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GENERAL ACCOUNTING OFFICE UNITED STATES

REPORT TO THE CONGRESS

Audit Of Certain Banks Of The Farm Credit System Supervised By The Farm Credit Administration Fiscal Year 1969

B-114806

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

FEB. 9,1970

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

B-114806

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

This is our report on the audit of certain banks of the Farm Credit System, supervised by the Farm Credit Administration, for the fiscal year ended June 30, 1969. We are reporting on the results of our audit as required by section 203 of the Government Corporation Control Act (31 U.S.C. 858).

Copies of this report are being sent to the Director, Bureau of the Budget, and the Governor, Farm Credit Administration.

Elmer B. Staats

Comptroller General
of the United States

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COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

AUDIT OF CERTAIN BANKS OF THE FARM CREDIT SYSTEM SUPERVISED BY THE FARM CREDIT ADMINISTRATION--FISCAL YEAR 1969 B-114806

D I G E S T

WHY THE AUDIT WAS MADE

The General Accounting Office (GAO) made an audit of certain banks of the Farm Credit System, supervised by the Farm Credit Administration, for fiscal year 1969 as required by the Government Corporation Control Act.

FINDINGS AND CONCLUSIONS

In GAO's opinion, the accompanying financial statements present fairly the financial position of the 12 Federal intermediate credit banks at June 30, 1969, and the results of their operations and the sources and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. (See pp. 13 through 23.)

Further, in the opinion of GAO, the financial statements of the five banks for cooperatives subject to audit by GAO for the fiscal year present fairly their financial positions at June 30, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. (See pp. 27 through 30.)

Public Law 90-582 (82 Stat. 1145), approved October 17, 1968, provided for expediting the retirement of Government capital in the Federal intermediate credit banks, production credit associations, and banks for cooperatives. (See p. 6.)

Under the provisions of this law, all remaining Government capital in the Federal intermediate credit banks and the banks for cooperatives was retired in December 1968. All remaining Government capital in production credit associations was retired in January 1969. (See p. 7.)

GAO audit authority under the Government Corporation Control Act terminated with the retirement of Government capital. Future audits will be made only in the event of reinvestment of Government capital through utilization of the investment funds available to the Governor of the Farm Credit Administration.

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations or suggestions requiring action by the Congress. It is submitted to the Congress as required by the Government Corporation Control Act to disclose the results of GAO's audit.

GENERAL COMMENTS

The General Accounting Office has made an audit for the fiscal year ended June 30, 1969, of the 12 Federal intermediate credit banks and five of the 13 banks for cooperatives supervised by the Farm Credit Administration (FCA). During fiscal year 1969, the Government did not have capital invested in the Berkeley, California; St. Louis, Missouri; Houston, Texas; Springfield, Massachusetts; Louisville, Kentucky; Wichita, Kansas; Spokane, Washington; and St. Paul, Minnesota, banks for cooperatives. Therefore, these banks were not subject to audit by GAO. The scope of the audit work performed is described on page 8 of this report.

FARM CREDIT ADMINISTRATION

FCA originally was established as an independent agency by Executive Order 6084, effective May 27, 1933 (48 Stat. 51; 12 U.S.C. 636). It was transferred to the Department of Agriculture by 1939 Reorganization Plan Number 1, effective July 1, 1939. By the Farm Credit Act of 1953, effective December 4, 1953, FCA was reestablished as an independent agency in the executive branch of the Government. FCA is responsible for supervising and coordinating a nationwide cooperative credit system for agriculture. The system provides long-, intermediate-, and short-term credit to farmers and ranchers, including part-time operators, and their cooperative marketing, purchasing, and business service organizations.

A 13-member Federal Farm Credit Board directs, supervises, and controls FCA. Twelve members of the Board are appointed by the President, with the advice and consent of the Senate, for a term of 6 years. The 13th member of the Board, known as the Secretary's Representative, is designated by the Secretary of Agriculture and serves at his pleasure.

The chief executive officer of FCA is the Governor, who is appointed by the Board and serves at its pleasure and under its general supervision and direction. Since retirement of all Government capital in institutions supervised by FCA in fiscal year 1969, the appointment of the Governor is no longer subject to the approval of the President and the

President is no longer vested with the authority to remove the Governor.

There are 12 farm credit districts in the United States. Each district has three banks located in a headquarters office--a Federal intermediate credit bank, a bank for cooperatives, and a Federal land bank. A Central Bank for Cooperatives is located in Washington, D.C.

The principal officials of FCA, constituting the Federal Farm Credit Board and the executive staff, responsible for the formulation and development of policies and procedures are listed in appendix V. The farm credit districts are also listed in this appendix.

FEDERAL INTERMEDIATE CREDIT BANKS

The Federal intermediate credit banks were established in 1923 by the Federal Farm Loan Act (12 U.S.C. 641). The banks make loans to, and discount or purchase agricultural and livestock paper from, production credit associations, livestock loan companies, commercial banks, and other local financing institutions; they make intersystem loans to Federal land banks and banks for cooperatives; and they supervise, assist, and provide services to production credit associations.

Funds for financing the lending operations of the Federal intermediate credit banks are obtained, for the most part, from the proceeds of sales of short-term consolidated debentures to the investing public. These debentures are secured by the loans and discount paper of the banks and are not guaranteed by the Government.

Net earnings of the Federal intermediate credit banks were $21,378,561 for fiscal year 1969 compared with $28,418,123 for fiscal year 1968. The decrease in net earnings in 1969 resulted primarily from an increase in interest costs which was greater than the increase in interest income.

The Federal intermediate credit banks retired the Government's investment in capital stock of the banks in December 1968 by deposit of cash and securities in the Treasury in accordance with the provisions of Public Law 90-582.

(See p. 7.) The short-term credit investment fund in the Treasury will remain available to the Governor of FCA for reinvestment in the capital stock of Federal intermediate credit banks and production credit associations in amounts he may deem necessary to meet their credit needs.

The short-term credit investment fund was established by Public Law 87-343 (12 U.S.C. 1131i (F)) approved October 3, 1961, which consolidated a $70 million revolving fund available for investment in the capital stock of Federal intermediate credit banks with a $60 million revolving fund available for investment in production credit associations. At June 30, 1969, the short-term credit investment fund balance in the Treasury was $111,707,505. The difference of $18,292,495 represents the discount on the retirement of capital stock under the provisions of Public Law 90-582.

