

118341 ~~21778~~

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Examination of Financial Statements Of The Federal Home Loan Bank Board And Related Agencies For The Year Ended December 31, 1981

GAO examined the financial statements of the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and Federal Home Loan Banks for the year ended December 31, 1981. The examination was made in accordance with generally accepted government auditing standards.

In GAO's opinion, the financial statements present fairly the financial position of the Board, Banks, and Insurance Corporation at December 31, 1981, and the results of their operations and the changes in their financial positions for the year then ended in conformity with generally accepted accounting principles.



AFMD-82-58
MARCH 24, 1982

022000

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

March 24, 1982

B-206830

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the 1981 financial statements of the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation (FSLIC), and the Federal Home Loan Banks.

We made our examination pursuant to the provisions of the Federal Home Loan Bank Act (12 U.S.C. 1431(J)) and the Government Corporation Control Act (31 U.S.C. 850), and in accordance with generally accepted government auditing standards. The Federal Home Loan Bank Board supervises the activities of the Banks and the FSLIC; therefore, we included the Board's financial statements in our examination.

In our opinion, the financial statements present fairly the financial position of the Board, Insurance Corporation, and Banks at December 31, 1981, and the results of their operations and the changes in their financial positions for the year then ended in conformity with generally accepted accounting principles.

Given the state of the economy and the present condition of the industry, it is possible that FSLIC could sustain increasing losses due to its default prevention activities. Because of the uncertainties ahead and the fact that many of the reasons for default are beyond FSLIC's control, the potential losses cannot be predicted with any precision. If interest rates remain at present levels, we believe the procedures FSLIC has adopted in the last half of 1981 for assisting failing institutions at minimum cost to the fund should enable it to manage the additional liability the fund expects to incur in the foreseeable future.

We are sending copies of this report to the Director, Office of Management and Budget, the House and Senate Banking Committees, the House and Senate Committees on Appropriations, the Senate Committee on Governmental Affairs, the House Committee on Government Operations, the Committee on HUD-Independent Agencies, and the Federal Home Loan Bank Board.

A handwritten signature in cursive script that reads "Charles A. Bonbrake".

Comptroller General
of the United States





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-206830

March 24, 1982

To the Board of Directors of the
Federal Home Loan Bank Board

We have examined the statements of condition of the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation, and the combined statement of condition of the Federal Home Loan Banks, as of December 31, 1981, and their related statements of income, expense, retained earnings, primary reserve, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Board, Insurance Corporation, and Banks at December 31, 1981, and the results of their operations and the changes in their financial positions for the year then ended in conformity with generally accepted accounting principles. We did not examine their financial statements for the year ended December 31, 1980, and accordingly, we do not express an opinion on them.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



C o n t e n t s

	<u>Page</u>
FEDERAL HOME LOAN BANK BOARD	
Opinion on financial statements	1
Report on internal accounting controls	2
Report on compliance with laws and regulations	3
Comparative Statement of Condition	4
Comparative Statement of Income, Expenses, and Retained Earnings	4
Comparative Statement of Changes in Financial Position	4
Notes to financial statements	4
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION	
Opinion on financial statements	5
Report on internal accounting controls	6
Report on compliance with laws and regulations	7
Comparative Statement of Financial Condition	8
Comparative Statement of Income, Expense, and Primary Reserve	8
Source and Application of Funds Statement	8
Notes to financial statements	9
FEDERAL HOME LOAN BANKS	
Opinion on financial statements	10
Report on internal accounting controls	11
Report on compliance with laws and regulations	12
Combined Statement of Financial Condition	13
Combined Statement of Income and Expense	15
Combined Statement of Changes in Financial Position	16
Combined Statement of Retained Earnings Accounts	17
Supporting schedules	
Statements of Condition	21
Statements of Income	23
Statements of Changes in Financial Position	25
Statements of Retained Earnings Accounts	27



FEDERAL HOME LOAN BANK BOARD

OPINION ON FINANCIAL STATEMENTS

We have examined the statement of condition of the Federal Home Loan Bank Board as of December 31, 1981, and the related statements of income, expenses and retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying financial statements (p. 4) present fairly the financial position of the Board at December 31, 1981, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles. We did not examine the financial statements for the year ended December 31, 1980, and accordingly, we do not express an opinion on them.

FEDERAL HOME LOAN BANK BOARD

REPORT ON INTERNAL ACCOUNTING CONTROLS

We have examined the financial statements of the Federal Home Loan Bank Board for the year ended December 31, 1981. Our opinion on them is on page 1. As part of our examination, we made a study of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. Our purpose was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Federal Home Loan Bank Board's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

For the purposes of this report, we have classified the significant internal accounting controls as follows:

- Accounts receivable.
- Furniture, fixtures, and equipment.
- Accounts payable and accrued liabilities.
- Examinations fees income.
- Personnel compensation and benefits.

We studied and evaluated all the internal control categories listed above except the internal controls over furniture, fixtures, and equipment. A revised system of identifying these items was in process and a revised accounting system is planned. It was more efficient for us to expand our substantive tests than to rely on controls over furniture, fixtures, and equipment.

The management of the Board is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

The study and evaluation made for the limited purpose described in our first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Federal Home Loan Bank Board taken as a whole. However, our study and evaluation disclosed no material weaknesses.

FEDERAL HOME LOAN BANK BOARD

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Federal Home Loan Bank Board for the year ended December 31, 1981. Our opinion on them is on page 1. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We reviewed the provisions of laws and regulations of the Board to determine the material compliance requirements which may have a financial impact on the Board's financial statements.

In our opinion, with regard to the transactions tested, the Federal Home Loan Bank Board complied with the provisions of applicable laws and regulations that could have materially affected the financial statements. For those transactions not tested, nothing came to our attention in connection with our examination that caused us to believe that the Federal Home Loan Bank Board was not in compliance with any of the provisions of applicable agreements, laws, and regulations.

Federal Home Loan Bank Board Financial Statements

Federal Home Loan Bank Board: Comparative Statement of Condition at December 31, 1981 and 1980

Assets, Liabilities, and Capital	1981	1980
Assets		
Cash with U.S. Treasury (Note 2)	\$1,263,248	\$1,191,682
Accounts Receivable	11,206,395	10,573,187
Land and Building (Notes 1 and 3)	45,365,951	44,785,357
Furniture, Fixtures, and Equipment (Note 1)	3,921,223	3,772,716
Tenants Improvements (Note 1)	1,560,389	1,552,542
Other	335,601	130,128
Total Assets	\$63,654,807	\$62,005,612
Liabilities and Capital:		
Accounts Payable and Accrued Liabilities	\$6,347,339	\$4,557,714
Employees Accrued Annual Leave	3,271,130	2,803,532
Total Liabilities	\$9,618,469	\$7,361,246
Retained Earnings	\$9,036,338	\$9,644,366
Paid in Capital—FHLBB Quarters	45,000,000	45,000,000
Total Capital	\$54,036,338	\$54,644,366
Total Liabilities and Capital	\$63,654,807	\$62,005,612

Federal Home Loan Bank Board: Comparative Statement of Changes in Financial Position for the Years Ended December 31, 1981 and 1980 (Note 4)

Changes in Financial Position	1981	1980
Sources of Working Capital:		
Net Income	(\$608,029)	(\$635,000)
Add Non-Cash Charges Against Income Not Affecting Working Capital:		
Depreciation:		
Building	800,000	800,000
Furniture, Fixtures, and Equipment	751,016	622,727
Tenants Improvements	84,000	84,000
Working Capital Provided by Operations	\$1,026,987	\$871,727
Extraordinary Adjustments:		
Transfer of Annual Leave Liability from Retained Earnings (Note 4)	—0—	(1,735,083)
Total	\$1,026,987	(\$863,356)
Application of Working Capital:		
Additions to Land and Building	\$1,380,594	\$355,834
Additions to Furniture, Fixtures, and Equipment	899,522	477,650
Additions to Tenants Improvements	91,847	21,544
Total	\$2,371,963	\$855,028
Net Increase (Decrease) in Working Capital	(\$1,344,976)	(\$1,718,384)
Analysis of Changes in Working Capital:		
Increase (Decrease) in Current Assets:		
Cash with U.S. Treasury	\$71,566	\$725,344
Accounts Receivable and Advances	635,208	2,110,178
Prepaid Expenses	205,473	127,878
	\$912,247	\$2,963,400
Increase (Decrease) in Current Liabilities:		
Employees Accrued Annual Leave	\$467,598	\$2,083,380
Accounts Payable	1,789,625	2,598,404
	\$2,257,223	\$4,681,784
Increase (Decrease) in Working Capital	(\$1,344,976)	(\$1,718,384)

The statements for 1980 are unaudited.

