



Conversations with the Fed

Federal Reserve Bank of Minneapolis Financial Statements Overview

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Disclaimer

The views expressed here are the presenters' and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System



Agenda

- Audits of the Federal Reserve
- Availability of Financial Statements
- Federal Reserve System Asset Trends
- Statement of Comprehensive Income
- Statement of Condition
- Summary



Does the Fed Get Audited?

Does the Fed
get audited? **YES**

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INDEPENDENT AUDITORS' REPORT
To the Board of Governors of the Federal
We have audited the accompanying balance
sheet as of December 31, 2010 and 2009, and the
results of operations, and cash flows for the
Board's management. Our responsibility is...
We conducted our audit...



Audits of the Federal Reserve

The Board of Governors, the 12 Federal Reserve Banks, and the Federal Reserve System as a whole are all subject to several levels of audit and review:

- Deloitte and Touche: Reserve Bank financial statements audited annually by an independent outside auditor.
- Government Accountability Office (GAO): Conducts numerous reviews of Federal Reserve activities.
- Office of Inspector General (OIG):
 - Retains an outside auditor to review the Board of Governors' financial statements, and its compliance with laws and regulations affecting those statements.
 - The Board of Governors' OIG audits and investigates Board of Governors' programs and operations as well as those Board of Governors' functions delegated to the Reserve Banks.
- Internal Audit: Each Reserve Bank also has an internal audit function that reports to its Board of Directors.
- Board of Governors: The Reserve Banks are also subject to annual examination by the Board of Governors.