BANKS FOR COOPERATIVES

The district banks and the Central Bank for Cooperatives were established by the Farm Credit Act of 1933 (12 U.S.C. 1134 and 1134f). The district banks for cooperatives make loans to eligible farmer cooperatives to assist them in processing and marketing agricultural commodities, purchasing farm supplies, acquiring or constructing facilities, and furnishing farm business services. The Central Bank for Cooperatives serves the district banks by purchasing participations in loans--mainly loans that exceed the lending limits of the respective district banks--and by making direct loans to these banks. The banks for cooperatives also finance the major portion of their loan operations by selling short-term consolidated debentures to the investing public. The Government assumes no liability, direct or indirect, for the debentures sold. However, the debentures are secured by the loans of the banks.

According to FCA, net earnings of the banks for cooperatives were $13,165,633 for fiscal year 1969 compared with $12,922,879 for fiscal year 1968. Although interest income in fiscal year 1969 increased, net earnings in fiscal year 1969 were about the same as the previous year, primarily due to offsetting higher interest costs incurred on borrowings.

The banks for cooperatives retired the Government's investment in capital stock of the banks in December 1968 by deposit of cash in the Treasury in accordance with the provisions of Public Law 90-582. (See p. 7.) The banks for cooperatives investment fund in the Treasury will remain available to the Governor of FCA for reinvestment in the capital stock of the banks for cooperatives in amounts he may deem necessary to meet their credit needs.

The banks for cooperatives investment fund was established by the Agricultural Marketing Act of 1929 (12 U.S.C. 1141d) initially for the purpose of making loans to cooperative associations. With the incorporation of the banks for cooperatives pursuant to the authority of the Farm Credit Act of 1933 (12 U.S.C. 1134-1134f), loans from this fund were sharply curtailed. The 1933 act also authorized the Governor of FCA to use the fund to acquire the stock of the banks for cooperatives, and the Farm Credit Act of 1955 (12 U.S.C. 1134d) provided that proceeds from the retirement of the Governor's investments be paid back into the fund to remain available for future investments. The 1929 act was amended on June 25, 1962 (12 U.S.C. 1141d), to reduce the fund from the $500 million originally authorized in 1929 to $150 million.

At June 30, 1969, the banks for cooperatives investment fund balance in the Treasury was $148,091,211. The difference of $1,908,789 represents the discount on the retirement of capital stock under the provisions of Public Law 90-582.

OTHER ACTIVITIES

FCA also supervises Federal land banks and federally chartered production credit associations and Federal land bank associations. The Federal land banks have not been subject to audit by GAO since July 1, 1947, when the last of the Government's capital investment in these banks was retired. The associations are not subject to audit by any regulatory body other than FCA.

NEW LEGISLATION

Public Law 90-582 (82 Stat. 1145), approved October 17, 1968, amended the Federal Farm Loan Act and the Farm Credit

Act of 1933, as amended, to expedite retirement of Government capital from Federal intermediate credit banks, production credit associations, and banks for cooperatives. The Governor of FCA was authorized to accept, in payment for the class A stock in the Federal intermediate credit banks and the banks for cooperatives which he held on behalf of the United States, an amount representing the fair value of such stock or U.S. Government bonds, the market value of which on the date of the transaction represented the fair value of the class A shares as determined by the Governor with the concurrence of the Secretary of the Treasury.

Under the provisions of this law, all remaining Government capital in the Federal intermediate credit banks and the banks for cooperatives was retired in December 1968. Also, all remaining Government capital in production credit associations was retired in January 1969.

GAO audit authority under the Government Corporation Control Act terminated with the retirement of Government capital. Future audits will be made only in the event of reinvestment of Government capital through utilization of the investment funds available to the Governor of FCA.

SCOPE OF AUDIT

Our audit for fiscal year 1969 of the 12 Federal intermediate credit banks and of five of the 13 banks for cooperatives consisted principally of a review of (1) the basic laws authorizing the activities, and the pertinent legislative history, to ascertain the purposes of the activities and their intended scope, (2) the policies adopted by these organizations for conformance with basic legislation, and (3) the financial statements, including an examination of the accounts and financial transactions to the extent we deemed appropriate under the existing circumstances. We did not undertake an evaluation of the total operation of FCA or of the banks of the Farm Credit System which were subject to our audit.

In accordance with the provisions of section 301(a) of the Government Corporation Control Act (31 U.S.C. 866 (a)), we relied to the fullest extent considered practicable on the examinations made by the Examination Division, FCA. Our review of the work of the Examination Division was accomplished by (1) reviewing its audit programs to determine the adequacy of the prescribed procedures, (2) observing the actual conduct of the examinations of the Federal intermediate credit banks in Berkeley, California, and Houston, Texas, and the bank for cooperatives in New Orleans, Louisiana, and (3) reviewing working papers pertaining to the examinations of all banks subject to our audit to the extent that we deemed appropriate.

OPINION OF FINANCIAL STATEMENTS

The financial statements in this report were prepared by FCA for the fiscal year ended June 30, 1969, except that we have (1) modified the statements applicable to the banks for cooperatives to include only those banks which were still subject to audit by GAO and (2) prepared the combined statement of sources and application of funds of the Federal intermediate credit banks. The notes to the financial statements are the same as those prepared by FCA except that we have (1) modified the notes to apply only to the banks which were subject to our audit and (2) added some further explanatory comments.

On the basis of our observations and tests, we are of the opinion that reliance can be placed upon the examinations of the banks conducted by the Examination Division of FCA and upon the chief examiner's certificates to the Comptroller General relating to the financial statements. These examinations were made pursuant to the requirements of the Federal Farm Loan Act (12 U.S.C. 1091) and the Farm Credit Act (12 U.S.C. 1138a), and these certificates express opinions on the financial statements of the banks.

In our opinion, the accompanying financial statements (schedules 1 through 6) of the 12 Federal intermediate credit banks supervised by FCA present fairly their financial positions at June 30, 1969, and the results of their operations and the sources and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

In our opinion, the accompanying financial statements (schedules 7 and 8) of the five banks for cooperatives supervised by FCA that were subject to audit by GAO for the fiscal year present fairly their financial positions at June 30, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

For informational purposes, we have included in this report (see apps. I through III) the combined statement of condition, combined statement of earnings, and combined statement of surplus of the 13 banks for cooperatives as prepared by FCA. Since our audit authority extended to only five of the banks for cooperatives, we are not in a position to render an opinion on these combined statements.

