic unit in proportion to the number of productive hours. Cost for 1926 was \$17,508.60 as compared with \$19,707.01. Decreased costs are due to fewer employees during the year.

AUDITING FUNCTION

(Minneapolis Only)

The first half of 1926 showed an increased expense for auditing of \$1,662 as compared to the last half of 1925, but was practically the same as the first half of 1925.

A decrease of \$1,640 came in the second half of 1926 as compared to the first half when one employee was released and not replaced. In December another employee was transferred to Closed bank work. Total expense of Auditing function for 1925 was \$24,480.47 in comparison with \$24,603.75 for 1926.

With the same volume in the bank for 1927 as in 1926 there should be a reduction in auditing costs. However, with the abolition of the post of Auditor at Helena Branch it will be necessary for Head Office Auditor to make at least two trips during 1927 to check up Helena Branch.

Securities held in the vault were counted twice during the year and the records verified direct with depository banks. There was an increase during the year of bonds deposited by banks to secure State, County and City funds. Securities left for safe-keeping will no doubt be heavily increased during 1927 due to the handling charge imposed by Twin City banks. Audit expense will also be increased for this reason.

Cash with tellers was counted six times and reserve cash twice. Bond tellers holdings were verified each month. In addition all shipments of securities and cash outgoing were verified and receipts secured. Where advices were received by the Auditing Department all incoming shipments were traced to the books, custody division, or until credit was given for the proceeds to the shipper.

Accounts on the General Ledger were checked daily, weekly or monthly. Daily check was maintained on earnings, expenses, differences and Helena Branch account.

All member and Federal Reserve Bank accounts were reconciled monthly and exceptions adjusted.

Three times during the year the books of the Closed Bank Division were balanced with the General Ledger and statements sent to the Receivers for verification. Exceptions disclosed were reported to the Closed Bank Division for adjustment.

Question as to propriety of some items in expense accounts of field representatives was raised by the Controller and it was agreed that the receivers should be furnished promptly with duplicates of all expense accounts. This method will serve to put the receivers on notice as to expenses incurred and eliminate possible objections at the time of closing up the trusts.

Comparative statement of costs of auditing for 1926 and 1925 follows:

COSTS AND NUMBER OF EMPLOYEES AUDITING FUNCTION 1926 and 1925

	<u>1926</u>	<u>1925</u>
Average number of officers	1.00	1.00
Average number of employees	9.08	9.59
Salaries officers	\$6,500.00	\$6,500.00
Salaries employees	17,300.83	17,039.22
All other expense (Stenographic services, office supplies, postage, traveling expense, etc.)	802.92 <u>24,603.75</u>	941.25 <u>24,480.47</u>

Comparison of auditing expense at Minneapolis with that of other Federal Reserve Banks of like size does not disclose any great discrepancies in cost.

DISCOUNT FUNCTION

(Including Helena Branch)

The amount rediscounted for member banks was \$129,512,000 more than in 1925 and \$121,534,000 in excess of 1924 but \$68,164,000 less than in 1923. The number of items discounted in 1926 was 1,022 in excess of 1925 but 15,099 less than in 1924.

Practically all of the increased volume of rediscounts over 1925 occurred in the last half of the year. For several years the total amount of discounted paper has been controlled largely by the borrowings of Twin City banks and these advances are made almost entirely on 15 day collateral loans. The average number of collateral loans handled monthly was only slightly greater than in 1925 but much higher in amount. In allotments of acceptances through the Investment Committee at New York, the total amount for 1926 was less than in 1925 but allotments were more uniform in volume throughout 1926. Towards the close of 1925 we were granted additional amounts in order that we might safely cover our requirements. At the present time allotments of acceptances and United States securities through the Investment Committee are given us in the same ratio that our estimated expense for the year bears to the total estimated expense of all Federal Reserve Banks after making due allowance for amounts earned within our own district.

The number of different banks served was 270 the smallest number of borrowers since 1918. In 1925 the number of different banks served was 290 and 476 in 1924. Michigan and South Dakota were the only states showing a less amount of borrowings in 1926 than 1925. Montana, Wisconsin and Michigan discounted a smaller number of pieces in 1926 than the previous year. Minnesota borrowings were \$130,055,000 in excess of 1925, North Dakota \$1,489,000, Montana \$316,000 and Wisconsin \$214,000. South Dakota borrowings were \$1,912,000 less than in 1925 and Michigan \$646,000.

Total cost of Function at Minneapolis was \$17,677.02 as compared to \$19,949.72 in 1925. Officers salaries increased \$375.00. Employees salaries decreased \$2,200 and other expense decreased \$447.48. Present functional costs will not be changed materially in 1927 as the present number

of persons could handle an increased volume of work. Our present methods of controlling maturities and earnings are such that very little time is consumed in adjusting errors in postings or in the earning calculations. Formerly the accounting covering daily purchases and sales of United States securities was handled under this function, but this has since been simplified and only entries covering our permanent investments and the earnings thereon are handled.

**COMPARATIVE STATEMENT SHOWING VOLUME OF WORK
NUMBER OF EMPLOYEES, SALARIES AND EXPENSES OF LOANS, REDISCOUNTS
AND ACCEPTANCES FUNCTION
(Minneapolis)**

	Number of notes rediscounted	Number of collateral notes discounted	No. of notes received as collateral to bills payable	No. of notes received as collateral to general line	Number of notes rebated	Number of pieces of paper purchased
First half 1926	4875	386	830	606	2522	2730
Second " "	5419	565	822	1195	3186	3348
Total	<u>9994</u>	<u>951</u>	<u>1652</u>	<u>1801</u>	<u>5708</u>	<u>6078</u>
Monthly average	833	79	137	150	459	507
First half 1925	4491	279	524	872	1816	5089
Second " "	4470	579	756	606	2702	3968
Total	<u>8961</u>	<u>858</u>	<u>1280</u>	<u>1478</u>	<u>4518</u>	<u>7057</u>
Monthly average	767	72	90	123	376	588

	Number of officers	Officers salaries	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	.35	2,567.50	5.06	5,051.48	1,260.63	8,879.61
Second " "	.35	2,567.50	5.42	4,788.52	1,861.59	9,017.61
Total		<u>4,735.00</u>		<u>9,840.00</u>	<u>3,122.22</u>	<u>17,677.02</u>
Monthly Average 1926		390.42		620.00	252.50	1,473.00
First Half 1925	.35	2,180.00	3.31	6,495.79	1,674.55	10,349.34
Second Half 1925	.35	2,180.00	3.60	5,546.43	1,674.95	9,601.33
Total		<u>4,360.00</u>		<u>12,042.22</u>	<u>3,349.50</u>	<u>19,749.72</u>
Monthly Average 1925		363.33		1,005.55	295.79	1,662.47

DISCOUNT OPERATIONS
MINNEAPOLIS AND HELENA BRANCH

Month	Number of Banks Served				Number of Items Received				Amount Rediscounted in M's			
	1926	1925	1924	1923	1926	1925	1924	1923	1926	1925	1924	1923
January	76	86	298	274	671	959	4,074	2,635	11,163 M	2,485 M	18,382 M	10,960 M
February	68	60	217	174	522	560	2,005	1,333	15,283	2,511	11,686	9,669
March	86	79	207	209	881	709	1,870	1,942	15,688	1,663	11,872	18,011
April	112	122	236	242	1,251	1,112	2,816	2,795	16,406	7,881	13,404	21,696
May	123	145	268	292	1,404	1,502	3,934	4,003	11,594	4,811	15,294	33,412
June	129	135	265	314	1,401	1,154	3,645	4,076	10,994	4,387	6,492	34,484
July	130	144	254	328	1,512	1,331	2,935	3,567	16,777	6,238	6,799	25,775
August	130	124	197	294	1,060	674	1,759	2,589	27,755	16,485	3,720	26,483
September	100	75	123	215	646	482	987	2,041	27,037	11,628	2,605	29,241
October	107	110	94	253	1,211	940	985	3,448	30,399	13,615	2,400	32,914
November	106	117	95	264	908	1,102	1,160	3,358	26,311	11,278	2,325	22,898
December	104	100	100	274	1,047	967	1,243	3,605	12,521	9,330	5,365	24,549
No. different Banks	270	290	476	559	12,514	11,492	27,413	35,392	\$221,888	\$92,374	\$100,354	\$290,052 M

VOLUME OF REDISCOUNTS

No. Pieces Rediscounted	North		South		Wisconsin	Michigan	Total
	Minnesota	Dakota	Dakota	Montana			
1926	5,006	1,959	3,755	1,569	140	83	12,514
1925	4,385	1,474	3,655	1,575	267	136	11,492
1924	8,928	5,504	7,450	4,838	601	92	27,413
1923	10,204	5,982	8,518	9,501	977	210	35,392
1922	13,655	6,633	11,014	14,403	1,750	478	47,933
1921	40,644	14,945	24,395	19,718	3,717	815	104,234
1920	36,268	8,546	12,939	13,032	2,108	382	73,275

Total Amount Rediscounted	North		South		Wisconsin	Michigan	Total
	Minnesota	Dakota	Dakota	Montana			
1926	\$303,958,580.27	\$ 4,913,712.19	\$ 6,411,060.36	\$ 2,108,395.56	\$ 2,427,638.68	\$ 2,069,900.00	\$221,888,687.06
1925	73,903,670.18	3,425,108.34	6,323,649.44	1,792,111.93	2,214,193.91	2,715,870.41	92,374,604.21
1924	64,093,222.03	12,029,840.01	13,450,287.56	7,472,950.36	2,079,395.33	1,228,878.58	100,354,573.87
1923	232,232,577.63	19,591,941.19	14,272,082.70	17,997,317.38	3,580,630.40	2,407,577.24	290,051,926.76
1922	97,456,500.79	20,768,013.06	27,885,394.41	28,370,089.12	10,352,811.38	8,181,334.45	193,014,143.21
1921	474,338,340.56	67,098,283.53	91,838,997.01	65,498,977.15	20,397,189.10	11,530,636.70	730,662,084.05
1920	735,151,853.61	50,331,395.64	87,875,616.47	53,592,374.96	19,516,346.19	6,924,176.23	953,391,763.10

CLOSED BANKS

The net amount due December 31, 1926, from Closed Banks was \$1,828,369.61 including advances made to protect our interests of \$13,092.78. Securing this liability was \$5,758,021.32 of paper.

Gross liability to us of all member banks which have closed to the end of 1926 has aggregated \$13,351,998.25 for direct loans and rediscounts and \$845,459.57 for transit items. One hundred thirty-one banks have settled in full having an original liability of \$5,973,500.74. These banks paid us in interest \$159,132.52 and reimbursed us for expenses incurred amounting to \$125,190.51. In addition, twenty-one other banks reopened from whom we recovered \$15,388.42 for expenses incurred and \$17,183.22 in interest. Collections have also been made in a number of cases covering the full amount of direct liability but no settlement will be made until sufficient additional has been collected to cover interest and expense.

Total net expenses for Closed Banks less recoveries but including direct overhead (salaries and office expense incurred) have aggregated \$494,956.70. No estimate has been made of the indirect expense equated by the failed bank situation.

Expenses of the Closed Bank Function for 1926 were \$137,385.24 as compared to \$163,674.01 in 1925, a decrease of \$26,288.77. The decrease is largely accounted for by decreased number of representatives at closed banks. This has been brought about by assigning several banks to one man and by bringing our claims to a condition at other points where it was satisfactory to turn the paper over to the receiver for collection. Traveling expenses have been materially reduced and all other expense items are lower with the exception of payments to officers.

Number of employees for 1926 was 29.06 as compared to an average of 36.74 for 1925.

In 1926 interest collected from Closed Banks making settlement was \$115,439.32 and expenses recovered \$84,772.97.

Collections for December were \$192,625.89. Four banks closed during the month with total liabilities to us of \$114,433.31. Eight banks settled during the month, paying \$17,813.92 in interest and reimbursing us for \$16,363.27 of collection expenses.

COMPARATIVE FUNCTIONAL EXPENSE

	<u>1926</u>	<u>1925</u>
Salaries-Officers	\$ 19,500.00	17,198.70
Salaries-Employees	56,269.56	69,804.58
Traveling Expenses	28,544.13	39,639.76
Printing, Stationery & Office Supplies	777.66	1,350.65
Telephone and Telegraph	928.87	1,232.42
Legal Fees - Outside Counsel	19,384.18	21,620.52
All Other	<u>11,983.84</u>	<u>12,827.38</u>
	\$ 137,385.24	\$ 163,674.01
Average number of officers	2.00	2.00
Average number of employees	29.06	36.74

CLOSED BANK EXPENSE TO DECEMBER 31, 1926.

BANK	ADDRESS	SALARIES	TRAVELING & MAINTENANCE	LEGAL	OTHER EXPENSE	OVERHEAD EXPENSE	TOTAL	RECOVERIES
<u>MINNESOTA</u>								
First National Bank	Alexandria	601.92	506.71		10.04	21.37	1,140.04	1,140.04
First National Bank	Balaton	101.87	103.30		2.40	62.62	270.19	270.19
First National Bank	Beaver Creek	267.58	168.99		83.47		520.04	520.04
First National Bank	Benson	1,026.75	561.03	84.50	363.52		2,035.80	
Farmers & Mer. National Bank	Cannon Falls	154.63	47.72		11.60		213.95	213.95
First National Bank	Detroit Lakes	46.55	64.14				110.69	
Farmers National Bank	Dodge Center	5,596.24	1,808.39	2,362.64	1,508.35		11,275.62	
First National Bank	Fulda	76.00			6.66		82.66	
First National Bank	Grey Eagle	44.88	151.51		38.38	118.58	353.35 A	
First National Bank	Glenwood	12.10	23.90		.35		36.35	36.35
First National Bank	Hallock		71.11		139.85		210.96	
First National Bank	Jasper	1,008.35	458.00		360.82		1,827.17	1,827.17
First National Bank	Lancaster	1,450.46	57.73		132.61		1,640.80	1,640.80
First National Bank	Minnesota Lake	52.17	55.42		.84	12.34	120.77	120.77
National Farmers Bank	Owatonna	289.33	88.65		47.80		425.78	425.78
First National Bank	Redwood Falls	158.32	59.80	75.10	44.43		337.65	337.65
First National Bank	Royalton	413.14	130.35		166.77		710.26	
First National Bank	St. Cloud	2,385.97	895.88	317.85	237.81		3,837.51	
Citizens State Bank	St. Pater	442.90	358.14		12.25	362.20	1,175.49	1,175.49
Farmers State Bank	Spring Valley	205.98	157.31	126.15	7.72	166.08	663.24	663.24
First National Bank	Ulen	219.07	189.02		89.70		497.79	497.79
First State Bank	Walnut Grove	739.80	356.99		76.51		1,173.30	1,173.30
First National Bank	Warren	759.84	512.69	135.60	204.90		1,613.03	
Warren National Bank	Warren	403.54	304.96	7.70	217.00		933.20	
First National Bank	Wells	1,283.65	379.34	715.98	298.43		2,677.40	2,677.40
Wells National Bank	Wells	409.65	116.23		145.49		671.37	671.37
Citizens National Bank	Worthington	657.96	382.27	40.00	13.55		1,093.78	1,093.78
		18,808.65	8,009.58	3,865.52	4,221.25	743.19	35,648.19	14,485.11

A - Waived in settlement - absorbed by us.

WISCONSIN

First National Bank	Alma	193.68	142.83		5.96	143.04	485.51	485.51
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C L O S E D B A N K E X P E N S E

<u>BANK</u>	<u>ADDRESS</u>	<u>SALARIES</u>	<u>TRAVELING & MAINTENANCE</u>	<u>LEGAL</u>	<u>OTHER EXPENSE</u>	<u>OVERHEAD EXPENSE</u>	<u>TOTAL</u>	<u>RECOVERIES</u>
<u>NORTH DAKOTA</u>								
First National Bank	Alexander	621.63	106.77	130.20	710.77		1,569.37	
Anamoose National Bank	Anamoose	108.49	84.25		157.69		350.43	
First National Bank	Beach	833.93	1,123.17	25.00	364.13	279.81	2,626.04	2,626.04
First National Bank	Bisbee	59.54	75.41		12.75	216.78	364.48	364.48
First National Bank	Brinsmade	93.75	66.74		4.22		164.71	164.71
Cando National Bank	Cando	1,320.35	793.86		923.89		3,038.10	
First National Bank	Cavalier	610.08					610.08	610.08
Citizens National Bank	Crosby	600.00	160.69	189.57	338.48	249.20	1,537.94	1,537.94
First National Bank	Crystal	1,912.69	1,079.09	100.00	554.62		3,646.40	
Dakota National Bank	Dickinson	76.37	119.51			57.26	253.14	253.14
First National Bank	Golva	2,091.29	1,318.55	204.86	2,312.98		5,927.68	
Citizens National Bank	Hankinson	46.16	48.13			45.27	139.56	139.56
Citizens National Bank	Jamestown	2,468.71	864.56		94.39	903.97	4,331.63	4,331.63
Farmers National Bank	La Moure	99.46	7.50		11.35		118.31	118.31
Cavalier Co. National Bank	Langdon	1,602.60	785.12	444.75	802.75		3,635.22	
First National Bank	Lansford	228.92	108.39			114.70	452.01	452.01
First National Bank	Lidgerwood	1,200.00	984.80		140.43	850.99	3,176.22	3,176.22
Merchants National Bank	Mandan	58.97	58.33		7.58	149.53	274.41	274.41
First National Bank	Marion	1,219.70	590.12	33.00	1,150.99		2,993.81	
First National Bank	Medina	7,216.64	1,627.70	871.47	3,111.51		12,827.32	
First National Bank	Mohall (1st suspension)	79.92	54.04		126.03		259.99	259.99 B
First National Bank	Mohall (2nd suspension)	1,132.79	851.23	111.50	524.25		2,619.77	
Oakes National Bank	Oakes	152.25	65.19		116.11		333.55	
First National Bank	Sentinel Butte	1,004.73	776.97	350.02	828.23		2,959.95	
First National Bank	Streeter	256.78	360.67		2.95		620.40	620.40
First National Bank	Tolley	876.12	738.21		514.38		2,128.71	
First National Bank	Tower City	511.39	101.17	101.00	1.00		714.56	714.56
First National Bank	Towner	60.68	417.65	813.37	18.22	494.99	1,804.91	1,733.94*
First National Bank	Turtle Lake	303.08	186.71	.75	22.40	122.04	634.98	634.98
First National Bank	Walhalla	225.00	256.93		5.00	69.87	556.80	556.80
Merchants National Bank	Willow City	153.72	86.51		11.35		251.58	251.58
First National Bank	Willow City	1,383.79	893.47	178.20	610.70		3,066.16	
Merchants National Bank	Wimbledon	6,222.02	446.96	2,172.53	1,324.38		10,165.89	
First National Bank	Woodworth	4,556.56	990.76	190.20	1,191.78		6,929.30	
		39,388.11	16,229.16	5,916.42	15,995.31	3,554.41	81,083.41	18,820.78

B - Recovered from first suspension.

