

CONTROLLER'S REPORT  
FEDERAL RESERVE BANK OF MINNEAPOLIS  
FOR THE YEAR  
1934.

To the Directors:

Statements showing the extent of our services, the cost and volume of the different functions with description of income sources, and how the net profits were treated, are presented on the following pages.

Although our member banks have had little need for our discount facilities, they have made increasing use of other privileges. This is shown by the rapid growth of securities in safe-keeping, the number of currency shipments and the bond purchases and sales made for their account. Fiscal work was very heavy during the year with deliveries of Federal Farm Mortgage Corporation bonds added to our other deliveries. Duties performed for the Treasury Department included the redemption of the Liberty Loan bonds and further heavy redemption will be undertaken beginning in March of this year.

The Bank had more than sufficient income to provide for all current needs but preferred to add approximately \$180,000 to bond depreciation reserve rather than to Surplus. While the income from industrial loans in 1934 was less than the expense of this department, the earnings in 1935 should add appreciably to our revenues. The excess reserves carried here by member banks indicates still more clearly that the major part of our income in 1935 must come from Governments.

Audits and examinations of the past year disclosed nothing other than minor errors and all operations appear to have been efficiently handled.

Respectfully submitted,

Controller.

January 1, 1935.

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COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1934</u>	<u>December 31, 1933</u>
Gold with F. R. Agent .....	\$ 110,000,000.00	\$ 76,254,000.00
Gold Redemption Fund F. R. Notes .....	329,847.55	1,612,357.76
Gold Settlement Fund .....	29,798,105.80	19,517,798.41
Gold and Gold Certificates .....	-	549,960.45
<b>Total Gold Reserves .....</b>	<b>\$ 140,127,953.35</b>	<b>\$ 97,934,116.62</b>
Other Cash .....	11,341,300.98	8,321,586.79
<b>Total Gold Reserves and Other Cash ...</b>	<b>\$ 151,469,254.33</b>	<b>\$ 106,255,703.41</b>
Redemption Fund F. R. Bank Notes .....	-	593,250.00
<b>Bills and Securities:</b>		
Bills Secured by U. S. Government obligations, direct and/or fully guaranteed ..	-	49,450.00
Bills Otherwise Secured and Unsecured ...	-	1,822,559.44
Bills Bought in Open Market .....	80,517.29	3,189,208.96
Industrial Advances .....	1,752,437.77	-
U. S. Government Securities .....	65,589,395.01	65,668,505.68
Other Securities .....	-	79,968.19
<b>Total Bills and Securities .....</b>	<b>\$ 67,422,350.07</b>	<b>\$ 70,809,692.27</b>
Due from Foreign Banks .....	6,216.25	9,418.36
F. R. Notes of other Federal Reserve Banks.	1,128,000.00	657,500.00
<b>Uncollected Items:</b>		
Transit Items .....	10,989,147.73	9,800,860.92
Exchanges for Clearing House .....	396,527.16	347,479.26
Other Cash Items .....	603,543.51	492,902.94
<b>Total Uncollected Items .....</b>	<b>\$ 11,989,218.40</b>	<b>\$ 10,641,243.12</b>
Federal Deposit Insurance Corporation Stock	3,509,467.65	-
Bank Premises—Less Depreciation Reserves...	1,664,990.22	1,747,677.60
<b>Miscellaneous Assets:</b>		
Premium on Securities .....	11,792.73	12,925.65
Interest Accrued .....	68,890.31	60,686.19
Reimbursable Expenditures .....	19,122.65	21,886.23
Deferred Charges .....	15,131.66	12,573.49
Claims Recoverable .....	609,104.12	1,338,996.02
All Other Resources .....	46,821.77	27,336.14
<b>Total Miscellaneous Assets .....</b>	<b>\$ 770,863.24</b>	<b>\$ 1,474,403.72</b>
<b>TOTAL RESOURCES.....</b>	<b>\$ 237,960,360.16</b>	<b>\$ 192,188,888.48</b>

COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1934</u>	<u>December 31, 1933.</u>
F. R. Notes in actual Circulation .....	\$ 106,687,235.00	\$ 92,895,885.00
F. R. Bank Notes in actual Circulation.....	-	7,718,250.00
U. S. Treasurer - General Account .....	2,589,743.50	90,953.17
Member Bank Reserve Accounts .....	97,421,436.96	62,013,428.63
Due to Foreign Banks .....	441,227.85	95,756.95
Officers' Checks, F.R.Drafts, Other Deposits.	6,268,437.92	4,095,205.05
<b>Total Deposits .....</b>	<b>\$ 106,720,846.23</b>	<b>\$ 66,295,343.80</b>
<b>Deferred Availability Items:</b>		
Government Transit Items .....	\$ 409,729.87	\$ 699,242.10
All other Transit Items .....	11,726,311.60	10,428,690.53
<b>Total Deferred Availability Items ....</b>	<b>\$ 12,136,041.47</b>	<b>\$ 11,127,932.63</b>
<b>Miscellaneous Liabilities:</b>		
Accrued Taxes Unpaid .....	\$ 81,360.00	\$ 66,253.98
Reserve for Sundry Expenses .....	944.65	11,175.50
Depreciation Reserve U. S. Securities ...	203,196.03	3,444.00
Discount on Securities .....	5,330.35	6,504.07
Unearned Discount .....	-	10,494.93
All Other Liabilities .....	217,988.93	3,134,099.12
<b>Total Miscellaneous Liabilities .....</b>	<b>\$ 508,819.96</b>	<b>\$ 3,231,971.60</b>
<b>Capital Stock Paid In.....</b>	<b>\$ 3,133,700.00</b>	<b>\$ 2,876,450.00</b>
Surplus Fund - Section 7 .....	3,419,984.02	7,018,935.30
Surplus Fund - Section 13 "B" .....	755,810.22	-
Subscription for Fed. Deposit Ins. Corp. Stock	3,509,467.65	-
Reserve for Self Insurance .....	515,379.97	515,379.97
Reserve for Losses .....	285,784.50	272,989.28
<b>Earnings, Expenses and Dividends:</b>		
Discount Earned - Bills Discounted .....	15,628.25	221,740.49
Discount Earned - Bills Purchased .....	3,223.82	37,595.95
Interest Earned - U. S. Government Securities	1,346,609.66	1,179,975.18
Interest Earned - Industrial Advances ....	15,928.59	-
All other Earnings.....	33,706.50	58,357.56
<b>Total Gross Earnings .....</b>	<b>\$ 1,415,096.82</b>	<b>\$ 1,497,669.18</b>
<b>Expense current .....</b>	<b>\$ 1,205,330.16</b>	<b>\$ 1,114,093.70</b>
Furniture and Equipment .....	15,701.91	19,548.00
Dividends Accrued .....	181,117.51	171,568.89
<b>Total Charges to Current Earnings .....</b>	<b>\$ 1,402,149.58</b>	<b>\$ 1,305,210.59</b>
Current Net Earnings .....	12,947.24	192,458.59
Profit and Loss - Credit .....	274,343.90	43,292.31
Net Earnings Available for Depreciation Allowances, Reserves and Surplus .....	287,291.14	235,750.90
<b>TOTAL LIABILITIES.....</b>	<b>\$ 237,960,360.16</b>	<b>\$ 192,188,868.48</b>

FEDERAL RESERVE BANK OF MINNEAPOLIS  
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR 1934.

Discount earned on bills discounted - Minneapolis . . . . .	\$	\$ 14,701.45
Discount earned on bills discounted - Helena Branch . . . . .		926.80
Discount earned on bills purchased . . . . .		3,223.82
Earnings on Industrial Advances . . . . .		15,928.59
Interest earned on U. S. Government securities . . . . .		1,346,609.66
Interest earned on Municipal Warrants . . . . .		89.05
Interest earned on foreign loans on gold . . . . .		211.40
Deficient reserve penalties - Minneapolis . . . . .		1,177.78
Deficient reserve penalties - Helena . . . . .		34.87
Participation in transactions with foreign banks . . . . .		4.52
Interest earned on past due paper of closed banks . . . . .		25,459.98
Interest earned on past due acceptances . . . . .		36.58
Sale of waste paper . . . . .		115.70
Service charges on collection items returned - Minneapolis		51.00
Clearing House fines . . . . .		48.00
Income from Banking House . . . . .		6,477.62
Expense - Cost of Federal Reserve Currency . . . . .	38,163.22	
Other current expense - Minneapolis . . . . .	1,064,238.01	
Expense current - Helena Branch . . . . .	102,928.93	
Furniture and Equipment - Minneapolis . . . . .	14,301.49	
Furniture and Equipment - Helena Branch . . . . .	1,399.42	
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 . . . . .	56,631.63	
General difference - Minneapolis . . . . .	9.59	
Tellers' differences - Minneapolis . . . . .	131.97	
Transit and clearing differences - Minneapolis . . . . .		33.91
General differences - Helena Branch . . . . .		4.89
Withdrawn from reserve for losses on past due acceptances . .		338.12
Recoveries of expenses in connection with closed banks . .		74,160.06
To reverse entry May 11, 1933. Recovery of loss incurred in connection with sale of Federal Land Bank Bonds for a/c Receiver of U. S. National Bank, Deer Lodge, Mont. . .		10.00
Recoveries of transit items previously charged off . . . . .		1,290.22
Commissions on hail insurance premiums a/c various debtors of closed member banks . . . . .		96.80
Exchange profit on Sterling and French Francs . . . . .		14,479.00
Profit on sale of securities for account of member and non-member banks . . . . .		21.43
Recovery from Reconstruction Finance Corporation on Group Life Insurance premiums and Workmen's Compensation in- surance premiums incurred during 1932 at Helena Branch . .		290.76
Net profit on sale of chattels acquired in settlement of claims account closed banks . . . . .		1,321.65
Profit on sale of U. S. securities through F. R. System Special Investment account . . . . .		192,914.12
Counterfeits and discount on foreign currency . . . . .	335.87	
Abrasion on gold coin . . . . .	2.57	
Protest fees on past due acceptances to balance past due acceptances in process of collection . . . . .	3.12	
Loss incurred through an error in handling an item re- ceived for collection . . . . .	36.44	
Shortage in silver shipment received from member bank . . .	101.00	
Check lost in transit - unable to recover from our endorser	40.92	
Net expense - other real estate - otherwise acquired . . . .	9,720.22	
Reserve for losses on Investments through foreign banks . . .	23,966.00	
Reserve for depreciation on U. S. securities . . . . .	183,396.99	
Withdrawn from surplus - Section 13 "B" . . . . .		4,832.75
Dividends . . . . .	181,117.51	

\$ 1,704,890.53 \$ 1,704,890.53

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1934.

	Total	Head Office	Branch
Earnings . . . . .	\$ 1,415,096.82	\$ 1,414,135.15	\$ 961.67
Current expenses . . . . .	1,205,330.16	1,102,401.23	102,928.93
Current net earnings . . .	<u>\$ 209,766.66</u>	<u>\$ 311,733.92</u>	<u>\$ 101,967.26</u>
Additions to current net earnings:			
Profit on United States Government securities sold - Net	\$ 192,914.12	\$ 192,914.12	\$ -
All other (Schedule "A") . .	92,008.04	91,717.28	290.76
Total additions . . . . .	<u>\$ 284,922.16</u>	<u>\$ 284,631.40</u>	<u>\$ 290.76</u>
Deductions from current net earnings:			
Bank premises - depreciation (Schedule "C") . . . . .	\$ 84,997.26	\$ 82,297.26	\$ 2,700.00
Furniture and Equipment	15,700.91	14,301.49	1,399.42
* Reserve for probable losses	207,362.99	207,362.99	-
Reserve for self-insurance .	-	-	-
All other (Schedule "B") . .	10,342.90	10,290.87	52.03
Total deductions	<u>\$ 318,404.06</u>	<u>\$ 314,252.61</u>	<u>\$ 4,151.45</u>
Net deductions from current net earnings . . . . .	\$ 33,481.90	\$ 29,621.21	\$ 3,860.69
Net earnings . . . . .	<u>176,284.76</u>	<u>282,112.71</u>	<u>105,827.95</u>
Dividends paid . . . . .	\$ 181,117.51	\$ 181,117.51	\$ -
Withdrawn from Surplus - Section 13 "B" . . . . .	\$ 4,832.75		

\* Reserve for losses on investments through foreign banks . . . \$ 23,966.00

\* Reserve for depreciation on U. S. securities . . . . . 183,396.99



FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1934.

Schedule "A" - "All other" additions to current net earnings"

	Total	Head Office	Branch
Withdrawn from reserve for losses on past due acceptances . . . . .	\$ 338.12	\$ 338.12	-
Recoveries of expenses in con- nection with closed banks . . . . .	74,160.06	74,160.06	-
To reverse entry of May 11, 1933. Recovery of loss incurred in con- nection with sale of Federal Land Bank Bonds for a/c Receiver of U.S. Natl. Bank, Deer Lodge, Mont. . . . .	10.00	10.00	-
Recovery of transit items previous- ly charged off . . . . .	1,290.22	1,290.22	-
Commissions on hail insurance premiums a/c various debtors of closed member banks . . . . .	96.80	96.80	-
Exchange profit on Sterling and French Francs . . . . .	14,479.00	14,479.00	-
Profit on sale of securities for account of member and non-member banks	21.43	21.43	-
Recovery from Reconstruction Finance Corporation of Group Life Insurance and Workmen's Compensation Insurance premiums incurred during 1932 at Helena Branch . . . . .	290.76		290.76
Net profit on sale of chattels ac- quired in settlement of claims account closed banks . . . . .	1,321.65	1,321.65	-
	<u>\$ 92,008.04</u>	<u>\$ 91,717.28</u>	<u>\$ 290.76</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1934

Schedule "B" - "All Other" Deductions from Current Net Earnings

	Total	Head Office	Branch
Counterfeits and discount on foreign currency . . . . .	\$ 335.87	\$ 280.87	\$ 55.00
Abrasion on gold coin . . . . .	2.57	.65	1.92
Protest fees on past due acceptances - to balance past due acceptances in process of collection . . . . .	3.12	3.12	-
Loss incurred through error in handling an item received for collection . . . . .	36.44	36.44	-
Shortage in silver shipment received from member bank . . .	101.00	101.00	-
Check lost in transit - unable to recover from our endorser .	40.92	40.92	-
Net expense other real estate - otherwise acquired . . . . .	9,720.22	9,720.22	-
Difference accounts . . . . .	102.76	107.65	4.89 *
	\$ 10,342.90	\$ 10,290.87	\$ 52.03

\* Credit

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1934.

Schedule "C" - Bank Premises - Depreciation

	Total	Head Office	Branch
<u>Bank Building</u>			
Book value at beginning of year . .	\$ 1,097,872.09	\$ 1,052,290.83	\$ 45,481.26
Debits during year . . . . .	-	-	-
Book value at end of year before closing entries . . . . .	\$ 1,097,872.09	\$ 1,052,290.83	\$ 45,581.26
Credit to depreciation reserve . .	\$ 28,365.63	\$ 25,665.63	\$ 2,700.00
Book value after closing entries .	1,069,506.46	1,026,625.20	42,881.26
<u>Fixed Machinery and Equipment</u>			
Book value at beginning of year . .	53,913.87	53,913.87	-
Debits during year . . . . .	7,683.60	7,683.60	-
Credits during year . . . . .	-	-	-
Book value at end of year before closing entries . . . . .	61,597.47	61,597.47	-
Credits to depreciation reserve . .	56,631.63	56,631.63	-
Book value after closing entries .	4,965.84	4,965.84	-

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
1933	-	171,568.89
1934	-	181,117.51

\$ 3,626,974.71

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	" " "		87,156.54
		\$	<u>5,202,898.50</u>

DETAIL STATEMENT OF SURPLUS SECTION 7 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	
December 31, 1933 Transferred from Surplus- net loss for 1933 . . . . .	89,483.63	
January 5, 1934 Transferred from Surplus for purchase of Federal Deposit Insurance Corporation Stock . . . . .	<u>3,509,467.65</u>	<u>\$ 4,939,025.16</u>
Balance in Surplus-Section 7 Jan. 1, 1935 . . . . .		\$ 3,419,984.02

SURPLUS SECTION 13 "B"

Transferred from Treasury Department for purpose of making Industrial Loans		
October 30, 1934 . . . . .	\$ 251,936.74	
November 26, 1934 . . . . .	251,936.74	
December 28, 1934 . . . . .	<u>251,936.74</u>	
	\$ 755,810.22	
December 31, 1934		
Net expense over income on Industrial Advances from funds transferred by Treasury Department	<u>4,832.75</u>	
Net Surplus - Section 13 "B" Jan. 1, 1935 . . . . .		\$ 750,977.47

## PROFIT AND LOSS

Income from all sources in 1934 amounted to \$1,700,018.98 compared to \$1,543,929.85 in the previous year. Our current earnings were \$82,000 less than in 1933 but recoveries of expense at closed banks and the profit on sales of United States securities made from Special Account were materially larger than in the prior year. Normally the profit from sales of Governments is treated as additional income and serves to help increase our Surplus after caring for all needs. This year the New York bank suggested that the profit from sales of Governments during 1934 be added to the depreciation reserve on United States securities set up at the close of 1933. This plan was approved by our directors and authorized by the Federal Reserve Board. The Board states however, that we should not place the entire profit from bond sales in the depreciation reserve account unless all our current needs were covered by other income. We actually needed \$9,517.13 to cover these requirements so that the amount added to bond depreciation reserve was \$183,396.99.

Reference is also drawn to the fact that the depreciation reserve on Government bond holdings in the Special and Permanent accounts has not been disturbed. At the close of 1933 we set aside \$107,392.61 for depreciation on System holdings and \$92,359.42 on Governments held at Minneapolis. The appreciation in the bond market has returned all the issues we hold to above par. Our Permanent holdings of \$7,511,000 on December 31 had a market value of \$225,000 in excess of purchase price.

Using 1933 as a basis, we estimated that our income should average \$117,000 monthly in 1934 to cover all requirements. We actually needed \$124,000 monthly to provide for all expenses, dividends and depreciation. Note printing costs in 1934 were

## PROFIT AND LOSS (Contd)

expected to show a saving of \$70,000 compared to 1933 but the saving was actually \$52,000 because of the revised printing order later required by the Board. Such costs for 1935 should show some reduction provided we are not instructed to give additional printing orders. The recent assessment notice for Board expenses during the first half of 1935 mentioned approximately \$24,400 additional to be assessed as our proportion of \$1,000,000 to be used towards purchasing a site and constructing a building for use of the Board. We assume that any assessment made by the Board for the above purpose will be placed in property account rather than expense. All items of profit and loss are shown on a preceding sheet with full information given under "Earnings and Expenses" of the various sources of current income and operating costs. The important direct credits and debits to profit and loss are described on the following sheets.

Quite a substantial amount of expense recovered at closed banks was credited to profit and loss. Formerly, when a trust was wound up we applied the recoveries first on the principal amount until liquidated and then on past due interest, anything remaining being applied on the expense incurred in making collection. Under a new arrangement made with the Board during 1934, once the principal amount due us is paid at banks where we have made final settlement with the receiver, we will credit all expense and interest recovered to expense, profit and loss and interest. Amounts of expense credited in this manner aggregated \$74,160.06 in 1934. Amount of expense recovered during 1933 from banks making final settlement was \$9,987.60. To

## PROFIT AND LOSS (Contd)

further conform with the Board's wishes, we have credited \$1,321.65 to profit and loss as net profit on chattels sold by us which we had originally bid in over the past 10 years to protect our interests. We have also charged profit and loss with \$9,720.22 representing the net expense over the past 10 years on real estate we have acquired in connection with claims at closed banks. Any profit on future sales of chattels, or expense incurred through property owned, will be placed in profit and loss during the current year.

At the close of 1933 we set aside \$338.12 to cover the estimated loss on bills purchased for foreign banks and later taken back into System holdings under repurchase agreement. No loss was sustained and the amount was accordingly returned to profit and loss. Through the further payment of foreign credits during 1934 we received an exchange profit of \$14,479.00 from New York obtained by converting sterling and francs into dollars. We were also able to obtain from the Reconstruction Finance Corporation \$290.76 as a refund of premiums on Group Life Insurance and Workmen's Compensation policies covering R. F. C. employees at Helena branch during 1932. As previously indicated, the profit credited us for sales of United States securities from System account was \$192,914.12.

Recovery was made of \$1,290.33 on transit items previously charged off. Of this amount \$1,216.64 was final payment by the Receiver at the Farmers National Bank, Brookings, S. D., on our original claim of \$21,355.82 against that bank. The loss we absorbed was \$4,549.44. The loss on counterfeits not detected by our tellers during the year amounted to \$335. There are many remarkably fine counterfeits in circulation, especially 10's. During 1933 most of the counterfeits that got by our



PROFIT AND LOSS (Contd)

money sorters were \$10 gold certificates. The past year there was a larger percentage of Federal reserve notes.

On September 17, 1934 we charged the Farmers and Merchants National Bank, Huron, S.D. \$101 for a shortage in their shipment of \$1,000 in halves. The bank was insistent as to the correct amount shipped and as the evidence in our files was insufficient to force recovery from the express company, we absorbed this loss.

After taking into consideration the various entries made to profit and loss during the year and adding the current earnings, we were able to make the following disposition of the funds:

<u>CURRENT EXPENSES</u>		
Minneapolis	\$1,102,401.23	
Helena	<u>102,928.93</u>	\$1,205,330.16

Under the classification of expenses the various costs will be described and the reasons given for expansion or reduction compared to the previous year. Total expense was \$74,000 greater for Minneapolis than in 1933. At Helena the increase over 1933 was \$17,500. Each year some unusual expense later develops to upset the budget totals. Some reductions occurred however, in 1934 which brought down the net costs of operation at Minneapolis and Helena to \$13,000 less than our budget estimates made at the beginning of the year.

<u>FURNITURE AND EQUIPMENT</u>		
Minneapolis	\$ 14,301.49	
Helena	<u>1,399.42</u>	\$ 15,700.91

We had anticipated some reduction in these costs for 1934 because so many replacements had been made in 1932 and 1933. Minneapolis purchases were \$3,850 less than in 1933 with no change in the amount expended at Helena. The estimate for 1935 will require about the same amount of purchases as made during the past year. A description of the kind of equipment purchased during 1934 and the item cost is furnished on a separate sheet.

PROFIT AND LOSS (Contd)

RESERVE FOR DEPRECIATION  
ON BANK BUILDING

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

These transfers to depreciation account have been uniform since the close of 1928 and are 2% of the estimated replacement value obtained under the method laid down by the Board. The amount set aside during the 10 years we have occupied the Minneapolis building is \$256,656.30. On the Helena building we have been accumulating reserves for 15 years with \$92,118.74 set aside up to the close of 1934. All particulars regarding bank premises are covered elsewhere in the report.

