

AUDITOR'S REPORT

FEDERAL RESERVE BANK OF MINNEAPOLIS

FOR THE YEAR

1936

To the Directors:

In the following statements will be found the results of our operations for the calendar year 1936, and comparisons with the similar functions of the previous year, together with comments offered, with the thought of drawing to your attention the more important matters.

As indicated one year ago our revenues were not sufficient to cover all requirements, which included special charge-offs and reserves. Net results, however, should be considered satisfactory, because of the substantial decrease obtained in operating costs. Further improvement in this respect will be evident when the 1937 Budget estimates are presented.

All-time high marks were reached during the year in deposits, circulation, transit daily volume and securities held in our safekeeping for member banks. Fiscal operations were heavy at times but so spread that we were able to make use of more of our regular employees. Decreased volume in other functions helped to reduce the staff 67 persons. Fuller information is given in the report.

One audit was made of the Branch during 1936 and one examination of Minneapolis and Helena was made by the Board examiners. All audits confirmed the records as reflecting our condition and that our operations were being efficiently conducted.

Respectfully submitted,

Auditor,

January 1, 1937.

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COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH
(After closing entries)

	<u>December 31, 1936</u>	<u>December 31, 1935</u>
Cash Reserves:		
Gold certificates with F. R. Agent	\$ 128,000,000.00	\$ 106,500,000.00
Redemption fund - F. R. Notes	914,568.48	539,753.65
Inter-district settlement fund	47,995,044.65	30,244,532.53
Total gold certificate reserves	\$ 176,909,613.13	\$ 137,284,286.18
Other cash	7,301,328.40	8,228,657.76
Total cash reserves	\$ 184,210,941.53	\$ 145,512,943.94
Bills and Securities:		
Bills secured by U. S. Government obligations, direct or fully guaranteed	3,000.00	-
Bills otherwise secured and unsecured ...	-	33,478.38
Bills bought in open market	60,662.78	61,006.52
Industrial advances	1,063,812.01	1,589,566.13
U. S. Government securities	90,707,500.00	75,567,939.07
Foreign loans on gold	7,200.00	8,400.00
Total bills and securities	\$ 91,842,174.79	\$ 77,260,390.10
Due from Foreign banks	2,991.32	2,971.18
F. R. Notes of other Federal Reserve Banks.	1,740,000.00	1,248,000.00
Uncollected Items:		
Transit items	17,202,493.07	14,663,848.80
Exchanges for clearing house	584,938.78	368,202.33
Other cash items	748,758.76	1,038,842.62
Total uncollected items	18,536,190.61	\$ 16,070,893.75
Federal Deposit Insurance Corporation Stock	3,509,467.65	\$ 3,509,467.65
Bank premises--Less depreciation reserves ..	1,487,513.72	1,531,075.57
Miscellaneous Assets:		
Premium on securities	-	10,659.81
Interest Accrued	13,567.73	78,016.21
Reimbursable expenditures	18,346.21	19,284.61
Deferred charges	15,722.22	22,087.45
Claims Account Closed Banks	93,601.67	179,933.89
Miscellaneous assets acquired in settlement of claims account closed banks	77,570.26	105,821.00
All other resources	13,531.48	11,428.65
Total miscellaneous assets	\$ 232,339.57	\$ 427,231.62
TOTAL RESOURCES	\$ 301,561,619.19	\$ 245,562,973.81

COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH
(After closing entries)

	<u>December 31, 1936</u>	<u>December 31, 1935</u>
F. R. notes in actual circulation	\$ 136,096,365.00	\$ 110,562,515.00
U. S. Treasurer - General account	5,470,909.59	3,154,902.63
Members-reserve account	120,530,139.28	96,228,074.84
Due to foreign banks	2,376,383.54	698,479.13
Officers' checks, Other deposits	5,445,070.43	7,057,053.58
Total deposits	\$ 133,822,502.84	\$ 107,138,510.18
 Deferred availability items	 \$ 18,825,773.16	 \$ 15,513,178.81
Miscellaneous Liabilities:		
Accrued taxes unpaid	\$ 65,853.30	78,895.00
Sundry items payable	17,652.22	58,688.87
Unearned discount	333.03	644.78
All other	64,045.49	50,456.21
Total miscellaneous liabilities	\$ 147,884.04	\$ 188,684.86
 Capital stock paid in	 \$ 2,943,050.00	 \$ 2,998,650.00
Surplus Fund - Section 7	3,116,430.29	3,148,502.93
Surplus Fund - Section 13 "B"	1,002,914.21	1,002,914.21
Fed. Deposit Ins. Corp. Stock-Paid in	3,509,467.65	3,509,467.65
Reserve for self insurance	515,379.97	515,379.97
Reserve for prior service liability under Retirement System.....	249,128.00	332,168.00
Reserve for other losses	1,332,724.03	653,002.20
 TOTAL LIABILITIES	 \$ 301,561,619.19	 \$ 245,562,973.81

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FEDERAL RESERVE BANK OF MINNEAPOLIS
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR 1936

Earnings from:	
Discounted bills - Minneapolis.....	\$ 927.46
Foreign loans on gold.....	100.63
Discounted bills-Helena Branch.....	20.67
Purchased bills.....	560.76
Industrial advances.....	79,125.14
Commitments to make industrial advances.....	979.46
United States Government direct obligations:	
Participation in F.R. System Open Market Account.....	1,148,441.74
Bank's investment account.....	108,688.63
Investments for self-insurance fund.....	7,780.91
Temporary investments.....	607.68
Deficient reserve penalties - Minneapolis.....	320.18
Deficient reserve penalties - Helena Branch.....	30.11
Income from banking house.....	12,317.22
Interest on past due paper of closed banks.....	13,962.20
Sale of waste paper.....	75.65
Service charges on collection items returned unpaid.....	39.90
Clearing house fines.....	34.00
Rental of furniture and equipment.....	2,401.33
All other.....	<u>5.48</u>
Total current earnings.....	\$1,376,419.05
Additions to earnings:	
Profit on sale of U.S. Government securities-	
From participation in F.R. System Open Market Account....	\$ 191,316.56
From our own portfolio.....	497,793.35
Recoveries of expense in connection with closed banks.....	18,705.01
Recoveries on transit items previously charged off.....	89.26
Recovery of cash difference previously charged to Profit and Loss through difference account.....	100.00
Recovery of amount charged to profit and loss Sept. 14, 1933, on account of abrasion of gold coin shipped to Mint by Helena Branch.....	1,246.60
Proceeds of sale of fixed machinery and equipment.....	30.00
Proceeds of sale of other real estate acquired for purposes other than banking house.....	3,584.18
Withdrawn from reserve for prior service liability under Retirement System.....	83,040.00
Net income from other real estate otherwise acquired.....	75.90
Expenses:	
Cost of Federal Reserve Currency.....	\$ 63,283.47
Other current expenses - Minneapolis.....	1,025,635.55
Other current expenses - Helena Branch.....	<u>111,066.66</u>
Total current expenses.....	\$1,199,985.68
Other deductions:	
Furniture and equipment - Minneapolis.....	8,018.53
Furniture and equipment - Helena Branch.....	3,392.38
Reserves for depreciation on bank premises:	
Minneapolis building (2% of estimated replacement cost).....	25,665.63
Helena Branch building (2% of estimated replacement cost).....	2,700.00
Helena Branch building (balance of account).....	17,481.26
Fixed machinery and equipment - Minneapolis.....	866.96
Assessment for building for Board of Governors of the Federal Reserve System.....	47,516.18
Counterfeits and discount on foreign currency-Minneapolis.....	275.95
Counterfeits and discount on foreign currency-Helena.....	80.00
Loss on mutilated coin and torn and mutilated currency....	18.45
Shortages in currency shipments received from member banks absorbed because of delay in proving the currency.....	12.00
Losses on industrial advances.....	13,807.57
Difference account-Minneapolis.....	40.02
Difference account-Helena Branch.....	10.06
Interest paid Secretary of Treasury, Section 13b.....	16,460.05
Dividends paid.....	179,052.04
Reserve for losses and contingencies.....	689,109.91
Withdrawn from surplus-Section 7.....	<u>32,072.64</u>
	\$2,204,482.61
	\$2,204,482.61

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS ACCOUNT YEAR 1936
Revised in accordance with Trans. 2453

	<u>Minneapolis</u>	<u>Helena</u>	<u>Combined</u>
Total Earnings	\$ 1,361,967.58	\$ 50.78	\$ 1,362,018.36
Total Net Expenses	<u>1,033,461.53</u>	<u>109,726.96</u>	<u>1,143,188.49</u>
Current Net Earnings	<u>328,506.05</u>	<u>103,675.18</u>	<u>218,829.87</u>
<u>Additions to Current Net Earnings</u>			
Profits on sales of Government Securities	689,109.91	-	689,109.91
Withdrawn from reserve for prior service liability to Retirement System	83,040.00	-	83,040.00
All Other	22,584.35	1,246.60	23,830.95
Total Additions to Current Net Earnings	<u>794,734.26</u>	<u>1,246.60</u>	<u>795,980.86</u>
<u>Deductions from Current Net Earnings</u>			
Reserves for Contingencies	689,109.91	-	689,109.91
Additional Reserve For Depreciation Helena Bldg. Earthquake damage	-	17,481.26	17,481.26
Prior service contributions to Retirement System	75,607.92	7,432.08	83,040.00
Assessment for Building for Board of Governors	47,516.18	-	47,516.18
All Other	14,153.99	69.94	14,223.93
Total deductions from Current Net Earnings	<u>826,388.00</u>	<u>24,983.28</u>	<u>851,371.28</u>
Net Earnings	<u>296,852.31</u>	<u>133,412.86</u>	<u>163,439.45</u>
Paid U. S. Treasurer (Sec. 13b)	16,460.05	-	16,460.05
Dividends Paid	179,052.04	-	179,052.04
Transferred to Surplus (Sec. 13b)	-	-	-
Withdrawn from Surplus (Sec. 7)	32,072.64	-	32,072.64

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1936

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
Earnings	\$1,376,419.05	\$1,376,368.27	\$ 50.78
Current expenses	<u>1,199,985.68</u>	<u>1,088,919.02</u>	<u>111,066.66</u>
Current net earnings	\$ 176,433.37	\$ 287,449.25	\$ 111,015.88
Additions to current net earnings:			
Withdrawn from reserve for losses (Schedule "D")	\$ 83,040.00	\$ 83,040.00	\$
Profit on United States Government securities sold-Net (if net loss show under "Deductions")	689,109.91	689,109.91	
All other (Schedule "A")	<u>23,830.95</u>	<u>22,584.35</u>	<u>1,246.60</u>
Total additions	<u>\$ 795,980.86</u>	<u>\$ 794,734.26</u>	<u>\$ 1,246.60</u>
Deductions from current net earnings:			
Bank premises - depreciation (Schedule "C")	\$ 46,713.85	\$ 26,532.59	\$ 20,181.26
Furniture and equipment	11,410.91	8,018.53	3,392.38
Reserve for losses (Schedule "D")	689,109.91	689,109.91	
All other (Schedule "B")	<u>61,740.11</u>	<u>61,670.17</u>	<u>69.94</u>
Total deductions	<u>\$ 808,974.78</u>	<u>\$ 785,331.20</u>	<u>\$ 23,643.58</u>
Net additions to (plus) or deductions from (minus) current net earnings			
Net earnings	<u>\$ 12,993.92-</u>	<u>\$ 9,403.06+</u>	<u>\$ 22,396.98-</u>
Dividends paid	\$ 179,052.04		
Payment to Secretary of Treasury (Section 13b)	16,460.05		
Withdrawn from surplus (Section 7)	32,072.64		

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1936

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

Description	Total	Head Office	Helena Branch
Recoveries of expense in connection with closed banks	\$ 18,705.01	\$ 18,705.01	\$
Recoveries on transit items previously charged off	89.26	89.26	
Recovery of cash difference previously charged to Profit and Loss through difference account	100.00	100.00	
Recovery of amount charged to Profit and Loss September 14, 1933 on account of abrasion on gold coin shipped to Mint by Helena Branch	1,246.60		1,246.60
Proceeds of sale of fixed machinery and equipment	30.00	30.00	
Proceeds of sale of other real estate otherwise acquired	3,584.18	3,584.18	
Net income from other real estate otherwise acquired	75.90	75.90	
	<u>\$23,830.95</u>	<u>\$22,584.35</u>	<u>\$ 1,246.60</u>

Schedule "B" - "All other" deductions from current net earnings

Description	Total	Head Office	Helena Branch
Assessment for building for Board of Governors of the Federal Reserve System	\$47,516.18	\$47,516.18	\$
Counterfeits and discount on foreign currency	355.95	275.95	80.00
Loss on mutilated coin and torn and mutilated currency	18.45	18.45	
Shortages in currency shipments received from member banks	12.00	12.00	
Losses on industrial advances	13,807.57	13,807.57	
Difference account	29.96	40.02	10.06+
	<u>\$61,740.11</u>	<u>\$61,670.17</u>	<u>\$ 69.94</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1936

Schedule "C" - Bank Premises - Depreciation

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>BANK BUILDING</u>			
1. Book value at beginning of year	\$1,021,140.83	\$1,000,959.57	\$ 20,181.26
2. Debits during year	0	0	0
3. Book value at end of year before closing entries	\$1,021,140.83	\$1,000,959.57	\$ 20,181.26
4. Credit to depreciation reserve	\$ 45,846.89	\$ 25,665.63	\$ 20,181.26
5. Book value after closing entries	\$ 975,293.94	\$ 975,293.94	\$ 0

FIXED MACHINERY AND EQUIPMENT

1. Book value at beginning of year	\$ 4,414.08	\$ 4,414.08	\$ 0
2. Debits during year	3,152.00	3,152.00	0
3. Credits during year	\$ 57.00	\$ 57.00	\$ 0
4. Book value at end of year before closing entries	7,509.08	7,509.08	0
5. Credit to depreciation reserve	\$ 866.96	\$ 866.96	\$ 0
6. Debit to depreciation reserve	\$ 57.00	57.00	0
7. Book value after closing entries	\$ 6,699.12	\$ 6,699.12	\$ 0

Schedule "D" - Reserves

1. Reserves* at beginning of year (Item TOOK on daily balance sheet, Form 34)		\$1,500,550.17
2. <u>Debits</u> during year:		
Reserves for:		
Losses on discounted bills	\$ 9,388.08	
Prior service liability under Retirement System	83,040.00	
<u>Total debits</u>	<u>\$ 92,428.08</u>	
3. <u>Credits</u> during year:		
Other losses	\$689,109.91	
<u>Total credits</u>	<u>\$689,109.91</u>	
4. Net Credit		\$ 596,681.83
5. Reserves* After closing entries (Item TOOK on daily balance sheet, Form 34)		<u>\$2,097,232.00</u>

* Other than for depreciation on "Fixed machinery and equipment" and "Bank building (including vaults)".

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	-		181,302.86
1929	-		184,029.92
1930	-		184,445.39
1931	-		180,454.53
1932	-		175,494.80
1933	-		171,568.89
1934	-		181,117.51
1935	-		185,448.45
1936	-		179,052.04
			<hr/>
		\$	3,991,475.20

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	" " "		390,160.58
December 31, 1929	" " "		549,658.58
December 31, 1930	" " "		8,229.60
December 31, 1931	" " "		None
December 31, 1932	" " "		87,158.54
			<hr/>
			\$5,202,898.50

DETAIL STATEMENT OF SURPLUS 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	" " " "		166,407.67
December 31, 1922	" " " "		56,892.10
December 31, 1923	" " " "		11,272.25
December 31, 1924	" " " "		12,627.39
December 31, 1925	" " " "		4,139.45
December 31, 1926	" " " "		25,042.32
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.	\$	82,423.36	
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 to Profit and Loss.		134,649.67	
December 31, 1933 Transferred to Profit and Loss.		89,483.63	
January 6, 1934 Transferred from Surplus for purchase of Federal Deposit Insurance Corporation Stock		3,509,467.65	
December 31, 1936 Transferred to Profit and Loss.		271,481.09	
December 31, 1936 Transferred to Profit and Loss.		32,072.64	\$5,242,578.89
Balance in Surplus-Section 7 Jan.1, 1937.			<u>\$3,116,430.29</u>

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.		251,936.74	
January 9, 1935.		251,936.74	
		<u>\$1,007,746.96</u>	
December 31, 1934			
Net expense over income on Industrial advances from funds transferred by Treasury Department			
	\$	4,832.75	
Net Surplus - Section 13 "B" Jan. 1, 1937			\$2,002,914.21

PROFIT AND LOSS

Current income for the past year was \$79,000 less than in 1935, but current expenses in 1936 were \$93,000 lower than the similar costs in 1935. Thus we find that our total current earnings of \$1,376,419.05 plus \$795,980.86 obtained from various other sources, enables us to present a better statement than one year ago when current income was \$1,455,877.17 and additional earnings \$191,399.59.

For several years the substantial additions to our revenues have made it possible to cover our ordinary requirements, but unusual conditions during 1934-5-6 were responsible for withdrawal of funds from our surplus. In January, 1934, one-half of our surplus or \$3,509,467.65 was turned over to the Federal Deposit Insurance Corporation, and at the close of 1935 the decision to set aside the full amount of the Bank's prior service liability under the Retirement System required a charge to surplus of \$271,481.09. During the years we have been participating in the profits from sales of Governments held in System account, the Board has not objected to our placing the full amount of such profit in reserve, provided we had sufficient other income to cover all needs. As to the 1936 profit from System account and the profit from the sale of our permanent holdings in June last, the Board gave approval to our adding the total profit to "Reserve for Losses and Contingencies" although to cover all other requirements we have found it necessary to withdraw \$32,072.64 from surplus.

All current profit items will be discussed under "Earnings" and the regular items which make up our operating costs will be described in the "Expense" classification. Other items which are credited directly to, or charged in, "Profit and Loss" will be explained on the following pages.

Due to the increased percentage of our holdings in System account, we obtained a larger portion of the profit from sales than in 1935. The amount credited us by New York was \$191,316.56 compared to \$146,765.12 in 1935. Through the sale of our own holdings to System account at the close of June at the market, we obtained a profit of \$497,793.35, which was placed in "Profit and Loss" account until the close of the year.

One of the most important additions to earnings for some years has been the recovery of expense in connection with the collection of paper at closed banks. All interest collected is applied to reduction of principal, after which any excess is used as a recovery of expense if incurred during the present or preceding year and credited to "Profit and Loss" if incurred during a prior period. Direct credits to profit and loss during 1936 for expense recoveries, amounted to \$18,705.01

compared to \$32,826.73 in the previous year and \$74,160.06 in 1934.

The amount of \$1,246.80 previously charged to profit and loss in 1933 was recovered in 1936. This represented abrasion on gold coin shipped to the Denver Mint by Helena Branch, prior to the date on which the Treasury decided to absorb the abrasion on all gold coin. Some persistence on our part brought this recovery.

Another item shown under "Additions to Earnings" was \$83,040.00 transferred from "Reserve for prior service liability under Retirement System", which account was established in the amount of \$332,168.00 at the close of 1935. Each month \$6,920 (1/12 of \$83,040) is charged to expense and paid to the Trustees of the Retirement System, with a like amount transferred from the reserve account to profit and loss.

Several sales were arranged during the year, of property we had acquired through our claims at closed banks. Full payment was not received in each case. The four properties disposed of were priced at \$7,453.08 and the payments received up to the close of the year amounted to \$3,584.18. Net income from other property acquired in the same manner was \$75.90 during 1936.

With the transfer to profit and loss of \$1,376,419.05 current earnings, we had, with the items directly credited, a total income of \$2,172,409.97. With the approval of the Board of Governors these funds were disposed of as follows:

CURRENT EXPENSES

Minneapolis	\$1,088,919.02	
Helena	<u>111,066.66</u>	\$1,199,985.68

During the first half of 1936 the actual operating expense was \$613,270.11 or \$48,545.57 less than the amount estimated in making up the budget figures at the first of the year. We revised our estimates in July and anticipated costs for the last six months to be \$610,928.14. Actual expenses were \$586,715.57 or \$24,212.57 less than estimated. An improvement of \$72,758.14 was made over the estimates for the full year. In comparison with 1935 operating costs we showed a reduction of \$96,642.87 at Minneapolis and an increase of \$3,578.18 at Helena. The most important factor in the expense contraction was payroll decrease through dismissals and salary reductions, offset in part by dismissal wages. Many other items enter into the total costs and these will be detailed in that portion of the report devoted to the expense classification.

FURNITURE AND EQUIPMENT

Minneapolis	\$8,018.53	
Helena	<u>3,392.38</u>	\$ 11,410.91

PROFIT AND LOSS

(Cont'd.)

At the beginning of 1936 we estimated our equipment and furniture requirements at Head Office and Branch to be \$15,000. In line with the curtailment of current expense we deferred purchases of equipment so that the total was \$3,600 less than the amount expended in 1935. The Helena purchases were double those of 1935, made necessary through the reorganization of the transit work. Classification of all purchases is made elsewhere in the report.