Federal Home Loan Bank Board: Comparative Statement of Income, Expenses, and Retained Earnings for the Years Ended December 31, 1981 and 1980 (Note 4)

Income, Expenses, and Retained Earnings	1981	1980
Income		
Examination Fees from Savings and Loan Institutions	\$19,984,759	\$4,171,934
Assessments:		
Federal Home Loan Banks	8,927,907	7,275,604
Federal Savings and Loan Insurance Corporation	29,864,739	16,826,682
Reimbursements for Services Performed	219,530	184,855
Miscellaneous	1,269,252	1,400,684
Total Income	\$60,266,187	\$29,859,759
Expenses:		
Personnel Compensation	\$39,575,006	\$18,953,412
Personnel Benefits	3,812,938	1,739,054
Travel and Transportation	6,714,446	2,154,466
Rent, Communication, and Utilities	4,043,468	2,172,688
Depreciation:		
Furniture, Fixtures, and Equipment	751,016	622,727
Building	800,000	800,000
Tenants Improvements	84,000	84,000
Other Services	3,858,311	3,217,778
Printing and Reproduction	518,516	189,223
Supplies and Materials	716,516	561,431
Total Expenses	\$60,874,215	\$30,494,759
Net Income	(608,028)	(635,000)
Retained Earnings at Beginning of Year	9,644,366	12,014,449
Adjustment to Prior Years (Note 4)	-0-	(1,735,083)
Retained Earnings at End of Year	\$9,036,338	\$8,644,366

Federal Home Loan Bank Board: Notes to Financial Statements December 31, 1981 and 1980

- Summary of significant accounting policies:
 - Furniture, Fixtures, and Equipment—These assets are at cost less accumulated depreciation of \$2,774,634 and \$2,196,113 at December 31, 1981 and 1980, respectively. Depreciation is computed on the straight-line method over the estimated useful life of the property.
 - Building—This asset is at cost less accumulated depreciation of \$3,000,000 at December 31, 1981.
 - Tenants Improvements—This asset is at cost less accumulated depreciation of \$176,545 at December 31, 1981.
- An additional \$90,711 and \$138,921 were available at December 31, 1981 and 1980, respectively, in a separate fund provided by appropriations pursuant to the provisions of the *Emergency Home Finance Act of 1970*. Use of such funds is for the purpose of adjusting the effective interest charged by the Federal Home Loan Banks on short- and long-term borrowing in order to promote an orderly flow of funds into residential construction.
- Includes \$3.1 million which is the book value of the remaining portion of the original site for the new building.
- Significant year-to-year fluctuation in some items is due to the reorganization of the Office of Examination and Supervision from the Federal Savings and Loan Insurance Corporation into the Federal Home Loan Bank Board at October 1, 1980.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

OPINION ON FINANCIAL STATEMENTS

We have examined the statement of financial condition of the Federal Savings and Loan Insurance Corporation as of December 31, 1981, and its related statements of income, expense, and primary reserve, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements (pp. 8 and 9) present fairly the financial position of the Insurance Corporation at December 31, 1981, and the results of its operations and source and application of funds for the year then ended in conformity with generally accepted accounting principles. We did not examine the financial statements for the year ended December 31, 1980, and accordingly, we do not express an opinion on them.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

REPORT ON INTERNAL ACCOUNTING CONTROLS

We have examined the financial statements of the Federal Savings and Loan Insurance Corporation for the year ended December 31, 1981. Our opinion is on page 5. As part of our examination, we made a study of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. Our purpose was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Federal Savings and Loan Insurance Corporation's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

For the Insurance Corporation, we have classified the significant internal accounting controls as follows:

- Investments and interest on investments.
- Assets acquired from insured institutions and related liabilities, income, and expenses.
- Insurance premiums.

We studied and evaluated each of these internal control categories.

The management of the Federal Home Loan Bank Board is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

The study and evaluation made for the limited purpose described in our first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Federal Savings and Loan Insurance Corporation taken as a whole. However, our study and evaluation disclosed no material weaknesses.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Federal Savings and Loan Insurance Corporation for the year ended December 31, 1981. Our opinion on them is on page 5. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We reviewed the provisions of laws and regulations to determine the material compliance requirements which may have a financial impact on the Insurance Corporation's financial statements.

In our opinion, with regard to the transactions tested, the Federal Savings and Loan Insurance Corporation complied with the provisions of applicable laws and regulations that could have materially affected the financial statements. For those transactions not tested, nothing came to our attention in connection with our examination that caused us to believe that the Federal Savings and Loan Insurance Corporation was not in compliance with any of the provisions of applicable agreements, laws, and regulations.

Federal Savings and Loan Insurance Corporation Financial Statements

FSLIC: Comparative Statement of Financial Condition at December 31, 1981 and 1980

Assets, Liabilities, and Reserves	1981	1980
Assets		
Cash	\$ 2,438,212	\$ 1,919,924
Receivables	22,709,072	18,730,086
Investments at Amortized Cost (Notes 1 and 2)	4,771,332,460	5,059,560,890
Accrued Interest on Investments	86,934,056	91,177,743
Income Capital Certificates (Note 9)	84,000,000	-0-
Assets Acquired from Insured Institutions, Net of Allowance for Possible Future Losses (Notes 3 and 4)	1,611,694,509	1,200,684,335
Loans to Insured Institutions and Accrued Interest, Net (Note 7)	389,990,516	214,774,487
Deferred Charges and Other Assets (Note 1)	104,718	106,264
Subrogated Accounts in Insured Institutions in Liquidation	68,230,822	-0-
Total	\$7,037,432,365	\$6,586,953,729
Liabilities and Reserves		
Miscellaneous Accrued and Other Liabilities	\$ 38,750,422	\$ 100,545,055
Notes Payable to Insured Institutions (Note 9)	84,000,000	-0-
Allowance for Possible Future Losses under Contribution Agreements (Notes 5 and 6)	612,516,886	17,528,688
Deferred Credits	619,457	6,611,980
Primary Reserve (Cumulative Net Income)	5,702,284,223	5,670,095,814
Secondary Reserve (Premium Prepayments)	599,261,377	792,172,192
Total (Notes 11 and 12)	\$7,037,432,365	\$6,586,953,729

FSLIC: Source and Application of Funds Statement for the Years Ended December 31, 1981 and 1980

Funds Provided By:	1981	1980
Net Income	\$32,188,409	\$779,112,294
Adjust for Items Not Affecting Working Capital:		
Depreciation of Furniture, Fixtures, and Equipment and Amortization of Leasehold Improvements	13,729	33,046
Adjustment to Provisions for Losses on: Assets Acquired from Insured Institutions	10,520,000	-0-
Estimated Future Contributions to Insured Institutions	861,991,679	15,064,140
Return on Secondary Reserve	55,457,653	67,562,445
Transfers from Secondary Reserve to Pay Insurance Premiums	(117,574,916)	(112,701,788)
Amortization Income	(1,753,812)	(4,237,915)
Subtotal	\$840,842,742	\$744,832,222
Realization on Assets Acquired from Insured Institutions:		
Principal Payments on Mortgage Loans	56,688,192	16,659,044
Principal Payments on Contracts and Other Assets	67,424,411	22,754,826
Cash Sales of Real Estate and Other Assets	1,388,523	148,193
Adjustment to Allowance for Loss Accounts for Prior Year Items	18,082	17,937
Subtotal	\$125,519,208	\$39,580,000
Excess Book Value over Cost	-0-	16,567,319
Issuance of Notes Payable to Insured Institutions (Note 9)	84,000,000	-0-
Principal Payments on Loans to Insured Institutions	23,026,117	4,415,848
Reduction in Securities (Note 10)	289,857,000	635,491,000
Decrease in Working Capital	-0-	84,729,134
Principal Payment on Notes and Advance Contributions	2,121,509	721,025
Total Funds Provided	\$1,385,366,576	\$1,528,336,348

FSLIC: Comparative Statement of Income, Expense, and Primary Reserve for the Years Ended December 31, 1981 and 1980

Income, Expenses, and Primary Reserve	1981	1980
Income		
Examination Fees and Charges (Note 8)	\$ -0-	\$ 13,426,247
Insurance Premiums (Note 1)	425,070,211	399,102,562
Interest on Investments	409,244,007	435,218,736
Interest on Loans to Insured Institutions	32,778,819	10,439,951
Income on Assets Acquired from Insured Institutions	144,428,122	53,768,246
Interest Income on Notes Receivable and Advanced Contributions	638,398	659,374
Miscellaneous Income	4,420	612,200
Nonoperating Income	64,653	28,335,312
Total Income	\$1,012,228,630	\$941,562,628
Expenses		
Administrative:		
Department of Examinations— Home Office	\$ -0-	\$ 908,922
Department of Examinations— Field	-0-	23,709,609
Subtotal Department of Examinations (Note 8)	\$ -0-	\$24,618,531
Department of Insurance	989,691	853,533
Total Administrative	\$989,691	\$25,472,064
Loss on Sale of Securities	8,641,009	28,318,006
Services Rendered by Federal Home Loan Bank Board	29,864,739	16,826,681
Insurance Settlement and Other Expenses	10,094,400	8,090,351
Unallocated Nonadministrative Expense	2,481,050	1,118,647
Net Provision for Possible Future Losses (Notes 4 and 6)	872,511,679	15,064,140
Interest Applied to Members' Equity in Secondary Reserve	55,457,653	67,562,445
Total Expenses	\$960,040,221	\$162,450,334
Primary Reserve		
Net Income Transferred to Primary Reserve	32,188,409	779,112,294
Balance, Beginning of Year	5,670,095,814	4,890,983,520
Balance, End of Year	\$5,702,284,223	\$5,670,095,814

FSLIC: Source and Application of Funds Statement for the Years Ended December 31, 1981 and 1980—Continued

Funds Applied To:	1981	1980
Acquisition of Assets		
Subrogated Accounts in Insured Institutions in Liquidation	\$ 68,230,822	\$ -0-
ICCs Acquired from Insured Institutions (Note 9)	84,000,000	-0-
Assets Purchased from Insured Institutions	520,526,441	1,198,122,152
Capitalized Expenditures on Assets Acquired from Insured Institutions	24,769,132	17,363,549
Furniture, Fixtures, and Equipment and Leasehold Improvements	3,828	(141,155)
Loans to Insured Institutions	199,337,367	148,574,516
Contributions to Insured Institutions	267,003,481	41,590,879
Refund of Secondary Reserve	130,793,553	119,515,561
Increase in Cash	516,287	1,310,846
Increase in Working Capital	70,185,665	-0-
Total Funds Applied	\$1,385,366,576	\$1,528,336,348

The statements for 1980 are unaudited.