FINANCIAL STATEMENTS

OF

FEDERAL INTERMEDIATE CREDIT BANKS

FEDERAL INTERMEDIATE CREDIT BANKS

COMBINED STATEMENT OF CONDITION

JUNE 30, 1969 AND 1968

ASSETS	1969		1968	
LOANS AND DISCOUNTS (note 1)				
Production credit associations	$4,133,948,831		$3,734,686,437	
Other financing institutions	221,408,143	$4,355,356,974	205,394,900	$3,940,081,337
LOANS TO OTHER FARM CREDIT BANKS		7,950,000		14,500,000
CASH		15,052,740		15,124,446
U.S. GOVERNMENT SECURITIES (par) (note 2)	147,586,100		112,158,700	
Unamortized premium (-discount) (net)	-987,284	146,598,816	-690,128	111,468,572
OTHER SECURITIES (par) (note 3)	13,057,500		9,280,000	
Unamortized premium (-discount) (net)	-100,775	12,956,725	-126,486	9,153,514
SECURITIES UNDER RESALE AGREEMENT		-		23,758,000
CLASS A STOCK OF PRODUCTION CREDIT ASSOCIATIONS		660,000		-
ACCRUED INTEREST RECEIVABLE		109,271,322		94,060,296
FIXED AND OTHER ASSETS	7,145,056		5,652,743	
Less accumulated depreciation	918,459	6,226,597	1,041,986	4,610,757
Total assets		$4,654,073,174		$4,212,756,922
LIABILITIES				
UNMATURED CONSOLIDATED DEBENTURES OUTSTANDING (note 4)	$4,196,400,000		$3,766,600,000	
Less debentures owned	20,000,000	$4,176,400,000	20,000,000	$3,746,600,000
NOTES PAYABLE:				
Commercial banks	32,450,000		25,500,000	
Other farm credit banks	29,200,000	61,650,000	5,600,000	31,100,000
FEDERAL FRANCHISE TAX PAYABLE		2,712,342		4,819,323
ACCRUED INTEREST PAYABLE		103,524,937		85,747,201
LIABILITY FOR CASH COLLATERAL		29,762		64,589
OTHER LIABILITIES		10,157,326		6,993,560
CAPITAL STOCK AND PARTICIPATION CERTIFICATES:				
Class A--U.S. Government	-		125,789,120	
Class B--production credit associations	166,637,970		102,851,855	
Participation certificates--other financing institutions	5,879,450		5,113,400	
Total capital stock and participation certificates	172,517,420		233,754,375	
SURPLUS--RESERVED (note 5 and schedule 3)	63,066,704		63,066,704	
LEGAL RESERVE--ALLOCATED TO PATRONS (schedule 3)	45,964,818		40,611,170	
SURPLUS (note 6 and schedule 3)	18,049,865	299,598,807	-	337,432,249
Total liabilities		$4,654,073,174		$4,212,756,922

Note: The June 30, 1969, statement of condition for the individual Federal intermeditate credit banks is shown as schedule 4.

The notes on pages 22 and 23 are an integral part of this statement.

SCHEDULE 2

FEDERAL INTERMEDIATE CREDIT BANKS

COMBINED STATEMENT OF EARNINGS

FOR THE YEARS ENDED JUNE 30, 1969 AND 1968

	1969		1968	
EARNINGS:				
Interest income from loans and discounts	$259,676,785		$217,491,795	
Income from investments	7,471,045	$267,147,830	4,452,168	$221,943,963
DEDUCTIONS FROM EARNINGS:				
Interest and other costs of debentures	235,710,162		185,382,465	
Other interest expense	1,215,410		791,282	
Operating expense	8,227,829		7,368,876	
Charge-offs (less recoveries)	-20,153		-18,679	
Other deductions (-additions)	636,021	245,769,269	1,896	193,525,840
NET EARNINGS FOR THE YEAR		$ 21,378,561		$ 28,418,123
DISTRIBUTION OF EARNINGS:				
Transferred to legal reserve allocated to patrons (schedule 3)		$ 5,364,595		$ 7,104,531
Federal franchise tax		2,712,342		4,819,323
Dividends declared		172,075		-
Patronage refunds		13,129,549		16,494,269
Total		$ 21,378,561		$ 28,418,123

Note: The statement of earnings of the individual Federal intermediate credit banks for the year ended June 30, 1969 is shown as schedule 5.

The notes on pages 22 and 23 are an integral part of this statement.

F E D E R A L   I N T E R M E D I A T E   C R E D I T   B A N K S

COMBINED STATEMENT OF SURPLUS

FOR THE YEARS ENDED JUNE 30, 1969 AND 1968

	1969		1968	
SURPLUS RESERVED BY STATUTE (note 5 and schedule 1)		$ 63,066,704		$ 63,066,704
SURPLUS:				
Balance, beginning of year	$ -		$ -	
Discount on retirement of Class A stock	18,292,495		-	
Loss on exchange of securities in connection with retirement of Class A stock	−162,811		-	
Distributed to patrons	−79,819		-	
Balance end of year (note 6 and schedule 1)		18,049,865		
LEGAL RESERVE--ALLOCATED TO PATRONS:				
Balance, beginning of year	40,611,170		33,524,870	
Distributed to other financing institutions	−10,947		−18,231	
Transferred from net earnings (schedule 2)	5,364,595		7,104,531	
Balance, end of year (schedule 1)		45,964,818		40,611,170
SURPLUS, END OF YEAR		$127,081,387		$103,677,874

The notes on pages 22 and 23 are an integral part of this statement.