RESERVE FOR DEPRECIATION
ON BANK PREMISES

Minneapolis	\$25,665.63	
Helena	2,700.00	
Helena (Special)	<u>17,481.26</u>	\$45,846.89

With no change in the replacement value of our building since 1927, there has been no variation in the amount added to reserves each year. In addition to \$1,033,464.34 written off original cost to establish present replacement cost, we have set aside from earnings the sum of \$307,987.56 for depreciation, placing the net book value of the building at \$975,293.94.

In addition to approving the regular depreciation allowance of \$2,700 on our Helena Branch building, the Board of Governors authorized the appropriation of an amount sufficient to increase the depreciation reserve to 100% of gross book value. The amount required was \$17,481.26.

RESERVE FOR DEPRECIATION ON
FIXED MACHINERY AND EQUIPMENT

Minneapolis	\$ 866.96	
Helena	<u>0.</u>	\$ 866.96

All depreciation on original fixed machinery and equipment had been provided at Minneapolis by the close of 1934. Since then the construction of steel turrets and more recently the installation of a water pump have added \$8,669.60 to fixed machinery and equipment account, 10% of which was reserved at the close of 1936. Although some of the air conditioning equipment had been installed prior to the close of the year, no reserves will be set up until the end of 1937.

The required reserves at Helena had been accumulated by the close of 1931.

ASSESSMENT FOR BUILDING FOR
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

\$47,516.18

An important item in our costs for 1936 was the assessment to provide a building for the Board of Governors in Washington. Our payment was \$24,403.41 in 1935. The payment originally assessed for 1936 was \$53,404, but in December the Board advised us that the final 20% would not be called for. This means we will have \$5,887.82 added to our 1937 payments. We have paid \$71,919.59 to the close of 1936 and will contribute \$33,087.60 during the first half of 1937.

PROFIT AND LOSS (Cont'd.)

LOSSES ON INDUSTRIAL ADVANCES \$13,807.57

This represents two loans charged off on which final loss was determined.

Losses assumed were as follows:

Rhineland Refrigerator Corporation	\$9,715.68
Red Wing Advertising Company	4,091.89

COUNTERFEITS AND DISCOUNT
ON FOREIGN CURRENCY

Minneapolis	\$ 275.95	
Helena	<u>80.00</u>	\$355.95

For several years we have had greater losses from counterfeit bills than from cash shortages. Many of these counterfeits are difficult to detect, especially for the younger and inexperienced money sorters. In 1935 the amount charged off in this connection was \$527.57.

LOSS ON MUTILATED
CURRENCY AND COIN \$ 18.45

This represents the difference between the amount we allowed depositors as bullion value on mutilated coin and the amount paid us by the Mint. We have since reduced the allowance per ounce for mutilated silver.

DIFFERENCE ACCOUNT

Minneapolis	debit	\$40.02	
Helena	credit	<u>10.06</u>	Net debit \$29.96

Although the net amount charged off for differences was less than in former years, we actually had more small cash differences in 1936 than in 1935 because of new money sorters, and the elimination of "fanning" of small bills. Cash differences showed a net debit of \$126.48 for the year. Unlocated differences in transit work were mostly quite small, with a net overage of \$86.91 shown for 1936. At Helena, differences are infrequent.

INTEREST PAID SECRETARY
OF THE TREASURY \$16,460.05

After providing for the expenses in connection with making and handling industrial loans and charging off \$13,807.57 in losses, we were able to pay the Treasury the above amount. In 1935 we paid the Treasury \$16,853.49. Although loans fell off during the past year, the amount of the advances provided through Treasury funds remained at \$1,002,914.21 for both years. This means that if expense and losses exceed income from industrial loans in 1937, the excess will be chargeable to Surplus Section 13 "B". For 1936 the participation of the Bank and the Treasury in earnings, expenses and losses was 29.15% for the Bank and 70.85% for the Treasury.

PROFIT AND LOSS (Cont'd.)

RESERVE FOR LOSSES
AND CONTINGENCIES \$689,109.91

The addition to above reserve is made up of the full amount of the profit from the sale of \$7,011,650 Governments held in our Permanent account on June 30, 1935; \$500,000 held in our Self-Insurance Reserve and our share of the profit from System sales during 1936. From our own holdings the profit was \$497,793.35 and from System participation \$191,316.56.

After making the additions referred to and allowing for charges which occurred during the year, our accumulated reserves at the close of 1936 were as follows:

Self-Insurance	\$ 515,379.97
Depreciation on U. S. Government direct obligations	203,196.03
Losses on Bills discounted	199,008.88
Other Losses and Contingencies	930,519.12
Reserve for prior service liability under Retirement System	<u>249,128.00</u>
	\$2,097,232.00

DIVIDENDS PAID \$ 179,052.04

The payment of \$6,396.41 less in dividends than in 1935, reflects an average reduction in capital stock holdings of members of \$105,000 during 1936. The actual change since December 31, 1935, was a reduction of \$55,600. Since organization dividends have aggregated \$3,991,475.20. Dividends for the last half of 1936 were paid to 417 National banks and 67 State bank members. This is a net reduction of 16 National bank members and 1 State bank member since 1935.

SURPLUS ACCOUNT DECEMBER 31, 1936

Surplus Section 7	\$3,116,430.29
Surplus Section 13 "B"	1,002,914.21

As a result of transferring all bond profit to a reserve account, and making several special appropriations, we found it necessary to reduce our ordinary surplus \$32,072.64. No change was necessary in the 13 "B" Surplus representing funds placed with us by the Treasury Department for industrial loan purposes.

COMPARATIVE STATEMENT OF GROSS EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

EARNINGS FROM	Minneapolis 1936	Helena Branch 1936	Combined 1936	Combined 1935	Combined 1934
Discounted bills	\$ 1,028.09	\$ 20.67	\$ 1,048.76	\$ 1,038.50	\$ 15,839.65
Purchased bills	560.76		560.76	587.11	3,223.82
Industrial advances	79,125.14		79,125.14	116,167.00	15,928.59
United States government direct obligations	1,265,518.86		1,265,518.86	1,292,200.50	1,346,609.66
Municipal Warrants					89.05
Commitments to make industrial advances	979.46		979.46	934.37	
Deficient reserve penalties	320.18	30.11	350.29	394.19	1,212.65
X Income from banking house	12,317.22		12,317.22	1,451.91	6,477.62
Interest received on past due paper of closed banks	13,962.20		13,962.20	42,779.31	25,459.98
X Participation in transactions with foreign banks					4.52
X Sale of waste paper, money bags, etc.	75.65		75.65	90.16	115.70
Service charges on collection items returned unpaid	39.90		39.90	51.07	51.00
Monthly letters sold				6.00	
X Clearing house fines	34.00		34.00	20.00	48.00
X Past due Acceptances					36.58
X Rental of furniture and equipment	2,401.33		2,401.33	157.05	
All other	5.48		5.48		
Total Earnings	\$ 1,376,368.27	\$ 50.78	\$ 1,376,419.05	\$ 1,455,877.17	\$ 1,415,096.82

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	Commitments to make Industrial Advances	Total
1937	261,914	60,465	723,050	85,763,921			1,635	60,538	86,880,675
1936	\$ 47,206	\$ 60,864	\$ 1,314,784	\$ 82,208,224	\$ 0	\$	\$ 6,308	\$ 94,390	\$ 83,733,776
1935	48,594	69,523	1,936,117	72,398,064	0		1,469	92,568	74,546,335
1934	532,212	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

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	Commitments to make Industrial Advances	Total
1937	1.75	.767	6.000	1.507			1.463	1.057	1.544
1936	2.008%	.921%	6.000%	1.539%	0	0	1.595%	1.038%	1.609%
1935	2.090	.844	6.000	1.785	0	0	1.555	1.009	1.893
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

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%
Discount rate lowered	January 8, 1935	2 1/2%
Discount rate lowered	May 14, 1935	2%

EARNINGS

Earned at Minneapolis	\$1,376,368.27	
Earned at Helena	<u>50.78</u>	\$1,376,419.05

The situation as to the source of our earnings has changed very little during the past few years. With industrial loans decreasing and recoveries of interest on closed bank paper narrowed down to a few thousand dollars yearly, it is to be expected that a high percentage of our earnings must continue to be from investments in United States securities.

As was noted at the beginning of 1936, we could not expect to cover all needs with our then volume of Government holdings, especially with the earning rate trending steadily downward and the certainty that collections of expense and past due interest at closed banks would be materially less than in the previous year. Some of the decreased earning power was offset by reducing our actual expenses considerably below the budget estimates and through rentals obtained from Government Agencies.

Our loans throughout 1936 were confined pretty much to industrial advances from which we received income of \$79,125.14 plus commissions of \$979.46 for commitments. These earnings were obtained from average advances of \$1,315,000. In 1935 we had average advances of \$1,936,000 from which we earned \$116,167.00 interest and \$934.37 as commissions. On December 31, 1936, the amount of outstanding advances was \$1,064,000, of which \$1,002,914.21 was supplied from funds provided by the Treasury Department. Within a short time the only funds in use will be those of the Treasury and none of the net earnings will be apportioned to the Bank. When that time arrives, expenses and losses will be deducted from the income and if that is insufficient, any deficiency will be charged to Surplus 13 "B".

At Minneapolis we had a small amount of member bank paper under discount for the first 7 months of 1936. From August to November, inclusive, we had no rediscounts. At Helena a few notes were discounted in May and June, with no borrowing during the other months of the year. Bills discounted averaged \$47,206 in 1936, providing earnings of \$1,048.75 for the year. In 1935 the average was \$48,594 and the earnings \$1,038.50. We held no acceptances during 1936. The profit of \$560.76 shown as coming from purchased bills represented our participation in investments made through Foreign banks.

Reference to our average holdings of earning assets will show that Governmentals held were nearly \$10,000,000 greater than in 1935, but that our income of

EARNINGS (Cont'd.)

\$1,265,518.86 was \$26,681.64 less than in 1935. During 1935 the daily average of Governments held was \$72,398,000 and the average earning rate on such securities 1.785%. Our System Account holdings did not change in 1936 until the end of June, but the rate fell gradually to a 1.626% average basis for June. On the last day of June we transferred \$7,011,650 of Governments from our Permanent Account, and \$500,000 held in Self-insurance reserve to the System Account, receiving the market price of that day. At the same time the Open Market Conference reallocated the System holdings on the basis of each bank's requirements for operating costs and depreciation. This gave us a net increase of \$11,032,000, and a daily average of \$86,597,000 in July, compared to holdings of \$75,957,000 in June. Although we had a net increase in holdings, the average earning rate for July was only 1.402% and our daily income changed but little from that of June. Since July, however, the rate has improved a little each month and averaged 1.539% for 1936.

Further increase was made in our holdings at the beginning of the final quarter under the plan of the Open Market Conference to adjust allotments to needs at the first of each quarter. In December we were also apportioned a few securities which would mature in December. Our daily earnings from System Account were \$3,588.61 on December 1 and \$3,647.18 on December 31. We were also advised that on January 2 our proportion of the System holdings would be reduced \$5,279,000.

At the time of turning our holdings over to the System Account on June 30, we were able to credit profit and loss \$497,793.35 being the difference between market and the price at which carried on our books. On December 31 the New York bank credited us with our share of the 1936 profits on sales made from System account amounting to \$191,316.56. As previously advised, the entire profit from sales during 1936 has been placed in "Reserve for Loss and Contingencies".

In mentioning earnings from deficient reserve penalties, it is only to draw attention to the small amount of such penalties inflicted. The major part of the \$350.29 collected in 1936 is largely the result of oversight and which the strict rules laid down prevent our condoning. It is possible more penalties may be charged in 1937 if the suggested increase in reserves is brought about.

Rental income became a more important item in 1936. A charge was made to 6 Government Agencies and the Treasury Department. We experienced some objection from the Reconstruction Finance Corporation, first as to paying any rent and later as to the rate per square foot. In December a compromise was effected at \$2.00 per square foot, annual rate. All payments for rental space amounted to \$12,317.22 in

EARNINGS (Cont'd.)

1936 compared to \$1,451.91 received during the previous year. The Treasury Department pays us rental for space occupied in handling current issues only and in the event we have further difficulty in covering our needs we should endeavor to get reimbursement for other services from the Treasury, including space occupied.

Charges to Government Agencies for rental of equipment increased our revenues \$2,401.33 during the year. The Agencies preferred to pay rent rather than purchase the equipment outright. We charge 15% of the cost as yearly rental for adding machines and typewriters, and 8% for desks, chairs, etc. The rental income received during 1936 is 21% of all furniture and equipment purchases during the same period. Other small receipts in 1936 amounted to \$155.03 and covered sale of waste paper, service charges on collections, clearing house fines, etc.

All earning assets averaged \$83,732,000 in 1936 with the income derived therefrom at a rate of 1.609%. Government issues made up 98.2% of total holdings and also furnished 92% of our current earnings. In 1935 these respective percentages were 97 and 88.76.

The total holdings of Governments in System Account is \$2,430,226,850 of which we owned \$90,707,500 or 3.73% on December 31. The following Schedule will show the classification of issues and maturities. In comparison with one year ago about the same amount of securities mature within 5 years. The amount maturing after 5 years was \$194,449,300 or 8.75% at the close of 1935 and \$433,859,150 or 17.8% at the close of 1936.

It was mentioned one month ago that in order to show the true condition of the institution in connection with Government holdings, each bank, after the first of January, would set up a premium, discount and accrued interest account. Such accounts have now been opened on our books and as of January 2, 1937, were as follows: Premium \$695,184.58; Discount \$12,184.12; Accrued interest \$307,598.83.

EARNINGS (Cont'd.)

Income from District

	<u>1936</u>	<u>1935</u>	<u>1934</u>
Discount from members	\$ 948.13	\$ 1,038.50	\$ 15,628.25
Industrial advances	79,125.14	116,167.00	15,928.59
Commitments to make Ind. Adv.	979.46	934.37	0
Warrants	0	0	89.05
Deficient Reserve Penalties	350.29	394.19	1,212.65
Interest on past due paper of closed banks	13,962.20	42,779.31	25,459.98
Income from Banking House	12,317.82	1,451.91	6,477.62
Miscellaneous	2,556.36	324.28	214.70
	<hr/>	<hr/>	<hr/>
	\$ 110,238.80	\$ 163,089.56	\$ 65,010.84

Income from Without District

Discount from Purchased Bills	\$ 560.76	\$ 587.11	\$ 3,223.82
Interest on U.S. Securities	1,265,518.86	1,292,200.50	1,346,609.66
Foreign Loans on Gold	100.53	0	211.40
Participation in transactions with Foreign Banks	0	0	4.52
Miscellaneous	0	0	36.58
	<hr/>	<hr/>	<hr/>
	\$1,266,180.25	\$1,292,787.61	\$1,350,085.98

CLASSIFICATION OF HOLDINGS IN FEDERAL RESERVE SYSTEM
OPEN MARKET ACCOUNT-DECEMBER 31, 1936

Treasury Bills maturing in 1937		\$598,621,000	\$598,621,000
Treasury Notes maturing in 1937		185,047,000	
" " " " 1938		375,306,100	
" " " " 1939		275,438,950	
" " " " 1940		371,961,100	
" " " " 1941		<u>133,210,000</u>	
			\$1,340,963,150
Treasury Bonds June 15, 1940-43	3 3/8%	\$ 2,432,450	
" " Aug. 1, 1941	3 1/4%	47,173,400	
" " Mar. 15, 1941-43	3 3/8%	7,177,700	
" " Oct. 15, 1942-45	3 1/4%	22,830,500	
" " June 15, 1943-47	3 3/8%	3,834,000	
" " April 15, 1944-46	3 1/4%	34,081,400	
" " Dec. 15, 1944-54	4%	6,435,500	
" " Sept. 15, 1945-47	2 3/4%	21,288,250	
" " June 15, 1946-48	3%	44,036,000	
" " June 15, 1946-49	3 1/8%	5,906,000	
" " Mar. 15, 1946-56	3 3/4%	4,987,700	
" " Oct. 15, 1947-52	4 1/4%	630,600	
" " Mar. 15, 1948-51	2 3/4%	59,123,000	
" " Dec. 15, 1949-52	3 1/8%	7,268,000	
" " Dec. 15, 1949-53	2 1/2%	81,425,000	
" " June 15, 1951-54	2 3/4%	52,524,000	
" " Sept. 15, 1951-55	3%	1,158,900	
" " Mar. 15, 1955-60	2 7/8%	34,435,800	
" " Sept. 15, 1956-59	2 3/4%	<u>53,894,500</u>	
			\$ 490,642,700
Total System Holdings			<u>\$2,430,226,850</u>

OUR PARTICIPATION IN SYSTEM OPEN MARKET ACCOUNT AS OF
DECEMBER 31, 1936

Treasury Bills	\$ 22,343,000	
Treasury Notes	50,051,500	
Treasury Bonds	<u>18,313,000</u>	
		<u>\$ 90,707,500</u>

COMPARATIVE STATEMENT

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

	Minneapolis 1936	Helena Branch 1936	Combined 1936	Combined 1935	Combined 1934
Salaries:					
Officers	\$ 106,629.18	\$ 14,032.50	\$ 120,661.68	\$ 119,679.17	\$ 115,321.63
Clerical	326,505.46	36,256.70	362,762.16	421,026.63	427,566.23
Other employees	107,500.29	12,911.54	120,411.83	139,681.98	119,533.80
Contributions - Retirement System	102,516.56	10,504.80	113,021.36	119,201.74	50,260.08
Presidents' Conferences	554.06	-	554.06	618.55	719.84
Federal Reserve Agent's conferences	-	-	-	-	415.70
Federal Advisory Council	1,204.57	-	1,204.57	1,617.23	1,307.62
Directors' Meetings	9,191.10	1,102.05	10,293.15	11,300.69	7,993.92
Industrial Advisory Committee	1,628.83	-	1,628.83	3,315.01	1,371.27
*Traveling expenses	24,729.35	2,366.86	27,096.21	27,022.34	23,412.52
Assessment for Board of Governors F.R. System expenses	39,750.73	-	39,750.73	34,118.34	31,534.72
Legal Fees	9,926.86	-	9,926.86	11,878.60	12,503.80
Insurance on currency and security shipments	7,839.21	1,499.62	9,338.83	7,775.34	10,110.70
Other Insurance	18,706.26	2,240.90	20,947.16	20,506.85	23,311.44
Taxes on banking house	65,846.27	970.49	66,816.76	82,079.12	83,698.54
Light, heat, power and water	18,622.38	1,444.83	20,067.21	19,993.90	20,321.53
Repairs and alterations	6,793.67	46.91	6,840.58	6,977.09	11,758.89
Office and other supplies	11,532.77	1,769.20	13,301.97	14,086.16	20,215.37
Printing and stationery	16,375.46	2,022.74	18,398.20	18,231.92	22,601.12
Telephone	5,480.58	898.73	6,379.31	7,301.85	7,812.29
Telegraph	10,026.58	3,622.93	13,649.51	12,490.10	13,735.93
Postage	93,503.04	14,893.59	108,396.63	106,725.75	115,608.03
Expressage	9,642.24	1,873.62	11,515.86	9,870.70	7,326.90
Miscellaneous	31,130.10	2,608.65	33,738.75	40,979.80	38,725.07
Total Exclusive of Cost of Currency	1,025,635.55	111,066.66	1,136,702.21	1,236,478.86	1,167,166.94
Federal Reserve currency:					
Original cost, including shipping charges	57,825.66	-	57,825.66	51,146.94	24,137.07
Cost of redemption, including shipping charges	5,457.81	-	5,457.81	5,424.57	4,841.88
Tax on F. R. Bank note circulation	-	-	-	-	9,184.27
Total Current Expenses	\$ 1,088,919.02	\$ 111,066.66	\$ 1,199,985.68	\$ 1,293,050.37	\$ 1,205,330.16

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

ITEMIZED STATEMENT SHOWING AMOUNTS INCLUDED IN MISCELLANEOUS EXPENSES

	Minneapolis 1936	Helena Branch 1936	Combined 1936	Combined 1935	Combined 1934
Rental of furniture and equipment	\$ 504.05	\$ 33.00	\$ 537.05	\$ 369.58	\$ 392.92
Repairs and maintenance of furniture and equipment	779.53	672.59	1,452.12	1,485.94	2,210.52
Outside protection, vault inspection, etc.	288.05	199.68	487.73	1,763.07	355.36
Outside laundry and cleaning charges, etc.	1,181.01	139.53	1,320.54	2,151.25	2,724.11
Licenses and permits	44.01	1.50	45.51	38.75	32.75
Local transportation- car fare and taxi hire	303.51	-	303.51	360.98	508.85
Post office box and postage-meter rental	362.79	255.50	618.29	1,024.16	288.90
Newspapers, periodicals, books, binding, etc.	2,762.88	140.00	2,902.88	4,107.92	4,075.51
Collection charges and protest fees absorbed	97.69	4.86	102.55	135.40	154.52
Clearing house membership dues	-	20.00	20.00	60.25	10.00
Supplies furnished member banks	-	-	-	-	1.50
Copies of bank examination reports	4,070.00	207.00	4,277.00	4,653.35	7,583.00
Commercial agency credit reports and services	879.73	-	879.73	3,121.36	1,161.47
Advertising	10.00	-	10.00	-	-
Photographs	105.45	18.00	123.45	32.50	299.00
Medical service, supplies and physical examinations	2,196.63	79.49	2,276.12	905.65	2,986.42
Cafeteria net expense	4,540.31	-	4,540.31	6,076.94	5,158.08
Entertainment of bankers and others not in bank's employ	482.37	121.50	603.87	460.65	738.00
Officers' and employees' dinners	12.75	-	12.75	-	-
Employees' education: American Institute of Banking, All Other	2,568.00	80.00	2,648.00	2,677.00	2,405.00
Federal Reserve Club	2,050.00	300.00	2,350.00	3,100.00	2,875.00
Membership dues and donations:					
American Bankers' Association	250.00	15.00	265.00	265.00	265.00
State and other bankers' associations	345.00	210.00	555.00	440.00	350.00
Credit Men's Associations	165.00	36.00	201.00	183.00	165.00
American Acceptance Council	273.66	-	273.66	300.00	300.00
Twin City Bank Auditors' conference	45.00	-	45.00	30.00	30.00
Tax Payers' Association	787.20	-	787.20	811.80	662.63
Minneapolis Police and Firemen's Benevolent Associations	150.00	-	150.00	150.00	125.00
National Industrial Conference Board, Inc.	-	-	-	-	100.00
Exchequer Club of Minneapolis	20.00	-	20.00	20.00	20.00
Christmas donations	87.50	-	87.50	87.50	59.20
Miscellaneous expense in connection with closed banks	168.22	-	168.22	95.49	747.51
Pension Committee	-	-	-	-	788.56
Excess expense over commissions in handling foreign business.	1,529.96	-	1,529.96	1,513.51	1,151.26
System Committee on Legislative Program	-	-	-	94.45	-
Misc. expense F.R. Bank Motion Picture "Back of Banks & Business"	2,365.42	-	2,365.42	3,964.30	-
Ventilating and air conditioning survey bank building	-	-	-	500.00	-
Our share of expenses of Sub-Committee on Reimbursable Expenses	48.86	-	48.86	-	-
Expense in connection with finger prints of employees	25.00	-	25.00	-	-
Services for analysis of central files	125.00	-	125.00	-	-
Our pro rata share expenses WPA Closed Bank Study	1,500.02	-	1,500.02	-	-
All other	5.50	75.00	80.50	-	-
TOTAL MISCELLANEOUS EXPENSES	\$ 31,130.10	\$ 2,608.65	\$ 33,738.75	\$ 40,979.80	\$ 38,725.07

EXPENSES

Minneapolis	\$1,088,919.02	
Helena	<u>111,066.66</u>	\$1,199,985.68

With a smaller expense total in December than for any other month of the year, we were able to show a yearly total for operating costs \$72,758.14 less than our budget estimates and \$93,064.69 less than the operating expenses in 1935. One year ago our costs were raised substantially over estimates because of the decision to reduce more rapidly the liability for prior service under the Retirement System. The additional charge in 1935 to make the plan effective was \$57,711.00. This was necessary to make the yearly contributions for prior service \$83,040.00. At that time, the full requirement to be distributed over the following four years was charged to profit and loss and placed in a reserve account. In order to provide uniform system handling of contributions our expenses will be increased \$83,040.00 yearly and a like amount transferred out of the reserve account. These facts are mentioned again because retirement payments have been almost 10% of our total current expenses the past year.