**Federal Savings and Loan
Insurance Corporation
Notes to Financial Statements
December 31, 1981 and 1980**

1. Summary of significant accounting policies:

a) Investments—Investment securities are stated at cost, adjusted for amortization of premiums and accretion of discounts. Such amortization and accretion are computed on the "constant yield" method at rates based upon the lives of the related securities and are recognized as an adjustment to interest income on investments.

b) Furniture and equipment—These assets are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the property. The net balance of this account is insignificant and is included in other assets.

c) Income recognition—Insurance premium income is recognized as earned when member institutions are assessed.

2. Investments—The investments at December 31, 1981 and 1980, are (in millions):

	1981	
	Book Value	Market Value
U.S. Treasury Obligations	\$4,693.2	\$3,844.1
Federal Agency Securities	78.1	57.5
Total	<u>\$4,771.3</u>	<u>\$3,901.6</u>

	1980	
	Book Value	Market Value
U.S. Treasury Obligations	\$4,981.9	\$4,234.9
Federal Agency Securities	77.6	58.8
Total	<u>\$5,059.5</u>	<u>\$4,293.7</u>

3. In 1980 and 1981, the FSLIC acquired substantial assets from insured institutions in its default prevention activities. Such assets were purchased by the FSLIC at the value carried on the insured members' books. These assets, consisting principally of GNMA securities and loans secured by real estate are estimated to have market values of \$1,188 million and \$833 million at December 31, 1981, and December 31, 1980, respectively.

4. The changes in the Allowance for Possible Future Losses regarding assets acquired by the FSLIC for the years ended December 31, 1981 and 1980, are:

	1981	1980
Allowance for Possible Future Losses		
Balance, Beginning of Period	\$10,510,622	\$10,561,818
Add: Provision Charged to Expense	10,520,000	-0-
Add: Adjustment Due to Acquisition	18,082	17,937
Less: Losses Realized on Assets Acquired During Period	5,226,346	69,133
Balance, End of Period	<u>\$15,822,358</u>	<u>\$10,510,622</u>

5. The FSLIC makes contribution agreements to restore an insured institution to normal operations and, under these arrangements, agrees to make, or commits itself to make, certain contributions over time. The remaining contingent liability under these agreements in excess of the Allowance for Possible Future Losses totaled \$461,886,000 and \$262,314,890 at December 31, 1981 and 1980, respectively.

6. The changes in the Allowance for Possible Future Losses under contribution agreements for the years ended December 31, 1981 and 1980, are:

	1981	1980
Allowance for Possible Future Losses		
Balance, Beginning of Period	\$17,528,688	\$44,055,427
Add: Provision Charged to Expense	861,991,679	15,064,140
Less: Contributions Paid During Period	267,003,481	41,590,879
Balance, End of Period	<u>\$612,516,886</u>	<u>\$17,528,688</u>

7. Loans to Insured Institutions includes advance payments made by FSLIC to associations in default prevention actions. Advance payments and related interest amounted to \$7,613,036 in 1981 and \$9,781,922 in 1980.

8. Additional income and expense reflected in calendar year 1980 results from an October 1, 1979, reorganization of the Department of Examinations into the Federal Savings and Loan Insurance Corporation. This Department was reorganized into the Federal Home Loan Bank Board on October 1, 1980.

9. Income Capital Certificates (ICCs) are security instruments which are issued by an FSLIC-insured savings and loan association and purchased by the FSLIC. The FSLIC records the ICCs at cost. Annual income payments are not accrued but are recognized as income when collected. Annual redemption payments reduce the balance of ICCs when collected. No payments were due in 1981. The FSLIC issued Notes Payable to Insured Institutions to acquire the ICCs.

10. The Reduction in Securities was reported in 1980 as a credit under Funds Applied To. This item has been reclassified as a source in 1981 with the Totals adjusted accordingly.

11. From time to time in its default prevention activities, the FSLIC may guarantee repayment of FHLBank advances that were made to certain insured savings and loan associations. These guarantees are typically granted on a short-term basis, generally covering advances that are totally secured. The amount of these advances as of December 31, 1981, totaled \$824.7 million. The FSLIC considers the likelihood of ever incurring liabilities under these arrangements to be very remote. In the unlikely event that it would be called upon to honor these guarantees, the FSLIC would have claim against any assets securing such advances, offsetting any losses that might be sustained.

12. Given the state of the economy and present condition of the industry, it is possible that FSLIC could sustain increased losses in subsequent accounting periods due to its default prevention actions. Because many of the causes for default are beyond management's control, the amount of these losses cannot be determined. However, the Corporation believes that its resources are sufficient to absorb any such losses over the foreseeable future.

FEDERAL HOME LOAN BANKS

OPINION ON FINANCIAL STATEMENTS

We have examined the combined statement of financial condition of the Federal Home Loan Banks as of December 31, 1981, and the related combined statements of income, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements (pp. 13 through 17) present fairly the financial position of the Banks at December 31, 1981, and the results of their operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles. We did not examine the financial statements for the year ended December 31, 1980, and accordingly, we do not express an opinion on them.

FEDERAL HOME LOAN BANKS

REPORT ON INTERNAL ACCOUNTING CONTROLS

We have examined the combined financial statements of the Federal Home Loan Banks for the year ended December 31, 1981. Our opinion on them is on page 10. As part of our examination, we made a study of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. Our purpose was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Federal Home Loan Banks' financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

For the purpose of this report, we studied and evaluated the significant accounting controls in the Federal Home Loan Banks, except for those which were excluded because it was not efficient to include them. It was judged more efficient to expand substantive audit tests than place reliance on controls in those areas not studied and evaluated.

The management of each of the 12 district banks is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

The study and evaluation made for the limited purpose described in our first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Federal Home Loan Banks taken as a whole. However, our study and evaluation disclosed no material weaknesses.

FEDERAL HOME LOAN BANKS

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the combined financial statements of the Federal Home Loan Banks for the year ended December 31, 1981. Our opinion on them is on page 10. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We reviewed the provisions of laws and regulations to determine the material compliance requirements which may have a financial impact on the Bank's financial statements.

In our opinion, with regard to the transactions tested, the Federal Home Loan Banks complied with the provisions of the laws and regulations that could have materially affected the financial statements. For those transactions not tested, nothing came to our attention in connection with our examination that caused us to believe that the Federal Home Loan Banks were not in compliance with any of the provisions of applicable agreements, laws, and regulations.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF FINANCIAL CONDITION AT

DECEMBER 31, 1981 AND 1980

	<u>1981</u> ---(000 omitted)---	<u>1980</u> a/ ---
ASSETS		
CASH (note 2)	\$ 395,302	\$ 304,209
INVESTMENTS AT COST (note 3)	8,157,138	4,328,311
ADVANCES TO MEMBERS (note 4)	65,194,261	48,962,359
OTHER LOANS:		
Guaranteed by AID, net (note 5)	85,869	87,022
Other FHLBanks	<u>50,000</u>	<u>65,000</u>
Total other loans	<u>135,869</u>	<u>152,022</u>
ACCRUED INTEREST RECEIVABLE	546,732	358,738
BANK PREMISES AND EQUIPMENT	28,705	25,928
Less:		
Depreciation and amortization	<u>(9,868)</u>	<u>(7,831)</u>
Net book value	<u>18,837</u>	<u>18,097</u>
OTHER ASSETS:		
Investments in FHLMC (note 6)	150,000	150,000
Concessions and discounts on consolidated obligations--bonds	39,820	30,549
Deferred charges--FHLBB cost of quarters	37,484	39,207
Assessment--FHLBB operating expenses	-	-
Assessment--FHLBB capital expenditures	368	794
Other	<u>4,522</u>	<u>1,789</u>
Total other assets	<u>232,194</u>	<u>222,339</u>
Total assets	<u>\$74,680,333</u>	<u>\$54,346,575</u>

a/The General Accounting Office did not audit the Banks in 1980; however, they were audited individually by their own independent certified public accountants.

FEDERAL HOME LOAN BANKS
 COMBINED STATEMENT OF CONDITION AT
 DECEMBER 31, 1981 AND 1980 (cont.)

	<u>1981</u>	<u>1980</u>
	---(000 omitted)---	---
LIABILITIES AND CAPITAL		
LIABILITIES:		
Deposits and borrowings:		
Members--time	\$11,015,512	\$ 9,171,060
Members--demand	898,228	902,716
Other FHLBanks	50,000	65,000
Other borrowings	<u>221,162</u>	<u>8,243</u>
Total deposits and borrowings	<u>12,184,902</u>	<u>10,147,019</u>
Accrued interest payable	1,459,439	838,288
Consolidated obligations (note 7):		
Bonds	46,310,700	34,310,700
Discount notes	11,258,582	6,701,696
Less:		
Passthroughs to FHLMC	<u>(3,438,300)</u>	<u>(3,743,950)</u>
FHLBank's participations	<u>54,130,982</u>	<u>37,268,446</u>
Other liabilities:		
Accounts payable	8,478	4,938
Accounts payable--FHLBB operating expenses	2,171	1,322
Other	<u>93,670</u>	<u>57,547</u>
Total other liabilities	<u>104,319</u>	<u>63,807</u>
Total liabilities	<u>67,879,642</u>	<u>48,317,560</u>
CONTINGENCIES AND COMMITMENTS (notes 8, 10, 11, and 12)		
CAPITAL:		
Capital stock outstanding (note 9)	5,827,107	5,160,408
Retained earnings:		
Legal reserve	794,317	686,781
Dividend stabilization reserve	32,305	35,880
Undivided profits	<u>146,962</u>	<u>145,946</u>
Total retained earnings	<u>973,584</u>	<u>868,607</u>
Total capital	<u>6,800,691</u>	<u>6,029,015</u>
Total liabilities and capital	<u>\$74,680,333</u>	<u>\$54,346,575</u>

The accompanying notes are an integral part of this financial statement. (See pp. 23 to 27.)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF INCOME AND EXPENSE

