

CONTROLLER'S REPORT
FEDERAL RESERVE BANK OF MINNEAPOLIS
FOR THE YEAR
1932.

To the Directors:-

After a lapse of one year in the otherwise consistent record of covering our yearly needs, we have closed 1932 with satisfying results in many ways. Although some unusual costs developed during the year our income was sufficient to cover all expense, provide the usual additions to property depreciation reserve and add \$200,000 to reserve for possible losses. After these provisions there remained \$9,684.28 for addition to Surplus and \$87,158.54 to be paid the Government as franchise tax. Through the improvement in the market value of Governments all of the amount withdrawn from Surplus one year ago for depreciation was returned to Surplus on December 31.

On the basis of our present knowledge of costs the 1933 expenses should be approximately \$31,000 in excess of the \$926,668.26 expended in 1932 and our earnings will quite likely show a falling off, probably not enough, however, to prevent our covering our needs for 1933.

All departments have been active throughout the year, any surplus of help being absorbed in the expansion of some functions and the added duties of Custodian to the Reconstruction Finance Corporation. Our own employees have increased 39 persons during the year and including R. F. C. Agency employees there are 122 more people in our building than one year ago.

The audits throughout the year have disclosed no irregularities and the statements following covering our assets and liabilities reflect our condition. In addition to our comments on Helena Branch a separate report is presented.

Respectfully submitted,

Controller.

January 1, 1933.

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COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1932</u>	<u>December 31, 1931</u>
Gold Redemption Fund - F. R. Notes	\$ 2,213,507.13	\$ 704,040.87
Gold with Federal Reserve Agent	41,540,000.00	58,470,000.00
Gold Settlement Fund	7,797,422.76	9,366,978.94
Gold Coin and Bullion	561,963.92	3,494,896.55
Gold Certificates	1,778,300.00	2,240,300.00
Legal-tender notes	546,600.00	2,396,900.00
Silver Certificates	3,517,480.00	2,701,050.00
Standard Silver dollars	1,039,853.00	534,286.00
National bank notes	566,000.00	630,500.00
Federal Reserve Bank notes	0	0
Subsidiary silver, nickels and cents	1,580,285.45	1,100,946.16
F. R. Notes of other F. R. Banks	716,500.00	810,000.00
Our Federal Reserve notes on hand	1,826,965.00	1,981,315.00
Mutilated F.R. Notes forwarded for redemption	60,100.00	177,650.00
Bills discounted	6,839,471.85	5,226,076.49
Member banks collateral notes	2,764,343.78	2,344,548.78
Bills bought in open market	0	6,606,187.77
Participation in investments thru foreign banks	611,649.63	722,544.96
U. S. Government securities	54,850,654.20	37,668,172.30
Municipal Warrants	410,563.94	473,545.45
Federal Intermediate Credit Bank Debentures	0	430,000.00
Premium on U. S. securities	15,183.57	18,036.12
Interest accrued	60,787.54	58,845.04
Expense current	926,668.26	918,942.47
Furniture and Equipment	11,986.00	10,947.68
Dividends accrued	175,494.80	180,454.53
Transit items	10,110,566.61	7,697,373.63
Exchange for clearing house	221,645.46	180,689.55
Checks and other cash items	485,935.33	565,922.53
Banking House:		
Land	505,520.66	505,520.66
Buildings including vaults	1,418,281.50	1,418,281.50
Fixed machinery and equipment	636,162.54	636,162.54
Deferred charges	18,960.89	16,779.72
Claims account closed or suspended banks	2,943,049.86	2,424,426.51
Property acquired under foreclosure	26,092.24	26,617.31
Due from foreign banks	10,558.23	13,856.19
Difference Account	127.33	280.12
Suspense Account - General	0	0
Fiscal Agency expenses, reimbursable	10,598.96	2,159.39
Reimbursable expenditures - postage	171.89	189.21
	<hr/>	<hr/>
	\$ 146,799,352.33	\$ 142,755,423.97

COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1932</u>	<u>December 31, 1931</u>
Federal Reserve Notes outstanding	\$ 82,853,480.00	\$ 71,288,310.00
Member banks - Reserve account	37,760,448.17	45,827,289.35
Funds of closed banks held for receivers and others.	104,645.08	142,219.45
U. S. Treasurer - General Account	380,768.45	1,960,975.35
Due to foreign banks	460,726.07	1,767,742.04
Non-member banks - Clearing account	20,090.23	20,029.49
Officers' Checks	138,785.35	186,484.34
Federal Reserve drafts	1,771.21	479.40
Other deposits	82,837.93	6,540.02
Government transit items	224,850.72	162,200.81
All other transit items	10,513,011.03	7,629,206.66
Accrued taxes other than franchise tax unpaid	64,190.40	67,230.00
Capital Stock suspense account	150.00	0
Sundry items payable	7,289.49	1,889.34
Discount on U. S. Securities	7,677.79	9,836.38
Unearned discount	60,747.14	65,262.46
Reserve for self insurance	500,000.00	500,000.00
Reserve for depreciation on U. S. bonds	3,444.00	3,444.00
Reserve for possible losses account failed banks...	78,247.16	95,947.63
Reserve for depreciation on fixed machinery and equipment - Minneapolis	444,294.98	384,455.61
Reserve for depreciation on fixed machinery and equipment - Helena.....	16,108.99	14,428.93
Reserve for depreciation on building - Minneapolis	179,659.41	153,993.78
Reserve for depreciation on building - Helena.....	84,018.74	81,318.74
Special credits account closed banks.....	1,352,060.55	1,174,076.27
Discount earned	489,192.07	301,588.02
Interest earned	927,134.44	597,629.71
Penalties on deficient reserve	17,219.16	7,725.76
Miscellaneous earnings	1,547.41	29,660.70
Profit and Loss	81,776.08	131,421.00
Suspense Account - General	48,629.26	48,788.04
Capital Stock paid in	2,835,300.00	2,951,350.00
Surplus.....	7,009,251.02	7,143,900.69
	<u>\$ 146,799,352.33</u>	<u>\$ 142,755,423.97</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR 1932

Discount earned on bills discounted - Minneapolis	\$	\$	353,615.95
Discount earned on bills discounted - Helena Branch			64,914.77
Discount earned on bills purchased			65,335.29
Interest earned on U. S. Government securities			921,077.03
Interest earned on Municipal Warrants			5,326.06
Interest earned on Federal Intermediate Credit Bank Deb.			1,910.71
Deficient reserve penalties - Minneapolis			13,732.22
Deficient reserve penalties - Helena			3,486.94
Participation in transactions with foreign banks			1,329.13
Interest earned on past due paper of closed banks			4,146.70
Sale of waste paper			70.17
Service charges on collection items returned - Minneapolis			135.11
Clearing House fines			13.00
Expense - Cost of Federal Reserve Currency	19,470.23		
Other current expense - Minneapolis	827,744.72		
Expense current - Helena Branch	79,453.31		
Furniture and equipment	11,985.00		
Reserve for depreciation on building - Minneapolis	25,665.63		
Reserve for depreciation on building - Helena Branch	2,700.00		
Reserve for depreciation on fixed machinery and equipment - Minneapolis	62,005.35		
Reserve for possible losses	200,000.00		
Reserve for self-insurance fund	15,379.97		
General differences - Minneapolis	14.23		
Tellers' differences - Minneapolis	118.47		
Transit and clearing differences - Minneapolis	31.18		
Tellers' differences - Helena Branch		28.43	
Transit differences - Helena Branch		8.12	
Recovery of expenses in connection with closed banks		754.83	
Recovery of transit items previously charged off		44.38	
Recovery in connection with suit in case of John Hirning Receiver of Farmers National Bank, Brookings, S. D., vs. Federal Reserve Bank of Minneapolis		14.80	
Profit on sale of U. S. securities		62.19	
Profit on sale of U. S. securities through F. R. System Special Investment Account		83,376.49	
Unredeemed officers' checks previously credited to Profit and Loss	501.64		
Loss on advance made to closed bank debtor	495.85		
Penalties on deficiency in reserve against deposits	102.78		
Interest coupon lost from bond held as collateral	30.00		
Counterfeits and discount on foreign currency	566.97		
Expense incurred by Helena Branch in connection with search and recovery of the body of H. L. Zimmermann, former Cashier of Helena Branch who was accidentally drowned in Meadow Lake, Montana	493.54		
Loss on transit items account of failed banks	5.00		
Depreciation on Sterling balance carried with the Bank of England	280.83		
Dividends paid	175,494.80		
Transferred to surplus	9,684.28		
Franchise tax paid to U. S. Government	87,158.54		
		\$1,519,382.32	\$1,519,382.32

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

SUMMARY REPORT OF EARNINGS, EXPENSES AND
PROFIT AND LOSS ACCOUNT DURING 1932.

Earnings

Discounted bills	\$ 418,530.72	
Purchased bills	65,335.29	
United States securities	921,077.03	
Deficient reserve penalties	17,219.16	
Miscellaneous	<u>12,930.88</u>	
Total earnings		\$1,435,093.08

Expenses

Cost of Federal Reserve Currency	\$ 19,470.23	
Salaries	552,448.51	
Taxes	66,412.50	
All other	<u>288,337.02</u>	
Total expenses		926,668.26

Current net earnings \$ 508,424.82

Additions to current net earnings:

Profit from sale of U. S. Securities	\$ 62.19	
Profit from sale of U. S. Securities through F. R. System special investment account	83,376.49	
All other	<u>814.01</u>	
Total additions		<u>84,252.69</u>
		\$ 592,677.51

Deductions from current net earnings:

2% Reserve for depreciation on buildings:		
Minneapolis building	\$ 25,665.63	
Helena Branch building	2,700.00	
10% Reserve for depreciation on fixed machinery and equipment:		
Minneapolis	62,005.35	
Helena Branch	0	
Reserve for possible losses	200,000.00	
Furniture and Equipment	11,985.00	
Reserve for Self-Insurance	15,379.97	
All other	<u>2,603.94</u>	
Total deductions		<u>320,339.89</u>

Net earnings available for dividends, surplus and franchise tax \$ 272,337.62

Dividends paid	\$ 175,494.80	
Transferred to surplus	9,684.28	
Franchise tax paid to U. S. Government	<u>87,158.54</u>	
		<u>\$ 272,337.62</u>

ADJUSTMENT OF SURPLUS DECEMBER 31, 1932

Balance in Surplus Account January 1, 1932	\$6,356,250.17	
December 31, 1932, Transferred to Surplus from Reserve for depreciation on U. S. Securities	\$ 653,000.85	
December 31, 1932, Transferred to Surplus from Profit and Loss - Net earnings after covering all charges including dividends, and Franchise Tax	<u>9,684.28</u>	<u>662,685.13</u>
Balance in Surplus Account January 1, 1933		\$7,018,935.30

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH
STATEMENT OF EARNINGS, EXPENSES AND DISPOSITION OF EARNINGS
SINCE ORGANIZATION

Earnings	\$	33,380,166	
Expenses		<u>14,917,011</u>	
Net earnings before charge-offs			\$ 16,463,155
Additions to net earnings			<u>704,405</u>
			\$ 19,167,560

Deductions from net earnings:			
Furniture and equipment	\$	521,052	
Bank premises depreciation		1,972,225	
Reserve for self-insurance		515,380	
Reserve for possible losses (Net)	(A)	452,000	
Reserve for depreciation on United States Government securities (Net)		3,444	
All other		<u>207,336</u>	<u>3,671,437</u>
Net earnings			\$ <u>15,496,123</u>

Distribution of net earnings:			
Dividends paid	\$	3,274,289	
Transferred to surplus (Net)		7,018,935	
Franchise tax paid to U. S. Government		<u>5,202,899</u>	
			\$ 15,496,123

(A) Reserve for possible losses (Net)	\$	452,000.00	
Net losses charged against reserve		<u>173,752.84</u>	
Balance in reserve account Jan. 1, 1933	\$	278,247.16	

DIVIDENDS PAID SINCE ORGANIZATION - BY YEARS

1916	-	\$ 57,719.87
1917	-	363,894.19
1918	-	168,102.97
1919	-	180,186.21
1920	-	195,870.65
1921	-	211,657.03
1922	-	213,774.01
1923	-	212,732.68
1924	-	202,827.98
1925	-	193,559.46
1926	-	187,609.25
1927	-	180,726.51
1928	-	181,202.86
1929	-	184,029.92
1930	-	184,445.39
1931	-	180,454.53
1932	-	175,494.80
		<hr/>
		\$ 3,274,288.31

STATEMENT OF TOTAL FRANCHISE TAX PAID SINCE ORGANIZATION

December 31, 1918	Transferred from Profit and Loss	\$ 37,500.00
December 31, 1920	" " "	524,233.58
June 20, 1921	" " "	1,284,497.62
December 31, 1921	" " "	1,166,468.98
December 31, 1922	" on account of underpayment years 1920 and 1921	52,423.36
December 31, 1922	" from Profit and Loss	512,028.98
December 31, 1923	" " "	101,450.25
December 31, 1924	" " "	113,646.58
December 31, 1925	" " "	37,255.04
December 31, 1926	" " "	234,380.91
December 31, 1927	" " "	103,815.90
December 31, 1928	" " "	390,150.58
December 31, 1929	" " "	549,658.58
December 31, 1930	" " "	8,229.60
December 31, 1931	" " "	None
December 31, 1932	" " "	87,158.54
		<hr/>
		\$ 5,202,898.50

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	" " " "	165,407.67
December 31, 1922	" " " "	56,892.10
December 31, 1923	" " " "	11,272.25
December 31, 1924	" " " "	12,627.39
December 31, 1925	" " " "	4,139.45
December 31, 1926	" " " "	26,042.32
December 31, 1927	" " " "	11,535.10
December 31, 1928	" " " "	43,350.06
December 31, 1929	" " " "	61,073.18
December 31, 1930	" " " "	914.40
December 31, 1931	" " " "	None
December 31, 1932	" " " "	9,684.28
December 31, 1932	" to Surplus from Reserve for de- preciation on U. S. Securities	653,000.85
		<u>\$ 8,359,009.18</u>
Less:		
December 31, 1922	Additional franchise tax paid for the years 1920 and 1921 . . .	\$ 52,423.36
December 31, 1927	Withdrawn from surplus to reduce book value of building . . .	500,000.00
December 31, 1931	Transferred from Surplus for depreciation on U. S. Securities .	653,000.85
December 31, 1931	Transferred from Surplus - net loss for 1931	134,649.67
		<u>1,340,073.88</u>
Balance in surplus account January 1, 1933		\$ 7,018,935.30

PROFIT AND LOSS

Gross income for the year 1932 which includes \$1,435,093.08 of current earnings and \$84,252.69 of other income credited direct to profit and loss, was sufficient to more than cover our needs. After setting aside the usual percentages for building and equipment depreciation, making a substantial addition to Reserve for Possible Losses and paying the year's dividends, we were able to add \$9,684.28 to Surplus and paid 90 per cent of net income or \$87,158.54 to the Treasury Department as a franchise tax.

The total amount available for the above purposes was \$1,519,345.77 compared to \$1,079,355.64 available at the close of 1931, in fact we had to charge Surplus one year ago with \$134,649.67 in order that we might take care of the requirements for 1931. An income of \$1,200,000 yearly just covers our needs. In only one month of 1932 did we fail to earn the amount sufficient to cover the proportionate disbursement of that month. In April we failed by \$4,000 to cover our needs with all other months of the year showing a good margin. During 1931 November and December were the only months in which earnings were adequate.

Items classed as income but credited direct to profit and loss are listed on a preceeding page. The total of \$84,252.69 includes \$83,376.49 as our share of the profit on sales of United States securities handled through the Special Investment Account at New York. Similar profit on such securities was \$57,582.56 in 1931. Expenses recovered from closed banks making final settlement were \$754.83 in 1932 and \$1,828.68 in 1931.

Direct charges made to profit and loss during the year aggregated \$2,476.61. Of these amounts \$501.64 was a reversal of various old Cashier's checks credited to profit and loss in 1931 because ownership could not be determined; \$102.78 was for penalties paid the Treasury Department for deficiency in our deposit reserve due to misinterpretation of the Federal Reserve Board's ruling; \$566.97 represented discount on Canadian currency which could not

PROFIT AND LOSS (Contd)

be recovered from member banks and several counterfeits on which ownership could not be determined. We paid \$493.54 as our share of the cost of making search for the body of our branch cashier, Mr. Zimmermann, who was drowned in Meadow Lake, Montana. At the close of the year we charged off \$280.83 as our proportion of the depreciation in sterling as represented by Bank of England account handled through New York. A loss of \$495.85 was incurred on an advance made to a closed bank debtor named John Milligan at Marion, N. D. No provision is made for losses on direct loans made by us to the debtors of closed banks so we felt justified in placing this charge against Profit and Loss.

The total of our 1932 availables apart from the minor items just mentioned was disposed of as follows:

<u>CURRENT EXPENSES</u>		
Minneapolis	\$847,214.95	
Helena	<u>79,453.31</u>	\$926,668.26

From the standpoint of operating costs the 1932 total expense was \$7,725.79 greater than in 1931. The Helena costs are \$9,053.06 lower than in 1931 while Minneapolis shows an increase of \$16,778.85. We also exceeded by a considerable amount our budget figures for 1932. Conditions beyond our control were responsible for the excess costs and the reasons will be explained later in this report.

FURNITURE AND EQUIPMENT

Minneapolis	\$ 11,758.41	
Helena	<u>226.59</u>	\$ 11,985.00

While the total expended for furniture and equipment exceeded the total for 1931 by approximately \$1,000, some of the changes in equipment will result in increased efficiency. Some of the adding machine and typewriter purchases could have been held over until 1933 but we considered it advisable to make the purchases while we had ample funds to do so. We have not yet completed the budget for machinery and equipment required in 1933 but it is safe to predict that the total outlay in 1933

PROFIT AND LOSS (Contd)

will be lower than for many years past.

The inventory of purchases under classes is given elsewhere in the report including total charged off since organization.

RESERVE FOR DEPRECIATION
ON BANK BUILDING

Minneapolis	\$ 25,665.63	
Helena	<u>2,700.00</u>	\$ 28,365.63

With the addition of the above amount our building depreciation reserve for Minneapolis now amounts to \$205,325.04 and allowing for the amounts charged out of building account up to 1927 aggregating \$1,033,464.34 we have a net book value for our local premises of \$1,578,477.12 excluding fixed machinery and equipment.

Helena depreciation reserve with the addition of \$2,700 now amounts to \$86,718.74. The total original value of land and building was \$161,290.15. Allowing for amounts charged off and depreciation reserves the branch property has a net book value of \$53,281.26.

RESERVE FOR DEPRECIATION ON
FIXED MACHINERY AND EQUIPMENT

Minneapolis	\$ 62,005.35	
Helena	<u>0</u>	\$ 62,005.35

The original cost of fixed machinery and equipment at Helena was equalled by the addition of \$1,680.06 to the reserve account at the close of 1931 and no further amount will be set aside until some replacement is necessary.

At Minneapolis we added 10 per cent of original cost to the reserve and made our first charge against the reserve. The deduction was for \$2,166 the cost of our elevator maintenance contract with the Otis Elevator Co. No other charges are contemplated in 1933. The net amount of our depreciation reserve on December 31 was \$506,300.33. Two years will be required to build the reserve up to full amount of original cost.

PROFIT AND LOSS (Contd)

ADDITION TO RESERVE
FOR POSSIBLE LOSSES \$200,000

Under authority of the Federal Reserve Board, the above amount was set aside out of 1932 earnings. Only one charge of any importance was made during the year, that being \$18,229.67 assumed in connection with the First National Bank, Gregory, S.D. The total amount available for closed bank losses on December 31 was \$278,247.16.

ADDITION TO RESERVE
FOR SELF-INSURANCE \$ 15,379.97

It is customary with other Federal Reserve Banks having self-insurance reserves to add the income from the United States securities in which these funds are invested to the self-insurance reserve. None of the banks were permitted to make such an addition at the close of 1931 because income was not sufficient to cover current needs. The Federal Reserve Board approved such action for 1932 and we added \$15,379.97 to our self-insurance reserve making the total \$515,379.97. No charges have been made against this reserve.

DIFFERENCE ACCOUNTS

Minneapolis debit	\$163.88	
Helena credit	<u>36.55</u>	Debit \$127.33

The net difference of \$127.33 is the smallest amount charged off since the early years of our operations. Tellers' differences show a net loss of \$90.04 for the year. Considering the volume handled this was an excellent showing, the differences in an average year running from \$300 to \$500. Net transit difference of \$23.06 also reflects careful handling of items.

DIVIDENDS PAID \$ 175,494.80

There was a net decrease of \$66,050 in Capital Stock holdings of member banks during the year with \$2,885,300 held on December 31, 1932. This is the smallest payment made since 1918. For 1931 we paid dividends of \$180,454.53. We had 514 National members and 42 State bank members at the end of the year. Total dividends paid since organization \$3,274,288.31.

PROFIT AND LOSS (Contd)

ADDITIONS TO SURPLUS

At the close of 1931 under instructions from the Federal Reserve Board we wrote our United States securities down to market value by direct charge to Surplus Account. The amount taken from Surplus was credited to Depreciation reserve and required \$512,769.08 to cover depreciation on our holdings in Permanent and Self-Insurance Accounts and \$140,231.77 for depreciation on the Government issues held in Special Account operated in New York.

We are pleased to advise that the recent instructions of the Federal Reserve Board permitted us to return to Surplus Account at the close of 1932 the exact amount set up for depreciation one year ago. The market value of 2 of the Treasury bond issues had not reached par at the end of the year but the appreciation on all the other issues was sufficiently in excess of par to make possible the Board's decision to allow all depreciation returned to Surplus. In addition to the above we had excess earnings after all charges of \$96,842.82 which permitted our adding \$9,884.28 to Surplus and paying a franchise tax of \$87,158.54 to the Treasury Department. With the changes enumerated our Surplus Account at the close of the year amounted to \$7,018,935.30.

FRANCHISE TAX

With the payment of \$87,158.54 to the Treasurer of the United States on December 31, our total payments since organization have amounted to \$5,202,898.50. Since we began making such payments in 1920 the only break in continuous payments was for the year 1931.