Although many items carry importance in the make-up of our expense total, reductions in payroll and tax payments are the most important in bringing about a 7.2% decrease compared to 1935 total operating costs. Better progress was made in 1936 towards obtaining more adequate reimbursement from fiscal agencies. The improvement has referred more to rent than to services, and such payments are treated in our statements as income rather than deductions from expense. It should be mentioned that the Board of Governors' has outlined a revised method of reporting expenses which will include all fiscal expenses which are reimbursable and will also reclassify the items so as to give more prominence to certain costs such as note expense, Board operations, prior service contributions and normal depreciation allowances. We have not yet received the Board forms and for that reason are presenting the information on our costs in the usual manner.

We have heard more during recent months about curtailing our free services to member banks or making a charge for these services. This should not be done until the yearly results bring about a change in System policy, but we should, in the meantime, prevent the abuse of any privilege accorded the member banks.

EXPENSES (Contd)

During 1935 the fiscal expense amounted to \$254,089.50 at Minneapolis, of which \$173,942.07 was reimbursed. At Helena such expense was \$14,077.80 with reimbursement of \$10,085.46. For 1936 fiscal costs were \$228,934.53 at Minneapolis, with \$187,297.22 received as reimbursement. Helena costs for fiscal services were \$13,209.73 with reimbursement obtained for \$8,791.06. It will be noted there was \$46,055.98 of expense for which no reimbursement was received. This is practically all expense created by Treasury services and for which we might reasonably expect to be paid, especially during periods of low earnings.

Note costs have been high in 1936 and promise to be even higher for several years to come. Nothing has been said recently about the substitution of new notes for the unused notes of the earlier series containing the gold clause. Particulars of our note issue will be referred to elsewhere.

The total expense of making industrial loans in 1936 was \$43,063.36 in comparison with \$81,515.57 expended in 1935. The income from these advances exceeded the expense by \$37,041.24. In 1937 both income and expense should decline materially. It is unlikely the Bank will obtain any profit from these transactions in 1937 but we hope to receive sufficient income to offset the cost of operations and any losses. In any event the shortage would be charged out of funds furnished by the Treasury.

EXPENSES (Contd)

SALARIES

Minneapolis	\$540,634.93	
Helena	<u>63,200.74</u>	\$603,835.67

Net changes from 1935

Net Decreases

Payments to Clerical staff	\$ 58,264.47	
Payments to Guards, building employees and other non-clerical employees	<u>19,270.15</u>	\$ 77,534.62

Net Increases

Payments to officers		<u>982.51</u>
Net decrease compared to 1935		\$ 76,552.11

At the beginning of the year the indicated salary basis other than reimbursable amounts was \$646,000.00 which meant a total \$34,000.00 less than in 1935. Although there were salary increases to many employees the reductions to others prevented any inflation of the payroll. Dismissal wages were paid during the year to 33 persons at Minneapolis and 4 persons at Helena. The yearly salary payments to those dismissed aggregated \$51,280.00 and the amounts paid at time of release totaled \$16,760.63. Using the salaries in effect January 1, 1937, as a basis, there is an indicated payroll of \$533,294.00 after reimbursements for fiscal services and \$70,500.00 less than the actual payments in 1936. It should be understood that many employees of our regular banking departments are transferred temporarily to fiscal work and the payment for time used on such work will be by the Treasury Department and the various Government agencies. For this reason it is difficult to make a very close estimate of the yearly payroll. In former years recoveries of salary expense of representatives at closed banks were substantial. Most of the recoveries in 1936 went direct to profit and loss, only \$670.32 of representatives' salaries being credited to expense. During 1935 salary payments were reduced \$6,704.55 by collections at closed banks.

On January 1, 1936, we had 375 employees at Minneapolis and 39 at Helena, or a total of 414. This was the result of a reduction of 81 persons during the year 1935. On January 1, 1937, the Minneapolis personnel had been reduced to 315 persons with 32 persons comprising the staff at Helena. With a reduction of 81 persons in 1935 and 67 in 1936 there has been a 30% decrease in personnel for the past two years.

EXPENSES (Cont'd.)

PRESIDENTS' CONFERENCE	\$ 554.06
FEDERAL ADVISORY CONFERENCES	1,204.57

Four meetings were held of the Presidents and a like number were attended by our Advisory Council member. Included in the Advisory Council expense is \$350.00 of secretarial expense. One year ago the attendance at meetings cost more because Mr. Wold attended the meeting of our Board in Montana.

DIRECTORS' MEETINGS

Minneapolis	\$ 9,191.10	
Helena	<u>1,102.05</u>	\$10,293.15

Minneapolis directors' expense was less than one year ago for the same number of meetings because of the additional cost in 1935 through holding the July meeting in Montana and the travel expense to Helena of the Building Committee. Helena directors held 8 meetings in 1936, two less than in 1935, but costs were \$136.85 greater on account of the meeting in Minneapolis with our Board on October 17.

INDUSTRIAL ADVISORY COUNCIL \$1,628.83

With meetings less frequent in 1936 travel and maintenance costs paid the above members was less than one-half the total payments of 1935. No fees are allowed the Council members.

TRAVELING EXPENSES

Minneapolis	\$24,729.35	
Helena	<u>2,366.86</u>	\$27,096.21

There was little change in the total travel costs at Minneapolis and Helena compared to such expense in the previous year. We continued our visits to all the banks of the District as well as making it a point to attend most of the group meetings. Expense at closed banks has been materially reduced, and a much smaller amount was required for industrial loan investigations. Expense of Montana investigations is now paid at Minneapolis. The bank movie "Back of Banks and Business" continues to be in good demand.

For the complete year, our travel costs at Minneapolis were distributed as follows:

Industrial loan investigations	\$ 4,323.17	
Bank and Trust examinations	4,341.87	
Representatives at failed banks	3,025.71	
Showing of bank movie	4,138.91	
Group meetings and conventions	1,556.19	
Bank visitations	4,697.83	
Attendance at A.I.B. Convention	485.75	
System Conferences	1,320.81	
Visits at other Federal Reserve Banks	640.75	
Miscellaneous meetings, etc.	<u>198.36</u>	\$24,729.35

EXPENSES (Cont'd.)

Branch travel costs include visits of Minneapolis employees for the re-organization of the transit and other work, and the cost of the examination of the branch by Head Office auditors. Messrs. Hoerr and Larson also spent considerable time at Minneapolis studying Head Office procedure.

<u>ASSESSMENT FOR EXPENSES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM</u>	\$ 39,750.73
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In January, 1936, it was our understanding that the cost of the building under construction at Washington for the use of the Board of Governors, could not be carried on the books in the same manner as the banks carry their own buildings, and we assumed our proportion of the assessment would be a monthly charge to expense. We were later informed that the assessment for building purposes was to be a direct charge to profit and loss when called for. Under the circumstances, the above expense represents operating costs only of the Board, and these were \$5,632.39 greater than the amount paid for the same purpose in 1935.

For the first half of 1937 our assessment for Board operating costs will be \$17,973.52 compared to \$19,293.03 for the first half of 1936. We should experience a marked increase in the assessment for the second half of 1937 when the Board will occupy its new building.

<u>LEGAL FEES</u>	\$ 9,926.86
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Fees paid for legal services were lower in 1936 than for many years past, the net payment being only \$926.86 more than the regular retainer. This is because of the lessened amount of closed bank work and some recovery on fees previously paid. For eight months in 1935 we paid a retainer to Counsel Weir at Helena, but no legal retainer was paid other than to Ueland and Ueland in 1936.

<u>INSURANCE ON CURRENCY AND SECURITY SHIPMENTS</u>		
Minneapolis	\$ 7,839.21	
Helena	<u>1,499.62</u>	\$ 9,338.83

Both Head Office and Branch costs for this purpose are higher in 1936 than for the previous year, the Head Office excess being \$1,000.00 and the Branch approximately \$550.00. Increased volume of currency shipments is mostly the cause of the greater insurance payments. An increased amount of our own securities sent out explains the larger insurance payments on items of this classification.

EXPENSES (Contd)

OTHER INSURANCE

Minneapolis	\$18,706.26	
Helena	<u>2,240.90</u>	\$20,947.16

Due to a special credit of \$2,500.00 received in May, 1935, our Minneapolis insurance payments appear higher than in 1935. Decreases have been brought about in several classifications as indicated by the following figures:

	<u>1936</u>	<u>1935</u>
Employees Fidelity	\$ 241.70	\$ 575.05
Bankers' Blanket Bond, etc.	12,676.34	13,684.31
Workmen's Compensation	1,502.65	1,745.34
Fire on Equipment and Supplies	51.39	367.98
Contributory Group Life	1,823.93	407.64
Fire (Bldg) Liability, etc.	1,281.13	1,269.73
Autos and armored car	<u>1,129.12</u>	<u>739.52</u>
	<u>\$ 18,706.26</u>	<u>\$ 17,974.29</u>

Fidelity insurance was decreased in 1936 through the reduction in number and amount of the bonds covering representatives of the Agent's Department in connection with note issues. The Blanket bond was reduced \$750.00 in price making a total of \$13,250.00 now paid yearly. Workmen's compensation and Group Life payments have declined by reason of reductions in the staff. Fire insurance payments for coverage of equipment and supplies was \$316.59 less in 1936. Several premiums had been paid for a period of three years in 1935 with only one small payment made in 1936. It is not our policy to amortize payments monthly unless in excess of \$500.00. The fire insurance on our building has been reduced to \$500,000.00 in the form of a policy taken with the Associated Factory Mutual Insurance Companies, which policy also covers contents of the building and will remove the necessity for separate coverage for furniture and equipment. Under this policy we are also protected to the full amount in damage from tornado, aircraft and smoke. Added features are coverage to the extent of \$125,000.00 for damages from vandalism and sabotage. The policy just taken will cost us over a period of six years \$2,632.50, whereas the policies replaced would require payments of \$5,084.76 for the same period. It is also our understanding that based on the usual experience, the dividend to be paid us in the time mentioned, would be \$1,867.50, making a net cost to us of \$765.00 for six years coverage. Increase in automobile insurance is due to the bank absorbing one-half the cost of collision coverage for officers and other employees using personally owned cars in bank business.

Helena costs are reduced \$291.66 from 1935 principally on account of the reduced proportion of the blanket bond which the branch assumes as well as the lower

EXPENSES (Contd)

cost of the bond. Formerly 1/8 of the premium was paid by Helena and now 1/10 is the proportion.

TAXES ON BANK PREMISES

Minneapolis	\$ 65,846.27	
Helena	<u>970.49</u>	\$66,816.76

Substantial reductions have been obtained in the amounts reserved during 1936 both at Minneapolis and Helena. The real estate taxes at Minneapolis reserved in 1935 amounted to \$78,720.00 to which we added \$1,258.73 in order to wipe out all special assessments for paving, park improvement, etc., and save the interest thereon. An adjustment was made of the amount reserved in 1936 because of a reduction in value granted by the assessor. This reduction, together with a revision in the tax rate from 96 mills to 93 mills, made it necessary for us to provide \$14,132.46 less than in 1935. Our counsel is endeavoring to bring about a further decrease in valuation.

Helena values were more than cut in half for 1936 on account of earthquake damage. The payment of \$970.49 is \$1,129.90 less than the tax payment in 1935.

LIGHT, HEAT, POWER AND WATER

Minneapolis	\$18,622.38	
Helena	<u>1,444.83</u>	\$20,067.21

These costs slightly exceeded those of 1935 because of the heavy purchase of fuel oil in December. Deliveries of 42,864 gallons raised the total for the year to 151,401 gallons compared to 132,794 paid for in 1935. Throughout 1935 the price per gallon was 5½ cents with the same price prevailing most of 1936. Our contract was renewed October 1, 1936 for one year. Maximum price is fixed at 5½ cents per gallon but this price has not been reached to date. Power and light furnished is on a better basis than for 1935 with such costs \$9,609.04 in 1936 and \$10,537.24 one year earlier. A continuation of the lower rate with fewer employees indicates a further saving for 1937. More use was made of city water than in 1935 with our costs \$639.16 for the year, and \$548.12 in 1935.

At Helena there was some falling off in the above costs during the last half of the year compared to 1935, resulting in a saving of approximately \$90.00 compared to 1935. Power and light costs should decrease some in view of the smaller staff. The branch uses gas for heat in preference to coal or oil.

EXPENSES (Contd)

REPAIRS AND ALTERATIONS

Minneapolis	\$ 6,793.67	
Helena	<u>46.91</u>	\$6,840.58

As indicated, most of the expenditures for repairs and alterations were made by Minneapolis with very little spent at Helena since the Fall of 1935. It seems customary to never estimate sufficient in our Budget for repairs and alterations. Over the past three years we have required \$25,576.56 for such expenses or in excess of \$700.00 per month. Included in each month's charges is \$180.50 for elevator maintenance. In December we had \$386.00 for repairing a break in the water main and \$335.26 for changes made in the piping system. At Helena very little repair work has been done except that necessary for protection. In December our Board authorized an expenditure up to \$2,000.00 for removing the tile pilasters from the front of the building and for additional wooden braces and bolts to support the building.

OFFICE AND BUILDING SUPPLIES

Minneapolis	\$11,532.77	
Helena	<u>1,769.20</u>	\$13,301.97

One year ago reduced costs and a decreasing number of employees made possible a cost total 30% below that of 1934. Such expenses in 1936 have been lower than for many years largely because of further staff deletions. Prices have remained about the same, but the purchases of the past couple of months have been less than normal. These costs should really be combined with Printing and Stationery because there are many items which may be classified under either heading. Everything required by our guards, building and equipment mechanics is included in the above total.

Supplies for the Branch have cost \$170.53 more than in 1935, with Minneapolis showing a reduction of \$954.72.

PRINTING AND STATIONERY

Minneapolis	\$16,375.46	
Helena	<u>2,022.74</u>	\$18,398.20

Small increases were shown both at Minneapolis and Helena over the 1935 costs. There has been considerable expense for new forms during the past year, especially in the Safekeeping and Transit departments. Although competition is keen among printers, prices have changed very little. The total expense would have been higher but for the fact that our stock has been held to smaller quantities before reordering. Bids are required on all but small orders. A committee acts on all purchases and no order in excess of \$500.00 is given until approved by the members

EXPENSES (Contd)

PRINTING AND STATIONERY

of the Discount Committee. Helena participates with Minneapolis on quantity orders, and also places individual orders through the Head Office when cost here plus shipping expense is less than the price offered at Helena.

TELEPHONE

Minneapolis	\$5,480.58	
Helena	<u>898.73</u>	\$ 6,379.31

These costs show reductions because of a decrease of nearly \$600.00 in toll calls and a more equitable distribution of equipment rental to the various Government agencies. The same conditions affected Helena. Reduced expense was \$841.45 at Minneapolis and \$81.09 at Helena.

TELEGRAPH

Minneapolis	\$10,026.58	
Helena	<u>3,622.93</u>	\$13,649.51

There was an increased volume of wire transfers at Minneapolis over 1935 but the expense of the leased wire system to us was \$1,400.00 less than in 1935. Our payments of salaries to wire operators were \$1,924.35 compared to \$2,567.45 in 1935 with the 1936 payments classified as Telegraph expense, and those of the previous year shown in salaries. The installation of the teletype machines should reduce our costs in 1937, especially if the other Federal reserve banks adopt the same method of handling messages. The past year was the first to show an increase in wire expense for some time. This was the result of more wire transfers being sent, and later through a change in arrangements for handling San Francisco District telegrams. Formerly the branch paid the cost of messages between Spokane and Helena, with Spokane relaying messages to the other San Francisco offices without charge. Now Helena will send messages direct to all San Francisco offices over the commercial wires. Helena's increase in telegraph cost over 1935 was \$454.72.

POSTAGE

Minneapolis	\$93,503.04	
Helena	<u>14,893.59</u>	\$108,396.63

Both offices showed small increases over 1935 in the amount of postage used on mail and currency shipments or absorbed for member banks. Postage on money shipments made up the major part of postage expense. On outgoing shipments from Minneapolis, we required \$20,893.53 for currency and \$6,386.08 for coin. Member

EXPENSES (Contd)

POSTAGE

banks were credited with \$21,664.83 as reimbursement for postage placed on currency shipped to us. Out of a total of \$93,503.04 used for postage at Minneapolis, \$48,944.44 was in connection with money shipments, \$787.06 on securities, and \$43,771.54 for ordinary mail which includes transit letters. One year ago we used \$47,558.12 for money shipments and \$45,024.24 for other purposes. Surcharges were included in the totals mentioned, being \$14,969.99 in 1936 and \$13,557.78 for the previous year. The expense of moving new Federal reserve notes from Washington to Minneapolis, including surcharges, is not included with our regular postage charges. Such expense during 1936 was \$4,395.21 for postage and \$7,216.80 for surcharges.

Branch postage expenditures were \$750.00 greater than in 1935 and nearly \$400.00 was added to Expressage for checks previously sent by mail. Currency shipping charges, including insurance, were \$1,500 more in 1936.

We use practically no postage stamps and find postage meters very helpful in controlling the use of postage. Under this plan only the postage actually used each month appears in expense, the surplus being held in "Deferred Charges" until required. Helena obtained additional meters during the past year.

EXPRESSAGE

Minneapolis	\$9,642.24	
Helena	<u>1,873.62</u>	\$11,515.86

These costs were higher for 1936 than for any previous year since 1933 when we absorbed considerable costs on incoming shipments of coin during and after the banking holiday. The present cause for the increased costs concerns coin to only a minor degree. We have found it to our advantage at both Minneapolis and Helena, to send many of the larger transit letters by express. Handling transit letters at Minneapolis created express charges of \$2,488.75 in 1936 or \$725.07 more than in 1935. Government checks are usually sent to the Treasury by express and we expended \$556.88 for this purpose compared to \$806.79 in 1935. Maintenance of our truck and mail car is treated as expressage and required \$1,526.97 during the year in comparison with \$1,002.64 needed one year ago.

Helena expressage was \$600.00 higher than for the previous year. Besides \$400.00 additional used in forwarding checks, the Branch auto truck was overhauled, making total repairs for the year \$306.75 compared to \$41.50 in 1935.