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

	<u>1981</u> ---(000 omitted)---	<u>1980</u> ---(000 omitted)---
INCOME:		
Interest on advances to members	\$6,994,211	\$4,480,967
Income from investments	942,212	622,097
Interest and fees on AID loans	7,263	7,074
Earned commitment fees	35,976	28,513
Income from NOW and DDA services	8,780	-
Other income	<u>10,745</u>	<u>15,467</u>
Total income	<u>7,999,187</u>	<u>5,154,118</u>
EXPENSES:		
Interest and other costs:		
Interest and concessions-- consolidated obligations	5,673,774	3,377,455
Assessments--FHLBB:		
Operating expenses	8,792	7,293
Amortization of capital expenditures	363	362
Amortization of cost of quarters	1,782	1,782
Assessments--Office of Finance	4,235	3,220
Interest on deposits	1,685,841	1,289,519
Other interest	<u>11,460</u>	<u>1,357</u>
Total interest and other costs	<u>7,386,247</u>	<u>4,680,988</u>
Other operating expenses:		
Salaries and benefits	40,402	30,649
Fees and professional services	3,110	2,896
Travel expense	2,595	2,218
Telephone and transmission costs	2,851	1,456
Stationery and supplies	8,362	6,575
Cost of quarters	6,323	4,398
Depreciation--furniture and equipment	1,124	631
Equipment rental and expense	9,687	5,189
Other	<u>3,224</u>	<u>2,517</u>
Total other operating expenses	<u>77,678</u>	<u>56,529</u>
Total expenses	<u>7,463,925</u>	<u>4,737,517</u>
Net Income	<u>\$ 535,262</u>	<u>\$ 416,601</u>

The accompanying notes are an integral part of this financial statement. (See pp. 23 to 27.)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
	---(000 omitted)---	---
FINANCIAL RESOURCES WERE PROVIDED FROM:		
Operations:		
Net income	\$ 535,262	\$ 416,601
Noncash charges/(credit) to income:		
Depreciation and amortization of fixed assets	2,170	1,326
Amortization of concessions on C/O bonds	19,326	13,667
Amortization of discount on C/O discount notes	1,258,439	624,381
Amortization of FHLBB assessments	2,149	2,145
Other	(203)	(203)
Total from operations	<u>1,817,143</u>	<u>1,057,917</u>
Net proceeds from issuance of C/O:		
Bonds	20,671,403	12,582,081
Discount notes	18,687,539	12,296,001
Advances repaid	37,709,130	20,459,912
Proceeds from sale of capital stock	718,896	389,531
Net deposits/(advances) between other FHLBanks	-	-
Increase/(decrease) in deposits	1,833,131	828,412
Increase/(decrease) in securities sold under agreements to repurchase	219,751	-
Increase/(decrease) in accrued interest payable	621,153	273,490
Increase/(decrease) in other liabilities	<u>40,712</u>	<u>32,706</u>
Total financial resources provided	<u>\$82,318,858</u>	<u>\$56,920,050</u>
FINANCIAL RESOURCES WERE USED FOR:		
Payments on maturing C/O:		
Bonds	\$ 8,444,000	\$ 7,000,000
Discount notes	15,343,445	11,623,619
Advances made	53,940,531	36,584,655
Redemption of capital stock	200,298	564,906
Dividends on capital stock	282,186	304,117
Net additions to bank premises and equipment	3,450	7,181
Increase/(decrease) in investments	3,828,822	634,949
Increase/(decrease) in accrued interest receivable	187,995	100,459
Increase/(decrease) in other assets	1,040	46,831
Increase/(decrease) in cash	<u>91,091</u>	<u>53,332</u>
Total financial resources used	<u>\$82,318,858</u>	<u>\$56,920,050</u>

Because of rounding, minor differences may occur in some totals. The accompanying notes are an integral part of this financial statement. (See pp. 23 to 27.)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF RETAINED EARNINGS ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

	<u>1981</u> ---(000 omitted)---	<u>1980</u> ---(000 omitted)---
LEGAL RESERVE		
Balance, January 1	\$686,781	\$603,107
Add: Statutory transfer of net income	<u>107,536</u>	<u>83,672</u>
Balance, December 31	<u>\$794,317</u>	<u>\$686,781</u>
DIVIDEND STABILIZATION RESERVE		
Balance, January 1	\$ 35,880	\$ 60,073
Add: Transfer from net income	15,794	31,234
Deduct: Dividends paid on capital stock	<u>(19,369)</u>	<u>(55,428)</u>
Balance, December 31	<u>\$ 32,305</u>	<u>\$ 35,880</u>
UNDIVIDED PROFITS		
Balance, January 1	\$145,946	\$279,645
Add: Net income	<u>535,262</u>	<u>416,598</u>
Subtotal	<u>681,208</u>	<u>696,243</u>
Deductions:		
Statutory transfer of net income	107,536	83,672
Dividends paid on capital stock	410,918	435,389
Transfer to dividend stabilization reserve	<u>15,794</u>	<u>31,234</u>
Total deductions	<u>534,248</u>	<u>550,295</u>
Balance, December 31	<u>\$146,962</u>	<u>\$145,946</u>

Because of rounding, minor differences may occur in some totals. The accompanying notes are an integral part of this financial statement. (See pp. 23 to 27.)

FEDERAL HOME LOAN BANKS
SUPPORTING SCHEDULES



Federal Home Loan Bank System Financial Statements

Federal Home Loan Banks: Combined Statement of Condition, December 31, 1991, and December 31, 1990
(In thousands)