* - Difference between total expense and expense recovered, waived in final settlement and absorbed by us.

CLOSER BANK REPORT

AD.	S.	SALARIES	TRAVELING & MINTANCE	LEGAL	OTHER EXPENSE	OVERHEAD EXPENSE	TOTAL	DEBIT
<u>SOUTH DAKOTA</u>								
First National Bank	Alexandria, S.D.	478.08	511.72		23.19	391.76	1,404.75	1,404.75
Big Stone City State Bank	Big Stone City, S.D.		10.80		1.27		12.07	12.07
First National Bank	Bridgewater, S. D.	46.39	70.74			8.96	126.09	126.09
Bank of Brookings	Brookings, S.D.	2,937.94	1,061.28	211.30	2,650.54		6,861.06	6,861.06
First National Bank	Brookings, S.D.	2,952.43	1,123.42	552.90	1,743.33		6,372.08	
First National Bank	Carthage, S. D.	397.01	261.34		295.97		954.32	
First National Bank	Castlewood, S.D.	642.38	815.51	882.58	227.94		2,568.41	2,568.41
Whitbeck National Bank	Chamberlain, S.D.	700.86	309.59		764.59		1,775.04	
First National Bank	Clear Lake, S.D.	746.71	362.89		548.51		1,658.11	1,658.11
First National Bank	Colman, S.D.	273.32	138.75		120.35		532.42	
De Smet National Bank	De Smet, S.D.	321.12	212.51		366.15		899.78	
First National Bank	Tikton, S.D.	54.82					54.82	
First National Bank	Wureka, S.D.		265.19	1,526.94	17.45		1,809.58	1,809.58
First National Bank	Frankfort, S.D.	421.65	71.30	267.30	532.22		1,292.47	
First National Bank	Gregory, S.D.	2,721.98	1,690.54	429.37	1,576.19		6,418.08	
Gregory National Bank	Gregory, S.D.	1,042.31	509.80		384.57		1,936.68	
Farmers & Merchants State	Hecla, S.D.	205.85	38.55		57.76		302.16	277.15
Peoples National Bank	Hot Springs	88.04	124.58	25.00	14.74		252.36	
First National Bank	Howard, S.D.	41.59	61.24		42.69		145.52	145.52
Howard National Bank	Howard, S.D.			128.60	96.26		225.06	
First National Bank	Huron, S.D.	7,114.79	3,906.88	4,401.01	1,959.85	17.	382.53	
Farmers National Bank	Lake Preston, S.D.	303.66	123.50	100.76	167.21		695.13	
First National Bank	Lake Preston, S.D.	819.10	395.68		37.23	38.90	1,290.91	1,290.91
First National Bank	McIntosh, S.D.	128.00	256.43		149.97		534.40	
First National Bank	Madison, S.D.	3,289.38	1,922.02	1,341.71	1,353.57		7,906.68	
First National Bank	Milbank, S.D.	438.46	217.87		137.47		793.80	
First National Bank	Mitchell, S.D.	2,525.33	435.83		433.82		3,394.98	3,394.98
Western National Bank	Mitchell, S.D.	1,340.18	1,128.73		331.13		2,800.04	2,800.04
First National Bank	Morristown, S.D.	1,276.16	810.79	502.03	178.98		2,767.96	
First National Bank	Oldham, S.D.	170.63	91.19		10.02	16.32	288.16	288.16
First National Bank	Onida, S.D.	947.12	408.89	290.50	560.87		2,207.38	
First National Bank	Parker, S.D.	115.38	113.15		10.44	54.43	293.40	293.40
Citizens Bank & Trust Co.	Rapid City, S.D.	536.67	593.24		57.87		1,187.78	1,187.78
Security Savings Bank	Rapid City, S.D.		66.82		5.50		72.32	72.32
First National Bank	Salem, S.D.	1,031.36	834.03		66.96		1,932.35	1,932.35

CLOSED BANK EXPENSE

BANK	ADDRESS	SALARIES	TRAVELING & MAINTENANCE	LEGAL	OTHER EXPENSE	OVERHEAD EXPENSE	TOTAL	RECOVERIES
Don Belt National Bank	Scotland, S.D.	1,896.32	2,484.97	2,373.43	311.95		7,066.67	
Sioux Falls National Bank	Sioux Falls, S.D.	473.34	248.41				721.75	721.75
Citizens National Bank	Sisseton, S.D.	315.38	241.59			572.43	1,129.40	1,129.40
First National Bank	Springfield, S.D.	1,920.20	1,282.12	3,647.56	36.56		6,886.44	6,886.44*
Bank Growers State Bank	Timber Lake, S.D.	1,097.24	369.29	226.45	578.12		2,271.10	1,363.08*
First National Bank	Veblen, S.D.	338.56	165.41		158.79		662.76	
First National Bank	Nauvay, S.D.	163.46	38.33		96.17		297.96	
First National Bank	Webster, S.D.	72.00	26.66		3.16	96.72	198.54	198.54
First National Bank	Wessington Springs, S.D.	3,658.25	1,701.96	561.95	1,615.85		7,538.01	
National Bank of Wess. Springs	Wessington Springs, S.D.	82.93	28.00		39.86		150.79	150.79
First National Bank	Winnier, S.D.	457.76	405.71		17.75		881.22	534.91*
Inner National Bank	Winnier, S.D.	305.83	181.15		188.57		675.55	675.55
First National Bank	Toonsocket, S.D.	613.83	279.75		425.44		1,319.02	
		45,503.80	26,398.15	17,469.59	18,396.83	1,179.52	108,947.89	36,885.15

ifference between expense incurred and expense recovered waived in final settlement and absorbed by us.

C L O S E D B A N K E X P E N S E

BANK	ADDRESS	SALARIES	TRAVELING & MAINTENANCE	LEGAL	OTHER EXPENSE	OVERHEAD EXPENSE	TOTAL	RECOVERIES
<u>MONTANA</u>								
Stillwater Valley Nat.	Absarokee, Mont.	684.23	539.73		170.86		1,194.82	1,194.82
First National Bank	Baker, Mont.	470.44	783.99		165.51	376.04	1,796.98	1,796.98
Ballantine State Bank	Ballantine, Mont.	285.10	350.05		25.25		658.38	658.38
State Bank of Belt	Belt, Mont.	373.27	536.26		26.96	347.12	1,083.61	1,083.61
Farmers National Bank	Big Sandy, Mont.	774.86	683.24	17.40	326.06		1,801.55	
First National Bank	Big Sandy, Mont.	299.51	162.55		328.95		790.81	790.81
American National Bank	Billings, Mont.	2,535.08	1,565.83	20.00	167.79		4,288.70	
First National Bank	Broadview, Mont.	1,836.57	1,592.37		492.12		3,721.06	
Stockmens State Bank	Browning, Mont.	3,435.31	1,259.85		535.10		5,228.26	
First National Bank	Carter, Mont.	504.46	95.94	15.71	445.50		1,061.41	1,061.41
First National Bank	Charlo, Mont.	478.29	377.05		13.25	91.08	959.67	959.67
First National Bank	Chester, Mont.	5,227.40	926.64	35.00	1,171.58		7,360.42	
First State Bank	Clyde Park, Mont.		17.86		3.60		21.46	21.46
Stockmens National Bank	Columbus, Mont.	576.97	442.89		157.59		1,177.45	1,177.45
Citizens State Bank	Culbertson, Mont.	74.92	99.05		.80	44.02	218.79	218.79
First National Bank	Cut Bank, Mont.	4,511.51	860.17	276.70	633.09		6,281.47	
Denton State Bank	Denton, Mont.	836.93	737.30	1.10	291.68		1,867.01	1,867.01
First National Bank	Dodson, Mont.	1,322.51	1,541.64	3.50	737.31		3,605.06	
Edgar State Bank	Edgar, Mont.	145.19	69.00		8.96		223.15	223.15
Farmers & Merchants State	Eureka, Mont.	278.46	265.38		43.41		545.25	545.25
First National Bank	Fairview, Mont.	951.26	516.06	155.23	96.08		1,718.63	
American National Bank	Forsyth, Mont.	18.78	29.04				47.82	47.82
Bank of Commerce,	Forsyth, Mont.	211.95	210.41		.80	108.14	531.30	531.30
First National Bank	Forsyth, Mont.	255.92	188.57		101.81	361.88	906.18	906.18
Stockmens National Bank	Fort Benton, Mont.	2,930.28	2,320.22	250.00	1,672.43		7,172.93	
First National Bank	Fresno, Mont.	173.19	147.40	11.00	128.21		459.80	
Commercial National Bank	Great Falls, Mont.	5,625.91	4,107.95	1,381.64	2,209.52		13,325.02	
Hardin State Bank	Hardin, Mont.	1,369.24	1,533.85	558.09	2,481.95		5,943.13	
First National Bank	Harlowton, Mont.	686.75	738.98	8.44	74.69		1,506.66	
Havre National Bank	Havre, Mont.	5,129.30	3,413.79	843.60	1,765.70		9,174.39	3,740.12
Banking Corporation of Mont.	Helena, Mont.				1.00		1.00	1.00
First National Bank	Highwood, Mont.	2,409.91	1,752.73	115.60	735.53		5,015.77	
Hingham State Bank	Hingham, Mont.	4,988.48	5,262.21	234.15	2,128.33		12,613.17	
First National Bank	Ingomar, Mont.	4,284.87	3,065.99	421.32	524.61		8,296.79	

C L O S E D B A N K E X P E N S E

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<u>BANK</u>	<u>ADDRESS</u>	<u>SALARIES</u>	<u>TRAVELING & MAINTENANCE</u>	<u>LEGAL</u>	<u>OTHER EXPENSE</u>	<u>OVERHEAD EXPENSE</u>	<u>TOTAL</u>	<u>RECOVERIES</u>
<u>MONTANA (CONTINUED)</u>								
Inverness State Bank	Inverness, Mont.	66.03	78.33		238.84		383.20	
First National Bank	Joplin, Mont.	181.00	243.65		8.32	63.78	496.75	496.75
First National Bank	Lambert, Mont.	434.93	385.84	30.00	71.60	115.69	1,038.06	1,038.06
Citizens National Bank	Laurel, Mont.	4,269.99	3,290.54	1,106.92	1,614.81		10,282.26	
First Nat. of Ferris Co.	Levistown, Mont.	4,228.80	2,890.88	1,361.21	1,907.24		10,388.13	10,388.13
Northwestern National Bank	Livingston, Mont.	454.91	413.67		22.85	276.54	1,167.97	1,167.97
First National Bank	Lodge Grass, Mont.	0	47.49		587.68	23.48	658.65	658.65
First National Bank	Malta, Mont.	648.12	374.25		750.06		1,772.42	
Commercial National Bank	Miles City, Mont.	2,255.67	1,467.51		410.15	2,521.75	6,655.08	6,655.08
American Bank & Trust Co.	Missoula, Mont.	796.13	1,497.35		140.97	904.89	3,339.34	3,339.34
First National Bank	Moore, Mont.	2,275.00	239.20		109.03		2,623.23	2,623.23
State Bank of Nashua	Nashua, Mont.	850.28	242.65		726.02		1,818.95	
First National Bank	Opheim, Mont.	525.61	856.71	83.20	22.65	181.07	1,669.24	1,669.24
First National Bank	Oswego, Mont.	543.46	798.74		123.51		1,465.71	1,465.71
First National Bank	Plentywood, Mont.	4,059.94	2,404.35	268.22	2,654.81		9,387.32	
State Bank of Plentywood	Plentywood, Mont.	169.98	50.23	5.00	123.45	499.26	847.92	847.92
First National Bank	Polson, Mont.	1,903.35	2,466.66	20.50	680.32		5,070.83	5,070.83
First National Bank	Poplar, Mont.	3,270.91	1,569.37	273.10	4,818.05		9,931.43	9,931.43
Stockmens National Bank	Poplar, Mont.	3,294.24	1,995.99	108.00	545.46		5,943.69	
First National Bank	Ronan, Mont.	561.62	941.10	48.50	48.90		1,600.12	1,600.12
Citizens State Bank	Roundup, Mont.	3,069.77	2,125.90	1,739.00	246.27		7,180.94	
First National Bank	Roundup, Mont.	2,675.33	1,429.92		87.12		4,193.37	4,193.37
Roundup National Bank	Roundup, Mont.	2,631.15	1,347.38	66.20	194.27		4,239.00	
First National Bank	Roy, Mont.	87.50	18.65				106.15	106.15
First National Bank	Rudyard, Mont.	873.76	639.73	111.50	758.03		2,383.02	
First National Bank	Savoy, Mont.	28.43	56.52		45.34	4.30	134.89	134.89
First National Bank	Shelby, Mont.	28.51	23.99		.76		53.26	53.26
First National Bank	Sidney, Mont.	1,594.07	741.28	579.21	825.00		3,739.56	3,739.56
Yellowstone Valley Bk. & Tr. Co.	Sidney, Mont.	5,756.17	3,068.22	3,220.41	955.84		13,000.64	
First National Bank	Stevensville, Mont.	596.25	796.64		44.16		1,437.05	1,437.05
American National Bank	Three Forks, Mont.	1,991.08	1,685.56	58.75	196.38		3,931.77	
First National Bank	Three Forks, Mont.	142.72	184.28		2.63		329.63	
First National Bank	Townsend, Mont.	62.02	74.15		21.00	4.00	161.17	
Willow Creek State Bank	Willow Creek, Mont.	2,386.61	1,901.05	14.00	200.87		4,502.53	
First National Bank	Wilsall, Mont.	503.02	710.27	6.00	218.58		1,437.87	

C L O S E D B A N K E X P E N S E

<u>BANK</u>	<u>ADDRESS</u>	<u>SALARIES</u>	<u>TRAVELING & MAINTENANCE</u>	<u>LEGAL</u>	<u>OTHER EXPENSE</u>	<u>OVERHEAD EXPENSE</u>	<u>TOTAL</u>	<u>RECOVERIES</u>
<u>MONTANA (CONTINUED)</u>								
First National Bank	Winifred, Mont.	278.92	165.30	241.99	159.30		845.51	
First National Bank	Winnett, Mont.	87.50	59.10				176.60	176.60
First National Bank	Wolf Point, Mont.	359.64	333.54		26.11		719.29	719.29
Security State Bank	Wolf Point, Mont.	38.77	31.50				70.07	70.07
TOTAL MONTANA		105,623.14	73,259.06	13,690.19	37,252.29	5,923.04	235,757.72	71,136.65
C Includes \$5000. A/C first suspension of which \$1500. was recovered.								
Minnesota.		18,808.65	8,009.58	3,865.52	4,221.25	743.19	36,648.19	14,485.11
Wisconsin		193.68	142.83		6.96	143.04	485.61	485.51
North Dakota		39,388.11	16,229.16	5,916.42	16,995.81	3,554.41	81,083.41	18,820.78
South Dakota		45,503.80	26,398.15	17,469.59	18,396.83	1,179.52	108,947.89	36,883.15
Montana		105,623.14	73,259.06	13,690.19	37,252.29	5,923.04	235,757.72	71,136.65
		209,517.88	124,048.78	40,941.72	75,871.64	11,543.20	461,922.72	141,811.20

CURRENCY AND COIN FUNCTION

District receipts of Currency were \$2,600,000 in excess of shipments during 1926. Receipts from and shipments to member banks were each in excess of 1925 by \$13,500,000. Receipts from non-member banks were \$3,170,964 in 1926 and \$237,271 in 1925, an increase of \$2,900,000. Shipments to non-member banks were \$2,370,230 in 1926 and \$2,172,170 in 1925, an increase of less than 10%.

At Minneapolis number of shipments to member banks in 1926 was 13,531 and to non-members 65. Shipments received from member banks 11,248 and from non-member banks 115. Shipments to non-member banks decreased 18 as compared to 1925 and shipments received decreased 23.

Monthly average of bills received and counted at Minneapolis increased from 2,670,526 in 1925 to 2,939,309 in 1926. As compared with 1924 a monthly average of 426,000 more bills were received and counted in 1926.

Total expense of currency Unit at Minneapolis increased \$1,382.74 and coin unit expense decreased \$383.40 although the monthly average of coins received and counted increased from \$743,700 in 1925 to 917,759 in 1926.

Administration costs of currency and coin function were \$4,401.96 in 1926 a decrease of \$1,000 as compared to 1925.

Currency receiving and sorting unit expense was \$26,792.32 in 1926 as compared to \$25,062.04 for 1925, an increase of \$1,730.28.

Currency - All Other unit is charged with all expenses of paying out, shipping to member, non-member and Federal Reserve Banks, cancellation of unfit currency and forwarding of unfit currency for redemption. This unit is also charged with the expense of preparing all reports and statistics and the custody of currency. Expense for 1926 was \$11,175.47 and \$10,518.03 in 1925.

Expense of handling coin was \$3,965.89 in 1926 and \$4,348.99 in 1925.

Increases and decreases in costs of the various units were almost entirely in salaries and overtime though due in part to variations in the allocation of expenses among the various units in different years.

Cost of handling currency in our receiving and sorting unit was 76 cents a thousand for 1926 with an average number of bills received and counted daily per employee of 7,475. In 1925 our cost was 78 cents

a thousand and the average number of units handled daily per employee 6,775. The poor condition of currency received from country banks has considerable bearing on the number of bills which may be handled per person in this bank.

Average daily number of bills received and counted per person for the Federal Reserve System according to the last available figures was 7,605 and the system cost 65 cents per thousand bills received and counted. Newer methods of bill sorting and counting should greatly increase the number of units handled per person and with materially lowered costs.