RESERVE FOR DEPRECIATION  
FIXED MACHINERY AND EQUIPMENT

Minneapolis	\$56,631.63	
Helena	<u>0</u>	\$56,631.63

At the close of 1933 there remained \$53,913.87 of fixed machinery and equipment at Minneapolis not covered by the depreciation reserve set up over a period of 9 years. No additions had been made to fixed machinery and equipment account until 1934 when \$5,517.60 representing work done by the McClintock Company was charged to this account. As the Board permits us to reserve 10 per cent of the original cost per year, we have added \$551.76 to the reserve to be set aside at the close of 1934. The fixed machinery and equipment to be depreciated over the next 9 years now amounts to \$4,965.84. The only replacement cost charged to the reserve account is \$3,166 yearly covering our elevator maintenance contract. This we have done for the past three years.

RESERVE FOR LOSSES ON INVESTMENTS  
THROUGH FOREIGN BANKS \$23,966.00

At the close of 1933 we reserved \$34,500 being the estimated amount of our losses in connection with investments made through Foreign banks as determined by the New York Federal Reserve Bank. We were advised by New York in December that

PROFIT AND LOSS (Contd)

\$23,966.00 additional should be set aside at the close of 1934. This will give us 100% cover on the amount not secured by earmarked gold.

<u>DIFFERENCE ACCOUNTS</u>		
Minneapolis	debit	\$107.65
Helena	credit	<u>4.89</u>
		net debit \$102.76

The net charge to profit and loss is the smallest we have had for many years. There are quite a number of small differences especially in transit work. At Head Office there was a net credit of \$33.91 in transit differences for the year with the tellers' showing a net shortage of \$131.97. At Helena there were no tellers' differences reported, the small credit being for transit differences.

<u>DIVIDENDS PAID</u>	\$ 181,117.51
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Dividend payments in 1934 were greater than for any other year since 1930. The total paid was \$9,548.62 in excess of dividends paid in 1933. Our Capital Stock held by members on December 31, 1934 was \$3,133,700 compared to \$2,876,450 held at close of 1933, an increase of \$257,250. Total payments since organization have been \$3,626,974.71. Our present membership consists of 461 National banks and 69 State banks. One year ago we had 491 National bank members and 60 State bank members.

<u>SURPLUS ACCOUNT DECEMBER 31, 1934</u>	
Surplus Section 7	\$ 3,419,984.02
Surplus Section 13 "B"	750,977.44

It will be recalled that we were required by Law to transfer one-half of our Surplus as of January 1, 1933 to the Federal Deposit Insurance Corporation. To provide for all needs we used \$89,483.63 of our Surplus at the close of 1933 leaving the Surplus at \$6,929,451.67. On January 5, 1934 we made one-half of the required payment to the Federal Deposit Insurance

PROFIT AND LOSS (Contd)

Corporation with the remainder being paid on April 16, 1934. This left our Surplus under Section 7 as \$3,419,984.02, the same as shown at the close of 1934. The surplus shown under Section 13 "B" is made up of amounts transferred by the Treasury Department and represents that department's interest in our industrial loans. The total amount placed with us by the Treasury to December 31, 1934 was \$755,810.22. The fact that the Surplus shown under section 13 "B" is \$4,832.75 less than the amount transferred is due to our charging the Treasury for a proportionate amount of the net expense of the industrial loan division. The Treasury's share of the expense bears the same relationship to the total expense that the funds advanced by the Treasury bear to the total advances.

COMPARATIVE STATEMENT OF GROSS EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

EARNINGS FROM	Minneapolis 1934	Helena Branch 1934	Combined 1934	Combined 1933	Combined 1932
Discounted bills . . . . .	\$ 14,701.45	\$ 926.80	\$ 15,628.25	\$ 221,740.49	\$ 418,530.72
Purchased bills . . . . .	3,223.82		3,223.82	37,595.95	65,335.29
Industrial Advances . . . . .	15,928.59		15,928.59		
United States securities . . . . .	1,346,609.66		1,346,609.66	1,179,975.18	921,077.03
Federal Intermediate Credit Bank debentures . . . . .					1,910.71
Municipal Warrants . . . . .	89.05		89.05	2,226.60	5,326.06
Foreign loans on gold . . . . .	211.40		211.40		
Deficient reserve penalties . . . . .	1,177.78	34.87	1,212.65	8,016.57	17,219.16
Interest received on past due paper of closed banks . . . . .	25,459.98		25,459.98	40,150.65	4,146.70
Participation in transactions with foreign banks . . . . .	4.52		4.52	11.96	1,329.13
Sale of waste paper, money bags, etc. . . . .	115.70		115.70	135.59	70.17
Service charges on collection items returned unpaid . . . . .	51.00		51.00	128.57	135.11
Clearing House fines . . . . .	48.00		48.00	29.00	13.00
Income from banking house . . . . .	6,477.62		6,477.62	7,658.62	
Past Due Acceptances . . . . .	36.58		36.58		
<b>Total Earnings . . . . .</b>	<b>\$1,414,135.15</b>	<b>\$961.67</b>	<b>\$1,415,096.82</b>	<b>\$1,497,669.18</b>	<b>\$1,435,093.08</b>

DAILY AVERAGE HOLDINGS OF EARNING ASSETS

	Bills Dis- counted	Bills Purchased	Industrial Advances	U. S. Se- curities	Federal Int. Credit Bank Debentures	Municipal Warrants	Foreign Loans on Gold	Total
1934	\$ 531,212	\$ 589,438	\$ 265,476	\$ 65,803,357	\$ 0	\$ 2,545	\$ 14,093	\$ 67,206,121
1933	6,267,577	2,936,456		58,209,321	0	64,520	0	67,477,874
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

	Bills Dis- counted	Bills Purchased	Industrial Advances	U. S. Se- curities	Federal Int. Credit Bank Debentures	Municipal Warrants	Foreign Loans on Gold	Total
1934	2.942%	.547%	6.000%	2.046%	0 %	3.500%	1.500%	2.056%
1933	3.538	1.280%		2.027	0	3.500	0	2.219
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	5.031	4.636
1928	4.382	3.970		3.740	3.885	4.253	0	4.004

Discount rate effective January 1, 1922 5 1/2%  
 Discount rate lowered January 11, 1922 to 5%  
 Discount rate lowered August 15, 1922 to 4 1/2%  
 Discount rate lowered October 14, 1924 to 4%  
 Discount rate lowered September 13, 1927 to 3 1/2%  
 Discount rate raised February 8, 1928 to 4%  
 Discount rate raised April 25, 1928 to 4 1/2%  
 Discount rate raised May 14, 1929 to 5%  
 Discount rate lowered February 8, 1930 to 4 1/2%  
 Discount rate lowered April 15, 1930 to 4%  
 Discount rate lowered September 12, 1930 to 3 1/2%  
 Discount rate lowered March 16, 1934 3%

### EARNINGS

Earned at Minneapolis \$ 1,414,135.15  
Earned at Helena 961.67 \$ 1,415,096.82

Any reference to our current income for 1934 must center on the volume of United States securities we carried in Special and Permanent accounts and the rates which prevailed. Taking the average daily holdings of the various types of earning assets, we find that over the past year 98% of all earning assets consisted of Governments. The same ratio does not hold in the percentage of earnings attributed to United States securities because of the higher rate obtained from discounted paper. This volume was so small however, that 95.16% of our total current income was from interest on Government bonds.

In no other year since we came into existence has the average rate been so consistently low. There had been no change in our discount rate for several years until March 16, 1934, but the volume of discounts for member banks has been only one-twelfth that of 1933. The average rate on Governments, although lower at the close of 1934 than one year ago, was higher over the entire year than in 1933. Some of the needed volume in discounts was made up through industrial advances in the closing months of the year. On December 31, we had \$1,752,000 of industrial loans outstanding, all at 6 per cent. While this helped to bolster up the average rate, this rate was 2.056 per cent compared to 2.219 per cent in 1933.

Although we had no loans to member banks outstanding at the close of the year, the advances made earlier in the year gave a daily average for 1934 of \$531,212. From this paper we obtained discount income of \$15,628.25. During the previous year member paper averaged \$6,267,577 and gave us profit of \$221,740.49.

It will be noted on the sheet giving the various average earning rates, that the rate obtained on discounts for member banks during 1934 was 2.942 per cent although the regular discount rate has remained unchanged at 3 per cent since March 16, 1934

## EARNINGS (Contd)

and previous to that date was  $3\frac{1}{2}$  per cent. This was occasioned by the necessity for allowing interest on the reserve balances of banks in the hands of conservators, said balances not having been applied on loans. As the income on this paper had been credited to Earned Discount, we were obliged to charge the same account thus reducing the amount of discount profit, some of which was obtained during the previous year. Industrial advances which began in August, 1934, averaged \$285,475 daily figured over a year period, and produced income of \$15,928.59.

It seems quite evident that for 1935 the volume of industrial advances will return sufficient profit to cover all expense of this department, pay the 2% required on the funds supplied by the Treasury Department and add a substantial amount to our current income.

Throughout the year there was no change in the total of our participation in Governments held in Special Account. During the earlier months of 1934, there was some improvement in the earning rate on these holdings. The rate in October was 2.062 per cent falling at a more rapid rate than for any other period of the year to 1.91 per cent in December. United States securities held during 1934 averaged \$65,803,000 and \$7,600,000 more than in 1933. This increased average brought the interest on the Special account holdings up to \$1,077,293.45 from \$910,166.12 received in 1933. There was practically no change in the interest obtained from our Permanent holdings with \$269,316.21 received in 1934 and \$269,809.06 in 1933. The total of interest on Governments during the year exceeded similar income in 1933 by \$167,000.

As previously noted, the sales of United States securities made from special account during the year resulted in a profit to us of \$192,914.12. Practically all of this profit was added to the Depreciation reserve. Market prices of all our Permanent holdings are above purchase price so that the



## EARNINGS (Contd)

depreciation of \$92,359.42 provided at the close of 1933 has been made up and an additional profit of approximately \$225,000 is shown in the present market price. We do not know the prices paid for Governments held in Special Account but we have been advised by New York that as of January 2, the market bid prices showed an excess of \$33,675,000 over original cost. Reduced to our portion of the System Account, this means an excess of \$875,000 in the present value of our participation over the book value. Of the total of \$2,223,000,000 held in System Account, \$1,400,000,000 consists of Treasury Notes of various maturities during the next five years. Securities to the amount of \$1,000,000,000 or 45 per cent of the total, will mature or be called before the close of 1935. Particulars of the securities held in our Permanent Account and in the Self-Insurance reserve will be found on a following sheet.

At the close of December, 1933, we had a participation of \$3,080,000 in bills purchased through the Open Market Committee. These holdings were gradually reduced until May, since which month we have had no bills other than a small portion of investments made through foreign banks and amounting to \$80,000 at the end of 1934. From the first of the year until May we received approximately \$2,900 as income from purchased domestic bills. The profit on our participation in Foreign bills was \$323.82. Through the payments of certain Foreign credits we received an exchange profit of \$14,479 on francs and sterling converted into dollars, but this transaction was handled direct through profit and loss account.

Several years ago the penalties from deficient reserves ceased to be an important item of our earnings. The past year very few banks were short in the reserve requirement with the result that total penalties charged amounted to only \$1,212.65. In 1933 the penalties assessed amounted to \$8,016.57.

## EARNINGS (Contd)

From closed bank trusts making final settlement and from direct advances made to debtors, we received interest of \$25,459.98 during 1934. For 1935 we will see a considerable falling off in collections made at closed banks. We will however, credit up any past due interest received and not wait until final settlement is obtained.

Income from banking house was \$6,477.62. We had taken into our income account \$922 of rental charged the Reconstruction Finance Corporation Department but when we learned in December this would not be paid, the entries were reversed. At the present time we are receiving rental of \$171.46 monthly from the Federal Farm Mortgage Corporation. The Agency of the Reconstruction Finance Corporation was paying rental of \$461 monthly until December 1, but is now located elsewhere.

It is quite possible our income for 1935 will cover all our needs, especially if we attain a fair volume of industrial loans. If these are taken from us, the sufficiency of our income will depend on a greater participation in United States securities or in some of the present holdings in Special Account being exchanged for longer maturities, with consequent increase in the average rate. On a following table it will be noted that over 95 per cent of our total income is from Governments. Less than 5 per cent came from within our District. In 1933 we obtained 18.7 per cent of our total income from our District.

EARNINGS (Contd)

	<u>INCOME FROM DISTRICT</u>		
	<u>1934</u>	<u>1933</u>	<u>1932</u>
Discount for members	\$ 15,628.25	\$ 221,740.49	\$ 418,530.73
Industrial Advances	15,928.59	0	0
Warrants	89.05	2,226.60	5,326.06
Penalties for deficient reserves	1,212.65	8,016.57	17,219.16
Interest on Federal Intermediate Credit Bank Debentures	0	0	444.35
Interest on past due paper of closed banks	25,459.98	40,150.65	4,146.70
Income from Banking House	6,477.62	7,658.62	0
Miscellaneous	214.70	293.16	218.28
	<hr/> \$ 65,010.84	<hr/> \$ 280,086.09	<hr/> \$ 445,885.37

	<u>INCOME FROM WITHOUT DISTRICT</u>		
Discount from Purchased Bills	\$ 3,223.82	\$ 37,595.95	\$ 65,335.29
Interest on U. S. Securities	1,346,609.66	1,179,975.18	921,077.03
Interest on Federal Inter- mediate Credit Bank Debentures	0	0	1,466.36
Foreign Loans on Gold	211.40	0	0
Participation in transactions with Foreign banks	4.52	11.96	1,329.13
Miscellaneous	36.58	0	0
	<hr/> \$1,350,085.98	<hr/> \$1,217,583.09	<hr/> \$ 989,207.81

SYSTEM HOLDINGS OF UNITED STATES SECURITIES  
HELD IN SPECIAL INVESTMENT ACCOUNT  
January 2, 1935

Treasury Bills maturing in 1935	\$ 504,694,000	\$ 504,694,000
Treasury Notes maturing in 1935	364,089,200	
Treasury notes maturing in 1936	451,762,500	
Treasury Notes maturing in 1937	233,110,000	
Treasury Notes maturing in 1938	283,850,100	
Treasury Notes maturing in 1939	<u>66,750,000</u>	1,399,561,800
Treasury Bonds maturing in 1941	\$ 20,000,000	
Treasury Bonds maturing in 1943-45	25,000,000	
Treasury Bonds maturing in 1944-46	39,000,000	
Treasury Bonds maturing in 1946-48	<u>40,000,000</u>	124,000,000
First Liberty Loan 3½ 1947	\$ 25,025,000	
First Liberty Loan 4½ 1947	<u>29,000,000</u>	54,025,000
Fourth Liberty Loan 4½ 1935 Called	\$ 84,667,700	
Fourth Liberty Loan 4½ 1933-38 Un- called	<u>56,201,000</u>	140,868,700
Total Participation of Federal Reserve Banks		<hr/> \$2,223,149,500

INVESTMENTS HELD DECEMBER 31, 1934.

U. S. Government Securities Held in Investment Account:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>
Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{4}$ %	\$713,000. (Called)
" " " "	1933-1938	4 $\frac{1}{2}$	402,000. (Uncalled)
U. S. Treasury Bonds	1944-1954	4	165,900.
" " " "	1940-1943	3-3/8	9,450.
" " " "	1943-1945	4 $\frac{1}{2}$ -3 $\frac{1}{2}$	601,000.
U. S. Conversion Bonds	1916-1946	3	3,200.
U. S. Conversion Bonds	1917-1947	3	111,600.
U. S. Panama Bonds	1961	3	500.
U. S. Treasury Bonds	1941-1943	3-3/8	2,452,700.
" " " "	1946-1949	3-1/8	1,706,000.
" " " "	1951-1955	3	335,300.
U. S. Treasury Notes	Series D-1938	2 $\frac{1}{2}$	511,000.
Total . . . . .			<u>7,011,650.</u>

Investment for Self-Insurance Reserve:

Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{4}$ %	\$ 10,000. (Called)
" " " "	1933-1938	4 $\frac{1}{2}$	20,000. (Uncalled)
U. S. Treasury Bonds	1941-1943	3-3/8	200,000.
" " " "	1943-1945	4 $\frac{1}{2}$ -3 $\frac{1}{2}$	30,000.
" " " "	1946-1949	3-1/8	60,000.
" " " "	1951-1955	3	140,000.
" " " "	1944-1946	3 $\frac{1}{2}$	40,000.

Total . . . . . \$ 500,000.

Total U. S. Securities held in Bank's own port-folio	\$ 7,511,650.
U. S. Securities purchased and sold for account of member and non-member banks held pending final payment	24,245.01
Participation in Federal Reserve System Special Investment Account	\$58,053,500.00
Grand Total U. S. Securities	\$65,589,395.01

COMPARATIVE STATEMENT

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

	Minneapolis 1934	Helena Branch 1934	Combined 1934	Combined 1933	Combined 1932
Retirement System . . . . .	\$ 45,323.53	\$ 4,936.55	\$ 50,260.08	\$	\$
Salaries:					
Officers . . . . .	104,408.28	10,913.35	115,321.63	105,368.83	110,300.13
Clerical . . . . .	393,039.92	34,526.31	427,566.23	367,666.22	328,047.41
Other employees . . . . .	107,673.51	11,860.29	119,533.80	119,742.22	114,100.97
Governors' conferences . . . . .	719.84		719.84	806.12	995.39
Federal Reserve Agents' conferences . . . . .	415.70		415.70	193.86	188.13
Federal Advisory Council . . . . .	1,307.62		1,307.62	1,298.76	1,539.82
Directors' meetings . . . . .	6,589.62	1,404.30	7,993.92	9,532.92	9,750.26
Industrial Advisory Committee . . . . .	1,371.27		1,371.27		
*Traveling expenses . . . . .	21,659.28	1,753.24	23,412.52	31,306.75	21,809.73
Assessment for Federal Reserve Board expenses . . . . .	31,534.72		31,534.72	18,472.73	16,243.16
Legal Fees . . . . .	11,903.80	600.00	12,503.80	14,455.50	14,103.81
Insurance on currency and security shipments . . . . .	9,024.50	1,086.20	10,110.70	11,200.10	9,232.68
Other insurance . . . . .	20,945.25	2,366.19	23,311.44	32,340.42	32,056.49
Taxes on banking house . . . . .	81,513.29	2,185.25	83,698.54	68,318.67	66,412.50
Light, heat, power and water . . . . .	19,068.94	1,252.59	20,321.53	18,794.66	17,568.29
Repairs and alterations . . . . .	8,494.37	3,264.52	11,758.89	1,939.81	1,730.93
Office and other supplies . . . . .	18,081.37	2,134.00	20,215.37	17,017.07	13,027.99
Printing and stationery . . . . .	20,377.71	2,223.41	22,601.12	18,993.28	16,897.77
Telephone . . . . .	6,856.59	955.70	7,812.29	9,785.87	5,960.01
Telegraph . . . . .	10,094.29	3,641.64	13,735.93	17,063.40	15,869.71
Postage . . . . .	101,901.00	13,707.03	115,608.03	109,669.78	72,819.71
Expressage . . . . .	5,989.50	1,337.40	7,326.90	11,772.79	8,055.34
Miscellaneous . . . . .	35,944.11	2,780.96	38,725.07	37,956.50	30,487.80
<b>Total Exclusive of Cost of Currency . . . . .</b>	<b>\$1,064,238.01</b>	<b>\$102,928.93</b>	<b>\$1,167,166.94</b>	<b>\$1,023,696.26</b>	<b>\$907,198.03</b>
Federal Reserve currency:					
Original cost, including shipping charges . . . . .	24,137.07		24,137.07	77,959.50	16,978.71
Cost of redemption, including shipping charges . . . . .	4,841.88		4,841.88	4,245.37	2,491.52
Tax on F. R. Bank note circulation . . . . .	9,184.27		9,184.27	8,192.57	
<b>Total Current Expenses</b>	<b>\$1,102,401.23</b>	<b>\$102,928.93</b>	<b>\$1,205,330.16</b>	<b>\$1,114,093.70</b>	<b>\$926,668.26</b>

\*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 1934	Helena Branch 1934	Combined 1934	Combined 1933	Combined 1932
Rental of furniture and equipment	\$ 357.92	\$ 35.00	\$ 392.92	\$ 266.54	\$ 154.80
Repairs and maintenance of furniture and equipment	1,418.82	791.70	2,210.52	1,970.07	1,762.93
Outside protection, vault inspection, etc.	266.06	89.30	355.36	322.20	543.08
Outside laundry and cleaning charges, etc.	2,596.75	127.36	2,724.11	2,493.94	2,214.72
Licenses and permits	30.25	2.50	32.75	20.25	37.00
Local transportation-car fare and taxi hire	508.85		508.85	635.65	797.10
Post office box and postage-meter rental	266.90	22.00	288.90	404.20	503.00
Newspapers, periodicals, books, binding, etc.	3,721.76	353.75	4,075.51	3,685.90	3,431.34
Collection charges and protest fees absorbed	141.72	12.80	154.52	261.84	253.50
Clearing house membership dues		10.00	10.00	20.00	30.00
Supplies furnished member banks	1.50		1.50	2,214.39	478.88
Copies of bank examination reports	7,125.00	458.00	7,583.00	9,053.43	5,896.50
Commercial agency credit reports and services	1,122.47	39.00	1,161.47	556.75	425.00
Photographs	233.50	65.50	299.00	74.00	29.00
Medical service, supplies and physical examinations	2,750.22	236.20	2,986.42	514.27	263.93
Cafeteria net expense	5,158.08		5,158.08	4,472.83	4,138.41
Entertainment of bankers and others not in bank's employ	635.15	102.85	738.00	474.31	475.29
Employees' education: American Institute of Banking	2,373.00	20.00	2,393.00	1,798.00	1,184.00
All other	12.00		12.00	15.00	10.00
Federal Reserve Club	2,575.00	300.00	2,875.00	2,850.00	3,070.00
Membership dues and donations:					
American Bankers' Association	250.00	15.00	265.00	250.00	265.00
State and other bankers' associations	250.00	100.00	350.00	340.00	380.00
Credit Men's Associations	165.00		165.00	165.00	187.00
American Acceptance Council	300.00		300.00	300.00	300.00
American Society of Agricultural Engineers				15.00	15.00
Twin City Bank Auditors' Conference	30.00		30.00	30.00	30.00
Tax Payers' Association	662.63		662.63	641.90	672.30
Minneapolis Police Benevolent Association				100.00	100.00
National Industrial Conference Board, Inc.	100.00		100.00	100.00	100.00
Exchequer Club of Minneapolis	20.00		20.00		
Police Officers' Federation	125.00		125.00	25.00	25.00
Christmas donations	59.20		59.20	58.00	57.50
Miscellaneous expense in connection with closed banks	747.51		747.51	1,410.60	1,345.49
Pension Committee	788.56		788.56	564.25	
Committee on Bank Reserves					24.44
Committee on Branch, Group and Chain Banking				174.44	1,249.84
Excess expense over commissions in handling foreign business	1,151.26		1,151.26	1,689.76	
All other				11.02	37.75
<b>TOTAL MISCELLANEOUS EXPENSES</b>	<b>\$ 35,944.11</b>	<b>\$ 2,780.96</b>	<b>\$ 38,725.07</b>	<b>\$ 37,956.50</b>	<b>\$ 30,487.80</b>

EXPENSES

Minneapolis	\$ 1,102,401.23	
Helena	<u>102,928.93</u>	\$ 1,205,330.16

Our original estimates for the 1934 Budget at Minneapolis proved closer to the total actual expense than was the case after revising the estimates in July. Based on the figures made up at the beginning of the year our expense at Minneapolis was \$21,800 less than the budget estimates. Using the revised estimates for the last six months of the year, the actual expense at Minneapolis was \$39,000 below the estimates. There are so many elements entering into our expenses over which we have no control that it is difficult to make the estimates come close. The Helena budget estimated \$97,060 of expense with the actual costs \$5,900 greater. Compared to 1933, expenses at Minneapolis were \$73,666.90 greater in 1934 with Helena costs \$17,569.53 in excess of one year ago.