Statement of Condition	Combined		Boston		New York		Pittsburgh		Atlanta		Cincinnati		Indianapolis		Chicago		Des Moines		Little Rock		Topeka		San Francisco		Seattle	
	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990
ASSETS																										
Cash (Note 2)	\$395,302	\$304,209	\$4,071	\$4,244	\$12,155	\$20,538	\$34,409	\$35,277	\$8,239	\$10,035	\$5,473	\$11,192	\$7,556	\$10,302	\$9,695	\$4,108	\$58,989	\$68,883	\$5,711	\$26,440	\$7,833	\$8,296	\$222,797	\$80,102	\$19,374	\$24,792
Investments at cost (Note 3)	8,157,138	4,328,311	275,736	95,062	1,075,761	526,778	147,497	266,192	937,956	443,621	865,548	361,325	167,563	228,944	631,885	258,073	358,010	315,871	888,336	348,288	276,243	151,065	1,975,644	1,001,922	556,960	331,170
Advances to members (Note 4)	65,194,261	48,962,859	1,228,549	1,170,877	5,969,214	4,536,243	1,993,836	1,671,740	9,516,624	6,460,304	4,031,265	3,403,382	1,778,162	1,477,733	3,760,356	3,209,184	3,784,578	3,431,180	4,399,173	3,262,377	3,471,987	2,903,368	20,574,206	14,137,508	4,726,291	3,279,013
Other loans:																										
Guaranteed by AID, net (Note 5)	85,869	87,022	31,530	32,356	54,338	54,688																				
Other FHL Banks	50,000	65,000			50,000	50,000																5,000			10,000	
Total other loans	135,869	152,022	31,530	32,356	104,338	104,688																5,000			10,000	
Accrued interest receivable	546,732	358,738	13,568	11,915	70,027	44,796	20,625	15,175	5,199	3,125	44,303	31,811	9,001	7,407	40,182	31,912	130	28	50,737	29,504	35,119	24,528	203,832	126,110	54,011	32,427
Bank premises and equipment	28,706	25,828	399	373	2,621	2,134	661	626	1,695	1,503	3,039	2,890	926	647	1,916	1,721	3,317	3,440	925	674	334	284	11,181	10,361	1,891	1,275
Less: depreciation and amortization	(9,868)	(7,831)	(250)	(215)	(939)	(794)	(434)	(426)	(691)	(510)	(1,964)	(1,709)	(233)	(154)	(887)	(690)	(1,604)	(1,331)	(448)	(312)	(91)	(60)	(1,585)	(1,111)	(742)	(521)
Net book value	18,837	18,097	149	160	1,682	1,340	227	200	1,004	993	1,075	1,181	693	493	1,029	1,031	1,713	2,109	477	362	243	224	9,596	9,250	949	754
Other assets:																										
Investment in FHLMC (Note 6)	150,000	150,000	7,350	7,350	17,550	17,550	9,150	9,150	21,300	21,300	13,950	13,950	13,500	13,500	15,450	15,450	9,150	9,150	10,200	10,200	5,850	5,850	26,850	26,850	5,850	5,850
Concessions and discount on COs—Bonds	39,820	30,549	759	559	4,094	2,650	1,010	938	4,336	2,969	2,418	1,835	801	664	1,683	1,629	1,991	2,259	2,421	1,452	2,482	2,401	15,332	11,253	2,483	1,940
Deferred charges—FHLBB cost of quarters	37,484	39,207	1,491	1,562	4,189	4,324	1,781	1,866	5,958	6,241	3,105	3,254	1,634	1,712	3,609	3,781	2,296	2,406	2,421	2,536	1,787	1,872	7,715	8,063	1,498	1,570
Assessment—FHLB operating expenses																										
Assessment—FHLB capital expenditures	368	794	16	33	44	150	18	35	57	113	30	61	16	32	36	70	23	45	25	51	17	34	69	137	17	33
Other	4,522	1,789	159	81	426	136	144	162	294	197	360	133	664	111	310	192	1,191	120	233	56	422	304	226	227	43	90
Total other assets	232,194	222,339	9,775	9,585	26,303	24,810	12,103	12,151	31,945	30,620	19,893	19,233	10,485	9,869	21,088	21,122	14,651	13,980	15,300	14,295	10,568	10,461	50,192	46,550	9,891	9,483
Total assets	74,680,333	54,346,575	1,563,376	1,324,179	7,258,481	5,259,171	2,208,697	2,000,735	10,500,966	6,968,898	4,967,557	3,828,124	1,973,480	1,734,748	4,464,235	3,525,430	4,218,071	3,832,051	5,319,734	3,661,216	3,601,993	3,102,942	23,036,267	15,411,442	5,366,476	3,677,639
LIABILITIES AND CAPITAL																										
Liabilities																										
Deposits and borrowings:																										
Members—time	\$11,015,512	\$9,171,060	\$309,502	\$378,412	\$843,241	\$959,522	\$553,341	\$616,098	\$1,708,916	\$1,311,468	\$996,337	\$823,433	\$204,093	\$319,238	\$804,267	\$724,560	\$666,693	\$596,863	\$592,889	\$638,545	\$237,860	\$280,200	\$3,116,375	\$1,888,775	\$1,071,998	\$632,946
Members—demand	898,228	902,716			25,061	26,361	72,907	101,994	1,683	86,212	24,001	33,856	103,001	78,595	(6)	48,218	271,498	167,860	112,922	84,310	54,276	42,639	186,836	187,895	46,049	44,776
Other FHL Banks	50,000	65,000										50,000	50,000			10,000								5,000		
Other borrowings	221,162	8,240							92,669		104,224								22,858			8,000			1,411	243
Total deposits and borrowings	12,184,902	10,147,019	309,502	378,412	868,302	985,883	626,248	718,092	1,803,268	1,397,680	1,034,562	857,289	357,094	447,833	804,261	782,778	938,191	764,723	728,669	722,855	292,136	330,839	3,303,211	2,082,670	1,119,458	677,965
Accrued interest payable	1,459,439	838,288	24,809	19,427	154,767	75,325	39,807	26,963	160,524	87,036	103,043	50,929	27,754	24,626	75,554	53,205	69,595	57,683	99,306	42,515	90,892	58,589	515,187	287,258	98,201	54,732
Consolidated obligations (COs) (Note 7):																										
Bonds	46,310,700	34,310,700	797,950	628,950	7,896,000	6,521,000	1,096,000	909,000	4,605,000	3,176,000	2,799,000	1,977,000	961,000	776,000	2,143,000	1,870,000	2,210,000	2,175,000	2,864,000	1,713,000	2,705,000	2,237,000	15,801,750	10,329,750	2,562,000	1,996,000
Discount notes	11,258,582	6,701,696	178,350	58,000	944,902	582,709	177,249	85,688	2,935,323	1,521,615	516,336	438,761	442,436	219,571	873,657	285,063	617,782	474,514	1,143,525	787,631	325,520	186,703	1,873,615	1,407,614	1,227,887	653,627
Less pass throughs to FHLMC	(3,438,300)	(3,743,950)			(3,380,000)	(3,640,000)			(58,300)		(103,950)															
FHLB's participations	54,130,982	37,268,446	976,300	686,950	5,370,302	3,463,709	1,273,249	994,888	7,482,023	4,593,665	3,317,336	2,415,761	1,303,436	995,571	3,016,657	2,155,063	2,827,782	2,649,514	4,007,525	2,500,631	3,090,520	2,423,703	17,675,365	11,737,364	3,789,887	2,651,627
Other liabilities:																										
Accounts payable	8,478	4,938	65	75	1,198	698	16	5	431	468	163	90	817	326	94	197	90	206	15	33	1,660	1,010	4,023	1,802	7	28
Accounts payable—FHLBB operating expenses	2,171	1,322	93	57	303	145	90	58	359	210	173	110	99	62	192	123	131	82	163	96	90	23	488	291		65
Other	93,670	57,547	60	100	6,488	49,521	230	878	42,864	694	654	451	954	33	1,994	376	809	124	3,546	1,886	1,468	208	30,679	2,229	3,824	948
Total other liabilities	104,319	63,807	218	232	7,899	50,364	335	941	43,754	1,372	990	651	1,870	421	2,280	696	1,020	414	3,724	2,115	3,208	1,241	35,190	4,321	3,831	1,041
Total liabilities	67,879,642	48,317,560	1,310,829	1,085,021	6,401,870	4,575,281	1,939,639	1,740,884	9,489,569	6,079,753	4,455,931	3,324,630	1,690,154	1,468,451	3,898,752	2,991,742	3,836,588	3,472,332	4,838,224	3,268,116	3,476,756	2,814,372	21,528,953	14,111,613	5,011,377	3,385,365
Capital																										
Capital stock outstanding (Note 9)	5,827,107	5,160,408	227,530	212,261	746,495	584,692	222,790	211,921	883,683	770,011	422,645	423,869	244,602	226,941	470,373	449,383	322,834	303,391	410,094	353,764	272,072	247,651	1,304,923	1,129,834	298,466	246,680
Retained earnings:																										
Legal reserve	794,317	666,781	22,059	21,494	94,028	80,359	38,275	37,214	108,284	93,907	69,371	61,566	33,664	32,769	82,340	72,171	47,872	44,134	56,158	48,015	38,447	30,721	161,474	132,448	41,345	31,983
Dividend stabilization reserve	32,305	35,880			1,911	5,575	7,326	59	3,781	2,830	8,627		810	2,337	36		777	2,194	4,258	1,321	5,520	1,000	6,283	2,893	6,177	4,490
Undivided profits																										

Federal Home Loan Banks: Combined Statement of Retained Earnings Accounts for the Years Ending December 31, 1981 and December 31, 1980
(In thousands)

Statement of Income	Combined		Boston		New York		Pittsburgh		Atlanta		Cincinnati		Chicago		Des Moines		Little Rock		Tampa		San Francisco		Seattle			
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980		
LEGAL RESERVES																										
Balance, January 1	\$88,381	\$93,107	\$11,484	\$20,980	\$80,897	\$72,121	\$63,912	\$44,134	\$40,153	\$41,591	\$26,462	\$132,448	\$112,396	\$31,982	\$27,044											
Add: Transfer from net income	107,536	83,672	56,566	13,669	14,377	10,300	8,259	3,736	3,981	8,143	7,726	1,258	20,026	25,749												
Subtotal	195,917	176,779	68,050	34,649	95,274	82,421	72,171	47,872	44,134	49,734	34,188	133,706	151,530	57,125	52,793											
Deduction: Dividend paid on capital stock	59,569	54,526	1,911	1,911	5,750	8,775	3,722	3,654	8,317	15,333	6,053	1,417	4,74	824	8,837											
Balance, December 31	\$136,348	\$122,253	\$66,139	\$32,738	\$89,524	\$73,646	\$68,449	\$44,218	\$35,817	\$34,401	\$38,821	\$32,337	\$43,134	\$46,015	\$48,897	\$30,721	\$36,720	\$10,474	\$132,448	\$112,396	\$31,982	\$27,044	\$31,982	\$27,044	\$31,982	
DIVIDEND STABILIZATION RESERVE																										
Balance, January 1	35,890	60,073	1,911	25	7,326	8,775	3,781	3,654	8,627	13,333	6,053	2,337	8,706	5,650	1,900	361	783	1,900	8,837	8,837	4,490	4,490	1,867	1,867	4,490	
Add: Transfer from net income	15,794	31,234	1,911	1,886	7,326	7,326	3,781	3,654	7,427	11,454	6,053	2,337	8,706	7,204	4,520	1,271	7,087	4,520	4,184	4,184	2,863	2,863	1,867	1,867	5,670	
Subtotal	51,684	91,307	3,822	26	14,652	16,101	7,562	7,308	16,054	24,787	12,106	4,674	17,412	12,854	6,471	2,671	14,173	9,120	13,021	13,021	7,353	7,353	3,734	3,734	10,140	
Deduction: Dividend paid on capital stock	32,205	36,880	1,911	1,911	5,575	7,326	3,781	3,654	8,627	13,333	6,053	2,337	8,706	5,650	1,900	361	783	1,900	8,837	8,837	4,490	4,490	1,867	1,867	4,490	
Balance, December 31	\$19,479	\$54,427	\$1,911	\$6	\$9,077	\$9,775	\$3,781	\$3,654	\$7,427	\$11,454	\$6,053	\$2,337	\$8,706	\$7,204	\$4,520	\$1,271	\$6,390	\$4,520	\$4,184	\$4,184	\$2,863	\$2,863	\$1,867	\$1,867	\$5,670	
UNDIVIDED PROFITS																										
Balance, January 1	145,946	279,645	3,492	6,984	11,513	23,027	6,935	13,869	16,600	33,200	25,189	4,250	8,500	20,000	9,198	13,395	34,654	13,395	34,654	58,399	58,399	9,111	9,111	18,202	18,202	
Add: Net income	535,282	416,588	407	1,408	68,341	55,966	10,305	20,955	21,867	51,498	33,025	4,476	13,987	41,244	20,925	28,990	10,000	19,713	19,713	30,226	30,226	46,610	46,610	24,692	24,692	
Subtotal	681,228	696,233	3,899	8,392	78,854	79,993	17,240	33,824	38,467	84,698	58,214	8,726	22,487	61,244	39,915	63,980	44,654	39,426	54,367	89,625	89,625	55,721	55,721	42,894	42,894	
Deduction: Transfer of net income	107,536	83,672	56,566	13,669	14,377	10,300	8,259	3,736	3,981	8,143	7,726	1,258	20,026	25,749												
Dividend paid on capital stock	410,918	435,389	376	2,380	54,672	48,961	8,245	19,229	25,090	49,171	33,607	3,581	15,439	43,851	14,953	25,926	9,337	23,337	23,337	35,830	35,830	12,863	12,863	4,490	4,490	
Transfer to dividend stabilization reserve	15,794	31,234	1,911	1,886	7,326	7,326	3,781	3,654	7,427	11,454	6,053	2,337	8,706	7,204	4,520	1,271	6,324	4,520	4,184	4,184	2,863	2,863	1,867	1,867	5,670	
Total deduction	574,048	550,295	58,453	17,935	79,776	71,616	15,265	36,113	42,698	77,823	53,247	7,500	43,182	95,956	53,100	81,382	25,111	51,194	51,194	76,048	76,048	48,610	48,610	33,862	33,862	
Balance, December 31	\$149,880	\$146,349	\$2,939	\$2,457	\$28,837	\$8,775	\$10,306	\$7,194	\$16,000	\$16,600	\$19,610	\$4,250	\$12,134	\$12,134	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	

Note: Because of rounding, minor differences may occur in some totals.