Careful study of our currency sorting unit with a view to increasing the efficiency was made in 1926. Early in December 1926 a revision was made of the merit plan and put in effect as of January 1, 1927. This plan is in the nature of a test and if found unsatisfactory, will be altered until the desired results are obtained. In 1926 currency sorters were paid a minimum of \$1,080.00 a year for which they were expected to handle 8000 bills a day. Increased skill was compensated for at the rate of \$100 a year for each 1,000 bills sorted a day above the minimum with the salary limit placed at \$1800.

The new merit plan is based on 45 cents a thousand bills for the sorting, putting up and proving of currency by hand, and for work done by machine 22½ cents per thousand bills. The resulting compensation will be approximately as follows:

<u>HAND WORK</u>		<u>Annual Pay</u>
8,000 bills per day at 45¢ per thousand		\$ 1,080.00
9,000 " " " " " "		1,215.00
10,000 " " " " " "		1,350.00
11,000 " " " " " "		1,485.00
12,000 " " " " " "		1,620.00

Each sorter will be required to sort a minimum average of 8,000 bills per day in order to remain in the department and will not be paid for more than an average of 12,000 bills per day.

<u>MACHINE WORK</u>		<u>Annual Pay</u>
18,000 bills per day at 22½¢ per thousand		\$ 1,215.00
20,000 " " " " " "		1,350.00
23,000 " " " " " "		1,485.00
24,000 " " " " " "		1,620.00
26,000 " " " " " "		1,755.00

Each sorter will be required to do a minimum average of 18,000 bills per day and will not be paid for more than an average of 26,000 bills per day.

Credits and debits will be given as follows:

<u>Credits</u>	
For each counterfeit or raised bill caught on the first sort	4,000 bills
<u>Debits</u>	
For mis-sort, any kind	3,000 bills
For difference, any kind	5,000 bills

While it is not the purpose of this system to encourage currency
 officers to attempt to do more than their experience will warrant, nor at
 any time to sacrifice accuracy for speed, yet it is an attempt to place this
 work upon an equitable basis and to encourage and pay for real ability in
 this line.

Total cost of operating Currency and Coin function in 1926 was
 \$46,335.34 an increase of \$999.34 over 1925. It should perhaps be explained
 here that this expense relates only to the handling of currency and coin.
 All printing costs of our notes, redemption expense and shipping charges are
 allocated to the Function-General Overhead Non-Controllable. These items
 are expenses over which we have only partial or no control. The table given
 describes the items and makes comparison of 1926 and 1925.

COST OF CURRENCY, GENERAL OVERHEAD NON-CONTROLLABLE
 (Minneapolis Only)

	<u>1926</u>	<u>1925</u>
Original cost of F.R. Notes in- cluding shipping charges	\$23,597.38	\$28,254.82
Cost of redemption of F.R. Currency in- cluding shipping charges	2,361.23	3,454.53
Shipping charges on Currency to Member Banks and from Member and Non-Banks	37,151.06	23,166.02
Shipping charges on coin to Member Banks and from member and non-member banks	6,880.58	7,447.44
Shipping charges on currency and coin be- tween Head Office and Branch	295.49	202.27
	<u>\$ 70,285.74</u>	<u>\$ 62,525.07</u>

(Helena Branch Only)

Shipping charges on currency to Member Banks and from Member & Non-member banks	\$ 4,917.22	\$ 6,621.66
Shipping charges on coin to Member Banks and from Member and Non-Member Banks	887.39	1,075.21
	<u>\$ 5,804.61</u>	<u>\$ 7,697.67</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH
CURRENCY SHIPMENTS TO AND FROM MEMBER AND NON-MEMBER BANKS

	1926		1925		Total No. of shipments received	Total No. of shipments sent
	Received From Member Banks	Shipped To	Received From Non-Member Banks	Shipped To		
January	1,089	854	13	19	1,102	873
February	837	972	3	26	840	997
March	1,007	1,135	16	30	1,023	1,165
April	1,245	1,032	5	25	1,250	1,057
May	1,075	1,092	12	20	1,087	1,112
June	1,059	1,436	14	26	1,073	1,462
July	1,247	1,251	12	25	1,259	1,276
August	1,199	1,304	11	35	1,210	1,339
September	1,083	1,613	4	46	1,087	1,659
October	1,060	1,643	4	54	1,064	1,697
November	967	1,406	5	32	972	1,438
December	1,103	1,756	16	37	1,119	1,793
Total	12,971	15,494	115	374	13,086	15,868

COMPTON DIV. STATEMENT OF COMPTON DIV. COIN DIVISION
 SHOWING NUMBER OF BILLS HANDLED, NUMBER OF EMPLOYEES, SALARIES
 AND EXPENSES 1926 - 1925
 (Minneapolis Only)

	Number of bills received and counted	Amount	Number of Officers	Officers Salaries
First Half 1926	17,063,261	\$91,354,500.	.77	\$1,916.62
Second " "	18,208,456	98,341,400	.60	1,650.08
Total 1926	35,271,717	189,695,900.		\$3,566.70
Monthly average	2,939,309	\$15,807,991		\$297.22

	Number of Employees	Employees salaries	Other Expense	Total Expense
First Half 1926	22.14	\$17,729.61	\$2,163.22	\$20,892.83
Second Half 1926	20.11	17,340.68	2,524.53	21,515.29
Total 1926		\$35,070.29	\$4,687.75	\$42,369.75
Monthly average		\$2,922.52	\$390.65	\$3,530.81

	Number of bills received and counted	Amount	Number of Officers	Officers Salaries
First Half 1925	15,778,910	\$81,923,900.	1.00	\$2,289.96
Second Half 1925	16,267,400	88,515,600.	1.00	2,289.96
Total 1925	32,046,310	170,439,500		\$4,579.92
Monthly average	2,670,526	\$14,203,292.		\$381.66

	Number of Employees	Employees salaries	Other expense	Total expense
First Half 1925	20.10	\$16,055.62	\$2,039.74	\$18,095.36
Second Half 1925	20.49	16,010.63	2,301.10	18,311.73
Total 1925		\$32,066.25	\$4,340.84	\$36,407.09
Monthly average		\$2,672.19	\$361.74	\$3,033.93

COIN

	Number of coins received and counted	Amount	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	6,579,558	\$1,832,724.00	1.20	\$954.99	\$930.20	\$1,885.19
Second Half 1926	4,435,558	1,656,811.00	1.12	892.49	1,187.21	2,089.70
Total 1926	11,015,116	\$3,489,535.00		\$1,847.48	\$2,117.41	\$3,964.89
Monthly average	917,759	\$290,794.58		\$153.96	\$176.51	\$330.47
First Half 1925	4,545,512	\$1,562,657.00	1.35	\$1,171.22	\$641.09	\$1,812.31
Second Half 1925	4,561,009	1,824,052.00	1.60	1,158.40	1,178.28	2,336.68
Total 1925	9,106,521	\$3,386,709.00		\$2,329.62	\$1,819.37	\$4,148.99
Monthly average	745,700	\$285,890.75		\$194.15	168.28	\$362.43

COMBINEDCURRENCY RECEIPTS FROM AND SHIPMENTS TO MEMBER AND NON-MEMBER BANKS BY MONTHSFEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>RECEIPTS</u>		<u>SHIPMENTS</u>		<u>TOTAL RECEIPTS</u>		<u>TOTAL SHIPMENTS</u>	
	From Member Banks	From Non-Member Banks	To Member Banks	To Non-Member Banks	1926	1925	1926	1925
January	\$ 15,263,552	\$ 287,859	\$ 10,589,505	\$ 97,672	\$ 15,551,411	\$ 16,546,563	\$ 10,687,177	\$ 10,606,462
February	12,594,194	237,946	12,293,675	96,399	12,832,140	11,182,346	12,390,074	12,088,880
March	15,061,141	304,179	14,590,455	170,265	15,365,320	12,930,830	14,760,720	12,754,200
April	16,437,545	241,373	15,164,097	127,020	16,678,918	15,805,125	15,291,117	12,102,065
May	15,529,172	107,457	14,319,957	101,304	15,636,629	13,851,495	14,421,261	12,758,247
June	14,964,032	234,546	15,108,725	111,500	15,198,578	13,392,347	15,220,225	15,022,800
July	16,708,733	250,278	15,350,425	217,531	16,959,011	15,346,684	15,567,956	13,280,966
August	15,361,376	255,769	15,053,468	305,688	16,117,145	13,656,684	15,359,156	14,890,580
September	16,141,047	252,885	17,168,588	254,404	16,393,932	14,311,855	17,422,992	18,773,155
October	15,820,777	312,003	19,531,338	440,997	16,132,780	16,466,691	19,972,335	16,585,386
November	14,840,553	346,412	17,070,150	240,120	15,186,965	12,937,667	17,310,270	16,103,800
December	17,263,359	340,257	18,462,965	207,330	17,603,616	16,768,066	18,670,295	18,246,902
Total 1926	\$ 186,485,481	\$ 3,170,964	\$ 184,703,348	\$ 2,370,230	\$ 189,656,445		\$ 187,073,578	
Total 1925	172,959,062	237,271	171,141,273	2,172,170		\$ 173,196,333		\$ 173,313,443
Total 1924	150,445,955	248,655	171,166,734	1,383,269		150,694,610		172,550,003
Total 1923	147,591,375	132,610	137,867,840	2,753,003		147,723,985		140,620,843
Total 1922	113,325,000	131,000	105,117,000	2,047,000		113,456,000		107,164,000
Total 1921	132,189,000	249,000	89,296,000	1,020,000		133,038,000		90,316,000
Total 1920	64,332,000	528,000	78,616,000	380,000		64,860,000		78,996,000

INTERDISTRICT MOVEMENT OF FEDERAL RESERVE NOTES

Amounts of Federal Reserve Notes received from and returned to each other Federal Reserve Bank for redemption or credit.

Received from Federal Reserve Bank of													
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Boston	31,600	14,200	21,000	17,600	17,500	34,100	35,600	29,500	40,300	31,800	27,100	21,800	322,100
New York	194,300	145,100	150,300	161,300	141,700	155,800	145,800	179,100	245,600	212,800	188,400	105,800	2,026,000
Philadelphia	26,000	11,000	20,500	15,500	15,000	35,500	30,500	25,000	25,500	33,000	25,500	19,500	282,500
Cleveland	102,500	58,000	62,500	41,000	46,500	67,000	55,000	72,500	66,000	60,500	68,000	56,500	756,000
Richmond	21,000	12,000	17,000	12,500	17,500	15,000	12,000	12,500	11,000	15,000	17,000	8,000	170,500
Atlanta	64,500	43,000	58,500	132,800	42,500	38,500	29,000	30,000	19,500	39,900	20,000	30,500	548,700
Chicago	1,504,500	911,000	1,062,500	692,000	846,000	931,500	887,000	905,500	1,126,000	1,012,000	1,021,500	801,000	11,700,500
St. Louis	87,600	56,200	71,300	55,800	53,100	57,700	45,300	51,100	61,200	62,100	59,300	64,900	725,600
Kansas City	243,200	165,300	200,500	211,300	147,900	172,200	164,800	161,900	209,300	224,300	200,800	201,500	2,303,000
Dallas	45,800	32,900	30,500	29,100	21,800	19,700	32,700	20,000	21,000	22,300	26,500	32,400	334,700
San Francisco	572,400	322,600	415,000	375,600	330,200	291,400	357,900	363,000	383,900	395,600	422,000	366,800	4,495,400
Total Rec.	2,893,400	1,771,300	2,109,600	1,744,500	1,579,700	1,818,400	1,795,600	1,850,100	2,209,300	2,109,300	2,076,100	1,707,700	23,665,000
Shipped to Federal Reserve Bank of													
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Boston	36,700	15,500	19,200	28,000	16,900	21,800	27,000	20,900	35,800	26,200	25,100	18,400	291,500
New York	99,800	43,700	56,200	70,700	57,700	78,400	95,400	77,000	118,500	82,700	83,100	79,000	942,200
Philadelphia	34,600	14,900	19,200	23,600	15,400	22,000	23,900	18,700	28,300	21,000	19,300	16,200	257,100
Cleveland	117,500	58,200	61,200	64,800	56,900	81,800	102,600	91,100	127,800	93,700	86,600	80,900	1,023,100
Richmond	13,700	9,400	10,400	10,300	8,800	11,600	16,400	11,500	15,200	11,500	15,500	10,000	144,300
Atlanta	28,300	17,500	21,900	32,900	31,800	43,300	49,100	35,000	42,100	29,700	32,000	24,900	388,500
Chicago	601,000	359,200	401,800	485,100	387,900	559,600	704,400	676,000	849,200	635,900	682,300	704,800	7,047,200
St. Louis	21,800	16,000	15,000	15,900	13,000	20,700	28,900	24,500	44,600	26,100	27,800	23,200	277,500
Kansas City	162,300	89,700	110,900	128,000	81,700	112,700	129,300	144,400	199,000	132,800	128,900	126,300	1,546,000
Dallas	16,400	10,600	30,000	12,800	13,200	12,100	20,200	32,800	19,700	11,100	13,000	10,300	202,200
San Francisco	258,500	128,900	128,500	200,000	136,900	202,400	258,700	197,400	297,000	227,700	217,900	200,900	2,454,800
Total-Shipped	1,390,600	762,600	874,300	1,072,100	820,200	1,166,400	1,455,900	1,329,300	1,777,200	1,298,400	1,331,500	1,294,900	14,574,400

COUPON UNIT

(Minneapolis Only)

Only Government coupons are handled by this unit. All other coupons are handled by the Non-Cash Collection function.

During 1926, the coupon unit handled 932,472 coupons aggregating \$10,377,422 as compared with 1,006,652 having a value of \$10,462,801 in 1925.

In 1919 the number of coupons handled was 5,192,960 having a value of \$14,366,129. In seven years the number of coupons has dropped 4,260,478 and the value \$3,978,707.

COMPARATIVE STATEMENT COUPONS HANDLED BY YEARS

	<u>Number of Coupons</u>	<u>Amount</u>
1926	932,472	\$10,377,421.41
1925	1,006,652	10,462,801.12
1924	1,226,066	10,477,787.24
1923	1,746,776	11,573,994.91
1922	2,426,202	11,296,289.24
1921	3,569,452	14,246,797.18
1920	5,069,141	16,418,890.21
1919	5,192,960	14,366,129.76
1918	1,669,867	4,320,945.28
1917	45,000	126,615.27

There is a wide variation in handling costs among Federal reserve banks for Government coupons. In the last half of 1925 our handling cost was 23.7 cents per thousand as compared with the system cost of 20 cents. At that time we were the third highest in cost.

The last comparative figures for 1926 available show a system cost of 20.9 cents per thousand. Minneapolis at that time had a handling cost of 23.7 cents per thousand. Only Cleveland was a lower cost.

Analysis of this report shows that in Minneapolis an average of 1965 coupons per day per employee are handled as compared with 1250 coupons per employee per day for the system.

Total cost of coupon unit for 1926 was \$2,344.22 as compared with \$3,165.49 for 1925.

COMPARATIVE STATEMENT EXPENSE PER NUMBER OF COUPONS HANDLED,
NUMBER OF EMPLOYEES, SALARIES AND OTHER EXPENSES
1926 - 1925
(Minneapolis Only)

	<u>Number of Coupons Handled</u>	<u>Number Of Employees</u>	<u>Employees Salaries</u>	<u>Other Expense</u>	<u>Total Expense</u>
First Half 1926	466,232	1.66	\$ 936.47	\$157.25	\$1,133.72
Second Half 1926	467,150	1.70	1,026.67	153.82	1,180.49
Total 1926	932,472		\$2,063.14	\$311.07	\$2,344.22
Monthly Average	77,706		168.59	26.76	195.35
First Half 1925	520,906	2.47	1,578.62	132.67	1,711.09
Second Half 1925	485,747	2.04	1,510.41	165.98	1,674.39
Total 1925	1,006,652		\$3,089.03	\$298.65	\$3,165.49
Monthly Average	83,888		240.74	24.71	265.45

COLLATERAL UNIT
(Minneapolis Only)

During 1926 number of pieces placed in and taken out of the reserve vault decreased 8,239 as compared with 1925. Bond sales were 1,305 for an aggregate of \$46,713,550 as compared with 1298 for \$42,342,450 in 1925.

Transactions in trust receipts issued and cancelled were 570 for 1926, mostly with State, County and Municipal Treasurers. Figures for 1925 include interdepartmental receipts which practise was discontinued in 1926.

No changes of importance were made in the handling of collateral during 1926. Mr. W. C. Langdon, Vault Officer resigned early in 1926 and his place was filled by the assignment of an employee to his duties.

All incoming securities are delivered to the collateral teller and after proper entries have been made, are delivered to the vault custodians for vaulting. Securities are taken from the vault only on signed requisitions and are delivered to the collateral teller who receipts for the same. He in turn delivers the securities to the registered mail teller for shipment; to the Fiscal Agency Department for exchange or conversion or to the owner or his authorized representative.

The Auditing Department each day takes the requisitions from the vault officer and follows through the securities delivered to the collateral teller to see that they are disposed of in accord with the owner's instructions.

The collateral teller, upon receipt of instructions to sell securities, requisitions the same from the vault and delivers the securities to the purchaser. The actual details of the sale are handled by another division of the bank who instruct the collateral teller as to the disposition of the securities.

On January 1st, Twin City banks put into effect a charge for handling customers' securities. This action will no doubt influence member banks to place their securities with us and we should expect a material increase in the cost of operating this unit.

COMPARATIVE STATEMENT OPERATIONS COLLATERAL DEPARTMENT
(Minneapolis Only)

	1926		1925	
	Number	Amount	Number	Amount
Bond Sales	1305	\$46,713,550	1298	\$42,342,450
Pieces Placed in reserve vault	22480	74,669,773	31678	68,721,579
Pieces taken out of reserve vault	23040	84,794,268	22081	84,770,436
Coupons clipped	35634	2,363,595	45316	2,720,730
Trust receipts issued	361	10,457,966	674	47,659,243
Trust receipts cancelled	209	9,368,877	441	37,994,792

ACCOUNTING FUNCTION
(Minneapolis Only)

There was a marked decrease in work of this function during 1926 as compared with 1925. Number of entries to the General Ledger show a drop of from 300 to 2300 a month as compared with the same months in 1925. The same is true of entries for the Federal Reserve Books. The Member Bank ledgers had from 800 to 5,000 less entries for corresponding months of 1926 as compared with 1925.