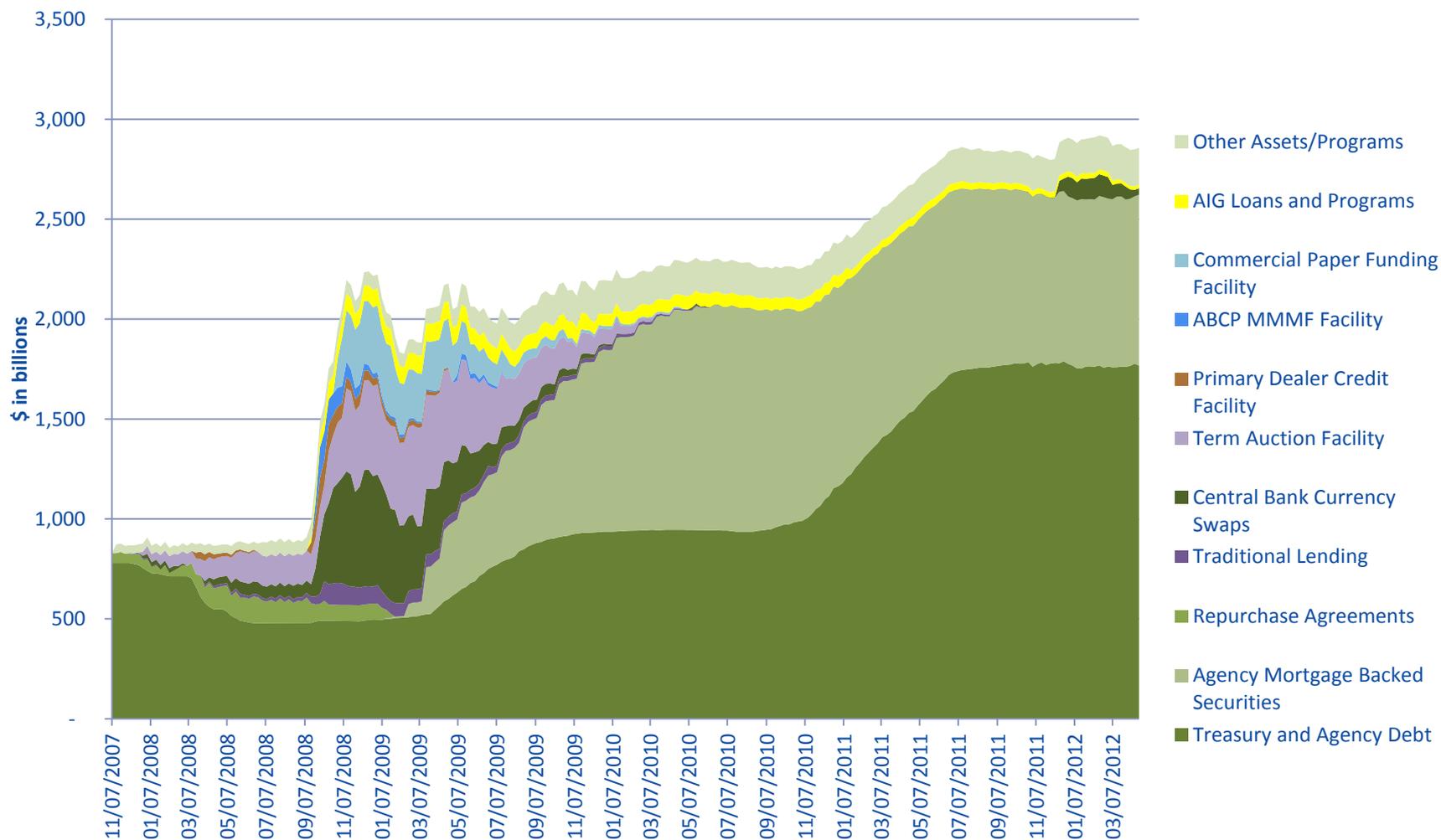


Availability of Financial Statements

- www.minneapolisfed.org – Federal Reserve Bank of Minneapolis 2011 audited financial statements in Spotlight section with link to -
- www.federalreserve.gov/monetarypolicy/bst.htm - System statements and related information including:
 - Weekly publication of Reserve Bank balance sheet (Table 9) along with related charts and an interactive user guide of accounts
www.federalreserve.gov/monetarypolicy/bst_fedsbalancesheet.htm
 - Annual publication of Reserve Bank financial statements with audit opinion covering financial statements and internal controls (SOX)
www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm
 - Charts and graphs covering System weekly balance sheet trends
www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm



Federal Reserve System Asset Trends



Federal Reserve Bank of Minneapolis

Detailed Statements of Income and Comprehensive Income

(\$ in millions)

	2011	2010
<u>INTEREST INCOME</u>		
System Open Market Account:		
Treasury securities, net	\$ 632	\$ 383
Government-sponsored enterprise debt securities, net	45	51
Federal agency and government-sponsored enterprise mortgage-backed securities, net	569	651
Foreign currency denominated assets, net	8	6
Central bank liquidity swaps	1	-
Total interest income	1,255	1,091
<u>INTEREST EXPENSE</u>		
System Open Market Account:		
Securities sold under agreements to repurchase	1	1
Deposits:		
Depository institutions	23	41
Total interest expense	24	42
Net interest income	1,231	1,049
<u>NON-INTEREST INCOME</u>		
System Open Market Account:		
Treasury securities gains, net	35	-
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net	-	12
Foreign currency gains, net	5	15
Compensation received for service costs provided	52	52
Reimbursable services to government agencies	28	27
Other	1	1
Total non-interest income	121	107
<u>OPERATING EXPENSES</u>		
Salaries and benefits	109	102
Occupancy	12	11
Equipment	5	5
Assessments:		
Board of Governors operating expenses and currency costs	27	26
Bureau of Consumer Financial Protection	5	1
Office of Financial Research	1	-
Other	33	30
Total operating expenses	192	175
Net income prior to distribution	1,160	981
Change in actuarial losses and prior service costs related to benefit plans	(7)	1
Comprehensive income prior to distribution	\$ 1,153	\$ 982
Distribution of comprehensive income:		
Dividends paid to member banks	\$ 28	\$ 47
Transferred (from) to surplus and change in accumulated other comprehensive loss	(709)	107
Payments to Treasury as interest on Federal Reserve notes	1,834	828
Total distribution	\$ 1,153	\$ 982