Fiscal Agency expense was estimated at \$158,600 with the payments amounting to \$234,900. Of this total \$211,000 was reimbursable. The reason for the large increase was the added services performed for the Federal Farm Mortgage Corporation and a greater expansion than expected in other Fiscal work. At the close of the year we were able to make reductions in the reimbursable pay roll but the Treasury program for 1935 would indicate heavy personnel requirements beginning in March. Deliveries of Farm Mortgage Corporation bonds are expected to be made in fair volume for another six months.

In the 1935 budget just completed, we estimate the costs of operation at Minneapolis will be \$1,174,897.50 with \$100,655 the estimate for Helena. The estimates for the second half will be re-submitted to the Board in July with changes made in the items about which we have more information at that time. Some of the figures recently submitted to our Directors will require changing after we hear further from the Board on salary adjustments. The total estimated expense for 1935 is approximately \$70,000 more than the actual expense of the past year.

EXPENSES (Contd)

Some of the known expense increases during 1935 will be in connection with industrial loans. There will be substantial earnings however from these loans, sufficient in fact to cover all the expense and pay the 2% interest on the funds furnished by the Treasury Department, and add something to our earnings. Salaries, postage and taxes are the three items with the most rapid expansion of recent years, with note costs and safe keeping services adding to our operating costs. The reasons for some of these increases and the 1935 probable trend will be discussed in the order in which the items appear under the expense classification.

RETIREMENT SYSTEM CONTRIBUTIONS

Minneapolis	\$ 45,323.53	
Helena	<u>4,936.55</u>	\$ 50,260.08

Between March 1 and December 1 the Bank had been contributing at the rate of 9 per cent of the monthly pay roll in order to provide the necessary amount for prior service of employees. This monthly charge to expense with the additional amount paid in September to cover the minimum allowance made several employees retired as of September 1, brought total payments in 1934 to the above amount. During December we were advised that the tentative rate of 9 per cent set for the bank could be reduced to 8.55 per cent and we were allowed a rebate of \$2,278.23 from March 1 to December 1. As contributions by the bank were for only 9 months in 1934, about \$15,000 more will be paid by the bank in 1935.

SALARIES

Minneapolis	\$ 605,121.71	
Helena	<u>57,299.95</u>	\$ 662,421.66

Net changes from 1933

Payments to Officers, net increase	\$ 9,952.80	
Payments to Clerical Staff -		
net increase	<u>59,900.01</u>	\$ 69,852.81
Payments to Guards, building employees and other non-clerical employees, net decrease		208.42
Net increase over 1933		<u>\$ 69,644.39</u>



## EXPENSES (Contd)

The salary payments in 1934 exceeded the payments of the previous year by nearly \$70,000. Increased payments to officers were only partly from salary adjustments. During the previous year we had no Agent for several months and for a part of 1933 the salary of the Branch Manager was paid by the Regional Agricultural Credit Corporation at Spokane. There were no changes in the number of officers from the previous year. Payments to the clerical staff were \$59,900 greater than in 1933. Increases in the amount of \$23,110 were granted as of January 1, 1934 but the major cause for the expansion in pay roll was added help. There was an increase of 112 persons at Minneapolis and 5 persons at Helena during 1933, with a substantial part of this increase coming late in the year. Between January 1, 1934 and December 1, 1934 the Staff increased 53 persons at Minneapolis and 1 person at the Branch, making a total of 506 employees. At the close of 1934 reductions were made in the Staff so that as of January 1, 1935 we had 40 persons at Helena, 5 of whom were paid by the Reconstruction Finance Corporation and 455 persons attached to Minneapolis office, 67 of whom were paid entirely by the Reconstruction Finance Corporation and the Federal Farm Mortgage Corporation, with 51 others paid fully or partially by the Treasury Department, depending on the extent of Fiscal operations.

A substantial portion of the 1934 increased pay roll resulted from the handling of industrial loans. Salary payments for this work during 1934 amounted to \$21,889.60. Funds for industrial loans are supplied by the Federal Reserve Bank and the Secretary of the Treasury. The Treasury does not assume any portion of the net loss of handling industrial loans, the amount of loss applicable to funds advanced by the Secretary being charged to Surplus, Section 13b. If net earnings are more than sufficient to pay 2% on the funds received, the excess is credited to Surplus, Section 13b. If net earnings are insufficient to pay 2%, the amount of net earnings applicable to the Treasury are paid the U. S. as interest. The industrial loan staff may be reduced shortly. A considerable portion of our salary increase has been caused through expansion in services for the Treasury Department for which we do not receive reimbursement.

## EXPENSES (Contd)

Our transit department force was increased an average of 8 persons over 1933, most of the additional work being handling of Treasury Warrants. Salaries in connection with Government redemptions which are also not reimbursable, increased approximately \$6,500 during the past year. Safe keeping services have grown rapidly, making much heavier vault operation costs.

No approval has been received from the Board on officers adjustments or the proposed compensation for guards and others where the new basis does not conform with previous ranges approved by the Federal Reserve Board. It is hoped we may be able to reduce the Staff to a point where the deletions will offset the increases granted. Further effort should also be made to obtain greater reimbursement from the Treasury Department for services performed.

Governors' Conferences	\$	719.84
Federal Reserve Agents' Conferences		415.70
Federal Advisory Conferences		1,307.62

The Governor attended five meetings in Washington, the same as in the previous year. Four meetings were attended in each year by the Advisory Committee member. Expense of Advisory Committee meetings includes per diem allowances and fees, besides \$350 as our share of the salary paid the Committee Secretary. Our Agent attended three meetings at Washington during 1934 and one during the previous year.

### DIRECTORS MEETINGS

Minneapolis	\$	6,589.62	
Helena		<u>1,404.30</u>	\$ 7,993.92

There was less expense for meetings of Minneapolis directors during 1934. One less meeting was held than in 1933 besides which there were several prolonged sessions in 1933. No meeting was held in August 1934, the regular meeting being advanced to July 30. Total costs for meetings was \$1,470 less at Minneapolis than for the previous year. Very few executive committee meetings are necessary at Helena. The regular monthly meetings of the Branch Board is \$69 less than in 1933.

EXPENSES (Contd)

INDUSTRIAL ADVISORY COMMITTEE  
MEETINGS

\$ 1,371.27

These payments to members of the Committee are for actual expenses only. There has been no per diem or fee yet approved by the Board. At first meetings were held each week or ten days and are now held approximately once each two weeks.

TRAVELING EXPENSES

Minneapolis	\$ 21,659.28	
Helena	<u>1,753.24</u>	\$ 23,412.52

The total travel expense was \$7,900 less than in 1933. Closed bank representatives had traveling expense of \$9,279.77 during 1934. Our budget figures for this expense were placed at \$15,000 for 1934. We should be within the \$10,000 estimate for 1935. Bank relations and bank examinations required expenditures of \$1,369.37 and \$7,710.71 respectively for travel and maintenance during the year. This was a reduction of \$1,000 in the first item compared to 1933 and an increase of \$1,100 in examination expense. Travel costs for bank examinations were comparatively low during the last half of 1934 because our examiners were used for extended periods in Minneapolis. For 1935 bank examination travel expense will be higher.

More travel expense was incurred by Branch officers than in 1933. The total cost at Helena is \$200 less than in 1933 because only one examination of the Branch was made during the past year, with two during the year previous. Expense of examination of the Branch by Head Office Controller is borne by the Branch.

ASSESSMENT FOR FEDERAL  
RESERVE BOARD EXPENSES

\$ 31,534.72

In June and December we were advised by the Board of the basis of assessment made to provide funds for its expenses. For the first half of 1934 we were asked to provide an amount which required our charging current expense \$2,570.99 monthly. This was an increase of \$1,000 over the monthly charge during the first six

EXPENSES (Contd)

months of 1933. For the last half of 1934 we were asked to provide \$38,816.30 or \$6,459.38 each month. Of the amount set aside for payment to the Board, \$22,707.52 was to be used as our proportion of the payment on a site and towards the construction of a building for the use of the Board. This latter amount however, was not called for and was credited back to expense in December. We have since learned that the Board is arranging for the Banks to open a property account when the payments for a building in Washington are requested.

The payment for Board expense was \$13,000 greater than in 1933. We have been assessed \$17,671.44 for Board expenses during the first six months of 1935, indicating a higher payment for the year than in 1934. The assessment notice carried a rate that will also provide \$24,403.41 as our share of the payment towards providing quarters for the Board. No entries will be made covering this payment until definite instructions are received.

LEGAL FEES

Minneapolis	\$ 11,903.80	
Helena	<u>600.00</u>	\$ 12,503.80

There has been no change in the retainer fees at Minneapolis or Helena during the past four years. The payments at Head Office are \$9,600 which includes one-half of the payment made Counsel Weir at Helena. The total payment to Mr. Weir was \$1,200, there being no matters handled requiring extra expense. Additional payments by Minneapolis, which aggregated \$2,300, were the smallest of many years. The disbursements were various small amounts paid local Counsel and for legal matters and filing fees at closed banks. One-half of the fee paid Ueland Bros. is apportioned to industrial loans and will be used in calculating the Treasury's portion of the expense of conducting this department.

EXPENSES (Contd)

INSURANCE ON CURRENCY  
AND SECURITY SHIPMENTS

Minneapolis	\$ 9,024.50	
Helena	<u>1,086.20</u>	\$ 10,110.70

The amounts absorbed for member banks on regular transactions aggregated more in 1934 than for the previous year. During 1933 we assumed all the transportation expense on incoming gold and gold certificates and the currency furnished in replacement, but received reimbursement for only a small part of this expense from the Treasury Department. Approximately \$2,000 more of insurance expense was paid during 1933 than we should have been called upon to absorb. Insurance on money absorbed by the Branch was \$186 less than in 1933.

<u>INSURANCE</u> (Other than on currency and security shipments)		
Minneapolis	\$ 20,945.25	
Helena	<u>2,366.19</u>	\$ 23,311.44

It will be noted that \$9,000 less was paid for various types of coverage than in 1933. With the Retirement Plan going into effect March 1, the Group Life policy maintained on employees lives by the Bank was discontinued. The Bank continued to contribute at the rate of 25¢ monthly on each \$1,000 of risk assumed by the employees. As all employees over the age of 65 have been eliminated, the risk and the premium have been reduced with the likelihood that a considerable part of the payment made by the Bank will be returned through dividends which normally amount to about one-third of the total premiums paid. The Bank will receive all such payments. The reduced payments in 1934 amount to a saving of approximately \$6,900 at Minneapolis and Helena.

Our yearly premium for blanket bond was \$17,500 until August 1, 1933, since which date we have paid \$14,000. As we received the benefit of the reduction for the full year in 1934, the cost of this policy was \$2,045 less than in 1933. Other changes in insurance costs were minor.

EXPENSES (Contd)

TAXES ON BANK PREMISES

Minneapolis	\$ 81,513.29	
Helena	<u>2,185.25</u>	\$ 83,698.54

During the period from January 1 to December 1, 1934, we reserved \$5,283.33 monthly to provide for our tax assessment at Minneapolis, the payment of which is to be made in 1935. Under an arrangement made some years ago, our valuation was reduced \$100,000 in 1934. On the basis of the 1934 valuation, this meant a reduction of approximately \$3,000 compared to 1933. As special taxes and some increase in the rate for 1933 had caused a higher payment than expected, we did not anticipate any material reduction in the 1934 tax even allowing for the decreased valuation. When the tax rate was raised from 77 to 99 in November, we had to provide sufficient funds to make a tax payment of \$81,513.29 or \$15,350.29 more than we reserved for 1933 tax.

Taxes reserved at Helena during 1934 amounted to \$2,185.25. This was an increase of \$129.58 over the 1933 tax and a result of an increased rate, the valuation being unchanged.

Full particulars of bank premises at Minneapolis and Helena are given elsewhere in this report.

LIGHT, HEAT, POWER AND WATER

Minneapolis	\$ 19,088.94	
Helena	<u>1,252.59</u>	\$ 20,321.53

All items making up the above total show increases over similar costs in 1933. In both years 144,000 gallons of fuel oil was purchased at Minneapolis with the average price under our contract slightly higher in 1934. Fuel costs at Minneapolis, including a small amount of coal, were \$7,619.36 in 1934 and \$7,065.78 for 1933. Electricity furnished cost \$10,868.69 during the past year and \$10,050.32 during 1933. There was only one month in 1934 in which these costs did not exceed those for same month of the preceding year. A larger staff, more use of electric machines and a greater sustained electric "load" were the elements entering into the increased

EXPENSES (Contd)

expense. City water cost \$580.89 in 1934 and \$128 more than for the previous year.

At Helena the yearly costs of these items was \$26.00 higher than in 1933. The Branch had burned slack coal during previous Winters but installed a gas burner in one of the furnaces last Fall. We believe the use of gas will show an increased heating cost but the change will eliminate ashes and dirt from the basement and provide additional space. Power for light and running the adding machines ranged from \$55.00 to \$85.00 monthly. Water for all purposes costs the Branch approximately \$180 yearly.

REPAIRS AND ALTERATIONS

Minneapolis	\$ 8,494.37	
Helena	<u>3,264.52</u>	\$ 11,758.89

Changes and additions have been more frequent during 1934 than for any previous year. These were made to provide more space for different departments of the bank, expansion in Fiscal duties and to add to the protection. About \$5,500 of expense representing the cost of work and material used in constructing the new forts, was added to fixed machinery and equipment. The more important changes are referred to under "Bank Premises".

At Helena alterations and repairs were much more extensive than in 1933 when only \$217.31 was expended. The control of the grille at the entrance and inner doors, was greatly improved, wire mesh such as is used in the corridors at Minneapolis, was placed over the lower windows and a steel partition installed to shut off the upper floor at night.

OFFICE AND OTHER SUPPLIES

Minneapolis	\$ 18,081.37	
Helena	<u>2,134.00</u>	\$ 20,215.37

The same reasons for higher costs in 1933 prevailed during the past year. A larger staff, more supplies required for our regular bank functions, as well as expanded free services for the Treasury and increased costs under the N. k. A. As we do a

EXPENSES (Contd)

great deal of our own repair work and need many machine parts, there has been considerable increase in items coming under this classification. All building supplies other than oil, electricity and water, are included in above totals. The increase in these expenses is 18.8 per cent over 1933.

PRINTING AND STATIONERY

Minneapolis	\$ 20,377.71	
Helena	<u>2,223.41</u>	\$ 22,601.12

After increasing \$2,000 yearly for three years, our printing and stationery costs had another rather rapid rise of \$3,600. For a number of years we were able to reduce costs through price concessions, lower grades of paper and elimination of unnecessary ruling. With the continued gain in employees and services, we have required more printed forms. Not being bound like the commercial banks, to deal with firms that are customers, we obtain our work and material at prices probably lower in many cases than other local institutions. The N. R. A. has been partly the cause of our larger payments. During the past five months we have expended \$1,700 for printing and stationery and office supplies used by the industrial loan division.

Helena does not have quite the same advantage in making purchases enjoyed by Head Office. Except in the larger orders and the orders in which they may participate with Minneapolis, they pay more on small requirements. For some months in 1934 the Branch suffered somewhat because of a strike by local printers.

TELEPHONE

Minneapolis	\$ 6,856.59	
Helena	<u>955.70</u>	\$ 7,812.29

Compared to 1933, there has been a decrease of 20% in the telephone costs. As a matter of fact, there should have been a greater decrease because 1933 costs were 65% in excess of 1932. At the time of the banking holiday the telephone was used freely to carry out Government instructions and with the knowledge that we



EXPENSES (Contd)

would have difficulty in obtaining reimbursement. During 1934 there have been many long distance calls. Replacements have also been necessary for our interior telephone system.

TELEGRAPH

Minneapolis	\$ 10,094.29	
Helena	<u>3,641.64</u>	\$ 13,735.93

The 1934 telegraph charges assumed may be considered as normal. Some of the reimbursement from the Treasury Department for this type of expense incurred in 1933 was not recovered until 1934, but the amount due in 1933 had been taken out of expense and carried in suspense at the close of the year. The fact that telegraph costs were approximately \$1,500 lower at Minneapolis in the past year than for 1933, was due to less emergency ordering of currency and a natural falling off in requests for transfers of funds by wire.

At Helena the saving may be traced to making use of the time service plan on daily settlement and balance sheet wires sent the Board and Head Office. Under this method a teletype machine is used in transmitting these messages to the local telegraph office and paid for on the basis of the time taken to write the words. The efficiency has been sufficient to save approximately \$100 per month in the cost of these messages. There has been some falling off also in the free wire services to members.

POSTAGE

Minneapolis	\$ 101,901.00	
Helena	<u>13,707.03</u>	\$ 115,608.03

Total purchases of postage during 1934 were \$3,700 greater at Minneapolis and \$2,300 greater at Helena than for 1933. In our budget estimates the costs are prepared according to functions. The postage used on outgoing shipments of currency and the amounts reimbursed member banks for postage placed on shipments sent us, are included under money shipping expense. Expense in connection with our Federal reserve notes brought from or sent to Washington appears under another classification. Our postage account shows the net

EXPENSES (Contd)

amount absorbed each month. Postage purchases total over \$200,000 yearly with large amounts recovered each month from the Farm Mortgage Corporation and other Fiscal Agencies. As an indication of the flow of money, we absorbed \$1,300 more postage on incoming shipments of currency and \$600 more on outgoing shipments than in 1933. The heavier demand for coin is shown in our paying \$7,459.17 postage on these outgoing shipments compared to payments of \$5,086.93 in 1933. Out of \$46,773.01 postage used on money shipments, other than on notes from Washington, \$13,895.40 represented sur-charges. The same kind of shipments required \$41,987.57 postage in 1933, \$13,941.17 of the total being sur-charges. Conclusions reached after viewing the various postage uses, are that ordinary letter postage was less than in 1933 with money shipping costs increased. We should not anticipate an increased postage expense for 1935 and may experience some decrease in the costs of shipping money.

The Helena increase of \$2,300 is largely the result of taking over the handling of Montana items sent from Eastern Federal reserve banks. Formerly, these items had been forwarded Montana banks through Minneapolis.

EXPRESSAGE

Minneapolis	\$	5,989.50	
Helena		<u>1,337.40</u>	\$ 7,326.90

Total costs show approximately \$4,500 less expense of this nature at Minneapolis in 1934 with no change at Helena in comparison with the previous year. Expressage absorbed is largely the costs on coin sent us by member banks, and has been heavy in recent years. Practically all of our outgoing coin shipments are by mail. The member banks do not have this privilege. Attention is drawn to the fact that over \$3,700 of the expressage absorbed in 1933 was on shipments of gold made us by banks under Treasury instructions. Bills have been submitted to the Treasury for reimbursement, but are not yet paid. All shipments made during 1934 under Treasury order are being reimbursed. We received a refund

EXPENSES (Contd)

<u>FEDERAL RESERVE CURRENCY</u> (Original cost and shipping charges)	\$ 24,137.07
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With the known printing orders held by the Comptroller of the Currency at the close of 1933, we anticipated a printing expense of \$18,000 for our notes during the calendar year 1934. This was apportioned \$13,000 to the first half and \$5,000 to the second half. During the first part of 1934 we were requested by the Board to revise our printing order to include a greater amount of the smaller denominations. This resulted in the note costs for the next Fiscal year beginning July 1, 1934 being placed at approximately \$39,000 based on a charge of \$83.50 per 1000 sheets. This rate was very shortly after raised to \$86.00 per 1000 sheets. Under these changed requirements our total cost of printing notes in 1934 was \$17,018 with \$7,232.87 added for postage and surcharges on notes brought to Minneapolis from Washington. We are estimating a printing cost of \$43,500 for notes prepared during 1935. Unless some further expansion in note issues takes place, this estimate may be too high.

<u>FEDERAL RESERVE CURRENCY</u> (Cost of redemption including shipping charges)	\$ 4,841.88
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The major part of this total represents the insurance cost of returning our fit notes to us by other Federal reserve banks and the transportation charges on our unfit notes sent from Minneapolis and Helena to Washington. This expense was \$3,341.88 in 1934. Each month of 1934 we set aside \$125 to pay the estimated cost of handling our notes by the Redemption Agency in Washington. For the year ending June 30, 1934 we paid redemption expense of \$1,170.21. By the close of the present Fiscal year we will have \$1,676 accumulated which should be sufficient to take care of the estimated increase in redemption costs.

EXPENSES (Contd)

TAX ON FEDERAL RESERVE BANK NOTES                   \$ 9,184.27

One of the few items in which we were able to make a substantial reduction from first estimates, was the tax on our bank note circulation. We never felt like issuing these notes but did so at the suggestion of the Federal Reserve Board. When it became apparent there was no real need for the issues, we rapidly retired our issue and avoided any tax after April 23, 1934. The estimated tax for 1934 had been placed at \$40,000 so that the retirement of these notes lessened our 1934 costs by over \$30,000.

CAFETERIA (Net Expense)                   \$ 5,158.08

Under Federal Reserve Board authority, the bank is authorized to assume one-third of the cost of food and service in connection with our cafeteria. The total cost of food and service was \$20,160.14 in 1934. The receipts aggregated \$15,011.06, leaving \$5,158.08 absorbed by the bank. Under Board authority we were permitted to assume \$6,723 of the 1934 costs or 33 1/3 per cent. We thus operated the cafeteria for \$1,565 less than the approved allowance, with the bank absorbing 25.6 per cent of the expense.

