

# South Dakota Banker

Your Premier Source to South Dakota's Financial Services Industry | February 2018

## An Emerging Leader on a Community Journey

Kelsea Kenzy Sutton, First Fidelity Bank, Burke

Page 12

### INSIDE.....

**SDBA Ag Conference Focuses  
on Unique Needs of Ag Bankers**  
Page 9

**Change to Cash Method  
May Yield Permanent Savings**  
Page 10

**The Regulators are Coming...**  
Page 16

## South Dakota Development Corporation

# ASK THE BOARD



**Bob Miller**  
**SDDC President**

### South Dakota Development Corporation Board President Bob Miller explains the SDDC's business programs

**Q:** How does the SDDC board advocate the MicroLOAN and SBA 504 programs and get the word out?

**A:** The South Dakota Development Corporation markets primarily through its website – [thinksddc.com](http://thinksddc.com), along with advertising in the South Dakota Banker's Association publication. We also rely on word-of-mouth advertising to grow our relationships within the banking community.

**Q:** How does the SBA 504 benefit borrowers?

**A:** The 504 is great for borrowers because it offers companies long-term, fixed-rate financing. The rates are low, and generally very competitive in today's market. For companies that are looking to purchase fixed assets, the 504 is a wonderful tool.

**Q:** How does the MicroLOAN benefit borrowers?

**A:** The MicroLOAN is a terrific option for smaller companies. In addition to offering borrowers a 3 percent interest rate, the funds may be used for working capital, which is an option that not many loan programs offer.

**Q:** How are the programs administered?

**A:** The South Dakota Development Corporation board meets regularly and votes on all loan applications. Our loan officer presents the application and works closely with the partnering bank on due diligence, filing paperwork and funding.

**Q:** What kinds of businesses has the SDDC made loans to? Is there a variety?

**A:** The SDDC has helped finance all kinds of projects, from retail to manufacturing operations. Our borrowers are diverse in both locations and their product offerings. With loan amounts possible from \$1,000 in the Microloan program to \$5 million with the SBA 504 program, we've assisted businesses like Fetch in Pierre, Wooden Legs Brewery in Brookings, B9 Creations in Rapid City, and Dakota Layers in Flandreau.

#### FOR MORE INFORMATION:

LaJena Gruis

[lajena.gruis@sdreadytowork.com](mailto:lajena.gruis@sdreadytowork.com)

605-773-8373

[www.thinksddc.com](http://www.thinksddc.com)





Serving Bankers Since 1884

PO Box 1081 | 109 West Missouri Avenue  
Pierre, SD 57501  
Phone: 605.224.1653 | Fax: 605.224.7835  
Website: www.sdba.com

## SDBA OFFICERS

### CHAIRMAN

**Dave Rozenboom**, First PREMIER Bank, Sioux Falls

### CHAIRMAN-ELECT

**Karl Adam**, First Dakota National Bank, Pierre

### VICE CHAIRMAN

**Shawn Rost**, First Interstate Bank, Rapid City

### IMMEDIATE PAST CHAIRMAN

**Paul Domke**, Heartland State Bank, Redfield

## SDBA BOARD OF DIRECTORS

**David Bangasser**, Dacotah Bank, Sioux Falls

**Steve Bumann**, BankWest, Pierre

**Craig Davis**, First National Bank, Pierre

**Jeff Davis**, Bryant State Bank, Bryant

**Rick Nath**, Citibank NA, Sioux Falls

**David D. Nelson**, First Fidelity Bank, Platte

**Kristina Schaefer**, First Bank & Trust, Sioux Falls

**Brad Seaman**, First State Bank of Warner, Aberdeen

## SDBA STAFF

**Curt Everson**, SDBA President

ceverson@sdba.com

**Mike Feimer**, President of Insurance and Services

mfeimer@sdba.com

**Halley Lee**, Administrative Vice President

hlee@sdba.com

**Alisa DeMers**, Communications Coordinator

ademers@sdba.com

**Nadine Kepford**, IS/Business Manager

nkepford@sdba.com

**Jeanine Dyce**, Administrative Assistant

jdyce@sdba.com

**Roger Larson**, Commercial Lines Specialist

rlarson@sdba.com

**Michelle Guthmiller**, Licensed Insurance Specialist

mguthmiller@sdba.com

**Robin Feimer**, Licensed Customer Service

Representative

rfeimer@sdba.com

**EDITORIAL:** Published monthly by the South Dakota Bankers Association, South Dakota Banker is dedicated to enhancing the state's banking profession by providing useful and timely information on important events and trends in the banking industry. Statements of fact and opinion are made on the responsibility of the authors alone and do not represent the opinion or endorsement of the SDBA. The magazine welcomes news from SDBA members. Articles may be reprinted with permission. Email ademers@sdba.com.