Years of Maturity	December 31, 1980		December 31, 1981	
	Range of Coupon Rates	Weighted Average	Range of Coupon Rates	Weighted Average
1981	6.80-15.66	11.48	6.80-15.66	11.48
1982	7.45-13.18	10.22	7.45-13.18	10.22
1983	7.30-14.05	9.47	7.30-14.05	9.47
1984	7.40-11.80	10.25	7.40-11.80	10.25
1985	7.37-12.85	9.83	7.37-12.85	9.83
1986-1990	7.60-11.34	10.46	7.60-11.34	10.46

Years of Maturity	December 31, 1980		December 31, 1981	
	Range of Coupon Rates	Weighted Average	Range of Coupon Rates	Weighted Average
1981	8.80-15.66	11.48	8.80-15.66	11.48
1982	9.45-13.18	10.22	9.45-13.18	10.22
1983	9.30-14.05	9.47	9.30-14.05	9.47
1984	9.40-11.80	10.25	9.40-11.80	10.25
1985	9.37-12.85	9.83	9.37-12.85	9.83
1986-1990	9.60-11.34	10.46	9.60-11.34	10.46

Years of Maturity	December 31, 1980		December 31, 1981	
	Range of Coupon Rates	Weighted Average	Range of Coupon Rates	Weighted Average
1981	8.80-15.66	11.48	8.80-15.66	11.48
1982	9.45-13.18	10.22	9.45-13.18	10.22
1983	9.30-14.05	9.47	9.30-14.05	9.47
1984	9.40-11.80	10.25	9.40-11.80	10.25
1985	9.37-12.85	9.83	9.37-12.85	9.83
1986-1990	9.60-11.34	10.46	9.60-11.34	10.46

The FHLBanks' participation, as shown above, is reported net of advances to the Mortgage Corporation in the form of passthroughs of the proceeds of certain consolidated obligations.

The following is a summary of the passthroughs (thousands of dollars):

Years of Maturity	December 31, 1980		December 31, 1981	
	Range of Coupon Rates	Weighted Average	Range of Coupon Rates	Weighted Average
1982	8.63-11.90	10.62	8.63-11.90	10.62
1983	9.30-14.05	11.87	9.30-14.05	11.87
1984	8.75-13.85	10.37	8.75-13.85	10.37
1985	7.38- 9.35	8.27	7.38- 9.35	8.27
1986	9.55-11.30	9.90	9.55-11.30	9.90
1987-1989	7.38-11.10	8.37	7.38-11.10	8.37
		9.71		9.71

(916581)
(916591)
(916601)

The General Accounting Office did not audit the Banks in 1980; however, they were audited individually by their own independent certified public accountants.

9. Capital

The capital stock of the FHLBanks has a par value of \$100 per share. Capital stock held by members in excess of their statutory requirement can be redeemed at par value by the FHLBanks or sold to other Bank members at par value provided the resulting stock transfer is recorded on the books of the FHLBanks.

Retained earnings of the FHLBanks consist of undivided profits, a legal reserve, and dividend stabilization reserve. The FHLBanks must transfer 20 percent of their net income to the legal reserve semi-annually until the reserve equals the capital stock amount. Thereafter, 5 percent of the FHLBanks net income must be allocated for this purpose.

In 1980, the Board authorized the Banks to pay a semi-annual dividend for the period ending June 30, and quarterly dividends for the remainder of the year. Dividends are normally paid out of current year's net income and the dividend stabilization reserve. In 1980, the Board permitted the Banks to utilize up to one-half of undivided profits as of December 31, 1979, for the payment of dividends. For 1981, dividends were permitted only to the extent of current year's net income and the dividend stabilization reserve and were authorized to be paid either annually or semi-annually. Dividends may be paid in the form of capital stock if authorized by the Board of Directors.

Stock dividends totaling \$148,101,000 were paid in 1981 compared with \$186,700,000 in 1980. Cash dividends declared by FHLBanks totaled \$282,187,000 in 1981 and \$304,117,000 in 1980.

10. Employee Retirement Plan

The FHLBanks are participants in the Savings Associations Retirement Fund (SARF) and substantially all of their officers and employees are covered by the Plan. The FHLBanks' contributions are determined by the SARF. Pension costs charged to operating expenses were \$2,843,968 in 1981 and \$2,844,010 in 1980.

11. Commitments

Rental expense of \$9,617,198 in 1981 and \$5,175,396 in 1980 for

premises and equipment has been charged to expense. Minimum rentals for each of the next 5 years are as follows:

Year	1982	1983	1984	1985	1986
Minimum Rentals	\$7,626,413	6,862,162	5,435,218	4,135,367	1,611,044
	\$25,670,204				

12. Contingencies

As provided for in Section 306(c) of the Federal Home Loan Mortgage Corporation Act, the Board has provided for the guarantee by the FHLBanks of certain borrowings of the Mortgage Corporation from the Federal Home Loan Banks of New York and Atlanta. Each of the FHLBanks participates in the guarantee in proportion to its investments in the capital stock of the Mortgage Corporation. See Note 6 (C) on December 31, 1981, the Banks have guaranteed \$1,438,300,000 of the Mortgage Corporation's borrowing from the Federal Home Loan Banks of New York and Atlanta in the form of passthroughs of the proceeds of certain consolidated obligations.

Federal Home Loan Banks: Combined Statement of Income for the Twelve Months Ending December 31, 1981 and December 31, 1980
(In thousands)

Statement of Income	Combined		Boston		New York		Pittsburgh		Atlanta		Cincinnati		Indianapolis		Chicago		Des Moines		Little Rock		Topeka		San Francisco		Seattle		
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	
INCOME																											
Interest on advances to members	\$6,994,211	\$4,480,967	\$133,225	\$110,315	\$678,509	\$413,015	\$207,226	\$164,719	\$1,017,439	\$585,304	\$438,579	\$327,521	\$193,724	\$138,709	\$409,562	\$322,916	\$400,949	\$324,048	\$464,959	\$298,832	\$380,470	\$253,219	\$2,172,737	\$1,226,895	\$506,832	\$315,674	
Income from investments	942,212	822,097	31,834	24,983	99,205	73,720	45,840	40,489	119,933	88,101	87,600	49,340	26,880	24,574	92,242	58,381	59,271	31,285	72,304	44,119	33,549	19,626	205,285	132,959	68,439	34,520	
Interest and fees on AID loans	7,283	7,074	2,485	2,551	4,778	4,523	24	3	1,714	1,918	2,448	2,289	851	505	448	1,282	4,236	3,119	4,462	2,621	1,671	1,899	11,126	9,126	1,814	1,020	
Earned commitment fees	35,978	26,513	296	200	6,786	4,331	24	3	1,714	1,918	2,448	2,289	851	505	448	1,282	4,236	3,119	4,462	2,621	1,671	1,899	11,126	9,126	1,814	1,020	
Income from NOW and DDA services	8,790	15,467	84	5	5,717	2,284	217	1,989	1,145	676	714	168	1,369	346	461	350	88	100	1,065	436	115	6,534	1,042	2,277	441	159	
Other income	10,745	15,467	3	5	5,717	2,284	217	1,989	1,145	676	714	168	1,369	346	461	350	88	100	1,065	436	115	6,534	1,042	2,277	441	159	
Total income	7,999,187	5,154,118	167,727	136,054	795,112	498,073	253,347	207,200	1,141,417	675,999	529,852	379,318	213,277	164,134	503,114	382,929	485,366	358,552	543,372	346,151	416,241	281,278	2,392,565	1,371,057	577,797	351,373	
EXPENSES																											
Interest and other costs:																											
Interest and concessions—consolidated obligations	5,673,774	3,377,455	107,841	81,211	572,854	307,888	140,013	101,735	799,472	433,173	344,298	230,291	148,650	95,229	312,793	220,654	330,551	248,012	401,558	223,719	332,690	218,415	1,788,697	961,844	394,359	255,284	
Assessments—FHLBB:																											
Operating expenses	8,792	7,293	368	286	1,983	812	363	318	1,395	1,110	687	582	395	321	775	655	522	465	636	526	422	328	1,869	1,509	277	381	
Amortization of capital expenditures	363	382	16	15	43	49	18	17	57	57	30	36	16	34	34	23	23	23	25	25	17	68	68	66	16	76	
Amortization of cost of quarters	1,782	1,782	71	73	196	196	86	86	284	283	148	142	78	78	171	171	109	109	115	115	85	85	367	366	72	112	
Assessments—Office of Finance	4,235	3,220	254	190	465	313	233	205	501	404	347	266	265	213	378	275	262	178	309	265	243	396	665	507	313	208	
Interest on deposits	1,685,841	1,289,519	56,280	52,807	141,737	124,690	98,798	80,893	257,789	183,563	135,100	108,838	54,815	51,095	131,111	115,513	107,940	85,885	93,346	85,133	41,328	38,915	435,804	294,172	132,413	68,013	
Other interest	11,460	1,357	9	11	1,835	1,046	1	1	1,742	31	2,027	1	2	1	1,328	57	57	676	676	5	5	3,564	42	136	220	220	
Total interest and other costs	7,386,247	4,680,988	164,839	134,594	718,213	434,988	238,911	183,254	1,061,220	618,621	482,637	340,155	204,219	146,954	446,590	337,302	439,454	334,672	496,683	309,783	374,871	257,961	2,231,034	1,258,508	527,586	324,196	
Other operating expenses:																											
Salaries and benefits	40,402	30,849	1,411	1,192	4,498	3,868	2,010	1,982	4,534	3,257	4,136	3,337	2,360	1,690	3,157	2,346	3,107	1,946	3,388	2,299	1,302	938	8,783	6,513	1,716	1,282	
Food and professional services	3,110	2,896	142	124	296	246	174	111	320	388	155	123	117	124	242	211	202	117	179	200	79	85	966	930	238	237	
Travel expense	2,595	2,218	134	115	243	208	154	139	321	236	226	133	133	158	165	217	189	330	257	138	101	355	307	176	144		
Telephone and transmission costs	2,851	1,456	53	44	148	104	104	95	446	200	465	186	152	50	158	93	273	111	358	225	93	58	448	223	153	75	
Stationery and supplies	8,382	8,575	102	80	338	1,088	663	574	799	580	1,332	984	283	380	480	333	877	739	992	621	558	343	1,462	658	399	215	
Cost of quarters	6,323	4,398	288	247	802	649	301	263	616	500	661	515	441	285	560	404	844	453	421	211	181	105	1,029	598	279	287	
Depreciation—furniture and equipment	1,124	631	27	26	59	57	43	41	157	97	79	56	58	26	112	55	113	53	97	37	22	11	189	80	168	87	
Equipment rental and expense	9,687	5,189	208	99	569	539	576	529	810	373	937	465	951	349	807	488	1,444	225	645	262	305	314	2,485	1,495	155	51	
Other	3,224	2,517	116	125	1,005	360	106	127	310	249	189	194	107	156	210	38	135	129	186	136	58	71	685	590	117	142	
Total other operating expenses	77,678	56,529	2,481	2,052	8,558	7,119	4,131	3,851	8,310	5,880	8,190	6,066	4,582	3,193	5,879	4,333	7,212	3,972	5,996	4,247	2,736	2,026	16,402	11,305	3,401	2,485	
Total expenses	7,463,925	4,737,517	167,320	136,646	726,771	442,107	243,042	187,105	1,069,530	624,501	490,827	346,221	208,801	150,147	452,289	341,635	446,676	336,644	502,659	314,030	377,607	259,987	2,247,436	1,269,813	530,987	326,681	
Net income	535,262	416,601	407	1,408	68,341	55,966	10,305	20,095	71,887	51,498	39,025	33,097	4,476	13,987	50,845	41,294	18,690	19,908	40,713	32,121	38,634	21,291	145,129	101,244	46,810	24,892	