MISCELLANEOUS EXPENSES

Minneapolis	\$ 35,944.11	
Helena	<u>2,780.96</u>	\$ 38,725.07

Eliminating cafeteria costs which are listed under "Miscellaneous expenses", the smaller costs not regularly classified aggregated \$33,566.99 in 1934 compared to \$33,483.67 for 1933. A brief explanation is offered in connection with the important items making up this total. Cost of repairs and maintenance of equipment at Minneapolis was \$1,418.82 and \$200 more than in 1933. Machine parts used by our mechanic required more outlay the past year with maintenance contracts on special machines making up a part of the increase. The fact that the Helena portion of maintenance is high comparatively is due to our having our own

## EXPENSES (Contd)

mechanic. Before we procured our own mechanic, the maintenance contract for Burroughs adding machines alone was \$4,500 yearly. Laundry and cleaning charges were \$230 higher than in the previous year. We are making some changes in the method of apportioning clean linen and expect to show a reduced expense in 1935. The total expense for this purpose in 1934 was \$2,724.11 with \$127.36 paid at Helena. The expense of presenting collection items, protest items and taxi hire for women employees working late hours, was \$508.85. This is \$127 less than in 1933 when more employees were working late hours; newspapers, books, binding of records, ticker service, etc., cost \$4,075.51 compared to \$3,685.90 in the previous year; copies of bank examination reports furnished by the National and State departments cost \$7,583 and \$1,500 less than in 1933. We are now paying \$5 per report for Minneapolis and \$2.25 for the copies of Montana reports furnished Helena. Formerly these prices were \$10 per report at Minneapolis and \$5 at Helena. Commercial agency services are increased materially over 1933. The many financial statements furnished in connection with industrial loan applications required payment of \$1,161.47. Payments made in 1933 were \$556.75. Arrangements have been made for all additional reports at a cost of \$1 per report. Physical examinations of our staff were made necessary in connection with the Retirement System. These examinations made at the expense of the bank raised our payment to \$2,986.42 for the year compared to \$514.27 in the preceding year. It is expected that the whole staff will be examined once each two years. Entertainment of bankers and others not in our employ made expense of \$738 an increase of \$260 over 1933. Most of the increased amount is for entertainment of the Industrial Loan Committee. Increased membership of our employees in the American Institute of Banking made our contribution to the Chapter educational work \$2,393 compared to \$1,798 in the preceding year.

For the various activities of the Federal reserve club

EXPENSES (Contd)

we contributed \$2,575 at Minneapolis and \$300 at Helena; dues and contributions to credit associations and banking associations amounted to \$1,065. Our yearly payment of 1% of our real estate tax to the Tax Payers' Association was \$662.63; donated to the Police Officers' Federation \$125.00. Miscellaneous payments at closed banks to protect our interests were \$747.51 compared to \$1,410.60 in 1933. Our share of the Pension Committee expense was \$788.56. The excess of expense in handling foreign business was \$1,151.26 over commissions. In 1933 this excess was \$1,689.76.

REIMBURSABLE EXPENDITURES  
(Minneapolis Only)

RECONSTRUCTION FINANCE CORPORATION

	<u>1934</u>	<u>1933</u>
Salaries - Officers	\$ 4,500.00	\$ 4,000.00
Salaries - Employees	71,517.11	48,267.34
Retirement System	2,817.87	-
Printing, Stationery & Supplies	2,316.64	1,682.72
Telephone & Telegraph	763.39	555.63
Postage	3,751.12	3,073.79
Furniture & Equipment	2,205.46	3,870.93
Group Life & Workmen's Compensation Insurance	336.80	1,556.39
All Other	<u>580.67</u>	<u>157.16</u>
<b>Total</b>	<b>\$ 88,789.06</b>	<b>\$ 63,163.96</b>

FISCAL AGENCY TRANSACTIONS

	<u>1934</u>	<u>1933</u>
Salaries - Officers	\$ 1,925.04	\$ 5,000.00
Salaries - Employees	32,997.26	15,393.37
Retirement System	1,440.11	-
Printing, Stationery & Supplies	4,634.36	3,197.01
Telephone & Telegraph	1,640.36	840.75
Postage	6,883.76	4,150.60
Furniture & Equipment	338.25	166.10
All Other	<u>306.73</u>	<u>4.00</u>
<b>Total</b>	<b>\$ 50,165.87</b>	<b>\$ 28,751.83</b>

PUBLIC WORKS ADMINISTRATION

	<u>1934</u>	<u>1933</u>
Salaries - Employees	\$ 1,258.34	-
Retirement System	64.09	-
Printing, Stationery & Supplies	66.92	-
Telephone & Telegraph	653.00	-
Postage	23.66	-
All Other	<u>1.88</u>	<u>-</u>
<b>Total</b>	<b>\$ 2,067.89</b>	<b>-</b>

FARM CREDIT ADMINISTRATION

	<u>1934</u>	<u>1933</u>
Salaries - Officers	\$ 929.18	-
Salaries - Employees	27,401.55	\$ 3,224.15
Retirement System	1,036.42	-
Printing, Stationery & Supplies	3,339.67	774.11
Telephone & Telegraph	46.06	-
Furniture & Equipment	950.41	276.25
Rent	1,617.15	-
Postage	33,282.27	-
All Other	<u>202.82</u>	<u>71.23</u>
<b>Total</b>	<b>\$ 68,805.53</b>	<b>\$ 4,345.74</b>

HOME OWNERS' LOAN CORPORATION

	<u>1934</u>	<u>1933</u>
Salaries - Employees	\$ 1,006.38	-
Retirement System	50.54	-
Printing, Stationery & Supplies	103.56	-
Telephone & Telegraph	16.21	-
Postage	146.14	-
All Other	<u>.78</u>	<u>-</u>
<b>Total</b>	<b>\$ 1,323.61</b>	<b>-</b>

COMPARATIVE FUNCTIONAL EXPENSE REPORT  
(Minneapolis Only)

	1934			1933		
	Average Number Of Officers	Average Number Of Employees	Expense	Average Number Of Officers	Average Number Of Employees	Expense
General Overhead - Controllable	2.28	3.51	\$ 71,473.86	1.90	2.42	\$ 71,746.47
General Overhead - Non-Controllable			133,866.79			176,673.58
Provision of Space	.03	23.90	148,016.34		22.20	120,063.79
Provision of Personnel	.16	10.24	65,596.20	.15	9.51	15,958.01
General Service	.23	86.33	110,505.62	.83	73.70	99,451.47
Postage			48,330.57			48,995.06
Insurance	.05	.05	20,123.71	.07	.05	27,887.98
Failed Banks	1.29	14.39	58,604.94	1.55	19.63	82,950.86
Loans, Rediscounts & Acceptances	.82	12.81	34,322.70	1.15	10.37	34,938.05
Industrial Loans	.18	7.50	30,728.56			
Securities	.50	8.59	23,068.05	.42	11.15	26,503.89
Currency and Coin	.24	22.68	46,774.49	.23	21.75	45,978.30
Check Collection	.30	54.95	79,426.01	.28	46.50	72,110.78
Non-Cash Collection	.25	26.72	29,572.70	.22	18.63	28,042.91
Accounting	.54	15.17	40,403.48	.58	14.94	40,319.14
Fiscal Agency	1.97	104.64	234,869.57	1.93	53.77	113,571.34
Legal			4,846.01			6,089.63
Auditing	.42	9.74	27,101.63	.45	8.21	23,015.68
Bank Relations	.20	1.19	6,973.01	.55	1.53	12,294.65
Foreign Exchange		.08	375.55		.18	806.63
Bank Examination	1.65	16.28	62,446.79	.94	8.67	47,351.64
Federal Reserve Note Issues	.15	1.53	4,035.55	.21	.95	4,754.67
Statistical and Analytical		7.40	22,200.60	.30	4.82	17,709.48
Securities Exchange		.14	901.93			
Grand Total	11.76	427.84	\$ 1,304,564.66	11.76	328.98	\$1,117,214.01
Total Current Expense			1,102,401.23			1,028,734.30
Income from Banking House (Credit)			6,477.62			7,658.62
Reimbursable expenditures			211,151.96			96,261.53
Stock of Supplies			2,510.91 *			123.20
Grand Total			\$ 1,304,564.66			\$1,117,214.01

\* Credit balance - Less supplies used than purchased during 1934 and 1933.



## FURNITURE AND EQUIPMENT

Fewer purchases of furniture and machinery were made during 1934 although our Staff and the volume of work continued to expand. More adding machines and other types of this character had been procured in 1933 than usual so there was less need for purchases of this kind during the year just passed. Ten adding machines were bought in 1934 compared to 16 in 1933. Such machinery needed in 1935 should not require expenditures greater than for the past year and we are anticipating a total expense for all equipment during the coming year of less than \$15,000. Replacements may be needed, however, in the machines used by our money counters.

Filing cabinets, transfer cases and shelving made expense of \$3,925.65 in 1934. Most of the filing equipment purchased was for expansion in our safekeeping facilities. In addition, our heavy Fiscal operations caused a great deal of correspondence and all letters and records bearing on Fiscal matters must be retained indefinitely under Treasury instructions.

Maintenance contracts covering small machinery amounted to only \$58.50 at Minneapolis during 1934. Practically all our work is done by one man who is paid \$3,100 yearly. Under the maintenance contracts we formerly had, we paid the Burroughs Adding Machine Company alone \$4,500 each year.

All furniture and equipment expense is written off yearly. Particulars of the purchases made during the past year at Minneapolis and Helena and the total expended since we came into existence, follows:

Amount expended to close of 1933	\$ 502,023.24	
Purchased during 1934 - Minneapolis	14,475.49	
Purchased during 1934 - Helena	<u>1,569.42</u>	\$ 518,068.15
Less amounts received for furniture and equipment sold or traded in		<u>24,234.05</u>
		\$ 493,834.10
Fire Insurance carried at Minneapolis	\$ 25,000.00	
Fire Insurance carried at Helena	<u>10,000.00</u>	\$ 35,000.00

FURNITURE AND EQUIPMENT

Description of 1934 Purchases

MINNEAPOLIS

19 Typewriters	\$ 1,282.40
7 Adding Machines	2,083.50
4 Line-A-Time	63.18
Check Endorsing Machines (Balance due on two machines Purchased 1933)	5.00
1 Polished Plate Glass Top for Mr. Yaeger's Desk	46.53
Wire Inclosure	275.40
6 Secretaries	118.90
70 Steel Lockers	659.00
5 Iron Stands and Compartments for 17 Transit Stands	237.75
36 Desk Lamps	36.00
4 Scales	21.00
6 Steel Standing Desks	450.00
2 Counterboy Slitters	65.31
3 Elliott Fisher Machines	729.55
Filing Equipment and Cabinets	3,389.91
2 National Cash Adding Machines (Ellis Model)	1,090.12
31 Revolvers	744.00
3 Protectograph	253.45
43 Chairs	546.43
1 Letter Opener	175.00
1 Paper Cutter	98.00
9 Desks	853.63
Transfer Files	382.49
2 Ozoneators	25.00
26 Fans	479.41
Shelving	35.25
14 Tables	52.38
2 Posting Trays	26.00
5 Costumers	16.80
1 Case for Guns	234.10
TOTAL AMOUNT OF PURCHASES - MINNEAPOLIS	<u>\$ 14,475.49</u>

Less Amounts received for Furniture  
and Equipment sold or traded in

2 Portable Typewriters Sold	\$ 30.00
1 Colt Revolver Sold	8.00
17 Colt Revolvers Traded in	<u>136.00</u>
Total	<u>\$174.00</u>

NET PURCHASES - MINNEAPOLIS

174.00  
\$ 14,301.49

HELENA BRANCH

9 Bracket Lamps for Adding Machines	\$ 83.05
1 Burroughs Transit Machine	486.00
2 Chairs	190.18
Freight on Desks (Purchased 1933)	37.75
Carpet	232.84
1 Telephone Stand	12.00
1 File	40.00
2 Typewriters	178.20
1 Addressograph	309.40
TOTAL AMOUNT OF PURCHASES - HELENA BRANCH	<u>\$ 1,569.42</u>

Less Amounts received for furniture  
and equipment sold or traded in

3 Chairs and 3 Desks Sold	\$140.00
2 Addressograph Machines sold	10.00
2 Typewriters Traded in	20.00
Total	<u>\$170.00</u>

NET PURCHASES - HELENA BRANCH

170.00  
\$ 1,399.42

NET TOTAL OF COMBINED PURCHASES 1934

\$ 15,700.91

BANK PREMISES REPORT DECEMBER 31, 1934.  
FEDERAL RESERVE BANK OF MINNEAPOLIS, MINN.

BUILDING SITE

Original cost of land . . . . .	\$ 600,000.00
Incidental expenditures connected with purchase . . . . .	2,468.66
Total . . . . .	<u>\$ 602,468.66</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 and 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 . . . . .	\$ 629,483.15*
Less sale and charge-off of 2 mechanical coal stokers (Original cost \$1,956 each) . . . . .	<u>3,912.00</u> 625,571.15
Miscellaneous building construction expense incurred by Federal Reserve Bank:	
Fees & Expenses: Architect's . . . . .	148,027.79
Engineer's . . . . .	15,846.00
Taxes . . . . .	74,350.00
Maintenance . . . . .	<u>21,705.66</u>
Cost of new building . . . . .	<u>\$2,942,316.99</u>
Cost of building and building site . . . . .	<u>\$3,542,837.65</u>
Charge-offs:	
Depreciation allowances . . . . .	\$1,037,408.68
Taxes . . . . .	74,350.00
Maintenance . . . . .	<u>21,705.66</u>
Total . . . . .	<u>\$1,133,464.34</u>
Book value of property . . . . .	\$2,409,373.31

MEMORANDA

Reserve against depreciation:	
Building . . . . .	\$ 256,656.30
Fixed machinery and equipment . . . . .	<u>620,605.31</u>
Total . . . . .	\$ 877,261.61

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

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

BANK PREMISES REPORT DECEMBER 31, 1934.

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:	
Architect's . . . . .	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

Reserve against depreciation:

Building . . . . .	\$ 92,118.74
Fixed machinery and equipment . . . . .	<u>16,108.99</u>
	<u>\$108,227.73</u>

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>
<b>COST</b>	\$ 600,520.66	\$2,416,745.84	\$ 529,483.15	\$ 3,546,749.65
1926 Adjustment of Architect's fees, transferred from building to fixed machinery and equipment		100,000.00	100,000.00	
1926 Sale and charge-offs of two mechanical coal stokers			8,912.00	8,912.00
	<u>\$ 600,520.66</u>	<u>\$2,316,745.84</u>	<u>\$ 625,571.15</u>	<u>\$ 3,542,837.65</u>
<b>CHARGED OFF:</b>				
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		57,433.64		
1927		500,000.00		
<b>Total</b>	<u>\$ 100,000.00</u>	<u>\$1,033,464.34</u>	<u>\$</u>	<u>\$ 1,133,464.34</u>
Book value gross	\$ 500,520.66	\$1,283,281.50	\$ 625,571.15	\$ 2,409,373.31

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	59,839.35A	
1933		25,665.63	59,839.35A	
1934		25,665.63	54,465.63A	
<b>Total Depreciation Reserves</b>	<u>\$</u>	<u>\$ 256,656.30</u>	<u>\$ 620,605.31</u>	<u>\$ 877,261.61</u>
<b>Net Book Value</b>	<u>\$ 500,520.66</u>	<u>\$ 1,026,625.20</u>	<u>\$ 4,965.84</u>	<u>\$ 1,532,111.70</u>

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>
<b>Total Cost</b>	\$ 5,000.00	\$ 156,290.15	\$ 16,108.99	\$ 177,399.14
Charged off 1920	\$	\$ 21,290.15	\$	\$ 21,290.15
Book value gross	\$ 5,000.00	\$ 135,000.00	\$ 16,108.99	\$ 156,108.99

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	1,541.73B	
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	-	
1933		2,700.00	-	
1934		2,700.00	-	
<b>Total Depreciation Reserves</b>	<u>\$</u>	<u>\$ 92,118.74</u>	<u>\$ 16,108.99</u>	<u>\$ 108,227.73</u>
<b>Net Book Value</b>	<u>\$ 5,000.00</u>	<u>\$ 42,881.26</u>	<u>\$</u>	<u>\$ 47,881.26</u>

- (A) Net after deducting \$2,166.00 for Otis Elevator Service Contract  
(B) Net after deducting \$69.17 for replacements.

## BANK PREMISES

The happenings of the past year have tended to upset many of our calculations in compiling the building cost figures for the Budget, as well as force a number of changes in connection with the handling of fiscal work. In order to provide lobby window space and working space near the vault for the operations of the Federal Farm Mortgage Department, we transferred the currency department to the ground level, with the exception of one teller kept on the main floor for general purposes. Before making this transfer we had a stairway constructed in front of the vault to speed up the work. As proof of the desirability of the change, we are obtaining 30 per cent more volume from the currency sorters, now that they are by themselves and the highest salaried person in the department, the manager, has been dispensed with.

New cages were constructed and old ones re-arranged on both floors. Under the new procedure all cash transactions with the Twin City banks are handled through the concrete wall on the ground floor. To retain adequate protection, a unique money transference plan was worked out and has proven entirely satisfactory. The O. B. McClintock Company who made the installation and the representative of the insurance underwriters, state that our arrangement is the only adequate one they have seen.

There was an entire revision of the bank's protection system during the year. New steel forts of special design were installed on the ground floor, on each side of the main banking floor and over the elevators on the main floor. The rear stairways were screened so that access may not be had to the main floor from the floors above except by the elevators. Considerable plastering was necessary on the upper floors earlier in the year through defects developing in the ceiling plaster. The executive offices and main reception room were cleaned and redecorated, several partitions were necessary on the ground floor and a great deal of re-wiring and painting was done throughout the year. Much of the work was done by our own workmen, but a great deal had to

BANK PREMISES (Contd)

be performed by outside workmen. The total charged to repairs and alterations for the year at Head Office was \$8,494.37. That part of the expense representing material and labor used in providing the new forts was charged to fixed machinery and equipment and will be written off 10% yearly. The expense so treated in 1934 amounted to \$5,517.60.

Our 1934 estimated cost of operating the Provision of space function was \$123,000, while the actual expense after allowing for \$6,500 of rental income, was \$148,000. We had not anticipated making many alterations to provide additional space, assuming the Reconstruction Finance Corporation would give up the space they occupied on or before July 1. The alterations and repairs cost \$8,400 or \$6,500 more than estimated for a normal year. The tax rate was raised from 77 mills to 99 mills late in the year, necessitating our reserving \$18,000 additional to be paid in 1935. With these two items eliminated, our estimate for the building budget was within \$500 of the actual expense. For 1935 we have estimated a property operating expense of \$145,900.

We do not anticipate any important alterations in 1935. Repairs may show some increase but any replacements of fixed machinery and equipment will be charged against the 100 per cent reserve now set aside for such purpose.

During 1934 we consumed 144,878 gallons of fuel oil at a total cost of \$7,494.66. We purchased 144,725 gallons in 1933 at a cost of \$6,956.58. The maximum rate paid in both years was 5.25 cents per gallon but we had a 5 cent rate for a longer period in 1933. Oil purchases will cost somewhat more in 1935 because the 5.25 cent rate has prevailed since our contract was let on October 1, 1934 and the rate may be raised. The maximum rate we may be required to pay is 5.50 cents per gallon. Electric current cost \$10,868.69 in 1934 compared to \$10,050.32 in the year previous. The withdrawal of the R. F. C. Agency from our premises on December 1, 1934 has not made much change in our

BANK PREMISES (Contd)

electricity costs because the transit department and steno-graphic department have taken over this space.

BANK PREMISES (Depreciation)

The addition to depreciation reserve on December 31, 1934, was the tenth year we have set aside 2 per cent of estimated replacement cost. This estimated replacement cost is figured by the Board as \$1,283,281.50 and the depreciation reserve of 2% yearly over the time stated, is \$256,656.30. This leaves the net book value of the building \$1,026,625.20. Before arriving at the replacement value we were allowed to charge out of earnings the sum of \$1,033,464.34 with the last reduction \$500,000 made at the close of 1927. The value placed on our building is much too high and would be so even in normal times. Soon after the land was purchased for \$600,000 in 1919, we wrote off \$100,000 and the net book value of this land remains at \$500,000.

With the amount reserved at the close of 1934, we now have 100 per cent of the original cost of fixed machinery and equipment set aside. This original cost of \$620,053.55 included \$100,000 of architect's fees. The only replacements charged to the reserve account have been the payments made the Otis Elevator Company yearly of \$2,166 for the elevator maintenance contract. During 1934 we added \$5,517.60 to the fixed machinery and equipment total for the new steel forts and also reserved 10 per cent of this amount so that the amount of replacements not provided for is \$4,965.84. With all entries completed at the close of the year, the net book value of our Minneapolis property is \$1,532,111.70.

Depreciation reserve set up on our books for our Helena property, is at the same rate as for Minneapolis. The reserve against fixed machinery and equipment was all provided for three years ago so that \$2,700 yearly is the total



BANK PREMISES (Depreciation) (Contd)

requirement for the building. The replacement value fixed for the building was \$135,000 but prior to this the Board had permitted us to charge off the cost of constructing the vault. We have continued to reserve 2% yearly based on a replacement cost of \$135,000. The construction of the building at Helena does not begin to compare with our property at Minneapolis. The land is carried at \$5,000.

BANK PREMISES (Taxes)

For tax purposes our Minneapolis property was given a valuation of \$3,050,000 in 1934 and will remain the same for 1935. This is a reduction of \$100,000 in the value fixed during the previous two years. Because of this reduction, we estimated our taxes to be reserved in 1934 at \$63,400 making some allowance for a reasonable increase in the tax rate. When we were advised in November that the rate had been raised from 77 to 99, it was necessary to charge expense sufficient to bring the total reserved for the year up to \$81,513.29. This was \$15,250.29 more than we paid for 1933 when the valuation was \$100,000 greater. We have continued to contribute an amount equal to 1 per cent of our real estate tax to the Tax Payers' Association.

The tax rate at Helena was raised approximately 15% for 1934. Taxes at the Branch are payable during the year in which assessed. The payment in 1934 was \$2,185.25. This is an increase of \$289.58 over the 1933 payment. For tax purposes the Helena property is given a valuation of \$79,767.

## LOANS, REDISCOUNTS AND ACCEPTANCES

Discount operations during the past year were below normal. Loans amounting to \$2,535,000 were made to 47 banks in our district, as compared to \$50,172,000 extended to 271 banks during 1933. The average daily holdings of bills discounted amounted to \$531,000. At the close of 1933 our holdings of bills discounted amounted to \$1,872,000 and with the relatively small amount of borrowings during the year, there was a gradual liquidation with no bills held after December 14, 1934.

Our discount rate was lowered from 3½ per cent to 3 per cent on March 16, 1934.

On December 31, 1933 we held \$3,189,208.96 of bills purchased including \$108,995.32 in foreign bills. During the first part of 1934 we were allotted \$1,038,637.99 of bills purchased by the Open Market Committee. All of the bills except those purchased through foreign banks were of short maturities and the last of them were paid on May 16, 1934. Our holdings of bills purchased at the close of 1934 consisted of foreign bills amounting to \$80,517.29 and we have set up a reserve for losses amounting to \$58,466 against this item.