EXPENSES (Contd)

FEDERAL RESERVE CURRENCY \$57,825.66

Original cost and shipping charges

After the heavy expenditures for notes in 1935, we expected some reduction in the amount required for 1936. Our estimate of \$38,000 proved entirely inadequate, being exceeded by nearly \$20,000. We had assumed the Treasury Department would take steps to replace, without cost to us, the unissued notes of the 1928 series, which we had paid for but were requested not to issue. When this was not done we had to replenish our stock at Minneapolis with larger shipments from Washington. Actually, printing costs of \$44,105.10 were less than in 1935, but shipping expense of \$13,720.56 on notes brought here added materially to our operating costs.

Other conditions which affected note costs were the increased demand, especially during the period of bonus payments and the using up of our surplus supply of legal tender 5's. We had been able to curtail printing orders for 5's a year earlier, but had to increase our order the past year. Unless a period of note contraction soon appears, we may expect fully as high printing costs for 1937 as in 1936.

FEDERAL RESERVE CURRENCY \$5,457.81

Cost of redemption, including shipping charges

Most of this expense was incurred in the payment for insurance coverage on our own fit notes returned to us by other Federal reserve banks and the cost of shipping unfit notes of all the banks to Washington. Each bank bears the postage expense for notes shipped, but declares the insurance on all of its own fit notes. Any expense of this character at the Branch is transferred monthly to Head Office. The above charges also include the amount reserved by us monthly for the payment of redemption expense at Washington. On December 31, 1935, we had \$907.12 reserved for this purpose and added \$1,350 during the past year. The charge to us for redemption and destruction of notes to close of the last fiscal year June 30, 1936, was \$1,095.17, leaving a balance of \$1,161.95 on December 31, 1936. For the first six months we will reserve \$100 monthly to fully provide for redemption charges.

EXPENSES (Contd)

MISCELLANEOUS EXPENSES

Minneapolis	\$31,130.10	
Helena	<u>2,608.65</u>	\$33,738.75

On a sheet following the current expense classification, will be found an itemisation of miscellaneous payments made during the year. The aggregate cost of these items is \$7,241.05 less than in 1935. Important disbursements were as follows:

RENTAL OF FURNITURE AND EQUIPMENT

Minneapolis	\$ 504.05	
Helena	<u>33.00</u>	\$ 537.05

These charges are for rent of typewriters used during audits and examinations when extra employees are required. Also for rental of movie equipment and sound projector for use in showing bank film.

REPAIRS AND MAINTENANCE OF EQUIPMENT

Minneapolis	\$ 779.53	
Helena	<u>672.59</u>	\$ 1,452.12

Very little is paid to outside concerns for maintenance of Minneapolis equipment. We use our own men and the expense represents costs of materials for carpenter and repair parts for machines. At Helena no mechanics are employed, the disbursement being to the concerns servicing our adding machines under a yearly contract.

OUTSIDE LAUNDRY AND CLEANING

Minneapolis	\$1,181.01	
Helena	<u>139.53</u>	\$ 1,320.54

Improvement is again shown over the previous year. No roller towels are used and very few hand towels. The continued reduction in personnel helped to reduce Minneapolis costs \$830.63. There was no change at Helena.

POST OFFICE BOX AND POSTAGE METER RENTAL

Minneapolis	\$362.79	
Helena	<u>255.50</u>	\$ 618.29

Meter costs at Minneapolis have been reduced more than one-half because of a decrease in rates. Helena increased the number of meters used but are unable to employ sufficient meters to obtain the lower rate. Total meter costs were \$1,024.16 one year ago.

EXPENSES (Contd)

CAFETERIA (NET EXPENSE) \$4,540.31

On May 1, 1936, the operation of our cafeteria was transferred to Miss Eisenbarth. Under the terms of the contract, the bank provides the space for kitchen and lunch rooms and furnishes heat, light, electricity and equipment without charge. Miss Eisenbarth hires the help, purchases food and other supplies and has general supervision of the cafeteria. Her compensation was fixed at 10% of the net operating income, but in no event less than \$100 per month. It was further agreed that the bank would absorb any deficits that occur from month to month.

The Board of Governors of the Federal Reserve System allows us to absorb not more than one-third of the total cost of food and service. The purpose is to furnish noon day meals to employees at a nominal cost. It is not contemplated that the cafeteria should be operated at a profit.

The net cafeteria expense absorbed by the bank during 1936 was \$4,540.31 compared to \$6,076.94 in 1935. The net costs which the bank is called upon to absorb have been reduced under the revised arrangement and it is quite apparent that the amount will be lower in 1937 than for the past year.

NEWSPAPERS, BOOKS, BINDING, ETC.

Minneapolis	\$2,762.88	
Helena	<u>140.00</u>	\$2,902.88

These payments include Federal Reserve Act service, all publications made use of in statistical work, books and papers for the library, etc. The reduction of \$1,200 from 1935 costs is largely through discontinuance of ticker service. Any subscriptions not amply justified have not been renewed. Helena receives a copy of the Act service, some business service besides subscribing to magazines and papers.

COPIES OF BANK EXAMINATION REPORTS

Minneapolis	\$4,070.00	
Helena	<u>207.00</u>	\$ 4,277.00

There was no change in the per item cost of reports furnished us during 1936. In 1935 the price had been reduced to \$5.00 per report for copies furnished Minneapolis and \$2.25 for extra copies of Montana bank reports supplied Helena. State departments charge us \$2.50 per report when none of our men accompany the State Examiner making an examination. Total cost of examination reports was \$376.35 less than one year ago.

EXPENSES (Contd)

COMMERCIAL AGENCY CREDIT REPORTS AND SERVICES \$879.73

Reports of the above character are for use of the industrial loan division. The charge compares with \$3,121.36 in 1935 and will show a further decrease in 1937.

MEDICAL SERVICE SUPPLIES AND
PHYSICAL EXAMINATIONS

Minneapolis	\$2,196.63	
Helena	<u>79.49</u>	\$ 2,276.12

Of the Minneapolis expense \$2,170 was paid for physical examinations compared to \$608.00 one year earlier. Our plan originally was for an examination every other year for those under 45 and yearly for those over that age. In September last, the plan was changed for an examination once each five years for those under 45. The rate for first examination remains at \$5.00 with subsequent examinations \$3.00 per person. The estimated cost of examinations at Minneapolis in 1937 is \$350.00.

At Helena, the 1935 cost of examinations was \$49.91 and will not likely exceed this amount in 1937.

ENTERTAINMENT OF BANKERS AND OTHERS
NOT IN BANK'S EMPLOY

Minneapolis	\$482.37	
Helena	<u>121.50</u>	\$ 603.87

These amounts cover meals served to visitors in our own lunch room and payments made by officers for the entertainment of bankers and others at lunches and dinners elsewhere in Minneapolis and Helena.

EMPLOYEES' EDUCATION: AMERICAN INSTITUTE
OF BANKING: OTHER EDUCATION

Minneapolis	\$2,568.00	
Helena	<u>80.00</u>	\$2,648.00

The largest payment under this heading is the contribution of \$1,456.00 made toward the support of the local chapter of the A.I.B. with \$1,112.00 for rebates made employees completing courses. At Helena, rebates were \$80.00.

FEDERAL RESERVE CLUB

Minneapolis	\$2,050.00	
Helena	<u>300.00</u>	\$2,350.00

Curtailement of some of the activities of the Club made donations by the Bank \$750.00 less than in 1935. Approximately \$2,100 will be allowed the two clubs in 1937.

EXPENSES (Contd)

MEMBERSHIP DUES AND DONATIONS

Minneapolis	\$1,336.16	
Helena	<u>261.00</u>	\$1,597.16

These payments were for dues in the American Bankers' Association, various State and other Bankers' Associations, Creditmens' Association, etc., donations to police and others.

TAXPAYERS' ASSOCIATION (MINNEAPOLIS)\$ 787.20

This is a voluntary payment made on the basis of 1 percent of our real estate tax payment. The funds are used in maintaining an organization to watch bond issues and all matters affecting local property.

EXCESS EXPENSE OVER COMMISSIONS IN HANDLING
FOREIGN BUSINESS (Minneapolis) \$1,529.96

There has been no profit through commissions from handling foreign business for the System during the past several years. We have no definite knowledge of the operations, basing our charge on information given us by New York.

EXPENSE MOVIE PICTURE "BACK OF BANKS AND
BUSINESS" (Minneapolis) \$2,365.42

This expense comes from a revision of the film and additional film furnished with other supplies during the year. Any equipment used in showing the film and the expense of operators is included with travel costs and salaries.

OUR PRO RATA SHARE IN EXPENSE OF W.P.A.
CLOSED BANK STUDY \$1,500.02

This was our share of a System expense over which we had no control.

FISCAL AGENCY, CUSTODIANSHIP AND DEPOSITARY
REIMBURSABLE EXPENSES
(Minneapolis Only)

	<u>1936</u>	<u>1935</u>
<u>CURRENT ISSUES</u>		
Salaries - Officers	\$ 741.67	\$ 1,970.83
Salaries - Employees	31,073.78	43,916.21
Retirement System	1,686.44	2,369.34
Postage and Shipping charges	5,015.32	9,531.22
Traveling Expenses	94.75	-
Printing, Stationery & Supplies	3,028.81	5,320.15
Telephone & Telegraph	1,508.88	870.67
Rental of Furniture & Equipment	491.42	-
Rental of Space	3,318.33	-
All Other	81.10	522.95
Total	\$47,040.50	\$64,501.37
<u>ADJUSTED SERVICE BONDS</u>		
Salaries - Officers	\$ 254.15	-
Salaries - Employees	18,515.76	-
Retirement System	897.98	-
Postage & Shipping charges	21,991.28	-
Traveling Expenses	100.15	-
Printing, Stationery & Supplies	1,460.59	-
Telephone & Telegraph	775.39	-
Rental of Furniture & Equipment	179.07	-
Rental of Space	1,659.89	-
All Other	51.07	-
Total	\$45,885.33	-
<u>FOREIGN EXCHANGE TRANSACTIONS</u>		
Salaries - Employees	\$ 117.34	-
Retirement System	6.24	-
Postage & Shipping Charges	4.35	-
Printing, Stationery & Supplies	-	-
All Other	-	-
Total	\$ 127.93	-
<u>RECONSTRUCTION FINANCE CORPORATION</u>		
Salaries - Officers	\$ 2,750.00	\$ 4,500.00
Salaries - Employees	35,105.19	44,257.81
Retirement System	1,947.63	2,489.70
Postage & Shipping Charges	997.64	1,538.43
Traveling Expenses	12.70	-
Printing, Stationery & Other Supplies	694.76	692.90
Telephone & Telegraph	730.10	214.44
Rental of Furniture & Equipment	290.46	10.00
Rental of Space	5,010.97	-
All Other	194.88	124.47
Total	\$47,734.33	\$53,827.75
<u>FARM CREDIT ADMINISTRATION</u>		
Salaries - Officers	\$ 612.46	\$ 550.00
Salaries - Employees	9,420.53	20,970.23
Retirement System	535.35	1,054.73
Postage & Shipping Charges	702.75	15,654.49
Printing, Stationery & Supplies	155.83	885.83
Telephone & Telegraph	76.38	52.68
Rental of Furniture & Equipment	194.00	-
Rental of Space	1,251.46	1,451.91
All Other	9.96	18.22
Total	\$12,968.72	\$40,638.09

FISCAL AGENCY, CUSTODIANSHIP AND DEPOSITARY
REIMBURSABLE EXPENSES
(Minneapolis Only)

	<u>1936</u>	<u>1935</u>
<u>PUBLIC WORKS ADMINISTRATION</u>		
Salaries - Officers	\$ 124.99	\$
Salaries - Employees	4,221.95	5,337.54
Retirement System	231.53	285.10
Postage & Shipping Charges	126.94	225.67
Printing, Stationery & Supplies	43.55	87.94
Telephone & Telegraph	348.71	875.96
Rental of Space	461.31	-
All Other	4.30	6.98
Total	\$ 5,563.28	\$ 6,819.19
 <u>HOME OWNERS' LOAN CORPORATION</u>		
Salaries - Officers	\$ 245.83	-
Salaries - Employees	5,031.66	4,213.25
Retirement System	281.80	212.90
Postage & Shipping Charges	122.93	267.98
Printing, Stationery & Supplies	50.48	207.30
Telephone & Telegraph	5.25	15.02
Rental of Furniture & Equipment	116.09	-
Rental of Space	605.26	-
All Other	5.25	40.86
Total	\$ 6,464.55	\$ 5,057.31
 <u>WORK RELIEF CHECKS</u>		
Salaries - Employees	\$ 19,318.64	\$ 2,757.57
Retirement System	1,028.24	147.59
Postage & Shipping Charges	8.61	-
Printing, Stationery & Supplies	222.30	28.53
Telephone & Telegraph	20.14	5.28
Rental of Furniture & Equipment	895.43	157.05
All Other	19.22	2.34
Total	\$ 21,512.58	\$ 3,098.36

FURNITURE AND EQUIPMENT

Purchases made in 1936 were greater in number, but for a smaller total cost than in 1935. Usually adding machines are the chief item of the equipment classification, but only one machine of this type was purchased during the year at Minneapolis, with four required at Helena in connection with the transit work. Total purchases at Minneapolis for the year were \$9,048.03. From this amount should be deducted \$1,029.50 allowed on furniture and equipment sold or traded in. At Helena the net purchases amounted to \$3,392.38. Total expended for adding machines was \$2,005.20 at Helena and \$562.87 at Minneapolis. In 1935 we bought 7 adding machines at Minneapolis at a cost of \$3,632.32 and 2 at Helena for \$1,580.40.

Replacement of our Chevrolet truck and purchase of a Plymouth in connection with the showing of the bank film required \$1,049.15, \$707.65 being paid for the Plymouth car and \$341.50 for the Chevrolet. In order that our transfer vault might be fully equipped, we bought 252-4 roller transfer cases at a cost of \$725.76. To be able to seat the staff for lectures and other purposes, we paid \$482.42 for 100 folding chairs and 23 other chairs. In order that those holding vault combinations might be better protected when throwing the dials on vault chests, 170 dial shields were purchased and installed at a cost of \$697.00. Twenty-nine filing and other cabinets were required in various departments, \$885.88 being expended therefor. To increase the efficiency of the transit sorting, \$308.70 was paid for 10 sorting cases and stands.

In addition to the adding machines procured by the Branch, one electric check endorsing machine costing \$459.92; 14 chairs costing \$233.45; 5 check sorting racks for \$175.00 and 4 transit tables costing \$98.30 were needed to round out the transit equipment.

Amount expended for furniture and equipment to close of 1935	\$533,245.71	
Purchased during 1936-Minneapolis	9,048.03	
Purchased during 1936-Helena	<u>3,424.88</u>	\$545,718.62
Less amounts received for furniture and equipment sold or traded in		<u>25,379.05</u>
		\$520,339.57
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 1936 Purchases

MINNEAPOLIS

1	Plymouth car	\$ 707.65
1	Chevrolet car	341.50
1	Electric Duplicator	446.00
252	Four roller Transfer Cases	725.76
123	Chairs	482.42
170	Dial Shields	697.00
2	Elliott Fisher Machines	515.00
29	Filing and other Cabinets	885.88
3	Desks	309.50
1	National Adding Machine	562.87
1	Marchant Calculator	552.50
10	Sorting Cases and Stands	308.70
	Equipment for Cafeteria	2,085.58
	Motion picture Equipment	90.59
1	Typewriter	73.30
	Machinery and Equipment for Loading Shells	70.90
1	Table with Castors	20.00
1	Rug Pad	9.68
3	Hooked Rugs	55.50
1	Buffet	28.50
1	Letter Scale	5.50
3	Venetian Blinds	32.00
4	Fire Extinguishers	29.40
2	Chrome Smokers	5.90
1	Screen	6.40
	Total amount of purchases-Minneapolis	\$9,048.03

Less amounts received for Furniture & Equipment sold or traded in

4	Typewriters	\$ 52.50	
1	Duplicating Machine	60.00	
	Building equipment sold	406.00	
	Miscellaneous Furniture	186.00	
1	Monroe Calculator	150.00	
7	Dictaphones	<u>175.00</u>	\$1,029.50

Net Purchases - Minneapolis **\$8,018.53**

HELENA BRANCH

2	Typewriters	\$ 184.00
4	Burroughs Adding Machines and Stands	2,005.20
1	Check endorsing Machine	459.92
1	Detex Watch Clock	69.02
1	Police Revolver	24.00
14	Chairs	233.45
1	Ledger Desk	148.65
5	Check Sorting Racks	175.00
1	Money Truck	12.34
4	Transit Tables	98.30
1	Cabinet	15.00

Total amount of Purchases - Helena Branch **\$3,424.88**

Less amounts received for equipment traded in:

2	Typewriters	\$ 30.00	
1	Patrol watch lock	<u>2.50</u>	32.50

Net Purchases - Helena **\$ 3,392.38**

Net Total of Combined Purchases 1936 **\$11,410.91**

BANK PREMISES REPORT DECEMBER 31, 1936
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	\$632,635.15*
Less cost of equipment sold which was not replaced	<u>3,969.00</u> 628,666.15
Miscellaneous building construction ex- pense 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.	\$2,945,411.99
Cost of building and building site.	\$3,545,932.65
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.	<u>\$2,412,468.31</u>

MEMORANDA

Reserve against depreciation:	
Building.	\$ 307,987.56
Fixed machinery and equipment	621,967.03
Total.	<u>\$ 929,954.59</u>

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

BANK PREMISES REPORT DECEMBER 31, 1936

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
	<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.	\$ 135,000.00
Fixed machinery and equipment	<u>16,108.99</u>
	\$ 151,108.99

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
BANK PREMISES DEPRECIATION

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
	\$ 600,520.66	\$ 2,416,745.84	\$ 532,635.15	\$ 3,549,901.65
<u>COST</u>				
1926 Adjustment of Architect's fees, transferred from building to fixed machinery and equipment		100,000.00	100,000.00	
Equipment sold, not replaced			3,969.00	3,969.00
	\$ 600,520.66	\$ 2,316,745.84	\$ 628,666.15	\$ 3,545,932.65
<u>CHARGED-OFF:</u>				
1919	\$ 100,000.00	\$	\$	\$
1920		100,000.00		
1921		3,381.40		
1922		11,646.87		
1923		37,222.97		
1924		293,310.62		
1925		30,463.84		
1926		57,438.64		
1927		500,000.00		
Total	\$ 100,000.00	\$ 1,033,464.34	\$	\$ 1,133,464.34
Book value-gross	\$ 500,520.66	\$ 1,283,281.50	\$ 628,666.15	\$ 2,412,468.31

DEPRECIATION RESERVE AND NET BOOK VALUE

Depreciation Reserves

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	
1935		25,665.63	551.76	
1936		25,665.63	809.96B	
Total depreciation reserves	\$	\$ 307,987.56	\$ 621,967.03	\$ 929,954.89
Net Book value	\$ 500,520.66	\$ 975,293.94	\$ 6,699.12	\$ 1,482,513.72

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

(B) Net after deducting \$57.00 of reserves for equipment which was sold and not replaced.

HELENA BRANCH, FEDERAL RESERVE BANK OF MINNEAPOLIS
BANK PREMISES DEPRECIATION

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
Total cost	\$ <u>5,000.00</u>	\$ <u>155,290.15</u>	\$ <u>16,108.99</u>	\$ <u>177,399.14</u>
Charged off 1920		21,290.15		21,290.15
Book value gross	\$ <u>5,000.00</u>	\$ <u>135,000.00</u>	\$ <u>16,108.99</u>	\$ <u>155,108.99</u>

DEPRECIATION RESERVES AND NET BOOK VALUE

Depreciation Reserves

1920	\$	\$ 56,447.49	\$	\$
1921		1,893.23		
1922		1,655.37	1,610.90	
1923		1,671.05	1,541.73 *	
1924		3,125.80	1,610.90	
1925		3,125.80	1,610.90	
1926		2,700.00	1,610.90	
1927		2,700.00	1,610.90	
1928		2,700.00	1,610.90	
1929		2,700.00	1,610.90	
1930		2,700.00	1,610.90	
1931		2,700.00	1,680.06	
1932		2,700.00	0	
1933		2,700.00	0	
1934		2,700.00	0	
1935		22,700.00	0	
1936		<u>20,187.26</u>	<u>0</u>	
Total depreciation reserves	\$	\$ <u>135,000.00</u>	\$ <u>16,108.99</u>	\$ <u>151,108.99</u>
Net book value	\$ <u>5,000.00</u>	\$	\$	\$ <u>5,000.00</u>

* Net after deducting \$69.17 for replacements.

BANK PREMISES

Many repairs, alterations and installations have been necessary during the past year, and some of the changes contemplated towards the close of 1935 have not yet been carried out. One of these was the repairing of the sound-proof ceiling on the second and third floors. Considerable painting as well has been deferred until the work of installing the air-conditioning equipment has been completed. This should be finished in February and will afford considerable relief on the second and third floors during the Summer months. No payment has been made on the air-conditioning equipment, but we have made changes in our deep well machinery, replacing the old air lift and other parts with a new deep well pump. This will provide ample cold water for air-cooling and other building purposes. The pumping equipment cost was charged to fixed machinery and equipment, and is being amortized 10% yearly. The air-conditioning equipment, which will cost \$27,423.00 will be similarly treated.