Average daily balances maintained by member banks decreased \$2,400,000. as compared with 1925 but were \$1,000,000 in excess of 1924. The highest point of member bank deposits for Head Office was \$50,568,120.13 on January 19 and the lowest November 13 when deposits were \$40,100,532.99. For the entire district the highest point was January 12 when deposits were \$56,686,133.58 and the lowest point June 3, 1926, when they fell to \$45,505,455.89.

Only Atlanta of the Federal Reserve Banks shows a lower expenditure for the accounting function than Minneapolis.

Total cost of accounting function for 1926 was \$49,633.69 as compared to \$51,805.14 for 1925. Average number of officers and employees for 1926 was 20.84 as compared to 22.50 in 1925.

In the preparation of the Functional Expense for the Federal Reserve Board few changes were made in 1926. The report was somewhat simplified and the comparative reports sent out only twice a year in place of quarterly.

Many difficulties encountered in 1924 and 1925 in the allocation of various expenses were adjusted in 1926. It is believed that the reports are now being compiled along the same lines in all Federal Reserve Banks.

The original purpose of the Functional Expense Report was to furnish all the banks with a standard by which they could analyze their own expenses with a view to greater economy and efficiency. Closely allied with the Functional Expense Analysis has been the budget system introduced at Minneapolis in 1925.

Each quarter departmental heads are furnished with an analysis of their expenses for the quarter and the balance unexpended of each budget item. This enables the department head to eliminate waste and puts him on notice if his expenses are exceeding the budget allotted.

**COMPARATIVE STATEMENT
ACCOUNTING FUNCTION
1926 - 1925
(Minneapolis Only)**

	<u>ADMINISTRATION</u>		<u>GENERAL BOOKS</u>		<u>MEMBER BANK ACCOUNTS</u>	
	No. of Officers and employees	Expense	Number of employees	Expense	Number of employees	Expense
First Half 1926	1.57	\$ 5,417.86	4.40	\$ 5,109.69	6.11	\$ 4,041.28
Second Half 1926	1.50	5,292.15	3.93	4,445.15	5.68	3,797.62
Total 1926		\$10,710.01		\$ 9,554.84		\$ 7,838.90
Monthly average		\$ 892.50		\$ 796.24		\$ 653.24
First Half 1925	1.80	\$ 5,177.23	5.12	\$ 5,852.24	6.33	\$ 4,279.35
Second Half 1925	1.80	4,991.26	4.93	5,507.18	5.60	3,705.45
Total 1925		\$10,168.49		\$11,359.42		\$ 7,984.80
Monthly average		\$ 847.37		\$ 946.62		\$ 665.40

	<u>FEDERAL RESERVE BANK ACCOUNTS</u>		<u>EXPENDITURES</u>		<u>PLANNING</u>	
	Number of employees	Expense	Number of employees	Expense	Number of employees	Expense
First Half 1926	3.86	\$4,429.44	2.78	\$2,960.59	.09	\$92.37
Second Half 1926	3.53	4,020.97	2.65	2,015.78		
Total 1926		\$8,450.41		\$5,976.37		\$92.37
Monthly average		\$ 704.20		\$ 499.03		\$ 7.70
First Half 1925	3.57	\$3,909.04	2.53	\$2,374.94	.12	\$251.08
Second Half 1925	3.30	4,159.41	2.36	2,741.62	.10	114.16
Total 1925		\$8,068.45		\$5,722.93		\$365.24
Monthly average		\$ 672.44		\$ 478.91		\$ 30.44

RESERVE POSITION

Our excess reserves at the close of December, 1926, were higher than at any time since March 1. The total amount of excess reserve was \$46,817,000 and the percentage of reserve to combined deposit and note liability was 76. The highest point our reserve percentage reached during 1926 was 83.2 per cent on March 24, on which date we had an excess over requirements of \$54,623,000. The lowest percentage of reserve reached during the year was 60.3 on October 20, and the amount of funds available over requirement was \$26,399,000.

On March 12, 1926, our total gold holdings were \$97,746,000, a mark that had not been reached since 1924. Gold holdings at the close of 1926 were \$89,969,000 or \$4,624,000 in excess of the gold held on December 31, 1925. The holdings of the bank increased \$1,700,000 during the year and those of the Agent increased \$3,119,000. The variations in the Agent's gold fund were considerable, at one time dropping from \$48,000,000 to \$31,000,000 in a month. The largest balance held by the bank in Gold Settlement Fund was \$23,500,000 in November. Balance held by the Agent will always be relatively high on account of the 40 per cent gold reserve which he must hold against note circulation.

In districts where the borrowings of country banks predominate, gold holdings are affected less than in our case. Most of our advances for some time have been short-time loans to Twin City banks and each advance or payment is followed by a corresponding change in our Gold Fund. In addition, the allotments and payments for allotments of acceptances and United States securities are covered daily through transactions in the Gold Fund.

Deposits of member banks for the year have ranged from an average of \$53,516,000 held in January, to \$47,980,000 held in September. The low monthly average for 1925 was \$50,705,000 in August and the high average \$56,502,000 in January. On December 31, 1926, deposits were \$50,757,000, or a reduction of \$2,159,000 for the year. Corresponding balances were lower for all states of our district with North Dakota member balances showing the greatest reduction.

STATEMENT OF INVESTMENTS HELD DECEMBER 31, 1926

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount (Par Value)</u>
First Liberty Loan $4\frac{1}{2}\%$ Bonds	1932-1947	$4\frac{1}{2}\%$	\$ 786,200.
Second Liberty Loan $4\frac{1}{2}\%$ Bonds	1927-1942	$4\frac{1}{2}\%$	3,058,750.
Third Liberty Loan $4\frac{1}{2}\%$ Bonds	1928	$4\frac{1}{2}\%$	10,000.
Fourth Liberty Loan $4\frac{1}{2}\%$ Bonds	1933-1938	$4\frac{1}{2}\%$	3,451,300.
U. S. Treasury Bonds	1944-1954	4	165,900.
U. S. Conversion Bonds	1946	3	3,200.
U. S. Conversion Bonds	1947	3	111,600.
U. S. Panama Bonds	1961	3	600.
U. S. Panama Bonds	1936-1938	2	250.
Participation in Federal Reserve System			
Special investment account:			
U. S. Securities - - - - -			9,471,500.
Total U. S. Securities - - - - -			<u>\$17,039,210.</u>
Federal Intermediate Credit Bank Debentures			
Federal Intermediate Credit Bank, Louisville, Ky.			\$ 600,000.
$4\frac{1}{2}\%$ Due 2-15-1937			

GOLD HOLDINGS OF THE BANK AND FEDERAL
RESERVE AGENT AT CLOSE OF BUSINESS DECEMBER
31, 1926, AS COMPARED WITH DECEMBER 31, 1925.

	<u>Held by Bank</u>	
	<u>1926</u>	<u>1925</u>
Gold Coin	\$ 3,222,345.	\$ 3,273,640.
Gold Certificates	3,650,500.	3,631,000.
Gold Settlement Fund	20,483,291.	18,759,943.
Gold Redemption Fund	<u>2,073,830.</u>	<u>2,059,267.</u>
Total Gold Held by Bank - - - - -	\$ 29,429,966.	\$ 27,723,850.
	<u>Held by Agent</u>	
	<u>1926</u>	<u>1925</u>
Gold Coin	\$ 3,455,000.	\$ 3,000,000.
Gold Certificates	10,052,000.	10,052,000.
Gold with F. R. Board	46,000,000.	42,000,000.
Gold Redemption Fund	<u>1,031,890.</u>	<u>2,367,840.</u>
Total Gold with F.R. Agent - - - - -	\$ 60,538,890.	\$ 57,419,840.
Combined Gold Holdings - - - - -	\$ 89,968,856.	\$ 85,143,690.

DAILY AVERAGE MEMBER BANK BALANCES BY MONTHS 1926
'000 omitted.

	<u>1926</u>		<u>1925</u>
January	\$ 53,516 M	January	\$ 56,502 M
February	52,285	February	55,236
March	52,272	March	55,772
April	51,171	April	53,049
May	50,294	May	50,847
June	50,583	June	52,568
July	49,790	July	51,578
August	47,980	August	50,705
September	48,654	September	52,535
October	49,915	October	52,555
November	51,195	November	55,664
December	50,500	December	53,789

Daily Average Balances for 1926 \$50,670 M
" " " " 1925 53,076
" " " " 1924 49,600
" " " " 1923 47,813
" " " " 1922 44,451
" " " " 1921 41,535

MEMBER BANK RESERVE BALANCES BY STATES
AT CLOSE OF BUSINESS DECEMBER 31, 1926.
'000 omitted.

	<u>1926</u>		<u>1925</u>		<u>1924</u>
Michigan	\$ 2,815 M	Michigan	\$ 2,951 M	Michigan	\$ 3,110 M
Minnesota	31,660	Minnesota	32,469	Minnesota	35,091
Montana	6,307	Montana	6,371	Montana	6,343
North Dakota	4,173	North Dakota	4,807	North Dakota	4,834
South Dakota	3,535	South Dakota	3,956	South Dakota	4,275
Wisconsin	2,267	Wisconsin	2,362	Wisconsin	2,289
	<u>\$ 50,757</u>		<u>\$52,916</u>		<u>\$ 55,940</u>

DEFICIENT RESERVE PENALTIES

	<u>Minneapolis (1926)</u>	<u>Helena (1926)</u>	<u>Combined</u>	<u>1925</u>
Total Penalties for 1926	\$11,810.64	\$4,662.48	\$16,473.12	\$17,414.50
No. of Banks Penalized	156	62	218	233
Highest Penalty Rate	6%	6%		6%
Highest Point Member Bank Reserves	(Jan. 19) \$50,568,120.13	(Nov. 24) \$6,497,882.16	(Jan. 12) \$56,686,133.58	(March 18) \$58,245,917.21
Lowest Point Member Bank Reserves	(Nov. 13) \$40,100,532.99	(June 1) 4,785,643.61	(June 3) 45,505,455.89	(July 30) 46,637,021.04

TRANSFER AND CODING UNIT

(Minneapolis Only)

Total transfers handled during 1926 were 55,734 as compared with 55,056 in 1925. Total expense for 1926 was \$9,220.50 as compared with \$10,731.91 for 1925.

Wire transfers handled in 1926 were 27,013 aggregating \$1,990,869,000 as compared with 25,443 aggregating \$2,052,987,000 in 1925. Incoming wire transfers increased 1913 and outgoing decreased 343 during 1926 as compared with 1925. Incoming wire transfers were the largest in amount in the history of the bank, while outgoing wire transfers were the smallest in amount since 1923.

The following statement indicates the fluctuation in the work of the unit during the past seven years:

WIRE TRANSFERS HANDLED

<u>Number</u>	<u>Outgoing</u>		<u>Number</u>	<u>Incoming</u>	
	<u>Number</u>	<u>Amount</u> (000 omitted)		<u>Number</u>	<u>Amount</u> (000 omitted)
1926	10,174	\$ 609,695	16,839	\$ 1,381,174	
1925	10,517	696,093	14,926	1,376,894	
1924	11,943	700,576	14,561	1,344,636	
1923	10,062	546,123	14,667	1,079,866	
1922	9,850	550,036	13,166	1,002,866	
1921	9,249	398,676	10,395	861,453	
1920	8,557	550,429	7,543	813,859	

Transfers for the Five Per Cent Fund of National Banks decreased 776 in number but increased in amount \$2,363,485 during 1926 as compared with 1925.

Average number of employees in 1926 4.57 as compared with 5 in 1925. Number of messages coded and decoded in 1926 was 18,342 as compared with 21,610 in 1925 and 24,300 in 1924.

It is interesting to note that during the first six months of 1926 Minneapolis sent a less number of words over the leased wire than any other Federal Reserve Bank. This can in part be accounted for by the fact that at Minneapolis all messages are put in code by the Coding Unit, materially reducing the cost.

Messages to Helena Branch are sent over the outside wire as we have no leased wire to the Branch. Helena messages are invariably coded, materially reducing our telegraph tolls. Our coding expense is higher than other Federal Reserve Banks with like volume of work according to the last available comparative report.

**COMPARATIVE STATEMENTS SHOWING NUMBER AND AMOUNT OF TRANSFERS MADE
NUMBER OF EMPLOYEES, SALARIES AND OTHER EXPENSES
(Minneapolis Only)**

	Number of transfers made other than for 5% fund of national banks. (wire and mail)	Amount	Number of transfers for 5% fund of national banks	Amount
First Half 1926	19175	\$1,161,235,572.00	8202	\$6,582,430.00
Second Half 1926	<u>20338</u>	<u>1,283,279,750.00</u>	<u>8019</u>	<u>6,151,255.00</u>
Total 1926	39513	\$2,444,515,322.00	16221	\$12,733,685.00
Monthly average	3292	\$ 203,709,610.00	1351	\$ 1,061,140.41
First Half 1925	17,303	\$1,189,990,387.00	8,274	\$ 3,723,500.00
Second Half 1925	<u>20,751</u>	<u>1,330,979,166.00</u>	<u>8,723</u>	<u>6,646,900.00</u>
Total 1925	38,059	\$2,520,969,573.00	16,997	\$10,370,200.00
Monthly average	3,172	\$ 210,080,798.00	1,416	\$ 864,183.33

	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	2.59	\$1,639.43	\$1,745.25	\$3,384.68
Second Half 1926	<u>3.00</u>	<u>\$1,612.44</u>	<u>\$1,613.67</u>	<u>\$3,226.11</u>
Total 1926		\$3,451.87	\$3,558.92	\$7,010.79
Monthly average		287.65	\$ 296.57	\$ 584.23
First Half 1925	3.21	\$2,261.79	\$1,607.23	\$3,869.02
Second Half 1925	<u>3.33</u>	<u>2,219.83</u>	<u>2,046.13</u>	<u>4,265.96</u>
Total 1925		\$4,481.62	\$3,653.36	\$8,134.98
Monthly average		\$ 373.47	\$ 304.45	\$ 677.92

CODING UNIT

	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	1.72	\$1,152.97	\$6.84	\$1,159.81
Second Half 1926	1.62	<u>1,042.66</u>	<u>7.24</u>	<u>1,049.90</u>
Total 1926		\$2,195.63	\$14.08	\$2,209.71
Monthly average		182.97	1.17	184.14
First Half 1925	1.66	\$1,272.22	.71	\$1,272.93
Second Half 1925	<u>1.89</u>	<u>1,522.70</u>	<u>1.30</u>	<u>1,524.00</u>
Total 1925		\$2,594.92	\$ 2.01	\$2,596.93
Monthly average		216.24		\$ 216.41

TELEGRAPH UNIT
(Minneapolis Only)

Messages handled over the leased wire increased 1469 for 1926 over 1925. Messages sent decreased 125 and messages received increased 1694.

Number of words sent over leased wire in 1926 was 418,477 as compared with 424,724 in 1925, a decrease of 6,247.

Constant watchfulness by the officers and department heads to eliminate all wires where a letter would serve as well, helped to cut down the number of words. In addition, the practise of routing all wires through the code unit where all messages possible are coded, has helped cut down the number of words sent and thus the expense.

Total expense of the telegraph unit for 1926 was \$17,298.79 and for 1925 \$17,223.86. Cost of messages over outside wires decreased \$328.00 and our proportion of leased wire rental increased \$498.00.

OPERATIONS OF LEASED WIRE
1926-1923

Month	<u>Telegrams Sent</u>				<u>Telegrams Received</u>			
	1926	1925	1924	1923	1926	1925	1924	1923
January	1410	1382	2620	2228	1697	1588	2579	2296
February	1183	1163	1856	1755	1582	1372	2088	1851
March	1474	1454	2177	2008	1992	1690	2400	2372
April	1295	1248	2059	1806	1649	1573	2190	2256
May	1301	1338	2201	1962	1758	1705	2379	2209
June	1486	1532	2175	2014	1881	1795	2141	2413
July	1322	1486	1747	1981	1834	1759	1889	2305
August	1439	1319	1261	2085	1814	1667	1597	2224
September	1533	1485	1435	2191	1880	1794	1607	2236
October	1574	1727	1538	2668	1968	1946	1792	2672
November	1509	1431	1421	2318	1924	1646	1509	2473
December	1552	1656	1590	2348	2026	2074	1838	2675
	<u>17078</u>	<u>17203</u>	<u>22080</u>	<u>25365</u>	<u>22205</u>	<u>20511</u>	<u>24009</u>	<u>27982</u>

NON-CASH COLLECTION FUNCTION

(Minneapolis Only)

The number of items handled by Collection Department in 1926 decreased 20,628 as compared with 58,294 and 37,166 as compared with 1924, a decrease of over 12% in two years.

Value of items handled in 1926 was \$139,380,000 as compared with \$143,129,000 in 1925 and \$145,756,000 in 1924.

Cost of handling City collections during 1926 was 7.3 cents per item as compared with 8.1 cents in 1925. Average cost for the entire Federal System was 19 cents in 1926 with Minneapolis having the lowest for the System.

Country collections were handled at an average cost of 10.6 cents per item during 1926 and 11.3 cents in 1925. Average costs for the entire Federal Reserve System was 12.8 cents per item in 1926. St. Louis ranks first in low cost, with 8.2 cents and Minneapolis second.

Only New York handles more City collections than Minneapolis. It might be remarked with reference to items handled at Minneapolis that a large portion of these items are on firms located in the Chamber of Commerce and nearby buildings. This makes presentation rapid and lowers our handling expense.

Cost of the Non-Cash Collection function was \$25,026.01 in 1926 as compared with \$25,691.51 in 1925 and \$27,744.44 in 1924.