F E D E R A L   I N T E R M E D I A T E   C R E D I T   B A N K S

STATEMENT OF CONDITION--JUNE 30, 1969

	Combined	Federal intermediate credit banks: Springfield	Baltimore	Columbia	Louisville
A S S E T S					
LOANS AND DISCOUNTS (note 1):					
Production credit associations	$4,133,948,831	$172,798,443	$179,590,000	$475,898,898	$552,929,000
Other financing institutions	221,408,143	495,855	2,636,873	1,202,868	2,517,160
Total	4,355,356,974	173,294,298	182,226,873	477,101,766	555,446,160
LOANS TO OTHER FARM CREDIT BANKS	7,950,000	-	1,650,000	1,300,000	-
CASH	15,052,740	1,441,546	726,466	4,106,746	718,149
U.S. GOVERNMENT SECURITIES (par) (note 2)	147,586,100	7,909,000	6,088,000	14,089,000	19,330,200
Unamortized premium (-discount) (net)	-987,284	-69,551	-70,777	-169,251	-128,308
Total	146,598,816	7,839,449	6,017,223	13,919,749	19,201,892
OTHER SECURITIES (par) (note 3)	13,057,500	-	808,000	587,500	123,000
Unamortized premium (-discount) (net)	-100,775	-	23,324	-2,496	-
Total	12,956,725	-	831,324	585,004	123,000
CLASS A STOCK OF PRODUCTION CREDIT ASSOCIATIONS	660,000	-	-	-	-
ACCRUED INTEREST RECEIVABLE	109,271,322	98,082	3,149,676	8,213,164	19,825,360
FIXED AND OTHER ASSETS	7,145,056	112,538	121,805	507,473	425,306
Less accumulated depreciation	918,459	15,618	31,770	79,438	63,911
Net	6,226,597	96,920	90,035	428,035	361,395
Total assets	$4,654,073,174	$182,770,295	$194,691,597	$505,654,464	$595,675,956
L I A B I L I T I E S					
UNMATURED CONSOLIDATED DEBENTURES OUTSTANDING (note 4)	$4,196,400,000	$162,800,000	$173,000,000	$466,000,000	$541,100,000
Less debentures owned	20,000,000	-	-	10,000,000	-
Net	4,176,400,000	162,800,000	173,000,000	456,000,000	541,100,000
NOTES PAYABLE:					
Commercial banks	32,450,000	-	2,000,000	-	5,800,000
Other farm credit banks	29,200,000	-	-	-	-
Total	61,650,000	-	2,000,000	-	5,800,000
FEDERAL FRANCHISE TAX PAYABLE	2,712,342	66,171	77,710	406,134	390,372
ACCRUED INTEREST PAYABLE	103,524,937	3,762,361	4,701,582	11,737,527	13,602,278
LIABILITY FOR CASH COLLATERAL	29,762	-	-	-	-
OTHER LIABILITIES	10,157,326	301,384	474,072	4,359,055	118,294
CAPITAL STOCK--Production credit associations	166,637,970	8,742,280	7,664,205	21,811,415	20,421,045
PARTICIPATION CERTIFICATES--Other financing institutions	5,879,450	56,440	134,780	33,810	97,895
Total capital stock and participation certificates	172,517,420	8,798,720	7,798,985	21,845,225	20,518,940
SURPLUS--RESERVED (note 5 and schedule 3)	63,066,704	4,593,039	4,176,813	3,701,156	5,273,118
LEGAL RESERVE--ALLOCATED TO PATRONS (schedule 3)	45,964,818	2,081,244	2,030,994	5,513,352	5,719,504
SURPLUS (note 6 and schedule 3)	18,049,865	367,376	431,441	2,092,015	3,153,450
Total capital and surplus	299,598,807	15,840,379	14,438,233	33,151,748	34,665,012
Total liabilities	$4,654,073,174	$182,770,295	$194,691,597	$505,654,464	$595,675,956

The notes on pages 22 and 23 are an integral part of this statement.

Federal intermediate credit banks							
New Orleans	St. Louis	St. Paul	Omaha	Wichita	Houston	Berkeley	Spokane
$229,549,362	$435,248,881	$540,573,000	$397,840,127	$398,995,870	$271,672,515	$197,805,000	$281,047,735
29,601,795	9,384,589	15,288,274	25,410,329	36,510,735	56,014,150	41,352,396	993,119
259,151,157	444,633,470	555,861,274	423,250,456	435,506,605	327,686,665	239,157,396	282,040,854
-	-	-	-	-	-	5,000,000	-
876,239	1,190,480	917,159	941,916	1,363,817	1,116,749	584,033	1,069,440
12,349,700	16,703,000	15,366,500	13,695,500	8,515,000	16,337,200	8,870,000	8,333,000
21,406	−209,285	−128,025	−21,603	−85,596	175	−24,332	−102,137
12,371,106	16,493,715	15,238,475	13,673,897	8,429,404	16,337,375	8,845,668	8,230,863
-	709,500	731,000	3,256,500	6,000,000	842,000	-	-
-	-	−4,282	−100,102	−7,062	−10,157	-	-
-	709,500	726,718	3,156,398	5,992,938	831,843	-	-
-	160,000	-	-	-	500,000	-	-
7,859,926	12,931,202	14,707,367	13,090,504	11,357,009	6,520,018	4,737,752	6,781,262
218,125	1,245,338	2,002,445	541,868	473,859	265,258	398,854	832,187
52,843	107,528	171,101	47,370	72,627	30,995	205,767	39,491
165,282	1,137,810	1,831,344	494,498	401,232	234,263	193,087	792,696
$280,423,710	$477,256,177	$589,282,337	$454,607,669	$463,051,005	$353,226,913	$258,517,936	$298,915,115
$251,000,000	$436,000,000	$538,500,000	$412,000,000	$415,000,000	$311,000,000	$233,000,000	$257,000,000
-	10,000,000	-	-	-	-	-	-
251,000,000	426,000,000	538,500,000	412,000,000	415,000,000	311,000,000	233,000,000	257,000,000
4,500,000	-	2,000,000	4,000,000	3,150,000	3,000,000	-	8,000,000
2,000,000	10,700,000	-	-	9,500,000	1,000,000	-	6,000,000
6,500,000	10,700,000	2,000,000	4,000,000	12,650,000	4,000,000	-	14,000,000
142,008	210,293	327,542	238,363	271,382	207,585	226,908	147,874
5,782,384	9,913,219	13,401,529	10,654,112	10,546,241	7,084,060	5,768,468	6,571,176
-	-	7,526	-	1,000	-	21,236	-
75,085	1,223,848	287,603	111,430	172,880	248,772	1,029,967	1,754,936
8,662,445	16,998,390	19,748,405	16,017,100	12,686,545	16,666,500	7,936,165	9,283,475
514,690	302,775	460,135	726,205	677,370	1,415,880	1,421,540	37,930
9,177,135	17,301,165	20,208,540	16,743,305	13,363,915	18,082,380	9,357,705	9,321,405
4,105,464	4,818,805	7,049,111	6,068,590	5,257,332	7,592,819	4,540,732	5,889,725
2,309,316	4,217,584	5,681,997	3,548,313	4,281,561	3,858,796	3,313,141	3,409,016
1,332,318	2,871,263	1,818,489	1,243,556	1,506,694	1,152,501	1,259,779	820,983
16,924,233	29,208,817	34,758,137	27,603,764	24,409,502	30,686,496	18,471,357	19,441,129
$280,423,710	$477,256,177	$589,282,337	$454,607,669	$463,051,005	$353,226,913	$258,517,936	$298,915,115