Federal Reserve Bank of Minneapolis
Summarized Statements of Comprehensive Income
(\$ in millions)

	<u>2011</u>	<u>2010</u>
Interest income	\$ 1,255	\$ 1,091
Interest expense	<u>24</u>	<u>42</u>
Net interest income	1,231	1,049
Non-interest income	121	107
Operating & other expenses	<u>199</u>	<u>174</u>
Comprehensive income	<u>\$ 1,153</u>	<u>\$ 982</u>
Distribution of comprehensive income:		
Dividends paid to member banks	\$ 28	\$ 47
Surplus required to equate to capital	(709)	107
Payments to U.S. Treasury	<u>1,834</u>	<u>828</u>
Total distribution	<u>\$ 1,153</u>	<u>\$ 982</u>



Federal Reserve Bank of Minneapolis

Detailed Statements of Condition as of December 31, 2011 and 2010

(\$ in millions)

	2011	2010
<u>ASSETS</u>		
Gold certificates	\$ 197	\$ 203
Special drawing rights certificates	90	90
Coin	60	60
Loans to depository institutions	5	8
System Open Market Account:		
Treasury securities, net	26,899	14,606
Government-sponsored enterprise debt securities, net	1,657	2,094
Federal agency and government-sponsored enterprise mortgage-backed securities, net	13,036	13,754
Foreign currency denominated assets, net	802	723
Central bank liquidity swaps	3,083	2
Accrued interest receivable	303	195
Bank premises and equipment, net	114	116
Items in process of collection	15	69
Other assets	41	30
Total assets	\$ 46,302	\$ 31,950
 <u>LIABILITIES AND CAPITAL</u>		
Federal Reserve notes outstanding, net	\$ 15,889	\$ 14,074
System Open Market Account:		
Securities sold under agreements to repurchase	1,535	817
Other liabilities	21	-
Deposits:		
Depository institutions	9,046	6,657
Other deposits	2	4
Interest payable to depository institutions	1	1
Accrued benefit costs	86	72
Deferred credit items	194	263
Accrued interest on Federal Reserve notes	34	37
Interdistrict settlement account	19,268	8,382
Other liabilities	6	5
Total liabilities	46,082	30,312
Capital paid-in	110	819
Surplus (including accumulated other comprehensive loss of \$15 million and \$8 million at December 31, 2011 and 2010, respectively)	110	819
Total capital	220	1,638
Total liabilities and capital	\$ 46,302	\$ 31,950



Federal Reserve Bank of Minneapolis
Summarized Statements of Condition as of December 31, 2011 and 2010
(\$ in millions)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Coin	\$ 60	\$ 60
U.S. Treasury & other securities	41,592	30,454
Foreign assets and swaps	3,885	725
Other	<u>765</u>	<u>711</u>
Total Assets	<u>\$ 46,302</u>	<u>\$ 31,950</u>
 <u>Liabilities and Capital</u>		
Federal Reserve notes	\$ 15,889	\$ 14,074
Depository institution deposits	9,046	6,657
Interdistrict settlement account	19,268	8,382
Capital paid-in and surplus	220	1,638
Other	<u>1,879</u>	<u>1,199</u>
Total Liabilities and Capital	<u>\$ 46,302</u>	<u>\$ 31,950</u>



Summary

- The Federal Reserve is subject to several layers of Audit
- Financial statements are publicly available
- System Open Market Account
 - Federal Reserve Bank of New York conducts monetary policy operations on behalf of the Federal Open Market Committee
 - Accounts are allocated daily to the other Reserve Banks
 - Primary source of Federal Reserve income
- Payments are made weekly to U.S. Treasury of net earnings
- Capital is based on membership
- Federal Reserve Notes, or Currency, is a liability while Coin is an asset



Questions