Comparative tables of items handled and costs for 1926 and 1925 follow:

COMPARATIVE STATEMENT SHOWING NUMBER OF NON-CASH COLLECTIONS HANDLED, NUMBER OF EMPLOYEES, SALARIES AND OTHER EXPENSES

(Minneapolis Only)

	No. of City Coll. Handled	No. Coun- try Coll. Handled	No. of Offi- cers	Officers Salaries	No. of Employ- ees	Employees Salaries	Other Expense	Total Expense
First Half 1926	77,228	58,794	.25	\$450.00	20.32	\$10,093.68	\$2,022.41	\$12,565.09
Second Half 1926	94,508	70,303	.25	450.00	17.77	9,827.48	2,182.44	12,459.92
Total 1926	171,736	129,097		\$900.00		\$19,921.16	\$4,204.85	\$25,026.01
Monthly Average 1926	14,311	10,758		75.00		1,660.10	350.40	2,085.50
First Half 1925	74,931	71,427	.25	450.00	18.92	10,445.69	1,885.32	12,781.01
Second Half 1925	111,755	63,348	.25	450.00	17.97	9,965.13	2,495.37	12,910.50
Total 1925	186,686	134,775		\$900.00		\$20,410.82	\$4,380.69	\$25,691.51
Monthly Average 1925	15,557	11,231		75.00		1,700.90	365.06	2,140.96

COLLECTION DEPARTMENT

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

1926 - 1925

(Minneapolis Only)

	CITY COLLECTIONS		COUNTRY COLLECTIONS		TOTAL COLLECTIONS	
	1926	1925	1926	1925	1926	1925
January	15,493	16,480	8,991	11,796	24,484	28,276
February	14,080	12,101	7,839	10,524	21,919	22,625
March	14,925	12,182	10,335	13,502	25,260	25,684
April	11,163	9,095	10,118	11,972	21,281	21,067
May	9,579	11,239	10,722	11,342	20,301	22,581
June	11,988	13,834	10,789	12,291	22,777	26,125
July	11,861	12,681	12,435	12,186	24,096	24,867
August	12,737	15,899	10,550	8,907	23,287	24,806
September	17,737	21,042	10,768	9,395	28,505	30,437
October	20,693	21,277	11,970	11,636	32,663	32,913
November	16,591	21,216	11,855	10,885	28,446	32,101
December	14,889	19,640	12,725	10,339	27,614	29,979
Total	171,336	186,686	129,097	134,775	300,633	320,461

HELENA BRANCH

	CITY COLLECTIONS		COUNTRY COLLECTIONS		TOTAL COLLECTIONS	
	1926	1925	1926	1925	1926	1925
January	130	239	2,146	2,496	2,326	2,735
February	134	186	1,282	1,412	1,416	1,598
March	166	132	1,325	1,434	1,492	1,616
April	118	137	1,179	1,374	1,297	1,511
May	152	154	1,220	1,291	1,372	1,445
June	162	159	1,353	1,551	1,531	1,690
July	174	205	1,477	1,833	1,652	2,038
August	159	200	1,169	1,166	1,338	1,366
September	160	158	1,303	1,416	1,363	1,574
October	174	206	1,413	1,644	1,592	1,850
November	192	185	1,469	1,764	1,661	1,949
December	212	162	1,521	1,956	1,793	2,120
Total	1,899	2,173	13,834	15,519	15,833	21,492

CHECK COLLECTION FUNCTION

(Minneapolis Only)

There was a decrease of 1,399,301 in items handled during 1926 by the Check Collection Function as compared with 1925.

<u>Items Handled</u>	<u>1926</u>	<u>1925</u>
Clearings	3,780,889	3,873,272
Member & Non-Member	17,279,728	18,514,173
Other Reserve Banks	1,224,399	1,272,023
Direct Sendings	44,130	47,045
Sent Helena Branch	11,928	11,629
Treasurer United States	767,130	789,363
	<u>23,108,204</u>	<u>24,507,506</u>

The only class of items showing an increase is in items forwarded to the Branch.

The monthly average of Clearing items handled was 315,074 for 1926 as compared with 322,772 in 1925 and 314,364 in 1924. Member and Non-member items handled averaged 1,439,977 monthly in 1926 as compared with 1,542,848 in 1925 and 1,542,379 in 1924. Average monthly items handled for the Treasurer of the United States was 63,927 in 1926, 65,780 in 1925 and 68,247 in 1924. Average monthly items on other Federal Reserve Banks was 105,711 for 1926 as compared with 109,922 in 1925.

Average number of transit letters received daily during 1926 was 1454 as compared with 1588 in 1925 and 1616 in 1924. Average number of transit letters despatched was 1600 in 1926, 2089 in 1925 and 2427 in 1924. The decreasing volume of transit letters received and sent reflects the number of banks which have closed, consolidated and removed from our par list during the past three years.

The following table shows the increased efficiency that has been attained in the transit department through more experienced employees and less turnover.

<u>Year</u>	<u>Average Item Handled per Person daily</u>	<u>Average Number of Employees</u>
1926	993	87
1925	958	96
1924	858	109
1923	736	123
1922	674	125
1921	539	158

Daily average of Clearings misent was 31 in 1926 as compared with 39 in 1925 and 47 in 1924. Daily average of out of town items misent

1926 - 27; 1925 - 33; 1924 - 32.

Daily average number of employees in January 1926 was 94 and fell steadily to 81 in December which was 11 employees less than in December 1925.

In the last annual report attention was called to the fact that in 1926 it would be possible to handle a greater number of items without material increase in transit expense.

Analysis of the check collection expense shows a decrease of \$5,526.30 for the year. Practically all of this decrease in expense came in the latter half of 1926 as compared with the last half of 1925.

Total expense for the function was \$117,616.95 for 1926 as compared to \$123,143.25 for 1925.

Comparison of expense with the other Federal Reserve Banks is apt to be misleading unless the volume of work is also considered. Minneapolis District has a larger number of small banks and consequently more letters for the same volume.

In unit costs Minneapolis, according to the last comparative figures, ranked high in low costs. Costs for clearings were 18.1 cents per hundred checks as compared with a system cost of \$36.7 cents. Only St. Louis had a lower cost per unit.

Costs of handling Government checks were 39.1 cents per hundred for Minneapolis and 42 cents for the system. Several Federal Reserve Banks had a lower cost than Minneapolis.

Minneapolis cost for outgoing country checks was 41.4 cents per hundred as compared with a cost of 39.9 cents in 1925. System costs for 1926 were 42.7 cents and for 1925 42.8 cents.

The following table shows the comparative items handled per day per employee at Minneapolis and for the system.

	Minneapolis	System
City Checks	2384	1461
Government checks	1490	1060
Country Checks Outgoing	1088	954
Return Items	363	290

Cost of handling return items 1.9 cents per item for Minneapolis and 2.2 cents for the system. For the same period in 1925 our cost was 1.5 cents per item.

**COMPARATIVE STATEMENT SHOWING VOLUME OF WORK
NUMBER OF EMPLOYEES AND OTHER EXPENSES
CHECK COLLECTION DEPARTMENT**

(Minneapolis Only)

	No. of city checks handled	No. of Government checks paid	No. of country checks received	No. of return item checks handled
First Half 1926	<u>1,877,000</u>	<u>361,000</u>	<u>9,322,000</u>	<u>207,000</u>
Second Half 1926	<u>1,840,000</u>	<u>377,000</u>	<u>9,277,000</u>	<u>230,000</u>
Total 1926	3,717,000	738,000	18,599,000	437,000
Monthly average	309,750	64,000	1,546,583	36,416
First Half 1925	<u>1,919,046</u>	<u>402,257</u>	<u>9,752,373</u>	<u>246,910</u>
Second Half 1925	<u>1,865,916</u>	<u>387,106</u>	<u>10,092,497</u>	<u>246,735</u>
Total 1925	3,802,962	789,363	19,844,870	493,645
Monthly average	316,915	65,780	1,653,739	41,157

	Number of officers	Officers salaries	Number of employees	Employees salaries	Other expense	Total Expense
First Half 1926	.65	<u>\$1,170.00</u>	75.90	<u>345,508.82</u>	<u>15,794.70</u>	<u>360,273.52</u>
Second Half 1926	.65	<u>1,170.00</u>	70.05	<u>42,945.98</u>	<u>15,229.45</u>	<u>57,345.45</u>
Total 1926		\$2,340.00		\$38,252.80	\$27,024.15	\$117,616.95
Monthly average		195.00		7,354.40	2,252.01	9,801.41
First Half 1925	.65	<u>1,170.00</u>	77.78	<u>45,150.76</u>	<u>15,955.93</u>	<u>60,245.69</u>
Second Half 1925	.65	<u>1,170.00</u>	79.71	<u>45,940.15</u>	<u>15,787.45</u>	<u>62,897.56</u>
Total 1925		\$2,340.00		\$91,070.89	\$29,723.56	\$123,143.25
Monthly average		195.00		7,589.59	2,476.98	10,261.54

TWIN CITY CLEARINGS THROUGH FEDERAL RESERVE BANK OF MINNEAPOLIS FOR 1926 AND 1925

DIRECT SENDINGS TO OTHER RESERVE BANKS BY OUR MEMBER BANKS 1926 AND 1925

MONTH	Amount of Items	Amount of Items	Grand Total	Grand Total	Daily Aver.	Amount Held	Number of Items		Amount	
	on Mpls. Banks	on St. Paul Bks.	1926	1925	Clear. 1926	Over 1925	1926	1925	1926	1925
January	157,830,832.73	83,974,690.73	241,805,523.46	237,428,618.58	193,919.13	338,298.60	134,191	145,805	13,593,914.28	18,326,190.88
February	132,739,440.87	70,940,990.41	203,680,431.28	203,442,157.66	176,230.28	322,046.04	121,183	119,624	11,470,137.27	14,908,765.85
March	168,664,237.23	87,242,331.20	255,906,568.43	248,329,787.34	181,896.65	358,592.03	148,311	130,698	15,144,606.07	17,903,102.45
April	157,355,733.92	81,802,268.70	239,159,002.62	235,439,020.56	220,344.18	283,665.98	142,243	134,389	14,791,058.04	17,095,455.74
May	148,480,284.33	79,229,405.69	227,709,690.02	228,198,716.76	230,244.06	254,898.82	135,269	128,398	13,866,005.33	16,813,611.92
June	168,586,422.54	86,458,121.20	255,044,543.74	258,374,602.41	238,148.16	303,198.32	148,450	141,773	14,741,560.15	18,618,426.53
July	167,682,703.94	83,413,399.14	251,096,103.08	250,384,324.85	234,830.02	235,696.36	142,351	152,157	14,374,087.10	19,863,545.26
August	155,387,159.43	74,184,654.24	229,571,813.67	241,724,163.48	253,010.82	216,658.06	133,347	144,842	13,227,996.81	20,360,938.39
September	167,459,998.79	80,276,193.28	247,735,792.07	265,026,499.12	192,946.27	220,777.26	127,921	142,886	13,080,502.20	19,331,437.19
October	184,185,315.33	90,936,925.90	275,122,241.23	299,538,460.14	220,258.97	308,850.31	127,263	156,418	13,272,286.03	22,473,393.66
November	176,330,556.67	88,471,771.90	264,802,328.57	275,460,926.74	250,181.52	250,144.56	125,010	141,270	12,922,865.94	18,056,532.72
December	167,595,353.86	89,807,203.62	257,402,557.48	285,713,788.73	439,098.76	321,477.11	136,466	157,237	12,561,732.66	15,091,968.85
Total	1,952,298,639.64	996,737,956.01	2,949,036,595.65	3,029,061,066.37	2,825,108.82	3,414,303.45	1,622,005	1,695,497	163,046,751.88	218,843,369.24
Average by Month	162,691,553.30	83,061,496.33	245,753,049.63	252,421,755.53	235,425.74	284,525.28	135,167	141,291	13,587,229.32	18,236,947.43

MONTH	Daily Average No. of Transit Letters Rec'd		Daily Average No. of Transit Letters Sent		Daily Average No. of Return Items Handled		Daily Average All Other Items Sent		Daily Av. Trans. Items Sent Direct by Our Member Banks		Daily Average No. of Items Per Person	
	1926	1925	1926	1925	1926	1925	1926	1925	1926	1925	1926	1925
January	1,423	1,504	1,920	2,213	1,470	1,839	77,676	79,304	5,368	5,608	884	919
February	1,483	1,543	1,883	2,183	1,350	1,758	79,174	83,583	5,508	5,437	906	951
March	1,514	1,563	1,902	2,201	1,269	1,512	78,343	83,175	5,493	5,027	969	1,004
April	1,599	1,706	1,855	2,117	1,306	1,638	79,835	84,900	5,690	5,376	992	1,004
May	1,441	1,490	1,835	2,046	1,352	1,573	74,706	78,241	5,411	5,136	1,004	981
June	1,411	1,646	1,829	2,056	1,495	1,572	76,216	79,899	5,710	5,453	1,046	944
July	1,438	1,451	1,802	2,075	1,357	1,562	71,002	75,614	5,475	5,852	979	901
August	1,376	1,351	1,763	2,031	1,316	1,418	67,648	71,635	5,129	5,571	971	884
September	1,401	1,580	1,739	1,999	1,472	1,579	73,816	81,266	5,117	5,715	954	879
October	1,411	1,763	1,726	1,983	1,510	1,636	77,423	85,145	4,895	5,793	1,028	964
November	1,501	1,785	1,686	1,971	1,832	1,837	85,305	88,618	5,435	6,142	1,119	1,030
December	1,455	1,677	1,658	1,949	1,680	1,667	80,848	88,100	5,269	6,048	1,069	1,020
Average by Months	1,454	1,588	1,800	2,069	1,451	1,633	76,833	81,623	5,375	5,597	993	958

	Daily Average Clearing Items Returned Unpaid		Daily Average Clearing in Items Missed		Daily Average Out of Town Items Missed		Daily Average Number of Banks Remitting in Other Than Twin City Exchange		Daily Average Number of Drafts Received in Other Than Twin City Exchange		Daily Average Number of Employees	
	1926	1925	1926	1925	1926	1925	1926	1925	1926	1925	1926	1925
January	47	39	25	34	17	35	306	No figures available	346	No figures available	94	101
February	50	41	25	35	16	38	303		333		93	98
March	58	38	31	46	29	28	317		351		91	96
April	54	50	25	51	30	38	319	352	353	402	90	96
May	49	49	35	32	29	39	317	320	346	378	88	93
June	54	47	36	33	36	41	318	311	345	380	89	100
July	52	53	40	37	34	46	322	325	344	374	90	102
August	51	46	29	33	27	31	314	328	344	387	88	99
September	51	51	33	41	23	28	310	293	328	357	85	100
October	52	49	26	42	27	27	272	278	306	351	80	94
November	53	57	26	44	25	24	304	320	326	354	80	91
December	60	52	45	39	27	22	300	302	329	337	81	92
Average by Months	53	48	31	39	27	33	309	314	338	369	87	96

FEDERAL RESERVE BANK OF MINNEAPOLIS
 REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1926

MONTH	CLEARINGS		MEMBER & NON-MEMBER		OTHER RESERVE BANKS		DIRECT TO BANKS IN OTHER RESERVE DISTRICTS		TO OUR HELDINA BRANCH BY US		TREASURER OF THE U. S.	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1926												
January	321,693	167,127,263.35	1,431,836	78,321,774.79	111,161	22,604,127.24	3,823	3,719,562.39	1,098	178,676.40	57,509	7,074,280.90
February	284,502	139,590,870.63	1,286,549	66,432,538.28	95,397	18,217,188.61	3,436	3,352,972.78	992	201,500.62	58,830	5,099,123.07
March	361,709	180,267,319.19	1,546,891	83,251,666.18	113,745	25,550,443.17	4,176	4,616,396.85	1,085	232,822.38	75,705	6,689,950.70
April	324,856	166,714,640.74	1,476,285	80,620,275.60	97,428	21,411,746.55	4,518	4,180,566.24	987	248,851.04	80,664	6,644,267.46
May	303,105	159,482,752.34	1,392,529	79,918,727.18	91,024	20,753,351.97	4,138	4,169,066.70	884	139,901.51	64,575	6,189,597.02
June	314,771	180,388,133.25	1,508,614	89,073,572.95	99,947	23,038,820.92	3,923	4,313,472.52	938	224,804.81	53,278	6,330,061.27
July	292,611	177,287,512.25	1,394,062	85,579,374.90	100,156	22,367,730.20	3,696	3,878,625.20	901	223,663.13	54,325	6,964,196.55
August	295,997	165,957,179.69	1,309,721	80,607,169.07	95,300	21,738,985.18	3,281	5,166,534.70	860	236,853.10	53,491	7,396,806.71
September	300,341	177,222,607.94	1,382,938	83,725,334.80	94,128	21,868,617.24	3,137	4,001,477.60	909	301,378.14	63,546	7,794,110.34
October	315,764	196,914,660.99	1,511,923	94,750,992.80	104,405	23,360,918.81	3,423	4,535,164.55	1,109	299,977.14	75,363	10,998,790.56
November	320,985	188,162,043.44	1,467,025	90,292,922.15	103,810	22,766,040.49	3,115	4,340,054.25	1,001	335,658.98	65,693	7,766,392.17
December	344,555	182,848,471.14	1,571,355	86,069,317.77	117,898	22,857,287.30	3,464	4,246,783.70	1,164	226,227.46	64,151	8,286,699.02
Total	3,780,889	2,081,963,455.00	17,279,728	998,643,666.47	1,224,399	266,535,257.68	44,130	50,520,677.48	11,928	2,900,374.71	767,130	87,234,275.77
Monthly Ave. No. Items	315,074		1,439,977		102,033		3,678		994		65,927	
Monthly Ave. Amounts		173,496,954.58		83,220,305.54		22,211,271.47		4,210,056.46		241,697.89		7,269,522.98

MINNEAPOLIS AND SELENA BRANCH

OPERATIONS OF CHECK CLEARING AND COLLECTION DEPARTMENT

Detailed Classification Numbers and Amounts of Items Handled by Months during 1926 with totals for 1922, 1923, 1924, 1925 and 1926.