FEDERAL INTERMEDIATE CREDIT BANKS

STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1969

	Combined (after interbank eliminations)	Federal intermediate credit banks				
		Springfield	Baltimore	Columbia	Louisville	New Orleans
EARNINGS:						
Interest income from loans and discounts	$259,676,785	$11,453,738	$11,574,230	$27,794,615	$34,337,851	$13,818,246
Income from investments	7,471,045	289,211	251,043	551,284	766,926	646,539
Total	267,147,830	11,742,949	11,825,273	28,345,899	35,104,777	14,464,785
DEDUCTIONS FROM EARNINGS:						
Interest and other costs of debentures	235,710,162	9,605,483	10,126,128	24,072,942	32,152,046	13,083,289
Other interest expense	1,215,410	28,260	42,197	329,508	51,951	104,354
Operating expense	8,227,829	546,869	440,347	726,697	815,572	524,870
Charge-offs (less recoveries)	−20,153	-	-	-	-	−5,207
Other deductions (−additions)	636,021	−235	2,771	−1,152	3,226	103
Total	245,769,269	10,180,377	10,611,443	25,127,995	33,022,795	13,707,409
NET EARNINGS FOR THE YEAR	$ 21,378,561	$ 1,562,572	$ 1,213,830	$ 3,217,904	$ 2,081,982	$ 757,376
DISTRIBUTION OF EARNINGS:						
Transferred to legal reserve allocated to patrons (schedule 3)	$ 5,364,595	$ 390,643	$ 303,458	$ 804,476	$ 520,495	$ 189,344
Federal franchise tax	2,712,342	66,171	77,710	406,134	390,372	142,008
Dividends declared	172,075	-	-	-	-	-
Patronage refunds	13,129,549	1,105,758	832,662	2,007,294	1,171,115	426,024
Total	$ 21,378,561	$ 1,562,572	$ 1,213,830	$ 3,217,904	$ 2,081,982	$ 757,376

The notes on pages 22 and 23 are an integral part of this statement.

Federal intermediate credit banks						
St. Louis	St. Paul	Omaha	Wichita	Houston	Berkeley	Spokane
$26,569,504	$34,036,801	$25,453,922	$25,393,291	$18,073,676	$15,512,668	$15,795,419
1,158,148	758,528	812,772	802,099	650,984	426,021	357,490
27,727,652	34,795,329	26,266,694	26,195,390	18,724,660	15,938,689	16,152,909
25,232,893	30,580,948	23,981,420	22,936,758	16,358,353	13,547,626	14,032,276
84,277	63,080	54,827	194,457	100,448	44,059	254,812
972,583	913,085	702,637	673,126	607,365	695,237	609,441
-	-	-	-	-14,946	-	-
316,333	-14,275	79,376	680	716	248,769	45
26,606,086	31,542,838	24,818,260	23,805,021	17,051,936	14,535,711	14,896,574
$ 1,121,566	$ 3,252,491	$ 1,448,434	$ 2,390,369	$ 1,672,724	$ 1,402,978	$ 1,256,335
$ 280,392	$ 813,122	$ 382,063	$ 597,592	$ 418,181	$ 350,745	$ 314,084
210,293	327,542	238,363	271,382	207,586	226,908	147,873
-	-	-	-	172,075	-	-
630,881	2,111,827	828,008	1,521,395	874,882	825,325	794,378
$ 1,121,566	$ 3,252,491	$ 1,448,434	$ 2,390,369	$ 1,672,724	$ 1,402,978	$ 1,256,335

FEDERAL INTERMEDIATE CREDIT BANKS

COMBINED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR THE YEAR ENDED JUNE 30, 1969

FUNDS PROVIDED:		
Increase in borrowings		$429,800,000
Interest income from loans and discounts		259,676,785
Income from securities	$7,471,045	
Less amortization of discounts	187,451	7,283,594
Increase in class B stock subscriptions		51,843,700
Increase in participation certificates		157,720
Decrease in other securities		19,980,500
Increase in notes payable		30,550,000
Decrease in loans to other farm credit banks		6,550,000
Decrease in cash		71,706
Surplus, other		18,049,865
Net change in other working capital items		3,360,446
		$827,324,316
FUNDS APPLIED:		
Increase in loans and discounts		$415,275,637
Interest expense		236,925,572
Increase in Government securities		35,427,400
Operating expense	$8,227,829	
Less depreciation of fixed assets	199,954	8,027,875
Federal franchise tax		2,712,342
Increase in fixed assets		1,048,962
Class A stock of Production credit associations		660,000
Retirement of class A stock		125,789,120
Retirement of class B stock and participation certificates		658,518
Dividends declared		172,075
Distribution of legal reserve to other financing institutions		10,947
Miscellaneous expense		615,868
		$827,324,316

NOTES TO FINANCIAL STATEMENTS

OF

FEDERAL INTERMEDIATE CREDIT BANKS

JUNE 30, 1969 AND 1968

1. Loans and discounts assigned as collateral for unmatured consolidated debentures amounted to $4,350,802,218 at June 30, 1969, and $3,933,663,858 at June 30, 1968.

2. The market value of U.S. Government securities owned by the credit banks was $115,600,278 at June 30, 1969, and $96,228,745 at June 30, 1968. Of the U.S. Government securities owned, securities with a par value of $33,119,000 at June 30, 1969, and $13,896,500 at June 30, 1968, were assigned as collateral for notes payable. Also, securities with a par value of $22,703,000 at June 30, 1969, and $14,317,000 at June 30, 1968, were assigned as collateral for consolidated debentures.

3. The market value of other securities owned by the credit banks was $12,066,744 at June 30, 1969, and $8,957,688 at June 30, 1968. Of the other securities owned, securities with a par value of $500,000 at June 30, 1969, and $1,000,000 at June 30, 1968, were assigned as collateral for notes payable. Also, securities with a par value of $709,500 at June 30, 1969, were assigned as collateral for consolidated debentures.

4. The 12 Federal intermediate credit banks are jointly and severally liable for consolidated debentures. Outstanding debentures are due within a period of 1 year. The amounts shown in the combined statement of condition exclude matured consolidated debentures and related interest of $1,387,822 at June 30, 1969, and $916,766 at June 30, 1968; cash for payment of these matured debentures has been deposited with the Treasurer of the United States.

5. The surplus reserved by statute is part of the permanent capital of the banks and may not be distributed except in the event of liquidation or dissolution. Net losses in any fiscal year are to be absorbed by this surplus after

any legal reserve has been exhausted and before the impairment of capital stock and participation certificates.

6. This surplus account represents the discount on the retirement of class A capital stock under the provisions of Public Law 90-582, less losses of $162,812 on U.S. Government securities surrendered in connection with the retirement and $79,819 distributed to patrons to offset a loss on a sale of U.S. Government securities subsequent to the retirement.