COMPARATIVE STATEMENT OF GROSS EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

EARNINGS FROM	Minneapolis 1932	Helena Branch 1932	Combined 1932	Combined 1931	Combined 1930
Discounted bills	\$ 353,615.95	\$ 64,914.77	\$ 418,530.72	\$ 168,589.07	\$ 172,441.60
Purchased bills	65,335.29		65,335.29	132,998.95	228,551.27
United States securities	921,077.03		921,077.03	597,518.08	747,483.68
Federal Intermediate Credit Bank debentures	1,910.71		1,910.71	4,122.15	
Municipal Warrants	5,326.06		5,326.06	3,423.46	1,326.70
Foreign loans on gold				111.63	
Deficient reserve penalties	13,732.22	3,486.94	17,219.16	7,725.76	7,644.01
Interest received on past due paper of closed banks	4,146.70		4,146.70	14,396.79	65,773.89
Interest on noncurrent funds, delayed wire transfers, etc.					3.10
Participation in transactions with foreign banks	1,329.13		1,329.13	7,512.69	11,208.70
Sale of waste paper, money bags, etc.	70.17		70.17	72.19	115.15
Service charges on collection items returned unpaid	135.11		135.11	109.42	127.34
Monthly letters sold					300.00
Clearing house fines	13.00		13.00	24.00	107.00
Total Earnings	\$ 1,366,691.37	\$ 68,401.71	\$ 1,435,093.08	\$ 936,604.19	\$ 1,235,082.44

GROSS EARNINGS AND
AVERAGE RATE OF EARNINGS ON EARNING ASSETS
FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>1932</u>	<u>1931</u>	<u>Monthly Average 1932</u>	<u>Monthly Average 1931</u>
Earnings from:				
Discounted bills	\$ 418,530.72	\$ 168,589.07	\$ 34,877.56	\$ 14,049.09
Purchased bills	65,335.29	132,998.95	5,444.61	11,083.25
United States securities	921,077.03	597,518.08	76,756.42	49,793.17
Fed. Int. Credit Bank Deb.	1,910.71	4,122.15	159.22	343.51
Municipal Warrants	5,326.06	3,423.46	443.84	285.29
Foreign Loans on Gold		111.63		9.20
Deficient reserve penalties	17,219.16	7,725.76	1,434.93	643.81
Miscellaneous	5,694.11	22,115.09	474.51	1,842.93
Total	\$ 1,435,093.08	\$ 936,604.19	\$119,591.09	\$ 78,050.35
Expenses:				
Cost of F. R. Currency	\$ 19,470.23	\$ 26,454.21	\$ 1,622.52	\$ 2,204.52
Salaries	552,448.51	551,054.95	46,037.38	45,921.25
Taxes	66,412.50	69,504.85	5,534.38	5,792.07
All other	288,337.02	271,928.46	24,028.08	22,660.70
	\$ 926,668.26	\$ 918,942.47	\$ 77,222.36	\$ 76,578.54
Dividends paid	\$ 175,494.80	\$ 180,454.53	\$ 14,624.57	\$ 15,037.88

DAILY AVERAGE HOLDINGS OF EARNING ASSETS

	<u>Bills Dis- counted</u>	<u>Bills Purchased</u>	<u>U. S. Se- curities</u>	<u>Federal Int. Credit Bank Debentures</u>	<u>Municipal Warrants</u>	<u>Foreign Loans on Gold</u>	<u>Total</u>
1932	\$11,933,801	\$ 1,649,414	\$43,724,651	\$ 68,904	\$152,197	\$ 0	\$57,528,967
1931	4,818,935	7,607,324	26,761,330	158,671	97,671	6,275	39,450,206
1930	4,042,859	7,870,007	22,786,786	0	34,220	0	34,733,872
1929	21,624,673	6,328,387	9,812,359	2,579,658	140,326	28,340	40,513,743
1928	11,199,882	15,354,918	13,701,741	686,803	8,784	0	40,952,128

AVERAGE RATE OF EARNINGS ON EARNING ASSETS

	<u>Bills Dis- counted</u>	<u>Bills Purchased</u>	<u>U. S. Se- curities</u>	<u>Federal Int. Credit Bank Debentures</u>	<u>Municipal Warrants</u>	<u>Foreign Loans on Gold</u>	<u>Total</u>
1932	3,507%	3,961%	2,107%	2,773%	3,500%	0	2,455%
1931	3,500	1,748	2,233	2,598	3,500	1,779	2,299
1930	4,265	2,904	3,280	0	3,877	0	3,310
1929	4,845	4,902	3,960	4,783	4,989	5,021	4,636
1928	4,382	3,970	3,740	3,885	4,253	0	4,004
1927	3,937	3,412	3,581	3,654	3,722		3,580
1926	4,000	3,548	3,850	3,827	4,000	4,500	3,793
1925	4,030	3,245	3,841	0	4,000	3,569	3,651
1924	4,458	3,720	3,899	0	4,374	3,000	4,084
1923	4,502	4,135	4,250	0	4,500	0	4,411
1922	5,119	0	3,427	0	4,752	0	4,640
1921	6,479	6,097	2,055	0	5,807	0	6,091
1920	6,223	5,259	2,016	0	0	0	5,755
1919	4,381	4,267	2,460	0	0	0	4,114

Discount rate effective	January 1, 1922	5½%
Discount rate lowered	January 11, 1922 to	5%
Discount rate lowered	August 15, 1922 to	4½%
Discount rate lowered	October 14, 1924 to	4%
Discount rate lowered	September 13, 1927 to	3½%
Discount rate raised	February 8, 1928 to	4
Discount rate raised	April 25, 1928 to	4½
Discount rate raised	May 14, 1929 to	5%
Discount rate lowered	February 8, 1930 to	4½%
Discount rate lowered	April 15, 1930 to	4%
Discount rate lowered	September 12, 1930 to	3½%

EARNINGS

Earned at Minneapolis	\$1,366,691.37	
Earned at Helena	<u>68,401.71</u>	\$1,435,093.08

Marked increases in earnings from both discounts and investments in United States securities caused the sharp upturn in our income compared to 1931. During 1931 we had sufficient volume of earning assets but the lowest average rates throughout the year that we have yet experienced. The average rate on all earning assets of 2.455 per cent for 1932 was nothing to enthuse over but was an improvement over the 2.299 per cent obtained in the previous year. During October, November and December the average earning rate was less than the 1931 yearly average but the higher rates which prevailed during the first five months of 1932 made possible a higher average for the year. In December the average rate was 2.10 per cent compared to 2.437 per cent one year ago indicating that rates will average lower during the early part of 1933 than we have yet experienced. Current earnings fell just short of exceeding the 1931 income by \$400,000.

Advances to member banks gave us discount profits of \$418,530.72 compared to \$168,589.07 obtained in 1931. Of our total current income 29.2 per cent came directly from members with 18 per cent the proportion received from the same source in the year previous. There was a gradual increase in the volume of rediscounting beginning in October 1931 when the daily average of discounts was \$5,975,000. The average gradually increased reaching the maximum of \$14,181,000 in February. Throughout the remainder of 1932 the average has held up quite consistently with the daily average for 1932 amounting to \$11,934,000 compared to \$4,819,000 averaged in 1931. Rates to members have been the same in 1931 and 1932, the slightly higher general discount average in 1932 resulting from the few loans made direct to corporations at 6 per cent.

The net amount due from closed banks on December 31 was \$1,669,000 compared to \$1,250,000 at the beginning of the year

EARNINGS (Contd)

indicating that our average amount of discounts would have been higher but for frequent additions to the closed list. More paper was turned over to the closed bank division during the last six months than in the first half of the year. The net amount due from closed banks on January 1, 1931 was \$409,000. At the close of business December 31, 1932 we had current re-discounts of \$8,689,000, collateral loans of \$3,919,000 and direct loans to corporations of \$93,000. Aggregate amount of claims against closed banks was \$3,018,000 and the amount collected but not yet applied against these claims was \$1,349,000. The average amount of income received each month in 1932 from discounts was \$34,877.56 compared to \$14,049.09 as a monthly average in 1931.

United States securities for three years have been the source from which much the greater part of our revenue has been obtained. Out of gross earnings of \$1,435,093.08 we obtained \$921,077.03 or 64.3 per cent from the interest on our permanent holdings and similar securities held in the Special Investment Account. There has been one small change since one year ago in our own holdings, so that changes in total holdings, income and earning rate are the result of operations through the Special account handled in New York.

Our permanent holdings of Governments averaged \$7,520,000 in 1932 while our other holdings of such securities averaged \$36,205,000. Total of all Governments held on December 31 was \$54,850,654.20. From July 1931 to April 1932 there was practically no change in the amount of our Participation through New York. An increase of \$6,000,000 was then made in May with \$17,000,000 added in June. Since August we have been holding \$47,087,000 in participation account. Just prior to the 1932 additions to Participation account the average earning rate on all our Governments was 2.72 per cent. Since April the constant changes made in this account, running strongly to Treasury bills, have resulted in reducing the average rate on United States securities to 1.752 per cent in December with 2.107 the average rate for 1932. For

EARNINGS (Contd)

1931 this rate was 2.233 per cent.

Elsewhere in this report reference is made to the fact that all of the depreciation reserve on United States securities set up out of Surplus one year ago was returned to Surplus on December 31, 1932. In order that a clearer picture may be had of the values represented by our Permanent bond account holdings and the securities in which our self-insurance fund is invested, we are listing these securities and indicating the market values at the close of the year. It will be noted that after allowing for premium and discount the net market value of these securities is approximately \$118,000 in excess of the amount at which they are carried. We have made no estimate of the net market value of securities held in Special Participation Account because we have no knowledge of the price at which these securities were obtained. However, the high percentage of short maturities and Liberties held makes any loss on these securities unlikely. Particulars of the System special investment holdings are given on a following sheet.

In addition to the income from Governments and the increased market value, we placed \$83,376.49 in profit and loss as our share of the profit on the many sales out of Special Participation Account. Similar profit in 1931 was \$57,582.56. We also obtained in 1932 the sum of \$4,333.86 as interest on United States securities carried for member banks pending final payment. This income is included with the interest on our regular holdings.

Since July we have had no acceptances except those purchased through Foreign banks. In January we had average daily holdings of acceptances amounting to \$6,049,000 with income of \$17,598.18. With the maturing of all dollar bills we had approximately \$633,000 of Foreign bills remaining giving us monthly income of approximately \$2,600 and total income for 1932 from bills of \$65,335.29. Recently the rates on these bills improved with 5.378 per cent the average rate received in December. Present outlook would not indicate as much income from acceptances in

EARNINGS (Contd)

1933 as for the past year.

At the close of 1931 we held \$430,000 in debentures of five Federal Intermediate Credit Banks. These were all retired in February and none have been carried since. Total income from this source obtained in 1932 was \$1,910.71. During all months of 1932 we held Municipal Warrants from our member banks with the greatest amount reached in December. The daily average for 1932 was \$152,000 all taken on a discount basis of $3\frac{1}{2}$ per cent. Income from this source was \$5,326.06.

Penalties for deficient reserves of member banks were higher than for a number of years. The total collected was \$17,219.16 compared to \$7,725.76 in 1931 and \$7,644.01 in 1930. It is quite apparent that many banks are accepting penalties because they are unable to avoid them. Some of the increase is due to the fact that under Federal Reserve Board ruling we may not use a certain amount of discretion in imposing penalties. Increases in penalties were relatively greater at Helena than at Minneapolis. During the past year we collected \$13,732.22 compared to \$6,785.70 in 1931 while at Helena the penalties were \$3,486.95 in 1932 and \$940 during the previous year. Penalties were higher in August and September than for the other months of the year.

Miscellaneous revenues for the year totalled \$5,694.11, much the smallest amount obtained for many years. The principal item for a long time has been the interest received from closed banks making final settlement with us. From such banks we received \$4,146.70 in 1932 compared to \$14,396.79 in 1931. Other items giving us some profit formerly, were the commissions received on transactions arranged for Foreign banks and interest on Sterling balance. We did receive commissions of \$1,005.86 during the year but no interest on Foreign balances, in fact we charged to profit and loss the sum of \$280.83 for depreciation on Sterling balance carried with the Bank of England.

EARNINGS (Contd)

The usual table has been prepared indicating the amount of income received directly from member banks and the portion obtained from United States securities, acceptances, etc.

Daily average of earning assets reached high mark in August when \$69,247,000 was carried. Over the year period daily average of all earning assets was \$57,529,000.

INCOME FROM DISTRICT

	<u>1932</u>	<u>1931</u>	<u>1930</u>
Discounts for members	\$ 418,530.72	\$ 168,589.07	\$ 172,441.60
Warrants	5,326.06	3,423.46	1,326.70
Penalties for deficient reserves	17,219.16	7,725.76	7,644.01
Interest on past due paper of closed banks	4,146.70	14,396.79	65,773.89
Interest on Fed. Intermediate Credit Bank Debentures	444.35	960.58	0
Miscellaneous	218.28	205.61	652.59
	<hr/> \$ 445,885.27	<hr/> \$ 195,301.27	<hr/> \$ 247,838.79

INCOME FROM WITHOUT DISTRICT

Discount from Purchased Bills	\$ 65,335.29	*(\$ 132,998.95)	\$ 228,551.27
Interest on U. S. Securities	921,077.03	597,518.08	747,483.68
Interest on Fed. Intermediate Credit Bank Debentures	1,466.36	3,161.57	0
Foreign Loans on Gold		111.63	0
Participation in transactions with Foreign Banks	1,329.13	7,512.69	11,208.70
	<hr/> \$ 989,207.81	<hr/> \$ 741,302.92	<hr/> \$ 987,243.65

* \$6.755 of this income originated in our District.

SYSTEM HOLDINGS OF UNITED STATES SECURITIES
HELD IN SPECIAL INVESTMENT ACCOUNT

Treasury Bills maturing in 1933	\$ 372,458,000
Certificates of Indebtedness maturing in 1933	649,199,500
Treasury notes due May 2, 1934 3%	78,225,000
" " " Aug. 1, 1934 2 1/8	104,952,000
" " " June 15, 1935 3	79,277,000
" " " Dec. 15, 1936 2 3/4	19,880,000
First Liberty Loan 1932-1947 3 1/2	25,025,000
" " " 1932-1947 4 1/4	29,000,000
Fourth " " 1933-1938 4 1/8	281,591,000
 Total	 <hr/> \$ 1,639,607,500

On December 31, 1932 our Participation in the above holdings amounted to \$ 47,087,000

INVESTMENTS HELD DECEMBER 31, 1932.

U. S. Securities held in investment account:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Market Value</u>
Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{4}$ %	\$2,227,000.00	\$2,307,728.75
U. S. Treasury Bonds	1944-1954	4	165,900.00	176,579.81
" " " "	1941-1943	3 $\frac{3}{8}$	2,452,700.00	2,504,819.87
" " " "	1946-1949	3 $\frac{1}{8}$	1,713,850.00	1,700,996.12
" " " "	1940-1943	3 $\frac{3}{8}$	9,450.00	9,650.81
" " " "	1951-1955	3	335,300.00	326,707.94
U. S. Conversion Bonds	1946	3	3,200.00	3,216.00
" " " "	1947	3	111,600.00	112,158.00
U. S. Panama Bonds	1961	3	500.00	502.50
Total			<u>\$7,019,500.00</u>	<u>\$7,142,359.80</u>
Add - Discount				<u>7,677.79</u>
				<u>\$7,150,037.59</u>
Deduct Premium				<u>12,282.84</u>
Net Market Value				<u>\$7,137,754.75</u>

Investment for self-insurance reserve:

Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{4}$ %	\$ 100,000.00	\$ 103,625.00
U. S. Treasury Bonds	1941-1943	3 $\frac{3}{8}$	200,000.00	204,250.00
" " " "	1946-1949	3 $\frac{1}{8}$	60,000.00	59,550.00
" " " "	1951-1955	3	140,000.00	136,412.50
Total			<u>\$ 500,000.00</u>	<u>\$ 503,837.50</u>
Deduct - Premium				<u>2,900.73</u>
Net Market Value				<u>\$ 500,936.77</u>

U. S. Securities sold and held pending final payment, carried on our books at	\$ 244,154.20
Participation in Federal Reserve System Special Investment Account	\$47,087,000.00
Grand Total U. S. Securities	\$54,850,654.20
Municipal Warrants	\$ 410,563.94

COMPARATIVE STATEMENT

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

	Minneapolis 1932	Helena Branch 1932	Combined 1932	Combined 1931	Combined 1930
Salaries:					
Officers	\$ 103,425.06	\$ 6,875.07	\$ 110,300.13	\$ 118,135.23	\$ 122,067.03
Clerical employees	297,480.51	30,566.90	328,047.41	330,399.32	338,938.93
Other employees	105,218.47	8,882.50	114,100.97	102,520.40	96,240.76
Governors' conferences	995.39		995.39	611.52	608.84
Federal Reserve Agents' conferences	188.13		188.13		317.36
Federal Advisory Council	1,539.82		1,539.82	1,315.66	1,297.82
Directors' meetings	7,250.52	2,499.74	9,750.26	7,061.87	6,529.38
*Traveling expenses	20,654.74	1,154.99	21,809.73	17,565.00	12,920.88
Assessments for Federal Reserve Board expenses	16,243.16		16,243.16	16,481.72	18,503.91
Legal fees	13,503.81	600.00	14,103.81	14,865.42	18,431.23
Insurance on currency and security shipments	7,907.64	1,325.04	9,232.68	12,410.23	13,916.52
Other insurance	28,335.29	3,721.20	32,056.49	31,671.51	30,720.80
Taxes on banking house	64,566.00	1,846.50	66,412.50	69,504.85	69,399.45
Light, heat, power and water	16,311.31	1,256.98	17,568.29	16,207.92	17,201.73
Repairs and alterations	1,529.82	201.11	1,730.93	5,437.59	6,155.04
Office and other supplies	11,591.04	1,436.95	13,027.99	13,280.15	17,537.45
Printing and stationery	15,278.07	1,619.70	16,897.77	14,784.02	19,446.94
Telephone	5,127.80	832.21	5,960.01	5,583.92	5,165.60
Telegraph	10,335.52	5,534.19	15,869.71	17,663.61	18,031.76
Postage	64,846.37	7,973.34	72,819.71	52,522.95	64,933.59
Expressage	6,987.04	1,068.30	8,055.34	11,778.79	12,229.61
Miscellaneous	28,429.21	2,058.59	30,487.80	32,686.58	29,342.05
Total Exclusive of Cost of Currency	\$ 827,744.72	\$ 79,453.31	\$ 907,198.03	\$ 892,488.26	\$ 919,936.68
Federal Reserve currency:					
Original cost, including shipping charges	16,978.71		16,978.71	23,386.59	52,685.13
Cost of redemption, including shipping charges	2,491.52		2,491.52	3,067.62	4,245.46
Total Current Expenses	\$ 847,214.95	\$ 79,453.31	\$ 926,668.26	\$ 918,942.47	\$ 976,867.27

*Other than those connected with Governors' and Agents' conferences and meetings of Directors and Advisory Council.

ITEMIZED STATEMENT SHOWING AMOUNTS INCLUDED IN MISCELLANEOUS EXPENSES

	Minneapolis 1932	Helena Branch 1932	Combined 1932	Combined 1931	Combined 1930
Rental of furniture and equipment	\$ 87.00	\$ 67.80	\$ 154.80	\$ 166.80	\$ 46.22
Repairs and maintenance of furniture and equipment	1,217.84	545.09	1,762.93	1,705.21	949.62
Outside protection, vault inspection, etc.	437.91	105.17	543.08	528.30	708.50
Outside laundry and cleaning charges, etc.	2,093.84	120.88	2,214.72	2,038.42	894.39
Licenses and permits	37.00		37.00	27.25	36.30
Local transportation-car fare and taxi hire	797.10		707.10	916.60	917.90
Post office box and postage-meter rental	287.00	216.00	503.00	687.00	442.33
Newspapers, periodicals, books, binding, etc.	3,256.09	175.25	3,431.34	3,604.11	3,295.53
Collection charges and protest fees absorbed	225.00	28.50	253.50	283.11	234.31
Clearing house membership dues		30.00	30.00	106.10	33.65
Supplies furnished member banks	478.88		478.88	512.36	
Copies of bank examination reports	5,640.00	256.50	5,896.50	5,867.75	6,750.66
Commercial agency credit reports and services	389.00	36.00	425.00	254.50	581.00
Photographs	27.00	2.00	29.00	13.00	19.00
Medical service, supplies and physical examinations	263.93		263.93	84.95	33.00
Cafeteria net expense	4,138.41		4,138.41	4,232.15	4,564.76
Entertainment of bankers and others not in bank's employ	455.89	19.40	475.29	291.85	650.74
Employees' education: American Institute of Banking	1,184.00		1,184.00	897.00	1,030.00
All other	10.00		10.00		570.00
Federal Reserve Club	2,770.00	300.00	3,070.00	3,420.00	3,225.50
Membership dues and donations:					
American Bankers' Association	250.00	15.00	265.00	315.00	315.00
State and other bankers' associations	250.00	130.00	380.00	290.00	302.00
Credit Men's Associations	187.00		187.00	194.00	41.00
American Acceptance Council	300.00		300.00	300.00	300.00
American Society of Agricultural Engineers	15.00		15.00	15.00	15.00
Twin City Bank Auditors' Conference	30.00		30.00	30.00	30.00
Tax Payers' Association	672.30		672.30	675.00	751.00
Minneapolis Police Benevolent Association	100.00		100.00	100.00	100.00
National Industrial Conference Board, Inc.	100.00		100.00	100.00	100.00
Police Officers' Federation	25.00		25.00	25.00	
Christmas donations	57.50		57.50	57.50	57.50
Counterfeits and discount on foreign currency, etc.				220.27	192.35
Miscellaneous expense in connection with closed banks	1,345.49		1,345.49	1,626.53	1,861.37
Pension Committee				568.98	
Committee on Bank Reserves	24.44		24.44	494.06	
Committee on Branch, Group and Chain Banking	1,249.84		1,249.84	2,001.39	
All other	26.75	11.00	37.75	37.39	293.42
TOTAL MISCELLANEOUS EXPENSES	\$ 28,429.21	\$ 2,058.59	\$ 30,487.80	\$ 32,686.58	\$ 29,342.05

EXPENSES

\$ 926,668.26

Minneapolis	\$847,214.95
Helena	<u>79,453.31</u>

In making up our budget for 1932 we estimated a possible reduction of \$12,000 in comparison with the expenses of 1931. It was evident that the second-half of 1932 would show a higher expense total than for the first six months because of the renewal of printing orders for notes after June 30. At the end of June our total expense was \$440,015.41, a decrease of \$19,600 from the similar costs during the first half of 1931. The saving on note costs during this period was over \$15,000. It will be noted that the costs of operation for the last half of 1932 were \$46,637.44 greater than during the first six months. The cost of Federal reserve currency during the past six months was \$16,775.79 compared to \$2,694.44 in the first half of the year. However, we had previous knowledge of these costs so they had no bearing on our estimates.

Additional costs over which we had no control came into effect in July. With a 50 per cent increase in the first class postage rate, and later the increased parcel post rates, the monthly average expense had a rapid rise. Surcharges on money and security shipments required additional postage. While the postage account of \$72,819.71 shows an increase of \$20,296.76 over one year ago, the added cost of shipping our notes to and from Washington and surcharges does not appear in this account but does add to the total expense. The budget estimates for 1933 are subject to further revision, but we may expect a postage total of \$90,000 with close to \$5,000 added in the way of surcharges.

The 1932 budget figures were fixed at \$820,233.00 for Minneapolis and \$86,765.00 for Helena. For 1933 the Minneapolis costs are estimated to be \$879,453.00 subject to some small changes and \$77,990.00 at Helena.

EXPENSES (Contd)

	<u>SALARIES</u>	\$552,448.51
Minneapolis	\$506,124.04	
Helena	<u>46,324.47</u>	

Net changes from 1931

Payments to Officers, net decrease	\$7,835.10
" " Clerical Staff, net decrease	<u>2,351.91</u>
	\$10,187.01
Payments to Guards, building employees and other non-clerical staff, net increase	<u>11,580.57</u>
Net increase over 1931	\$ 1,393.56

On January 1, 1932 we had a Staff of 259 persons at Minneapolis and 29 at Helena. This number by January 1, 1933 had been increased to 301 persons at Minneapolis and 34 at Helena. With a net increase of 47 persons it is natural to expect the pay-roll total for 1932 should greatly exceed the similar payments in 1931. Net additions to the Bank's staff not reimbursable, were 19 persons. The reason for the small increase in our salary payments lies in the fact that some of our higher salaried men were transferred temporarily to the Reconstruction Finance Corporation work at Minneapolis and Helena and there was a further net reduction through the death of two officers.

All the increase in pay-roll came at Minneapolis. Officers were paid less than in 1931 but closed bank representatives, guards and building workmen increased this type of expense \$11,788.13. Clerical help required payments of \$297,480.51 compared to \$295,455.15 in 1931. At Helena the situation was different with a net reduction of \$11,750.32 shown. No employees were added to the bank pay-roll, any additions being paid by the Reconstruction Finance Corporation. Both the Agency and Custody divisions of the above corporation were directed by our branch officers making it possible to receive reimbursement for a part of the salary of each officer, all of the salary of one clerk and a portion of the salary of one other. Between February 15 and September 15, 57 per cent of Mr. Towle's salary as Manager of the Corporation was reimbursable. From September 15 until April 1 all of his salary

EXPENSES (Contd)

will be paid by the Regional Agricultural Credit Corporation of Spokane. The custody division of the Reconstruction Finance Corporation at Minneapolis which is a new department since February last, has 22 employees with one of our officers supervising, all salaries being reimbursable.