**ADVERTISING:** Advertisements within this publication do not necessarily represent endorsement of those products and services by the SDBA. The editor reserves the right to refuse any advertisement or editorial copy deemed to be unsuitable. For advertising details, see the SDBA Media Kit at www.sdba.com.

**SUBSCRIPTIONS:** Member banks, branches and associate members receive one complimentary subscription. Additional subscriptions are \$45 per year for members or \$90 for non-members. Call 605.224.1653 or email ademers@sdba.com.

# South Dakota Banker

Your Premier Source to South Dakota's Financial Services Industry | February 2018



## features

### 8 Education

- Learn Important New Account Opening Procedures, Compliance Requirements
- 2018 Dakota School of Banking Set for June
- SDBA Ag Conference Focuses on Unique Needs of Ag Bankers

### 10 Accounting

Change to Cash Method May Yield Permanent Savings

### 12 Kelsea Kenzy Sutton, First Fidelity Bank, Burke

An Emerging Leader on a Community Journey

### 16 Compliance

The Regulators are Coming, The Regulators are Coming...

### 19 2019 Scenes of South Dakota Calendar Order Form

## in every issue

### 4 Message from the Chairman

- Representing Our Interests in Pierre
- SDBA Seeks Candidates for 2018-2019 Officers

### 5 From the Executive Office

Bipartisan Support Is No Miracle

### 6 SDBIS Update

Turning Risk Into Opportunity: Captive Insurance Planning for Financial Institutions

### 18 Ask the Appraiser

USPAP Composition, Structure and Compliance; Ethics Rule-Conduct

### 20 Bank Notes

### 21 Classifieds

### 22 Education Calendar



## message from the chairman.....

BY DAVE ROZENBOOM | President | First PREMIER Bank, Sioux Falls

# Representing Our Interests in Pierre

**A**s I put pen to paper for my column this month, our state legislators have wrapped up their first week of duty. The week began with Gov. Dugaard's final State of the State Address which kicked off the 2018 Session. Thirty-eight legislative days later, their work will be complete for another season.

It's the in-between that really matters, which is also when you appreciate how important it is to have experienced and dedicated people representing our interests in Pierre. SDBA President Curt Everson and Chief Lobbyist Brett Koenecke both do an exceptional job of keeping our members well informed on all matters that have a direct or indirect effect on our industry.

To stay abreast of the activity, I encourage you to take advantage of the SDBA's Legislative Update for a recap of key legislative action each week and the Legislative Bill Watch that tracks the status of bills which the SDBA is

monitoring. Both publications are posted online at [www.sdba.com](http://www.sdba.com) or are also available by email if you provide the SDBA Office with your contact information.

Speaking of the State Legislature, I hope your bank is well represented at the upcoming SDBA State Legislative Day on Feb. 7 in Pierre. We have a full and informative agenda planned for the day, including an address from Gov. Dugaard who will speak on "The Importance of Banks on Main Street." His message will be specifically targeted to the emerging leaders within our industry, and we plan to supplement that with an emerging leader-only reception to provide for a unique networking opportunity for our next generation of banking leaders. ■

Dave Rozenboom is president of First PREMIER Bank in Sioux Falls. Rozenboom can be reached at 605.357.3026 or [drozenbo@firstpremier.com](mailto:drozenbo@firstpremier.com).

## SDBA Seeks Candidates for 2018-2019 Officers

**A**re you interested in becoming an officer of the South Dakota Bankers Association?

SDBA officers include the chairman, chairman-elect, vice chairman and immediate past chairman. The SDBA is currently seeking people interested in running for the vice chairman position, which will be elected at the Annual Convention on June 12, 2018, in Fargo, N.D.

The current chairman-elect, Karl Adam (First Dakota National Bank, Pierre), will automatically assume the chairman position on June 12. The current vice chairman, Shawn Rost (First Interstate Bank, Rapid City), will be eligible to run for chairman-elect. The position of vice chairman will be up for election. Current Chairman Dave Rozenboom (First PREMIER Bank, Sioux Falls) will automatically become the immediate past chairman.