The Federal Reserve Act was amended under Section 13 B to allow a Federal Reserve Bank to make loans, in exceptional circumstances, to established industrial or commercial business located in its district, for the purpose of providing such established industrial or commercial business with working capital.

Industrial advances made under this regulation from August 1 to December 31, 1934 totaled \$1,886,650, of which \$134,212.23 was paid back, leaving a balance of \$1,752,437.77 outstanding at the close of the year. These loans are made for a period not exceeding five years. All loans were made at a rate of 6 per cent.

DISCOUNT OPERATIONS -MINNEAPOLIS AND HELENA BRANCH

Month	<u>Number of Banks Served</u>			<u>Number of Items Received</u>			<u>Amount Rediscounted 000 Omitted</u>		
	1934	1933	1932	1934	1933	1932	1934	1933	1932
January	26	159	154	172	2,865	1,723	\$ 536	\$ 7,414	\$ 17,298
February	13	147	144	71	1,570	1,229	320	6,794	17,323
March	11	168	161	54	2,496	1,878	222	18,438	10,380
April	7	100	150	26	943	1,683	112	4,795	8,901
May	8	89	173	10	873	1,963	82	3,552	14,812
June	12	78	206	52	667	2,725	600	2,520	11,419
July	6	55	220	29	587	3,271	101	1,457	17,904
August	5	45	201	10	407	2,202	92	1,075	11,098
September	2	42	183	5	385	2,328	329	845	8,533
October	4	48	102	10	559	3,605	126	1,354	10,898
November	1	48	191	1	414	3,376	5	1,173	9,456
December	0	39	150	0	272	2,910	0	756	7,502
<b>Number different Banks</b>	<b>47</b>	<b>271</b>	<b>333</b>	<b>440</b>	<b>12,038</b>	<b>28,893</b>	<b>\$ 2,525</b>	<b>\$ 50,173</b>	<b>\$ 145,524</b>

VOLUME OF REDISCOUNTS

							Total	
		Minnesota	North Dakota	South Dakota	Montana	Wisconsin		Michigan
Number pieces	1934	54	46	225	25	58	32	440
Rediscounted	1933	3,914	1,162	4,403	980	778	801	12,038
	1932	8,720	5,126	9,690	2,873	1,186	1,298	28,893
	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
<b>Total amount</b>	1934	\$ 130,224.90	\$ 126,830.63	\$ 447,756.24	\$ 204,780.00	\$ 1,245,859.37	\$ 370,022.76	\$ 2,525,473.90
Rediscounted	1933	23,286,581.87	1,834,896.30	10,099,097.60	6,527,076.26	3,643,744.93	4,781,030.98	50,172,427.94
	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	4,861,818.08	4,033,193.40	2,230,165.12	2,550,968.26	88,318,725.64

## CLOSED BANKS

At the close of business December 31, 1933, the unpaid liability to us of ninety-four suspended member banks was \$1,457,577.94. During the year 1934 six member banks suspended; four were not indebted to us on account of rediscounts or bills payable; the remaining two member banks added \$111,896.00 in liabilities, making a total of \$1,569,473.94.

The total collection from all sources during 1934 amounted to \$816,665.47. Of this amount \$757,518.16 was applied to reduce the direct liability of the suspended banks, leaving a net balance due from these banks of \$811,955.78 at the close of the year 1934. Of this latter amount the remaining liabilities of sixteen banks, aggregating \$188,328.51 were charged to the Special Reserve for Losses, as follows: Twelve prior to 1934 totaling \$173,595.84, and four during 1934 totaling \$14,732.67. Uncollectible advances of various nature of eleven banks aggregating \$12,725.11 have been charged to Special Reserve for Losses, as follows: Seven prior to 1934 totaling \$5,414.88, and four during 1934 totaling \$7,310.23, making a total of \$201,053.62 charged to such reserve account.

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.

The seventy-two banks shown on our closed list as indebted to us on December 31, 1934, include the sixteen banks mentioned above. As security to the liabilities of the remaining fifty-six closed banks amounting to \$623,627.27, we hold \$2,998,872.09 in notes. In addition we still retain worthless paper in the sum of \$361,325.15. This paper is collateral from the sixteen banks whose indebtedness to us has been charged off.

As of December 31, 1934, four hundred seventeen member banks and one non-member bank had closed, with total liabilities

CLOSED BANKS (Contd)

to us at date of suspension of \$18,638,905.20. Of this amount, we have received payments aggregating \$17,826,949.12, including full liquidation of original liability due us from three hundred forty-five member banks and one non-member bank, and there remains now due only the sum of \$811,955.78 as heretofore indicated. In addition, we have received \$410,385.22 interest and \$376,265.35 in reduction of our collection expense. Unpaid collection expense accumulated as of December 31, 1934, amounted to \$198,477.13. During the past year \$83,027.14 was credited as recovery of expense, \$22,472.90 as interest collected from these closed banks, and \$3,150.41 interest on other advances made to protect our interests.

In addition to the recoveries mentioned, we have collected \$13,945.82 from banks expected to fully pay original liabilities, collection expense and accrued interest, which amount will be eventually applied as recovery of collection expense and/or interest.

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 was fully paid on February 6, 1933.

Prior to 1934 it was our practice, in connection with banks to which we had given book credits, to hold overpayments of original liabilities unapplied until such time as the overpluses equalled the amount of the collection expense and accrued interest, or until the remaining assets were exhausted. Any amounts now collected at such banks in excess of the original liabilities are immediately credited: First, in recovery of collection expense; and Second, in liquidation of accrued interest.

CLOSED BANKS (Contd)

A considerable number of closed accounts in connection with purchases and resales of chattels bid in by us at various debtors' voluntary and foreclosure sales during the past twelve years, were on December 13, 1934, eliminated from our records. The aggregate credit balance of these accounts was \$1,321.65, which amount was credited to Profit and Loss.

The average number of employees on this work during 1934 was 14.39 as compared to 19.63 during 1933. An average of 1.30 officers' time was allocated to this function in 1934 in comparison with 1.55 in 1933.

COMPARATIVE FUNCTIONAL EXPENSE

	<u>1934</u>	<u>1933</u>
Salaries - Officers	\$ 11,239.39	\$ 11,600.00
Salaries - Employees	28,014.00	37,826.46
Traveling Expenses	9,279.77	17,343.88
Stationery and Supplies	852.01	1,256.05
Telephone and Telegraph	390.20	725.84
Legal fees	4,860.55	7,854.62
All Other	3,969.02	6,344.01
Total . . . .	<u>\$ 58,604.94</u>	<u>\$ 82,950.86</u>

CHECK COLLECTION FUNCTION  
(Minneapolis Only)

During 1934 this function handled 24,797,686 items, totaling \$3,758,673,996.86, an increase of 5,929,918 items and \$888,720,401.26 in amount as compared to 1933 with 18,867,768 items, totaling \$2,869,953,595.60. The volume handled during 1934 was the highest since 1923, during which year we handled 25,325,568, items.

A comparison of the number and amount of items handled, the average number of employees, and the total expense of the check collection function for the last six years follows:

<u>Year</u>	<u>Number of Items</u>	<u>Amount</u>	<u>Average Number of Employees</u>	<u>Total Expense</u>
1934	24,797,686	\$3,758,673,996.86	54.95	\$ 79,426.01
1933	18,867,768	2,869,953,595.60	46.50	72,110.78
1932	17,182,392	2,342,396,256.44	38.40	63,996.23
1931	18,974,067	2,742,741,808.63	39.82	71,196.45
1930	21,139,178	3,224,678,472.48	43.57	77,873.79
1929	21,751,365	3,685,223,581.26	53.81	88,661.60

The following table indicates the number of items handled by the subdivisions of the check collection function for the years 1932 through 1934.

<u>Items handled on</u>	<u>1934</u>	<u>1933</u>	<u>1932</u>
Twin City Banks (Clearings) Member & Non-member Banks (This district)	3,758,656	3,711,357	3,457,376
Other Federal Reserve Districts Direct to Member Banks other Federal Reserve Districts	13,811,289	12,131,768	11,608,286
To Helena Branch, Helena, Mont.	1,430,123	1,243,121	941,775
Treasurer of the United States	65,904	61,074	40,018
	50,197	31,597	13,701
	5,681,517	1,688,851	1,121,236
	24,797,686	18,867,768	17,182,392

The cost of handling a hundred items in the various units of this function for the years 1929 through 1934 follows:

<u>Year</u>	<u>City Checks (Clearings)</u>	<u>Government Warrants</u>	<u>Country checks (Outgoing)</u>	<u>Return Items</u>
1934	20.6 cents	22.5 cents	23.3 cents	\$ 1.69
1933	17.6 "	21.6 "	27.0 "	1.16
1932	19.2 "	25.9 "	24.7 "	1.26
1931	19.4 "	26.3 "	25.1 "	1.36
1930	20.1 "	27.2 "	24.9 "	1.36
1929	20.7 "	26.9 "	29.5 "	1.42

CHECK COLLECTION FUNCTION (Contd)

The average number of items handled per person per day in the units of this function for the years 1929 through 1934 follows:

<u>Year</u>	<u>City Check (Clearings)</u>	<u>Government Warrants</u>	<u>Country Checks (Outgoing)</u>	<u>Return Items</u>
1934	2,031	2,095	1,796	268
1933	2,315	2,589	1,574	452
1932	2,216	2,387	1,911	431
1931	2,274	2,291	2,040	462
1930	2,156	2,363	2,063	482
1929	2,071	2,065	1,551	443

A comparison of our 1934 check collection costs with latest available figures for the other Federal Reserve Bank Head Offices (first half year 1934) indicates that our costs are below the average of all main offices. The average costs of handling 100 items in various units of this function for all head offices and the costs of the lowest main office for each class of items for the first half of 1934 and our costs for the full year 1934, were as follows:

	<u>City Checks (Clearings)</u>	<u>Government Warrants</u>	<u>Country Checks (Outstanding)</u>	<u>Return Items</u>
Our 1934 costs	20.6 cents	23.6 cents	23.3 cents	\$ 1.69
Average costs F.R. Banks' Head Offices	28.5 "	26.1 "	33.2 "	1.73
Lowest Reported Costs (F.R. Bank Main Offices)	16.1 "	19.0 "	19.4 "	1.12

During 1934 we handled 226,278 return items totaling \$16,866,227.18 as compared to 365,773 items totaling \$27,021,000 in 1933. Included in these figures are non-par items sent us in error, non-cash items forwarded to us as cash items, items returned by drawee banks for various reasons, and other items returned to depositors.

The daily average number of transit letters received and sent, the number of banks reported closed, number voluntarily liquidated, number reopened, and the number added to or removed from our par list during the years 1929 through 1934 are given in the following table:



CHECK COLLECTION FUNCTION (Contd)

<u>Year</u>	<u>Letters received daily</u>	<u>Letters sent daily</u>	<u>Banks reported closed</u>	<u>Banks voluntarily liquidated</u>	<u>Banks reported reopened</u>	<u>Banks removed from list</u>	<u>Banks added to our list</u>
1934	1,287	895	9	15	4	32	6
1933	1,391	942	134	8	15	58	24
1932	1,162	1,020	143	5	2	58	11
1931	1,244	1,150	274	10	28	97	5
1930	1,351	1,312	160	5	7	70	2
1929	1,435	1,416	92	10	7	73	7

We handled 3,992,666 more government warrants in 1934 than in 1933, and 1,889,953 more country checks. The greater part of the increase in volume of items handled during 1934 represents checks issued by the Treasurer of the United States, and relief checks issued by States and subdivisions thereof.

FEDERAL RESERVE BANK OF MINNEAPOLIS  
REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1934.

MONTH	CLEARINGS		MEMBER & NON-MEMBER		OTHER RESERVE BANKS		DIRECT TO BANKS IN OTHER RE- SERVE DISTRICTS		TO OUR HELENA BRANCH BY US		TREASURER OF THE UNITED STATES	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1934												
January	303,440	\$ 147,274,823.30	1,017,975	\$61,436,925.52	117,667	\$19,064,371.73	6,228	\$3,468,871.78	3,854	\$238,228.52	1,003,155	44,795,980.74
February	277,537	129,094,894.18	986,551	56,264,640.80	96,924	17,491,273.24	4,595	2,693,682.98	3,592	229,515.57	840,619	41,989,919.36
March	330,583	167,300,378.71	1,155,943	71,012,126.08	115,715	22,181,187.51	5,867	3,869,672.46	3,942	254,223.53	717,488	60,989,401.68
April	305,308	154,234,675.63	1,102,209	68,311,974.61	120,446	21,344,619.14	5,104	4,098,105.67	3,992	331,586.34	307,443	34,906,508.59
May	311,385	156,543,440.11	1,146,994	71,631,356.76	119,546	21,151,383.92	5,510	4,613,784.60	3,977	304,776.73	227,645	25,713,586.29
June	313,992	169,037,022.03	1,162,136	77,779,612.77	120,478	23,549,106.97	6,307	4,790,301.37	4,135	395,097.59	211,361	26,360,740.03
July	301,663	167,504,795.95	1,147,304	74,687,783.90	132,209	26,408,320.81	5,992	4,683,556.71	3,775	350,459.61	250,309	59,688,930.84
August	302,733	189,988,879.55	1,187,741	78,843,447.01	122,484	23,137,212.83	5,856	4,304,457.78	4,221	499,414.36	378,042	46,928,158.36
September	298,572	193,635,087.05	1,155,558	82,813,858.84	112,817	24,953,700.27	5,162	4,575,038.01	4,144	420,876.86	386,821	50,233,044.71
October	342,319	195,323,555.06	1,302,185	89,341,144.57	133,739	23,923,779.13	5,684	4,977,470.09	5,124	482,754.99	411,055	54,289,246.90
November	328,679	174,749,513.25	1,194,711	81,400,066.88	114,145	22,003,400.08	4,832	4,181,618.03	4,827	445,578.34	468,744	40,896,420.73
December	342,445	172,831,266.04	1,251,982	80,221,701.14	123,953	21,500,508.93	4,767	3,840,205.85	4,614	440,411.88	478,835	39,420,534.68
Total	3,758,656	\$2,017,518,330.86	13,811,289	\$ 893,744,638.88	1,430,123	\$ 266,708,864.56	65,904	\$ 50,096,765.33	50,197	\$ 4,392,924.32	5,681,517	\$ 526,212,472.91
Monthly Ave.												
No. Items	313,221		1,150,940		119,177		5,492		4,183		472,459	
Monthly Ave.												
Amounts		\$ 168,126,527.57		\$ 74,478,719.90		\$ 22,225,738.71		\$ 4,174,730.44		\$ 366,077.03		\$ 43,851,039.42
Grand Total Items	. . . . . 24,797,686											
Grand Total Amounts	. . . . . \$ 3,758,673,996.86											

TWIN CITY CLEARINGS THROUGH FEDERAL RESERVE BANK  
OF MINNEAPOLIS FOR 1934 and 1933

DIRECT SENDINGS TO OTHER RESERVE BANKS  
BY OUR MEMBER BANKS 1934 and 1933

Month	Amount of Items on Mpls. Banks	Amount of Items on St. Paul Bks.	Grand Total 1934	Grand Total 1933	Daily Average	Amount	Number of Items		Amount	
					Clearings 1934	Held Over 1933	1934	1933	1934	1933
January	\$116,687,398.16	\$59,642,306.48	\$176,329,704.64	\$131,727,004.82	\$165,495.58	\$97,006.94	86,938	71,348	\$21,059,797.22	\$5,878,770.37
February	104,222,861.32	53,257,151.51	157,480,012.83	111,872,581.43	159,840.79	102,573.53	76,726	57,792	21,628,076.55	5,328,115.07
March	128,419,897.87	72,308,100.33	200,727,998.20	110,544,241.49	158,575.27	171,343.40	88,129	18,208	19,480,580.01	2,006,866.93
April	121,162,881.21	57,517,136.92	178,680,018.13	138,766,642.72	129,243.42	142,209.58	90,746	52,821	22,622,891.00	5,499,737.40
May	123,402,132.69	58,364,360.85	181,766,493.54	155,978,264.46	141,763.67	167,169.73	92,722	61,560	25,606,056.56	7,175,834.07
June	136,719,267.63	60,600,094.73	197,319,362.36	186,262,436.63	128,450.81	152,311.48	96,231	68,166	29,521,983.22	8,246,792.55
July	133,725,882.65	60,276,472.43	194,002,355.08	191,272,950.29	128,785.35	129,519.39	92,834	67,705	26,534,314.31	8,595,850.36
August	155,812,433.22	60,825,992.11	216,638,425.33	184,553,019.71	160,523.19	148,100.40	93,203	65,360	26,744,768.82	8,816,069.26
September	163,334,259.02	68,482,834.86	231,817,093.88	199,955,327.57	161,691.02	144,395.63	87,986	74,272	29,266,819.57	9,425,339.15
October	156,584,753.53	71,454,543.13	228,039,296.66	193,669,307.83	166,787.17	139,544.94	105,371	84,421	33,940,091.91	11,732,045.40
November	140,446,960.07	61,708,558.13	202,155,518.20	184,251,342.19	162,587.06	144,185.60	97,812	80,199	26,960,631.55	10,001,315.28
December	140,979,018.84	62,107,355.74	203,086,374.58	183,335,209.76	132,460.66	160,933.43	104,979	92,541	28,140,172.86	14,147,592.23
<b>Total</b>	<b>\$ 1,621,497,746.21</b>	<b>\$ 746,544,907.22</b>	<b>\$ 2,368,042,653.43</b>	<b>\$ 1,972,188,328.90</b>	<b>\$ 1,796,203.99</b>	<b>\$ 1,699,294.05</b>	<b>1,113,677</b>	<b>794,393</b>	<b>\$ 311,506,183.58</b>	<b>\$ 96,854,328.07</b>
<b>Average by Months</b>	<b>\$ 135,124,812.18</b>	<b>\$ 62,212,075.60</b>	<b>\$ 197,336,887.79</b>	<b>\$ 164,349,017.41</b>	<b>\$149,683.66</b>	<b>\$141,607.84</b>	<b>92,806</b>	<b>66,199</b>	<b>\$25,958,848.63</b>	<b>\$8,071,194.00</b>

BY MONTHS

COMPARATIVE FIGURES FOR TRANSIT DEPARTMENT

MINNEAPOLIS ONLY

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	
	1934	1933	1934	1933	1934	1933	1934	1933	1934	1933
January	1,389	1,179	900	956	764	959	94,320	56,418	3,344	2,854
February	1,418	1,245	896	939	774	876	100,446	55,128	3,488	2,627
March	1,412	1,541	893	779	758	5,306	90,356	60,088	3,390	1,400
April	1,337	1,686	890	960	735	919	73,780	63,427	3,630	2,201
May	1,276	1,561	879	948	708	813	69,810	64,346	3,566	2,368
June	1,226	1,403	884	984	729	814	69,939	66,594	3,701	2,622
July	1,257	1,436	875	1,002	745	897	73,650	66,682	3,713	2,708
August	1,250	1,361	908	1,029	689	783	74,155	60,504	3,452	2,421
September	1,265	1,310	908	959	752	800	81,795	62,169	3,583	2,971
October	1,241	1,293	890	945	766	825	81,485	64,129	3,903	3,246
November	1,121	1,322	921	911	808	826	91,997	64,139	3,762	3,342
December	1,248	1,351	886	909	776	828	88,664	78,994	4,199	3,701
Average by Months	1,287	1,391	895	942	750	1,220	82,533	63,551	3,644	2,705
	Daily Average Clearing Items Returned Unpaid		Daily Average Clearing Items Missent		Daily Average Out-of-Town Items Missent		Daily Average Number of Drafts Received in Other Than Twin City Exchange		Daily Average Number of Employees	
January	28	38	47	16	25	12	152	197	74	45
February	32	46	30	15	30	11	150	183	74	45
March	31	106	26	33	23	10	156	126	76	55
April	28	21	21	32	18	19	143	159	70	57
May	27	29	19	35	21	27	146	157	70	55
June	26	29	18	29	19	23	152	145	70	57
July	20	46	20	30	20	20	154	153	73	61
August	23	30	19	28	19	17	155	160	78	65
September	23	25	18	26	27	22	153	161	73	68
October	24	35	22	31	22	18	150	151	70	64
November	26	28	19	41	20	23	161	154	72	65
December	24	27	17	39	16	27	146	141	75	67
Average by Months	26	28	23	30	22	29	151	157	73	59

NON-CASH COLLECTION FUNCTION  
(Minneapolis Only)

There was a decrease of approximately 50 per cent in number of City collections handled during 1934 as compared to the previous year, although the dollar value of items handled showed an increase of about 25 per cent over 1933.

During 1934 there were 648,172 City collections handled amounting to \$204,799,000 as compared to 992,215 items totaling \$163,388,000 collected in 1933. The majority of these items are drafts drawn on local grain firms and the increase in the dollar value reflects an increase in grain prices.

The number of Country collections handled in 1934 was 59,604 amounting to \$31,366,000 as compared to 52,563 items in 1933 totaling \$21,079,000, showing an increase of 10 per cent in the number of items, and approximately 50 per cent in amount. This department also handled 3,252 items in the amount of \$7,480,000 which were sent direct by member banks in our district to other Federal reserve banks, with instructions to credit the proceeds to us for their account.

Coupon and security collections (other than U. S. Government) numbered 50,954 items valued at \$25,504,000 during 1934 in comparison with 57,198 items amounting to \$19,616,000 handled during the previous year.

The volume and amount of U. S. Government coupons collected increased from 492,684 coupons amounting to \$8,156,000 in 1933 to 693,446 coupons totaling \$11,816,000 in 1934.

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

	City Collections		Country Collections		Security Collections		Government Coupons	
	1934	1933	1934	1933	1934	1933	1934	1933
Jan.	50,604	51,154	5,387	3,667	4,186	4,210	39,883	27,415
Feb.	43,945	43,373	4,691	3,686	3,050	3,207	20,276	10,605
Mar.	46,611	51,268	5,475	4,700	4,094	4,840	19,095	19,479
Apr.	43,600	73,090	4,605	4,142	4,472	5,964	124,523	86,562
May	50,246	89,349	4,728	4,413	4,183	4,961	36,921	43,421
June	52,581	101,917	4,870	4,335	5,724	6,119	46,347	39,622
July	48,627	89,199	4,666	3,972	4,181	4,533	67,617	34,812
Aug.	82,784	117,328	5,131	4,137	2,920	3,690	21,650	14,742
Sept.	80,223	143,734	4,797	4,277	3,763	4,375	32,692	16,357
Oct.	63,321	96,351	5,409	6,220	3,910	4,466	108,967	97,376
Nov.	45,136	74,751	4,930	4,615	4,183	4,484	117,143	50,491
Dec.	40,494	60,701	4,915	5,399	6,288	6,349	58,332	51,802
Total		992,215		52,563		57,198		492,684
	648,172		59,604		50,954		693,446	
Amount (000) omitted								
1934	\$ 204,779		\$ 31,366		\$ 25,504		\$ 11,816	
1933	163,388		21,079		19,616		8,156	

SECURITIES FUNCTION  
(Minneapolis Only)

We accept securities owned by our member banks for safekeeping. Coupons are clipped from securities held in safekeeping or as collateral as they mature and the proceeds credited in accordance with instructions. No charge is made for these services.