Salary adjustments as of January 1, 1933 aggregated \$2,200 to 32 members of our staff on bank pay-roll. All of these adjustments were for \$60 to Junior clerks with the exception of \$200 each to the head of the accounting division and the head of the closed bank division, which increases were amply justified by meritorious work. Increases aggregating \$840 were made 5 persons on Reconstruction Finance Corporation work. These increases were to persons on small salaries and are reimbursable.

The 1933 salary payments based on the January pay-roll would be approximately \$560,000 depending however, on the continuance of Reconstruction Finance Corporation work by some of our officers and clerks and the number of representatives required on closed bank work. It does not seem likely that other departments will need any further additions to personnel.

GOVERNORS' CONFERENCES	\$ 995.39
FEDERAL RESERVE AGENTS' CONFERENCES	188.13
FEDERAL ADVISORY CONFERENCES	1,539.82

Expense of conferences at Washington were greater than in former years. The above expenses represent five meetings of all the Governors and one meeting attended by Mr. Geery as representative on the Open Market Policy Conference, one Agents' Conference in November attended by Mr. Mitchell and four quarterly meetings of the Advisory Council attended by Mr. Wold. The latter expense also included \$300 as our share of the Secretary's salary.

	<u>DIRECTORS MEETINGS</u>	<u>\$9,750.26</u>
Minneapolis	\$7,250.52	
Helena	<u>2,499.74</u>	

Meetings of Directors and Executive Committee meetings caused an expense \$2,700 greater than in 1931. Directors meetings were held at Minneapolis in every month except February, with two

EXPENSES (Contd)

meetings held in December, the extra meeting being to confer with Governor Meyer.

Branch Board held meetings in January, March and December, the balance of the expense representing Executive Committee meetings.

	<u>TRAVELING EXPENSES</u>	\$ 21,809.73
Minneapolis	\$20,654.74	
Helena	<u>1,154.99</u>	

At the beginning of the year it was estimated that the travel expense of representatives at closed banks, etc., would require approximately \$4,000 more than in 1931 and the actual increase of the above costs over 1931 was \$4,244.73. There was less expended for the attendance of officers at group meetings than in 1931. Prospects for 1933 indicate that we may expect an increase in traveling expense. Recoveries of expense at closed banks is small and will, no doubt, continue small.

	<u>ASSESSMENT FOR FEDERAL RESERVE BOARD EXPENSES</u>	\$ 16,243.16
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We provided for a payment of \$16,500 in our 1932 budget which was approximately the amount paid in 1931. The Board advises us each six months what the rate of assessment will be. Our reduced Surplus in 1932 made our payment less although the rate of assessment was higher than in 1931. On January 6 we were advised that the assessment for all Federal reserve banks to cover Board expenses until June 30, 1933 would be 951/10,000 of 1% on combined Capital Stock and Surplus. The increase in our Surplus in addition to the higher rate will make our portion \$9,418.93 for the six months compared to \$7,650.85 during the first half of 1932. On the basis of the same rate for the second half of 1933 the total assessment for 1933 would be \$2,600 in excess of 1932.

	<u>LEGAL FEES</u>	\$ 14,103.81
Minneapolis	\$13,503.81	
Helena	<u>600.00</u>	

There was no change in the regular retainers paid Counsel during the year, \$9,000 being paid our local counsel for services and office expense. At Helena counsel Weir is paid \$1,200 one-half

EXPENSES (Contd)

of which is assumed by Minneapolis. The balance of \$3,900 covers a number of special matters requiring payments to regular counsel and others, the most important being \$608.50 paid Ueland & Ueland in case against Iron National Bank, Ironwood, Mich.; \$354.30 as our share of Attmore and Lucas case handled through Federal Reserve Bank of Richmond and \$258.25 paid Michigan attorneys re our suit against Village of L'Anse, Mich. All other items paid during the year were for minor amounts.

<u>INSURANCE ON CURRENCY AND SECURITY SHIPMENTS</u>		
Minneapolis	\$7,907.64	\$9,232.68
Helena	<u>1,325.04</u>	

During 1932 we received full benefit for the reduction in insurance rates effective October 1, 1931 with the result that the amount assumed by us was reduced over 25 per cent from the \$12,410.23 expended in 1931. The reduction at Minneapolis was \$2,841.50 and \$336.05 at Helena. We did not have as many large currency shipments as in 1931 and absorbed \$1,000 less insurance charges on security shipments. There is no prospect of lower rates and unless 1933 is an unusual year the amounts absorbed should be approximately the same as 1932.

<u>INSURANCE</u> (Other than on currency and security shipments)		
Minneapolis	\$28,335.29	\$32,056.49
Helena	<u>3,721.20</u>	

Cost of the various types of coverage shows an increase over 1931 of \$384.98. This increase would have been greater but for the fact that we received benefit for the full year 1932 of the reduction made in our blanket bond during 1931. This class of insurance cost \$700 less than in 1931. Fire and elevator liability insurance cost about \$180 less with all other classes showing increases. For two years we have received no return premiums on our Group Life policy. With further losses entailed through the death at Minneapolis of Mr. Homstrom and at Helena of Mr. Zimmermann no payments from the Equitable Life may be expected in 1933. With added employees Workmen's Compensation insurance cost \$210 more than in 1931; fidelity premiums were \$133 greater and automobile

EXPENSES (Contd)

coverage through more field men increased \$115. A further increase in premiums may be expected for 1933.

<u>TAXES ON BANK PREMISES</u>	\$66,412.50
Minneapolis	\$64,566.00
Helena	<u>1,846.50</u>

The amount reserved at Minneapolis for payment in 1933 was based on a reduction of \$100,000 in valuation under the arrangement made in 1930. This meant \$3,000 less in tax payments than one year ago. There will be a similar amount reserved in 1933 with possibly a lowering of the tax rate.

At Helena the payment was \$37.98 less than for 1931 with no change in the valuation but a lowered tax rate.

<u>LIGHT, HEAT AND POWER</u>	\$17,568.29
Minneapolis	\$16,311.31
Helena	<u>1,256.98</u>

Deliveries of fuel oil paid for in 1932 amounted to 141,118 gallons costing \$6,267.65. During 1931 we paid \$4,927.01 for 100,635 gallons. All oil received up to October 1, 1932 cost \$4.35 per 100 gallons. December deliveries were 40,404 gallons at \$4.69 per 100 gallons. The greater consumption of oil in 1932 accounts for the increase in the above costs because the other items changed but little. While the severe weather in December required heavier purchases of oil, the greater carry-over into 1933 should be reflected in a reduced total for oil expense even though the cost per gallon is higher. Electricity for power and light cost \$9,395.11 at Minneapolis and is \$280 less than in 1931. This is entirely due to the reduction in voltage because more light and power has been necessary since the Reconstruction Finance Corporation came into our building. City water furnished cost \$565.37 which was \$74 more than last year.

At Helena the net increase was \$300 with increases in all items, fuel costing \$395.22; light and power \$776.66 and water \$84.80.

Unless weather conditions are unfavorable we look for some reduction in the heating costs during 1933 with light and power expense showing but little change from last year.

EXPENSES (Contd)

<u>REPAIRS AND ALTERATIONS</u>	\$1,730.93
Minneapolis	\$1,529.82
Helena	<u>201.11</u>

These costs are lower than for any other year since we have had our own property even after making allowance for \$2,166 paid yearly on our elevator maintenance contract which is now placed against depreciation reserve. Throughout the year the changes and repairs were of a minor character both at Minneapolis and Helena.

<u>OFFICE AND OTHER SUPPLIES</u>	\$13,027.99
Minneapolis	\$11,591.04
Helena	<u>1,436.95</u>

A further reduction in the cost of building and office supplies at Minneapolis is noted for 1932, the net decrease being \$567.13 with \$314.97 more expended at Helena than last year. Some of our supplies last longer than one year and for that reason expense comparisons are more difficult. Costs have been reduced yearly for several years but will be higher in 1933 than for the year just closed. This increase will come at Minneapolis as Helena will expend less for supplies in 1933.

<u>STATIONERY AND PRINTING</u>	\$16,897.77
Minneapolis	\$15,278.07
Helena	<u>1,619.70</u>

The increase of \$1,834.79 at Minneapolis and \$278.96 at Helena reflects the expansion in some of our departments and the cause for our monthly purchases to be consistently higher than one year ago. The present costs, while in excess of last year, are \$2,600 less than in 1930. For the greater part of the year we have been allowing the Reconstruction Finance Corporation to draw their requirements from our stock and this has necessitated heavier purchases on our part although reimbursement is made monthly for stock sold by us. Much of the reduced expense in former years has been brought about by changes in grades of paper, sizes of forms and unnecessary colored ruling so that variations in yearly expense now are the result of quantity used rather than for other reasons. Had these changes not been made our yearly costs would be \$5,000 higher than at present.

EXPENSES (Contd)

<u>TELEPHONE</u>		\$5,960.01
Minneapolis	\$5,127.80	
Helena	<u>832.21</u>	

Total expense of this character is \$377 in excess of 1931 due principally to increased tolls and some extra expense for changes in desk phones. Our 1933 costs will show a further increase because of some renewals necessary in our internal telephone system, the expense of which is included in the above. The increase at Helena is entirely for toll charges.

<u>TELEGRAPH</u>		\$15,869.71
Minneapolis	\$10,335.52	
Helena	<u>5,534.19</u>	

Reductions in the total of telegraph expense have been made yearly since 1929 with the reduction larger for 1932 than previous years. The total at Minneapolis was \$1,741.63 less than in 1931 and reflects the falling off in demand for transfers, currency shipments, etc., by wire from our member banks as well as the reduced number of members. Some of the increase in telephone toll charges was no doubt the need for quicker action than wiring afforded.

At Helena most of the wire expense is fixed, the Gold Fund Settlement wires and the balance sheet wires making up over two-thirds of the cost. Since we arranged to have the daily balance sheet wired in code, there is little left through which further savings might be effected.

More telegrams were sent and received over our leased wire in 1932 than during 1931 but less than in 1930. The added volume is due to the Reconstruction Finance Corporation making use of these facilities, reimbursement being made through the Federal Reserve Board.

EXPENSES (Contd)

<u>POSTAGE</u>		\$72,819.71
Minneapolis	\$64,846.37	
Helena	<u>7,973.34</u>	

As the item of postage has been the chief cause of our failure to meet our budget figures and is also the cause for a further increase in 1933, we have made special reference to the fact elsewhere in the report. We are sure to feel the effect of increased rates more than many other institutions because of the many free services extended by Federal Reserve Banks. Some increase in our volume of transits and collections should be the natural result. We are not exempt even on the shipments of our notes from Washington and in addition, must pay surcharges on the value of the shipment.

During the first six months of 1932 the average amount of postage used other than on shipments between Washington and Minneapolis was \$4,390 monthly. After the increased rates went into effect the monthly average over the last half of 1932 was \$7.746. The monthly average over a year will be lower but with shipping charges from Washington included, we must expect a total very close to \$95,000 for the year 1933.

<u>EXPRESSAGE</u>		\$8,055.34
Minneapolis	\$6,987.04	
Helena	<u>1,068.30</u>	

These costs are mostly for shipping charges on coin sent to or received from member banks. Formerly we handled most of the \$1 and \$2 bill shipments by express but these are now sent almost entirely by mail. As a result the expressage costs are \$3,700 less than in 1931. Of the above expense \$604.12 represents automobile operation costs.

EXPENSES (Contd)

FEDERAL RESERVE CURRENCY \$16,978.71
(Original cost and shipping charges)

Note printing expense for the past two years has been greatly reduced. For 1931 and 1932 combined the cost was \$12,000 less than in 1930 and \$39,000 less than in 1929. For the Fiscal year beginning July 1, 1932 the Bureau of Engraving hold our order placed through the Federal Reserve Board for \$28,500,000 of notes to cost \$14,880. Of this expense \$12,670 was paid during 1932 leaving the balance to be expended before June 30, 1933. For the Fiscal year which begins July 1 next, we have authorized a printing schedule calling for \$19,560,000 which will cost approximately \$10,000. With the addition of postage, insurance and surcharges our expense for new notes during 1933 should not exceed \$18,000 unless some unforeseen demand arises.

FEDERAL RESERVE CURRENCY \$2,491.52
Cost of Redemption including shipping charges

This total is made up of postage and insurance expense on unfit Federal reserve notes sent in to Washington and the insurance on our fit notes returned by other Federal Reserve Banks. At times we charge to this account monthly an amount which will provide sufficient funds to meet the redemption expense assessed by the Comptroller of the Currency. Since June 1931 we have not found it necessary to reserve funds for this purpose as a sufficient amount has already been set aside. During 1932 we were assessed \$853.75 for redemption expense and we have \$1,035.60 reserved for the same purpose. No further amounts will be reserved until January 1934.

CAFETERIA (Net Expense) \$4,138.41

The amount of cafeteria expense absorbed in 1932 was \$800 less than the amount authorized by the Federal Reserve Board and was also nearly \$100 less than the amount absorbed in 1931. Cost of food and service was greater than last year but with the addition of Reconstruction Finance Corporation employees the receipts were \$1,436 in excess of one year ago.

EXPENSES (Contd)

<u>MISCELLANEOUS EXPENSES</u>	\$30,487.80
Minneapolis	\$28,429.21
Helena	2,058.59

Disbursements for special purposes and not given general classification were \$2,200 less than one year ago. The complete list is not given in the monthly report but is shown in the annual report following the regular expense items. Some of the larger items require explanation. Outside laundry and cleaning \$2,214.72 chiefly consists of towels and linen service made heavier by reason of our having many more people in the building; newspapers, books, binding of our records and ticker service \$3,431.34; copies of bank examination reports \$5,896.50. The reduced number of banks will be offset by an increase from \$5 to \$10 per report effective until June 30, 1933. The amount paid for employees' education represents \$890 paid to the American Institute of Banking as our share of the amount contributed by Minneapolis banks as approved by the Minneapolis Clearing House Association; refunds of tuition to employees who successfully completed courses in the American Institute of Banking amounted to \$294 and \$10 was paid to an employee as a refund of tuition for a course taken at the University of Minnesota. We contributed \$897.00 in 1931. For activities of the Federal Reserve Club we provided \$2,770 at Minneapolis and \$300.00 at Helena. Miscellaneous amounts expended to protect our interests at closed banks aggregated \$1,345.49. Our share of the expense of the Committee on Branch, Group and Chain Banking \$1,249.84.

FURNITURE AND EQUIPMENT

Purchases of furniture and equipment during the past year amounted to \$12,678.50 compared to \$10,946.68 one year ago. Allowances on equipment traded in were \$693.50 in 1932 and \$1,771.50 in 1931 leaving the net amount expended during the past year \$2,809.82 in excess of the net for 1931. Some of the replacements made during 1932 could possibly have been deferred until 1933 but we were in a better position to make these replacements than may be the case in 1933.

The Discount department machinery has been simplified, the general ledger placed on a machine and other bookkeeping equipment replaced. These changes should result in increased efficiency and make 1933 purchases lower than for any previous year. All Helena furniture and equipment is carried on Head Office books. Total net purchases since we came into existence have been \$458,586.19 and are shown on the balance sheet as \$1.00.

Classification of purchases made during 1932 is as follows:

1 Excelsior Cancellation Press	\$ 119.00
1 Picture George Washington	25.00
30 ft. Steel Shelving	125.00
53 Wood Filing Boxes	33.37
1 Peerless Automatic Scale	141.04
1 De Luxe Furnace Cleaing Machine	200.00
1 Electric Sign	26.46
1 New Process Duplicator	171.50
1 18 Drawer Addressograph Cabinet	30.80
1 Herring Haul Marwin Vault Door	75.00
1 Accounting Machine - TRANSIT	2,071.00
1 38 Caliber Revolver	14.00
26 Typewriter tables Misc. Equipment	132.61
1 Moon Hopkins Multiplier	1,081.93
1 Library Bureau Note Truck	198.75
14 Typewriters	1,101.26
5 National Cash Adding Machines	2,262.50
16 Chairs Do-More and Burroughs	335.81
1 Portable Cabinet	15.00
2 60 Inch Tables	47.50
13 Library Bureau Files	623.05
2 Elliot Fisher Billing Machines	850.00
2 Bookkeeping Machines	2,619.22
17 Centruy Fans	378.70
	\$ 12,678.50
<u>Less Trade in Equipment</u>	693.50
	\$ 11,985.00

Amount expended to close of 1931	\$ 469,066.24	
Purchased during 1932-Minneapolis	12,431.91	
Purchased during 1932-Helena	246.59	\$481,744.74
Less amounts received for furniture and equipment sold or traded in		23,158.55
Net amount expended		\$458,586.19
Fire insurance carried at Minneapolis	\$ 25,000.00	
Fire insurance carried at Helena	10,000.00	35,000.00

BANK PREMISES REPORT DECEMBER 31, 1932.
FEDERAL RESERVE BANK OF MINNEAPOLIS, MINN.

BUILDING SITE

Original cost of land	\$	600,000.00
Incidental expenditures connected with purchase . .		2,463.66
Total	\$	<u>602,463.66</u>
Less proceeds from sale of salvaged material . . .		1,948.00
Cost of building site	\$	<u>600,520.66</u>

BUILDING

Preliminary expenditures	\$	3,000.48
Cost of construction:		
Building exclusive of vaults & fixed machinery and equipment		1,730,065.37
Vault construction, including any additional structure or foundation made necessary by vault, and vault equipment		323,750.54
Fixed machinery and equipment . . . \$623,965.55*		
Less sale and charge-off of 2 mechanical coal stokers (Original cost \$1,956 each)	3,912.00	620,053.55
Miscellaneous building construction ex- pense incurred by Federal Reserve Bank:		
Fees & Expenses: Architects		148,027.79
Engineers		15,846.00
Taxes		74,350.00
Maintenance		21,705.66
Cost of new Building		<u>\$ 2,936,799.39</u>
Cost of building and building site . .		<u>\$ 3,537,320.05</u>
Charge-offs:		
Depreciation allowances		\$ 1,037,408.68
Taxes		74,350.00
Maintenance		21,705.66
Total		<u>\$ 1,133,464.34</u>
Book value of property		<u>\$ 2,403,855.71</u>

MEMORANDA

Reserve against depreciation:		
Building	\$	205,325.04
Fixed machinery and equipment		506,300.33
Total	\$	<u>711,625.37</u>

Floor space:		
(a) Occupied by Federal Reserve Bank	124,739	Sq. Ft.
(b) Rented	Ø	Sq. Ft.
(c) Unoccupied	Ø	Sq. Ft.
(d) Total floor area in building . . .	124,739	Sq. Ft.

* Includes \$100,000 of architect's fees and expenses.

BANK PREMISES REPORT DECEMBER 31, 1932.

Federal Reserve Branch Bank at Helena, Montana.

Original cost of land and building	\$ 15,000.00
Cost of remodeling:	
Building, exclusive of vaults and fixed machinery and equipment	57,642.93
Vault construction, including any additional structure or foundation made necessary by vault	9,266.00
Vault equipment, including doors, lining, and all interior equipment	66,580.53
Fixed machinery and equipment	16,108.99
Fees:	
Architects	5,433.57
Contractor's Commission	<u>7,442.12</u>
Total cost	\$ 177,474.14
Less proceeds from sale of salvaged material	75.00
Cost of building and building site	<u>\$ 177,399.14</u>
Depreciation allowances charged off:	
Charged to current net earnings	<u>\$ 21,290.15</u>
Book value of property	\$ 156,108.99

MEMORANDA

Reserves against depreciation:

Building	\$ 86,718.74
Fixed machinery and equipment	<u>16,108.99</u>
Total	\$ 102,827.73

Floor Space:

Occupied by F. R. Bank	4700 Sq. Ft.
Rented	Ø Sq. Ft.
Unoccupied	Ø Sq. Ft.
Total Floor area in building	4700 Sq. Ft.

FEDERAL RESERVE BANK OF MINNEAPOLIS
CHARGE-OFFS OF LAND, BUILDING, AND FIXED MACHINERY AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
<u>COST</u>	\$600,520.66	\$2,416,745.84	\$523,965.55	\$3,541,232.05
1926 Adjustment of Architect's fees, transferred from building to fixed machinery and equipment		<u>100,000.00</u>	100,000.00	
1926 Sale and charge-offs of two mechanical coal stokers			<u>3,912.00</u>	<u>3,912.00</u>
	<u>\$600,520.66</u>	<u>\$2,316,745.84</u>	<u>\$620,053.55</u>	<u>\$3,537,320.05</u>
<u>CHARGED OFF:</u>				
1919	\$100,000.00	\$	\$	\$
1920		100,000.00		
1921		3,381.40		
1922		11,646.87		
1923		37,222.97		
1924		293,310.62		
1925		30,463.84		
1926		57,438.64		
1927		500,000.00		
Total	<u>\$100,000.00</u>	<u>\$1,033,464.34</u>	\$	<u>\$1,133,464.34</u>
Book value gross	\$500,520.66	\$1,283,281.50	\$620,053.55	\$2,403,855.71

DEPRECIATION RESERVE AND NET BOOK VALUE

<u>Depreciation Reserves</u>				
1924	\$	\$	\$ 12,814.73	\$
1925			38,814.40	52,396.55
1926			32,516.86	71,222.95
1927			5,665.63	62,005.35
1928			25,665.63	62,005.35
1929			25,665.63	62,005.35
1930			25,665.63	62,005.33
1931			25,665.63	62,005.37
1932			25,665.63	59,839.35 ^A
Total Depreciation Reserves	\$	\$	<u>205,325.04</u>	<u>\$506,300.33</u>
Net Book Value	\$500,520.66	\$1,077,956.46	\$113,753.22	\$1,692,230.34

HELENA BRANCH, FEDERAL RESERVE BANK OF MINNEAPOLIS
CHARGE-OFFS OF LAND, BUILDING, AND FIXED MACHINERY AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
Total Cost	\$ 5,000.00	\$156,290.15	\$ 16,108.99	\$ 177,399.14
Charged off 1920	\$	\$ 21,290.15	\$	\$ 21,290.15
Book value gross	<u>5,000.00</u>	<u>135,000.00</u>	<u>16,108.99</u>	<u>156,108.99</u>

DEPRECIATION RESERVES AND NET BOOK VALUE

<u>Depreciation Reserves</u>				
1920	\$	\$ 56,447.49	\$	\$
1921		1,893.23		
1922		1,655.37	1,610.90	
1923		1,571.05	1,541.73 ^B	
1924		3,125.80	1,610.90	
1925		3,125.80	1,610.90	
1926		2,700.00	1,610.90	
1927		2,700.00	1,610.90	
1928		2,700.00	1,610.90	
1929		2,700.00	1,610.90	
1930		2,700.00	1,610.90	
1931		2,700.00	1,680.06	
1932		2,700.00	0	
Total Depreciation Reserves	\$	<u>86,718.74</u>	<u>\$ 16,108.99</u>	<u>\$ 102,827.73</u>
Net Book Value	\$ 5,000.00	\$ 48,281.26	\$	\$ 53,281.26

(A) Net after deducting \$2,166.00 for Otis Elevator Service Contract

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

BANK PREMISES

With the exception of 1929 we have been able to bring the cost of operating our building below the estimates made at the beginning of each year. This would also have been true in 1929 but for the delay in settling our tax matter. The 1932 estimate of building costs was \$123,975 with \$122,390.80 the actual amount expended. Taxes on Bank premises at Minneapolis make up over one-half the yearly cost of building operation. For 1933 our taxes will be approximately \$3,000 less than for 1931, depending on the tax rate. This reduction in taxes however was offset in part by increases in other classes of building expense.