MONTH	Items Drawn on Banks in own District				Items Drawn on Banks not in Ninth District						(In thousands only.000 omitted)							
	Local Banks		Ourselves		Other Banks Ninth Distr.		Interchanged Branch and Head Office		Other P. R. Districts		Treasurer of U.S.		Total for 1926		Total for 1925			
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT		
1926																		
January	354	\$148,544.	10	\$91,079.	1555	\$87,532.	3	\$2,416.	4	\$3,720.	117	\$25,008.	66	\$8,237.	2089	\$366,536.	2200	\$310,950.
February	295	124,195.	8	48,509.	1399	74,223.	3	1,538.	3	3,353.	100	27,117.	69	6,219.	1877	286,154.	1959	262,680.
March	378	161,626.	8	76,303.	1686	93,726.	3	1,833.	4	4,616.	121	28,042.	86	7,826.	2286	373,972.	2302	325,997.
April	338	148,609.	8	69,330.	1605	89,519.	3	1,780.	5	4,181.	104	23,836.	91	7,594.	2154	344,949.	2265	318,623.
May	317	143,473.	8	58,788.	1523	88,411.	3	1,510.	4	4,169.	98	22,983.	76	7,226.	2029	326,560.	2102	307,539.
June	331	161,500.	8	66,246.	1650	99,270.	3	1,851.	4	4,313.	107	25,904.	65	7,544.	2168	365,627.	2247	338,674.
July	306	159,838.	9	68,660.	1537	96,153.	3	1,883.	4	3,879.	108	25,607.	65	8,195.	2032	364,215.	2129	335,161.
August	309	146,123.	8	68,497.	1445	90,533.	5	1,760.	3	5,167.	103	24,327.	67	8,932.	1938	345,339.	2021	323,681.
September	314	160,537.	8	75,749.	1528	95,661.	3	3,219.	3	4,001.	101	26,857.	78	9,275.	2035	375,299.	2190	359,067.
October	332	178,481.	8	80,510.	1675	109,785.	3	3,675.	3	4,535.	111	26,727.	87	12,505.	2219	416,218.	2471	396,223.
November	335	169,031.	8	76,511.	1622	103,736.	3	3,450.	3	4,340.	111	25,974.	77	9,154.	2159	391,996.	2199	357,776.
December	359	166,717.	8	71,532.	1727	99,125.	3	2,769.	3	4,247.	126	25,773.	74	9,624.	2300	379,785.	2467	370,955.
	3,948	\$1,868,674.	99	\$351,513.	18,952	\$1,127,472.	38	\$27,684.	43	\$50,521.	1,307	\$508,155.	901	\$102,431.	25,286	\$4,336,450.	26,552	\$4,009,206.
1926	-	-	-	-	-	-	-	-	-	-	-	-	-	25,286	\$4,336,450.	-	-	
1925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,551	\$4,009,206.	
1924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,206	\$3,651,224.	
1923	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,422	\$3,412,138.	
1922	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,067	\$2,942,577.	

HELENA BRANCH

REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1926

	<u>Clearings</u>		<u>Drafts on us</u>		<u>Member & Non-Member</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
January	19,000	\$ 7,916,000	3,000	\$ 7,531,000	123,000	\$ 9,010,000
February	16,000	6,651,000	3,000	6,016,000	112,000	7,790,000
March	22,000	8,469,000	3,000	8,661,000	139,000	10,474,000
April	19,000	7,726,000	3,000	7,388,000	129,000	8,899,000
May	19,000	7,148,000	3,000	6,505,000	130,000	8,492,000
June	21,000	8,114,000	3,000	7,673,000	141,000	10,196,000
July	19,000	8,566,000	3,000	7,586,000	143,000	10,574,000
August	18,000	7,896,000	3,000	7,719,000	135,000	9,926,000
September	18,000	9,197,000	3,000	8,311,000	145,000	11,936,000
October	21,000	11,226,000	3,000	11,225,000	163,000	15,034,000
November	19,000	10,272,000	3,000	9,120,000	155,000	13,443,000
December	20,000	10,214,000	3,000	10,238,000	156,000	13,054,000
Totals	231,000	\$103,395,000	36,000	\$97,973,000	1,671,000	\$128,828,000
Monthly Aver.						
Items	19,000		3,000		139,000	
Monthly Aver.						
Amount		8,616,000		8,164,000		10,736,000

	<u>To HEAD OFFICE BY US</u>		<u>To OTHER RESERVE BANKS</u>		<u>Treasurer of U.S.</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
January	2,000	\$ 2,237,000	6,000	\$ 2,404,000	9,000	\$ 1,163,000
February	2,000	1,336,000	5,000	8,900,000	10,000	1,120,000
March	2,000	1,600,000	7,000	2,492,000	10,000	1,136,000
April	2,000	1,531,000	7,000	2,424,000	10,000	1,050,000
May	2,000	1,320,000	7,000	2,230,000	11,000	1,036,000
June	2,000	1,626,000	7,000	2,865,000	12,000	1,214,000
July	2,000	1,659,000	8,000	3,239,000	11,000	1,231,000
August	2,000	1,523,000	8,000	2,588,000	13,000	1,535,000
September	2,000	2,918,000	7,000	4,988,000	14,000	1,481,000
October	2,000	3,375,000	7,000	3,366,000	12,000	1,506,000
November	2,000	3,114,000	7,000	3,208,000	11,000	1,388,000
December	2,000	2,543,000	8,000	2,916,000	10,000	1,337,000
Totals	24,000	\$24,782,000	84,000	\$41,620,000	133,000	\$15,197,000
Monthly Aver.						
Items	2,000		7,000		11,000	
Monthly Aver.						
Amount		2,065,000		3,668,000		1,266,000

GRAND TOTAL OF ITEMS - 2,179,000

GRAND TOTAL OF AMOUNTS - \$411,795,000

FEDERAL RESERVE BANK'S OFFICE
(Minneapolis Only)

The units of work assigned by the manual of expense to the Agency's Office are Federal Note Issues (new currency), Bank Relations and Statistical and Analytical.

Cost of issuing Federal Reserve Notes, including records and reports, was \$2,841.11 in 1926 and \$2,769.31 in 1925, employees salaries accounting for the increase.

Bank Relations expense was \$7,242.49 as compared with \$6,279.71 in 1925. Employees salaries increased \$210.00, traveling expense \$550.00 and miscellaneous expense \$363.00.

Statistical Unit expense for 1926 was \$11,816.52 and \$11,186.30 for 1925, an increase of \$630.00 accounted for in employees salaries \$300.00, traveling expense \$150.00 and miscellaneous \$180.00.

Monthly letter costs increased from \$2,175.35 in 1925 to \$3,040.27 in 1926. Printing costs increased \$440.00 and postage \$437.00.

Library expense was \$1,828.82 in 1926 and \$1,519.31 in 1925, the increase being in more employees required.

Bank Examination Unit costs were \$24,014.97 in 1926 and \$29,393.76 in 1925, a decrease of \$5,379.70. National and State Bank Examiners' reports decreased \$5,084.00 in 1926 as compared with 1925.

FEDERAL RESERVE NOTE ISSUES

	Number of Officers	Officers Salaries	Number of Employees	Employees Salaries	Other Expense	Total Expense
First Half 1926	.25	\$ 600.00	.65	\$ 749.90	\$ 21.04	\$1,370.94
Second Half 1926	.25	600.00	.88	848.60	21.57	1,470.17
Total 1926		\$1,200.00		\$1,598.50	\$ 42.61	\$2,841.11
Monthly Average		\$ 100.00		\$ 133.21		\$ 233.76
First Half 1925	.25	\$ 600.00	.70	\$ 786.42	\$ 27.96	\$1,394.38
Second Half 1925	.25	600.00	.70	734.21	40.72	1,374.93
Total 1925		\$1,200.00		\$1,500.63	\$ 68.68	\$2,769.31
Monthly Average		\$ 100.00		\$ 125.05	\$ 5.72	\$ 230.77

BANK RELATIONS

	Number of Officers	Officers Salaries	Number of Employees	Employees Salaries	Other Expense	Total Expense
First Half 1926	.75	\$2,310.02	.55	\$ 484.95	\$ 565.85	\$3,330.82
Second Half 1926	.75	2,310.02	.61	520.17	1,081.48	3,911.67
Total 1926		\$4,620.04		\$ 985.12	\$1,637.33	\$7,242.49
Monthly Average		\$ 385.00		\$ 82.09	\$ 136.44	\$ 603.54
First Half 1925	.75	\$2,310.02	.43	\$ 355.32	\$ 546.39	\$3,211.73
Second Half 1925	.75	2,310.02	.48	420.05	337.91	3,067.98
Total 1925		\$4,620.04		\$ 775.37	\$ 884.30	\$6,279.71
Monthly Average		\$ 385.00		\$ 64.62	\$ 73.69	\$ 523.31

STATISTICAL
(Including Administration)

	Number of Officers	Officers salaries	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	.85	\$2,252.80	5.32	\$2,945.79	\$138.78	\$5,337.07
Second Half 1926	.85	2,252.47	5.58	3,161.67	765.51	6,179.45
Total 1926		\$4,504.97		\$6,107.46	\$1,204.09	\$11,816.52
Monthly average		\$ 375.41		\$ 508.95	\$ 100.54	\$ 984.71
First Half 1925	.85	\$2,252.47	5.54	\$2,996.73	\$ 511.59	\$ 5,762.79
Second Half 1925	.85	2,252.47	5.54	2,789.24	381.80	5,425.61
Total 1925		\$4,504.94		\$5,785.97	\$ 893.39	\$11,185.30
Monthly average		\$ 375.41		\$ 482.33	\$ 74.45	\$ 932.19

MONTHLY LETTERS

	Postage	Printing and stationery	Total
First Half 1926	\$350.00	\$1,035.91	\$1,385.91
Second Half 1926	494.75	1,159.61	1,654.36
Total 1926	\$844.75	\$2,195.52	\$3,040.27
Monthly average	\$ 70.39	\$ 189.96	\$ 260.35
First Half 1925	\$217.28	\$ 767.49	\$ 984.77
Second Half 1925	200.00	988.78	1,188.78
Total 1925	\$417.28	\$1,756.27	\$2,173.55
Monthly average	\$ 34.77	\$ 146.36	\$ 181.13

LIBRARY

	Number of employees	Salaries	News service & subscriptions	Books	Other expense	Total expense
First Half 1926	.75	\$478.45	\$158.10	\$203.67	\$ 21.28	\$861.50
Second Half 1926	.46	307.51	351.78	164.28	163.74	927.31
Total 1926		\$785.97	\$509.88	\$367.95	\$185.02	\$1,828.82
Monthly average		\$ 65.50	\$ 40.82	\$ 30.66	\$ 15.42	\$ 152.40
First Half 1925	.18	\$121.41	\$216.00	\$117.47	-	\$ 454.88
Second Half 1925	.50	380.27	236.23	105.56	292.29	1,014.35
Total 1925		\$501.68	\$452.23	\$223.03	\$292.29	\$1,470.23
Monthly average		\$ 41.81	\$ 41.86	\$ 18.58	\$ 24.36	\$ 126.61

BANK EXAMINATIONS

	Number of Officers	Officers salaries	Number of employees	Employees salaries	Other expense	Total expense
First Half 1926	.65	\$1,862.48	3.80	\$4,355.98	\$5,680.02	\$11,898.48
Second Half 1926	.65	1,862.51	3.98	4,515.39	5,738.59	12,178.49
Total 1926		\$3,724.99		\$8,871.37	\$11,418.61	\$24,014.97
Monthly average		\$ 310.49		\$ 739.28	\$ 951.88	\$ 2,001.25
First Half 1925	.65	\$1,737.51	3.92	\$4,603.55	\$ 9,765.33	\$16,106.39
Second Half 1925	.65	1,737.51	3.60	4,250.79	7,299.07	13,287.37
Total 1925		\$3,475.02		\$8,854.34	\$17,064.40	\$29,393.76
Monthly average		\$ 339.59		\$ 737.06	\$ 1,422.05	\$ 2,498.70

BANK EXAMINATION UNIT

(Minneapolis Only)

This unit is responsible for all examinations of member banks made under instructions of the Federal Reserve Bank. Comparative functional expenses for 1926-1925 for this unit will be found under the Federal Reserve Agent's Function.

BANK EXAMINATION DEPARTMENT REPORT FOR THE YEAR 1926

The examinations and credit investigations made by this Department in the various states in the Ninth Federal Reserve District were as follows:

State	State Banks		National Banks	Total Number
	Credit Investigations	Examinations	Examinations	
Michigan	7			7
Minnesota	29			29
Montana	14	1	1	16
North Dakota	3			3
South Dakota	11		2	13
Wisconsin	5	1		6
	<u>69</u>	<u>2</u>	<u>3</u>	<u>74</u>

Summary of Examinations, Mileage, Expenses, Etc.

Examiner	Credit Investigations	Examinations	Total Number	Expense Exclusive of salary	No. of Miles Traveled	Total of Bank Resources
F. M. Bailey	1	1	2	\$ 170.89	768	\$ 4,348,439
Herbert Hallenberg	38	3	41	1,267.39	16,218	35,318,176
H. D. Sharratt	29		29	779.13	9,244	29,082,892
W. A. Cutler	1	1	2	87.21	1,230	550,600
	<u>69</u>	<u>5</u>	<u>74</u>	<u>\$2,304.33</u>	<u>27,457</u>	<u>\$69,197,097</u>

Assisted at Credit Investigations:

H. D. Sharratt	9					
H. C. Timberlake	4					
H. C. Jones	10					
A. S. Le Beau	2					
	<u>25</u>			<u>\$ 604.03</u>	<u>3,800</u>	
		<u>5</u>	<u>74</u>	<u>\$2,908.36</u>	<u>31,257</u>	<u>\$69,197,097</u>

Examiners also made six special visits to member banks when examinations were not made. Mileage shown in the above table includes mileage traveled in making these special visits.

Office Work.

Reports of Examination of National Banks.

No. of reports received from the Chief National Bank Examiner's Office. 1,600
 (The cost of these reports aggregated \$8,312.50 for the year)
 No. of reports of National Banks examined by Federal Reserve Examiners. 2

150 duplicate copies of the reports of examination of Montana National Banks were received from the Chief Examiner's Office, and the cost of these additional copies aggregated \$337.50 for the year.

All of the criticisable paper contained in the reports of examination of banks that borrow, with the exception of Montana banks, was listed alphabetically for the Discount Department.

Analysis slips were made out and attached to all of these reports, calling attention to all matters especially criticisable. The dates of the various examinations were posted on cards.

Reports of Examination of State Member Banks.

No. of reports of examination received from the various State Banking Departments in the Ninth District of state member banks examined independently by them... 35

These reports were all analyzed on F. R. Board Form X-1188, one copy forwarded to the Federal Reserve Board with the analysis form attached, and one copy retained for our files.

All reports of examinations and credit investigations made by Federal Reserve Examiners of state banks in the Ninth District were typewritten in this office and analyzed on F.R. Board Form X-1188. One copy was forwarded to the Federal Reserve Board with the analysis form attached, one copy retained for our files, one copy forwarded to the various State Banking Departments in the Ninth District, and one copy forwarded to the bank examined.

All of the criticisable paper contained in the reports of state member banks that borrow, with the exception of the Montana banks, was listed alphabetically for the Discount Department.

All of the reports of state member banks were analyzed on comparative analysis sheets to ascertain the progress made from one examination to the next, and the dates of all of these examinations were posted on cards.

On a number of the reports of examination of state member banks, special letters were written to the banks examined to ascertain the progress made on the matters criticised by the examiners, and the action taken to comply with the conditions of membership imposed by the Federal Reserve Board at the time they became members of the Federal Reserve System.

Copies of all letters received from various state member banks in regard to corrective action taken on matters criticised in reports of examination and action taken to comply with conditions of membership, were made and forwarded to the Federal Reserve Board. Copies of various letters written by directors of state member banks and addressed to the State Superintendents were received by this office, copies made and forwarded to the Federal Reserve Board. Extra copies of letters received from state member banks in Montana were made and forwarded to the Helena Branch.

Reports of Earnings and Dividends and Reports of Condition.

Approximately 5,000 reports of earnings and dividends and reports of condition were received, checked and recorded.

Applications for permission to exercise fiduciary powers approved, etc.

The following applications for permission to exercise fiduciary powers were approved by the Federal Reserve Board during 1926:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>	<u>Capital</u>
First National Bank,	Hancock, Michigan	3-31-26	\$100,000
First Nat'l. Bank of Alger County,	Manising, Michigan	3-31-26	100,000
United States Nat'l. Bank,	Iron Mountain, Michigan	4-23-26	100,000
First National Bank	Negaunee, Michigan	5-11-26	100,000
Houghton National Bank,	Houghton, Michigan	9- 9-26	200,000
First National Bank,	Winona, Minnesota	5-24-26	225,000
National Bank of Lewistown,	Lewistown, Montana	4-2-26	150,000
Citizens National Bank,	Watertown, South Dakota	2-16-26	100,000

Nine applications of men desiring to serve at the same time as directors, officers, or employees of a member bank and not more than two other banking institutions under the Clayton Act, were received and approved by the Federal Reserve Board during 1926.

One hundred twenty-five applications affecting the stockholdings of member banks in the Federal Reserve Bank were received and approved during the year.

Applications for National Charters.

Total number of applications referred to this office for recommendation..... 10
 Total number investigated and recommendation made and forwarded to the
 Comptroller of the Currency and the Federal Reserve Board..... 15

Information regarding suspended banks obtained from State Superintendents.

During the year at the request of the Federal Reserve Board, we mailed forms to each State Superintendent of Banks, requesting information on suspended non-member banks. This information gave the capital, surplus, deposits and borrowed money of the banks at the date of closing; also gave the primary cause of closing and contributing causes. After receipt of the information from the various State Superintendents, it was compiled, tabulated and forwarded to the Federal Reserve Board.

BANK CHANGES IN 1926.

Total number of member banks in the district Jan. 1, 1926.....862
 New national banks organized..... 12
 State banks and trust companies admitted..... 1
875

National banks absorbed by non-member state institutions.....7
 National bank absorbed by member state institution.....1
 State member bank absorbed by national bank.....1
 National banks absorbed by other national banks.....4
 National bank consolidated with another national bank.....1
 National banks succeeded by other national banks.....4
 National banks succeeded by non-member state banks.....3
 National banks liquidated.....45
 State member banks liquidated..... 4
 State member bank withdrawals.....13 88

Total number of member banks at the end of the year..... 792

State	State Member Banks	National Banks	Total
Michigan.....	9	39	48
Minnesota.....	21	300	321
Montana.....	27	78	105
North Dakota.....	2	155	157
South Dakota.....	9	104	113
Wisconsin.....	4	46	50
	<u>72</u>	<u>720</u>	<u>792</u>

A. Membership.

At the close of the year, there were 792 member banks in this district as compared with 862 member banks at the beginning of the year. There was a net loss of fifty-three national banks and seventeen state banks. The total membership at the close of 1926 was divided into 720 national banks and 72 state banks. The new members are:

Name of Bank	Location	No. of Shares Subscribed
<u>MINNESOTA</u>		
Farmers National Bank in	Alexandria	75
Buffalo National Bank	Buffalo	18
First National Bank in	Mahnomen	17
Bloomington-Lake National Bank	Minneapolis	132
First National Bank of	Moose Lake	18
Peoples State Bank	Plainview	15
National Exchange Bank in	St. Paul	180
<u>NORTH DAKOTA</u>		
National Bank in	Wahpeton	21

<u>SOUTH DAKOTA</u>		
Deuel County National	Clear Lake	18
New First National Bank in	Dell Rapids	21
New First National Bank	Howard	33
Citizens National Bank in	Sioux Falls	75
Citizens National Bank of	Wessington	24

MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK DURING 1926.