FINANCIAL STATEMENTS

OF

BANKS FOR COOPERATIVES

SUBJECT TO AUDIT BY THE

GENERAL ACCOUNTING OFFICE

B A N K S   F O R   C O O P E R A T I V E S

STATEMENT OF CONDITION--JUNE 30, 1969

A S S E T S	Central Bank for Coopera-tives	District banks for cooperatives: Baltimore	Columbia	New Orleans	Omaha
LOANS TO COOPERATIVE ASSOCIATIONS (note 1):					
Seasonal	$233,128,932	$16,059,957	$ 59,785,470	$ 47,992,052	$ 53,293,177
Term	266,065,540	47,919,787	105,512,701	71,425,076	62,568,690
Total	499,194,472	63,979,744	165,298,171	119,417,128	115,861,867
Less participation certificates outstanding	-	28,124,000	58,208,088	62,842,270	6,000,000
Net	499,194,472	35,855,744	107,090,083	56,574,858	109,861,867
NOTES RECEIVABLE AND SALES CONTRACTS	-	-	410,584	70,087	-
ACCRUED INTEREST RECEIVABLE ON LOANS, NOTES RECEIVABLE, AND SALES CONTRACTS	9,066,733	380,433	1,882,749	1,778,193	1,881,461
Total	508,261,205	36,236,177	109,383,416	58,423,138	111,743,328
Less reserve for losses	5,973,344	1,022,358	1,582,222	899,029	1,548,113
Net	502,287,861	35,213,819	107,801,194	57,524,109	110,195,215
LOANS TO OTHER FARM CREDIT BANKS	63,995,792	400,000	-	-	-
CASH	6,189,024	587,738	60,996	978,321	466,192
U.S. GOVERNMENT SECURITIES (par) (note 2)	20,016,000	1,721,000	1,638,000	2,275,000	1,578,000
Unamortized premium (-discount) (net)	-161,710	2,474	18,607	-11,349	1,952
Total	19,854,290	1,723,474	1,656,607	2,263,651	1,579,952
SECURITIES HELD UNDER RESALE AGREEMENT	3,000,000	-	-	-	-
INVESTMENT IN CENTRAL BANK FOR COOPERATIVES	-	4,676,517	8,047,982	4,796,704	1,165,676
INVESTMENT IN OTHER DISTRICT BANKS	-	-	125,901	-	-
DIVIDENDS RECEIVABLE ON CLASS B CAPITAL STOCK--CENTRAL BANK	-	3,150	3,000	750	750
ASSETS ACQUIRED IN LIQUIDATION OF LOANS	-	-	200,000	500	-
Less reserve	-	-	-	-	-
Net	-	-	200,000	500	-
FIXED AND OTHER ASSETS	1,915,705	211,995	818,915	532,137	463,280
Less accumulated depreciation	27,744	27,870	65,287	32,031	43,584
Net	1,887,961	184,125	753,628	500,106	419,696
Total assets	$597,214,928	$42,788,823	$118,649,308	$ 66,064,141	$113,827,481

The notes on pages 29 and 30 are an integral part of this statement.

LIABILITIES	Central Bank for Cooperatives	District banks for cooperatives: Baltimore	Columbia	New Orleans	Omaha
UNMATURED CONSOLIDATED DEBENTURES OUTSTANDING (note 3)	$483,100,000	$27,000,000	$102,000,000	$47,500,000	$ 90,000,000
Less debentures owned	-	-	6,000,000	6,500,000	-
Net	483,100,000	27,000,000	96,000,000	41,000,000	90,000,000
NOTES PAYABLE:					
Commercial banks	-	-	-	9,550,000	-
Other farm credit banks	2,400,000	-	1,105,442	217,500	8,000,000
Total	2,400,000	-	1,105,442	9,767,500	8,000,000
ACCRUED INTEREST PAYABLE	10,298,966	507,311	1,685,216	846,660	1,774,235
DIVIDENDS PAYABLE ON CLASS B CAPITAL STOCK	32,069	6,874	-	5,518	-
FEDERAL FRANCHISE TAX PAYABLE	388,952	74,907	7,311	53,883	64,115
CLASS C CAPITAL STOCK CALLED FOR RETIREMENT	-	876,009	-	-	-
OTHER LIABILITIES	865,183	394,938	277,888	556,614	157,548
CAPITAL STOCK:					
Class C--district banks	60,097,618	-	190,984	62,753	185,624
Class C--cooperative associations	-	9,027,016	12,380,222	8,170,609	9,108,042
Other--cooperative associations	-	-	-	-	15,100
Total	60,097,618	9,027,016	12,571,206	8,233,362	9,308,766
SURPLUS--RESERVED (note 4)	29,675,983	2,575,733	4,370,987	3,627,888	2,423,147
SURPLUS--ALLOCATED TO PATRONS	95,067	2,080,529	2,583,777	1,786,567	1,864,928
SURPLUS--ALLOCATED TO OTHER DISTRICT BANKS	8,996,503	-	29,917	10,512	29,247
SURPLUS (note 5)	1,264,587	245,506	17,564	175,637	205,495
Total capital and surplus	100,129,758	13,928,784	19,573,451	13,833,966	13,831,583
Total liabilities	$597,214,928	$42,788,823	$118,649,308	$66,064,141	$113,827,481

BANKS FOR COOPERATIVES

STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1969

	Central Bank for Cooperatives	District banks for cooperatives			
		Baltimore	Columbia	New Orleans	Omaha
EARNINGS:					
Interest on loans to cooperative associations	$32,786,223	$2,567,828	$6,408,919	$4,046,691	$6,536,693
Interest on notes receivable, sales contracts, and other	1,410,881	15,181	24,224	14,854	13,842
Income from investments	2,467,389	70,748	81,640	114,838	146,749
Income from distribution of earnings--Central Bank for Cooperatives	-	214,868	421,984	501,961	30,511
Income from distribution of earnings--other District banks	-	-	46,795	-	-
Appraisal and loan service fees	81,244	-	-	-	-
Compensation income--participations sold (note 6)	-	63,826	131,268	149,729	8,093
Other income	-	1,200	-	-	-
Total	36,745,737	2,933,651	7,114,830	4,828,073	6,735,888
DEDUCTIONS FROM EARNINGS:					
Interest and other costs of debentures	29,182,684	1,730,518	5,289,001	2,977,460	5,235,667
Interest on notes payable	188,279	30,651	161,777	362,034	103,006
Operating expense	464,041	318,857	448,740	382,838	535,061
Compensation expense--participations purchased (note 6)	1,229,351	-	5,094	563	4,661
Provision for losses on loans, etc.	1,236,000	90,000	240,000	200,000	295,000
Other deductions (—additions)	—17	—31	—1,931	—304	-
Federal and other income taxes	-	2,877	-	2,000	6,313
Total	32,300,338	2,172,872	6,142,681	3,924,591	6,179,708
NET EARNINGS FOR YEAR	$ 4,445,399	$ 760,779	$ 972,149	$ 903,482	$ 556,180
DISTRIBUTION OF EARNINGS:					
Transferred to surplus allocated to patrons	$ 1,111,350	$ 190,195	$ 243,037	$ 225,870	$ 139,045
Federal franchise tax	388,952	74,907	7,311	53,883	64,115
Dividends declared	32,068	6,873	14,424	5,518	4,608
Patronage refunds:					
Cash	499,752	75,912	106,446	93,694	61,430
Stock	2,413,277	412,892	600,931	524,517	286,982
Total	$ 4,445,399	$ 760,779	$ 972,149	$ 903,482	$ 556,180