This department also handles all bearer securities held as collateral to discounts, rediscounts, or industrial loans and for governmental departments, corporations or agencies.

The control value of securities held as of December 31, 1934 was \$344,013,816 and as of the same date of 1933 \$183,032,065, an increase of \$160,981,751 in amount held during the year.

The number of pieces of securities received during 1934 was 141,061 and the number delivered 97,874, resulting in an increase of 43,187 pieces held over the previous year end. During 1933 we received 66,029 pieces and delivered 59,783.

The number of coupons cut from securities held during 1934 was 265,912 and in 1933 197,147, indicating the increased volume of securities held.

A statement of securities held at the close of 1934 and 1933 follows:

	December 31, 1934	December 31, 1933
Collateral to War Loan Deposit accounts	\$ 13,436,175	\$ 11,040,900
Collateral to Discounts, Rediscounts, Industrial Loans	689,810	589,014
Collateral of Reconstruction Finance Corporation	51,707,645	19,636,804
Securities held for safekeeping, member Banks:		
U. S. Government Securities	117,109,500	39,151,700
Miscellaneous Securities	95,120,713	62,814,575
Securities held for Public Works Administration	3,892,334	0
Securities pledged to secure Special Deposits	62,057,639	49,799,072
	<u>\$344,013,816</u>	<u>\$ 183,032,065</u>

## CURRENCY AND COIN

The volume of currency receipts from and payments to member banks was heavy throughout the past year. The demand for bills of the higher denominations, that is denominations of fifty dollars and up was less than during the previous year, resulting in an increase in the use of bills of smaller denominations. Receipts from member and non-member banks during 1934 amounted to \$157,361,000 at Head Office and \$8,125,000 at Helena Branch, making a total of \$165,386,000. This figure does not include the amount of our fit Federal Reserve notes returned to us by other Federal Reserve Banks. The number of bills received and counted at Head Office was 41,015,410 as compared to 35,663,450 bills received and counted during 1933, which represents an increase of approximately 15 per cent. At Helena Branch the number of bills received and counted was 1,557,408 as compared to 1,333,963 during 1933.

We made 1,463 payments totaling \$99,541,000 to banks in the Twin Cities. Shipments to country banks from Head Office numbered 23,143 and amounted to \$78,316,000. Helena Branch made 3,732 shipments amounting to \$17,475,000. Total payments to banks in our district amounted to \$195,332,000 in comparison with \$216,000,000 paid out during the previous year.

Silver and minor coin received from banks in our district during 1934 amounted to \$2,320,000 at Head Office and \$320,000 at Helena Branch, making a total of \$2,540,000. The demand for silver and minor coin showed an increase over the previous year. At Head Office we made 8,003 shipments of coin totaling \$3,319,000 and the Branch sent out 1,538 shipments amounting to \$1,002,000. More coin was paid out to banks in our district than was received from them. To meet the demand we were obliged to order coin from the Treasury Department and received \$640,000 from the Denver Mint, \$104,000 from the Philadelphia Mint and \$300,000 from the Federal Reserve Bank of Chicago.

At the close of the year our stock of silver and minor coin consisted of \$183,885 in silver dollars, \$277,574 in subsidiary silver and \$30,885 in nickels and cents.

CURRENCY AND COIN

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1934

(Minneapolis Only)

CURRENCY RECEIPTS

	<u>City Member Banks</u>		<u>Other Member and Non-Member Banks</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	361	\$ 10,191,934	3,255	\$ 4,611,150
February	256	8,095,912	1,796	3,196,805
March	298	7,960,865	1,545	4,778,230
April	277	8,221,900	1,563	4,983,910
May	290	10,080,496	1,413	5,189,952
June	313	8,811,971	1,352	4,715,956
July	259	6,424,756	1,235	4,556,772
August	304	7,063,904	1,230	4,586,454
September	265	7,255,107	1,135	3,938,867
October	314	10,306,700	1,337	5,518,060
November	262	8,078,000	1,141	4,435,500
December	<u>272</u>	<u>9,135,800</u>	<u>1,211</u>	<u>5,122,086</u>
Total	3,471	\$101,627,345	18,213	\$55,633,742

CURRENCY SHIPMENTS

	<u>City Member Banks</u>		<u>Other Member and Non-Member Banks</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	111	\$ 7,123,073	1,798	\$ 4,855,174
February	108	7,264,000	1,764	6,681,810
March	118	7,617,000	1,721	5,603,080
April	119	7,202,000	1,451	4,080,211
May	125	7,407,600	1,630	4,577,971
June	129	7,682,504	1,869	5,888,036
July	112	7,807,000	1,940	5,797,677
August	140	10,071,000	2,823	10,158,541
September	122	9,317,000	2,323	8,839,206
October	125	9,035,000	1,861	7,125,299
November	116	9,291,800	2,028	7,681,936
December	<u>138</u>	<u>9,723,400</u>	<u>1,935</u>	<u>7,026,757</u>
Total	1,463	\$ 99,541,377	23,143	\$78,315,698

COIN RECEIPTS

Member and Non-Member Banks

COIN SHIPMENTS

Member and Non-Member Banks

	<u>Member and Non-Member Banks</u>		<u>Member and Non-Member Banks</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	158	\$ 173,144	441	\$ 174,762
February	102	87,427	513	182,569
March	135	171,373	589	204,895
April	147	171,460	445	165,731
May	136	173,574	629	230,235
June	148	172,133	631	263,368
July	155	237,780	772	523,707
August	147	207,927	951	392,289
September	164	224,057	887	363,235
October	159	220,071	699	274,654
November	116	160,971	776	286,873
December	<u>117</u>	<u>220,341</u>	<u>670</u>	<u>256,980</u>
Total	1,684	\$ 2,220,258	8,003	\$ 3,319,298



CURRENCY AND COIN (Continued)

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1934.  
(HELENA BRANCH)

	CURRENCY RECEIVED FROM			
	<u>COUNTRY MEMBERS</u>		<u>CITY MEMBERS</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	147	\$ 527,162	87	\$ 153,750
February	119	346,727	59	117,475
March	90	430,534	64	204,375
April	79	448,360	41	167,860
May	94	465,325	63	214,150
June	89	488,502	80	254,580
July	114	448,651	56	324,282
August	114	461,387	101	277,307
September	98	465,369	61	150,317
October	111	458,852	56	126,470
November	136	590,004	54	149,900
December	207	738,030	67	115,220
<b>Totals</b>	<b>1,398</b>	<b>\$5,868,903</b>	<b>789</b>	<b>\$2,255,686</b>

	CURRENCY SHIPMENTS TO			
	<u>MEMBERS</u>		<u>NON-MEMBERS</u>	
	<u>Number Shipments</u>	<u>Amount</u>	<u>Number Shipments</u>	<u>Amount</u>
January	208	\$ 949,950	56	\$ 155,176
February	224	1,056,300	79	273,332
March	188	956,500	60	242,543
April	152	617,100	48	127,253
May	216	1,045,300	55	151,340
June	241	1,162,350	65	190,400
July	279	1,374,950	76	234,850
August	333	1,838,000	84	305,400
September	262	1,523,725	70	228,515
October	311	1,751,890	70	272,604
November	277	1,552,300	73	300,090
December	248	992,615	57	173,033
<b>Totals</b>	<b>2,939</b>	<b>\$14,820,980</b>	<b>793</b>	<b>\$2,654,536</b>

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>
1934	\$165,385,676	1934	\$195,332,592
1933	195,261,944	1933	215,760,200
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

## FEDERAL RESERVE NOTES

Our notes outstanding at the close of 1934 amounted to \$111,439,000. The Bank held \$4,752,000 in the cash and in process of redemption, with \$106,687,000 held by the banks and the public. One year ago the amount in circulation was \$92,896,000 so that the expansion during 1934 has been \$13,791,000. This does not represent all the increase in circulation of money placed in this District through this Bank. Until the close of July, 1934 we had accumulated over \$10,000,000 in legal tender 5's through the shipments made us weekly by the Treasury Department. We then ceased to requisition \$5 Federal reserve notes from the Agent. Since the end of July, we have had additional shipments of legal 5's from the Treasury and paid out \$5,820,000 of these notes. At the end of the year we had \$7,244,000 of legal tender notes on hand, mostly new.

During most of the last quarter of 1934, we received small shipments of the new 1934 series silver certificates in \$5 and \$10 denominations. These notes were put in circulation as soon as received on request, and were sent us in addition to the regular allotments of \$1 bills. There was only a limited amount of these notes received, the total being \$1,120,000.

We began 1934 with \$7,049,000 of our bank notes in circulation. This class of circulation increased to approximately \$8,000,000 before we started to make retirements. On March 9 we made our first transfer to the Treasury for retirement of these notes, with the final transfer made on April 23. No doubt a considerable portion of this issue remains outstanding.

Gold coin and gold certificates received from banks and individuals during 1934 and held in trust for the Treasury Department, amounted to \$1,861,000, mostly coin. The expansion in currency held in our District received through this Bank is approximately \$20,000,000 for 1934, less notes sent in for redemption by agencies other than ourselves. To this total may be added \$1,100,000 of coin shipped during the past year. We brought

## FEDERAL RESERVE NOTES (Contd)

in over \$1,000,000 of coin from the Mint during the past year to build up our stock.

Our Federal reserve note issue in 1934 was larger than normal, being exceeded in only 5 years during the past 30. We might have expected a smaller issue on account of the very heavy payments in 1933 at the time of banking crisis. Much of that money was issued in large denominations to the bigger banks and came back rapidly. The issue since has been in smaller amounts to country banks and in the smaller denominations. In 1933 approximately 25% of the dollar value of our issue was in denominations of \$50 and over. During 1934 slightly over 2% of the issue represented these higher denominations. The small cash payments being made for services and the curtailed banking facilities in many localities, have helped the demand for smaller denominations.

It follows that with the increased percentages of smaller bills in circulation, replacements will be heavier and money handling costs should show an increase. The activity of the money in circulation should result in increased amounts destroyed at Washington. This was in evidence some time ago and the statement was made in the previous report that the destruction of notes in 1934 would show an increase over 1933.

Our redemptions at Washington amounted to \$31,467,000 for 1934 and \$8,000,000 in excess of the amount destroyed in 1933. Since organization, the amount of our notes destroyed has been \$540,263.920. The amount of notes held at the close of the year by the Agent was \$65,557,000, with \$11,439,080 outstanding. By deducting the notes held by the tellers and the notes in process of redemption, we find we had net circulation of \$106,687,000 on December 31, 1934.

Of the notes held by the Agent, \$50,280,000 is in the original packages and unissued with \$15,277,000 of used notes held fit for further use. Only \$1,200,000 of the fit notes is in the

FEDERAL RESERVE NOTES (Contd)

smaller denominations. In addition to the supply on hand at Minneapolis, we have in Washington, printed and paid for, \$119,340,000 of which amount \$58,640,000 is in 5's, 10's and 20's. The printing schedule of the Bureau of Engraving as of December 31, 1934 called for the printing of \$32,160,000 in our notes, all of the smaller denominations. If we include the new legal 5's we now have on hand, our available supply of new notes of the smaller denominations is equivalent to three years' requirements.

Notes printed during 1934 cost \$17,018. Most of these notes were printed after July 1 and cost us at the rate of \$86 per 1000 sheets with 12 notes to a sheet. Prior to July 1 the charge was \$82.50 per 1000 sheets. To the printing cost must be added \$3,469.67 for postage and insurance on notes brought from Washington and \$3,763.20 in sur-charges on these shipments.

FEDERAL RESERVE NOTES RECEIVED AND ISSUED BY AGENT DURING 1934.

IN HANDS OF AGENT DECEMBER 31, 1933.

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 7,940,000	\$ 0	\$ 7,940,000
Tens	8,280,000	0	8,280,000
Twenties	10,640,000	4,420,000	15,060,000
Fifties	12,400,000	3,595,000	15,995,000
Hundreds	10,000,000	7,400,000	17,400,000
Five Hundreds	6,200,000	1,110,000	7,310,000
Thousands	5,400,000	1,935,000	7,335,000
Total	\$ 60,860,000	\$ 18,460,000	\$ 79,320,000

	<u>RECEIVED FROM COMPTROLLER NEW</u>	<u>RETURNED BY BANK FIT-FOR-USE</u>	<u>TOTAL RECEIVED</u>
Fives	\$ 10,400,000	\$ 300,000	\$ 10,700,000
Tens	16,000,000	730,000	16,730,000
Twenties	4,960,000	1,160,000	6,120,000
Fifties	0	155,000	155,000
Hundreds	0	650,000	650,000
Five Hundreds	0	64,000	64,000
Thousands	0	218,000	218,000
Total	\$ 31,360,000	\$ 3,277,000	\$ 34,637,000

ISSUED TO BANK

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 12,140,000	\$ 90,000	\$ 12,230,000
Tens	19,400,000	80,000	19,480,000
Twenties	10,400,000	5,240,000	15,640,000
Fifties	0	350,000	350,000
Hundreds	0	600,000	600,000
Five Hundreds	0	0	0
Thousands	0	100,000	100,000
Total	\$ 41,940,000	\$ 6,460,000	\$ 48,400,000

IN HANDS OF AGENT DECEMBER 31, 1934

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 6,200,000	\$ 210,000	\$ 6,410,000
Tens	4,880,000	650,000	5,530,000
Twenties	5,200,000	340,000	5,540,000
Fifties	12,400,000	3,400,000	15,800,000
Hundreds	10,000,000	7,450,000	17,450,000
Five Hundreds	6,200,000	1,174,000	7,374,000
Thousands	5,400,000	2,053,000	7,453,000
Total	\$ 50,280,000	\$ 15,277,000	\$ 65,557,000

RATIO OF ISSUE BY DENOMINATIONS

	<u>1934</u>	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>
Fives	25.27	18.90	16.13	14.79	10.91	26.5
Tens	40.25	30.05	30.09	36.87	29.91	34.9
Twenties	32.31	26.26	32.81	34.00	42.82	33.1
Fifties	.72	5.94	3.46	2.98	3.58	1.6
Hundreds	1.24	12.31	12.59	7.90	4.99	3.2
Five Hundreds	0	2.05	1.29	1.10	3.63	.2
Thousands	.21	4.49	3.63	2.46	4.16	.5
	100.00%	100.00%	100.00%	100.00%	100.00%	100.0%

FEDERAL RESERVE NOTES ISSUED TO BANK

COMPARATIVE BY MONTHS 1934-1930

	<u>1934</u>	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>
January	\$ 3,175,000	\$ 3,980,000	\$ 5,580,000	\$ 1,150,000	\$ 1,590,000
February	5,385,000	12,590,000	3,258,500	750,000	8,812,000
March	4,430,000	35,185,000	4,210,000	1,940,000	3,700,000
April	1,940,000	1,680,000	7,340,000	2,000,000	3,500,000
May	2,640,000	1,170,000	7,830,000	1,765,000	1,050,000
June	2,360,000	2,160,000	4,735,000	2,315,000	1,350,000
July	4,780,000	4,790,000	7,260,000	3,465,000	900,000
August	8,060,000	4,100,000	2,070,000	4,245,000	2,640,000
September	5,260,000	7,205,000	4,150,000	5,130,000	4,085,000
October	3,180,000	1,940,000	3,010,000	7,815,000	2,075,000
November	3,215,000	1,700,000	2,200,000	4,235,000	2,300,000
December	3,985,000	5,165,000	4,251,500	7,370,000	7,050,000
<b>Total for Year</b>	<b>\$ 48,400,000</b>	<b>\$ 81,665,000</b>	<b>\$ 55,905,000</b>	<b>\$ 42,180,000</b>	<b>\$ 39,052,000</b>

FEDERAL RESERVE NOTES DESTROYED AT  
WASHINGTON  
COMPARATIVE BY MONTHS 1934-1930.

	<u>1934</u>	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>
January	\$ 1,969,650	\$ 1,763,650	\$ 1,636,550	\$ 2,363,350	\$ 5,345,100
February	2,532,360	1,178,300	1,189,000	1,436,000	11,453,015
March	2,503,550	1,107,100	1,569,950	1,756,985	4,187,800
April	3,172,550	1,540,410	1,447,345	1,530,100	4,525,250
May	3,120,000	2,451,100	2,025,050	1,567,750	3,296,750
June	2,497,150	1,513,050	1,419,260	1,173,600	1,953,550
July	2,930,250	1,990,250	1,579,850	1,863,500	2,987,100
August	2,157,950	2,769,400	1,970,500	1,426,350	1,928,100
September	2,604,450	1,854,350	1,511,500	1,549,100	1,724,900
October	2,872,980	2,598,500	2,281,500	1,494,850	2,615,200
November	2,674,300	2,463,800	1,671,150	1,905,160	1,867,100
December	2,432,850	2,129,550	1,593,175	1,529,250	1,503,400
<b>Total for Year</b>	<b>\$ 31,467,940</b>	<b>\$ 23,359,460</b>	<b>\$ 19,894,830</b>	<b>\$ 19,595,995</b>	<b>\$ 43,217,265</b>

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	42,270,000	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	23,970,235
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
1933	81,665,000	23,359,460
1934	48,400,000	31,467,940
<b>TOTAL</b>	<b>\$ 886,250,000</b>	<b>\$ 540,263,920</b>

ISSUE, REISSUE AND DESTRUCTION OF FEDERAL RESERVE NOTES  
SINCE OPENING OF BANK AS OF DECEMBER 31, 1934.

	<u>Received From</u> <u>Comptroller</u>	<u>Return To</u> <u>Agent by Bank</u>	<u>Total</u>
Fives	\$ 196,400,000	\$ 39,835,000	\$ 236,235,000
Tens	221,760,000	76,880,000	298,640,000
Twenties	206,000,000	79,720,000	285,720,000
Fifties	27,800,000	9,765,000	37,565,000
Hundreds	41,200,000	17,735,000	58,935,000
Five Hundreds	10,900,000	2,529,000	13,429,000
Thousands	13,200,000	8,083,000	21,283,000
<b>Total</b>	<b>\$ 717,260,000</b>	<b>\$ 234,547,000</b>	<b>\$ 951,807,000</b>

ISSUED TO BANK

	<u>New</u>	<u>Fit-For-Use</u>	<u>Total</u>
Fives	\$ 190,200,000	\$ 39,625,000	\$ 229,825,000
Tens	216,880,000	76,230,000	293,110,000
Twenties	200,800,000	79,380,000	280,180,000
Fifties	15,400,000	6,365,000	21,765,000
Hundreds	31,200,000	10,285,000	41,485,000
Five Hundreds	4,700,000	1,770,000	6,470,000
Thousands	7,800,000	5,615,000	13,415,000
<b>Total</b>	<b>\$ 666,980,000</b>	<b>\$ 219,270,000</b>	<b>\$ 886,250,000</b>

DESTROYED AT WASHINGTON

	<u>Returned</u> <u>By Agent</u>	<u>Returned By</u> <u>Treasurer</u>	<u>Returned By</u> <u>Minneapolis</u>	<u>Returned By Other</u> <u>Fed. Res. Banks</u>	<u>Total</u>
Fives	\$ 4,260,000	\$ 4,402,070	\$ 91,637,000	\$ 75,700,230	\$ 175,999,300
Tens	2,545,000	5,534,350	92,422,000	80,616,340	181,117,690
Twenties	1,020,000	5,091,080	69,062,000	79,979,200	155,152,280
Fifties	25,000	461,500	5,000,000	3,537,850	9,024,350
Hundreds	30,000	855,000	7,180,000	5,614,800	13,679,800
Five Hundreds		100,500	1,458,500	679,500	2,238,500
Thousands		167,000	1,873,000	1,012,000	3,052,000
<b>Total</b>	<b>\$ 7,880,000</b>	<b>\$16,611,500</b>	<b>\$ 268,632,500</b>	<b>\$ 247,139,920</b>	<b>\$ 540,263,920</b>

	<u>In Hands of Agent</u> <u>December 31, 1934</u>	<u>Outstanding</u> <u>December 31, 1934</u>
Fives	\$ 6,410,000	\$ 13,990,700
Tens	5,530,000	35,112,310
Twenties	5,540,000	45,307,720
Fifties	15,800,000	2,975,650
Hundreds	17,450,000	10,070,200
Five Hundreds	7,374,000	1,287,500
Thousands	7,453,000	2,695,000
<b>Total</b>	<b>\$ 65,557,000</b>	<b>\$ 111,439,080</b>

## RESERVE POSITION

Between December 31, 1932 and the close of 1933 we had a very large gain in our reserves. This was followed by another large gain in 1934. Over a period of two years, total deposits had a gain of \$68,000,000. Some of the increase came from funds transferred for the use of the Reconstruction Finance Corporation but member bank balances which were \$97,400,000 on December 31, 1934 made up all but \$9,300,000 of the total on that date. At the beginning of 1934 total deposits were \$66,300,000 so that the increase of the past year was \$40,400,000. As of December 31, 1934 the reserve balances of members were 206% of the required reserve.

At the close of 1932 we had total reserves of \$58,995,000 which gave a percentage of 49.2 against notes and deposits combined. One year later the total reserves were \$106,256,000 and the percentage applied to notes and deposits 66.7. With deposits showing the greatest increase for any one year of our existence in 1934 and little change in earning assets, the reserve percentage was advanced to 71 at the close of 1934. The high mark for the year was 72.6 per cent on December the 10th and the 14th, with the lowest percentage 62.7 on June 1.

On December 31, 1934 our total reserves amounted to \$151,470,000 and an increase of \$45,200,000 for the year. This total consisted of \$140,128,000 gold balances held at Washington and the remainder represented by cash held at Minneapolis. The larger portion of the reserves now carried in book balances at Washington is the result of the taking over of our gold by the Treasury under date of January 30, 1934. The revaluation of this gold did not affect our figures, the Treasury crediting the amount of our gold coin and gold certificates in the Gold Settlement Funds of the Agent and the Bank with the gold combined in joint custody of the Agent and the Bank. The gold certificates were shipped to the Treasury Department. During September this gold coin was withdrawn and sent to the Denver Mint. All abrasion has been ab-



## RESERVE POSITION (Contd)

sorbed by the Treasury Department.