For 1933 we estimate an expense of \$123,450 which is only \$525 less than the 1932 estimate. It will be difficult to bring about reductions in 1933 because we have about 100 more persons in the building than at the beginning of 1932, with a natural increase in the amount expended for power and light and a material addition to the cost of other service supplies. At the beginning of 1932 we arranged for a decrease in the electric voltage supplied us but the greater use of current through having the Reconstruction Finance Corporation housed in our building prevented our making any saving. No charge for any of these services is contemplated but we wish to advise that the fuller use of our premises will prevent further reduction in costs.

Repairs and alterations have cost less during 1932 than for any other year since we came into the building. We estimated \$2,000 for the year and actually expended \$1,529.82. One item covering repairs and maintenance of elevators and formerly charged against "Power Plant" is now charged to the reserve set up for depreciation on fixed machinery and equipment. This amounts to \$2,166 yearly and is the first item placed against the depreciation reserve. No other charges for replacements are in view for 1933 and by the end of 1934 we will have set aside an amount equal to original cost of our fixed machinery and equipment. Only minor

BANK PREMISES (Contd)

repairs have been needed requiring outside workmen as our own building employees are quite competent.

The most favorable contract for fuel oil we have ever had expired on October 1. Under this contract we were furnished fuel oil for one year at 4.35 cents per gallon. Our present contract, which runs to September 30, 1933, gives us a price of 4.69 cents per gallon. Oil consumption during the present winter has been greater than one year ago but we are not estimating a greater fuel expense in 1933 than for the present year. Only a small amount of coal is used for heating water during the warmer weather. Our heating equipment is efficient and its operation economical. There is practically no waste of fuel. A smoke indicator has been installed in the boiler room by which the amount of smoke passing up the stack can be controlled by the fireman on duty.

BANK PREMISES (Depreciation)

Since the completion of our bank building eight years ago, we have set up a total of \$711,625.37 in depreciation reserves. The Federal Reserve Board has fixed 2 per cent yearly on estimated replacement value as the basis for accumulating building reserves. Under this formula we have set up a reserve of \$205,325.04 or \$25,665.63 yearly for eight years on a book value of \$1,283,281.50. Of the total original cost of fixed machinery and equipment amounting to \$620,053.55 only \$113,753.22 remains unprovided for in the depreciation account and at the end of two years the reserve will equal original cost. Making allowance for \$100,000 charged off Land and \$1,033,464.34 charged off Building, the net book value of our premises at Minneapolis is \$1,692,230.34. This figure is considerably higher than realizable value especially with present lowered construction costs but there is nothing we can do about it as long as the policy of the Federal Reserve Board remains unchanged.

BANK PREMISES (Depreciation) (Contd)

Addition to depreciation reserve on Helena property was \$2,700 only at the close of 1932 and represented 2 per cent on a valuation of \$135,000. Amounts charged off construction cost plus depreciation leave a net book value for the building and fixtures including vault of \$48,281.26. The land value has been placed at \$5,000 with no change since the property was purchased. While the net book value of \$53,281.26 is less than one-third of the original cost, this value is still too high. The total original cost of fixed machinery and equipment has been set aside with the final portion reserved at the close of 1931.

BANK PREMISES (Taxes)

Taxes reserved at Minneapolis during 1932 for payment in 1933 amounted to \$64,190.40. The same amount will be reserved in 1933 with some small variation by reason of change in the tax rate and special assessments. Under our arrangement with the assessor's office the valuation of our property for tax purposes was reduced \$100,000 from the 1931 valuation. Effective for 1932 and 1933 this valuation will be \$2,150,000 with the reduction in tax payment approximately \$3,000 yearly. The valuation in 1934 will be \$2,050,000 and a further saving of \$3,000 in taxes should result. We contribute 1 per cent of our yearly tax payment to the Tax Payers Association, an organization of representatives of the important interests in Minneapolis and a prominent factor in opposing tax increases not amply justified.

Tax values have not changed materially at Helena over a period of years. Taxes at the Branch are paid during the same year in which the assessment is made. For 1932 we paid a total of \$1,846.50 in taxes at Helena based on a valuation of \$79,767.

DISCOUNT OPERATIONS

There was a considerable increase in the volume of discount accommodations extended to member banks during the past year. The number of items handled was more than double the number handled during the previous year, and the amount advanced was nearly three times as much as the amount of advances made during 1931. Loans amounting to \$145,522,000 were made to 333 banks as compared to \$50,292,000 advanced to 266 banks during the previous year. The greater part of applications was on farm paper submitted by country banks.

Some falling off in the demand for loans was noted during the closing weeks of the year due presumably to the activities of the Regional Agricultural Credit Corporation.

The daily average of bills discounted during 1932 was \$11,934,000 in comparison with a daily average of \$4,819,000 held during 1931. On December 31, 1932 the total of bills discounted amounted to \$9,603,815.63 and of this amount \$1,043,311.41 was held at Helena Branch.

During the year the Federal Reserve Act was amended allowing us to make loans direct to individuals, partnerships and corporations under certain conditions. Advances amounting to \$128,453.80 were made to four corporations under the provision of the Act. At the close of the year we held \$97,761.92 of such paper. The rate of discount on this type of paper was fixed at 6 per cent, all other bills discounted during the year were taken at a rate of $3\frac{1}{2}$ per cent.

Acceptances purchased in the open market during 1932 payable in dollars amounted to \$6,562,307.13 on which we obtained an average rate of 2.877 per cent. Nearly all of these bills were purchased during the first four months of the year. In addition to these bills, we carried a daily average of \$644,000 in acceptances purchased through foreign banks by the Federal Reserve System Open Market Committee. No bills payable in dollars were purchased after the first of August and at the close of the year our holdings of purchased bills consisted of \$611,649.63 all purchased through foreign banks.

DISCOUNT OPERATIONS - MINNEAPOLIS AND HELENA BRANCH

Month	Number of Banks Served			Number of Items Received			Amount Rediscounted 000 Omitted		
	1932	1931	1930	1932	1931	1930	1932	1931	1930
January	154	94	94	1,723	1,047	818	\$ 17,298	\$ 2,676	\$ 32,408
February	144	64	70	1,229	583	421	17,323	1,785	7,583
March	161	74	88	1,878	876	735	10,380	2,138	5,353
April	150	69	90	1,683	770	745	8,901	1,680	10,878
May	173	87	107	1,963	969	1,074	14,812	2,796	5,517
June	206	109	96	2,725	1,424	1,156	11,419	3,002	6,567
July	220	92	107	3,271	885	1,059	17,904	2,515	3,896
August	201	90	70	2,202	877	410	11,098	2,190	1,892
September	183	88	57	2,328	1,230	546	8,533	2,406	2,263
October	102	145	95	3,605	2,281	1,358	10,898	13,483	5,723
November	191	124	93	3,376	1,297	998	9,456	8,254	2,762
December	150	139	101	2,910	1,617	1,776	7,502	7,367	3,477
Number different Banks	333	266	234	28,893	13,856	11,096	\$ 145,524	\$ 50,292	\$ 88,319

VOLUME OF REDISCOUNTS

		Minnesota	North Dakota	South Dakota	Montana	Wisconsin	Michigan	Total
		Number pieces Rediscounted	1932	8,720	5,126	9,690	2,873	1,186
	1931	4,401	2,278	3,750	1,996	1,061	370	13,856
	1930	2,553	2,636	2,908	2,342	530	127	11,096
	1929	4,727	2,594	1,754	1,587	422	154	11,238
	1928	19,837	2,008	1,091	460	220	126	23,742
Total amount Rediscounted	1932	\$ 62,253,455.68	\$ 9,744,596.70	\$ 33,185,358.35	\$ 18,039,003.22	\$ 14,451,661.14	\$ 7,847,797.09	\$ 145,521,872.18
	1931	20,912,698.23	5,377,637.75	12,197,074.41	5,534,600.11	4,557,039.83	1,713,198.27	50,292,248.60
	1930	68,927,462.98	5,715,117.80	4,361,818.08	4,033,193.40	2,230,165.12	2,550,968.26	88,318,725.64
	1929	1,002,174,830.46	6,843,982.43	3,820,797.30	11,590,966.86	5,350,693.53	5,465,736.27	1,035,247,006.85
	1928	610,175,325.50	4,913,018.90	1,960,576.06	2,542,159.60	3,152,317.38	2,615,000.00	625,358,397.44

STATEMENT OF BILLS PURCHASED

Paper purchased in the Open Market

	<u>1932</u>		<u>1931</u>	
	<u>Number of pieces</u>	<u>Amount</u>	<u>Number of pieces</u>	<u>Amount</u>
January	164	\$ 1,912,474.93	61	\$ 1,999,323.00
February	301	2,951,713.09	199	1,904,057.52
March	134	1,321,150.20	533	5,403,441.28
April	7	23,577.93	469	6,968,669.87
May	0	0	475	4,449,533.15
June	0	0	201	2,150,183.80
July	80	353,390.98	76	274,037.63
August	0	0	182	2,636,311.28
September	0	0	1,102	12,833,032.85
October	0	0	1,439	16,603,742.66
November	0	0	5	99,509.71
December	0	0	386	4,213,523.15
	<u>686</u>	<u>\$ 6,562,307.13</u>	<u>5,128</u>	<u>\$ 59,535,364.90</u>

Paper purchased from other Federal Reserve Banks

No paper was purchased from other Federal Reserve Banks during 1932.

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

	<u>Number of Notes Re-discounted</u>	<u>Number of Collateral Notes dis-counted</u>	<u>No. of Notes received as collateral to Bills Payable</u>	<u>No. of Notes received as collateral to general line</u>	<u>Number of Notes Rebated</u>	<u>Number of pieces of paper purchased</u>
Year 1932	23,936	2,092	9,988	2,527	9,945	686
Year 1931	11,078	782	3,961	1,789	6,744	5,128

Monthly Average

Year 1932	1,995	174	832	311	829	577
Year 1931	923	65	330	149	562	427

	<u>Number of Officers</u>	<u>Officers' Salaries</u>	<u>Number of Employees</u>	<u>Employees' Salaries</u>	<u>Other Expenses</u>	<u>Total Expense</u>
Year 1932	1.12	\$ 10,687.49	8.51	\$ 17,212.88	\$ 4,730.67	\$ 32,631.04
Year 1931	1.00	10,750.00	6.27	13,650.85	3,473.65	27,874.50

Monthly Average

Year 1932		\$ 890.62		\$ 1,434.41	\$ 394.22	\$ 2,719.25
Year 1931		895.83		1,137.57	289.47	2,322.87

CLOSED BANKS

At the close of business December 31, 1931, the unpaid liability of 76 suspended member banks and one non-member bank to us was \$1,362,399.43. During the year 1932 member banks to the number of 25 suspended, and of these 7 were not indebted to us on account of rediscounts.

The remaining 18 member banks added \$965,908.43 in liabilities, making a total of \$2,328,307.86.

With respect to the one non-member bank mentioned above: The First National Bank of Scranton, North Dakota, consolidated on March 2, 1931, with the Bank of Scranton, a state non-member which latter bank at consolidation assumed liability of the member bank to us on account of rediscounts in the sum of \$44,653.00. On October 14, 1931 the bank of Scranton suspended with this liability only partially reduced. It was reopened April 25, 1932 and the assumed liability is in process of liquidation.

The total collection from all sources during 1932 amounted to \$688,165.95. Of this amount \$657,795.24 was applied to reduce the direct liability of the suspended banks, leaving a net balance due from these banks of \$1,670,512.62, at the close of the year 1932. Of this latter amount the remaining liabilities of 12 banks totaling \$173,752.84 has heretofore been charged against the special reserve set up for losses, including \$18,229.67 from one bank charged during the past year.

Names of the banks from which recovery may not be made and the uncollected liability of each are given in the December report from the closed bank department.

On December 31, 1932, the number of banks on our closed list indebted to us was 86 including the 12 banks just referred to whose liability has heretofore been charged against the special reserve.

As security to the liabilities of the 74 banks on our closed list not yet paid or charged off amounting to \$1,496,759.78 we hold \$3,930,842.75 in notes. In addition we still retain paper classified as worthless in the sum of \$257,972.44. This paper is

CLOSED BANKS (Contd)

collateral from the banks whose indebtedness to us has been charged off.

Up to the close of 1932, 371 member banks and the one non-member above mentioned, had closed with total liabilities to us at date of suspension of \$17,363,737.46. Of this amount, we have received payments aggregating \$15,693,224.84, including full liquidation of original liability due us from 286 banks, and there remains now due only the sum of \$1,670,512.62 as above indicated. In addition, we have received \$351,266.43 interest and \$278,701.41 in reduction of our collection expense. Unpaid collection expense accumulated as of December 31, 1932 amounted to \$300,838.87. During the past year \$908.33 was credited as recovery of expense, \$2,984.87 as interest collected from these closed banks, and \$1,161.83 interest on other advances made to protect our interests.

In addition to the recoveries mentioned, we collected during 1932 in certain accounts \$14,644.38 over the original liability due us at date of suspension from these suspended banks and now have in this account \$87,564.81, which eventually will apply as recovery of interest and/or collection expense.

The average number of employees on this work during 1932 was 14.19 and in 1931, 8.71. An average of 1.17 officers' time was allocated to this function in 1932 as compared with .80 in 1931. Estimated expenses for 1933 show a small increase over the 1932 actual expense.

COMPARATIVE FUNCTIONAL EXPENSE

	<u>Budget 1933</u>	<u>1932</u>	<u>1931</u>
Salaries - Officers	\$ 10,750.00	\$10,212.55	\$ 8,150.04
Salaries - Employees	36,000.00	31,926.85	23,600.72
Traveling expense	16,000.00	15,121.67	10,751.02
Stationery and Supplies	1,250.00	1,386.52	1,056.58
Telephone and Telegraph	700.00	727.66	410.47
Legal Fees	7,000.00	7,149.64	8,265.48
All Other	<u>7,500.00</u>	<u>7,483.11</u>	<u>5,725.77</u>
	\$ 79,200.00	\$ 74,008.00	\$ 57,960.08
Average number of officers		1.17	.80
Average number of employees		14.19	8.71

CHECK COLLECTION FUNCTION
(Minneapolis Only)

During 1932 this function handled 17,182,392 items totaling \$2,342,396,000, a decrease of 1,791,675 items and \$400,346,000 in amount as compared to 1931 with 18,974,067 items totaling \$2,742,742,000.

A comparison of the number of items handled, the average number of employees, the total expense of this function and the average number of items handled per employee for the years 1928 through 1932 follows:

Year	No. of Items	Average No. Employees	Total Expense	Daily Ave. n No. of Items Per Person	Ave. Cost of Handling 1,000 Items
1932	17,182,392	38.40	\$ 63,996.23	1,477	\$ 3.72
1931	18,974,067	39.82	71,196.45	1,605	3.69
1930	21,139,718	43.57	77,873.79	1,634	3.62
1929	21,751,365	53.81	88,661.60	1,356	4.01
1928	22,317,186	60.37	95,335.25	1,243	4.21

A classification of the items handled by the various divisions of this function for the years 1930 through 1932 follows:

<u>Items Handled On</u>	<u>Number of Items</u>		
	1932	1931	1930
Twin City Banks	3,457,376	3,836,559	4,155,358
Member & Non-member Banks (This district)	11,608,286	13,131,668	14,959,941
Other F. R. Districts	941,775	940,368	1,088,568
Direct to Member & Non-Member Banks (Other F.R. Dist.)	40,018	37,428	41,272
Helena, Montana	13,701	11,429	10,295
Treasurer of United States	1,121,236	1,016,615	884,284
	<u>17,182,392</u>	<u>18,974,067</u>	<u>21,139,718</u>

The below table gives a comparison of the handling costs for 100 items and the average number of items handled per person per day for the various divisions of the Transit Department for the years 1928 through 1932.

Year	<u>Outgoing Country Checks</u>		<u>City Checks (Clearings)</u>		<u>Government Checks</u>	
	Ave. No. Items	Costs	Ave. No. Items	Costs	Ave. No. Items	Cost
1932	1,911	24.7¢	2,216	19.2¢	2,387	25.9¢
1931	2,040	25.1¢	2,274	19.4¢	2,291	26.3¢
1930	2,063	24.9¢	2,156	20.1¢	2,363	27.2¢
1929	1,551	29.5¢	2,071	20.7¢	2,065	26.9¢
1928	1,336	32.7¢	2,479	19.1¢	1,452	37.0¢

The direct costs of handling all classes of Transit items were reduced during 1932 and with the exception of Clearing items, were the lowest in our history. It will be noted that the average cost of handling all classes of Transit items (including Administration and Remittance costs) increased slightly from \$3.69 per thousand for 1931 to \$3.72 for 1932, which is accounted for by the decrease of approximately 1,800,000 items without a corresponding decrease in indirect expense. Administration and Remittance costs were \$21,167.11 in 1931 and \$19,852.32 during 1932.

CHECK COLLECTION FUNCTION (Contd)
(Minneapolis Only)

A comparison of the 1932 check collection costs with the latest available figures for the other Federal Reserve Bank Head Offices (First Half Year 1932), indicates that our costs are below the average for all main offices. In the below table we have indicated the average costs of handling 100 items for all head offices and the lowest bank's costs for the first half of 1932 and our costs for the full year 1932.

	City Checks (Clearings)	Government Warrants	Country Checks Outgoing	Return Items
Our 1932 Costs	19.2¢	25.9¢	24.7¢	\$1.26
Average Costs F. R. Bank's Head Offices	31.1¢	31.6¢	33.7¢	1.46
Lowest Bank's Costs	16.8¢	15.6¢	18.2¢	.77

During 1932 we returned 279,615 items totaling \$16,319,000 as compared to 329,000 items amounting to \$19,413,000. These figures include items returned not on our list, collection items forwarded in error on a cash collection basis, and items returned by drawee banks for various reasons.

A comparison of the number of cash letters received and sent, the number of banks reported closed and reopened, and the number of banks added to and removed from our list during the years 1928 through 1932 follows:

Year	Letters Received Daily	Letters Sent Daily	Ninth District			
			Banks Reported Closed	Banks Reported Opened	Banks Removed From List	Banks Added To Our List
1932	1,162	1,020	143	2	58	11
1931	1,244	1,150	274	28	97	5
1930	1,351	1,312	160	7	70	2
1929	1,435	1,416	92	7	73	7
1928	1,604	1,496	102	12	91	8

COMPARATIVE STATEMENT SHOWING NUMBER OF OFFICERS
EMPLOYEES AND EXPENSES, CHECK COLLECTION FUNCTION

Year	Number of Officers	Officer's Salary	Number of Employees	Employees' Salaries	Other Expense	Total Expense
1932	.29	\$ 1,523.72	38.40	\$ 49,981.19	\$12,491.32	\$63,996.23
1931	.40	2,119.96	39.82	53,763.50	15,312.99	71,193.45
1930	.40	2,119.97	43.57	57,184.80	18,569.02	77,873.79

FEDERAL RESERVE BANK OF MINNEAPOLIS
REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1932

MONTH	CLEARINGS		MEMBER & NON-MEMBER		OTHER RESERVE BANKS		DIRECT TO BANKS IN OTHER RESERVE DISTRICTS		TO OUR HELENA BRANCH BY US		TREASURER OF THE UNITED STATES	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1932												
January	286,332	\$106,190,526.21	920,935	\$44,081,520.58	84,304	\$17,618,327.70	3,030	\$3,016,677.77	956	\$305,046.14	78,370	\$9,728,472.45
February	272,493	92,547,714.72	867,634	38,878,952.57	71,924	14,553,958.35	2,769	2,441,070.34	839	168,768.28	79,101	8,602,377.84
March	326,137	106,291,048.63	954,877	43,341,068.78	81,571	16,340,112.71	3,133	3,114,739.73	910	164,483.51	91,376	11,669,167.94
April	309,878	104,871,513.73	956,359	43,891,477.34	78,702	15,677,329.39	3,073	2,831,828.50	914	58,194.21	140,659	20,776,722.96
May	301,073	102,105,870.57	933,769	43,050,299.45	73,730	15,010,373.53	3,031	3,139,932.50	871	64,501.34	110,564	17,885,985.86
June	296,095	113,793,447.00	993,184	48,279,321.69	82,799	16,298,551.64	3,552	2,992,081.10	955	133,531.78	89,926	12,337,866.67
July	260,601	113,728,133.56	927,062	52,530,012.90	72,725	13,836,414.45	3,532	2,732,287.68	1491	283,819.84	84,446	14,071,592.59
August	260,447	119,053,684.90	950,098	52,425,737.24	68,073	13,372,828.69	3,784	2,945,022.58	1168	221,090.77	82,786	12,804,507.90
September	265,872	129,407,006.69	970,365	57,491,410.21	67,469	13,385,284.48	3,233	3,182,133.92	1263	159,605.66	84,215	12,686,065.55
October	296,636	133,655,813.99	1,049,865	61,161,863.11	79,470	15,050,855.34	3,609	3,333,700.10	1358	445,748.02	99,870	14,827,910.90
November	276,468	117,852,136.91	996,634	56,740,792.02	82,928	14,459,965.25	3,412	2,979,822.13	1283	129,588.60	95,323	12,365,975.24
December	305,344	118,629,946.60	1,087,504	57,597,007.40	98,080	18,788,521.74	3,860	3,297,329.30	1693	244,256.70	84,600	14,265,519.97
Total	3,457,376	\$ 1,358,126,843.51	11,608,286	\$ 599,469,463.29	941,775	\$ 184,392,523.27	40,018	\$ 36,006,625.65	13,701	\$ 2,378,634.85	1,121,236	\$ 162,022,165.87
Monthly Av. No. Items	288,115		967,357		78,481		3,335		1,142		93,436	
Monthly Ave. Amounts		\$ 113,177,236.96		\$ 49,955,788.61		\$ 15,366,043.61		\$ 3,000,552.14		\$ 198,219.57		\$ 13,501,847.15
Grand Total Items 17,182,392											
Grand Total Amounts \$2,342,396,256.44											

TWIN CITY CLEARINGS THROUGH FEDERAL RESERVE BANK
OF MINNEAPOLIS FOR 1932 and 1931

DIRECT SENDINGS TO OTHER RESERVE BANKS
BY OUR MEMBER BANKS 1932 and 1931

Month	Amt. of Items on Mpls. Banks	Amt. of Items on St. Paul Bks.	Grand Total 1932	Grand Total 1931	Daily Average Clearings 1932	Amount Held Over 1931	Number of Items 1932	1931	Amount 1932	1931
January	\$102,669,081.15	\$43,910,027.88	\$146,579,109.03	\$187,316,396.47	\$92,069.35	\$80,911.80	\$106,032	\$116,966	\$7,280,786.80	\$10,179,605.27
February	90,579,099.35	42,006,009.70	132,585,109.05	160,451,078.43	76,985.87	100,788.09	95,573	102,285	6,424,784.35	8,202,446.86
March	101,417,593.51	46,165,370.10	147,582,963.61	207,339,033.36	78,987.90	99,461.79	110,401	118,680	7,041,601.29	9,822,337.97
April	101,226,781.42	43,608,825.30	144,835,606.72	189,030,944.34	68,500.96	110,789.23	106,654	123,479	7,372,616.42	10,163,160.83
May	97,393,423.78	42,999,317.91	140,392,741.69	179,233,963.95	68,816.03	95,002.68	104,091	116,423	7,929,391.13	9,860,515.26
June	106,869,369.58	47,386,890.76	154,256,260.34	202,712,144.51	63,711.89	96,577.14	103,111	120,810	7,719,450.71	9,940,390.82
July	106,977,703.00	42,673,706.17	149,651,409.17	189,059,892.39	71,862.49	64,865.63	88,868	120,415	6,712,180.85	9,503,538.57
August	113,030,308.55	41,652,325.66	154,682,634.21	178,343,974.13	77,929.48	77,626.76	85,631	104,000	6,315,176.77	8,618,109.30
September	120,910,789.92	44,755,452.45	165,666,242.37	194,968,272.31	108,380.82	86,456.47	84,976	107,500	6,553,339.85	8,762,689.46
October	123,718,875.80	46,364,486.52	170,083,362.32	199,962,116.77	91,962.55	90,231.68	84,513	115,859	7,329,838.51	9,887,241.97
November	109,758,625.52	41,527,002.84	151,285,628.36	176,998,192.68	93,049.70	104,337.16	74,443	110,465	6,130,291.02	9,232,972.45
December	108,688,976.20	46,093,533.68	154,782,509.88	183,334,552.89	81,166.47	120,251.71	79,476	126,000	5,856,424.48	8,896,735.09
Totals	\$ 1,283,240,627.78	\$ 529,142,948.97	\$ 1,812,383,576.75	\$ 2,248,750,562.23	\$ 973,423.51	\$ 1,127,300.14	\$ 1,123,769	\$ 1,382,882	\$ 82,665,882.18	\$ 113,069,743.85
Average by Months	\$ 106,936,718.98	\$ 44,095,245.75	\$ 151,031,964.73	\$ 187,395,880.19	\$ 81,118.63	\$ 93,941.68	\$ 93,647	\$ 115,240	\$ 6,888,823.51	\$ 9,422,478.65