NATIONAL BANKS ABSORBED BY NON-MEMBER STATE INSTITUTIONS.

Date	Name of Bank	Location	No. of Shares Surrendered
1-15-26	First National Bank (Absorbed by Farmers State Bank, Perham)	Perham, Minn.	19
5-4-26	First National Bank (Absorbed by Big Lake Farmers State Bank)	Big Lake, Minn.	17
6-21-26	First National Bank (Absorbed by Ellsworth State Bank)	Ellsworth, Minn.	21
7-20-26	Farmers National Bank (Absorbed by Citizens State Bank, Barnesville)	Barnesville, Minn.	17
8-27-26	First National Bank (Absorbed by State Bank of New Germany)	New Germany, Minn.	17
9-27-26	First National Bank (Absorbed by Rushmore State Bank)	Rushmore, Minn.	36
11-12-26	First National Bank (Absorbed by State Bank of Watertown)	Watertown, Minn.	18

NATIONAL BANK ABSORBED BY MEMBER STATE INSTITUTION

6-18-26	First National Bank (Absorbed by Powder River County Bank, Broadus)	Broadus, Mont.	17
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STATE MEMBER BANK ABSORBED BY A NATIONAL BANK

4-5-26	Mercantile State Bank (Absorbed by Lincoln Office of N. W. Nat'l. Bank)	Minneapolis, Minn.	180
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NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

10-8-26	National Bank of Gallatin Valley (Absorbed by Commercial National Bank, et al, Bozeman)	Bozeman, Mont.	54
10-23-26	First National Bank (Absorbed by Citizens National Bank, Streeter)	Streeter, N. D.	17
4-10-26	First National Bank (Absorbed by Security National Bank, Taylor)	Taylor, N. D.	17
7-20-26	Security National Bank (Absorbed by First National Bank, Watertown)	Watertown, S. D.	81

NATIONAL BANK CONSOLIDATED WITH ANOTHER NATIONAL BANK

7-2-26	Security National Bank (Consolidated with Citizens National Bank, Sisseton)	Sisseton, S. D.	33
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NATIONAL BANKS SUCCEEDED BY OTHER NATIONAL BANKS

7-24-26	National Exchange Bank of (Succeeded by National Exchange Bank in St. Paul)	St. Paul, Minn.	240
10-4-26	First National Bank of (Succeeded by New First National Bank in Lamberton)	Lamberton, Minn.	36
2-11-26	First National Bank of (Succeeded by First National Bank in Valley City)	Valley City, N. D.	120
12-6-26	National Bank of (Succeeded by National Bank in Wahpeton)	Wahpeton, N. D.	36

NATIONAL BANKS SUCCEEDED BY NON-MEMBER STATE BANKS

1-14-26	First National Bank (Succeeded by Security State Bank, Hills)	Hills, Minn.	36
8-9-26	First National Bank (Succeeded by Otter Tail County State Bank, Pelican Rapids)	Pelican Rapids, Minn.	20
11-20-26	First National Bank (Succeeded by Union State Bank of Browns Valley)	Browns Valley, Minn.	18

NATIONAL BANKS LIQUIDATED DUE TO INSOLVENCY

1-7-26	Warren National Bank	Warren, Minn.	36
1-13-26	First National Bank	Wimbledon, N. D.	23
1-22-26	First National Bank	Madison, S. D.	60
1-28-26	First National Bank	Howard, S. D.	39
1-28-26	First National Bank	Redwood Falls, Minn.	54
2-9-26	First National Bank	Sheyenne, N. D.	20
2-19-26	First National Bank	Malta, Mont.	40
2-19-26	First National Bank	Hardin, Mont.	60
2-19-26	Farmers National Bank	Lake Preston, S. D.	18
2-19-26	First National Bank	Warren, Minn.	48
2-19-26	Farmers & Merchants Nat'l. Bank	Cannon Falls, Minn.	18
3-9-26	Glasgow National Bank	Glasgow, Mont.	54
3-2-26	National Bank of Luverne	Luverne, Minn.	57
3-10-26	First National Bank	Lake Park, Minn.	18
4-5-26	National Bank of	Wessington Springs, S. D.	18
4-27-26	First National Bank	Buffalo, Minn.	36
4-27-26	Gregory National Bank	Gregory, S. D.	37
5-17-26	First National Bank	Frankfort, S. D.	23
5-24-26	Winner National Bank	Winner, S. D.	40
6-18-26	First National Bank	Delano, Minn.	20
6-21-26	First National Bank	Hallock, Minn.	48
6-26-26	First National Bank	Ada, Minn.	60
6-28-26	First National Bank	Winifred, Mont.	17
7-2-26	Cando National Bank	Cando, N. D.	36
7-2-26	First National Bank	Intake, Mont.	15
7-24-26	First National Bank	Saco, Mont.	19
8-11-26	Desmet National Bank	Desmet, S. D.	48
8-31-26	First National Bank	Woonsocket, S. D.	36
8-31-26	First National Bank	Marion, N. D.	26
9-13-26	First National Bank	Glenwood, Minn.	26
10-4-26	Farmers National Bank	Lakoure, N. D.	36
10-4-26	First National Bank	Adrian, Minn.	33
10-6-26	First National Bank	Granada, Minn.	18
10-25-26	First National Bank	Waubay, S. D.	24
11-1-26	First National Bank	Veblen, S. D.	30
11-6-26	Whitbeck National Bank	Chamberlain, S. D.	36
11-15-26	First National Bank	Lake Norden, S. D.	27
11-19-26	First National Bank	Royalton, Minn.	18
12-11-26	First National Bank	Clearbrook, Minn.	18
12-18-26	City National Bank	Bismarck, N. D.	60
12-28-26	First National Bank	Pepin, Wis.	16
12-30-26	First National Bank	Fulda, Minn.	33
12-30-26	First National Bank	Milbank, S. D.	39
12-30-26	National Farmers Bank	Owatonna, Minn.	54

NATIONAL BANKS VOLUNTARILY LIQUIDATED

5-12-26	Stockmens National Bank	Raynesford, Mont.	18
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STATE MEMBER BANKS LIQUIDATED DUE TO INSOLVENCY

1-28-26	Farmers & Merchants State Bank	Eureka, Mont.	29
3-25-26	Big Stone City State Bank	Big Stone City, S. D.	33
6-8-26	State Bank of Nashua	Nashua, Mont.	18
6-8-26	Valley County Bank	Hinsdale, Mont.	20

STATE MEMBER BANK WITHDRAWALS

1-27-26	Trout Cr. State Bank	Trout Creek, Michigan	20
3-11-26	Security Savings Bank	James town, North Dakota	36
2-23-26	Security Bank & Trust Company	Webster, South Dakota	54
4-1-26	South Shore Bank	South Shore, South Dakota	18
5-13-26	Lake City Bank & Trust Company	Lake City, Minnesota	60
7-1-26	First State Bank	Stevensville, Montana	30
7-14-26	Edgar State Bank	Edgar, Montana	20
9-7-26	Bank of New Richmond	New Richmond, Wisconsin	68
9-13-26	Moccasin State Bank	Moccasin, Montana	20
9-13-26	Bank of Commerce	Kalispell, Montana	75
10-23-26	Kandiyohi County Bank	Willmar, Minnesota	24
11-8-26	First Bank of Grantsburg	Grantsburg, Wisconsin	35
12-8-26	Mellatte County State Bank	White River, South Dakota	17

MEMBER BANKS THAT HAVE BEEN ABSORBED BY OTHER BANKS AND WHICH HAVE NOT AS YET SURRENDERED THEIR STOCK IN THE FEDERAL RESERVE BANK.

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
11-12-25	Bankers National Bank (Absorbed by Metropolitan National Bank)	Minneapolis, Minn.
12-14-25	First National Bank of (Succeeded by First National Bank in Litchfield)	Litchfield, Minn.
12-28-25	Farmers National Bank of (Succeeded by Farmers National Bank in Alexandria)	Alexandria, Minn.
1-16-26	Rice National Bank (Consolidated with First National Bank)	Rice, Minnesota.
2-17-26	First National Bank (Succeeded by Citizens National Bank of Wessington)	Wessington, S. Dak.
5-26-26	Merchants National Bank (Absorbed by American National Bank)	St. Cloud, Minn.
11-8-26	City National Bank (Merged with Peoples State Bank)	Linton, N. Dak.
11-22-26	Lyon County National Bank (Succeeded by Marshall State Bank)	Marshall, Minn.
11-23-26	Breckenridge National Bank (Consolidated with Far. & Mer. State Bank)	Breckenridge, Minn.
12-2-26	Merchants National Bank (Consolidated with First National Bank)	Dickinson, N. Dak.

CLOSED MEMBER BANKS THAT HAVE NOT AS YET SURRENDERED THEIR STOCK IN THE FEDERAL RESERVE BANK

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
6-7-26	First National Bank	Benson, Minnesota.
8-7-26	First National Bank	Colman, South Dakota
8-31-26	Oakes National Bank	Oakes, North Dakota
9-17-26	Anamoose National Bank	Anamoose, North Dakota
9-18-26	Farmers National Bank in	Lidgerwood, North Dakota
11-4-26	First National Bank	Gonvick, Minnesota
11-6-26	First National Bank	Detroit Lakes, Minnesota
11-8-26	First National Bank	Brandon, Minnesota.
11-16-26	Farmers National Bank	Brookings, South Dakota
11-19-26	First National Bank	Steele, North Dakota
11-24-26	First National Bank	St. James, Minnesota.
11-27-26	First National Bank	Leeds, North Dakota
11-30-26	First National Bank	Elkton, South Dakota
12-8-26	First National Bank	Hannaford, North Dakota
12-11-26	First National Bank	Stabley, North Dakota
12-23-26	Citizens National Bank	Ortonville, Minnesota.

FEDERAL RESERVE NOTES

At the close of 1926 we had in actual circulation \$68,891,000 of Federal reserve notes, or a decrease of \$1,271,000 during the year. However, in discussing our note issue the Agent's records are used and these show total outstanding notes of \$75,065,000 or an increase for the year of \$1,817,000. The variation is accounted for by the fact that on December 31, 1926, the bank held in its cash \$6,172,000 of our notes in comparison with \$8,084,000 so held on December 31, 1925. This seemingly large amount held in the cash is partly due to our desire to decrease the frequent vault transactions needed when our supply is kept low and also to the fact that the supply of notes formerly maintained by the Agent at Helena is now under the custody of the Branch Officers and included in Helena's cash figures. Notes so held are deductible in calculation of reserve requirement although the Agent must have cover for all notes issued whether the bank holds these notes or not. In the event of our investments or deposits increasing beyond a normal amount, some of the notes held in our cash would be returned to the Agent.

Throughout 1926 the amount in circulation showed little variation from the corresponding months of 1925. Approximately \$2,800,000 more of notes were issued in 1926 than in 1925. A smaller volume of notes fit for further circulation were returned to the Agent, the total retired from circulation being \$13,049,000 in 1926 and \$15,812,000 in 1925. The volume of notes retired from circulation through destruction was not as heavy as expected although the heaviest for the past four years. Total of \$31,636,000 retired in 1926 was \$1,700,000 greater than for the prior year. Our reason for expecting a heavier destruction schedule in 1926 was due to the larger amounts of used notes replaced in circulation during 1924 and 1925. More used notes were paid out in 1925 and 1926 than were returned with the result that on December 31, 1926, the Agent held used notes amounting to \$1,959,000 consisting entirely of denominations of \$50 and higher, for which there is a lessened demand.

In analyzing our note issue we find that the percentages of 5's, 10's and 20's in circulation have increased over 1925 and that a decrease has occurred in the percentages of all higher denominations. Exactly one-third of our total volume of outstanding notes is in 20's and this proportion has not been exceeded since 1920. Fives increased during the year from 29.9 per cent to 30.8 per cent and tens from 27.3 per cent to 29.1 per cent.

Since organization we have received from the Comptroller of the Currency, \$388,140,000 of our Federal reserve notes and of this amount the Agent has issued to the bank \$373,837,000. In addition, fit notes retired by the Agent have been reissued to the amount of \$94,747,500. Of the total amount of notes issued, \$296,815,110 has been destroyed with the ratio of 5's gradually increasing. During the year \$11,869,800 in 5's and \$9,079,300 in 10's was destroyed. In the same period \$11,620,000 of new 5's and \$9,440,000 of new 10's were issued. It does not follow that the destruction schedule and our issue of new notes will continue to so nearly balance. We paid out \$4,717,000 more in new notes during 1926 than in 1925 and the indications are that the total of \$31,512,000 in new notes paid out during 1926 will be exceeded in 1927.

We have been paying out gold certificates freely but our receipts of gold certificates over a year exceed payments. Some of the effect of the pressure brought on the public during the war period to give up gold, still remains. The fact that gold in the vault of a National Bank is not reserve and that no gold certificate is issued under \$10 has kept the gold certificates flowing back to us.

New and fit notes held by the Agent on December 31, amounted to \$14,262,000 and were \$1,433,000 less than his holdings on December 31, 1925. One year ago the Comptroller of the Currency held ready for our use at Washington, \$35,160,000 while the last report from Washington showed \$28,620,000 of our notes printed and held. If the Federal Reserve Board adheres to its policy of keeping one year's supply of notes on hand at Washington, the printing program for this bank in 1927 should be for approximately \$40,000,000 in notes. Based on the rate of \$36.60 per 1000 sheets of notes, our 1927 expense for note printing should approximate \$40,000 and to this would be added the shipping expense of any notes sent us during the year.

During the past year our printing costs for notes were higher than for 1924 or 1925. The total expense in 1926, which includes shipping charges, was \$33,597.39 in comparison with \$28,254.82 in 1925 and \$6,796.42 in 1924. Fewer notes are now carried at Washington, while several years ago a supply to last at least two years was maintained. Printing costs were reduced from \$37.60 per 1000 to \$36.60 per 1000 in July, 1926.

TABLE 1 RESERVE NOTES RECEIVED AND ISSUED BY AGENT DURING 1926

IN HANDS OF AGENT DECEMBER 31, 1925

	<u>NEW</u>	<u>FIT FOR USE</u>	<u>Total</u>
Fives	\$ 5,580,000	\$ 510,000	\$ 5,830,000
Tens	3,690,000	300,000	3,990,000
Twenties	1,520,000	1,520,000	3,040,000
Fifties	585,000	130,000	655,000
Hundreds	800,000	990,000	1,790,000
Five Hundreds	515,000	421,000	936,000
Thousands	655,000	629,000	1,464,000
Total - - -	\$ 11,595,000	\$ 4,500,000	\$ 15,895,000

	<u>RECEIVED FROM COMPTROLLER</u>	<u>RETURNED BY BANK</u>	<u>TOTAL RECEIVED</u>
Fives	\$ 11,550,000	\$ 2,440,000	\$ 14,100,000
Tens	9,000,000	3,845,000	12,845,000
Twenties	10,560,000	4,750,000	15,310,000
Fifties	600,000	965,000	1,565,000
Hundreds	400,000	880,000	1,280,000
Five Hundreds	-	95,000	95,000
Thousands	-	74,000	74,000
Total - - -	\$ 32,220,000	\$ 15,049,000	\$ 45,269,000

ISSUED TO BANK

	<u>NEW</u>	<u>FIT FOR USE</u>	<u>TOTAL</u>
Fives	\$ 11,520,000	\$ 2,750,000	\$ 14,370,000
Tens	9,440,000	4,145,000	13,585,000
Twenties	9,280,000	6,270,000	15,550,000
Fifties	675,000	460,000	1,135,000
Hundreds	260,000	1,420,000	1,680,000
Five Hundreds	56,000	75,000	111,000
Thousands	1,000	270,000	271,000
Total - - -	\$ 31,312,000	\$ 15,590,000	\$ 46,702,000

IN HANDS OF AGENT DECEMBER 31, 1926

	<u>NEW</u>	<u>FIT FOR USE</u>	<u>TOTAL</u>
Fives	\$ 5,550,000	-	\$ 5,550,000
Tens	3,240,000	-	3,240,000
Twenties	2,800,000	-	2,800,000
Fifties	450,000	635,000	1,085,000
Hundreds	940,000	450,000	1,390,000
Five Hundreds	479,000	441,000	920,000
Thousands	654,000	455,000	1,267,000
Total - - -	\$ 12,503,000	\$ 1,959,000	\$ 14,262,000

RATIO OF ISSUES BY DENOMINATIONS 1920-1926

	<u>1926</u>	<u>1925</u>	<u>1924</u>	<u>1923</u>	<u>1922</u>	<u>1921</u>	<u>1920</u>
Fives	30.8%	29.9%	31.9%	28.9%	34.2%	35.3%	27.3%
Tens	29.1	27.3	27.1	31.9	23.2	31.4	33.7
Twenties	33.5	30.9	29.5	32.8	29.4	28.2	35.0
Fifties	2.4	4.7	3.5	2.1	1.0	1.3	1.4
Hundreds	3.6	4.7	5.5	3.2	1.7	2.4	2.4
Five Hundreds	.2	.8	1.4	.3	.1	.4	.2
Thousands	.6	1.7	1.5	.6	.4	1.0	1.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FEDERAL RESERVE NOTES ISSUED AND DESTROYED SINCE ORGANIZATION

ISSUED TO BANK

Issued in 1914 \$ 260,000.
 Issued in 1915 13,742,000.
 Issued in 1916 9,980,000.
 Issued in 1917 42,230,000.
 Issued in 1918 57,140,000.