Until August there was no material change in the amount of our notes in circulation, the expansion from the first of the year having been about \$5,000,000. From the first of August the expansion to the close of the year was a little over \$9,000,000. As the increase in our circulation fell far short of equalling the increase in deposits and our earning assets showed a decrease of only \$3,400,000, the natural result was an improved reserve position.

On December 31, 1933 the Agent held \$76,254,000 of gold, \$19,500,000 of United States securities and \$4,234,000 of eligible paper as collateral and reserve for the Federal reserve notes and bank notes issued to the Bank. At the close of 1934 the Agent had \$110,000,000 of gold, \$2,400,000 of United States securities and no discounted paper to secure the \$111,439,000 of our notes outstanding. The bank held gold after providing the 35% gold and legal reserve required against net deposits, to the extent of 107 per cent of the notes actually in circulation at the close of the past year compared to 89.4 cover at the close of 1933.

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

	<u>1934</u>	<u>1933</u>
January	\$ 60,477,000	\$ 38,277,000
February	59,747,000	42,062,000
March	69,361,000	41,026,000
April	68,693,000	39,987,000
May	65,607,000	41,103,000
June	68,160,000	44,526,000
July	73,940,000	52,311,000
August	85,406,000	51,903,000
September	92,903,000	52,110,000
October	93,805,000	52,331,000
November	98,240,000	54,673,000
December	102,189,000	56,921,000
Daily Average Member Bank Balances, Minneapolis and Helena 1934		\$ 78,323,000
" " " " " " " " 1933		47,306,000
" " " " " " " " 1932		40,094,000
" " " " " " " " 1931		48,050,000
" " " " " " " " 1930		51,225,000
" " " " " " " " 1929		52,562,000

MEMBER BANK RESERVE BALANCE FLUCTUATIONS

<u>HIGH</u>	<u>LOW</u>
Minneapolis Only Dec. 13, 1934 \$ 96,218,667	Minneapolis Only Jan. 29, 1934 \$ 47,624,997
Helena Only Dec. 11, 1934 13,169,251	Helena Only Jan. 4, 1934 6,978,711
Combined Dec. 13, 1934 109,004,803	Combined Jan. 29, 1934 54,794,833
Combined Dec. 30, 1933 63,026,791	Combined Mar. 9, 1933 35,223,846

COMPARISON OF MEMBER AND NON-MEMBER BANK BALANCES  
AS OF DECEMBER 31, 1934-1933-1932-1931-1930  
(Thousands only 000 omitted)

	<u>1934</u>	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>
Michigan	\$ 3,403	\$ 3,635	\$ 2,019	\$ 2,500	\$ 2,672
Minnesota	68,750	43,404	23,289	30,162	30,616
Montana	11,121	7,160	5,521	5,587	5,808
No. Dakota	3,893	3,398	2,175	2,807	3,503
So. Dakota	6,869	3,613	2,490	2,955	3,629
Wisconsin	3,365	3,120	2,266	1,816	2,219
	\$ 97,421	\$ 64,330	\$ 37,760	\$ 45,827	\$ 48,447

DEFICIENT RESERVE PENALTIES

	<u>Minneapolis</u> <u>1934</u>	<u>Helena</u> <u>1934</u>	<u>Combined</u> <u>1934</u>	<u>Combined</u> <u>1933</u>
Total Penalties for 1934	\$ 1,177.78	\$ 34.87	\$ 1,212.65	\$ 8,061.57
Number of Banks Penalized	72	6	78	264
Maximum Penalty Rate	5½%	5½%	5½%	5½%

TRANSFER AND CODING DEPARTMENT  
(Minneapolis Only)

The Transfer Department handled 34,198 transfers amounting to \$1,537,801,000 during 1934 as compared to 45,434 transfers totaling \$1,763,422,000 in 1933. This represents a decrease of 11,236 in number of transactions handled and \$225,621,000 in amount.

Transfers to the Treasurer of the United States for credit to the Five Per Cent Redemption Fund of National Banks during 1934 were 9,436 in number and amounted to \$9,609,000 in comparison with 10,262 transfers amounting to \$9,317,000 during the previous year.

Transfers other than for the Five Per Cent Redemption Fund of National Banks numbered 24,772 totaling \$1,528,192,000 in 1934 as compared to 35,172 transfers amounting to \$1,754,105,000 during 1933.

The number and amount of incoming and outgoing wire transfers handled during the years 1934, 1933 and 1932 were as follows:

Year	<u>Outgoing Wire Transfers</u>		<u>Incoming Wire Transfers</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1934	5,332	\$ 268,776,000	6,723	\$ 758,917,000
1933	6,184	420,027,000	9,461	967,900,000
1932	7,424	416,578,000	10,567	824,915,000

Messages coded and decoded during 1934 other than transfers were 19,170 as compared to 19,016 in 1933.

TELEGRAPH UNIT  
(Minneapolis Only)

During 1934 the number of words sent over the private wire from this office were 457,053, a decrease of 116,144 words over 1933 when 573,197 words were sent. There were 16,799 messages sent over the Private wire during 1934 and 21,510 messages received.

## AUDITING

The Auditing Department reconciles accounts and makes periodic audits of the various departments of the bank. Controls are maintained on earning assets and all income is proved and checked to the proper accounts on the general ledger. Expense items are inspected, listed and proved to the expense account. Requests for purchases of equipment or supplies are placed on requisitions signed by the officer in charge and referred to the Controller. No purchase is authorized until the need is established and price considered satisfactory. Receipts are obtained for all outgoing shipments of cash and securities. The Minneapolis Post Office furnishes us with a duplicate record of registered mail packages delivered to our bank and all deliveries are checked to the point of receipt by the operating departments. A duplicate record of securities deposited with us for safe keeping or for collateral purposes, is maintained and any changes in the accounts are verified with the custody department's records daily. Deliveries of securities from our Fiscal Agency division are checked against the stock record accounts daily. Member and non-member bank accounts are reconciled monthly and any exceptions shown on the reconcilements are followed up for proper adjustment. All requests received from examiners or other supervising authorities for verification of lists of notes or securities held in our custody, reconcilment of accounts, etc., are handled by the auditing department.

An examination of the Helena Branch was made under supervision of Head Office Controller as of July 13, 1934.

Reports of periodic audits of the various departments of the bank are rendered to the Chairman of the Executive Committee with copy to the Controller. Any suggestions for improvement or recommendations for changes in the operating methods or procedure are referred to the Controller for his approval and direction. Audits conducted during the past year did not disclose any irregularities. All accounts were found to be properly reported except for certain clerical errors, and any clerical errors discovered during the course of an audit were followed up for proper adjustment.

BANK EXAMINATION DEPARTMENT

ANNUAL REPORT - 1934.

At least one examination of all State member banks in the Ninth Federal Reserve District was made during 1934 by examiners from this department in spite of the fact that nearly one-half of the time of the examination department was occupied with holding company affiliate examinations and the preparation of memoranda for the Federal Reserve Board with respect to such holding company affiliates. Our examiners also made six examinations of State banks applying for membership in the Federal Reserve System. The examinations by this department in the various States were as follows:

	<u>State Banks</u>
Michigan . . . . .	15
Minnesota . . . . .	28
Montana . . . . .	23
South Dakota . . . . .	27
Wisconsin . . . . .	<u>3</u>
	96

Summary of Examinations, Special Visits, and Holding Company Affiliate Examinations

<u>Examiner</u>	<u>Examined for Membership</u>	<u>Regular Examinations</u>	<u>Special Visits</u>	<u>H. C. A. Examinations</u>	<u>Assisted</u>	<u>Miles Traveled</u>
John Carlander	3	34	11	2	3	15,198
Thos. H. Hodgson	-	28 (a)	-	-	-	16,944
H. G. McConnell	-	-	-	2	-	4,470
H. D. Sharratt (b)	1	39	7	-	5	15,706
W. J. Stutzman	2	15	2	2	1	8,110
<u>Assistant Examiner</u>						
H. R. Horn (c)	-	1	-	-	20	3,827
J. B. Johnson	-	-	-	-	36	11,466
H. C. Jones	-	1	1	-	32	12,066
C. J. Larson (d)	-	-	2	-	7	2,298
<u>Examiners' Clerk</u>						
C. W. Groth (e)	-	-	-	-	3	2,836
	<u>6</u>	<u>118</u>	<u>23</u>	<u>6</u>	<u>107</u>	<u>92,921</u>

(a) Trust Examinations.

(b) Mr. Sharratt eliminated 12-31-34.

(c) Mr. Horn eliminated 3-9-34.

(d) Mr. Larson is one of the officers of the Helena Branch, but assisted at seven examinations of State member banks.

(e) Mr. Groth, a clerk in the office, in three emergencies assisted examiners in making examinations of State member banks.

Examination of Holding Company Affiliates

Examiners for the Federal Reserve Bank of Minneapolis completed during the year six examinations of holding company affiliates, and in making those examinations and two preliminary examinations of two other holding company affiliates, four examiners and two assistant examiners were occupied for a total of 767 days.

The examination of the Northwest Bancorporation and of its subsidiaries was commenced as of April 7, 1934. This holding company affiliate had 120 subsidiary member and non-member banks and 35 other affiliated organizations. The examination and/or the determination of the condition of all of these organizations and the writing of the memorandum for the Federal Reserve Board consumed about 90 day's time. The memorandum and supporting information was forwarded to the Federal Reserve Board on July 20, 1934.

An examination of the First Bank Stock Corporation commenced on July 31, 1934, and the examination consumed approximately the same amount of time as that of the Northwest Bancorporation. The First Bank Stock Corporation had 102 subsidiary member and non-member banks and 19 other affiliated organizations. The memorandum for the Federal Reserve Board on this examination was forwarded on December 22, 1934.

BANK EXAMINATION DEPARTMENT (Contd)

Other holding company affiliates examined were the Marshall-McCartney Company of Oakes, North Dakota; Bank Shares Corporation, Minneapolis, Minnesota; First National Corporation, Breckenridge, Minnesota; and C. E. Conrad Estate, Incorporated, Kalispell, Montana. A visit was made to the Midway National Corporation, St. Paul, Minnesota, a holding company affiliate, but before the examination was completed, it had ceased to be a holding company affiliate, since it disposed of stockholdings in the Midway National Bank to an extent which eliminated it as such.

An examination of the Minnesota National Corporation of Duluth, Minnesota, a holding company affiliate controlling the Minnesota National Bank of Duluth, was also commenced, but this examination was not completed as steps have been taken to terminate the relation of the holding company affiliate.

State Bank Applications for Membership - 1934

During 1934, five applications were received from State banks in this district for membership in the Federal Reserve System. Those five banks and one whose application was received the latter part of 1933, were examined by examiners from this department and two of them, the Oakley State Bank, Buffalo, Minnesota, and the Security State Bank, McIntosh, South Dakota, completed membership, on March 19, 1934 and May 16, 1934, respectively.

Status of Applications for Membership Which Were on Hand December 31, 1933

Total number on hand . . . . .	32
Admitted to membership . . . . .	11
Held in abeyance pending increase in capital stock or elimination of criticised assets . . . . .	3
Applications withdrawn by applicant banks . . . . .	15
Superseded by new applications . . . . .	<u>3</u> 32

Status of Applications for Membership Received During 1934

Total number received . . . . .	5
Admitted to membership . . . . .	1
Held in abeyance pending discontinuance of Branch . . .	1
Held in abeyance pending increase in capital stock or elimination of criticised assets . . . . .	<u>3</u> 5

Re Applications of member banks to the Reconstruction Finance Corporation with reference to preferred stock or debentures

A considerable amount of time and effort was expended in cooperation with the Reconstruction Finance Corporation and in conference with bank officials in connection with rehabilitating member banks in this district through the sale of preferred stock or debentures to the Reconstruction Finance Corporation.

OFFICE WORK

Reports of Examination of National Banks

Number of reports received from the Chief National Bank Examiner's Office . . . 945 (The cost of these reports aggregated \$7,180.00 for the calendar year.)

106 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 \$447.50 for the year.

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:

Minnesota . . . . .	12
Montana . . . . .	1
South Dakota . . . . .	20

BANK EXAMINATION DEPARTMENT (Contd)

Reports of all examinations made by examiners for the Federal Reserve Bank of banks in the Ninth District were typewritten in this office. One copy was retained for our files, one copy sent to the bank examined, one copy forwarded to the State Banking Department, and since August 8, 1934, one copy was forwarded to the Federal Reserve Board. One copy was also forwarded to the Helena Branch on all State member banks in Montana. Analyses of reports of examination of all State member banks made by examiners for the Federal Reserve Bank (or examiners from State Departments since August 8, 1934) were made on either the revised Form 212 or Form 213, and sent to the Federal Reserve Board. These analysis 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 made by the Federal Reserve Agent and concurred in by the Governor.

In connection with applications of State banks for membership in the Federal Reserve System, one copy of the examiner's report is forwarded to the Federal Reserve Board, together with all legal papers in connection with the organization or reorganization of the applicant bank. The Federal Reserve Board is also furnished, in each instance, with a complete memorandum covering the organization, management, location, and condition of the applying bank.

All examination reports, both State and national, were analyzed on comparative analysis sheets, one copy being furnished Governor Geery, one copy to Deputy Governor Yaeger, and one to Deputy Governor Ziemer. These sheets contain a general statement as to the condition of the bank; also a brief summary of the examiner's conclusions.

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 supervising authorities, calling attention to the unsatisfactory and criticized matters, with a request or direction that corrective action be taken. In many cases where such action appeared desirable and constructive, conferences were held with those at interest.

Reports of Earnings and Dividends, Reports of Condition, and related reports.

Approximately 5,825 reports of earnings and dividends, reports of condition, and related reports 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 1934:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Approved</u>	<u>Capital</u>	<u>Powers</u>
The National Metals Bank of Hancock	Hancock, Michigan	10-10-34	\$700,000	Full
Marquette National Bank	Minneapolis, Minn.	3-21-34	400,000	Full

The Commercial Trust & Savings Bank, Mitchell, South Dakota, completed arrangements with State authorities for exercising trust powers and the Federal Reserve Board on September 12, 1934, gave its approval with reference to the exercise of such powers.

The following application for permission to exercise fiduciary powers was forwarded to the Federal Reserve Board, but advice as to the Board's action has not yet been received:

<u>Name of Bank</u>	<u>Location</u>	<u>Capital</u>	<u>Powers</u>
First National Bank & Trust Company	Sioux Falls, South Dakota	\$450,000	#9

BANK EXAMINATION DEPARTMENT (Contd)

The following applications for surrender of fiduciary powers were approved during 1934 or are held in abeyance by the Federal Reserve Board:

<u>Name of Bank</u>	<u>Location</u>	<u>Date Sent</u>	<u>Action by F.R. Board</u>
First National Bank	Calumet, Michigan	12-1-34	4 Held in abeyance
First National Bank	Hancock, Michigan	10-20-34	Held in abeyance
First National Bank	Laurium, Michigan	10-25-34	Held in abeyance
Freeborn County National Bank	Albert Lea, Minnesota	10-9-34	Held in abeyance
Austin National Bank	Austin, Minnesota	9-13-34	Held in abeyance
First National Bank	Austin, Minnesota	1-11-34	Approved 8-1-34
First National Bank	Mankato, Minnesota	8-25-33	Approved 3-26-34
First National Bank	Rochester, Minnesota	3-6-34	Approved 9-18-34
James River National Bank	Jamestown, North Dakota	10-3-34	Held in abeyance
First National Bank	Minot, North Dakota	12-7-33	Approved 4-30-34
Union National Bank & Trust Company	Minot, North Dakota	8-14-33	Approved 5-23-34
American National Bank & Trust Company	Valley City, North Dakota	11-29-33	Approved 7-31-34
First National Bank & Trust Company	Vermillion, South Dakota	7-26-33	Approved 5-7-34

Application for Permits Under Regulations "L" and "R"

One hundred eighty-four applications of individuals for permission to serve at the same time as directors, officers, or employees of member banks and not more than two other banking institutions, as required under the Clayton Act, were received during the year 1934. There also was a carry-over of a large number of applications made late in the year 1933. The Federal Reserve Board during the year 1934 issued 237 permits based on such applications.

Three applications of individuals for permits under Section 32 of the Banking Act of 1933 were received during 1934, none of which have as yet been granted.

Applications for Federal Reserve Bank Stock

During the year, 225 applications were received from member banks for increase or decrease of the amount of stock held by the member banks in the Federal Reserve Bank of Minneapolis. Those applications were forwarded to the Federal Reserve Board, and when approved, new stock was issued or adjustments made in the stockholdings of those member banks.

Applications for National Charters

Total number of applications referred to this office for recommendation, 10 of which were applications received during 1933 . . . . 23  
(Of these, 22 were granted charters by the Comptroller of the Currency and the organization was incomplete as to 1 on December 31, 1934.)

Reports to Federal Reserve Board on changes in banks' status, etc.

Weekly reports are forwarded to the Federal Reserve Board showing changes in the status of all State and national banks in the district. Records are also maintained and weekly reports sent to the Federal Reserve Board with reference to (1) status of applications received from State banks for membership in the Federal Reserve System; (2) recommendations as to certification for membership in Permanent Insurance Fund; and (3) rehabilitation of capital of licensed State member banks.

The examination division maintains a list of non-member banks in the twelve Federal reserve districts which have signed agreements on T-1 or T-2 under the Federal Reserve Board's Regulation T, and, in connection with the Securities Exchange Act, rulings issued by the Federal Reserve Board with respect to interpreting Regulation T are communicated to the Minneapolis-St. Paul Stock Exchange, which is the only stock exchange in this district.



BANK EXAMINATION DEPARTMENT (Contd)

BANK CHANGES in 1934  
(Per stock book records)

Total number of member banks in the district January 1, 1934 . . . . .	551
New national banks organized . . . . .	22
State banks admitted . . . . .	<u>12</u>
	585

National banks absorbed by other national banks . . . . .	4
National banks succeeded by non-member State institutions . . . . .	1
National banks succeeded by other national banks . . . . .	25
National banks liquidated . . . . .	22
State member banks consolidated with non-member institutions . . . . .	1
State member banks converted to national banks . . . . .	1
State member banks withdrawals . . . . .	<u>1</u>
	<u>55</u>

Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year . . . . . 530

Membership

At the close of the year, there were 530 member banks in this district, as compared with 551 member banks at the beginning of the year. There was a net loss of 30 national banks and a net gain of 9 State banks. The total membership at the close of 1934 was divided into 461 national banks and 69 State banks.

Stock in the Federal Reserve Bank Issued to New Member Banks

<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Subscribed</u>
First National Bank of Crystal Falls	Crystal Falls, Michigan	36
First National Bank in Gladstone	Gladstone, Michigan	36
The National Metals Bank of Hancock	Hancock, Michigan	510
The Iron River National Bank	Iron River, Michigan	42
The Miners First National Bank of Ishpeming	Ishpeming, Michigan	72
The First National Bank at Manistique	Manistique, Michigan	36
The First National Bank in Ontonagon	Ontonagon, Michigan	36
The Security National Bank of Amboy	Amboy, Minnesota	36
State Bank of Aurora	Aurora, Minnesota	31
State Bank of Belle Plaine	Belle Plaine, Minnesota	24
Oakley State Bank	Buffalo, Minnesota	42
The Oakley National Bank of Buffalo	Buffalo, Minnesota	48
Sprague State Bank	Caledonia, Minnesota	44
The First National Bank of Hutchinson	Hutchinson, Minnesota	36
The Lake Crystal National Bank	Lake Crystal, Minnesota	36
National Bank of Commerce in Mankato	Mankato, Minnesota	72
First State Bank	Rushmore, Minnesota	25
First National Bank in St. Charles	St. Charles, Minnesota	33
The First National Bank at St. James	St. James, Minnesota	35
Farmers and Merchants State Bank of Sacred Heart	Sacred Heart, Minnesota	35
First National Bank in West Concord	West Concord, Minnesota	36
First National Bank in Winthrop	Winthrop, Minnesota	36
Citizens Bank & Trust Company	Big Timber, Montana	84
Deer Lodge Bank & Trust Company	Deer Lodge, Montana	90
The Yellowstone Bank	Laurel, Montana	21
First National Bank in Mott	Mott, North Dakota	36
The First and Commercial National Bank of Williston	Williston, North Dakota	34
Security State Bank	McIntosh, South Dakota	22
Citizens Bank and Trust Company	Mobridge, South Dakota	36
First National Bank in Pierre	Pierre, South Dakota	36
The Rapid City National Bank	Rapid City, South Dakota	72
Bank of Toronto	Toronto, South Dakota	18
The Security National Bank of Durand	Durand, Wisconsin	36
The Union National Bank of Superior	Superior, Wisconsin	144

BANK EXAMINATION DEPARTMENT (Contd)

State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-34</u>	<u>No. of State Banks withdrawing from membership during year</u>	<u>No. of State Banks admitted during year</u>	<u>No. of State Bank Members 12-31-34</u>
Michigan	7	0	0	7
Minnesota	13	2	6	17
Montana	17	0	3	20
North Dakota	0	0	0	0
South Dakota	20	0	3	23
Wisconsin	3	1	0	2
<b>Total</b>	<b>60</b>	<b>3</b>	<b>12</b>	<b>69</b>

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MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK DURING 1934

NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
4-14-34	First National Bank (Absorbed by First National Bank, Miles City, Montana)	Jordan, Montana	18
1-31-34	First National Bank, (Absorbed by First National Bank, Munich, North Dakota)	Hampden, North Dakota	18
12-29-34	First National Bank (Absorbed by First National Bank in Lemmon, South Dakota)	Bison, South Dakota	18
5-4-34	First National Bank (Absorbed by First National Bank, Miller, South Dakota)	Ree Heights, South Dakota	24

NATIONAL BANKS SUCCEEDED BY NON-MEMBER STATE INSTITUTIONS

7-24-34	National Bank of Grey Eagle (Succeeded by State Bank of Grey Eagle, Minnesota)	Grey Eagle, Minnesota	18
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NATIONAL BANKS SUCCEEDED BY OTHER NATIONAL BANKS

10-19-34	First National Bank (Succeeded by The National Metals Bank of Hancock, Hancock, Michigan)	Calumet, Michigan	270
1-24-34	Caspian National Bank (Succeeded by Iron River National Bank, Iron River, Michigan)	Caspian, Michigan	21
2-24-34	Crystal Falls National Bank (Succeeded by First National Bank of Crystal Falls, Michigan)	Crystal Falls, Michigan	38
3-9-34	Iron County National Bank (Succeeded by First National Bank of Crystal Falls, Michigan)	Crystal Falls, Michigan	90
3-23-34	First National Bank (Succeeded by First National Bank in Gladstone, Michigan)	Gladstone, Michigan	36
2-24-34	First National Bank in (Succeeded by The First National Bank at Manistique, Michigan)	Manistique, Michigan	39
10-29-34	First National Bank (Succeeded by The National Metals Bank of Hancock, Hancock, Michigan)	Hancock, Michigan	120
1-15-34	First National Bank (Succeeded by First National Bank at Hubbell)	Hubbell, Michigan	60
2-7-34	First National Bank (Succeeded by Iron River National Bank, Iron River, Michigan)	Iron River, Michigan	75
10-22-34	Merchants & Miners National Bank (Succeeded by The National Metals Bank of Hancock, Hancock, Michigan)	Ironwood, Michigan	72
3-9-34	Miners National Bank (Succeeded by The Miners First National Bank of Ishpeming, Ishpeming, Michigan)	Ishpeming, Michigan	120
9-27-34	First National Bank (Succeeded by The National Metals Bank of Hancock, Hancock, Michigan)	Laurium, Michigan	90