By MONTHS

COMPARATIVE FIGURES FOR TRANSIT DEPARTMENT

Month	Daily Average Number of Transit Letters Received		Daily Average Number of Transit Letters Sent		Daily Average Number of Return Items Handled		Daily Average All Other Items Sent		Daily Average Transit Items Sent Direct by Our Member Banks	
	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931
January	1,179	1,268	1,059	1,221	875	1,113	54,714	62,195	4,104	4,498
February	1,196	1,285	1,050	1,211	739	955	56,101	66,667	4,155	4,649
March	1,180	1,295	1,062	1,217	748	960	55,872	66,548	4,246	4,564
April	1,181	1,330	1,033	1,190	820	1,026	57,082	69,156	4,102	4,960
May	1,134	1,239	1,062	1,160	828	1,152	56,716	63,919	4,164	4,657
June	1,134	1,200	1,021	1,174	976	1,189	58,105	64,480	3,555	4,646
July	1,134	1,203	1,031	1,147	1,060	1,165	53,750	59,960	3,172	4,631
August	1,133	1,213	1,010	1,116	932	1,106	50,447	54,389	3,149	4,000
September	1,182	1,199	992	1,129	952	1,130	55,531	57,485	3,399	4,300
October	1,177	1,224	979	1,098	1,015	1,103	58,639	58,942	3,151	4,291
November	1,110	1,285	980	1,071	1,113	1,097	63,145	61,252	3,354	4,803
December	1,206	1,192	968	1,068	1,016	999	61,470	62,541	3,057	4,850
Average by Months	1,162	1,244	1,020	1,150	922	1,083	56,798	62,295	3,634	4,571

	Daily Average Clearing Items Returned Unpaid		Daily Average Clearing Items Missent		Daily Average Out-of-town Items Missent		Daily Average No. Drafts Received in other than Twin City Exchange		Daily Average Number of Employees	
	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931
January	46	51	14	14	15	23	224	253	45	47
February	53	45	13	15	12	21	225	255	44	47
March	49	49	14	10	20	19	220	271	46	47
April	41	48	9	13	21	22	220	252	48	48
May	39	46	18	15	20	17	210	242	48	47
June	42	47	12	16	21	27	201	249	53	48
July	43	42	15	16	20	21	215	249	53	52
August	44	43	11	13	21	15	246	245	54	54
September	40	42	12	15	21	17	191	234	51	50
October	41	47	12	12	18	19	198	238	47	47
November	48	44	16	14	19	17	198	229	46	48
December	39	52	14	13	17	18	198	231	45	45
Average by Months	43	47	14	14	19	20	212	246	48	48

MINNEAPOLIS AND HELENA BRANCH

OPERATIONS OF CHECK CLEARING AND COLLECTION DEPARTMENT

Detailed Classification Numbers and Amounts of Items Handled by Months during 1932 with totals for 1928, 1929, 1931 and 1932.
(In thousands only .000 omitted)

ITEMS DRAWN ON BANKS IN OWN DISTRICT

ITEMS DRAWN ON BANKS NOT IN 9th DISTRICT

Month 1932	Local Banks		Ourselves		Other Banks		Interchanged Branch and Head Office		Direct Sendings		Other Reserve Banks		Treasurer of United States		Total for 1932		Total for 1931	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Jan.	296	\$ 95,362	8	\$57,317	1,012	\$50,048	2	\$ 899	3	\$3,017	91	\$19,802	93	\$11,333	1,505	\$237,778	1,832	\$301,213
Feb.	281	82,677	7	47,529	953	43,419	2	731	3	2,441	78	16,239	94	10,797	1,418	203,833	1,624	243,820
March	338	94,844	8	58,072	1,050	48,905	2	759	3	3,115	88	18,322	108	13,330	1,597	237,347	1,904	314,487
April	321	94,929	7	54,499	1,051	49,213	2	435	3	2,832	85	17,507	163	23,341	1,632	242,756	1,902	297,669
May	310	91,895	8	60,686	1,033	48,944	2	530	3	3,140	81	16,772	134	20,803	1,571	242,770	1,779	287,766
June	303	99,861	8	53,440	1,088	54,774	2	781	3	2,992	90	18,085	108	14,344	1,602	244,277	1,861	323,111
July	269	102,301	8	54,001	1,007	58,071	2	804	4	2,732	81	15,890	104	15,269	1,475	249,068	1,734	302,763
August	267	108,093	8	55,580	1,027	57,468	2	787	4	2,945	75	15,755	103	14,645	1,486	255,273	1,580	288,092
September	274	119,485	7	30,620	1,044	63,415	2	963	3	3,182	73	15,391	104	14,488	1,507	247,544	1,595	298,643
Oct.	304	121,465	8	32,825	1,131	67,323	2	1,239	4	3,334	85	17,547	120	17,064	1,654	260,797	1,765	326,304
Nov.	284	105,337	6	36,635	1,075	62,240	2	753	3	2,980	90	16,577	115	15,557	1,575	240,079	1,588	286,029
Dec.	315	107,954	7	30,727	1,183	64,133	3	731	4	3,297	106	21,045	103	17,863	1,721	245,750	1,776	288,264
Total	3,562	\$1,224,203	90	\$571,931	12,654	\$667,953	25	\$9,412	40	\$36,007	1,023	\$208,932	1,349	\$188,834	18,743	\$2,907,272	20,940	\$3,558,161
1932															18,743	\$2,907,272		
1931																	20,940	\$3,558,161
1930																	23,448	\$4,169,356
1929																	24,275	\$4,711,582
1928																	24,874	\$4,591,766

HELENA BRANCH

REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1932

	Clearings		Drafts on Us		Government Checks	
	Number	Amount	Number	Amount	Number	Amount
January	15,000	\$ 5,648,000	2,000	\$ 6,947,000	15,000	\$1,605,000
February	13,000	4,542,000	2,000	4,975,000	15,000	2,195,000
March	16,000	5,300,000	2,000	5,675,000	17,000	1,661,000
April	15,000	4,783,000	2,000	5,821,000	22,000	2,564,000
May	14,000	4,753,000	3,000	6,329,000	23,000	2,917,000
June	12,000	5,870,000	2,000	5,742,000	18,000	2,006,000
July	14,000	5,366,000	2,000	4,571,000	20,000	1,197,000
August	13,000	4,884,000	2,000	3,644,000	20,000	1,840,000
September	12,000	5,014,000	2,000	2,880,000	20,000	1,802,000
October	13,000	6,026,000	2,000	3,473,000	20,000	2,236,000
November	12,000	5,290,000	1,000	2,781,000	20,000	3,191,000
December	14,000	5,885,000	1,000	1,608,000	18,000	3,597,000
Total	163,000	\$ 63,361,000	23,000	54,446,000	228,000	\$26,811,000

	Member and Non-Member Banks		Forwarded to Head Office		Forwarded to Other F. R. Banks	
	Number	Amount	Number	Amount	Number	Amount
January	91,000	\$ 5,966,000	1,000	\$ 594,000	7,000	\$ 2,184,000
February	85,000	4,540,000	1,000	562,000	6,000	1,685,000
March	95,000	5,564,000	1,000	595,000	6,000	1,982,000
April	95,000	5,322,000	1,000	377,000	6,000	1,830,000
May	99,000	5,894,000	1,000	466,000	7,000	1,762,000
June	95,000	6,495,000	1,000	647,000	7,000	1,786,000
July	80,000	5,541,000	1,000	520,000	8,000	2,054,000
August	77,000	5,583,000	1,000	566,000	7,000	2,382,000
September	74,000	5,924,000	1,000	803,000	6,000	2,006,000
October	81,000	6,161,000	1,000	793,000	6,000	2,496,000
November	78,000	5,499,000	1,000	623,000	7,000	2,117,000
December	96,000	6,536,000	1,000	487,000	8,000	2,256,000
Total	1,046,000	\$ 69,025,000	12,000	\$ 7,033,000	81,000	\$ 24,540,000

RECAPITULATION OF ITEMS HANDLED DURING 1932 AND 1931

	1932		1931	
	Number	Amount	Number	Amount
Clearings	163,000	\$ 63,361,000	186,000	\$ 88,594,000
Drafts on Us	23,000	54,446,000	24,000	91,061,000
Government Checks	228,000	26,811,000	218,000	29,107,000
Forwarded to Montana Banks	1,046,000	69,025,000	1,418,000	99,058,000
Head Office	12,000	7,033,000	12,000	10,006,000
Other Federal	81,000	24,540,000	95,000	35,611,000
Total Items Handled	1,553,000	\$ 245,216,000	1,953,000	\$ 353,437,000

NON-CASH COLLECTION FUNCTION
(Minneapolis Only)

The number of non-cash collections handled during 1932 increased considerably over 1931. The dollar value of items collected, however, showed a decrease. City collections numbered 665,974 as compared to 442,447 items collected during 1931. The dollar value of City collections handled dropped over \$4,500,000 in spite of the increase in number of items. The increase in number of items handled in this unit is due mostly to the fact that since May 1931 we have been collecting grain drafts for all Twin City Banks.

Country collections handled during 1932 numbered 55,772 and amounted to \$24,618,000 in comparison with 58,442 items amounting to \$33,203,000 collected during 1931.

Security collections received numbered 59,318 items amounting to \$22,007,000 as compared to 59,260 items amounting to \$24,114,000 handled during the previous year.

United States Government coupon collections increased from 440,008 items amounting to \$7,226,000 in 1931 to 447,179 items amounting to \$7,478,000 collected during 1932.

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

	Total No.		Number		Employees		Other		Total	
	Collections Handled	Officers	Salaries	Employees	Salaries	Expense	Expense	Expense	Expense	
Year 1932	1,228,243	.20	\$ 1,060.03	17.06	\$ 23,547.61	\$2,777.46	\$27,385.10			
Year 1931	1,000,157	.20	1,059.98	16.26	22,503.44	3,117.39	26,680.71			

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

	City Collections		Country Collections		Security Collections		Government Coupons	
	1932	1931	1932	1931	1932	1931	1932	1931
Jan.	33,912	11,200	4,773	4,513	5,214	4,534	29,515	33,021
Feb.	29,769	9,521	4,459	4,049	4,264	3,839	7,308	9,696
Mar.	31,255	10,157	4,803	4,327	4,693	4,643	15,066	15,222
Apr.	26,638	8,781	4,774	4,292	5,299	5,432	95,580	93,016
May	25,914	31,145	4,770	4,124	5,286	5,204	30,897	36,507
June	26,232	36,728	5,092	4,487	5,933	5,885	41,632	43,287
July	26,771	31,742	6,472	5,248	5,109	4,711	26,279	22,673
Aug.	92,194	53,244	4,323	4,584	4,281	4,226	11,069	10,998
Sept.	135,990	78,349	4,008	5,222	4,577	4,669	11,336	10,456
Oct.	99,750	73,578	4,277	6,371	4,489	4,811	89,333	82,335
Nov.	67,796	53,111	3,866	5,800	4,258	5,175	41,319	38,154
Dec.	69,753	44,891	4,155	5,425	5,915	6,131	47,845	44,643
Total	665,974	442,447	55,772	58,442	59,318	59,260	447,179	440,008
Amount (000) omitted								
1932		\$ 103,608		\$ 24,618		\$ 22,007		\$ 7,478
1931		108,151		33,203		24,114		7,226

SECURITIES FUNCTION
(Minneapolis Only)

The privilege of depositing securities with us for safekeeping is extended to all member banks. We keep the securities in our custody, clip maturing coupons, enter them for collection and credit proceeds to the owning bank's account. This service is offered without charge, and is used quite extensively. This division also handles all bearer securities held by us for collateral purposes.

Securities held in safekeeping and as collateral increased from \$145,646,000 on December 31, 1931 to approximately \$160,000,000 on May 31, 1932. Since the first of June there was a gradual withdrawal of securities with \$130,745,000 held at the close of the year. The number of pieces received during the year was 69,594 as compared to 57,661 received during 1931. Number of pieces delivered during 1932 was 69,554 in comparison with 60,163 pieces delivered during the previous year.

A statement of securities held at the close of 1932 and 1931 is given below:

	<u>1932</u>	<u>1931</u>
Collateral to War Loan Deposits	\$ 5,268,200	\$11,883,850
Collateral to Bills Payable and Rediscounts	778,725	976,500
Collateral to Reconstruction Finance Corp.	7,029,747	
Securities held for safekeeping:		
U.S. Government securities	18,098,750	17,809,800
Miscellaneous securities	62,176,118	77,760,962
Pledged securities	37,393,523	37,215,211
	<u>\$130,745,063</u>	<u>\$145,646,323</u>

During 1932 we clipped 200,977 maturing coupons from securities held in our custody in comparison with 219,249 coupons clipped during 1931.

A comparative statement of the number of employees and costs of operating the several units of this department during 1932 and 1931 is given below:

	<u>ADMINISTRATION</u>		<u>OPERATIONS AND RECORDS</u>			<u>VAULT CUSTODY</u>	
	No. Officers & Employees	Total Expense	No. of Employees	Total Expense	No. of Employees	Total Expense	Grand Total Expense
Year 1932	.50	\$2,870.12	5.75	\$ 11,823.04	3.00	\$8,153.08	\$22,846.24
Year 1931	.74	3,850.77	5.57	12,211.31	3.06	8,559.55	24,621.63

CURRENCY AND COIN FUNCTION

The volume of currency operations fell off considerably during the past year. Total receipts at Head office and Helena Branch amounted to \$160,000,000. This is the lowest amount received in any year since 1924. During 1931 receipts amounted to approximately \$184,000,000 and in 1930 the amount received was \$225,000,000. The number of shipments received from member and non-member banks at Helena Branch was 1,703 and at Head Office 13,599 as compared to 1,982 shipments received by Helena Branch and 14,565 by Head office during 1931.

Outgoing shipments of currency to member and non-member banks during 1932 amounted to \$12,827,000 at Helena Branch and \$163,654,000 at Head office, making a total of \$176,481,000 as compared to total payments of \$191,685,000 during 1931. The number of shipments sent out during 1932 was 2,295 at Helena and 16,644 at Minneapolis. During 1931 Helena sent out 2,289 shipments of currency and Minneapolis office sent out 17,348 shipments.

The movement of currency in our district during the past year was not as free as in former years. It appears that more business is being done with actual currency rather than by checking accounts and for this reason the currency paid out has stayed out for a longer period.

Coin received at Head office and Helena Branch during 1932 amounted to \$3,148,795. This is approximately \$600,000 less than the amount received during the previous year. Outgoing shipments of coin amounted to \$2,237,330 in comparison with \$2,903,824 shipped out during 1931.

At the close of the year we held \$1,040,000 in standard silver dollars and \$1,580,000 in subsidiary silver, nickels and cents. During the past year we have held a greater accumulation of subsidiary silver, nickels and cents than any time in our history and the amount is gradually increasing.

CURRENCY AND COIN

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1932
(Minneapolis Only)

CURRENCY RECEIPTS

	<u>City Member Banks</u>		<u>Other Member Banks</u>	
	<u>Number</u> <u>Shipments</u>	<u>Amount</u>	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	192	\$ 8,232,200	927	\$ 4,225,456
February	194	8,253,150	759	2,914,756
March	233	9,237,600	881	3,763,333
April	236	8,710,431	826	2,884,372
May	210	8,044,560	1,032	3,808,464
June	227	9,588,709	1,003	4,943,233
July	216	7,933,471	941	3,895,925
August	242	8,069,752	914	3,815,948
September	214	8,607,550	885	4,097,264
October	220	9,799,509	1,011	4,121,331
November	208	8,539,896	920	3,532,797
December	231	9,024,862	877	3,768,452
Totals	2,623	\$ 104,041,690	10,976	\$ 45,771,331

CURRENCY SHIPMENTS

	<u>City Member Banks</u>		<u>Other Member and Non-Member Banks</u>	
	<u>Number</u> <u>Shipments</u>	<u>Amount</u>	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	143	\$ 7,541,000	764	\$ 4,860,229
February	125	7,816,000	794	3,011,200
March	140	8,154,000	1,098	4,276,170
April	142	9,514,000	1,357	6,133,219
May	138	9,040,000	1,048	4,204,390
June	143	10,716,567	1,268	5,868,314
July	134	10,436,000	1,271	5,354,900
August	136	8,156,000	1,562	4,463,569
September	138	9,245,000	1,607	5,073,815
October	145	8,156,402	1,260	4,797,695
November	125	6,910,000	1,313	5,063,622
December	151	9,820,200	1,642	5,022,752
Totals	1,660	\$ 105,515,169	14,984	\$ 58,138,875

COIN RECEIPTS

Member and Non-Member Banks

	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	248	\$ 350,007
February	165	266,485
March	173	225,852
April	174	175,821
May	150	161,878
June	199	253,644
July	183	237,670
August	203	207,772
September	186	235,984
October	188	208,390
November	177	200,776
December	166	223,544
Totals	2,212	\$ 2,747,823

COIN SHIPMENTS

Member and Non-Member Banks

	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	137	\$ 58,501
February	157	76,625
March	291	127,745
April	319	133,570
May	363	146,905
June	409	169,660
July	388	164,685
August	584	208,641
September	527	228,748
October	348	142,880
November	329	130,015
December	392	150,975
Totals	4,244	\$ 1,738,950

CURRENCY AND COIN (Contd)

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1932 (Helena Branch)

	<u>CURRENCY RECEIVED FROM</u>		<u>Country Members</u>		<u>City Members</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	106	\$ 856,393	64	\$ 129,115	41	103,450
February	78	531,350	55	140,900	56	128,925
March	94	749,898	82	99,176	68	120,290
April	108	1,304,178	61	187,808	66	167,990
May	51	850,533	66	183,100	65	128,785
June	85	673,203	59	118,300	66	179,510
July	80	1,189,793	56		66	
August	82	519,476	66			
September	73	554,252	66			
October	67	481,851	66			
November	66	441,148	66			
December	74	535,986	66			
Totals	964	\$ 8,688,061	739	\$ 1,687,349		

	<u>CURRENCY SHIPMENTS TO</u>		<u>Members</u>		<u>Non-Members</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	71	\$ 510,600	40	\$ 206,400	36	126,629
February	68	376,600	36	146,528	72	267,041
March	91	596,550	82	380,451	54	162,126
April	175	2,375,460	63	192,548	68	159,604
May	149	1,338,450	68	233,266	87	195,379
June	104	608,350	61	226,354	78	139,711
July	111	895,750	39			
August	143	590,350				
September	202	770,550				
October	158	904,600				
November	169	870,575				
December	138	553,550				
Totals	1,579	\$ 10,391,385	716	\$ 2,436,037		

CURRENCY RECEIPTS FROM AND SHIPMENTS TO MEMBER AND NON-MEMBER BANKS (Minneapolis and Helena Branch)

<u>Year</u>	<u>Receipts From</u>	<u>Year</u>	<u>Shipments To</u>
1932	\$ 160,188,430	1932	\$ 176,481,466
1931	183,764,711	1931	191,685,014
1930	224,944,375	1930	199,027,983
1929	228,099,809	1929	197,833,047
1928	202,624,864	1928	189,412,600
1927	198,106,354	1927	192,056,012
1926	189,656,445	1926	187,073,578
1925	173,196,333	1925	173,313,443

COMPARATIVE STATEMENT OF CURRENCY AND COIN FUNCTION
SHOWING NUMBER OF PIECES HANDLED, NUMBER OF EMPLOYEES, SALARIES
AND EXPENSES 1932-1931
(Minneapolis Only)

ADMINISTRATION

	Number of Officers	Officers Salaries	Other Expense	Total Expense
Year 1932	.31	\$ 1,495.02	\$ 4.58	\$ 1,499.60
Year 1931	.40	1,800.00	4.99	1,804.99
<u>Monthly Average</u>				
Year 1932		\$ 124.59	\$.38	\$ 124.97
Year 1931		150.00	.42	150.42

Receiving and Sorting

	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	12.00	\$ 19,486.07	\$ 925.57	\$ 20,411.64
Year 1931	11.56	19,144.40	1,238.13	20,382.53
<u>Monthly Average</u>				
Year 1932		\$ 1,623.84	\$ 77.13	\$ 1,700.97
Year 1931		1,595.37	103.18	1,698.55

Currency-All Other

	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	4.47	\$ 10,610.73	\$ 2,626.17	\$ 13,236.90
Year 1931	4.34	10,500.57	3,230.31	13,730.88
<u>Monthly Average</u>				
Year 1932		\$ 884.23	\$ 218.85	\$ 1,103.08
Year 1931		875.05	269.19	1,144.24

Coin

	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	2.03	\$ 4,157.00	\$ 1,471.64	\$ 5,628.64
Year 1931	1.56	3,282.00	1,474.31	4,756.31
<u>Monthly Average</u>				
Year 1932		\$ 346.42	\$ 122.64	\$ 469.06
Year 1931		273.50	122.86	396.36

	Number of Bills Received and Counted		Number of Coins Received and Counted	
		Amount		Amount
Year 1932	34,765,900	\$ 150,195,000	22,991,058	\$ 2,990,467
Year 1931	36,372,700	171,175,000	20,681,366	3,699,402
<u>Monthly Average</u>				
Year 1932	2,897,158	\$ 12,516,000	1,915,921	\$ 249,206
Year 1931	3,031,058	14,265,000	1,723,447	308,283

FEDERAL RESERVE NOTES

There was continued demand for our notes throughout 1932 resulting in our circulation increasing \$11,837,000 since the close of 1931 and \$27,408,000 for the past two years. This does not indicate any reduction in the amount of hoarding in our territory especially when we consider the added amount of larger denominations issued. The total amount of our notes held by other banks and the public on December 31, 1932 was \$80,966,000. A considerable quantity of National bank notes has been added to the money supply through the privilege extended under the Glass-Borah bill to use any United State bonds not bearing in excess of 3 3/8 per cent interest to secure National bank circulation for a period of three years. We have no knowledge of the additional National circulation floated by our member banks but it probably is in the neighborhood of \$10,000,000.

Gross amount issued to the Bank by our Agent during the year was \$55,905,000 and of this amount \$34,250,000 represented notes not previously placed in circulation. The quantity of new notes issued is somewhat misleading because in order to simplify procedure at Helena, before shipping new money to the branch we issue the money at Minneapolis and then immediately retire it. Under this plan Helena issues only used notes. We treated \$5,940,000 of our notes in this way during the past twelve months.