Executive officers of any SDBA voting member bank are eligible to run for vice chairman. If you are interested in running for the position, contact a member of the nominating committee listed to the right for more information and submit a letter of intent to SDBA President Curt Everson at [ceverson@sdba.com](mailto:ceverson@sdba.com). ■

### Nominating Committee

#### Chairman Paul Domke

Heartland State Bank  
PO Box 40  
Redfield, SD 57469  
Phone: 605.475.5500  
Email: [pdomke@hsbsd.com](mailto:pdomke@hsbsd.com)

#### Rick Rylance

Dacotah Bank  
PO Box 1210  
Aberdeen, SD 57402  
Phone: 605.225.5611  
Email: [rick.rylance@dacotahbank.com](mailto:rick.rylance@dacotahbank.com)

#### George Kenzy

First Fidelity Bank  
PO Box 376  
Burke, SD 57523  
Phone: 605.775.2641  
Email: [georgekenzy@ffb-sd.com](mailto:georgekenzy@ffb-sd.com)



from the executive office.....

BY CURT EVERSON | President | South Dakota Bankers Association

# Bipartisan Support Is No Miracle

**W**inter 2018 is clearly upon us. We survived the thermometer's polar plunge over the New Year holiday weekend. As I start this column, Mother Nature decided to send the mercury below zero again and added a 25-mph northwest breeze to the mix. Ugh.

As the opening ceremonies for the XXIII Olympic Winter Games approach, I am reminded of this unforgettable statement: "Do you believe in miracles?! Yes!" Such was ABC sportscaster Al Michaels' call when Team U.S.A. upset the Soviet Union's heavily favored all-star hockey team in the first game of the medal round of the 1980 Winter Olympic Games. Forever after, that match will be known as the "Miracle on Ice."

At this writing, Minnesota Viking fans are basking in the glow of the "Minneapolis Miracle." With time literally running out in their NFC divisional playoff game against the New Orleans Saints, Viking quarterback Case Keenum threw up a prayer, Stefon Diggs made a leaping grab, Saints defensive back Marcus Williams whiffed on an attempted tackle, Diggs somehow kept his balance and waltzed across the goal line just as time expired.

Why this whole sequence of events brought a smile to the face of this life-long Green Bay fan, I am not sure. Maybe I was starting to feel sorry for all my long-suffering friends and family members who are just as loyal to their beleaguered Vikings as I am to my beloved Packers. Arguably in predictable fashion, the Vikings put an end to any hopes of a second Minneapolis Miracle with their underwhelming performance in the NFC title game against Philadelphia. There's always next year.....

So why this focus on miracles? Fair question.

On the national level, we seem to be living in a time where achieving bipartisan agreement on almost any legislation borders on miraculous. At this writing, we are waiting for the full U.S. Senate to take action on S.2155, the Economic Growth, Regulatory Relief and Consumer Protection Act, a bill approved in mid-December by the Senate Banking Committee, a bill that has a politically balanced list of 23 co-sponsors.

But strong, bipartisan support for this bill is no miracle. It is the result of bankers and trade association

professionals working diligently with a cadre of Republican and Democratic senators who refused to let partisanship get in the way of sound policy.

And while partisan politics is still alive and well in South Dakota, finding bipartisan support for sound policy ideas is more the rule than the exception. Why is that?

One reason is that the 105 men and women who serve in the South Dakota Legislature only spend four working days each week tending to policy matters in Pierre. And, they only do that for a total of 38 legislative days. They spend the other 327 days living in their home communities working; going to basketball games and high school band and choral concerts; and attending chamber of commerce meetings, worship services and the like.

In each of those settings, elected leaders sit side-by-side with their constituents—Republicans, Democrats, Independents or those with no political affiliations or interest. As a result, elected officials are quick to understand that the world back home doesn't revolve around the state capitol building in Pierre.

I have always held that success in the public policy arena should be based on the strength and logic of a stated policy and by advocating for that policy in an effective way to elected officials who have been given the authority to vote yea or nay. As bankers, you are the subject matter experts whose ongoing connection to the SDBA is critical to develop and push sound legislative proposals, as well as push back against proposals that would cause harm to your bank and to your customers.

As I strive for success as an advocate for South Dakota's banking industry at both the state capital in Pierre and the nation's capital in Washington, D.C., I am deeply grateful for your continuing commitment and support.