The notes on pages 29 and 30 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

OF

BANKS FOR COOPERATIVES

SUBJECT TO AUDIT

BY THE

GENERAL ACCOUNTING OFFICE

JUNE 30, 1969

1. Loans of $789,437,604 at June 30, 1969, were assigned as collateral for consolidated debentures. In addition, loans of $1,500,000 at June 30, 1969, were assigned as collateral for notes payable to commercial banks.

2. The market value of U.S. Government securities owned by five banks for cooperatives was $24,367,762 at June 30, 1969, compared with an amortized cost of $27,077,974. U.S. Government securities totaling $2,250,000 (par value) at June 30, 1969, were assigned as collateral for notes payable to commercial banks, and securities totaling $1,578,000 (par value) were assigned as collateral for debentures.

3. The Central Bank for Cooperatives and the 12 district banks for cooperatives are jointly and severally liable for consolidated debentures. Of the $12,500,000 in debentures owned by the five banks subject to audit by GAO, $5,800,000 was assigned as collateral for notes payable.

4. The surplus reserved by statute is a part of the permanent capital of the banks and may not be distributed except in the event of liquidation or dissolution. Net losses in any fiscal year are to be absorbed by this surplus after any contingency reserves and surplus allocated to patrons have been exhausted and before the impairment of capital stock.

5. This surplus account reflects the discount on the retirement of class A capital stock under the provisions of Public Law 90-582.

6. Compensation income is earned and compensation expenses are incurred on interbank transactions where more than one bank participates in a loan. The lending bank services the loan and receives compensation income; participating banks have corresponding compensation expense.

7. Each of the banks for cooperatives became subject to Federal income tax on retirement in full of the Government investment in the bank. The Internal Revenue Service has questioned the amount set aside for bad debt reserves by one bank; however, the effect this will have on the tax returns of the other banks is unknown at this time. Each of the banks will have a contingent liability for additional income taxes if the amounts set aside for bad debt reserves are not allowed in full by the Internal Revenue Service. In the opinion of FCA management, the amount of additional income tax liability involved would not materially affect the financial condition of any of the banks.

APPENDIXES

B A N K S F O R C O O P E R A T I V E S

COMBINED STATEMENT OF CONDITION

JUNE 30, 1969 AND 1968

A S S E T S

	1969		1968	
LOANS TO COOPERATIVE ASSOCIATIONS:				
Seasonal	$ 649,199,715		$ 598,450,299	
Term	945,220,403		855,981,183	
Total	1,594,420,118		1,454,431,482	
Less participation certificates outstanding	47,410	$1,594,372,708	49,415	$1,454,382,067
NOTES RECEIVABLE AND SALES CONTRACTS		1,005,890		1,483,870
ACCRUED INTEREST RECEIVABLE ON LOANS, NOTES RECEIVABLE, AND SALE CONTRACTS		28,761,709		23,295,051
Total		1,624,140,307		1,479,160,988
Less reserve for losses		23,465,223		19,727,929
Net		1,600,675,084		1,459,433,059
LOANS TO OTHER FARM CREDIT BANKS		45,050,000		
CASH		13,953,447		12,275,302
U.S. GOVERNMENT SECURITIES (par)	44,387,000		46,276,000	
Unamortized premium (-discount) (net)	-263,573	44,123,427	-323,309	45,952,691
SECURITIES HELD UNDER RESALE AGREEMENT		3,000,000		14,200,000
LOANS IN PROCESS OF LIQUIDATION	77,911		416,285	
Less reserve	-	77,911	83,500	332,785
ASSETS ACQUIRED IN LIQUIDATION OF LOANS	825,467		572,765	
Less reserve	81,742	743,725	58,992	513,773
FIXED AND OTHER ASSETS	7,976,938		6,490,917	
Less accumulated depreciation	567,404	7,409,534	516,501	5,974,416
Total assets		$1,715,033,128		$1,538,682,026

Note: This statement has not been audited by the General Accounting Office; therefore, we have not expressed an opinion on it.

The notes on pages 36 and 37 are an integral part of this statement.

LIABILITIES

	1969		1968	
UNMATURED CONSOLIDATED DEBENTURES OUTSTANDING	$1,410,900,000		$1,224,400,000	
Less debentures owned	19,500,000	$1,391,400,000	17,500,000	$1,206,900,000
NOTES PAYABLE:				
Commercial banks	13,500,000		10,450,000	
Other Farm Credit Banks	3,500,000	17,000,000	12,000,000	22,450,000
ACCRUED INTEREST PAYABLE		27,013,275		17,355,026
DIVIDENDS PAYABLE ON CLASS B CAPITAL STOCK		44,961		89,824
FEDERAL FRANCHISE TAX PAYABLE		589,168		1,175,893
DUE U.S. GOVERNMENT--retirement of class A capital stock		-		8,496,800
CLASS C CAPITAL STOCK CALLED FOR RETIREMENT		7,634,463		4,662,494
OTHER LIABILITIES		4,467,042		2,610,781
CAPITAL STOCK:				
Class A--U.S. Government	-		30,232,400	
Less in process of retirement	-		8,496,800	
Net	-		21,735,600	
Class B--cooperative associations and others	805,600		2,324,601	
Class C--cooperative associations	145,599,527		133,348,881	
Other--cooperative associations	16,400		27,400	
Total	146,421,527		157,436,482	
SURPLUS--RESERVED	88,111,198		88,111,198	
SURPLUS--ALLOCATED TO PATRONS	30,442,705		29,393,528	
SURPLUS	1,908,789	266,884,219	-	274,941,208
Total liabilities		$1,715,033,128		$1,538,682,026