Repairs and alterations made during 1936 cost \$6,793.67 compared to \$6,409.00 in 1935. In addition to the elevator maintenance contract which requires \$2,166.00, some of the important items making up the balance of \$4,627.67 were as follows: Removing old plaster and replastering on the upper and basement floors; caulking and repairing sky lights and roof points; piping changes in the well water system; redecorating executive offices, reception room and recreation room; re-pointing entire bank building and repairing doors in garage.

Through the breaking of the water main just outside the building wall, we were put to plumbing expense of \$386.00. In order to provide more space for the officers' lunch room and the cafeteria, part of the welfare department was used with the secretary's office transferred to one of the rooms formerly used for the library. The statistical department and the library now have the space formerly occupied by the industrial loan department on the second floor. By these changes we were able to turn the room formerly used as an officers' lunch room, into additional kitchen space and also provide more convenient and roomier quarters for the officers and employees. Other changes have been effected on the third floor and on the main banking floor, but these are largely rearrangements of space within department and causing little expense. There are many electric and 'phone connections to make which work is done by our own workmen. Cabinets and other wood work is also done on the premises.

During the year our guard force was reduced from 30 to 24 guards, with

BANK PREMISES (Cont'd.)

no apparent weakening of protection measures. The guards completed purchase of target pistols in August, paying \$489.00 in all, and have shown marked improvement in shooting. Equipment for loading shells was purchased, eliminating the expense of new ammunition for target practice. Our armored truck was completely overhauled and is now in first-class condition.

The cost of operating our Minneapolis property for 1936 was \$129,626.93. Through arrangements with various Government Agencies, we have been able to obtain more reimbursement for rent than formerly. All Agencies had been making monthly payments except the Custody Division of the Reconstruction Finance Corporation. In December, they agreed to pay rental on the yearly basis of \$2.00 per square foot, from January 1, 1936. Total rental income in 1936 has been \$12,317.22, leaving a net operating cost of \$117,309.71. This is \$27,574.84 less than the 1935 costs. Besides collecting \$10,865.31 more of rent than in 1935, we paid \$14,132.46 less taxes. Average number of building employees was 20.65 in 1936, compared to 21.66 in 1935. Salaries paid in 1936 were \$30,755.53, a reduction of \$1,600 compared to the previous year. Fuel oil consumption was 151,401 gallons during 1936 at a cost of \$8,265.18. One year earlier we used 132,794 gallons at an expense of \$7,326.76. Oil prices during the past two months have been lower than a year ago, but will show an advance in January. Maximum price paid for several years has been 5½¢ per gallon. Our light and power contract for the past year has reduced these costs from \$10,537.24 in 1935 to \$9,609.04 in 1936.

BANK PREMISES (Depreciation)

No change has taken place in the yearly amount allowed by the Board to be set aside for depreciation on our Minneapolis building since our occupancy in 1925. The replacement value fixed at \$1,283,281.50 is being set aside at 2% yearly or \$25,665.63 and has now reached a total of \$307,987.56. As \$1,033,464.34 was written off the property up to the close of 1927 to give the present replacement value, there still remains a net book value of \$975,293.94. With the land carried at \$500,520.66 and fixed machinery and equipment at \$6,699.12, our entire property at Minneapolis had a net value of \$1,482,513.72 on December 31.

Through the installation of a deep well pump, we added \$3,152 to our fixed machinery and equipment, increasing our depreciation allowance to \$866.96. After allowing for a deduction of \$57.00 for equipment sold and not replaced, we had \$6,699.12 remaining to be amortized 10% yearly. On the completion of the

BANK PREMISES (Cont'd.)

air conditioning work, we will have approximately \$27,423 to add to this account. Since 1924 we have reduced the gross book value of our building equipment \$621,967.03.

Under approval of the Board of Governors, we set aside on December 31, 1936, sufficient to eliminate the Branch building account. The original cost of this property was \$177,399.14, including \$5,000 fixed as the value of the land. The building cost was \$156,290.15 with \$16,108.99 allocated to fixed machinery and equipment. Replacement cost of the building, including the vault, was placed at \$135,000. Although we were allowed to set aside the cost of the vault the first year, the replacement value was never changed. One year ago we asked and obtained approval for a special reserve of \$20,000. The earthquake damage was such that it seemed desirable to write off the remainder of the building account at the close of 1936. In order to do so we obtained permission from the Board to set aside, in addition to the regular reserve of \$2,700, the sum of \$17,481.26.

BANK PREMISES (Taxes)

Through a reduction in the tax rate from 96 mills to 93 mills, and a lowering of the value of our property for tax purposes, we are able to report a decrease of \$14,132.46 in the amount reserved for real estate taxes, compared to 1935. The actual reduction is \$12,873.73 because in 1935 we paid up \$1,258.73 in special taxes to save interest charges. Our Counsel has been endeavoring to bring about a substantial reduction in the valuation of our property but the assessor stated he was making a voluntary reduction. The previous valuation was \$2,050,000 and the assessor's figure was given as \$1,770,250. As these figures are in the records we felt justified in lowering the amount we were setting aside for payment in 1937. On the basis given, our payment for 1936 taxes will be \$65,846.27.

In addition to our regular taxes we contribute 1% of our yearly tax to the Tax Payers' Association, an organization which watches valuations, levies and prospective bond issues, in the interests of the tax payers. Our payment to this Association was \$787.20 in 1936.

At Helena, the earthquake damage resulted in a valuation of \$38,930 being placed on our property for tax purposes. This was a reduction of \$40,450 from the valuation of the previous year and resulted in the branch paying a tax of \$970.49 compared to \$2,100.39 in 1935.

LOANS, REDISCOUNTS AND ACCEPTANCES

There was very little demand from member banks for discount accommodations during the past year. Loans totaling \$549,861.75 were made to eleven banks. On December 31, 1935, bills discounted for member banks amounted to \$33,478.38 and on December 31, 1936, \$3,000.00, a single loan. From July 3 to December 8, member banks were entirely out of debt to us. In addition to \$3,000.00 of bills discounted, our participation in foreign loans on gold amounted to \$7,200.00, making a total of \$10,200.00 bills discounted. Our discount rate remained at 2 per cent during the year.

No purchased bills, other than investments through foreign banks, were held during the past year. On December 31, 1935, our participation in investments through foreign banks amounted to \$61,006.52 which was reduced to \$60,662.78 at the close of 1936.

In August, 1934, we began making industrial advances to established industrial or commercial business for the purpose of providing working capital. These loans are made for a period not exceeding five years and bear six per cent interest. We advanced \$2,033,350.00 up to the close of 1934, banks and financing institutions participating to the extent of \$146,700.00. Of the \$1,886,650.00 of Federal Reserve Bank funds loaned, \$134,212.23 was repaid during 1934, leaving a balance of \$1,752,437.77 outstanding at the close of 1934. No commitments to make industrial advances were made during 1934.

During 1935 we made 101 industrial loans totaling \$1,146,000.00, in which financing institutions participated to the extent of \$148,900.00, leaving a net of \$997,100.00 advanced by us. Repayments totaled \$1,158,669.65 during 1935 on the amounts advanced by the Federal Reserve Bank and a balance of \$1,288.66 on one loan was charged off as a loss, leaving \$1,589,566.13 outstanding on December 31, 1935. Repayment of eight loans, with balances of \$369,287.32, was the result of refinancing.

In addition to the industrial advances we issued commitments to make industrial advances totaling \$296,644.50. A charge equivalent to one per cent interest per annum is made on commitments. Our contingent liability on commitments to make industrial advances amounted to \$138,397.51 at the close of the year 1935.

During 1936 we made forty industrial loans totaling \$305,202.00, in which financing institutions participated to the extent of \$69,879.00, leaving a net of

LOANS, REDISCOUNTS AND ACCEPTANCES (Cont'd.)

\$235,323.00 advanced by us. Repayments totaled \$747,577.00 during 1936 on the amounts advanced by this bank and the balances of two loans, amounting to \$13,500.00, were charged off as losses, leaving \$1,063,812.00 outstanding on December 31, 1936.. Repayment of four loans with balances amounting to \$98,097.41 was the result of refinancing.

In addition to the industrial advances, we issued commitments to make industrial advances totaling \$20,000.00 during 1936.

Our contingent liability on commitments to make industrial advances as of December 31, 1936, was \$71,279.00.

DISCOUNT OPERATIONS - MINNEAPOLIS AND HELMNA BRANCH
(Excluding Industrial Advances)

Month	<u>Number of Banks Served</u>			<u>Number of Items Received</u>			<u>Amount Rediscounted 000 Omitted</u>		
	1936	1935	1934	1936	1935	1934	1936	1935	1934
January	1	0	26	8	0	172	39	0	536
February	1	0	13	1	0	71	10	0	320
March	3	1	11	27	1	54	149	15	222
April	2	5	7	5	8	26	105	161	112
May	7	1	8	45	2	10	190	100	82
June	2	2	12	4	23	52	21	59	600
July	0	6	6	0	26	29	0	135	101
August	0	4	5	0	20	10	0	67	92
September	0	3	2	0	14	5	0	28	329
October	0	4	4	0	39	10	0	63	126
November	0	2	1	0	6	1	0	19	5
December	3	2	0	3	3	0	36	10	0

Number dif-ferent Banks 11 14 47 94 142 440 \$ 550 \$ 657 \$ 2,525

Minn. 4)
No. Dak. 1)
So. Dak. 4)
Mont. 1)
Wis. 0)
Mich. 1)

VOLUME OF REDISCOUNTS

Number pieces Rediscounted	11 - 1936						
	Minnesota	North Dakota	South Dakota	Montana	Wisconsin	Michigan	Total
1936	25	8	59	1	0	1	94
1935	19	4	116	1	0	2	142
1934	54	46	225	25	58	32	440
1933	3,914	1,162	4,403	980	778	801	12,038

Total amount Rediscounted							
	Minnesota	North Dakota	South Dakota	Montana	Wisconsin	Michigan	Total
1936	\$ 349,992.00	\$ 30,000.00	\$ 125,869.75	\$ 14,000.00	\$ 0	\$ 30,000.00	\$ 549,861.75
1935	273,877.00	14,000.00	304,993.42	9,000.00	0	55,000.00	656,870.42
1934	130,224.90	126,830.63	447,756.24	204,780.00	1,245,859.37	370,022.76	2,525,473.90
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

FAILED BANKS

At the close of business December 31, 1935, the unpaid liability to us of forty-five suspended member banks was \$500,471.08. During the year 1936 no member banks suspended which were indebted to us.

The total collection from all sources during 1936 amounted to \$120,253.42. Of this amount \$96,314.72 was applied to reduce the direct liability of the suspended banks, leaving a net balance due from these banks of \$404,156.36 (including charges to the reserve for losses on discounted bills) at the close of the year 1936. Of this latter amount the remaining liabilities of twenty-two banks, aggregating \$234,309.42 were charged to the Special Reserve for Losses, as follows: Twenty prior to 1936, totaling \$227,894.85, and two during 1936, totaling \$6,414.57. Uncollectible advances of various nature of thirteen banks aggregating \$18,681.70 have been charged to Special Reserve for Losses, as follows: Eleven prior to 1936, totaling \$15,708.19 and two during 1936, totaling \$2,973.51, making a total of \$252,991.12 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 thirty-eight banks shown on our closed bank list as indebted to us on December 31, 1936, include the twenty-two banks mentioned above. As security to the principal liabilities of the remaining sixteen closed banks amounting to \$169,846.94, we hold \$743,716.06 in notes. In addition we still retain worthless paper in the sum of \$359,392.63. This paper is collateral from the twenty-two banks whose indebtedness to us has been charged off.

As of December 31, 1936, four hundred eighteen member banks and one non-member bank had closed, with total liabilities to us at date of suspension of \$18,638,905.20. Of this amount, we have received payments aggregating \$18,234,748.84, including full liquidation of original liability due us from 380 member banks and one non-member bank, and there remains now due the sum of only \$404,156.36 as heretofore indicated. In addition, we have received \$464,417.26 interest and \$439,649.86 in reduction of our collection expense. Unpaid collection expense accumulated as of December 31, 1936, amounted to \$85,634.74. During the past year \$20,045.51 of expenses incurred in collecting paper during the current and preceding years was recovered, \$13,244.46 of interest was collected from these closed banks, and \$717.74 interest on other advances made to protect our interests.

In addition to the recoveries mentioned, we have collected \$1,904.90 from

FAILED BANKS (Cont'd)

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.

The average number of employees on this work during 1936 was 4.25 as compared to 9.58 during 1935. An average of .47 officers' time was allocated to this function in 1936 in comparison with 1.25 in 1935.

COMPARATIVE FUNCTIONAL EXPENSE

	<u>1936</u>	<u>1935</u>
Salaries - Officers	\$ 3,004.22	\$ 9,875.00
Salaries - Employees	8,767.80	16,045.54
Contributions - Retirement System	643.92	1,896.46
Traveling Expenses	3,025.71	3,732.96
Stationery and Supplies	91.50	350.65
Telephone and Telegraph	99.00	220.40
All Other	376.86	915.23
Total	<u>\$16,009.01</u>	<u>\$33,036.24</u>

CHECK COLLECTION FUNCTION
(Minneapolis Only)

During 1936 this function handled 28,859,625 items totaling \$4,754,957,277.09, an increase of 3,170,915 items and \$589,580,680.01 in amount as compared to 1935 with 25,688,710 items totaling \$4,165,376,597.08. The number of checks handled was the highest in the history of the Check Collection Department, due chiefly to the increasing volume of Work Relief checks received.

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 seven years follows:

<u>Year</u>	<u>Number of Items</u>	<u>Amount</u>	<u>Average Number of Employees</u>	<u>Total Expense</u>
1936	28,859,625	\$4,754,957,277.09	60.91*	\$92,961.49*
1935	25,688,710	4,165,376,597.08	49.65*	79,190.99*
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	39.62	71,196.45
1930	21,139,178	3,224,678,472.48	43.57	77,873.79

* Includes \$21,512.58 expense and 16.69 average number of employees for 1936 and \$3,098.36 expense and 2.33 average number of employees for the year 1935 in connection with handling of Work Relief checks. All Work Relief expense is reimbursable from the U.S. Government. After deducting \$21,512.58 Work Relief expense for 1936 and \$3,098.36 for 1935, the figures show that the Check Collection Department reduced its cost in 1936 over 1935 by \$4,643.72.

The following table indicates the number of items handled by the subdivisions of the Check Collection Function for the years 1934 through 1936.

<u>Items Handled on</u>	<u>1936</u>	<u>1935</u>	<u>1934</u>
Twin City Banks (Clearings Member & Non-member banks (This district)	4,094,207	4,070,358	3,758,656
Other Federal Reserve Districts	15,627,522	15,217,863	13,811,289
Direct to Member banks other Federal Reserve Districts	2,139,902	1,751,608	1,430,123
To Helena Branch, Helena, Montana	49,382	47,867	65,904
Treasurer of the United States	53,647	56,157	50,197
U.S. Government Work Relief Checks	2,690,227	3,990,948	5,681,517
	<u>4,204,738</u>	<u>553,909</u>	-
	28,859,625	25,688,710	24,797,686

The cost of handling 100 items in three units of this function for the years 1930 through 1936 follows:

CHECK COLLECTION FUNCTION (Cont'd.)

<u>Year</u>	<u>City Checks (Clearings)</u>	<u>Country Checks (Outgoing)</u>	<u>Return Items</u>
1936	18.0 cents	20.02 cents	\$ 1.28
1935	16.0 "	22.0 "	1.29
1934	20.6 "	23.3 "	1.69
1933	17.6 "	27.0 "	1.16
1932	19.2 "	24.7 "	1.26
1931	19.4 "	25.1 "	1.36
1930	20.1 "	24.9 "	1.26

The average number of items handled per person per day in these three units of this function for the years 1930 through 1936 follows:

<u>Year</u>	<u>City Checks (Clearings)</u>	<u>Country Checks (Outgoing)</u>	<u>Return Items</u>
1936	2,537	2,273	432
1935	2,476	2,089	407
1934	2,031	1,796	268
1933	2,315	1,574	452
1932	2,216	1,911	431
1931	2,274	2,040	462
1930	2,156	2,063	482

A comparison of our 1936 check collection costs with latest available figures for the other Federal Reserve Bank Head Offices (first half year 1936) shows that our costs are below the average of all main offices. The average costs of handling 100 items in three units of this function for all Head Offices for the first half of 1936 and our costs for the full year 1936 were as follows:

	<u>City Checks (Clearings)</u>	<u>Country Checks (Outgoing)</u>	<u>Return Items</u>
Our 1936 costs	18.0 cents	20.02 cents	\$ 1.28
Average costs Federal Reserve Banks Head Offices	26.3 "	28.3 "	1.62

The following table gives a comparison of the number of items handled per employee per day by ourselves for the year 1936 and the latest available figures for the other Federal Reserve Bank Head Offices (first half year 1936) which shows that our average per person is above the average of all main offices. The average number of items handled per employee per day in the City Checks and Country Checks divisions are the highest in the history of the Check Collection Department.

	<u>City Checks (Clearings)</u>	<u>Country Checks (Outgoing)</u>	<u>Return Items</u>
Our 1936 average	2,537	2,273	432
Average for Federal Reserve Bank Head Offices	2,161	1,561	361

CHECK COLLECTION FUNCTION (Cont'd.)

During 1936 we handled 244,773 return items totaling \$22,545,802.82 as compared to 242,398 items totaling \$19,879,247.63 in 1935. 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 1930 through 1936 are given in the following table:

Year	Head office only		Ninth Federal Reserve District				
	Letters received daily	Letters sent daily	Banks reported closed	Banks voluntarily liquidated	Banks reported reopened	Banks added to our par list	Banks removed from par list
1936	1,263	851	4	8	0	2	32
1935	1,245	866	0	9	4	11	24
1934	1,287	895	9	15	4	6	22
1933	1,391	942	134	8	15	24	58
1932	1,162	1,020	143	5	2	11	58
1931	1,244	1,150	274	10	28	5	97
1930	1,351	1,312	160	5	7	2	70

During the month of October, 1936, we adopted the system of eliminating the proof on approximately seventy per cent of the incoming cash letters containing country checks. This method of procedure has enabled us to reduce our staff, thereby making it possible to handle more items per person in this division and at a lower cost per hundred checks over last year.