Federal Home Loan Banks: Notes to Financial Statements, December 31, 1981 and 1980.

Organization and Related Agencies

The twelve District Federal Home Loan Banks (FHLBanks), together with their member institutions, comprise the FHLBank System. The FHLBank System is designed to promote homeownership through the extension of credit to savings and home financing institutions. Member institutions include all federally chartered savings and loan associations, all federally chartered mutual savings banks, and all institutions insured by the Federal Savings and Loan Insurance Corporation (FSLIC). Membership is also available to qualifying institutions, such as state-chartered non-FSLIC insured savings associations and mutual savings banks.

The FHLBanks are instrumentalities of the Federal government; they are owned by and serve as central credit banks for member institutions. A principal source of funds for the FHLBanks is the sale to the public of debt instruments (consolidated obligations) which are the joint and several obligations of all FHLBanks. Other funds are provided by issuance of capital stock, all of which are owned by the Banks' members, and member deposits.

The FHLBank System is governed and regulated by the Federal Home Loan Bank Board (Board) which is an independent Federal agency in the executive branch of government. The Board is the chartering and regulatory authority for Federal savings and loan associations and Federal mutual savings banks. The Board governs the Federal Home Loan Mortgage Corporation (Mortgage Corporation), which is a secondary mortgage market facility. The principal function of the Mortgage Corporation, which is owned by the FHLBanks, is to promote the flow of capital into

the housing markets by establishing an active secondary market in residential mortgages. Further, the Board governs the insurance of accounts in savings and loan associations and Federal mutual savings banks through the FSLIC. The Board expenses are met through assessments to the FHLBanks and the FSLIC and assessments to member institutions for examinations.

1. Summary of Significant Accounting Policies

The more significant accounting policies not described elsewhere in the notes to the financial statements are as follows:

(a) Investments—Investment securities are stated at cost, adjusted for amortization of premiums and accretion of discounts. Gains and losses on sales of securities are included in income from investments.

(b) Advances to Federal Home Loan Mortgage Corporation—Proceeds from certain consolidated obligations have been advanced to the Mortgage Corporation at the same interest rates and maturities as the related consolidated obligations. The Mortgage Corporation is effectively reimbursing the FHLBanks for interest; accordingly, the advances, related consolidated obligations, interest expense, and interest income have been offset and are not reflected in the accompanying financial statements.

(c) Bank premises, furniture and equipment, and leasehold improvements—These assets are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the property or life of the lease.

(d) Federal Home Loan Bank Board Assessments—The FHLBanks expense their pro rata share of the Board assessment for operating expenses during the year in which the assessment is levied. The Board has assessed the FHLBanks for its portion of the cost of the Board's office building in Washington, D.C. These payments are treated as a deferred charge and amortization is computed using the straight-line method for a period of twenty-five years.

The Board also assesses the FHLBanks for their portion of the cost of

capital expenditures for furniture, equipment, and furnishings for the Board's building. Payments against these assessments are treated as a deferred charge and amortization is computed using the straight-line method for a five-year period.

(e) Concessions on consolidated obligations—The amounts allowed dealers in connection with the sale of consolidated obligation bonds are deferred and amortized on the straight-line method to the maturity of the obligations. However, amounts applicable to the sale of consolidated obligation discount notes are charged directly to expense as incurred because of their short-term maturities.

(f) Unearned commitment fees—Advance commitment fees are initially set up as a deferred credit when received. Non-refundable fees of less than \$1,000 are taken into income immediately and fees of \$1,000 or more are amortized to income over the period of the commitment on a straight-line basis. Refundable fees are deferred until the commitment expires or the advance is made.

2. Cash Balances

Compensating balances—The FHLBanks have agreed to maintain average collected cash balances with various commercial banks in consideration for certain services. These arrangements are informal and there are no legal restrictions as to the withdrawal of funds. The average compensating balances were approximately \$28,837,500 and \$26,685,000 at December 31, 1981 and 1980, respectively.

Pastthrough Deposit Reserves—The Depository Institutions Deregulation and Monetary Control Act of 1980 authorizes FHLBanks to act as pastthrough correspondents for member institutions required to deposit reserves with the Federal Reserve. The amount shown as cash includes \$40,513,500 and \$2,777,430 at December 31, 1981 and 1980, respectively, of pastthrough reserves deposited with Federal Reserve offices. Member deposit reserves are included under Other Liabilities.

3. Investments

A comparison of the book value and market value follows:

December 31, 1981

Book Value Market Value

(in thousands)

U.S. Treasury obligations	\$ 681,597	\$ 668,677
U.S. Gov't agencies	20,000	18,662
Federal funds sold	4,393,400	4,393,400
Term funds sold	388,750	388,750
Bankers acceptances	460,227	459,670
Certificates of Deposit	447,024	445,965
Securities held under resale agreement	105,039	105,039
Participation in the FHLBanks' Consolidated Securities Fund	1,661,101	1,658,785
	\$8,157,138	\$8,138,948

December 31, 1980

Book Value Market Value

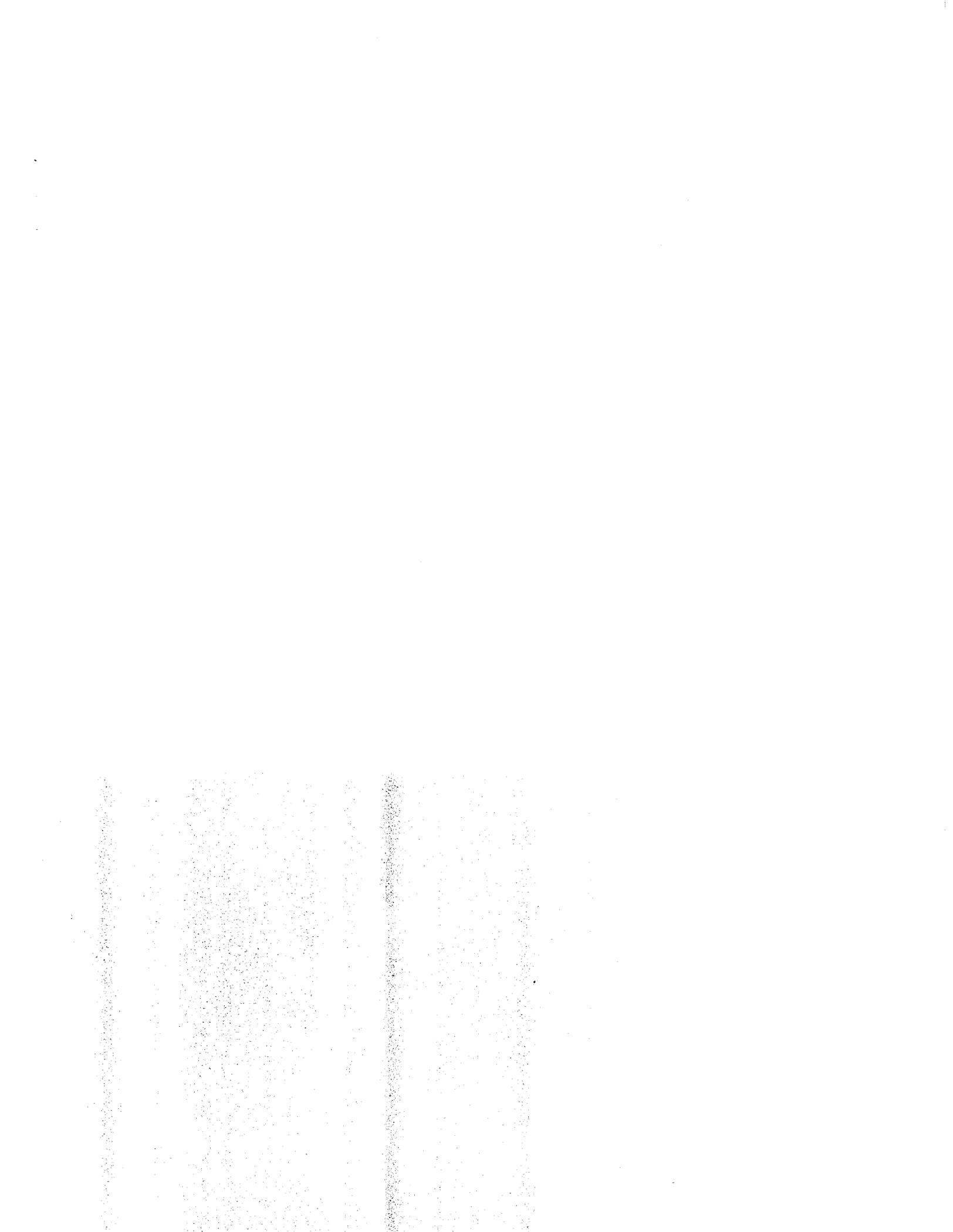
(in thousands)