BANK EXAMINATION DEPARTMENT (Contd)

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
1-24-34	First National Bank of (Succeeded by The First National Bank in Ontonagon)	Ontonagon, Michigan	51
2-7-34	First National Bank in (Succeeded by The Security National Bank of Amboy, Amboy, Minnesota)	Amboy, Minnesota	24
3-23-34	Farmers National Bank (Succeeded by The First National Bank of Hutchinson, Hutchinson, Minnesota)	Hutchinson, Minnesota	40
1-15-34	First National Bank (Succeeded by The Lake Crystal National Bank, Lake Crystal, Minnesota)	Lake Crystal, Minnesota	45
9-18-34	National Bank of Commerce of (Succeeded by National Bank of Commerce in Mankato, Mankato, Minnesota)	Mankato, Minnesota	78
1-10-34	First National Bank (Succeeded by Citizens National Bank of Park Rapids, Park Rapids, Minnesota)	Park Rapids, Minnesota	39
5-14-34	First National Bank of (Succeeded by First National Bank in St. Charles, St. Charles, Minnesota)	St. Charles, Minnesota	30
5-29-34	First National Bank of (Succeeded by First National Bank in West Concord, West Concord, Minnesota)	West Concord, Minnesota	36
2-19-34	First National Bank (Succeeded by First National Bank in Winthrop, Winthrop, Minnesota)	Winthrop, Minnesota	24
3-16-34	First National Bank of (Succeeded by First National Bank in Mott, Mott, North Dakota)	Mott, North Dakota	36
3-23-34	First National Bank of (Succeeded by First National Bank in Pierre, Pierre, South Dakota)	Pierre, South Dakota	43
1-31-34	First National Bank in (Succeeded by The Security National Bank of Durand, Durand, Wisconsin)	Durand, Wisconsin	36
2-7-34	United States National Bank (Succeeded by The Union National Bank of Superior, Wisconsin)	Superior, Wisconsin	150

NON-LICENSED NATIONAL BANKS: CONSERVATORS APPOINTED: NOW IN RECEIVERSHIP

1-8-34	First National Bank	Ceylon, Minnesota	27
5-4-34	First National Bank	Cambridge, Minnesota	33
3-21-34	Citizens National Bank	Faribault, Minnesota	72
2-24-34	First National Bank	Foley, Minnesota	21
3-21-34	Farmers National Bank	Hendricks, Minnesota	20
6-2-34	First National Bank	Holland, Minnesota	18
2-16-34	Morris National Bank	Morris, Minnesota	24
1-8-34	First National Bank	New Richland, Minnesota	19
5-28-34	First National Bank	Swanville, Minnesota	20
2-7-34	First National Bank	White Bear Lake, Minnesota	24
6-4-34	First National Bank	Woodstock, Minnesota	18
1-8-34	First National Bank	Valier, Montana	15
1-30-34	First Kenmare National Bank	Kenmare, North Dakota	30
1-15-34	First National Bank	Warmarh, North Dakota	30
1-8-34	First National Bank	Canton, South Dakota	60
2-24-34	First National Bank	Gary, South Dakota	30
1-15-34	First National Bank	Hayti, South Dakota	18
4-5-34	National Bank of Hudson	Hudson, Wisconsin	36
5-7-34	First National Bank	Stone Lake, Wisconsin	16

NATIONAL BANKS LIQUIDATED THROUGH VOLUNTARY LIQUIDATION

12-10-34	First National Bank	Princeton, Minnesota	34
10-29-34	First National Bank	Choteau, Montana	36
8-28-34	First National Bank	Donnybrook, North Dakota	18

STATE MEMBER BANKS CONSOLIDATED WITH NON-MEMBER INSTITUTIONS

6-20-34	Dakota State Bank (Taken over by Merchants Bank, Winona, Minnesota)	Dakota, Minnesota	22
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BANK EXAMINATION DEPARTMENT (Contd)

STATE MEMBER BANKS CONVERTED TO NATIONAL BANKS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
12-17-34	Oakley State Bank (Converted to The Oakley National Bank of Buffalo, Buffalo, Minnesota)	Buffalo, Minnesota	42

STATE MEMBER BANK WITHDRAWAL

11-15-34	Peoples State Bank of Bloomer	Bloomer, Wisconsin	18
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MEMBER BANKS THAT HAVE BEEN ABSORBED BY OTHER BANKS AND WHICH HAVE NOT AS YET SURRENDERED THEIR STOCK IN THE FEDERAL RESERVE BANK

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
10-23-34	First National Bank (Absorbed by First National Bank, Coleraine, Minnesota)	Marble, Minnesota
8-18-34	Twin Cities National Bank (Absorbed by Midway National Bank, St. Paul, Minnesota)	St. Paul, Minnesota
10-1-34	First National Bank (Absorbed by Citizens State Bank, New England, North Dakota)	New England, North Dakota
11-12-34	First National Bank (Absorbed by Reservation State Bank, Makoti, North Dakota)	Makoti, North Dakota
10-27-34	First National Bank of (Absorbed by First National Bank in Garretson, which was formerly The First National Bank of Sherman, South Dakota)	Garretson, South Dakota

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

7-19-34	First National Bank	Lima, Montana
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NUMBER OF MEMBER BANKS IN ACTUAL OPERATION DECEMBER 31, 1934

National Banks	455
State Banks	69
	<hr/> 524

## FISCAL AGENCY FUNCTIONS - 1934

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings Certificates, Federal Intermediate Credit Bank debentures and Federal Land Bank bonds redeemed at this office, which were handled by the Fiscal Agency operated by us for the United States Government, numbered 161,673 pieces and amounted to \$309,979,854.50 as compared with 94,183 pieces amounting to \$182,839,285.75 in 1933.

This Agency also handled during 1934, 7,536 purchases and 16,263 resales of Government securities totaling \$93,363,960. In addition, either delivery or payment or both, was handled for banks and trust companies on 1,174 transactions in Government securities amounting to \$180,773,400. There were also 8,959 transactions of miscellaneous general market securities aggregating \$28,352,580.95. Altogether, of these various transactions there were 33,932 totaling \$302,489,940.95, as compared to 24,926 totaling \$203,268,137.26 in 1933.

Delivery of 92,880 pieces totaling \$137,647,494.67 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., 37,647 pieces were delivered, amounting to \$152,414,100. The total number of pieces delivered was 130,527 amounting to \$290,061,594.67 in comparison with 90,322 totaling \$170,616,575 during the preceding year.

With the exception of Treasury bills, there were fourteen offerings of United States Government securities during 1934. In such operations, 10,267 individual subscriptions contained in 9,045 different applications were received in this district. The amount allotted on these subscriptions was \$132,089,250. During 1933 9,451 individual subscriptions were submitted in 7,515 different applications on eleven similar offerings and \$76,572,150 was allotted.

## FISCAL AGENCY FUNCTIONS (Contd)

During 1934, 321 tenders amounting to \$20,489,000 were received by this Agency on 59 offerings of Treasury bills. Of these, 48 tenders ranging from .02% to 1.00% and amounting to \$8,480,000 were accepted. During 1933, 177 tenders amounting to \$13,099,000 were received and 28 tenders totaling \$5,192,000 were accepted on the 47 offerings of Treasury bills made that year.

In April, holders of the First Called Fourth Liberty Loan bonds (i.e. the Fourth Liberty Loan 4 $\frac{1}{4}$ % bonds bearing serial numbers the final digit of which was 9, 0, or 1) were offered the opportunity of exchanging these bonds for 3 $\frac{1}{4}$ % Treasury bonds of 1944-46. There were \$7,599,350 of the First Called Fourth Liberty Loan bonds in coupon form and \$2,014,600 in registered form received and accepted by this Agency on such exchanges.

Notice was also given by the Secretary of the Treasury in April that all outstanding Fourth Liberty Loan 4 $\frac{1}{4}$ % bonds bearing serial numbers the final digit of which was 8 or 2 were called for redemption on October 15, 1934, on which date interest on such bonds would cease.

In connection with refunding the Federal Land Bank 4 $\frac{3}{4}$ % bonds which were called for payment July 1, 1934, this Agency redeemed \$701,500 of such bonds and delivered 1,275 of the new Federal Land Bank Consolidated 4% bonds of 1944-46 amounting to \$1,313,000.

In July, 115 tenders totaling \$1,729,000 were received by this Agency on an offering of Federal Farm Mortgage 3% bonds of 1944-49 by the Secretary of the Treasury on behalf of that Corporation. Of these tenders, 22 for \$376,000 ranging from 101.187 to 100.500 were accepted.

On behalf of the Home Owners' Loan Corporation, the Secretary of the Treasury on August 6, 1934, offered to the public three series of bonds of that Corporation and invited tenders therefor. To the three series combined, 100 tenders amounting to \$3,613,500 were received by this Agency, of which 67 tenders ranging from 101. to 99.250 and totaling \$3,394,000 were accepted.

In September, the Treasury Department offered to holders

## FISCAL AGENCY FUNCTIONS (Contd)

of the second Called Fourth Liberty Loan bonds the privilege of exchanging them for a four year  $2\frac{1}{2}\%$  Treasury note or a 10-12 year  $3\frac{1}{4}\%$  Treasury bond, the latter being an additional issue of the Treasury bonds of 1944-46 which were first offered in April, 1934. On such exchanges, 15,309 Fourth Liberty bonds in coupon form amounting to \$18,477,300 and 6,427 in registered form aggregating \$4,236,400 were received and accepted by this Agency.

In October, the Secretary of the Treasury gave notice that the outstanding Fourth Liberty Loan  $4\frac{1}{4}\%$  bonds bearing serial numbers the final digit of which was 5, 6 or 7 were called for redemption on April 15, 1935, and interest on such bonds would cease on that date.

Including the weekly circular giving current market quotations on the various outstanding government issues, 136 circular letters were sent to all banks and trust companies in the district during 1934 in connection with fiscal agency operations. During the preceding year there were 128 circular letters.

At the close of 1934 there were 321 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. At the close of the preceding year there were 328 banks and trust companies so designated. No interest was paid on daily balances in the War Loan Deposit Accounts by the special depositories during 1934.

The Fiscal Agency operated by us for the Government redeemed 578,056 Government and Federal Land Bank coupons amounting to \$11,170,607.73 during the past year as compared to 533,628 coupons totaling \$8,679,108.85 during 1933. They also redeemed 168,185 Federal Farm Mortgage Corporation and Home Owners' Loan Corporation coupons amounting to \$1,189,814.74 during 1934.

FISCAL AGENCY FUNCTIONS (Contd)

Acting as Fiscal Agent of the Federal Farm Mortgage Corporation since April 10, 1934, this Agency made 68,985 deliveries of 263,498 Federal Farm Mortgage Corporation bonds amounting to \$131,067,700 in accordance with instructions received from the Federal Land Bank of St. Paul.

Issues and exchanges of bonds of the Federal Farm Mortgage Corporation, Home Owners' Loan Corporation and Consolidated Federal Farm Loan bonds of the Federal Land Banks handled by this Agency during 1934 as Fiscal Agent for these organizations numbered 60,286 pieces and amounted to \$25,296,500. Included in these figures are 11,812 Home Owners' Loan Corporation 4% bonds of 1933-51 aggregating \$3,222,350 which were received for conversion into the 3% bonds of 1944-52 of that Corporation prior to the expiration of the conversion privilege on October 27, 1934. There were also 8,621 bonds totaling \$13,505,500 delivered on denominational, registered, and coupon exchanges.

The total number of individual securities received and delivered by the Fiscal Agency Department (including the Federal Farm Mortgage Division) during 1934 was 624,605 totaling \$769,911,149.17 as compared with 184,505 totaling \$353,455,860.75 in 1933.



FISCAL AGENCY FUNCTION  
(Minneapolis Only)

RECONSTRUCTION FINANCE CORPORATION

The Federal Reserve Bank continues to act as custodian, fiscal agent and depository for the Reconstruction Finance Corporation, and our duties during the past year have expanded in accordance with the activities of the Corporation.

The loans made on corn for account of the Commodity Credit Corporation, and the purchases of Preferred Stock and Capital Debentures have involved a considerable amount of detail work. No notes have been rediscounted for the Regional Agricultural Credit Corporation since February 26, and all rediscounts held for account of the Regional Agricultural Credit Corporation were repurchased by the R. A. C. C. on last May 4.

A considerable number of loans have been made in connection with reorganizations of national banks and it is expected that a considerable number of loans will be made this next year for the purpose of terminating national bank receiverships. While the following table shows not many industrial loans made, there are numerous commitments not yet closed. The schedule also shows the repayments made by "banks", the balance due involves mostly banks which have suspended.

<u>Type or Class of Loan or Advance</u>	<u>No. of Loans</u>	<u>Amount Disbursed</u>	<u>Amount Repaid</u>	<u>Balance due Principal</u>
Banks	848	\$19,383,660.66	\$17,206,614.47	\$ 2,177,046.19
D. L. B.	42	1,565,691.91	894,664.81	671,027.10
Federal Land Bank	1	27,476,520.00	19,687,559.35	7,788,960.65
Building & Loan Assns.	25	4,741,669.23	4,718,672.44	22,996.79
Investment Companies	6	6,938,381.99	368,113.91	6,570,268.08
Preferred Stock of Banks	239 a	30,092,400.00	201,200.00	29,891,200.00
Debentures of Banks	576 a	16,272,500.00	6,404,500.00 b	9,868,000.00
Regional Agricultural Credit Corporation	129 c	34,934,340.78	34,934,340.78	None
D. L. I.	5	16,300.00	50.00	16,250.00
Other Classes	12	985,294.72	913,794.72	71,500.00
Corn (1933-34)	1 d	6,509,420.26	6,462,361.91	47,058.35
Corn (1934-35)	1 e	287,411.78	1,320.38	286,091.40
Relief Advances	71	17,875,576.00	42,008.00	17,833,568.00
	1956	\$167,079,167.33	\$91,835,200.77	\$75,243,966.56

### FISCAL AGENCY FUNCTION (Contd)

- a. Includes banks, belonging to Minneapolis Group Organizations, located in Montana and other states; also some banks in Chicago portion of Wisconsin.
- b. \$5,767,000 of this amount represents Debentures purchased from State Banks in Wisconsin and in the Chicago Federal Reserve Bank District, transferred after completion of transactions.
- c. These loans involved approximately 35,000 individual re-discounts on which were received daily a great many payments.
- d. 1933-34 Corn Loan - One loan to Commodity Credit Corporation, covered 15,293 individual corn notes.
- e. 1934-35 Corn Loan - One Loan to Commodity Credit Corporation to date has covered 536 individual corn notes.

### FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The volume of work performed for the Federal Emergency Administration of Public Works has increased quite considerably during the past year. The total disbursements, including accrued interest advanced, amount to a little in excess of six million dollars, and the total collections, including proceeds of resales, including interest and premium, amount to a little more than two million dollars, leaving approximately four million dollars worth of bonds held by us for account of the P. W. A., which includes \$110,000 of Montana Highway Bonds, held in safekeeping by our Helena Branch, supervision of which is had from here inasmuch as our Helena Branch is not functioning as a separate agency.

### FEDERAL INTERMEDIATE CREDIT BANK

Our arrangement as Custodian and Fiscal Agent for the Federal Intermediate Credit Bank was discontinued last July 25. The Intermediate Credit Bank decided to handle matters themselves at St. Paul. During the time we acted for them we handled 141 different offerings aggregating \$34,578,458.35; our work, of course, including not only the acceptance of these notes but their eventual releases and also the matter of daily partial payments.

## HELENA BRANCH

In addition to the tabulation of figures compiled at Helena in a separate report showing volume of operations and making comparisons with the previous year, your Controller is including in this report comments on the more important functions of the Branch and drawing attention to changes in volume and costs with the reasons therefor.

If we consider 1934 results from the standpoint of earnings and expenses, no degree of satisfaction may be expressed. Total earnings were less than \$1,000 for 1934. Expenses were \$17,000 more than for the previous year. The showing at Head Office however, would have been no better had our income been confined to the discounting of paper such as is the case at Helena. A total of 25 collateral loans to 7 banks and amounting to \$204,780 were handled.

The expense total of \$102,928.93 exceeded the budget estimates by approximately \$6,000, part of the increased expense being caused by conditions over which the Branch had no control. Among the important items causing expansion in the 1934 costs were the following: Payments to the retirement system between March 1 and close of the year \$4,936.55; increased payments to officers of \$3,600, most of which represented payments to the manager who had been paid by the Regional Agricultural Credit Corporation until August 1 of the previous year. Transit employees averaged 9 persons in 1934 compared to 6 persons in 1933, the additions being made to handle the increased volume of items received from Eastern Federal reserve districts formerly sent through Head Office. The larger Staff with increases granted as of January 1, 1934 made the heavier pay roll.

After the Controller's last inspection of the Branch, it was determined to increase the protection at the entrance to the Branch building, protect the windows with special steel mesh

## HELENA BRANCH (Contd)

and install a steel partition at the head of the stairs to shut off the upper floor at night. This work, with some other alterations and redecorating of the main floor, caused expense of \$3,364.52 compared to \$217.31 expended in 1933. Supplies, printing and stationery increased costs \$1,000 and postage used principally for the added transit work amounted to \$13,707.03, which was \$2,300 in excess of 1933 postage costs. Between August 1 and the close of the year \$2,092.23 of expense was allocated to industrial loans. Approximately one-half of this expense however, would have been incurred had we no industrial loans.

The Branch budget for 1935 calls for expenditures of \$100,655 or \$2,300 less than the expense of 1934. There is no material change in most items with the exception of building costs. Repairs and alterations should be at a minimum in 1935.

Transit work of the Branch showed considerable expansion both as to number of items handled and amount. Items on Montana banks numbered 1,975,000 for \$161,623,000 during 1934 compared to 1,289,000 items for \$89,212,000 during the preceding year. Government checks handled were 802,000 in number and \$73,491,000 in amount compared to 312,000 checks for \$41,502,000 handled in 1933. Substantial increase has taken place in clearings, items received drawn on Head Office and on the Branch.

Non-cash items drawn on Helena individuals and concerns numbered 6,601, an increase of 530 items. Total amount of the items was \$6,600,000 and over double the amount of the 1933 collection items. Only 159 items were returned in 1934 compared to 585 returned in 1933. Country collections handled show a decrease in 1934. A total of 14,259 items for \$8,104,000 was handled. In the previous year 18,615 items for \$8,242,000 were received and forwarded.

The total amount of currency received at Helena during 1934 was approximately \$5,000,000 less than in 1933 but more notes were handled during 1934 than in the previous year. In 1933 larger bills

### HELENA BRANCH (Contd)

were shipped to Helena by the Minneapolis Agent and later returned. Shipments from member banks were greater in number but smaller in amount than in 1933. Member banks deposited \$8,123,000 during 1934 compared to \$10,200,000 deposited in 1933. Shipments to members and non-members numbered 3,732 for \$17,474,000. In 1933 \$16,183,000 was sent to members and non-members in 3,319 shipments. Including all redemptions and fit notes returned, the Branch paid out 2,648,000 bills for \$22,981,000 in 1934 compared to 2,354,000 bills paid out for \$22,319,000 during 1933.

Safe keeping services were further expanded during the year, the total of \$11,281,000 indicating an increase of \$1,800,000 over the total at the close of 1933. Coupons numbering 14,608 were cut from these securities. As custodian for the Reconstruction Finance Corporation, the Branch has issued receipts for \$5,564,000 of notes and other securities, a decrease of \$119,000 since December 31, 1933.

The increase in deposits since December 31, 1933 has been \$6,300,000. This is a percentage increase of 73% for Montana compared to an increase of 3% for the District as a whole. Of the Branch increased deposits, \$4,400,000 represent added funds of member banks with a \$2,000,000 increase in cashier's checks the result of relief checks issued for the R. F. C. to the State Treasurer and not yet used. Deposits representing collected funds were \$14,919,000 on December 31, 1934 compared to \$8,640,000 at the close of the year previous.

Depreciation of \$2,700 on the Branch building was set aside at the close of 1934, making a total of \$129,517.88 charged off or held as reserve since this property was obtained in 1920. Present book value is \$47,881.26.

The present Staff consists of 40 persons, 5 of whom are employees of the R. F. C. Reimbursement of \$1,800 of Mr. Hoerr's salary and part of the salary of one clerk is also obtained.

COMPARATIVE FUNCTIONAL EXPENSE REPORT

(Helena Branch Only)

	1934			1933		
	Average Number Of Officers	Average Number Of Employees	Expense	Average Number Of Officers	Average Number Of Employees	Expense
General Overhead - Controllable	1.00		\$ 9,493.24	.65		\$ 7,773.22
General Overhead - Non-Controllable			8,161.60			8,096.11
Provision of Space	.03	1.04	9,129.88	.05	1.04	6,296.83
Provision of Personnel	.03	.03	5,856.15	.05	.06	863.94
General Service	.09	11.67	16,923.86	.10	10.41	14,877.31
Postage			6,144.30			4,944.70
Insurance			2,200.11			3,572.88
Industrial Loans	.13	.22	2,092.22			
Loans, Rediscounts & Acceptances	.16	.11	1,031.12	.11	.83	2,405.20
Securities	.15	.95	3,443.66	.05	.84	2,712.80
Currency and Coin	.15	2.60	5,953.15	.05	2.04	4,700.05
Check Collection	.15	9.21	13,632.31	.12	6.11	9,791.55
Non-Cash Collection	.06	1.80	3,197.64	.11	1.81	3,102.84
Accounting	.15	3.30	9,635.07	.12	3.01	10,815.71
Fiscal Agency	.70	3.50	10,619.02	.60	2.65	8,352.10
Legal			628.00			624.00
Auditing		.91	3,327.89		.86	4,150.39
Bank Relations			388.70			293.58
Bank Examination			472.41			508.11
Statistical and Analytical			195.32			215.44
Grand Total	2.80	35.34	\$ 112,525.65	2.01	29.66	\$ 94,096.76
Total Current Expense			\$ 102,928.93			\$ 85,359.40
Reimbursable Expenditures			10,608.89			8,352.10
Stock of Supplies			1,012.17 *			385.26
Grand Total			\$ 112,525.65			\$ 94,096.76

\* Credit balance - Less supplies used than purchased during 1934.