FEDERAL RESERVE BANK OF MINNEAPOLIS
REPORT OF TRANSIT DEPARTMENT FOR THE YEAR 1936

MONTH	CLEARINGS		MEMBER & NON-MEMBER		OTHER RESERVE BANKS	
	Number	Amount	Number	Amount	Number	Amount
1936						
January	326,488	\$ 171,343,937.73	1,161,124	\$ 84,867,163.24	179,580	\$ 29,753,876.45
February	292,424	138,617,902.52	982,293	69,184,213.92	147,364	22,458,198.54
March	349,294	182,668,703.24	1,240,177	87,848,099.37	182,730	28,022,760.99
April	334,383	183,071,924.13	1,287,630	95,547,825.87	182,052	33,229,191.09
May	321,585	188,918,525.29	1,270,310	94,334,369.07	169,369	28,364,818.39
June	352,266	221,968,489.44	1,425,233	112,141,915.70	188,334	33,055,141.41
July	352,493	234,697,329.16	1,380,139	113,613,773.36	187,353	41,921,760.12
August	328,609	235,297,738.07	1,314,314	110,113,533.44	172,326	33,928,906.31
September	334,331	218,466,654.98	1,334,122	109,464,664.07	166,195	35,784,524.27
October	374,688	239,660,525.05	1,473,893	118,421,542.07	196,709	36,599,620.15
November	346,644	208,502,287.53	1,307,085	105,348,439.46	156,175	37,458,368.51
December	381,002	229,458,743.20	1,451,202	114,034,974.26	211,715	37,745,477.91
Total	4,094,207	\$2,452,672,760.34	15,627,522	\$ 1,214,920,513.83	2,139,902	\$ 398,322,644.14
Monthly Ave. No. Items	341,184		1,302,294		178,325	
Monthly Ave. Amounts		\$ 204,389,396.69		\$ 101,243,376.15		\$ 33,193,553.67

DIRECT TO BANKS
IN OTHER RE-
SERVE DISTRICTS

TO OUR HELENA
BRANCH BY US

TREASURER OF THE
UNITED STATES

TREASURER OF THE
UNITED STATES
WORK RELIEF CHECKS

1936	DIRECT TO BANKS IN OTHER RE- SERVE DISTRICTS		TO OUR HELENA BRANCH BY US		TREASURER OF THE UNITED STATES		TREASURER OF THE UNITED STATES WORK RELIEF CHECKS	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
January	4,356	\$ 4,364,537.79	4,380	\$ 406,635.79	177,966	\$ 28,505,629.34	321,765	\$ 8,487,591.93
February	2,974	3,507,252.71	3,818	287,357.58	140,460	19,378,142.75	287,936	8,400,498.07
March	3,896	4,281,946.31	4,457	413,888.66	165,884	20,162,087.81	374,743	10,719,458.05
April	3,913	4,294,561.09	4,473	520,080.80	202,641	21,354,173.49	358,218	11,740,398.31
May	3,725	4,857,648.43	5,134	576,576.76	220,460	29,668,613.93	313,372	10,712,449.63
June	4,714	4,853,232.27	5,010	519,849.55	485,559	166,715,613.04	278,460	8,690,799.90
July	4,167	5,447,505.82	4,582	484,407.76	311,941	44,528,702.68	253,853	10,881,168.56
August	4,366	5,416,774.53	4,227	466,948.42	230,779	32,121,929.37	280,258	11,223,747.08
September	4,109	5,753,987.11	4,312	471,231.44	194,166	32,551,981.30	349,905	13,106,157.68
October	4,806	5,960,011.66	4,631	564,998.88	190,865	28,942,146.74	455,935	17,489,848.18
November	4,462	4,850,018.05	4,106	445,921.15	171,997	25,811,255.59	460,610	17,313,002.78
December	3,894	5,158,037.76	4,517	400,506.07	197,509	28,054,770.62	469,683	18,177,275.56
Total	49,382	\$ 58,745,513.53	53,647	\$5,558,402.86	2,690,227	\$ 477,795,046.66	4,204,738	\$146,942,395.73
Monthly Ave. No. Items	4,115		4,471		224,185		350,395	
Monthly Ave. Amounts		\$ 4,895,459.46		\$ 463,200.24		\$ 39,816,253.89		\$ 12,245,199.64

Grand Total Items 28,859,625
Grand Total Amounts \$4,754,957,277.09

TWIN CITY CLEARINGS THROUGH FEDERAL RESERVE BANK
OF MINNEAPOLIS FOR 1936 and 1935

DIRECT SENDINGS TO OTHER RESERVE BANKS
BY OUR MEMBER BANKS 1936 and 1935

Month	Amount of Items on Mpls. Banks	Amount of Items on St. Paul Bks.	Grand Total 1936	Grand Total 1935	Daily Average	Amount	Number of Items		Amount	
					Clearings 1936	Held Over 1935	1936	1935	1936	1935
January	\$132,034,350.05	\$69,827,125.21	\$201,861,475.26	\$177,831,390.97	\$155,428.27	\$105,084.68	119,192	97,248	\$29,859,207.28	\$28,256,328.44
February	109,227,730.95	55,502,823.67	164,730,554.62	160,613,375.28	148,535.30	123,358.88	94,404	85,069	25,068,066.21	21,260,006.01
March	145,928,289.62	73,647,597.07	219,575,886.69	198,930,315.52	164,556.35	122,698.20	109,988	95,206	33,530,104.21	29,053,414.02
April	150,216,478.43	72,976,155.62	223,192,634.05	215,232,760.31	172,427.62	146,425.53	110,568	99,001	38,221,233.42	28,428,544.64
May	153,273,728.22	69,071,046.55	222,344,774.77	224,419,946.98	182,171.12	136,923.79	109,206	103,853	28,799,534.00	35,092,413.04
June	179,823,180.10	83,910,651.15	263,733,831.25	218,710,283.23	155,518.88	142,599.70	119,899	101,421	33,710,273.48	27,823,209.58
July	188,501,169.23	84,099,281.17	272,600,450.40	248,491,950.07	176,502.62	138,452.51	121,096	103,183	40,111,557.71	32,886,733.19
August	195,949,066.27	81,614,167.48	277,563,233.75	238,090,203.73	132,359.86	134,128.23	113,231	100,981	34,345,248.71	28,252,619.06
September	176,683,749.18	81,332,294.05	258,016,043.23	260,697,336.90	198,833.68	187,404.58	114,990	98,495	35,236,773.47	35,483,536.34
October	194,435,238.04	89,844,254.76	284,279,492.80	270,976,859.70	184,765.99	178,769.51	131,100	115,417	40,146,971.91	37,300,775.64
November	171,716,579.72	82,190,011.82	253,906,591.54	231,084,064.34	188,827.53	188,939.67	117,134	105,187	32,931,642.20	28,894,339.17
December	185,703,554.05	93,416,375.33	279,119,929.38	223,145,116.60	182,960.25	179,610.51	141,040	115,872	35,854,403.88	32,476,264.99
Total	\$1,983,493,113.86	\$937,431,783.88	\$2,920,924,897.74	\$2,668,233,603.63	\$2,042,887.47	\$1,784,395.79	1,401,848	1,220,933	\$407,515,016.48	\$365,208,184.12
Average by Months	\$165,291,092.99	\$78,119,315.32	\$243,410,408.15	\$222,351,966.97	\$170,240.62	\$148,699.65	116,820	101,744	\$33,984,584.70	\$30,434,015.34

BY MONTHS

COMPARATIVE FIGURES FOR TRANSIT DEPARTMENT

MINNEAPOLIS ONLY

80
10Daily Average Number
of Transit Letters
receivedDaily Average Number
of Transit Letters
sentDaily Average All
Other Items
sentDaily Average Number
of Return Items
HandledDaily Average
Transit Items
sent direct by our
Member Banks

1936

1935

1936

1935

1936

1935

1936

1935

1936

1935

January	1,274	1,179	849	852	83,679	78,296	774	715	4,584	3,740
February	1,236	1,236	825	860	80,751	86,220	658	728	4,104	3,867
March	1,259	1,224	880	856	89,276	79,424	717	682	4,230	3,662
April	1,296	1,271	843	837	94,801	88,694	782	751	4,422	3,960
May	1,242	1,260	840	834	92,022	86,762	822	777	4,368	3,994
June	1,294	1,191	862	847	105,368	83,769	832	811	4,611	4,057
July	1,274	1,186	879	862	99,656	80,599	820	892	4,658	3,968
August	1,258	1,168	869	869	90,191	73,515	768	827	4,355	3,740
September	1,232	1,304	850	902	95,486	83,019	854	849	4,600	4,104
October	1,257	1,265	844	899	100,057	86,863	837	852	4,856	4,275
November	1,315	1,327	841	894	111,412	93,998	960	869	5,324	4,383
December	1,217	1,332	834	882	104,596	98,721	875	848	5,424	4,635

Average by Months	1,263	1,245	851	866	95,608	84,990	808	800	4,628	4,032
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Daily Average Clear-
ing Items Returned
UnpaidDaily Average Clear-
ing Items MissentDaily Average Out-of-
Town Items MissentDaily Average Number of
Drafts Received in Other
Than Twin City ExchangeDaily Average
Number of
Employees

January	21	24	16	18	15	21	139	139	69.10	76.52
February	26	25	18	15	13	22	122	146	69.57	75.91
March	21	19	16	21	25	22	145	147	71.97	65.35
April	25	19	20	28	31	28	138	144	69.68	58.31
May	19	22	13	24	20	27	142	146	67.29	59.43
June	20	20	19	19	34	21	136	156	68.67	60.61
July	19	23	20	22	25	25	130	158	72.53	64.84
August	19	20	19	22	27	17	135	151	70.27	64.70
September	15	22	18	21	30	22	132	150	67.25	65.03
October	19	23	16	20	28	17	127	150	64.84	61.97
November	22	22	16	18	25	13	126	148	69.56	67.06
December	24	22	16	21	24	16	117	142	70.36	71.56

Average by Months	21	22	17	20	25	21	132	148	69.25	66.00
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NON-CASH COLLECTION FUNCTION
(Minneapolis Only)

The volume of non-cash collection items handled during 1936 showed a substantial decrease over the previous year. Most of the decrease occurred in city collections and was the result of drouth conditions in the territory served and the elevator strike in Minneapolis which caused a drop in the number of grain drafts handled. From September 1, 1936, until the end of the year, we handled 225,000 fewer grain drafts than during the same period of 1935. For the entire year we handled 632,713 items payable in Minneapolis, including grain drafts, as compared to 748,488 collections in the previous year, a decrease of 115,775 items. The value of city items handled in 1936 was \$255,632,000 as compared to \$226,796,000 in the previous year, an increase of approximately \$28,836,000.

Country collection items handled increased from 64,206 in 1935 to 72,831 during the past year, an increase of 8,625 items. The value of these items increased from \$43,212,000 in 1935 to \$48,271,000 in 1936, an increase of approximately \$5,059,000.

Coupon and security collections (other than U.S. Government coupons and securities) numbered 48,229 collections valued at \$47,326,000, as compared to 53,379 items valued at \$34,488,000 handled in 1935; a decrease of 5,150 items and an increase of \$12,838,000 in amount.

Member banks forwarded 7,026 collections totaling \$16,245,000 direct to other Federal Reserve Banks for their credit with us during 1936, and 4,817 items totaling \$14,997,000 during 1935.

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

	City Collections		Country Collections		Security Collections	
	1936	1935	1936	1935	1936	1935
January	46,911	29,140	5,630	4,415	4,314	4,292
February	33,228	27,942	4,919	4,491	3,051	3,380
March	49,027	29,285	5,757	4,572	4,169	4,093
April	48,495	33,074	5,943	4,443	3,898	4,367
May	51,424	36,891	5,506	4,524	4,006	4,228
June	48,872	33,743	6,431	4,733	5,933	6,227
July	51,436	40,114	6,026	4,771	3,795	4,100
August	93,567	83,476	6,347	5,085	3,042	4,968
September	65,435	150,348	6,431	6,591	3,549	3,912
October	60,364	141,172	7,326	7,563	3,626	3,742
November	42,407	81,644	6,163	6,840	3,558	3,920
December	41,147	61,659	6,352	6,178	5,288	6,150
Total	632,713	748,488	72,831	64,206	48,229	53,379
Amount (000) omitted						
1936		\$255,632		\$48,271		\$47,326
1935		226,796		43,212		34,488

SECURITIES - SAFEKEEPING
(Minneapolis Only)

Securities held in our custody for safekeeping and for collateral purposes, exclusive of unissued stock held for the Treasury Department and other Governmental Agencies, reached a new high total of \$426,671,856.80 on November 5, 1936. The figures at the close of 1936 showed an increase of \$43,429,157.95 compared to the close of 1935, as indicated in the statement shown at the bottom of this page.

The total Government and miscellaneous securities held in safekeeping for our member banks increased \$57,400,000, while the total of pledged securities went up \$3,700,000. The increase of \$1,322,000 over last year's total of U. S. Savings Bonds held for individuals, firms, corporations, and non-member banks, indicates the increased demand for that type of investment.

The decrease in the total held for the Reconstruction Finance Corporation was caused principally by the retirement of preferred stock previously purchased by them from banks; while the decrease of securities held for the Public Works Administration represents resale of holdings purchased from various municipalities, school districts, etc., offered to the public and sold to the highest bidder through the Reconstruction Finance Corporation.

In 1936 we received 109,720 pieces compared to 121,028 in 1935, and delivered 90,865 pieces compared to 113,028 delivered the previous year. The number of coupons clipped last year was 283,000 as compared to 281,687 the year before.

COMPARATIVE STATEMENT OF SECURITIES HELD
DECEMBER 31, 1936 and 1935

	<u>Dec. 31, 1936</u>	<u>Dec. 31, 1935</u>
Government and Miscellaneous securities held in safekeeping for members:	\$285,987,444.70	\$228,536,560.00
Securities pledged to secure public deposits:	78,684,377.03	74,956,545.00
U.S. Savings bonds held for individuals, firms, corporations, and non-member banks:	1,874,400.00	552,000.00
Securities held for U.S. Govt. officials:	8,498,000.00	13,578,000.00
" " " Public Works Administration:	2,220,147.00	2,845,259.60
" " " Reconstruction Finance Corp.:	35,119,968.72	48,270,157.00
Collateral to War Loan Deposits:	4,080,850.00	4,314,250.00
Collateral to Discounts, Rediscunts and Industrial advances	353,829.50	337,088.00
	<u>\$416,819,016.95</u>	<u>\$373,389,859.00</u>

CURRENCY AND COIN
(Minneapolis Only)

THE TABLE GIVEN BELOW SHOWS THE VOLUME OF CURRENCY TRANSACTIONS AND SHIPPING CHARGES ABSORBED FOR THE YEAR 1936 AS COMPARED TO THE YEARS 1935 AND 1934.

TWIN CITY MEMBER BANKS:

<u>Currency received by us:</u>	<u>1936</u>	<u>1935</u>	<u>1934</u>
Amount.....	\$109,750,002	\$107,885,645	\$101,627,345
Number of their shipments.....	3,447	3,429	3,471
 <u>Currency delivered by us:</u>			
Amount.....	\$119,627,300	\$109,709,600	\$ 99,541,377
Number of our shipments.....	1,513	1,480	1,463

OTHER MEMBER AND NON-MEMBER BANKS:

<u>Currency received by us:</u>			
Amount.....	\$ 52,466,666	\$ 59,089,530	\$ 55,633,742
Number of their shipments.....	11,745	13,585	18,213
Shipping charges absorbed.....	\$ 25,711.60	\$ 24,820.09	\$ 24,561.33
 <u>Currency shipped by us:</u>			
Amount.....	\$ 94,906,022	\$ 77,513,796	\$ 78,315,698
Number of our shipments.....	23,311	21,796	23,143
Amount of our shipping costs...	\$ 22,063.81	\$ 19,760.39	\$ 21,016.80

COIN RECEIVED BY US FROM MEMBER AND NON-MEMBER BANKS:

Amount.....	\$ 2,471,279	\$ 2,596,055	\$ 2,220,258
Number of shipments.....	1,850	1,927	1,694
Shipping charges absorbed.....	\$ 4,938.11	\$ 5,013.60	\$ 3,608.86

COIN SHIPPED BY US TO MEMBER AND NON-MEMBER BANKS:

Amount.....	\$ 2,966,121	\$ 2,810,392	\$ 3,319,298
Number of shipments.....	7,667	7,506	8,003
Shipping charges absorbed.....	\$ 6,499.25	\$ 6,809.96	\$ 7,621.35

THE FOLLOWING TABLE SHOWS THE NUMBER OF NOTES RECEIVED AND SORTED, AND A COMPARISON OF THE EXPENSES FOR SPECIFIED PERIOD.

	<u>1936</u>	<u>1935</u>	<u>1934</u>
Receiving and Sorting Costs	\$ 21,088.00	\$ 23,430.00	\$ 25,230.00
Average number of receiving tellers and sorters	12.99	14.05	15.59
Number of notes received and counted	45,696,000	42,814,000	41,015,000
Average number of notes sorted daily by each employee	11,610	10,057	8,712
Our average currency receiving and sorting costs per each 1000 notes	46¢	55¢	62¢

CURRENCY AND COIN (Contd)

THE FOLLOWING SCHEDULE SHOWS THE AMOUNT OF COINS RECEIVED AND COMPARISON OF THE EXPENSES FOR THE SPECIFIED PERIODS.

	<u>1936</u>	<u>1935</u>	<u>1934</u>
Salaries and Supplies	\$ 6,359.99	\$ 7,719.09	\$ 5,507.00
Average number of coin tellers	2.27	3.37	2.21
Number of coins received and sorted	18,290,610	18,133,000	13,643,000
Average number of coins handled by each employee daily	26,592	21,304	20,442
Unit cost per 1000 coins	35¢	43¢	40¢

The latest available comparative operating expense figures of the Federal Reserve Bank Head Offices (first half of 1936) indicate that the average cost for the system for sorting each 1,000 notes was 53¢ as compared to our cost of 41¢ for the last half of 1936, and that the system's average notes sorted daily per employee was 10,500 as compared to our latest average of 13,141. From January 1, 1934 to July 1, 1936, the highest average number of notes sorted daily during any semi-annual period for any one of the Federal Reserve banks amounted to 13,513 per employee.

The reduction in our cost and the increased daily volume sorted by our currency sorters were accomplished through the elimination of the re-handling of a large volume of currency (by discontinuance of the proof count of notes of lower denomination); lengthening the working hours; improving working facilities; and adjusting salaries of sorters on the basis of their efficiency. Incidentally, as a result of such salary adjustments, the average salaries paid increased slightly.

Our currency sorting machines have been in service for ten years. Due to their present worn condition, it will be necessary to make replacements. New equipment should be a factor in further decreasing the sorting costs.

The total cost of the Currency and Coin function for 1936 was \$103,604 as compared to the 1935 cost of \$104,460. The 1936 cost includes the absorption by us of \$61,225 in shipping charges on currency and coin as compared to \$58,270 in 1935. The 1936 total expense includes \$13,252 of costs incident to retiring unfit currency from circulation and the expense of preparing currency shipments to member banks, and in 1935 such costs were \$13,832.

CURRENCY AND COIN

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1936
(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	518	\$ 9,117,700	1,072	\$ 4,872,435
February	264	7,263,200	651	2,499,121
March	292	8,397,150	741	2,992,890
April	281	8,916,900	967	4,308,300
May	270	9,157,600	989	4,743,300
June	267	8,668,660	961	4,463,759
July	283	9,236,859	859	7,571,481
August	285	8,438,291	1,082	5,691,564
September	278	10,024,169	1,087	5,499,651
October	290	10,526,412	1,188	5,278,492
November	335	8,884,371	888	3,406,550
December	284	11,118,690	1,260	6,139,123
Total	3,447	\$109,750,002	11,745	\$ 57,466,666

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	114	\$ 8,284,000	1,220	\$ 4,006,044
February	110	9,093,000	1,372	6,052,200
March	128	9,208,500	1,955	6,859,216
April	126	9,325,500	1,870	6,718,921
May	125	10,041,000	1,867	6,413,834
June	150	11,855,000	2,696	13,606,459
July	119	8,987,000	1,786	6,515,648
August	140	11,264,000	2,393	9,992,419
September	120	9,570,000	1,981	8,068,088
October	134	11,232,000	2,040	9,131,168
November	104	9,543,200	1,916	8,128,902
December	143	11,224,100	2,215	9,413,123
Total	1,513	\$119,627,300	23,311	\$ 94,906,022

COIN RECEIPTS

Member and Non-Member Banks

	<u>Number Shipments</u>	<u>Amount</u>
January	249	\$ 418,392
February	120	151,090
March	99	139,337
April	129	119,292
May	140	198,945
June	135	165,823
July	194	235,824
August	164	243,383
September	195	226,342
October	159	211,016
November	110	151,090
December	156	210,745
Total	1,850	\$ 2,471,279

COIN SHIPMENTS

Member and Non-Member Banks

	<u>Number Shipments</u>	<u>Amount</u>
January	212	\$ 83,939
February	268	156,130
March	494	190,000
April	572	220,591
May	645	241,383
June	939	349,812
July	913	328,554
August	932	357,369
September	748	304,633
October	697	250,056
November	611	237,403
December	636	246,261
Total	7,667	\$ 2,966,121

FEDERAL RESERVE NOTES

All time highs in note circulation were continually established during the last half of 1936, with each month from August on showing increased volume. At the close of the year the Agent's records showed \$142,110,000 as the total amount outstanding. As the tellers were holding \$6,014,000 of our notes, the net circulation of our institution was \$136,096,000. After a small contraction during the first two months of 1936, there was only slight increase in demand until June, when large withdrawals of currency were made in anticipation of bonus payments. For that reason, the net increase of nearly \$8,000,000 in circulation was the largest of any month in 1936. The total outstanding remained practically the same in July, after which the increase was steady until the close of the year.

In analyzing our issue over the period of our existence, we find only two years in which greater amounts of notes were withdrawn from the Agent than during 1936. These years were 1929 when the change was being made from the large size note to the smaller note, and 1933 when there was a very heavy demand prior to and after the banking holiday. But for the fact that we had a supply of legal 5's on hand, and which we paid out, our issue in 1936 would have exceeded \$60,000,000.

Of the \$58,050,000 issued to the Bank in 1936 by the Agent, \$51,410,000 consisted of new notes and \$6,640,000 of notes previously circulated. In this connection it might be stated that during the past two years, fit notes to the amount of \$8,615,000 were retired to the Agent and \$16,302,000 withdrawn, leaving no unused notes in the custody of the Agent except in denominations of 50's and higher. Another feature of our issue was that no new notes other than 10's and 20's were requisitioned by the Bank in 1935 and only \$2,210,000 of other denominations of new notes in 1936. Thus we find that 97.3% of all the new notes issued in the past two years has been in 10's and 20's. During the latter part of 1936 we took \$800,000 of new 5's and \$1,575,000 of fit-for-use 5's from the Agent or 4.09% of the total issue of the year, with 10's representing 49.65% and 20's 37.69%. The destruction of notes during the year, has been such that although the net gain in notes outstanding has been nearly \$27,000,000, there are \$103,000 less 5's outstanding than one year ago. This would indicate that legal 5's and silver certificates are being supplied in sufficient volume to allow us to continue curtailing our own 5's.

FEDERAL RESERVE NOTES (Contd)

Some years ago there was a close relationship between the amount of silver certificates and legal tender notes we sent in for redemption, and the amount of new notes of like kind forwarded us by the Treasury. Of late years this has not been true. During 1936 we paid out silver certificate 5's to the amount of \$6,420,000 and legal 5's to the amount of \$9,080,000. Shipments of silver certificate 1's aggregating \$16,700,000 were also obtained from the Treasury Department.

The volume of our notes in circulation should be some indication of an increase in the amount of notes destroyed. In 1936 our notes destroyed amounted to \$29,348,290 which was \$929,000 less than the amount destroyed in 1935. There can hardly be any doubt but that the destruction schedule in 1937 will show a decided increase. In connection with the retirement of our notes, we might mention that \$368,785 of the old large size notes, issue of which stopped in 1929, were destroyed during the year, leaving \$2,898,170 still outstanding.