I look forward to seeing many of you in Pierre on Feb. 7 as we gather for our annual State Legislative Day. ■

---

Curt Everson is president of the South Dakota Bankers Association in Pierre. Everson can be reached at 605.224.1653 or [ceverson@sdba.com](mailto:ceverson@sdba.com).



# Turning Risk Into Opportunity

## Captive Insurance Planning for Financial Institutions

**R**isk management is rarely the most enjoyable dialogue for bank management teams. Income loss can impact a financial institution on a variety of levels, such as from natural disasters and data breaches. Although risk managers do their best to find solutions to mitigate the potential impact on the bottom line, the price for that is often costly.

The traditional property and casualty (P&C) marketplace is a great option to help manage certain risks, but those seemingly ever-rising premiums eat into shareholder profit. What if there are no losses to file claims against? The insurance company gets to coffer all of that premium. What if there were a way for financial institutions to manage risk and yet capture this economic benefit? Would CFOs and shareholders be interested in creating a profit center that could potentially bolster bank capital and increase profitability? Absolutely!

A captive insurance company could be the solution. A captive insurance company, or “captive,” is simply a small property and casualty insurance company that can be created to cover various exposures that a bank faces. Captives are not a new concept. However, many bank management teams are unaware of their applicability to financial institutions as a unique and innovative tool to turn risk into opportunity.

Through the coordinated efforts of a knowledgeable captive manager and the bank’s P&C broker, internal risk controllers and management team, a captive can potentially help:

- Reduce existing insurance cost through deductible optimization.
- Provide excess coverage for underinsured exposures.
- Protect the bank income stream from uninsured exposures.
- Create a tax-efficient profit center.
- Increase shareholder equity or provide additional funds for regulatory capital.

But what type of coverage could a captive provide to accomplish the above? As not every exposure makes sense to insure through a captive, it can certainly complement and supplement a bank’s risk management plan. A extremely common use of captives is to provide coverage for what are called enterprise risks exposures. Examples of enterprise risk include: data breach, reputational risk, defense cost reimbursement, administrative actions, deductible reimbursement and more.

These types of coverage are generally considered high-severity, low-frequency in nature and provide insurance for the things that can happen, but do not occur very often. This policy design allows for more predictable claims results, and, in the absence of those claims, a substantial profit center.

Who should consider exploring further if the above has piqued interest? Banks with an asset size of generally 350MM or greater and have elected FHC status. Pursuant to the Bank Holding Company Act of 1956, financial institutions that are well managed and well capitalized with a CRA rating of at least “satisfactory” can elect FHC status. FHCs are permitted to form captive subsidiaries.

The next time the management team sits down to review the bank’s risk management program, you need to ask, “Isn’t it time to turn some of this risk into opportunity?!” ■

---

David M. DiMayo, ACI, is CEO of Oxford Risk Management Group, a leading provider of captive insurance services. The Oxford Risk Management Group team of professionals is dedicated to providing its clients with the highest caliber of service possible in the industry. DiMayo can be reached at 410.472.6490 or [DDiMayo@OxfordRMG.com](mailto:DDiMayo@OxfordRMG.com). Or visit [www.oxfordrmg.com](http://www.oxfordrmg.com) for more details.



# 2018 ABA GOVERNMENT RELATIONS SUMMIT

APRIL 23-25  
WASHINGTON, D.C.

America's banks are vital to a strong economy.  
Let's make sure Washington knows it.

Join fellow bankers from across the country to educate Congress and regulators on the need for commonsense regulatory reform—reform that will help America's banks better serve their communities, grow the economy and unleash America's potential.

Register today  
**[aba.com/Summit](http://aba.com/Summit)**



American  
Bankers  
Association.

education.....

## Learn Important New Account Opening Procedures, Compliance Requirements

**M**anaging risk is the number one priority for all financial institutions, and it all starts at the new account desk. If a criminal cannot get in, they cannot steal from your organization. Well-trained new account personnel and universal bankers who recognize and stop attempted dishonest activity are the first line of defense in protecting a financial institution from fraudsters.

Unfortunately, too often, new account personnel are trained “on the job,” which results in an environment of potential vulnerability and unnecessary losses for the financial institution. Additionally, with constant new regulations, the need for ongoing training is paramount in order to maintain diligence as well as update processes and procedures.