Another reason for the heavier than usual issue and contraction of our notes was the consistently low point of our reserves during the greater part of 1932. In order that the gold cover for notes might be kept sufficiently low to admit of our having adequate funds for other purposes, we frequently retired any excess notes on hand and in this way caused many transactions with the Agent. After May 5 when we were permitted to use Governments as collateral for note issues the need for constant issues and retirements was not as pressing but we have found it necessary to carry a smaller amount of notes in the cash than formerly. During the previous year we arranged to have Agent's

FEDERAL RESERVE NOTES (Contd)

representatives named at Helena in order that we might withdraw \$1,700,000 in our notes from the branch cash figures and get the use of equivalent in gold.

On the accompanying pages it will be noted that percentages of large bills placed in circulation during the year have increased materially over 1931 especially \$100 bills. The percentage of 10's and 20's is less than in 1931, but the totals have actually increased due to the greater amount in circulation. The amount of bills of \$50 denominations and higher paid ~~out~~ out during 1932 was \$5,200,000 greater than in 1931 besides we had some demand for gold certificates of the larger denominations.

The destruction schedule for our notes has been much more favorable during the past two years than during the previous two years when the old series notes were being retired. With the added use given the new small notes we may expect a higher percentage of our notes destroyed during the coming year. Since we came into existence \$485,436,000 of our notes have been destroyed at Washington. Old series notes destroyed during the year amounted to \$2,239,050 leaving \$6,521,200 still outstanding.

At the beginning of 1932 we had at Washington and in the hands of our Agent \$101,370,000 of notes \$98,780,000 being new. Beginning 1933 we have \$93,000,000 of new notes and \$5,480,000 of notes fit for further circulation, a total of \$98,510,000. This justifies our printing instructions given for the Fiscal year ending June 30 next and the order for the following Fiscal year. Total note costs and shipping expense from Washington were \$16,978.71 in 1932 and should not exceed this amount in 1933.

FEDERAL RESERVE NOTES RECEIVED AND ISSUED BY AGENT DURING 1932.

IN HANDS OF AGENT DECEMBER 31, 1931.

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 5,820,000	\$ 410,000	\$ 6,230,000
Tens	7,560,000	850,000	8,410,000
Twenties	6,560,000	1,300,000	7,860,000
Fifties	1,150,000	50,000	1,200,000
Hundreds	3,350,000	50,000	3,400,000
Five Hundreds	525,000	none	525,000
Thousands	875,000	30,000	905,000
Total	\$ 25,840,000	\$ 2,690,000	\$ 28,530,000

	<u>RECEIVED FROM COMPTROLLER NEW</u>	<u>RETURNED BY BANK FIT-FOR-USE</u>	<u>TOTAL RECEIVED</u>
Fives	\$ 3,000,000	\$ 3,560,000	\$ 6,560,000
Tens	9,000,000	6,780,000	15,780,000
Twenties	10,000,000	8,540,000	18,540,000
Fifties	1,600,000	1,195,000	2,795,000
Hundreds	4,000,000	3,000,000	7,000,000
Five Hundreds	600,000	315,000	915,000
Thousands	1,600,000	1,055,000	2,655,000
Total	\$ 29,800,000	\$24,445,000	\$ 54,245,000

ISSUED TO BANK

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 5,500,000	\$ 3,520,000	\$ 9,020,000
Tens	10,720,000	6,100,000	16,820,000
Twenties	9,920,000	8,420,000	18,340,000
Fifties	1,150,000	785,000	1,935,000
Hundreds	5,100,000	1,940,000	7,040,000
Five Hundreds	555,000	165,000	720,000
Thousands	1,305,000	725,000	2,030,000
Total	\$ 34,250,000	\$21,655,000	\$ 55,905,000

IN HANDS OF AGENT DECEMBER 31, 1932.

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 3,320,000	\$ 450,000	\$ 3,770,000
Tens	5,840,000	1,530,000	7,370,000
Twenties	6,640,000	1,420,000	8,060,000
Fifties	1,600,000	460,000	2,060,000
Hundreds	2,250,000	1,110,000	3,360,000
Five Hundreds	570,000	150,000	720,000
Thousands	1,170,000	360,000	1,530,000
Total	\$ 21,390,000	\$ 5,480,000	\$ 26,870,000

RATIO OF ISSUE BY DENOMINATIONS

	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>	<u>1928</u>	<u>1927</u>
Fives	16.13%	14.79%	10.91%	26.5%	28.1%	25.4%
Tens	30.09	36.87	29.91	34.9	35.7	37.5
Twenties	32.81	34.00	42.82	33.1	30.9	33.3
Fifties	3.46	2.98	3.58	1.6	1.6	1.2
Hundreds	12.59	7.80	4.99	3.2	3.1	2.4
Five Hundreds	1.29	1.10	3.63	.2	.3	.1
Thousands	3.63	2.46	4.16	.5	.3	.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FEDERAL RESERVE NOTES ISSUED TO BANK

COMPARATIVE BY MONTHS 1928-1931

	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>	<u>1928</u>
January	\$ 5,580,000	\$ 1,150,000	\$ 1,590,000	\$ 2,540,000	\$ 660,000
February	3,258,500	750,000	8,812,000	2,610,000	2,300,000
March	4,210,000	1,940,000	3,700,000	5,835,000	2,495,000
April	7,340,000	2,000,000	3,500,000	2,260,000	3,705,000
May	7,830,000	1,765,000	1,050,000	3,780,000	2,850,000
June	4,735,000	2,315,000	1,350,000	1,560,000	2,855,000
July	7,260,000	3,465,000	900,000	8,165,000	1,985,000
August	2,070,000	4,245,000	2,640,000	9,410,000	2,480,000
September	4,160,000	5,130,000	4,085,000	8,775,000	4,735,000
October	3,010,000	7,815,000	2,075,000	17,275,000	6,620,000
November	2,200,000	4,235,000	2,300,000	4,329,000	5,710,000
December	4,251,500	7,370,000	7,050,000	7,215,000	3,620,000
Total for Year	\$ 55,905,000	\$ 42,180,000	\$ 39,052,000	\$ 73,754,000	\$ 40,015,000

FEDERAL RESERVE NOTES DESTROYED AT
WASHINGTON
COMPARATIVE BY MONTHS 1928-1931

	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>	<u>1928</u>
January	\$ 1,636,550	\$ 2,363,350	\$ 5,345,100	\$ 3,435,600	\$ 2,605,300
February	1,189,000	1,436,000	11,453,015	2,037,350	2,372,100
March	1,569,950	1,756,985	4,187,800	2,421,850	1,611,650
April	1,447,345	1,530,100	4,535,250	1,974,250	2,390,355
May	2,025,050	1,567,750	3,296,750	2,929,250	2,163,300
June	1,419,260	1,173,600	1,953,550	1,189,000	2,447,800
July	1,579,850	1,863,500	2,987,100	3,251,250	2,595,550
August	1,970,500	1,426,350	1,928,100	5,783,050	2,053,800
September	1,511,500	1,549,100	1,724,900	4,512,750	1,868,050
October	2,281,500	1,494,850	2,615,200	17,559,900	2,034,200
November	1,671,150	1,905,160	1,687,100	5,354,700	2,862,880
December	1,593,175	1,529,250	1,503,400	4,686,000	1,803,050
Total for Year	\$ 19,894,830	\$ 19,595,995	\$ 43,217,265	\$ 55,134,950	\$ 26,808,035

FEDERAL RESERVE NOTES ISSUED AND
DESTROYED SINCE ORGANIZATION

	<u>Issued to Bank</u>	<u>Destroyed at Washington</u>
1914	\$ 260,000	\$ 0
1915	13,742,000	0
1916	9,880,000	895,955
1917	42,230,000	8,988,095
1918	57,140,000	9,421,540
1919	39,990,000	36,771,805
1920	39,450,000	40,766,785
1921	39,265,000	49,748,580
1922	43,360,000	32,784,320
1923	40,205,000	27,320,330
1924	52,030,000	28,173,395
1925	44,330,500	30,108,355
1926	46,702,000	31,835,950
1927	36,694,500	23,970,335
1928	40,015,000	26,808,035
1929	73,754,000	55,134,950
1930	39,052,000	43,217,265
1931	42,180,000	19,595,995
1932	55,905,000	19,894,830
Total	\$ 756,185,000	\$ 485,436,520

ISSUE, REISSUE AND DESTRUCTION OF FEDERAL RESERVE NOTES
SINCE OPENING OF BANK AS OF DECEMBER 31, 1932.

	<u>Received from Controller</u>	<u>Returned to Agent By Bank</u>	<u>Total</u>
Fives	\$ 171,400,000	\$ 34,530,000	\$ 205,930,000
Tens	190,760,000	65,700,000	256,460,000
Twenties	184,000,000	67,160,000	251,160,000
Fifties	13,000,000	5,625,000	18,625,000
Hundreds	25,200,000	8,990,000	34,190,000
Five Hundreds	4,000,000	1,100,000	5,100,000
Thousands	<u>6,800,000</u>	<u>4,790,000</u>	<u>11,590,000</u>
Total	\$ 595,160,000	\$ 187,895,000	\$ 783,055,000

ISSUED TO BANK

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>Total</u>
Fives	\$ 168,080,000	\$ 34,080,000	\$ 202,160,000
Tens	184,920,000	64,170,000	249,090,000
Twenties	177,360,000	65,740,000	243,100,000
Fifties	11,400,000	5,165,000	16,565,000
Hundreds	22,950,000	7,880,000	30,830,000
Five Hundreds	3,430,000	1,365,000	4,795,000
Thousands	<u>5,630,000</u>	<u>4,015,000</u>	<u>9,645,000</u>
Total	\$ 573,770,000	\$ 182,415,000	\$ 756,185,000

DESTROYED AT WASHINGTON

	<u>Returned By Agent</u>	<u>Returned by Treasurer</u>	<u>Returned by Minneapolis</u>	<u>Returned by other F. R. Bks.</u>	<u>Total</u>
Fives	\$ 4,260,000	\$4,090,420	\$ 81,171,000	\$ 69,051,380	\$ 158,572,800
Tens	2,545,000	4,876,400	80,068,000	73,360,490	160,849,890
Twenties	1,020,000	3,609,980	62,522,000	74,127,100	141,279,080
Fifties	25,000	318,150	4,625,000	3,178,700	8,146,850
Hundreds	30,000	512,600	6,440,000	5,028,800	12,011,400
Five Hundreds		56,500	1,435,000	440,000	1,941,500
Thousands		<u>106,000</u>	<u>1,814,000</u>	<u>715,000</u>	<u>2,635,000</u>
Total	\$ 7,880,000	\$13,580,050	\$238,075,000	\$225,901,470	\$ 485,436,520

	<u>In hands of Agent December 31, 1932</u>	<u>Outstanding December 31, 1932</u>
Fives	\$ 3,770,000	\$ 9,057,200
Tens	7,370,000	22,540,110
Twenties	8,060,000	34,660,920
Fifties	2,060,000	2,793,150
Hundreds	3,360,000	9,828,600
Five Hundreds	720,000	1,753,500
Thousands	<u>1,530,000</u>	<u>2,220,000</u>
Total	\$ 26,870,000	\$ 82,853,480

RESERVE POSITION

After the first of July until the close of the year there was only one day upon which our combined reserve on deposits and notes exceeded 50 per cent, that day being October 8 and the reserve percentage 50.2. For the other days during the last half of 1932 the reserve fluctuated between 49.7 per cent and 45.1 per cent the low mark on August 24. Earlier in the year and until May we had reserve percentages ranging between 62. and 72.3. During the month mentioned our holdings of Governments increased over \$19,000,000 with further increases in June and July until total United States securities held aggregated \$54,700,000.

Our ability to make heavy additions to our Government bond account was made possible through the power given the Federal Reserve Board to permit the Federal Reserve Banks to pledge United States securities with the Agents of the respective banks to secure note issues and to be in effect one year from March 1932. This authority was given the banks on May 5. Under this plan the Federal Reserve Board granted permission to the Federal Reserve Banks to pledge United States securities in an amount which would enable the Federal Reserve Banks to keep \$400,000,000 in free gold. The amount of free gold which we are permitted to keep under this arrangement was fixed at \$10,000,000. This amount is supposed to cover a reasonable excess of collateral with the Agent, a working supply of notes for the tellers, the redemption fund for notes and sufficient excess over the deposit reserve to admit of our daily transactions. Frequent changes in the amount of bonds pledged and also daily transfers of gold are necessary to keep within the margin permitted us. Since permission was given us to use United States securities as security for notes, we have had an average of \$33,000,000 in Governments pledged with the Agent with \$34,900,000 pledged on December 31. In addition to Governments we had \$7,525,000 of discounted paper so pledged.

At the close of December we had excess reserves of

RESERVE POSITION (Contd)

\$12,976,000 and this was the greatest excess since June. Total reserves amounted to \$58,995,000 on December 31 compared to \$79,908,000 one year ago. The reserve percentages on these dates were 49.2 on December 31, 1932 and 67.1 on December 31, 1931. The highest point our reserves reached during 1932 was 72.3 per cent on April 22 and the lowest 45.1 per cent August 24. Through our ability to pledge Governments with the Agent we were able to reduce gold with the Agent from \$58,470,000 at the close of 1931 to \$41,540,000 on December 31, 1932.

Member bank balances decreased \$8,060,000 since the close of 1931 and the average daily balance of \$40,094,000 showed a decrease of \$7,956,000 from the 1931 average. During the last five years the averages have fallen quite steadily but the drop during the past year has been much greater than for any of the previous years. United States Treasury balance averaged \$1,240,000 in December with \$341,000 carried on December 31.

GOLD HOLDINGS OF THE BANK AND FEDERAL
RESERVE AGENT AT THE CLOSE OF BUSINESS DECEMBER 31,
1932, AS COMPARED TO DECEMBER 31, 1931.

	<u>1932</u>	<u>1931</u>
Gold Bullion	\$ 91,628.93	\$ 75,811.55
Gold Coin	470,335.00	3,419,085.00
Gold Certificates	1,778,200.00	2,240,300.00
Gold Settlement Fund	7,797,422.76	9,366,978.94
Gold Redemption Fund	<u>2,213,507.13</u>	<u>704,040.87</u>
 Total Gold Held By Bank	 \$12,351,093.81	 \$ 15,806,216.36

HELD BY AGENT

	<u>1932</u>	<u>1931</u>
Gold Coin	\$ 5,475,000.00	\$ 3,580,000.00
Gold Certificates	8,065,000.00	5,590,000.00
Gold with F. R. Board	<u>28,000,000.00</u>	<u>49,300,000.00</u>
 Total Gold with F.R.Agent	 \$41,540,000.00	 \$ 58,470,000.00
 Combined Gold Holdings	 \$53,891,093.81	 \$ 74,276,216.36

DAILY AVERAGE MEMBER BANK RESERVE BALANCE BY MONTHS
Minneapolis and Helena, Combined

	<u>1932</u>	<u>1931</u>
January	\$ 42,851,000	\$ 49,028,000
February	41,378,000	47,517,000
March	41,466,000	48,874,000
April	41,396,000	50,027,000
May	40,509,000	48,648,000
June	41,564,000	50,693,000
July	39,524,000	49,278,000
August	38,930,000	47,600,000
September	38,419,000	47,556,000
October	37,759,000	46,382,000
November	38,399,000	45,878,000
December	38,992,000	45,125,000

Daily Average Member Bank Balances, Minneapolis and Helena	1932	\$ 40,094,000
" " " " " "	1931	48,050,000
" " " " " "	1930	51,225,000
" " " " " "	1929	52,562,000
" " " " " "	1928	53,247,000

MEMBER BANK RESERVE BALANCE FLUCTUATIONS

<u>HIGH</u>	<u>LOW</u>
Minneapolis Only June 1, 1932	Minneapolis Only Oct. 18, 1932
Helena Only Apr. 6, 1932	Helena Only Mar. 3, 1932
Combined Jan. 5, 1932	Combined Oct. 18, 1932
Combined Apr. 30, 1931	Combined Dec. 21, 1931

COMPARISON OF MEMBER BANK RESERVE BALANCES
AS OF DECEMBER 31, 1932-1931-1930-1929-1928
(Thousands only 000 omitted)

	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>	<u>1928</u>
Michigan	\$ 2,019	\$ 2,500	\$ 2,672	\$ 2,743	\$ 3,128
Minnesota	23,289	30,162	30,616	36,651	34,679
Montana	5,521	5,587	5,808	7,354	7,496
No. Dakota	2,175	2,807	3,503	3,794	4,235
So. Dakota	2,490	2,955	3,629	3,998	4,092
Wisconsin	2,266	1,816	2,219	2,321	2,437
	\$ 37,760	\$ 45,827	\$ 48,447	\$ 56,861	\$ 56,067

DEFICIENT RESERVE PENALTIES

	Minneapolis	Helena	Combined	Combined
	<u>1932</u>	<u>1932</u>	<u>1932</u>	<u>1931</u>
Total Penalties for 1932	\$ 13,732.22	\$ 3,486.94	\$ 17,219.16	\$ 7,725.76
Number of Banks Penalized	251			304
Maximum Penalty Rate	5½%	5½%	5½%	5½%

ACCOUNTING FUNCTION

The Planning Unit of this function during the year 1932 served the Reconstruction Finance Corporation Department in perfecting an accounting system for our duties as Custodian, Fiscal Agent and Depositary for the Corporation, which activities are covered elsewhere in this report.

With the organization of the Regional Agricultural Credit Corporations by the Reconstruction Finance Corporation, the services of the planning unit were loaned without charge to the Minneapolis Office to aid in the establishment of Accounting and General Office methods. The volume of applications received and the multitude of detailed reports required from the Regional Agricultural Credit Corporations covering their operations required our aid for a longer period than the six weeks anticipated.

The planning unit reviews the purchases of printing and stationery and office supplies, reducing our expenses by eliminating unnecessary type changes, special rulings, form sizes cutting too large waste from stock paper, etc. This unit also makes surveys of our operating methods in all departments and suggests changes to improve the records or time required to prepare them.

At the present time a survey has been completed of the General Books of the bank. Beginning about February 1 we will post our general ledger on a bookkeeping machine rather than by pen and ink as at present. When this change has been completed the necessity of having a night general bookkeeper will be avoided and this position will be an afternoon and early evening task, permitting the transfer of the present bookkeeper to work requiring a man of his experience and replacing him with a less experienced clerk.

The Discount Department is under survey at present and we expect to make several improvements in the records used as well as the time required to prepare them. This study has disclosed the possibility of replacing several obsolete machines with one of a different type at much lower cost and at the same time using the new equipment for other records now posted by hand.

The expense of operating the accounting function which includes General Books, Federal Reserve and Member Bank accounts, Transfer of Funds, Expenditures, and Planning was \$2,250 less in 1932 than in 1931, the details appearing on the following page.

ACCOUNTING FUNCTION
(Minneapolis Only)

COMPARATIVE STATEMENT SHOWING
NUMBER OF EMPLOYEES, SALARIES, AND EXPENSES
ACCOUNTING FUNCTION 1932-1931

ADMINISTRATION

	No. of Officers	Officers Salaries	Other Expense	Total Expense
Year 1932	.65	\$ 4,750.02	\$ 7.93	\$ 4,757.95
Year 1931	.65	4,750.01	4.78	4,754.79

GENERAL BOOKS

	No. of Employees	Employees Salaries	Telephone Telegraph	Other Expense	Total Expense
Year 1932	2.43	\$ 6,785.25	\$ 1,538.21	\$ 176.04	\$ 8,499.50
Year 1931	2.47	6,817.27	1,508.12	234.96	8,560.35

MEMBER BANK ACCOUNTS

	No. of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	3.80	\$ 5,631.52	\$ 513.96	\$ 6,145.48
Year 1931	3.70	5,376.97	607.82	5,984.79

FEDERAL RESERVE BANK ACCOUNTS

	No. of Employees	Employees Salaries	Telephone Telegraph	Other Expense	Total Expense
Year 1932	2.60	\$ 4,740.00	\$ 1,978.16	\$ 253.06	\$ 6,971.22
Year 1931	2.76	4,993.66	2,344.97	279.21	7,617.84

TRANSFER OF FUNDS

	No. of Employees	Employees Salaries	Telephone Telegraph	Other Expense	Total Expense
Year 1932	1.43	\$ 2,258.33	\$ 1,994.27	\$ 236.99	\$ 4,489.59
Year 1931	1.51	2,378.18	2,608.20	270.12	5,256.50

EXPENDITURES

	No. of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	1.36	\$ 3,541.02	\$ 163.79	\$ 3,704.81
Year 1931	1.65	4,337.14	460.50	4,797.64

PLANNING

	No. of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	.56	\$ 1,860.75	\$ 194.18	\$ 2,054.93
Year 1931	.57	1,899.75	5.36	1,905.11

GRAND TOTAL ACCOUNTING

	No. of Officers	No. of Employees	Employees Salaries	Telephone Telegraph	Other Expense	Total Expense
Year 1932	.65	12.18	\$ 29,566.89	\$ 5,544.82	\$ 1,511.77	\$ 36,623.48
Year 1931	.65	12.66	30,552.98	6,486.76	1,837.28	38,877.02

TRANSFER AND CODING DEPARTMENT
(Minneapolis Only)

The volume of transfers handled during 1932 decreased 5,603 as compared to 1931 and \$755,777,000 in amount. During 1932 39,616 transfers were made for a total of \$1,618,696,000 and in 1931 45,219 transactions for \$2,374,473,000.

Transfers handled, other than for Five Per Cent Redemption Fund of National Banks, decreased in number and amount from the 1931 totals of 32,473 transfers totaling \$2,363,456,000 to 28,470 transactions amounting to \$1,609,390,000.

During 1932 11,146 transfers for \$9,306,000 were made for the Five Per Cent Redemption Fund of National Banks and in 1931 12,746 amounting to \$11,017,000.

The number and amount of incoming and outgoing wire transfers handled by this department for the years 1928 through 1932 follows:

<u>Year</u>	<u>Outgoing Wire Transfers</u>		<u>Incoming Wire Transfers</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1932	7,424	\$ 416,578,000	10,567	\$ 824,915,000
1931	8,493	617,696,000	13,110	1,286,525,000
1930	11,044	905,284,000	16,297	1,662,546,000
1929	12,634	767,533,000	20,020	1,566,231,000
1928	11,908	705,041,000	18,921	1,545,018,000

Messages coded and decoded during 1932 other than transfers were 17,990 and in 1931 17,178, an increase of 812 messages.

TELEGRAPH UNIT
(Minneapolis Only)

During 1932 the number of words sent over the private wire from this office was 473,986, an increase of 37,101 words over 1931 with 436,885 words. The net number of words paid for by the bank in 1932 was 445,764 after including words sent by the Federal Reserve Bank of New York for our benefit and deducting words sent for the Reconstruction Finance Corporation and in connection with original issues of securities by the Treasury Department, which are reimbursable. A table of messages sent and received over the private wire by months is given on the following page.