On December 31, 1936, the Agent had on hand at Minneapolis \$56,810,000 of new notes and \$7,590,000 of fit-for-use notes. Of the new notes \$41,000,000 was in the 1928 series not being issued by request of the Treasury Department. Besides the 1928 series notes held at Minneapolis \$104,160,000 of the same series, printed and paid for, is held at Washington. Out of the total of \$145,160,000 in 1928 series notes \$50,460,000 is in 5's, 10's and 20's. The replacement of these notes of the smaller denominations, without cost to us, by notes of the 1934 series, would give us \$115,000,000 or a two year's supply based on present demand.

Note printing costs in 1936 were \$44,105.10 to which should be added \$13,720.56 of shipping charges and surcharges, making a total of \$57,825.66. After July 1, the printing cost was advanced from \$86.00 to \$93.50 per 1,000 sheets. Our estimate for note expense in 1936 was \$38,000. The Budget estimate for note costs in 1937 is \$32,000, but there is no certainty these costs will be much lower than in 1936.

FEDERAL RESERVE NOTES RECEIVED AND ISSUED BY AGENT DURING 1936

IN HANDS OF AGENT DECEMBER 31, 1935

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 6,200,000	\$ 1,410,000	\$ 7,610,000
Tens	3,880,000	0	3,880,000
Twenties	4,000,000	0	4,000,000
Fifties	12,400,000	2,575,000	14,975,000
Hundreds	10,000,000	5,900,000	15,900,000
Five Hundreds	6,200,000	865,000	7,065,000
Thousands	5,400,000	1,425,000	6,825,000
Total	\$ 48,080,000	\$ 12,175,000	\$ 60,255,000

	<u>RECEIVED FROM COMPTROLLER NEW</u>	<u>RETURNED BY BANK FIT-FOR-USE</u>	<u>TOTAL RECEIVED</u>
Fives	\$ 5,000,000	\$ 165,000	\$ 5,165,000
Tens	28,800,000	810,000	29,610,000
Twenties	22,640,000	680,000	23,320,000
Fifties	1,000,000	200,000	1,200,000
Hundreds	1,200,000	200,000	1,400,000
Five Hundreds	500,000	0	500,000
Thousands	1,000,000	0	1,000,000
Total	\$ 60,140,000	\$ 2,055,000	\$ 62,195,000

ISSUED TO BANK

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 800,000	\$ 1,575,000	\$ 2,375,000
Tens	28,000,000	810,000	28,810,000
Twenties	21,200,000	680,000	21,880,000
Fifties	450,000	875,000	1,325,000
Hundreds	960,000	1,750,000	2,710,000
Five Hundreds	0	250,000	250,000
Thousands	0	700,000	700,000
Total	\$ 51,410,000	\$ 6,640,000	\$ 58,050,000

IN HANDS OF AGENT DECEMBER 31, 1936

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 10,400,000	\$ 0	\$ 10,400,000
Tens	4,680,000	0	4,680,000
Twenties	5,440,000	0	5,440,000
Fifties	12,950,000	1,900,000	14,850,000
Hundreds	10,240,000	4,350,000	14,590,000
Five Hundreds	6,700,000	615,000	7,315,000
Thousands	6,400,000	725,000	7,125,000
Total	\$ 56,810,000	\$ 7,590,000	\$ 64,400,000

RATIO OF ISSUE BY DENOMINATIONS

	<u>1936</u>	<u>1935</u>	<u>1934</u>	<u>1933</u>	<u>1932</u>
Fives	4.09	1.47	25.27	18.90	16.13
Tens	49.63	51.66	40.25	30.05	30.09
Twenties	37.69	38.76	32.31	26.26	32.81
Fifties	2.28	2.02	.72	5.94	3.46
Hundreds	4.67	3.79	1.24	12.31	12.59
Five Hundreds	.43	.76	0	2.05	1.29
Thousands	1.21	1.54	.21	4.49	3.63
	100.00%	100.00%	100.00%	100.00%	100.00%

FEDERAL RESERVE NOTES ISSUED TO BANK

COMPARATIVE BY MONTHS 1936-1932

	<u>1936</u>	<u>1935</u>	<u>1934</u>	<u>1933</u>	<u>1932</u>
January	\$ 1,190,000	\$ 1,000,000	\$ 3,175,000	\$ 3,980,000	\$ 5,580,000
February	3,540,000	3,770,000	5,385,000	12,590,000	3,268,600
March	4,185,000	1,984,000	4,430,000	35,185,000	4,210,000
April	3,795,000	2,688,000	1,940,000	1,680,000	7,340,000
May	3,100,000	2,550,000	2,640,000	1,170,000	7,830,000
June	10,505,000	2,300,000	2,360,000	2,160,000	4,735,000
July	4,275,000	1,625,000	4,780,000	4,790,000	7,260,000
August	5,930,000	4,470,000	8,060,000	4,100,000	2,070,000
September	3,680,000	6,380,000	5,250,000	7,205,000	4,160,000
October	5,330,000	4,660,000	3,180,000	1,940,000	3,010,000
November	6,260,000	4,325,000	3,215,000	1,700,000	2,200,000
December	6,260,000	5,110,000	3,985,000	5,165,000	4,251,500
Total for Year	\$58,050,000	\$40,862,000	\$48,400,000	\$81,665,000	\$55,905,000

FEDERAL RESERVE NOTES DESTROYED AT
WASHINGTON
COMPARATIVE BY MONTHS 1936-32

	<u>1936</u>	<u>1935</u>	<u>1934</u>	<u>1933</u>	<u>1932</u>
January	\$ 2,928,505	\$ 2,920,050	\$ 1,969,650	\$ 1,763,650	\$ 1,635,550
February	1,568,905	2,038,050	2,532,360	1,178,300	1,189,000
March	2,378,850	2,357,250	2,503,550	1,107,100	1,569,950
April	2,069,250	2,326,850	3,172,550	1,540,410	1,447,345
May	2,629,000	2,640,200	3,120,000	2,451,100	2,025,050
June	2,338,650	2,237,650	2,497,150	1,513,050	1,419,260
July	2,390,050	2,894,800	2,930,250	1,990,250	1,579,850
August	2,352,650	2,282,275	2,157,950	2,769,400	1,970,500
September	2,591,180	2,754,400	2,604,450	1,854,350	1,511,500
October	2,702,650	2,833,050	2,872,980	2,598,500	2,281,500
November	2,957,950	2,671,650	2,674,200	2,453,800	1,671,150
December	2,440,450	2,321,550	2,432,850	2,129,550	1,593,175
Total for Year	\$29,348,290	\$30,277,775	\$31,467,940	\$23,359,460	\$19,894,830

FEDERAL RESERVE NOTES ISSUED AND
DESTROYED SINCE ORGANIZATION

	<u>Issued to Bank</u>	<u>Destroyed at Washington</u>
1914	\$ 260,000	\$ 0
1915	13,742,000	0
1916	9,880,000	895,955
1917	42,230,000	8,988,095
1918	57,140,000	9,421,540
1919	39,990,000	36,771,805
1920	39,450,000	40,766,785
1921	39,265,000	49,748,580
1922	43,360,000	32,784,320
1923	40,205,000	27,320,330
1924	52,030,000	28,173,395
1925	44,330,500	30,108,355
1926	46,702,000	31,835,950
1927	36,694,500	23,970,335
1928	40,015,000	26,808,035
1929	73,754,000	55,134,950
1930	39,052,000	43,217,265
1931	42,180,000	19,595,995
1932	55,905,000	19,894,830
1933	81,665,000	23,359,460
1934	48,400,000	31,467,940
1935	40,862,000	30,277,775
1936	58,050,000	29,348,290
TOTAL	\$985,162,000	\$ 599,889,985

ISSUE, REISSUE AND DESTRUCTION OF FEDERAL RESERVE NOTES
SINCE OPENING OF BANK AS OF DECEMBER 31, 1936.

	<u>Received from</u> <u>Comptroller</u>	<u>Returned to</u> <u>Agent by bank</u>	<u>Total</u>
Fives	\$201,400,000	\$ 41,800,000	\$243,200,000
Tens	267,560,000	80,150,000	347,710,000
Twenties	240,640,000	82,700,000	323,340,000
Fifties	28,800,000	9,965,000	38,765,000
Hundreds	42,400,000	17,935,000	60,335,000
Five Hundreds	11,400,000	2,944,000	14,344,000
Thousands	14,200,000	7,668,000	21,868,000
Total	\$806,400,000	\$243,162,000	\$1,049,562,000

ISSUED TO BANK

	<u>New</u>	<u>Fit-For-Use</u>	<u>Total</u>
Fives	\$191,000,000	\$ 41,800,000	\$232,800,000
Tens	262,880,000	80,150,000	343,030,000
Twenties	235,200,000	82,700,000	317,900,000
Fifties	15,850,000	8,065,000	23,915,000
Hundreds	32,160,000	13,585,000	45,745,000
Five Hundreds	4,700,000	2,329,000	7,029,000
Thousands	7,800,000	6,943,000	14,743,000
Total	\$749,590,000	\$235,572,000	\$985,162,000

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	\$4,518,285	\$97,333,900	\$80,069,530	\$186,181,715
Tens	2,545,000	5,877,410	108,424,000	92,517,040	209,363,450
Twenties	1,020,000	5,662,420	77,645,600	89,713,500	174,041,520
Fifties	25,000	506,950	5,435,000	3,781,950	9,748,900
Hundreds	30,000	967,600	7,960,000	6,005,300	14,962,900
Five Hundreds	0	126,500	1,494,500	790,500	2,411,500
Thousands	0	215,000	1,932,000	1,033,000	3,180,000
Total	\$7,880,000	\$17,874,165	\$300,225,000	\$273,910,820	\$599,889,985

	<u>In hands of Agent</u> <u>December 31, 1936</u>	<u>Outstanding</u> <u>December 31, 1936</u>
Fives	\$10,400,000	\$ 4,818,285
Tens	4,680,000	53,516,550
Twenties	5,440,000	61,158,480
Fifties	14,850,000	4,201,100
Hundreds	14,590,000	12,847,100
Five Hundreds	7,315,000	1,673,500
Thousands	7,125,000	3,895,000
Total	\$64,400,000	\$142,110,015

RESERVE POSITION

Total reserves amounted to \$184,211,000 on December 31, 1936, and the ratio of reserves to deposit and Federal Reserve note liabilities combined, was 68.2% compared to 66.8% at the close of 1935, when the total reserves amounted to \$145,513,000. The principal changes in our reserve position during this period were an increase in reserves of \$38,698,000 and an increase of \$14,582,000 in our holdings of bills and securities, offset by an increase of \$26,684,000 in total deposits and an increase of \$25,534,000 in the amount of Federal Reserve notes in actual circulation.

Member bank reserve requirements were increased 50% effective August 16, 1936, by order of the Board of Governors of the Federal Reserve System. This action was taken to sterilize excess reserves rather than to increase deposits in the Reserve banks. Total reserve balances of member banks in our District fluctuated widely during the year. On December 31, 1935, the total was \$96,228,000 and reached the high point of \$135,330,000 on March 9, 1936, dropped to a low of \$72,036,000 on May 4, 1936, then showed a gradual increase with average daily balances ranging from \$116,000,000 to \$126,000,000 throughout the last half of the year. Treasury financing has a material effect on member bank reserve balances. When new issues of United States Government securities are sold and the Treasurer's deposits increased, funds are withdrawn from the member banks to pay for securities; as the Treasurer spends the money the funds are again deposited in the banks. It is apparent too, that there has been a tendency to reduce duplication of bank deposits by transferring funds from correspondent banks to the Reserve Bank.

Our Federal Reserve notes in actual circulation amounted to \$110,562,500 on December 31, 1935. There was some contraction during the first part of the year, followed by a gradual increase to meet the requirements of advancing prices and increased business activities, with a total of \$136,096,365 in circulation at the close of the year. In addition to the notes in circulation, notes on hand and forwarded for redemption amounted to \$6,013,650, making a total of \$142,110,015 outstanding. The collateral pledged with our Federal Reserve Agent to secure outstanding notes consisted of \$3,000 in eligible paper, \$15,000,000 of United States Government securities and a balance of \$128,000,000 in the gold certificate fund held by the Treasury Department for account of our Agent.

The changes in our earning assets affecting the reserve position are explained in the comments on earnings.

DAILY AVERAGE MEMBER BANK RESERVE BALANCE BY MONTHS

Minneapolis and Helena Combined

	<u>1936</u>	<u>1935</u>
January	\$ 110,492,000	\$ 103,039,000
February	121,900,000	99,008,000
March	116,064,000	100,891,000
April	82,400,000	96,262,000
May	85,831,000	101,567,000
June	92,500,000	112,969,000
July	116,034,000	118,338,000
August	125,423,000	115,134,000
September	124,882,000	104,947,000
October	116,568,000	106,020,000
November	126,388,000	108,227,000
December	124,291,000	104,226,000

Daily average member bank balances, Minneapolis and Helena	1936	\$ 111,906,000	
" " " " " "	" " " "	1935	105,945,000
" " " " " "	" " " "	1934	78,323,000
" " " " " "	" " " "	1933	47,306,000
" " " " " "	" " " "	1932	40,094,000

MEMBER BANK RESERVE BALANCE FLUCTUATIONS

HIGH

LOW

Minneapolis Only	March 9, 1936	\$121,126,447	Minneapolis Only	May 4, 1936	\$ 60,623,919
Helena Only	November 28, 1936	20,095,038	Helena Only	June 1, 1936	9,835,835
Combined	March 9, 1936	135,330,412	Combined	May 4, 1936	72,036,209
Combined	July 10, 1935	129,455,360	Combined	May 2, 1935	86,453,913

COMPARISON OF MEMBER AND NON-MEMBER BANK BALANCES

AS OF DECEMBER 31, 1936-1935-1934-1933-1932

(Thousands only 000 omitted)

	<u>1936</u>	<u>1935</u>	<u>1934</u>	<u>1933</u>	<u>1932</u>
Michigan	\$ 5,146	\$ 3,485	\$ 3,403	\$ 3,635	\$ 2,019
Minnesota	80,885	58,772	68,750	43,404	23,289
Montana	15,876	17,068	11,121	7,160	5,521
North Dakota	5,175	6,137	3,893	3,398	2,175
South Dakota	9,578	7,297	6,869	3,613	2,490
Wisconsin	3,871	3,469	3,385	3,120	2,266
	<hr/> \$120,531	<hr/> \$96,228	<hr/> \$97,421	<hr/> \$64,330	<hr/> \$37,760

DEFICIENT RESERVE PENALTIES

	<u>Minneapolis</u>	<u>Helena</u>	<u>Combined</u>	<u>Combined</u>
	<u>1936</u>	<u>1936</u>	<u>1936</u>	<u>1935-6</u>
Total penalties for 1936	\$320.18	\$ 30.11	\$ 350.29	\$ 394.19
Number of banks penalized	47	4	51	37
Maximum penalty rate	4%	4%	4%	5%

TRANSFER AND CODE DEPARTMENT
(Minneapolis Only)

The Transfer Department handled 20,306 transfers amounting to \$1,719,291,000 during 1936, as compared to 22,844 transfers totaling \$1,443,484,000 in 1935. This represents a decrease of 2,538 transactions, but an increase in amount of \$275,807,000 as compared to 1935.

The retirement of National Bank Note circulation during 1935 resulted in the discontinuance of Five Per Cent Redemption Fund transfers in June, 2,830 of such transfers totaling \$2,249,000 being handled in 1935.

The number and amount of incoming and outgoing wire transfers handled during the years 1936, 1935, 1934, 1933 and 1932 were as follows:

<u>Year</u>	<u>Outgoing Wire Transfers</u>		<u>Incoming Wire Transfers</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1936	6,111	\$ 370,723,000	6,624	\$ 914,381,000
1935	5,666	344,724,000	5,870	724,422,000
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 1936 other than transfers were 18,390 as compared to 18,713 in 1935.

TELEGRAPH UNIT
(Minneapolis Only)

During 1936 we sent 468,939 words over the Federal Reserve System leased wires and during 1935, 525,980 words. The System leased wire between Minneapolis and Chicago was contracted for on a nine hour daily except Sunday basis, January through September, and the time reduced to an eight hour basis effective October 1, 1936. Effective January 1, 1937, the leased wire between Minneapolis and Chicago was discontinued and Teletypewriter Exchange service substituted. An estimated annual saving to the System of between \$4,000 and \$5,000 is expected from this change in service.

AUDITING

The Auditing Department makes periodic audits of all balance sheet accounts, Fiscal Agency and other operations of the bank subject to audit. Earnings and accruals, other than earnings from participation accounts with the Federal Reserve Bank of New York, are proved and verified to the control accounts. The balances in various participation accounts with Federal Reserve Bank of New York, and earnings thereon, as shown by our books, are verified periodically with the Auditor of the New York Bank. Expense items are inspected, checked as to extensions, additions and official approval, listed and verified to the expense accounts. All expense checks are countersigned by the Auditor. Requests for purchases of equipment or supplies are placed on requisitions and referred to the Auditor for approval. No purchase is authorized until the need is established and price considered satisfactory. Bills for \$500 or more and all bills for alterations to building must be approved by the Bank's Discount Committee. The payroll is audited currently and any changes from the previous payroll are verified with the personnel officer. In addition, at intervals the Auditors accompany the Paymaster when pay-envelopes are distributed, obtain signed receipts from employees and check the receipts to the payroll records. Deductions from salaries for contributions to Retirement System, group life insurance, etc., are proved and checked for proper disposition of the funds.

Signed receipts are obtained from consignees for all outgoing shipments of cash and securities. A duplicate record of registered mail packages delivered to our bank by the Minneapolis Postoffice, is sent direct to the Auditing Department by the Postmaster. A daily check is made to see that all packages described on this record have been delivered by our Registered Mail Division to the operating departments.

The Auditing Department maintains a record of securities deposited with us for safekeeping or for collateral purposes, and any changes in the accounts are checked to the records of the Custody Department and to the memorandum control accounts on the general ledger daily. Securities delivered from our Fiscal Agency Division are checked against the stock records daily.

AUDITING (Cont'd.)

Subscriptions to and allotments of new issues of United States Government securities are reviewed to see if each subscription was handled in accordance with Treasury Department regulations and without discrimination, between subscribers. Payments for new issues allotted are checked against the credit entries to the Treasurer of the United States.

All requests received from examiners and other supervising authorities for verification of notes or securities held in our custody, reconciliation of accounts, etc., are handled by the Auditing Department.

An independent representative of Head Office Auditor is maintained at Helena Branch. In addition to the auditing work conducted by this representative, a balance sheet audit of the Branch was conducted by Head Office Auditors as of September 21, 1936.

REPORT OF BANK AND PUBLIC RELATIONS ACTIVITIES
AT FEDERAL RESERVE BANK OF MINNEAPOLIS
DURING 1936

Eighteen bank officers and other representatives traveled 112,800 miles on public relations work during 1936 at a travel cost of \$10,356.08. They attended 6 bankers' conventions and 47 other meetings, delivered 30 addresses, and made 857 visits at member banks and 1,111 visits at non-member banks in the district. Practically every bank in the district was visited at least once during the year.

The attendance at showings of the Federal Reserve Bank movie during 1936 was 173,096 people.

The Board of Directors of this bank held their September meeting in LaCrosse, Wisconsin, and were guests at lunch of the bankers at LaCrosse.

All member and non-member banks were offered the use of any book in our library without cost except that of the postage involved. President Peyton wrote a personal letter to the executive officer of every bank in the drouth area of this district, offering the facilities of the Federal Reserve Bank in any possible way to tide over the difficult situation in prospect. Loose-leaf binders containing full sets of the regulations of the Board of Governors and the more important circular letters of this bank were sent to all member banks. The pamphlet "Father Coughlin vs. The Federal Reserve System," was mailed to a number of bankers in the district. Memberships have been purchased in the state Banker's Associations of the six states in which this bank operates.

Twelve issues of the Monthly Review were printed and distributed to a mailing list which, in December, consisted of 7,736 names.

BANK EXAMINATION DEPARTMENT

At least one complete examination has been made of each State member bank of the Ninth Federal Reserve District during 1936 by examiners for the Federal Reserve Bank of Minneapolis.

There are eleven State member banks that are exercising trust powers, and eleven examinations were conducted of trust departments of State member banks during 1936 (ten by the trust examiner and one by an examiner) and two examinations of trust departments of State banks applying for membership. There are ninety-two national banks that have full or limited trust powers and fifty-three of those banks are exercising trust powers. The trust examiner has not examined the trust departments of national banks during 1936. The trust examiner reviews the reports of trust departments which are attached to the national examiners' reports. Ninety-nine such reports were reviewed during the year.

Two applications by a national bank for fiduciary powers were received during 1936. The first application was denied and a later application was granted. Trust powers of five national banks were surrendered during the year.