U.S. Treasury obligations	\$ 671,181	\$ 640,647
U.S. Gov't agencies	24,977	23,301
Federal funds sold	2,147,400	2,147,400
Term funds sold	16,000	16,000
Bankers acceptances	277,150	278,115
Certificates of Deposit	233,842	233,285
Securities held under resale agreement	80,000	80,000
Participation in the FHLBanks' Consolidated Securities Fund	877,763	871,214
	\$4,328,313	\$4,287,962

FHLBanks' Consolidated Securities Fund (Fund) was established by the Board to offer a centralized portfolio management system for

The General Accounting Office did not audit the Banks in 1980; however, they were audited individually by their own independent certified public accountants.

Statement of Income	Compared		New York		Pittsburgh		Atlanta		Cincinnati		Indianapolis		Chicago		Little Rock		Topeka		San Francisco		Seattle			
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981					
LEGAL RESERVES	\$68,781	\$60,107	\$21,494	\$20,690	\$80,359	\$80,166	\$37,214	\$30,196	\$33,907	\$33,907	\$44,946	\$43,279	\$27,171	\$27,171	\$44,134	\$40,131	\$41,591	\$39,721	\$36,462	\$12,248	\$11,299	\$31,982	\$27,044	
Add: Statutory transfer of net income	101,558	116,598	565	565	21,946	21,946	94,028	90,359	11,337	10,300	33,664	32,769	22,109	22,109	34,424	34,381	48,016	46,447	38,447	30,720	161,474	132,448	41,345	31,982
Balance, January 1	\$169,339	\$176,705	\$78,049	\$71,288	\$102,305	\$102,121	\$131,242	\$120,555	\$45,282	\$44,207	\$78,610	\$76,048	\$49,280	\$49,280	\$78,558	\$74,512	\$87,607	\$82,183	\$74,910	\$67,268	\$278,742	\$259,270	\$73,327	\$69,026
DIVIDEND STABILIZATION RESERVE	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Add: Statutory transfer from net income	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, January 1	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Subtotal	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Dividend paid on capital stock	19,389	18,324	565	565	1,911	1,911	7,226	7,226	3,781	3,781	12,333	12,333	3,781	3,781	12,333	12,333	13,000	13,000	10,000	10,000	1,000	1,000	1,000	1,000
Transfer to dividend stabilization reserve	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, December 31	\$169,339	\$176,705	\$78,049	\$71,288	\$102,305	\$102,121	\$131,242	\$120,555	\$45,282	\$44,207	\$78,610	\$76,048	\$49,280	\$49,280	\$78,558	\$74,512	\$87,607	\$82,183	\$74,910	\$67,268	\$278,742	\$259,270	\$73,327	\$69,026
UNDIVIDED PROFITS	32,305	35,880	1,911	1,911	5,575	4,222	11,220	9,895	3,781	3,781	2,630	2,630	810	810	2,630	2,630	4,256	4,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, January 1	145,646	137,645	6,944	6,944	11,513	11,513	22,027	18,889	16,820	16,820	23,000	22,996	12,134	12,134	22,996	22,996	39,005	39,005	50,713	50,713	10,000	10,000	10,000	10,000
Add: Net income	881,288	696,243	3,899	3,899	79,854	78,983	17,240	33,964	88,487	84,699	57,984	57,984	62,744	62,744	82,979	82,979	179,783	179,783	170,553	170,553	55,921	42,914	42,914	42,914
Dividend transfer of net income	107,550	103,672	565	565	13,689	13,393	4,019	14,327	10,300	10,300	14,327	14,327	10,169	10,169	22,977	22,977	64,256	64,256	47,832	47,832	1,000	1,000	1,000	1,000
Dividend paid on capital stock	419,918	423,389	378	378	54,272	52,465	8,245	8,245	27,029	27,029	71,887	71,887	50,645	50,645	18,230	18,230	38,634	38,634	30,486	30,486	9,188	9,188	9,188	9,188
Transfer to dividend stabilization reserve	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, December 31	\$146,962	\$149,946	2,958	2,958	11,513	11,513	22,027	18,889	16,820	16,820	23,000	22,996	12,134	12,134	22,996	22,996	39,005	39,005	50,713	50,713	10,000	10,000	10,000	10,000
RETAINED EARNINGS	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
Balance, January 1	145,646	137,645	6,944	6,944	11,513	11,513	22,027	18,889	16,820	16,820	23,000	22,996	12,134	12,134	22,996	22,996	39,005	39,005	50,713	50,713	10,000	10,000	10,000	10,000
Add: Statutory transfer of net income	881,288	696,243	3,899	3,899	79,854	78,983	17,240	33,964	88,487	84,699	57,984	57,984	62,744	62,744	82,979	82,979	179,783	179,783	170,553	170,553	55,921	42,914	42,914	42,914
Dividend transfer of net income	107,550	103,672	565	565	13,689	13,393	4,019	14,327	10,300	10,300	14,327	14,327	10,169	10,169	22,977	22,977	64,256	64,256	47,832	47,832	1,000	1,000	1,000	1,000
Dividend paid on capital stock	419,918	423,389	378	378	54,272	52,465	8,245	8,245	27,029	27,029	71,887	71,887	50,645	50,645	18,230	18,230	38,634	38,634	30,486	30,486	9,188	9,188	9,188	9,188
Transfer to dividend stabilization reserve	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, December 31	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
RETAINED EARNINGS	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
Balance, January 1	145,646	137,645	6,944	6,944	11,513	11,513	22,027	18,889	16,820	16,820	23,000	22,996	12,134	12,134	22,996	22,996	39,005	39,005	50,713	50,713	10,000	10,000	10,000	10,000
Add: Statutory transfer of net income	881,288	696,243	3,899	3,899	79,854	78,983	17,240	33,964	88,487	84,699	57,984	57,984	62,744	62,744	82,979	82,979	179,783	179,783	170,553	170,553	55,921	42,914	42,914	42,914
Dividend transfer of net income	107,550	103,672	565	565	13,689	13,393	4,019	14,327	10,300	10,300	14,327	14,327	10,169	10,169	22,977	22,977	64,256	64,256	47,832	47,832	1,000	1,000	1,000	1,000
Dividend paid on capital stock	419,918	423,389	378	378	54,272	52,465	8,245	8,245	27,029	27,029	71,887	71,887	50,645	50,645	18,230	18,230	38,634	38,634	30,486	30,486	9,188	9,188	9,188	9,188
Transfer to dividend stabilization reserve	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, December 31	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
RETAINED EARNINGS	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
Balance, January 1	145,646	137,645	6,944	6,944	11,513	11,513	22,027	18,889	16,820	16,820	23,000	22,996	12,134	12,134	22,996	22,996	39,005	39,005	50,713	50,713	10,000	10,000	10,000	10,000
Add: Statutory transfer of net income	881,288	696,243	3,899	3,899	79,854	78,983	17,240	33,964	88,487	84,699	57,984	57,984	62,744	62,744	82,979	82,979	179,783	179,783	170,553	170,553	55,921	42,914	42,914	42,914
Dividend transfer of net income	107,550	103,672	565	565	13,689	13,393	4,019	14,327	10,300	10,300	14,327	14,327	10,169	10,169	22,977	22,977	64,256	64,256	47,832	47,832	1,000	1,000	1,000	1,000
Dividend paid on capital stock	419,918	423,389	378	378	54,272	52,465	8,245	8,245	27,029	27,029	71,887	71,887	50,645	50,645	18,230	18,230	38,634	38,634	30,486	30,486	9,188	9,188	9,188	9,188
Transfer to dividend stabilization reserve	15,794	11,234	1,666	1,226	3,781	2,420	6,627	4,333	2,337	2,337	6,053	6,053	2,194	2,194	6,053	5,883	6,424	6,256	5,520	2,893	6,177	4,480	4,806	4,806
Balance, December 31	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
RETAINED EARNINGS	\$8,440,000	\$8,440,000	11,488	11,488	10,222	10,222	20,095	20,095	21,887	21,887	39,025	39,025	13,987	13,987	39,025	39,025	18,690	18,690	21,291	21,291	145,129	145,129	46,810	44,892
Balance, January 1	145,646	137,645	6,944	6,944	11,513	11,513	22,027	18,889	16,820	16,820	23,000													



AN EQUAL OPPORTUNITY EMPLOYER

217713

UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE



OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300

THIRD CLASS