COMPARATIVE STATEMENT SHOWING NUMBER AND AMOUNT OF TRANSFERS MADE,
NUMBER OF EMPLOYEES, SALARIES AND OTHER EXPENSES.
(Minneapolis Only)
1932-1931

	Number of transfers made other than for 5% Redemption Fund of National Banks		Number of transfers for 5% Redemption Fund of National Banks	
	(Wire and mail)	Amount		Amount
Year 1932	28,470	\$ 1,609,390,000.00	11,146	\$ 9,306,000.00
Year 1931	32,473	2,363,456,000.00	12,746	11,017,000.00
Monthly Average				
Year 1932	2,372	\$ 134,116,000.00	929	\$ 775,000.00
Year 1931	2,706	196,955,000.00	1,062	918,000.00

	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	1.43	\$ 2,258.33	\$ 2,231.26	\$ 4,489.59
Year 1931	1.51	2,378.18	2,878.32	5,256.50
Monthly Average				
Year 1932		\$ 188.19	\$ 185.94	\$ 374.13
Year 1931		198.18	239.86	438.04

CODING UNIT

	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	1.41	\$ 2,226.64	\$ 92.47	\$ 2,319.11
Year 1931	1.51	2,371.84	79.22	2,451.06
Monthly Average				
Year 1932		\$ 185.55	\$ 7.71	\$ 193.26
Year 1931		197.65	6.60	204.25

OPERATIONS OF LEASED WIRE
1932-1930

Month	<u>TELEGRAMS SENT</u>			<u>TELEGRAMS RECEIVED</u>		
	1932	1931	1930	1932	1931	1930
January	1,344	1,254	1,364	1,975	1,790	2,097
February	1,105	973	1,162	1,708	1,454	1,950
March	1,310	1,172	1,373	1,784	1,687	2,277
April	1,304	1,219	1,375	1,758	1,683	2,220
May	1,279	1,121	1,386	1,802	1,530	2,296
June	1,356	1,295	1,428	1,863	1,732	2,035
July	1,281	1,265	1,397	1,861	1,677	1,896
August	1,417	1,287	1,225	1,874	1,716	1,702
September	1,271	1,385	1,449	1,657	1,811	1,868
October	1,337	1,462	1,412	1,734	2,215	1,934
November	1,131	1,199	1,335	1,615	1,647	1,573
December	1,331	1,514	1,582	1,727	2,048	2,112
Totals	15,466	15,146	16,488	21,358	20,990	23,960

AUDITING FUNCTION

(Minneapolis Only)

Periodic audits of all assets and liabilities of the bank were made during the year. Controls on all earning assets are maintained and all items of income are proved and checked against the appropriate accounts on the bank's general ledger. Likewise all items of expense are checked and proved to the expense account. All transactions in cash and securities deposited in or withdrawn from the vault are checked by a member of the auditing department except such cash or securities as may be held under the immediate control of certain tellers. Two men were regularly assigned to checking items in and out of the vault. The salary of these two men however, is charged to the cost of handling cash and securities rather than to auditing expense.

In addition to the two men assigned to the vault, eight clerks were regularly employed on audit work, with some help required from other departments on certain audits.

One examination of Helena Branch was made by Head Office Controller during the year.

Audits conducted indicate that the operations of the bank are being handled efficiently. No irregularities or differences of importance were disclosed.

A comparative statement of the number of employees and cost of operating the auditing department for the years 1932 and 1931 is given below:

	<u>1932</u>	<u>1931</u>
Number of Officers	.50	.50
Number of Employees	8.59	8.17
Salaries: Officers	\$ 3,999.98	\$ 4,000.00
Clerical	19,253.91	17,873.40
Stationery and supplies	319.45	326.99
Telephone and telegraph	2.40	10.46
Postage	176.25	70.00
All other	103.07	140.77
Total	\$ 23,855.06	\$ 22,421.62

BANK EXAMINATION DEPARTMENT

Examinations or credit investigations of all state member banks in the Ninth Federal Reserve District were made during 1932 by examiners from this department or by state examiners. Copies of the reports of examination of the Sault Savings Bank and the Central Savings Bank, both of Sault Ste Marie, Michigan, made by the state examiners, had not been received on December 31, but we are advised these will be forwarded within a few days. The examinations and credit investigations by this department in the various states were as follows:

	<u>State Banks</u>
Michigan	6
Minnesota	10
Montana	18
South Dakota	14
Wisconsin	3
	<u>51</u>

Summary of Credit Investigations, Examinations and Special Visits

	<u>Examined for Membership</u>	<u>Credit Investigations</u>	<u>Special Visits</u>	<u>Miles Traveled</u>
H. D. Sharratt	2	29	5	13,595
H. C. Jones	1	14	0	10,460
A. A. Hoerr	0	5	0	2,110
	<u>3</u>	<u>48</u>	<u>5</u>	<u>26,165</u>

OFFICE WORK

Reports of Examination of National Banks

Number of reports received from the Chief National Bank Examiner's Office 1,072. (The cost of these reports aggregated \$5,920.00 for the calendar year.)

114 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 \$256.50 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 for the Discount Department.

Reports of Examination of State Member Banks

Number of reports of examination received from the various State Banking Departments in the Ninth District of state member banks examined independently by them was as follows:

<u>State</u>	<u>Number Reports</u>	<u>Cost</u>
Minnesota	1	-
Montana	5	\$ 25.00
South Dakota	5	-

Reports of all credit investigations and examinations made by Federal reserve examiners in the Ninth District were typewritten in this office. One copy was retained for our files, one copy sent to the bank examined, and one copy forwarded to the State Banking Department. One copy was also forwarded to the Helena Branch on all state member banks in Montana. Analysis of reports of examination of all state member banks made either by Federal reserve examiners or examiners from State Departments were made on the revised forms No. 212 furnished by the Federal Reserve Board. These analysis

BANK EXAMINATION DEPARTMENT (Contd)

forms set forth important facts and figures pertaining to the condition of the bank; also much general information, and conclude with a recommendation as to what action, if any, should be taken by the Federal Reserve Board, together with the reasons therefor, which recommendations are concurred in by the Federal Reserve Agent and the Governor.

Alphabetical lists of all criticised paper contained in the examination reports of all state banks, with the exception of Montana banks, were made for the Discount Department.

All examination reports, both state and national, and reports of credit investigations were analyzed on comparative analysis sheets, one copy being furnished Governor Geery and one copy to Deputy Governor Yaeger. These sheets contain a brief summary of the examiner's conclusions and a general statement as to the condition of the bank. Ratio and percentage analyses were also made and written up on cards filed in the Agent's Office, which indicate the progress made by each bank as shown by successive examinations. These ratio cards set forth by a percentage of capital stock and surplus "Degree of Solvency", "Credit Policy", and "Miscellaneous Administrative Facts", and the situation as to liquidity by a percentage of various asset accounts as to total deposits.

When state member banks were shown by reports of examination to be in an unsafe or unsatisfactory condition, special letters were written either to the bank or to the State Superintendent of Banks, calling attention to the unsatisfactory and criticised matters, with a request or direction that corrective action be taken.

Reports of Earnings and Dividends and Reports of Condition

Approximately 3,350 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 1932:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>	<u>Capital</u>	<u>Powers</u>
Midland Natl. Bank & Trust Company	Minneapolis, Minn.	8-4-32	\$1,000,000	Additional
American Natl. Bank & Trust Company	Eau Claire, Wisc.	12-3-32	100,000	Full

Seventeen applications of individuals for permission 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 1932.

Seventy-seven 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, 6. (Of these, 5 were granted charters by the Comptroller of the Currency and 1 was abandoned.)

Information regarding suspended banks obtained from State Superintendents

During the year at the request of the Federal Reserve Board, we mailed Forms St. 6386b to each State Superintendent of Banks, requesting information on suspended non-member banks. These

BANK EXAMINATION DEPARTMENT (Contd)

forms show the capital, surplus, deposits and borrowed money of the banks at the date of closing; also the primary cause of closing and contributing causes. When the information is received from the various State Superintendents, it is forwarded to the Federal Reserve Board.

Information was also forwarded to the Federal Reserve Board monthly on Forms St. 6386a, 6386c, and 6386d, showing bank consolidations, organizations, liquidations, conversions, etc., and changes in group or chain banking.

BANK CHANGES IN 1932

Total number of member banks in the district January 1, 1932	598
New national banks organized	5
State banks admitted	3
	<u>606</u>

National banks absorbed by nonmember state institutions	3
National banks absorbed by other national banks	8
National banks succeeded by nonmember state institutions	2
National banks succeeded by other national banks	3
National banks liquidated	33
State member bank absorbed by state member institution	1
	<u>50</u>

Total number of member banks at the end of the year 556
(Per stock book records.)

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Membership

At the close of the year, there were 556 member banks in this district, as compared with 598 member banks at the beginning of the year. There was a net loss of 44 national banks and a net gain of 2 state banks. The total membership at the close of 1932 was divided into 514 national banks and 42 state banks. The new members are:

<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Subscribed</u>
The Bessemer Natl. Bank	Bessemer, Mich.	45
The Stewartville Natl. Bank	Stewartville, Minn.	27
The First & Farmers Natl. Bank of Portland,	Portland, N.D.	18
Burke State Bank	Burke, S.D.	21
Farmers State Bank	Faith, S.D.	18
Farmers & Merchants Bank	Huron, S.D.	67
The Security Natl. Bank of Viborg	Viborg, S.D.	18
The American Natl. Bank & Trust Co. of Eau Claire	Eau Claire, Wisc.	72

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MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK
DURING 1932

NATIONAL BANKS ABSORBED BY NONMEMBER STATE INSTITUTIONS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
5-2-32	First National Bank (Absorbed by State Bank of Reynolds, N.D.)	Reynolds, N.D.	18
3-12-32	First National Bank (Absorbed by Home Bank of Blair, which changed its title to "Union Bank of Blair", Wis.)	Balir, Wisc.	18
4-4-32	Oneida National Bank (Absorbed by Merchants State Bank of Rhineland, Wisc.)	Rhineland, Wisc.	75

BANK EXAMINATION DEPARTMENT (Contd)

NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
12-22-32	Citizens National Bank (Absorbed by Houghton Natl. Bank, Houghton, Mich.)	Houghton, Mich.	90
11-23-32	Negaunee National Bank (Absorbed by First Natl. Bank, Negaunee, Mich.)	Negaunee, Mich.	75
5-24-32	National Bank of Aitkin (Absorbed by First Natl. Bank, Aitkin, Minn.)	Aitkin, Minn.	45
3-8-32	Roseau County National Bank, (Absorbed by First National Bank, Roseau, Minn.)	Roseau, Minn.	22
7-23-32	City National Bank (Absorbed by First Natl. Bank, Staples, Minn.)	Staples, Minn.	20
6-7-32	First National Bank (Absorbed by Blue Earth Valley Natl. Bank, Winnebago, Minn.)	Winnebago, Minn.	21
3-29-32	First National Bank (Absorbed by Security Natl. Bank, Viborg, S.D.)	Davis, S. D.	18
9-22-32	First National Bank (Absorbed by First Natl. Bank, Miller, S.D.)	St. Lawrence, S.D.	24

NATIONAL BANKS SUCCEEDED BY NONMEMBER STATE INSTITUTIONS

8-26-32	First National Bank (Succeeded by Fingal State Bank, Fingal, N.D.)	Fingal, N.D.	18
9-10-32	First National Bank (Succeeded by First State Bank of Page, N.D.)	Page, N.D.	23

NATIONAL BANKS SUCCEEDED BY OTHER NATIONAL BANKS

5-24-32	First National Bank (Succeeded by Bessemer Natl. Bank, Bessemer, Mich.)	Bessemer, Mich.	108
4-23-32	First National Bank	Portland, N.D.	27
4-23-32	Farmers National Bank (Both banks succeeded by First & Farmers Natl. bank, Portland, N.D.)	Portland, N.D.	21

NATIONAL BANKS LIQUIDATED DUE TO INSOLVENCY

9-19-32	United States Natl. Bank	Iron Mountain, Mich.	90
8-1-32	Baraga County Natl. Bank	L'Anse, Mich.	45
10-7-32	Columbia National Bank	Columbia Heights, Minn.	18
11-15-32	First National Bank	Frazeo, Minn.	24
1-22-32	First National Bank	Isanti, Minn.	20
12-6-32	Brown National Bank	Jackson, Minn.	26
12-13-32	National Citizens Bank	Lake Benton, Minn.	24
6-3-32	First National Bank	Stewartville, Minn.	36
12-6-32	First National Bank	Wendell, Minn.	35
3-8-32	First National Bank	Columbus, Mont.	21
12-16-32	United States Natl. Bank,	Deer Lodge, Mont.	78
2-29-32	First National Bank	Harlem, Mont.	32
1-22-32	First National Bank	Stanford, Mont..	25
2-19-32	First National Bank	Osnabrock, N.D.	18
11-25-32	First National Bank	Parshall, N.D.	18
12-6-32	First National Bank	Plaza, N.D.	30
11-25-32	First National Bank	Ryder, N.D.	30
5-16-32	First National Bank	St. Thomas, N.D.	23
2-10-32	First National Bank	Starkweather, N.D.	18
12-6-32	First National Bank	Van Hook, N.D.	21
2-4-32	First National Bank	Belle Fourche, S.D.	51
2-10-32	First Natl. Bank of Custer	City, Custer, S. D.	17
12-6-32	First National Bank	Egan, S.D.	18
2-15-32	First National Bank	Farmer, S.D.	17
12-22-32	First National Bank	Flandreau, S.D.	36
12-6-32	First National Bank	Letcher, S.D.	25
11-7-32	First National Bank	Sisseton, S.D.	60
2-29-32	First National Bank	Viborg, S.D.	35
3-5-32	Farmers & Mchts. Natl. Bank,	Webster, S.D.	36
11-15-32	Citizens National Bank	Wessington, S.D.	24
8-30-32	Hurley National Bank	Hurley, Wisc.	39

BANK EXAMINATION DEPARTMENT (Contd)

NATIONAL BANKS VOLUNTARILY LIQUIDATED

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
1-19-32	First National Bank	Courtenay, N.D.	18
7-29-32	First National Bank	Mooreton, N.D.	17

STATE MEMBER BANK ABSORBED BY STATE MEMBER INSTITUTION

5-24-32	Little Missouri Bank (Absorbed by Butte County Bank, Belle Fourche, S.D.)	Camp Crook, S.D.	21
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MEMBER BANKS THAT HAVE BEEN ABSORBED BY OR CONSOLIDATED WITH OTHER BANKS WHICH HAVE NOT YET SURRENDERED THEIR STOCK IN THE FEDERAL RESERVE BANK

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
11-21-32	Drovers State Bank (Consolidated with Exchange State Bank, So. St. Paul, as Drovers Exchange State Bank)	South St. Paul, Minn.
12-28-32	First National Bank (Taken over by Bank of Steele, N.D.)	Steele, N.D.

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>
12-5-32	Merchants National Bank	Wadena, Minn.
12-8-32	First National Bank	Motley, Minn.
12-29-32	First National Bank	Ortonville, Minn.
11-1-32	First National Bank	Crosby, N.D.
8-10-32	First National Bank	Milton, N.D.
11-22-32	First National Bank	Faulkton, S.D.
6-30-32	First National Bank	Tyndall, S.D.
8-1-32	First National Bank	Adams, Minn.

NATIONAL BANK ON HOLIDAY BASIS

11-26-32	First National Bank	Ironton, Minn.
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MEMBER BANKS IN ACTUAL OPERATION DECEMBER 31, 1932

National Banks	504
State Banks	41
Total	<u>545</u>

FISCAL AGENCY FUNCTIONS - 1932

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings Certificates redeemed at this office which were handled by the Fiscal Agency operated by us for the United States Government, numbered 47,664 pieces and amounted to \$144,282,471.21 as compared with 41,808 pieces amounting to \$136,451,775.00 in 1931.

This Agency also handled during 1932, 7,320 purchases and 16,248 resales of Government securities totaling \$89,177,450.00. In addition, either delivery or payment, or both, was handled for banks and trust companies on 681 transactions in Government securities amounting to \$98,923,000.00. There were also 463 transactions of miscellaneous general market securities aggregating \$4,169,880.00. Altogether, of these various transactions there were 24,712 totaling \$192,270,330.00, including those for our own account, as compared with 14,959 totaling \$180,455,350 in 1931.

Delivery of 61,411 pieces totaling \$140,481,881.92 was made on purchase and resale transactions for other than our own account. In addition, on exchange transactions, such as denominational exchange, the exchange of coupon for registered securities etc., 40,074 pieces were delivered, amounting to \$52,395,700.00. The total number of pieces delivered was 101,485 amounting to \$192,877,581.92 in comparison with 67,665 totaling \$144,046,250.00 during the preceding year.

With the exception of Treasury bills, there were sixteen offerings of United States Government securities during 1932. In such operations, 4,094 individual subscriptions contained in 1,645 different applications were received in this district. The amount allotted on these subscriptions was \$45,718,200.00. During 1931 there were ten similar offerings and \$49,309,850.00 was allotted.

During 1932, 39 tenders amounting to \$1,846,000.00 were received by this Agency on 31 offerings of Treasury bills. Of these, 5 tenders for Treasury bills, ranging from .23% to 2.65% and amounting to \$1,155,000.00, were accepted. During 1931, 15 tenders totaling \$9,315,000.00 were accepted on the 29 offerings of Treasury bills made that year.

FISCAL AGENCY FUNCTIONS (Contd)

Including the weekly circular giving current market quotations on the various outstanding government issues, 114 circular letters were sent to all banks and trust companies in the district during 1932 in connection with fiscal agency operations. During the preceding year there were 107 circular letters.

The First $3\frac{1}{2}\%$, First 4% and the First $4\frac{1}{4}\%$ Liberty Loan Bonds reached their earliest callable dates on June 15, 1932, and although the Treasury Department has not yet called these issues for payment they now have the privilege of doing so on any interest date by giving three months notice.

At the close of the year there were 352 banks and trust companies in this district which were designated as special depositories of public moneys, thereby being qualified to make payment through their War Loan Deposit Accounts on a by credit basis for subscriptions to new offerings of Government securities, with the exception of Treasury bills. This is 67 more than the number of banks so designated at the close of the preceding year. The rate of interest to be paid on daily balances in the War Loan Deposit Accounts by special depositories remained at $\frac{1}{2}\%$ per annum during 1932.

The Fiscal Agency operated by us for the Government redeemed 489,616 Government and Federal Land Bank coupons amounting to \$7,913,551.45 during 1932 as compared to 481,534 coupons amounting to \$7,629,163.04 during 1931.

RECONSTRUCTION FINANCE CORPORATION DEPARTMENT
(Minneapolis Only)

The Federal Reserve Bank assumed its duties as Custodian, Fiscal Agent and Depositary for the Reconstruction Finance Corporation in February 1932. Under the arrangement in effect, this department receives a copy of the loan application, the original bills payable, collateral to Bills Payable and collateral to collateral notes from the local agency after approval. Authority to disburse funds from the Corporation's Finance account with the Treasurer of the United States is received over our private wire to Washington from authorized officers of the Reconstruction Finance Corporation.

Upon receipt of a telegram authorizing payment on a loan the application and collateral are checked for errors, technicalities, etc. and to see that all conditions imposed by the Corporation are complied with. If no irregularities are found payment is made and records prepared of the note and collateral. Minor irregularities are corrected or the loan disbursed in a lesser amount pending correction of the irregular collateral and on major irregularities no advance is made until the matter is adjusted in a manner satisfactory to the Corporation.

Payments received on bills payable and collateral are applied on the loans or interest, or in special instances set aside as "Cash Collateral" pending a substitution of other collateral.

Daily detailed reports of disbursements made, payments received, substitutions and renewals of collateral to Bills Payable on each loan are forwarded to the Corporation. In addition reports are made to the Local Agency on the status of various loans, past due paper, etc.

On December 31, 1932 the Federal Reserve Bank of Minneapolis held the following paper and funds in custody for the Reconstruction Finance Corporation:

Bills Payable	\$ 15,287,825.55	Securities Collateral	
Collateral Notes	23,389,477.84	to Coll. Notes	\$832,821.88
Coll. Notes out for		Cash Collateral	58,607.52
Collection	1,064,970.75	Funds Held in Escrow	16,401.53
Securities Collateral			
to Bills Payable	6,196,925.00		

REIMBURSABLE EXPENDITURES
RECONSTRUCTION FINANCE CORPORATION

	<u>1932</u>
Salaries:	
Officers	\$ 2,500.06
Employees	16,525.73
Printing, stationery & Supplies	1,604.54
Telephone	101.40
Telegraph	23.62
Postage	896.48
Furniture and Equipment	5,614.63
All Other	<u>133.88</u>
 Total	 \$ 27,400.34

REIMBURSABLE EXPENDITURES
FISCAL AGENCY TRANSACTIONS

	<u>1932</u>	<u>1931</u>
Salaries:		
Officers	\$ 4,999.96	\$ 5,000.00
Employees	9,779.50	9,766.87
Printing, Stationery & Supplies	3,669.28	3,556.39
Telephone	390.05	517.15
Telegraph	152.98	184.87
Postage	<u>1,968.60</u>	<u>807.00</u>
 Total	 \$ 20,960.37	 \$ 19,832.28

WELFARE

A trained nurse is kept in attendance in the Welfare department. First aid is rendered to employees for illness and minor injuries. In case an employee is absent on account of illness the nurse calls at the home and gives whatever assistance possible in the way of aid and advice. The daily contact with employees in the bank and a study of conditions during visits to the home enables the nurse to give valuable advice to individual employees in the care of their health and prevention of disease. This service reduces the number of absentees and increases the efficiency of the staff.

A comparison of expenses incurred by this department during the years 1932 and 1931 is given below:

	<u>1932</u>	<u>1931</u>
Salaries	\$ 1,800.00	\$ 1,800.00
Medical Supplies	88.43	53.70
Outside Medical Fees	168.00	0
Office Supplies	40.94	54.07
Local Transportation	7.45	5.45
All Other Expense	258.45	224.00
	<u>\$ 2,363.27</u>	<u>\$ 2,137.22</u>

CAFETERIA

The services of our cafeteria are extended to the Reconstruction Finance Corporation employees as well as to our own staff. This naturally caused a considerable increase in the number of meals served during the past year and resulted in an increase of \$1,342.20 in our total cafeteria expense. Receipts, however, increased \$1,435.94 so that the amount absorbed by the bank was approximately \$100.00 less than the amount absorbed during the previous year.

The Federal Reserve Board allows us to absorb not more than 33 1/3 per cent of the total Cafeteria expense. During 1932 the net expense absorbed amounted to 27.94 per cent of the total as compared to 31.8 per cent absorbed during 1931.

A comparative statement of expenses incurred and receipts obtained during 1932 and 1931 is given below:

	<u>1932</u>	<u>1931</u>
Salaries - Manager and Clerical	\$ 660.00	\$ 660.00
Salaries - Cooks-Waitresses	5,539.14	5,201.66
Service Supplies	629.33	507.49
Glass, China, Furnishings	114.02	76.09
Gas-Fuel	198.40	158.55
Cost of Food	7,640.80	6,843.24
Miscellaneous	25.86	18.32
	<u>\$14,807.55</u>	<u>\$13,465.35</u>
Less receipts	<u>10,669.14</u>	<u>9,233.20</u>
Net amount absorbed	<u>\$ 4,138.41</u>	<u>\$ 4,232.15</u>

FEDERAL RESERVE BANK EMPLOYEES' CREDIT UNION

The Federal Reserve Bank Employees' Credit Union was organized April 1, 1931 and granted a charter by the Minnesota State Superintendent of Banks to operate as a savings and loan association.

A Credit Union is a cooperative society, organized with a definite membership for the purpose of supplying its members with a simple, convenient system for saving money and making it possible for its members to take care of their own short-term credit problems at a legitimate rate of interest.

Deposits of its members may be invested in securities approved by the State Banking Department or loaned to members for a provident and productive purpose.

A very substantial increase in total footings was noted for the year as shown by the financial statement at the conclusion of these remarks.

Interest at 5%, compounded quarterly, was paid on all deposits during the year and a 6% dividend declared and paid on paid-up shares outstanding as of December 31, 1932.

Personal loans were granted to 141 members during the year.

There was an increase in both members and borrowers at Head Office and Helena Branch.

The assets offsetting the deposit liabilities are composed of \$10,000 Fourth Liberty Loan Bonds, \$2,000 Municipal Bonds, \$2,000 Federal Land Bank Bonds \$8,000 Railroad Equipment Bonds, \$13,635.00 in seven first mortgage real estate loans on homes, \$12,754.02 personal loans and the remainder in depositary banks.