BANKS FOR COOPERATIVES

COMBINED STATEMENT OF EARNINGS

FOR THE YEARS ENDED JUNE 30, 1969 AND 1968

	1969		1968	
EARNINGS:				
Interest on loans to cooperative associations	$104,000,495		$86,738,038	
Interest on notes receivable, sales contracts, and other	495,508		345,237	
Income from investments	3,930,021		2,184,003	
Appraisal and loan service fees	328,172		270,486	
Other income	3,600	$108,757,796	5,812	$89,543,576
DEDUCTIONS FROM EARNINGS:				
Interest and other costs of debentures	84,887,714		65,532,159	
Interest on notes payable	1,196,714		2,057,263	
Operating expenses	5,810,580		5,433,815	
Provision for losses on loans, etc.	3,715,000		3,430,104	
Other deductions (-additions)	-3,662		144,295	
Federal and other income taxes	-14,183	95,592,163	23,061	76,620,697
NET EARNINGS FOR YEAR		$ 13,165,633		$12,922,879
DISTRIBUTION OF EARNINGS:				
Transferred to surplus allocated to patrons		$ 3,190,772		3,037,090
Federal franchise tax		589,168		1,218,000
Dividends declared		63,809		117,168
Patronage refunds:				
Cash		2,268,848		1,373,991
Stock		7,053,036		7,176,630
Total		$ 13,165,633		$12,922,879

Note: This statement has not been audited by the General Accounting Office; therefore, we have not expressed an opinion on it.

The notes on pages 36 and 37 are an integral part of this statement.

BANKS FOR COOPERATIVES

COMBINED STATEMENT OF SURPLUS

FOR THE YEARS ENDED JUNE 30, 1969 AND 1968

	1969		1968	
SURPLUS RESERVED BY STATUTE		$ 88,111,198		$ 88,111,198
SURPLUS		1,908,789		
SURPLUS ALLOCATED TO PATRONS:				
Balance, beginning of year	$29,393,528		$27,337,262	
Transferred from net earnings	3,190,772		3,037,090	
Retired	-2,141,595		-980,824	
Balance, end of year		30,442,705		29,393,528
SURPLUS, END OF YEAR		$120,462,692		$117,504,726

Note: This statement has not been audited by the General Accounting Office; therefore, we have not expressed an opinion on it.

The notes on pages 36 and 37 are an integral part of this statement.

BANKS FOR COOPERATIVES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 1969 AND 1968

1. Loans of $1,496,073,974 and United States Government securities of $1,578,000 (par amount) in 1969 and loans of $1,304,249,023 and United States Government securities of $3,578,000 (par amount) in 1968 were assigned as collateral for consolidated debentures, which are issued by and are the joint and several liability of the 13 banks for cooperatives.

2. Loans of $7,571,242, United States Government securities of $4,250,000 (par amount) and consolidated debentures owned of $18,800,000 in 1969 and loans of $5,777,086, United States Government securities of $4,981,000 (par amount) and consolidated debentures owned of $11,000,000 in 1968 were assigned as collateral for notes payable.

3. The statement of condition does not include outstanding letters of credit issued by banks in the sum of $1,626,740 during 1969 and $1,721,565 during 1968. Advances made under these letters of credit will be recorded as loans to cooperative associations.

4. The statement of condition does not include a liability of $287,901 in 1969 and $169,513 in 1968 for matured debentures or a like amount of cash deposited with the Treasury of the United States for their payment.

5. The $1,908,789 shown in the surplus account reflects the difference between the $21,735,600 of Government-owned class A stock retired at December 31, 1968, and the $19,826,811 accepted by the Treasury in full payment thereof in consideration of early retirement pursuant to Public Law 90-582.

6. Each of the banks for cooperatives became subject to Federal income tax on retirement in full of the Government investment in the bank. The Internal Revenue Service has questioned the amount set aside for bad debt reserves by one bank; however, the effect this will have

on the tax returns of the other banks is unknown at this time. Each of the banks will have a contingent liability for additional income taxes if the amounts set aside for bad debt reserves are not allowed in full by the Internal Revenue Service. In the opinion of FCA management, the amount of additional income tax liability involved would not materially affect the financial condition of any of the banks.

PRINCIPAL OFFICIALS

OF THE

FARM CREDIT ADMINISTRATION

FEDERAL FARM CREDIT BOARD

Farm credit district and headquarters	Board members	Tenure of office From	Tenure of office To
1. Springfield, Mass.	Jonathan Davis, Mass.	4-27-67	1973
2. Baltimore, Md.	William T. Steele, Jr., Va.	4- 1-62	7- 9-68
	J. Homer Remsberg, Md.	7-10-68	1974
3. Columbia, S.C.	Lorin T. Bice, Fla.	8- 6-63	3-31-69
	T. Carroll Atkinson, Jr., S.C.	4- 1-69	1975
4. Louisville, Ky.	Marion A. Clawson, Ind.	5-11-64	1970
5. New Orleans, La.	R. Watkins Greene, La.	4- 8-65	1971
6. St. Louis, Mo.	R. D. Pennewell, Mo.	4- 1-66	1972
7. St. Paul, Minn.	Millard F. Dailey, Minn.	4- 1-67	1973
8. Omaha, Nebr.	J. B. Fuller, Wyo.	4- 1-62	7- 9-68
	C. Everett Spangler, Nebr.	7-10-68	1974
9. Wichita, Kans.	Kenneth T. Anderson, Kans.	8- 6-63	3-31-69
	James H. Dean, Kans.	4- 1-69	1975
10. Houston, Tex.	David G. Gault, Tex.	5-11-64	1970
11. Berkeley, Calif.	Paul A. Dobson, Calif.	3-16-67	1971
12. Spokane, Wash.	A. Lars Nelson, Wash.	4- 1-66	1972
Secretary's Representative (note a)	Arthur J. Smaby, Minn.	5-28-65	1-20-69
	R. Edward Baur, Iowa	4-16-69	Present

EXECUTIVE STAFF

Position	Name	Date appointed
Governor	Edwin A. Jaenke	3- 1-69
Deputy Governor	Harold T. Mason	10- 1-57
Deputy Governor and Director of Land Bank Service	Fred W. Gilmore	9- 3-68
Deputy Governor and Director of Cooperative Bank Service	Glenn E. Heitz	1- 1-59
Deputy Governor and Director of Production Credit Service	F. Vernon Wright	8- 1-61
General Counsel	Paul O. Ritter	3-29-61
Chief Examiner	Kenneth J. Auberger	1-16-66

[a]Serves at the pleasure of the Secretary of Agriculture.

U.S. GAO, Wash., D.C.