	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>
January	\$ 800,000.	\$ 1,350,000.	\$ 1,320,000.	\$ 1,540,000.	\$ 2,150,000.	\$ 1,790,000.	\$ 1,765,000.	\$ 905,000.
February	1,350,000.	3,240,000.	1,925,000.	2,090,000.	2,870,000.	7,250,000.	3,335,000.	2,170,000.
March	2,310,000.	3,360,000.	1,975,000.	3,505,000.	2,625,000.	2,270,000.	2,415,000.	3,435,000.
April	2,450,000.	2,875,000.	2,705,000.	2,705,000.	2,647,500.	2,030,000.	1,690,000.	5,300,000.
May	3,800,000.	1,600,000.	2,165,000.	2,845,000.	1,570,000.	10,910,000.	2,175,500.	1,690,000.
June	2,900,000.	1,200,000.	2,580,000.	3,125,000.	3,967,500.	2,195,000.	4,175,000.	6,145,000.
July	1,480,000.	3,130,000.	3,230,000.	3,465,000.	3,880,000.	3,115,000.	3,320,000.	5,735,000.
August	2,050,000.	3,420,000.	4,320,000.	3,140,000.	3,340,000.	2,265,000.	3,225,000.	1,065,000.
September	8,080,000.	8,135,000.	5,785,000.	5,645,000.	2,695,000.	4,680,000.	7,625,000.	5,661,500.
October	5,050,000.	4,435,000.	5,670,000.	6,420,000.	3,310,000.	7,025,000.	3,750,000.	4,690,000.
November	3,570,000.	2,595,000.	2,870,000.	2,777,500.	4,210,000.	3,910,000.	4,790,000.	5,240,000.
December	6,150,000.	4,100,000.	4,920,000.	6,102,500.	7,540,000.	4,395,000.	5,620,000.	4,665,500.
Total for year	\$39,990,000.	\$39,450,000.	\$39,265,000.	\$43,360,000.	\$40,205,000.	\$51,835,000.	\$43,885,500.	\$46,702,000.

Destroyed in 1916 \$ 395,955.
 Destroyed in 1917 8,988,095.
 Destroyed in 1918 9,421,540.

DESTROYED AT WASHINGTON

January	\$ 1,894,160.	\$ 4,617,395.	\$ 4,186,900.	\$ 4,950,350.	\$ 3,169,800.	\$ 2,843,400.	\$ 2,083,600.	\$ 3,081,900.
February	2,110,765.	3,297,800.	3,268,250.	4,144,050.	2,402,500.	1,808,500.	1,867,500.	2,266,500.
March	2,689,155.	3,481,335.	3,839,300.	3,251,000.	2,170,000.	1,906,300.	2,520,700.	3,005,200.
April	2,448,740.	3,263,090.	4,556,620.	3,236,000.	2,208,200.	2,240,200.	1,899,600.	2,821,100.
May	3,109,835.	3,030,695.	4,332,100.	2,905,400.	3,503,000.	3,083,300.	2,281,700.	2,177,600.
June	3,584,510.	3,422,265.	4,729,950.	1,939,800.	1,872,800.	2,363,000.	2,623,400.	2,927,300.
July	2,838,815.	3,264,555.	4,050,610.	1,620,700.	1,803,500.	2,606,800.	2,500,700.	2,706,200.
August	4,050,080.	3,517,300.	4,353,300.	1,724,100.	1,937,600.	2,121,600.	2,451,200.	2,499,600.
September	3,194,590.	2,416,000.	4,195,100.	1,993,600.	1,612,200.	2,742,700.	2,883,700.	2,836,100.
October	3,870,295.	3,310,350.	4,387,450.	2,084,700.	2,356,400.	2,106,600.	3,168,900.	2,927,000.
November	3,723,150.	3,011,100.	4,010,100.	2,606,000.	2,122,330.	2,120,695.	2,337,800.	2,062,700.
December	3,257,730.	4,134,900.	3,838,900.	2,328,620.	2,162,000.	2,230,300.	3,489,555.	2,524,750.
	\$36,771,805.	\$40,766,785.	\$49,748,580.	\$32,784,320.	\$27,320,530.	\$28,173,395.	\$50,108,355.	\$31,835,950.

ISSUE, REISSUE AND DESTRUCTION OF FEDERAL RESERVE NOTES SINCE OPENING OF BANK
AS OF DECEMBER 31, 1926.

	<u>Received from Controller</u>	<u>Returned by Bank To Agent</u>	<u>Total</u>
Fives	128,260,000	17,847,000	146,107,000
Tens	122,640,000	31,820,000	154,460,000
Twenties	115,040,000	34,525,000	147,565,000
Fifties	7,200,000	3,565,000	10,765,000
Hundreds	10,400,000	5,050,000	15,450,000
Five Hundreds	1,800,000	1,031,500	2,831,500
Thousands	<u>2,800,000</u>	<u>2,868,000</u>	<u>5,668,000</u>
Total	386,140,000	96,706,500	482,846,500

ISSUED TO BANK

	<u>New</u>	<u>Fit for Use</u>	<u>Total</u>
Fives	124,700,000	17,847,000	142,547,000
Tens	119,400,000	31,820,000	151,220,000
Twenties	110,240,000	34,525,000	144,765,000
Fifties	6,750,000	2,930,000	9,680,000
Hundreds	3,460,000	4,600,000	14,060,000
Five Hundreds	1,321,000	590,500	1,911,500
Thousands	<u>1,966,000</u>	<u>2,435,000</u>	<u>4,401,000</u>
Total	373,837,000	94,747,500	468,584,500

DESTROYED AT WASHINGTON

	<u>Returned by Agent</u>	<u>Returned by Treasurer</u>	<u>Returned by Minneapolis</u>	<u>Returned by other F.R. Banks</u>	<u>Total</u>
Fives	4,260,000	3,774,820	50,788,500	48,346,380	107,169,700
Tens	2,545,000	4,294,740	43,180,000	48,808,590	98,828,330
Twenties	1,020,000	2,464,280	31,013,500	46,162,500	80,660,280
Fifties	25,000	192,550	1,969,000	1,791,650	3,978,200
Hundreds	30,000	272,700	2,529,000	2,148,900	4,980,600
Five Hundreds		20,000	257,000	142,000	419,000
Thousands		<u>48,000</u>	<u>488,000</u>	<u>243,000</u>	<u>779,000</u>
Total	7,880,000	11,067,090	130,225,000	147,643,020	296,815,110

	<u>In hands of Agent December 31, 1926</u>	<u>In circulation December 31, 1926</u>
Fives	3,560,000	17,530,300
Tens	3,240,000	20,571,670
Twenties	2,800,000	29,579,720
Fifties	1,085,000	2,136,800
Hundreds	1,390,000	4,029,400
Five Hundreds	920,000	461,000
Thousands	<u>1,367,000</u>	<u>754,000</u>
Total	14,362,000	75,062,890

FISCAL AGENCY FUNCTION
(Minneapolis Only)

Fiscal Agency operations consisting of issues, redemptions or exchanges of various Government securities, including Treasury Savings Securities, redeemed at this office or received from Postmasters after redemption by them numbered 85,568 pieces and amounted to \$80,769,056.23 as compared with 128,000 pieces amounting to \$82,403,000 in 1925. In March the Treasury Department made public announcement of its willingness to purchase Third Liberty Loan 4½% bonds direct from individual holders. As a result 210 proposals offering \$529,000 of this issue were received from holders in this district. Of these, 184 proposals offering \$309,650 at not exceeding 101 10/32 were finally accepted and paid for.

This Agency handled during 1926, in addition, 5,154 orders for the purchase of Government securities and 4,880 resales of Government securities, totaling \$77,123,800. This was an increase of 22½ per cent over 1925 in the number of transactions handled. In addition, either delivery or payment or both was made for banks and trust companies on 599 transactions in Government securities amounting to \$50,846,250. There were also 272 transactions of miscellaneous general market securities aggregating \$1,712,150. Altogether, of these various transactions, there were 10,905, totaling \$129,682,200. Including short term Government securities which were transferred by wire, delivery of 32,277 pieces totaling \$67,027,350 was made on purchase and resale transactions other than for our own account. Also on exchange transactions such as denominational exchange, the exchange of coupon for registered securities, etc., 34,853 pieces were delivered, amounting to \$27,452,100.

This Agency assisted in the allotment of three offerings of Treasury Certificates of Indebtedness and Treasury Bonds during the year. In such operations 7,966 individual subscriptions contained in 492 applications amounting to \$47,982,900 were received. Of the total subscribed \$26,851,700 was finally allotted.

COMPARATIVE STATEMENT
VOLUME OF WORK
FISCAL AGENCY

	<u>1926</u>	<u>1925</u>
Number of subscriptions new issues	492	910
" of pieces delivered new issues	4,027	7,582
" of pieces received for redemption	6,040	6,893
" of pieces Government Savings Certificates & War Savings Stamps redeemed	25,176	43,977
of exchange applications	9,042	10,260
of pieces received - Coupon	57,052	47,762
of pieces received - Registered	5,139	5,547
of pieces delivered - Coupon	25,756	22,684
of pieces delivered - Registered	11,097	8,295

As in past years, the number of pieces received for exchange was in excess of pieces delivered and the registered received for exchange was less than the registered delivered on exchange.

Expense Fiscal Agency Function for 1926 \$30,941.72 as compared with \$34,111.57 in 1925. Fiscal Agency expenditures at Minneapolis in 1926 for which we received reimbursement were \$17,219.33 as compared to \$16,430.23 in 1925. At Helena, through the removal of the War Finance Corporation work to Minneapolis in January 1926, reimbursable expenditures were but \$320.43. In 1925 we paid \$4,982.62 of such expense which was reimbursed. One-half of the Cashier's salary was charged against War Finance work prior to 1926. Net expense to bank for Fiscal Agency function was \$13,722.39 in 1926 and \$17,681.14 in 1925, a decrease of \$3,958.75.

Number of employees assigned to Fiscal Agency Function in 1926 was an average of 12.24 as compared with 13.90 in 1925.

Comparative Expense by Units

	1926	1925
Administration	\$ 4,264.91	\$ 4,875.01
Government Issues	21,479.55	24,335.41
Accounting	1,875.73	2,759.01
War Finance Corporation	2,118.84	820.03
Custody of Securities	1,202.69	1,214.41

The increase of expense for the War Finance unit was due to our advancing money for telephone tolls of the War Finance Agency during 1926, later being reimbursed from Washington.

REIMBURSABLE EXPENDITURES

ACCOUNT FISCAL AGENCY OPERATIONS

1926

	Minneapolis	Helena Branch	Combined Minneapolis & Helena
Salaries Officers	\$ 3,500.00	\$ 83.33	\$ 3,583.33
Salaries Employees	8,603.02	83.33	8,686.35
Office and Other supplies	26.95	1.23	28.16
Printing and Stationery	2,384.51		2,384.51
Telephone	1,549.25		1,549.25
Telegraph	185.62	6.86	192.48
Postage	970.00	17.64	987.64
All Other		126.04	126.04
Total Expenditures - - - - -	\$ 17,219.33	\$ 320.43	\$ 17,539.76

HELENA BRANCH

None of the functions at the branch showed any material increase or decrease in volume of work handled in 1926 over 1925. The following is a comparative statement of volume:

	<u>Number of Units Handled</u>	
	<u>1926</u>	<u>1925</u>
<u>Discount Function</u>		
Total number of pieces of paper handled by Discount Function	2,954	3,212
Number of Discount Applications	338	390
<u>Security Function</u>		
Number of transactions purchase or sales of Securities	391	144
Number of securities (pieces) placed in vault or delivered	3,104	4,456
Number of Coupons out on Vault securities	4,886	4,070
<u>Currency and Coin Function</u>		
Number of Pieces of Currency received and counted	1,962,344	2,572,495
Number of Pieces rehandled	344,119	456,219
Number of Coins received and counted	619,497	578,253
<u>Check Collection Function</u>		
Number of Clearing Items received	217,000	213,300
Number of City Checks (other than Clearing Items)	26,000	35,232
Number of Government Checks Paid	153,000	123,730
Number of Cash Items received drawn on banks located outside Helena	1,776,000	1,657,167
Number of checks received drawn on Branch	25,000	25,639
Total Checks Handled	<u>2,179,000</u>	<u>1,855,148</u>
Average number of cash letters forwarded daily	234	342
Number of Return Items handled	36,986	36,599
<u>Non-Cash Collection Function</u>		
Number of City Collections handled	1,959	2,070
Number of Country Collections handled	15,241	17,833
Number of Government Coupons Paid	93,084	87,679
<u>Accounting Function</u>		
Number of Transfers of Funds made	7,928	7,869
Number of Government Securities Re-deemed (other than Coupons)	10,156	16,621

Average number of officers was 3.38 and a reduction of .42 from 1925. The fractional change is due to the resignation of Mr. Brown, effective July 1, and to the allocation of Mr. Outler's salary to closed bank expense (paid at Minneapolis) for time spent at closed banks. Mr. Serran, formerly Assistant Federal Reserve Agent, was appointed Cashier and his former post abolished. An employee of the Discount Department acts for the

Agent in maintaining custody of paper pledged to secure Federal Reserve notes. To remove the necessity for the Agent carrying a supply of currency at the Branch, the total amount was curtailed and placed in the custody of the Branch officers with more frequent shipments from Minneapolis. This arrangement will reduce payroll of officers \$4,000 yearly. Mr. Zisermann also performed the duties of Auditor and will continue to devote part of his time to this work. The new arrangement will necessitate at least two examinations yearly of the Branch by Head Office Auditor. Average number of employees at the Branch decreased from 37.25 in 1925 to 33.46 for 1926.

Expenses decreased \$4,915.16. Earnings for 1926 were \$20,094.30 as compared to \$26,436.75 in 1925.

Shipping charges on currency decreased \$1,704.84 and on coin \$187.82. In 1926 the Branch filled orders for 1,963 shipments to member banks, totaling \$11,972,000 and made 309 shipments to non-member banks amounting to \$2,018,000. For the preceding year 2,654 shipments to members had been made and the total shipped was \$25,989,000. Shipments to non-member banks were less in 1926, orders filled being 238 in number and \$1,304,000 in amount. Expense of Directors' meetings decreased \$1,362.59 owing to the holding of fewer Executive Committee and Board meetings and a curtailment of travel expense through the appointment of another Director at Helena to replace the former director living at Billings. Maintenance of Banking House was practically the same in 1926 as for the previous year. Provision of Personnel increased \$856.79. Increases in this function were employees salaries \$402, Education and training of employees \$603.06

Cost of General Service Function was \$12,368.38 in 1926 and \$12,556.78 in 1925. Increased expense was in Officers' and Employees' salaries.

Insurance costs decreased \$361.64 and the expense of handling transit items on Closed Banks was \$336.02, a reduction from 1925 of \$418.16. This is the only closed bank expense borne at Helena.

Cost of Loans and Discount Function in 1926 was \$4,661.58, a decrease of \$244.11 as compared to 1925. Cost of Security Function was \$1,292.51 in 1926, a decrease of \$336.82, the decrease being in the Administration Unit.

Expense of handling Currency and Coin at the Branch increased from \$6,298.09 in 1925 to \$7,036.71. Administration costs increased \$631.79 due to allocation of \$1,079 in Officers' salaries to this function as compared to \$439.00 in 1925. Reallocation of expense between expense units reduced the expense of the Receiving and Sorting unit and increased the other units. By so doing the Branch is able to make a better comparative showing as the cost of sorting currency is the unit adopted by the Federal Reserve Board to measure the efficiency of this division of Federal Reserve Bank work.

The Check Collection Function at the Branch required an average of one less employe in 1926 than in 1925. Cost for 1926 was \$15,869.22, a decrease of \$2,148.06, although 124,000 more items were handled than in 1925.

Costs per item as might be expected are higher at Helena than at Minneapolis. In the City Clearings Head Office handles a daily average of 2346 checks per employe at a cost of 18 cents per hundred as compared to a daily average of 1026 items for the Branch and a cost of 47 cents per hundred. Government checks are handled at a cost of 37.7 per hundred at Minneapolis and 52 cents at Helena. Return Items are handled at a cost of \$1.63 per hundred in Minneapolis as compared to \$3.22 at Helena.

Collection of non-cash items cost \$3,737.52 at Helena for 1926 as compared to \$3,907.37 in 1925. Volume of collections decreased 10%.

Accounting Function expense was \$15,510.44 an increase of \$1,124.89 over 1925. Transfer of Funds and Federal Reserve Books are the only units of the Accounting Function whose costs are the same.

Administration decreased \$344.19, General Books increased \$1,050.00, Member Bank Books increased \$610.00 and Expenditures decreased \$187.00.

Auditing expense was \$3,195.64 in 1926 as compared to \$5,453.53 in 1925 when practically all of Mr. Zimmermann's salary was charged to Auditing. Mr. Zimmermann, Cashier, now devotes 40% of his time to auditing.

As advised one year ago, it is evident no further material reduction in total expense of operation at Helena may be brought about as long as the check collection, currency and relating functions are maintained, and to keep the records at Minneapolis while performing these functions at Helena would only increase the expense.

Earnings at Helena were lower for 1926 than for any other year since the Branch opened. After remaining at approximately \$3,000 monthly during

July, August, and September, income fell rapidly with \$302.19 only earned in December, and of this amount \$215.00 came from reserve deficiency penalties. At the close of the year the total under discount at Helena was \$48,155.19.

COMPARATIVE FUNCTIONAL EXPENSE REPORT
HELENA BRANCH

	<u>1926</u>		<u>1925</u>			
	Average Number of Officers	Average Number of Employees Amount	Average Number of Officers	Average Number of Employees Amount		
General Overhead-Controllable	1.00	\$ 9,057.27	1.00	\$ 10,865.02		
General Overhead-Non-controllable		6,301.70		8,141.17		
Provision of Space (less income from banking house)	.06	2.00	2.08	6,755.78		
Provision of personnel	.06	.52	.07	653.84		
General Service	.32	10.38	.22	12,535.78		
Postage		3,630.63		2,729.08		
Insurance		3,300.33		3,665.97		
Mailed banks		.07	.26	749.17		
Loans, rediscounts, and acceptances	.38	1.04	.39	4,809.69		
Securities	.11	.53	.22	1,628.33		
Currency and coin	.28	3.00	.12	6,298.09		
Check Collection	.24	9.64	.43	18,017.28		
Non-cash collection	.15	1.79	.20	3,907.37		
Accounting	.09	4.47	.16	14,385.55		
Fiscal Agency - All other		.07	2.35	4,996.76		
Legal		1,825.00		1,725.00		
Auditing	.67	.17	.95	5,453.53		
Bank relations		17.73		9.25		
Bank examination		312.75	.05	259.29		
Federal Reserve note issues	.02	120.94		396.00		
Statistical and analytical		144.26		50.69		
GRAND TOTAL	3.38	33.46	\$ 97,776.20	3.80	37.25	\$ 108,022.64
Total current expense		\$ 97,502.83		\$ 102,417.99		
Total reimbursable expenditures		320.43		5,017.62		
Stock of Supplies		47.06*		587.03		
GRAND TOTAL		\$ 97,776.20		\$ 108,022.64		