The examinations by this Department in the various States were as follows:

	<u>State Banks</u>
Michigan	7
Minnesota.	14
Montana.	21
South Dakota	26
Wisconsin.	<u>2</u>
	70

Summary of Examinations and Special Visits

<u>Examiner</u>	<u>Examined for Mem- bership</u>	<u>Regular Examina- tions</u>	<u>Special Visits</u>	<u>Assisted</u>	<u>Miles Traveled</u>
John Carlander	1	8	-	-	3,552
W. J. Stutzman	4	60	1	-	19,624
H. G. McConnell	1	1	-	1	1,304
A. W. Mills	-	-	-	2	310
T. H. Hodgson	2(a)	10(a)	-	1	7,528
<u>Assistant Examiner</u>					
J. B. Johnson	-	-	-	66	19,489
H. C. Jones	-	-	-	4	1,386
C. J. Larson	-	1	-	3	1,334
<u>Examiners' Clerk</u>					
C. W. Groth	-	-	-	2	504
A. Wikholm	-	-	-	1	750
	<u>8</u>	<u>80</u>	<u>1</u>	<u>80</u>	<u>55,781</u>

(a) Trust Department examinations.

BANK EXAMINATION DEPARTMENT (Contd)

Examiner Stutzman and Assistant Examiner Johnson devote practically all of their time to bank examination work. Examiner McConnell spends considerable time with the Industrial Loan Department, and such time has been charged to that function. Examiner Carlender is Department Office Manager and makes examinations only occasionally.

Examination of Holding Company Affiliates.

No examinations made of holding company affiliates during the year. However, Messrs. Thomson and Ford of the Northwest Bancorporation on December 7 requested that we review the application of September 21, 1933 for a voting permit, and stated that the applicant would submit information tending to show the present condition of that corporation. Mr. Paulger's letter of December 4 indicated that a memorandum prepared on the basis of certain data supplied by the Northwest Bancorporation might form the basis of a memorandum and that a memorandum showing the condition of the applicant as of September 30, 1936, would be satisfactory to the Examination Division at Washington. The Examination Department spent two weeks compiling information and preparing a memorandum, for which we received a fee of \$548.19. No other examinations or reviews of holding company affiliates made during the year 1936.

STATE BANK APPLICATIONS FOR MEMBERSHIP - 1936

Five applications were received from State banks in this District for membership in the Federal Reserve System. The applications were from the Security Bank and Trust Company of Owatonna, Owatonna, Minnesota, Corn Exchange Savings Bank, Sioux Falls, South Dakota, The Manistique Bank, Manistique, Michigan, Fulton State Bank, Fulton, South Dakota, and Belt Valley Bank, Belt, Montana. The Security Bank and Trust Company of Owatonna was examined as of January 13, 1936, the application was approved by the Board at Washington on March 6, 1936, and membership was completed as of April 11, 1936. The Corn Exchange Savings Bank, Sioux Falls, was examined as of July 20, 1936, the application was approved by the Board at Washington on October 20, 1936, and membership was completed as of November 18, 1936. Examinations were made of The Manistique Bank, Fulton State Bank, and Belt Valley Bank, but membership of these banks was not completed as of December 31, 1936.

BANK EXAMINATION DEPARTMENT (Contd)

Status of Applications for Membership Which Were on Hand December 31, 1935.

Total number on hand		1
Admitted to membership	0	
Withdrew application	<u>1</u>	1

Status of Applications for Membership Received During 1936

Total number received.		5
Admitted to membership	3	
Incomplete	<u>3</u>	5

OFFICE WORK

Reports of Examination of National Banks

Number of reports received from the Chief National Bank Examiner's Office . . 850
(The cost of these reports aggregated \$4,250.00 for the calendar year.)

Ninety-six (96) duplicate copies of the reports of examination of Montana national banks were received from the Chief Examiner's Office, and the cost of those additional copies aggregated \$216.00 for the year.

Reports of Examination of State Member Banks

The 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:

Michigan	1
Minnesota	11
Montana	8
South Dakota	9

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 forwarded to the Board at Washington, one copy retained for our files, one copy sent to the bank examined, and one copy forwarded to the State Banking Department. The confidential section is not attached to the copy of the report sent to the bank nor attached to the copy sent to the State supervising authorities. Copies of reports of examination of all State member banks in Montana are sent to the Helena Branch. Analyses of reports of examination of all State member banks made by examiners for the Federal Reserve Bank and reports of independent examinations made by State authorities are made on either the revised Form 212 or Form 213. Such analyses are forwarded to the Board at Washington. The analysis form sets forth important facts and figures pertaining to the condition of the bank; also much general information; and concludes with a recommendation as to what action, if any,

BANK EXAMINATION DEPARTMENT (Contd)

should be taken by the Board of Governors of the Federal Reserve System, together with the reasons therefor, which recommendations are made by the President and concurred in by the Federal Reserve Agent.

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 Board of Governors of the Federal Reserve System, together with all legal papers in connection with the organization or reorganization of the applicant bank. The Board at Washington 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 Federal Reserve Agent Geery, one copy to Vice President Yaeger, and one to Vice President 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 are shown by reports of examination to be in an unsafe or unsatisfactory condition, special letters are written either to the bank or to the State supervising authorities, calling attention to the unsatisfactory and criticised matters, with a request or direction that corrective action be taken. Conferences are held with those at interest in cases where such action appeared desirable and constructive.

Reports of Earnings and Dividends, Reports of Condition, and Related Reports.

Approximately 4,475 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 application for permission to exercise fiduciary powers was approved by the Board at Washington during 1936:

<u>Name of Bank</u>	<u>Location</u>	<u>Approved</u>	<u>Capital</u>	<u>Powers</u>
The First National Bank and Trust Company in Sioux Falls	Sioux Falls, So. Dakota	11-5-36	\$250,000* \$200,000**	Additional

(* Preferred)
(** Common)

The following applications for surrender of fiduciary powers were approved during 1936:

BANK EXAMINATION DEPARTMENT (Contd)

<u>Name of Bank</u>	<u>Location</u>	<u>Date of Application</u>	<u>Date Approved</u>
First National Bank	Albert Lea, Minnesota	1-3-36	2-8-36
First National Bank	Spring Valley, Minnesota	1-28-36	5-11-36
Red Wing National Bank & Trust Company	Red Wing, Minnesota	8-18-36	12-4-36
Farmers National Bank	Waseca, Minnesota	9-20-35	1-11-36

The application of the First National Bank, Owatonna, Minnesota, for surrender of fiduciary powers was received November 12, 1936, but notice of approval of that application had not been received as of December 31.

Re Clayton Act.

In consideration of Section 8 of the Clayton Act and the Board's Regulation L, examiners' reports are analyzed and records maintained with a view of ascertaining any relationships that are not in conformity with the law. No apparent violations have been noted.

Applications Made Under Section 32 of the Banking Act of 1933.

No permits have been issued with respect to Section 32 of the Banking Act of 1933, and relationships with dealers in securities are now governed, in consideration of amendment of said Section 32, which became effective January 1, 1936, by revised Regulation R, which became effective January 4, 1936.

Applications for Adjustment of Holdings of Federal Reserve Bank Stock.

During the year two hundred fifty-eight applications for adjustment of holdings of Federal Reserve Bank stock were received from member banks; stock was also issued to two new State bank members. Nineteen applications for surrender of stock by member banks were received, sixteen from national banks in voluntary liquidation and three from State member banks withdrawing from the System. The Examination Department handles applications for adjustment, for new stock, and for cancellation of stock.

Applications for National Charters.

No applications for national bank charters were referred to this office for recommendation during the year.

Reports to Board of Governors of the Federal Reserve System on Changes in Banks' Status, etc.

Weekly reports are forwarded to the Board at Washington showing changes in the status of all State and national banks in the District. Records are also maintained and weekly reports sent to the Board with reference to status of applications received from State banks for membership in the Federal Reserve System.

BANK EXAMINATION DEPARTMENT (Contd)

Weekly reports are also sent to the Board with reference to status of applications for fiduciary powers.

The Examination Department handles correspondence and inquiries with reference to the Board's Regulation T and prepares and forwards to the Board at Washington consolidated statements of those firms belonging to national securities exchanges where the home office of such firms is within this District. The Department maintains a record of non-member State banks that have signed agreements in conformity with Regulation T.

BANK CHANGES IN 1936
(Per Stock Book Records)

Total number of member banks in the District January 1, 1936	501
New national banks organized	0
State banks admitted	<u>2</u>
	503
National banks absorbed by other national banks.	1
National banks succeeded by non-member State institutions.	12
National banks liquidated.	3
State member bank withdrawals.	<u>3</u>
	<u>19</u>
Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year.	484

Membership.

At the close of the year there were 484 member banks in this District, as compared with 501 member banks at the beginning of the year. There was a net loss of 16 national banks and a net loss of 1 State bank. The total membership at the close of the year was divided into 417 national banks and 67 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>
Security Bank and Trust Company of Owatonna,	Owatonna, Minnesota	123
Corn Exchange Savings Bank	Sioux Falls, So. Dak.	101

State Bank Membership According to States

<u>State</u>	<u>No. of State</u>		<u>No. of State Banks Admitted During Year</u>	<u>No. of State Bank Members 12-31-36</u>
	<u>No. of State Bank Members 1-1-36</u>	<u>Banks Withdrawing from Membership During Year</u>		
Michigan	7	0	0	7
Minnesota	15	2	1	14
Montana	21	0	0	21
North Dakota	0	0	0	0
South Dakota	23	1	1	23
Wisconsin	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
	68	3	2	67

BANK EXAMINATION DEPARTMENT (Contd)

MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK DURING 1936

NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
9-2-36	The Red Wing National Bank & Trust Company (Absorbed by The First National Bank of Red Wing.)	Red Wing, Minnesota	91

NATIONAL BANKS SUCCEEDED BY NONMEMBER STATE INSTITUTIONS

10-6-36	The First National Bank of Appleton (Succeeded by Northwestern State Bank of Appleton.)	Appleton, Minnesota	26
6-2-36	The National Bank of Benson (Succeeded by The First State Bank of Benson.)	Benson, Minnesota	37
10-6-36	Northwestern National Bank of Dawson (Succeeded by Northwestern State Bank of Dawson.)	Dawson, Minnesota	22
12-21-36	The Hancock National Bank (Succeeded by Hancock State Bank, Hancock)	Hancock, Minnesota	36
9-4-36	The Citizens National Bank of Olivia (Succeeded by The Citizens State Bank of Olivia.)	Olivia, Minnesota	22
10-13-36	First National Bank in Winthrop (Succeeded by Winthrop State Bank, Winthrop.)	Winthrop, Minnesota	36
7-29-36	The First National Bank of Killdeer (Succeeded by Bank of Killdeer.)	Killdeer, North Dakota	42
12-14-36	The First National Bank of Napoleon (Succeeded by Stock Growers Bank in Napoleon.)	Napoleon, North Dakota	30
3-18-36	First National Bank in Neche (Succeeded by Citizens State Bank of Neche.)	Neche, North Dakota	27
3-18-36	The First National Bank of New Rockford (Succeeded by The First State Bank of New Rockford.)	New Rockford, North Dakota	60
10-9-36	Potter County National Bank of Gettysburg (Succeeded by Potter County Bank, Gettysburg.)	Gettysburg, South Dakota	54
11-12-36	The Oldham National Bank (Succeeded by The Oldham State Bank, Oldham.)	Oldham, South Dakota	18

NATIONAL BANKS LIQUIDATED

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
12-7-36	The First National Bank of Nashua (Voluntary Liquidation.)	Nashua, Montana	15
9-19-36	The First National Bank of Harvey (Voluntary Liquidation.)	Harvey, North Dakota	51
6-15-36	The First National Bank of Hudson (Voluntary Liquidation.)	Hudson, South Dakota	22

STATE MEMBER BANK WITHDRAWALS

1-17-36	State Bank of Gibbon	Gibbon, Minnesota	24
4-29-36	Citizens State Bank of Westbrook	Westbrook, Minnesota	21
10-28-36	Farmers State Bank	Winner, South Dakota	24

NUMBER OF MEMBER BANKS IN ACTUAL OPERATION DECEMBER 31, 1936

National banks	414
State banks	67
Total	481

FISCAL AGENCY FUNCTIONS - 1936

A. VOLUME OF OPERATIONS.

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings Certificates, United States Savings bonds, and Adjusted Service bonds, which were handled by the Fiscal Agency operated by us for the United States Government, numbered 878,903 pieces and amounted to \$374,648,313.75 as compared with 218,763 pieces amounting to \$316,102,506.25 in 1935.

This Agency also handled during 1936, 2,713 purchases and 4,647 sales of Government securities totaling \$39,450,150. In addition, either delivery or payment or both, was handled for banks and trust companies on 1,158 transactions in Government securities amounting to \$235,081,100. There were also 6,883 transactions of Government guaranteed and miscellaneous general market securities aggregating \$32,005,574.25. Altogether, of these various transactions there were 15,401 totaling \$306,536,824.25 as compared to 29,292 totaling \$310,494,562.93 in 1935. The decrease in the number of transactions handled in 1936 as compared with 1935 is due partly to a difference in method of counting; the money value of the transactions for the two years is approximately the same.

Delivery of 37,713 pieces totaling \$145,013,497.50 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., 17,878 pieces were delivered, amounting to \$170,656,200. The total number of pieces delivered was 55,591 amounting to \$315,669,697.50 in comparison with 113,443 totaling \$302,170,895.12 during the preceding year.

On exchanges and redemptions of bonds handled by this Agency as Fiscal Agent for the Federal Farm Mortgage Corporation during 1936 there were 14,724 pieces amounting to \$9,652,800. There were also 19,533 pieces totaling \$14,344,375 for the Home Owners' Loan Corporation and 10,136 pieces aggregating \$11,908,900 for the Federal Land Banks. In addition, 53 Federal Intermediate Credit Bank debentures amounting to \$1,740,000 were redeemed. Altogether, on issues, exchanges and redemptions of other than direct United States Government securities, there were 44,446 pieces, contained in 5,773 applications, totaling \$37,646,075.

The total number of individual securities received and delivered by the Fiscal Agency Department (including other than the direct United States Government securities) during 1936 was 978,940 totaling \$727,964,086.25 as compared with

559,235 totaling \$783,972,736.37 in 1935.

The Fiscal Agency operated by us for the Government redeemed 334,528 Government coupons amounting to \$10,249,024.39 during the past year as compared to 390,870 coupons totaling \$9,062,768.68 during 1935. We also redeemed 356,095 Federal Land Bank, Federal Farm Mortgage Corporation and Home Owners' Loan Corporation coupons amounting to \$3,630,146.46 during 1936 as compared to 412,400 totaling \$3,807,970.76 in 1935.

B. OTHER SERVICES.

In February, the Treasury Department gave notice that the Federal Reserve Banks were to issue Adjusted Service bonds in payment of Adjusted Service certificates. From April to October 15, 1936, we prepared 77,239 individual shipments to veterans consisting of 822,238 pieces of Adjusted Service bonds, on each of which we inscribed the veteran's name and number, and which amounted to \$41,111,900. Incidentally, we are informed we will shortly begin handling redemption and payment of such bonds.

On March 18, 1936, we were designated agents for the sale of United States Savings bonds. From March 30, 1936 to December 31, 1936, we received 1,826 individual orders for these bonds representing 5,706 pieces amounting to \$2,508,625. A new series of such bonds is to be sold during 1937.

Without inclusion of Treasury bills, there were seven offerings of United States Government securities during 1936. Four of such issues were long term and three, short term. We received and handled 6,492 individual subscriptions contained in 3,732 different applications aggregating \$384,980,900. The amount allotted on these subscriptions was \$117,832,550. During 1935, 13,832 individual subscriptions were submitted in 13,598 different applications covering fifteen similar offerings and \$89,062,400 was allotted.

During 1936, 96 tenders amounting to \$14,490,000 were received by this Agency on 65 offerings of Treasury bills. Of these, 22 tenders on a discount basis ranging from .08 per cent to .25 per cent and amounting to \$4,135,000 were accepted. During 1935, 147 tenders amounting to \$18,621,000 were received and 19 tenders totaling \$8,251,000 were accepted on the 74 offerings of Treasury bills made that year.

FISCAL AGENCY FUNCTIONS (Cont'd.)

At the close of 1936 there were 184 banks and trust companies in this district which were designated as special depositaries of public moneys, 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 241 banks and trust companies so designated.

Including the weekly circular giving current market quotations on the various outstanding Government issues, which was sent on request to 383 banks in the district, 110 circular letters were sent to banks and trust companies in the district during 1936 in connection with Fiscal Agency operations. During the preceding year there were 153 circular letters.

RECONSTRUCTION FINANCE CORPORATION

Our bank continues to act as Custodian, fiscal agent and depositary for the Reconstruction Finance Corporation. The volume of work during the past year has been somewhat less than in 1935. There are a number of receivers termination loans to be completed shortly.

The amount due December 31, 1935, from Open and Closed Banks, \$878,000.00 was reduced during 1936 by \$590,300.00 and increased by \$9,300.00, leaving a remainder of \$297,000.00 due and unpaid at the close of the year. Miscellaneous loans of \$6,700,000.00 (largely a loan to the Federal Land Bank of St. Paul) were reduced by \$600,000.00 to a balance of \$6,100,000.00. Preferred stock holdings of \$26,085,000.00 as of December 31, 1935, were increased by \$1,000,000.00 and were reduced by redemptions in the amount of \$7,585,000.00, leaving a remainder of \$19,500,000.00. Loans to individuals, secured by preferred stock, were reduced from \$1,246,000.00 to \$264,000.00. Debentures purchased from state banks were \$8,185,000.00 at the beginning of this year, increased by \$30,000.00 and reduced by \$1,060,000.00, leaving a balance of \$7,155,000.00.

Loans to liquidating agents and receivers of closed state banks at the beginning of the year totaled \$151,000.00 and were reduced by \$107,000.00 to \$44,000.00 by payments. Industrial loans as of December 31, 1935, totaling \$76,000.00 were increased by \$320,000.00 and reduced by payments of \$15,000.00 to \$381,000.00. The Corporation's participation in industrial loans at the beginning of the year was \$185,000.00 which amount was increased by \$49,000.00

RECONSTRUCTION FINANCE CORPORATION (Cont'd.)

during 1936 and reduced by payments of \$47,000.00 to a balance of \$187,000.00. Receivers' termination loans at the end of 1935 totaled \$437,000.00; additional disbursements during the year amounted to \$175,000.00; reductions by payments leave a balance of \$504,000.00 as of December 31, 1936.

This Corporation, prior to 1936, purchased drainage bonds aggregating \$263,000.00 which was the amount of such bonds at the beginning of the year. Additional purchases during 1936 totaled \$90,000.00; payments aggregated \$11,000.00 leaving a balance of \$342,000.00 as of December 31, 1936. Bonds purchased from the Public Works Administration held at the beginning of the year aggregated \$2,275,000.00; additional purchases of \$1,740,000.00 were made and \$2,652,000.00 were sold and redeemed, leaving a balance of \$1,363,000.00.

The RFC Mortgage Company, a subsidiary of the Reconstruction Finance Corporation, purchased Federal Housing Administration insured mortgages totaling \$50,998.12 reduced by payments of \$1,418.35 to a balance of \$59,579.77, and made direct loans on business real estate properties aggregating \$275,500.00 reduced by payments of \$12,783.61 to a remainder of \$262,716.39.

The Commodity Credit Corporation, a subsidiary, will again make corn loans for the period 1936-1937. All notes which we handled for the Commodity Credit Corporation on the previous three corn loans were paid, except three that were purchased during the 1935-1936 loaning period.

FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

At the close of 1935 we held \$2,845,000.00 of bonds for account of the Federal Emergency Administration of Public Works. During 1936 we disbursed as the purchase price for thirty-seven issues \$1,471,250.00 and handled seventy-six sales, aggregating \$1,743,345.00, besides collecting bonds aggregating \$15,234.00, and coupons. We also handled grant payments effected by releases of bonds.

On December 31, 1936, we held securities totaling \$2,234,200.00 for their account.

CHANGES IN STAFF AND COMPARISON WITH PREVIOUS MONTH

	<u>January 1, 1937</u>	<u>December 1, 1936</u>
Minneapolis Officers	* 10	11
Minneapolis Bank General	*179(7 ex.help)	180(7 ex.help)
Minneapolis Failed Banks Department(Collector)	1	1
Minneapolis Transit and Mail Departments	<u>* 80</u>	<u>81</u>
	270	273
 Helena Branch (Salaries of 3.25% of employees reimbursed)	 32	 32
 Fiscal Agency Department (employees)	 * 30	 30
Reconstruction Finance Corporation (employees)	<u>* 15</u>	<u>16</u>
	347	351

Decrease and changes accounted for as follows:

Minneapolis Officers.....	Mr. Geery now on fee basis
Minneapolis Bank General.....	2 employees left in December
	1 employee transferred from R F C
	1 " " " Mail Dept.
	1 " " to " "
 Minneapolis Transit and Mail Departments.....	1 employee left in December
	1 " transferred from Fiscal Agency
	1 " " " Bank General
	1 " " to Fiscal Agency
	1 " " " Bank General
 Helena Branch.....	1 employee left in December
	1 " transferred from R F C Agency
 Fiscal Agency Department.....	1 employee transferred from Transit Dept.
	1 " " to " "
 Reconstruction Finance Corporation.....	1 employee transferred to Bank General

* During December the salaries of one officer and 109 employees were all or partially reimbursed by various governmental agencies.