<u>RESOURCES</u>	<u>December 31, 1932</u>	<u>December 31, 1931</u>
Cash & Due from Banks	\$ 4,203.33	\$ 4,409.25
Investment Securities	22,000.00	20,000.00
Real Estate Loans	13,635.00	4,440.00
Loans	12,754.02	9,689.20
Contingent Reserve Fund	408.71	230.95
Interest Accrued on Loans & Invest.	989.48	606.66
	<u>\$ 53,990.54</u>	<u>\$39,376.06</u>
 <u>LIABILITIES</u>		
Shares	\$ 1,272.00	\$ 1,131.50
Deposits	50,465.05	36,783.58
Christmas Savings Club	378.00	443.50
Reserve Fund	408.71	230.95
Premium & Discount on Investments	250.88	179.69
Undivided Profits	1,215.90	606.84
	<u>\$ 53,990.54</u>	<u>\$39,376.06</u>
Number of Members in F.R.B.E.Cr.Union	255	229
Number of Members in Christmas Savings Club	80	67
Number of Borrowers F.R.B.E. Cr. Union	124	91

COMPARATIVE FUNCTIONAL STATEMENT
SHOWING NUMBER OF OFFICERS, NUMBER OF EMPLOYEES AND EXPENSES
1932-1931
(Minneapolis Only)

	Number of Officers		Average Number Employees	
	1932	1931	1932	1931
General Overhead - Controllable	2.15	2.15	2.43	2.32
Provision of Space			22.15	21.81
Provision of Personnel	.15	.30	9.22	8.81
General Service	.81	.85	67.45	64.13
Insurance	.10	.10	6	5
Failed Banks	1.17	.80	14.19	8.71
Loans, Rediscounts & Acceptances	1.12	1.00	8.51	6.27
Securities	.50	.74	8.75	8.63
Currency and Coin	.31	.40	18.50	17.46
Check Collections	.29	.40	38.40	39.82
Non-Cash Collections	.20	.20	17.06	18.26
Accounting	.65	.65	12.18	12.66
Fiscal Agency	1.53	.91	23.29	10.91
Auditing	.50	.50	8.59	8.17
Bank Relations	.55	.55	1.33	1.11
Bank Examinations	.94	.94	3.46	3.16
Federal Reserve Note Issues	.21	.21	.73	.79
Statistical and Analytical	.30	.30	4.34	5.99
	<u>11.48</u>	<u>11.00</u>	<u>260.64</u>	<u>237.06</u>

	Expense	
	1932	1931
General Overhead - Controllable	\$ 67,576.06	\$ 67,609.74
General Overhead - Non-Controllable	79,080.77	83,416.73
Provision of Space	122,390.80	127,729.74
Provision of Personnel	15,345.15	16,631.54
General Service	95,144.08	93,772.45
Postage	34,538.69	29,426.33
Insurance	27,901.31	27,442.39
Failed Banks	74,008.00	57,960.08
Loans, Rediscounts & Acceptances	32,631.04	27,874.50
Securities	22,846.24	24,621.63
Currency and Coin	40,776.78	40,674.71
Check Collections	63,996.23	71,196.45
Non-Cash Collections	27,385.10	26,680.71
Accounting	36,623.48	38,877.02
Fiscal Agency	68,330.19	37,501.64
Legal	6,424.12	6,105.15
Auditing	23,855.06	22,421.62
Bank Relations	9,728.37	10,066.06
Bank Examinations	25,733.99	24,087.04
Federal Reserve Note Issues	4,453.71	5,050.89
Statistical and Analytical	16,137.64	19,041.22
	<u>\$ 895,006.81</u>	<u>\$ 857,187.64</u>
Total Current Expenses	\$ 847,214.95	\$ 830,436.10
Total Reimbursable Expenditures	48,360.71	19,832.28
Stock of Supplies	568.85*	6,919.26
	<u>\$ 895,006.81</u>	<u>\$ 857,187.64</u>

*Credit Balance. Less supplies used than purchased during 1932.

GENERAL OVERHEAD CONTROLLABLE

<u>Administration</u>	<u>1932</u>	<u>1931</u>
Average number of officers	2.15	2.15
Salaries Officers	\$ 46,950.02	\$ 46,950.02
Average number of employees	2.23	2.32
Salaries employees	5,451.66	5,752.60
Directors' meetings	7,350.52	5,667.13
Traveling expenses	141.45	164.18
Officers and other dinners	356.15	184.66
Office Supplies & Stationery	503.04	700.84
Telephone and Telegraph	630.51	484.63
Membership dues	650.00	950.00
Stenographic		213.06
All other	3,243.92	2,798.85
Total	\$ 65,177.17	\$ 63,865.97
 <u>All Other</u>		
Supplies furnished Member Banks	\$ 164.06	\$ 25.58
Publications	452.38	653.76
Group, Chain and Branch Banking Committee	1,249.84	2,001.39
Pension Committee		568.98
Member Bank Reserve Committee	24.44	494.06
Salaries-Employees Loaned F. R. Examiners	346.75	
All Other - F. R. Examiners	261.42	
Total	\$ 2,498.89	\$ 3,743.77
Grand Total General Overhead Controllable	\$ 67,676.06	\$ 67,609.74

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

Federal Reserve Currency:	<u>1932</u>	<u>1931</u>
Original cost, including shipping charges	\$ 16,978.71	\$ 23,386.59
Cost of redemption, inc. shipping charges	2,491.52	3,067.62
Shipping charges on currency to and from member and non-member banks	28,159.59	25,534.85
Shipping charges on coin to and from banks	8,711.39	9,641.99
Cost of shipments Head Office to Branch	544.77	181.33
Total	\$ 56,885.98	\$ 61,812.38

ALL OTHER

Governors', Federal Reserve Agents' and Federal Advisory Conferences	\$ 2,723.34	\$ 1,927.18
Federal Reserve Board expenses	16,243.16	16,481.72
Shipping charges on securities	3,228.29	2,195.45
Total	\$ 22,194.79	\$ 20,604.35
Grand Total General Overhead Non-Controllable	\$ 79,080.77	\$ 82,416.73

MONTHLY BASIS OF SALARIES PAID BY BANK
BY FUNCTIONS
(Minneapolis Only)

<u>Function</u>	<u>December 1932</u>		<u>December 1931</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
General Overhead				
Officers	2.15	\$ 3,912.61	2.15	\$ 3,912.61
Employees	2.20	458.41	2.10	425.07
Provision of Space				
Employees	21.25	2,787.01	21.30	2,792.51
Provision of Personnel				
Officers	.10	44.17	.30	132.51
Employees	11.57	1,135.18	8.57	915.83
General Service				
Officers	.80	334.61	.85	356.70
Employees	66.52	8,085.01	62.95	7,774.29
Insurance				
Officers	.10	41.67	.10	41.67
Employees	.15	23.42	5	8.75
Failed Banks				
Officers	1.40	954.26	.80	679.22
Employees	17.51	3,078.54	12.44	3,028.47
Loans, Rediscounts & Acceptance				
Officers	1.20	887.58	1.00	895.90
Employees	11.20	1,725.45	6.20	1,125.85
Securities				
Officers	.44	217.10	.74	320.87
Employees	9.15	1,554.45	8.83	1,531.64
Currency and Coin				
Officers	.30	121.68	.40	150.00
Employees	18.05	2,768.42	18.28	2,839.49
Check Collection				
Officers	.25	110.43	.40	176.68
Employees	36.18	3,935.80	36.10	3,966.38
Non-Cash Collection				
Officers	.20	88.34	.20	88.34
Employees	16.97	1,916.14	16.52	1,822.35
Accounting				
Officers	.65	395.87	.65	395.85
Employees	11.68	2,003.78	12.50	2,101.73
Fiscal Agency and Reconstruction				
Finance Corporation				
Officers	1.91	750.55	.91	416.70
Employees	33.25	4,270.63	11.51	1,963.93
Auditing				
Officers	.50	333.33	.50	333.35
Employees	9.90	1,786.48	7.90	1,446.09
Bank Relations				
Officers	.55	320.87	.55	320.87
Employees	1.25	351.88	1.15	323.38
Federal Reserve Note Issues				
Officers	.21	125.01	.21	125.01
Employees	.80	225.03	.80	351.70
Bank Examinations				
Officers	.94	587.50	.94	587.50
Employees	3.65	858.62	3.12	713.92
Statistical and Analytical				
Officers	.30	175.02	.30	175.02
Employees	4.20	807.11	6.07	962.13
Total Officers	12.00	\$ 9,400.60	11.00	\$ 9,108.80
Total Employees	275.48	37,771.36	238.39	34,093.51
Less Reimbursable:				
Salaries				
Officers	1.91	750.06	.91	416.70
Employees	27.00	3,121.00	5.00	815.00
Salaries Paid by Bank:				
Officers	10.09	\$ 8,650.54	10.09	\$ 8,692.10
Employees	248.48	34,650.36	233.39	33,278.51

COST OF PERSONNEL FUNCTION

<u>Administration</u>	<u>Number of Officers</u>	<u>Officers Salaries</u>	<u>Total Expense</u>
Year 1932	.15	\$ 795.03	\$ 795.03
Year 1931	.30	1,590.02	1,590.02

<u>Monthly Average</u>			
Year 1932		\$ 66.25	\$ 66.25
Year 1931		132.50	132.50

<u>Hiring Employees & Employees Records</u>	<u>Number of Employees</u>	<u>Employees Salaries</u>	<u>Other Expense</u>	<u>Total Expense</u>
Year 1932	.97	\$ 1,950.42	\$ 134.59	\$ 2,085.01
Year 1931	.94	1,909.48	119.01	2,028.49

<u>Monthly Average</u>				
Year 1932		\$ 162.53	\$ 11.22	\$ 173.75
Year 1931		159.12	9.92	169.04

<u>Education and Training</u>	<u>Contribution to F. R. Club</u>	<u>Contribution to Am. Inst. Bkg.</u>	<u>Other Expense</u>	<u>Total Expense</u>
Year 1932	\$ 2,770.00	\$ 1,184.00	\$ 656.64	\$ 4,610.64
Year 1931	3,120.00	897.00	500.05	4,517.05

<u>Monthly Average</u>				
Year 1932	230.83	98.67	54.72	384.22
Year 1931	260.00	74.75	41.67	376.42

<u>Welfare and Medical</u>	<u>Number of Employees</u>	<u>Employees Salaries</u>	<u>Other Expense</u>	<u>Total Expense</u>
Year 1932	1.00	\$ 1,800.00	\$ 563.27	\$ 2,363.27
Year 1931	1.00	1,800.00	337.22	2,137.22

<u>Monthly Average</u>				
Year 1932		\$ 150.00	\$ 46.94	\$ 196.94
Year 1931		150.00	28.10	178.10

<u>Cafeteria</u>	<u>Number of Employees</u>	<u>Employees Salaries</u>	<u>Cost of Food</u>	<u>Other Expense</u>	<u>Total Expense</u>
Year 1932	6.30	\$ 6,199.14	\$ 7,640.80	\$ 967.61	\$ 14,807.55
				Less Receipts	10,669.14
				Net Expense	\$ 4,138.41

Year 1931	5.76	\$ 5,861.66	\$ 6,843.24	\$ 760.45	\$ 13,465.35
				Less Receipts	9,233.20
				Net Expense	\$ 4,232.15

<u>Monthly Average</u>				
Net Expense 1932				\$ 344.87
Net Expense 1931				352.68

<u>Float Force</u>	<u>Number of Employees</u>	<u>Employees Salaries not distributed</u>	<u>Total Expense</u>
Year 1932	.95	\$ 1,352.79	\$ 1,352.79
Year 1931	1.11	2,126.61	2,126.61

<u>Monthly Average</u>			
Year 1932		\$ 112.73	\$ 112.73
Year 1931		177.22	177.22

<u>Total Personnel Function</u>	<u>Number of Officers</u>	<u>Number of Employees</u>	<u>Expense</u>
Year 1932	.15	9.22	\$ 15,345.15
Year 1931	.30	8.81	16,631.54

<u>Monthly Average</u>			
Year 1932			\$ 1,278.76
Year 1931			1,385.96

GENERAL SERVICE

	<u>ADMINISTRATION</u>		<u>PURCHASING & STOCKROOM</u>		<u>TELEPHONE</u>	
	Number of Officers	Expense	Number of Employees	Expense	Number of Employees	Expense
Year 1932	.81	\$ 4,089.31	1.04	\$ 3,184.50	2.10	\$ 7,460.80**
Year 1931	.85	4,293.59	1.03	3,212.06	2.21	7,589.06*
Monthly Average						
Year 1932		\$ 340.77		\$ 265.37		\$ 621.73
Year 1931		357.80		267.67		632.42

	<u>TELEGRAPH</u>		<u>MAIL</u>		<u>REGISTERED MAIL-EXPRESS</u>	
	Number of Employees	Expense	Number of Employees	Expense	Number of Employees	Expense
Year 1932	2.33	\$ 13,882.12	10.02	\$ 10,306.44	2.13	\$ 3,403.44
Year 1931	2.35	15,641.24	8.31	8,769.05	2.09	3,300.60
Monthly Average						
Year 1932		\$ 1,156.84		\$ 858.87		\$ 283.62
Year 1931		1,303.44		730.75		275.05

	<u>DUPLICATING</u>		<u>PROTECTION</u>		<u>OFFICE BOYS & PAGES</u>	
	Number of Employees	Expense	Number of Employees	Expense	Number of Employees	Expense
Year 1932	2.51	\$ 3,994.68	23.04	\$ 36,496.52	4.16	\$ 3,216.94
Year 1931	2.57	4,346.26	22.98	36,885.75	4.11	3,213.59
Monthly Average						
Year 1932		\$ 332.89		\$ 3,041.38		\$ 268.08
Year 1931		362.20		3,073.81		267.80

	<u>AUTOMOBILE</u>		<u>EQUIPMENT REPAIRS</u>		<u>VAULT MAINTENANCE</u>	
	Number of Employees	Expense	Number of Employees	Expense	Number of Employees	Expense
Year 1932	1.08	\$ 2,364.26	2.31	\$ 6,308.63	3.22	\$ 4,829.68
Year 1931	1.00	2,615.62	2.30	6,139.57	3.22	5,019.80
Monthly Average						
Year 1932		\$ 197.02		\$ 525.72		\$ 402.47
Year 1931		217.97		511.64		418.32

	<u>FILES AND OLD RECORDS</u>		<u>STENOGRAPHIC</u>	
	Number of Employees	Expense	Number of Employees	Expense
Year 1932	5.04	\$ 7,169.77	7.06	\$ 12,709.81
Year 1931	4.00	5,936.24	6.45	12,010.64
Monthly Average				
Year 1932		\$ 597.48		\$ 1,059.15
Year 1931		494.69		1,000.00

** Toll charges distributed to various expense units \$ 1,826.74

* Toll charges distributed to various expense units \$ 1,652.39

STATISTICAL AND ANALYTICAL

(Including Administration)

	Number of Officers	Officers Salaries	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	.30	\$ 2,100.04	4.06	\$ 8,825.08	\$ 1,038.25	\$ 11,963.37
Year 1931	.30	2,100.04	5.52	10,493.23	1,467.86	14,061.13
Monthly Average						
Year 1932		\$ 175.00		\$ 735.42	\$ 86.52	\$ 996.94
Year 1931		175.00		874.44	122.32	1,171.76

MONTHLY LETTER

	Postage	Printing and Stationery	Total
Year 1932	\$ 774.70	\$ 2,061.10	\$ 2,835.80
Year 1931	808.17	2,295.90	3,104.07
Monthly Average			
Year 1932	\$ 64.56	\$ 171.76	\$ 236.32
Year 1931	67.35	191.32	258.67

LIBRARY

	Number of Employees	Salaries	News Service & Subscriptions	Books	Other Expense	Total Expense
Year 1932	.28	\$ 570.00	\$ 428.54	\$ 218.65	\$ 121.28	\$ 1,338.47
Year 1931	.47	770.00	592.73	342.43	170.86	1,876.02
Monthly Average						
Year 1932		\$ 47.50	\$ 35.71	\$ 18.22	\$ 10.11	\$ 111.54
Year 1931		64.17	49.39	28.54	14.24	156.34

BANK EXAMINATION

	Number of Officers	Officers Salaries	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	.94	\$ 7,050.00	\$ 3.46	\$ 9,700.26	\$ 8,983.73	\$ 25,733.99
Year 1931	.94	7,050.00	3.16	8,690.05	8,346.99	24,087.04
Monthly Average						
Year 1932		\$ 587.50	\$	\$ 808.36	\$ 748.64	\$ 2,144.50
Year 1931		587.50		724.17	695.58	2,007.25

FEDERAL RESERVE NOTE ISSUES

	Number of Officers	Officers Salaries	Number of Employees	Employees Salaries	Other Expense	Total Expense
Year 1932	.21	\$ 1,500.02	\$.73	\$ 2,844.98	\$ 108.71	\$ 4,453.71
Year 1931	.21	1,500.02	.79	3,508.38	42.49	5,050.89
Monthly Average						
Year 1932		\$ 125.00	\$	\$ 237.08	\$ 9.06	\$ 371.14
Year 1931		125.00		292.37	3.54	420.91

HELENA BRANCH

Besides covering all the functions of Head Office and in many instances using the combined figures of Minneapolis and Helena, we offer a brief comparison of operating results obtained at the Branch in 1932 and 1931. A separate report is also offered by the Helena officials presenting details of 1932 operations.

From the standpoint of earnings and expenses the past year has resulted in a better showing than for any other year since 1923. Current expenses were \$79,453.31 with earnings of \$68,438.26 leaving a net deficit of \$11,015.05. Normal yearly expense at Helena is between \$88,000 and \$90,000 so the better showing for 1932 has been due largely to unusual conditions which have existed at Helena since February last. Increases have been necessary in many expense items but the lowered salary payments have more than offset these increases.

Between February 15 and September 15 fifty-seven per cent of Mr. Towle's salary was assumed by the Reconstruction Finance Corporation. Since the latter date all of Mr. Towle's salary has been paid by the Regional Agricultural Credit Corporation. Payments to other members of the Branch staff are also partly assumed by the R. F. C. so that the salary total for the year paid by the bank was reduced \$11,750.26. Increased postage rates, cost of printing and stationery and other items are shown for the year with the result that all current expenses are \$9,053.06 less than for 1931. The budget calls for total expenditures of 78,210 in 1933 and this total will be contingent on the same officers and employees being kept on the reimbursable pay-roll as at present.

Each month of 1932 showed higher earnings than for the corresponding month of the previous year and for the quarter ending September 30 the income more than covered the expense of that quarter. Apart from reserve deficiency penalties the Branch income must be derived from discounting. Montana member banks numbered 68 at the close of the year and 53 of these banks borrowed from

HELENA BRANCH (Contd)

Branch during 1932. Borrowings averaged \$1,004,000 in January increasing each month until May when the daily average was \$2,200,000. The heaviest month of borrowing was in August when the average reached \$2,621,000 receding to \$1,249,000 in December. With funds of the Regional Agricultural Credit Corporation now available, less advances by the Branch are expected in 1933. Even with more extensive borrowing the member banks paid \$3,486.94 as reserve deficiency penalties with but \$940.00 paid in the previous year. Total income from discounts was \$64,914.77 compared to \$25,039.50 from this source in 1931. The amount of paper discounted during the year was \$18,039,000 represented by 3,096 notes. In 1931 notes discounted numbered 2,054 for 41 banks and amounted to \$5,535,000.

Currency operations were normal in volume during 1932. Less money was shipped by country banks but \$12,827,000 was shipped to member and non-member banks compared to \$11,441,000 shipped in the previous year. Member banks sent in \$8,688,000 during 1932 and \$10,492,000 in 1931. Federal reserve notes to the amount of \$9,955,000 were obtained from the Agent's representatives during the year and notes fit-for-further circulation to the amount of \$5,890,000 were retired in the same period.

All classes of cash collections handled in 1932 amounted to \$245,000,000 or \$108,000,000 less than in 1931. These totals were derived from 1,553,000 items in 1932 and 1,953,000 in 1931. The items on Montana banks numbered 1,046,000 for the past year compared to 1,418,000 one year ago.

Non-cash collections both city and country, show increases over 1931. For the past 12 months 3,656 items aggregating \$1,871,000 were received compared to 2,546 items for \$1,372,000 in 1931. Collection items on country points numbered 12,885 for \$4,116,000 compared to 11,338 items for \$3,978,000 in the previous 12 months. The increased volume and amount in 1932 was due to the greater number of coupons cut from securities and forwarded for

HELENA BRANCH (Contd)

collection. Other classes of country collections did not change in number or amount from 1931.

The privilege of making wire transfers without cost was made use of to greater extent but for smaller amounts by the Montana members in 1932. Such transfers for the credit of members numbered 2,216 amounting to \$46,398,000 while 1,881 outgoing wire transfers for \$29,894,000 were made by members during 1932. In 1931 the number of incoming wire transfers was 2,179 and the amount \$63,128,000. Outgoing transfers were 218 less in number and \$10,740,000 more in amount than in 1932.

Securities held for safekeeping amounted to \$6,948,000 at the close of the year. This was a reduction of \$1,700,000 since December 31, 1931. In addition to the above securities the custody of \$4,587,000 in notes collateral to advances made by the Reconstruction Finance Corporation is also undertaken at the Branch.

While the Branch employees total 33 people at the close of the year and 4 more than one year ago, there is actually one less person on bank work with several others devoting some time to Reconstruction Finance Corporation work. We are being reimbursed for the salaries of 5 persons by the above corporation. Both the Agency and the Custody division of the Corporation work is under the direction of Branch officers, increasing their duties accordingly.

An examination of Helena branch was made by the Federal reserve examiners on January 5, 1932 and Head Office Controller also made an examination under date of June 16 last, both reports indicating the Branch to be in satisfactory condition with the various operations satisfactorily conducted.

COMPARATIVE FUNCTIONAL EXPENSE REPORT
HELENA BRANCH

	<u>1932</u>			<u>1931</u>		
	Average Number Of Officers	Average Number Of Employees	Amount	Average Number Of Officers	Average Number Of Employees	Amount
Genl. Overhead-Controllable	.41		\$ 6,529.63	1.00		\$ 9,437.98
Genl. Overhead Non-Controllable			5,422.99			5,021.07
Provision of Space	.05	1.08	5,792.91	.05	1.13	6,416.97
Provision of Personnel	.05	.04	672.80	.05	.05	661.37
General Service	.15	9.05	13,459.46	.25	9.60	14,225.10
Postage			4,622.49			3,239.00
Insurance			3,515.93			3,452.95
Loans, Rediscounts & Acceptances	.18	1.21	3,434.54	.32	.28	2,318.77
Securities	.10	.68	2,559.29	.15	.69	2,997.60
Currency and Coin	.13	2.23	5,848.77	.29	2.81	8,268.13
Check Collection	.20	5.74	9,898.40	.25	7.40	13,382.84
Non-Cash Collection	.10	1.78	3,016.31	.05	1.74	3,930.34
Accounting	.17	3.07	11,554.61	.19	3.57	12,898.65
Fiscal Agency	.33	1.99	5,104.22			
Legal			625.00			635.00
Auditing	.08	.63	2,717.68	.19	.30	1,907.93
Bank Relations			19.40			34.50
Bank Examinations			271.09			325.58
Statistical and Analytical			139.75			151.65
Grand Total	1.95	27.50	\$ 85,205.27	2.79	27.57	\$ 89,305.43
Total Current Expense			\$ 79,453.31			\$ 88,506.37
Stock of Supplies			647.74			799.06
Reimbursable Expenditures			5,104.22			
			<u>\$ 85,205.27</u>			<u>\$ 89,305.43</u>