The SDBA’s New Account Documentation & Compliance Seminar on April 4 in Sioux Falls teaches important new account opening procedures and compliance requirements focusing on vital information for every type of new account. The seminar manual is customized to South Dakota state law and has become known as the “technical reference handbook” for new account departments.

All customer contact personnel, supervisors and officers whose responsibilities include opening or managing new accounts and certificates of deposit are encouraged to attend. The seminar is excellent for supervisors or officers who have recently assumed the responsibility of the new account area but perhaps have never worked in new accounts. Internal auditors and compliance officers will also find the information exceptionally beneficial.

Attendees are encouraged to bring copies of their institutions’ signature cards and account agreements to the workshop.



Presenter Suzette (Suzie) Jones, CFP® is the managing member of Training Resources Consulting, L.L.C. located in Houston, Texas. With more than 40 years of experience in the financial industry, Jones has focused her technical expertise on new accounts risk management and investment management. She served as an executive vice president at a \$50B financial organization where she was an active member of the AML, BSA, personal/corporate risk and non-bank product risk committees.

The seminar will be held at the Hilton Garden Inn South in Sioux Falls. To see the full agenda and to register, visit [www.sdba.com](http://www.sdba.com). ■

## 2018 Dakota School of Banking Set for June

**O**ne of North Dakota’s longest-standing education traditions, Dakota School of Banking has graduated hundreds of bankers since its inception in 1974. Many of these graduates are now senior-level executives, serving as president or chief executive officers of banks large and small.

Through the use of highly-qualified instructors and a challenging curriculum, the Dakota School of Banking provides a multi-dimensional educational experience in banking. By completing two, one-week summer sessions and intersession projects, students develop a range of skills to enhance current performance and qualify them for advancement.

Sponsored by the North Dakota Bankers Association and endorsed by the South Dakota Bankers Association, the 2018 Dakota School of Banking will be held June 17-22 at the University of Jamestown in Jamestown, N.D.

### Benefits

The school provides bankers with:

- A comprehensive understanding of the connections between banking functions.
- Increased knowledge and technical skills immediately applicable to daily responsibilities.
- Ideas to increase personal productivity and improve bank performance and profits.
- The opportunity to manage a successful financial institution through the BankExec simulation.
- A network of peers to call on during your career.

### The Ideal Candidate

Employees at nearly every level can benefit from the Dakota School of Banking. Many applicants have been identified as future leaders within their institutions. School candidates are often:

- Bankers looking for formal banking education.
- Bankers in middle management looking to advance their banking career.
- Bankers looking to broaden their scope of expertise.
- Banking business partners who want a better understanding of the industry.

The typical student body is made up of branch managers, commercial lenders, operations personnel, compliance officers, tellers, security officers and bank directors.

The Dakota School of Banking offers a \$450 scholarship to be awarded to one first-year student from an NDBA or SDBA member bank. Learn more and apply at [www.ndba.com](http://www.ndba.com). Or contact the NDBA’s Dorthy Lick at [dorothy@ndba.com](mailto:dorothy@ndba.com) or 701.223.5303. ■



# SDBA Ag Conference Focuses on Unique Needs of Ag Bankers

The SDBA will present the 2018 Agricultural Credit Conference April 11-13 at the Ramkota Hotel & Conference Center in Pierre. This conference focuses on the unique needs of ag bankers and the need for quality information and training to better serve their customers. The SDBA has lined up speakers on a variety of timely topics to help ag bankers navigate through challenging times. Experienced and new ag lenders, as well as CEOs, will all benefit from this conference.

## Pre-Conference Session

The event will kick off with a pre-conference session by Farmer Mac titled “Winning Secondary Market Strategies for South Dakota Ag Bankers.” Learn about Farmer Mac’s ag lender tools available to compete and attract new business. Farmer Mac will also review the current interest rate environment and dive into some recent South Dakota loan sale transactions. To attend this pre-conference session, register with Farmer Mac at [www.farmermac.com/event/sd-workshop](http://www.farmermac.com/event/sd-workshop).

## General Sessions

General sessions at this year’s conference include:

- **Profitability Through Execution: The Fundamentals by Dr. Mike Swanson:** If higher prices are not going to bail out farm and ranch operators, what’s the most likely scenario for rebalancing? It will be classic economics at work. First, inputs and lands will have to reset to their real values at the current prices. Second, operators will have to prove their “value added” proposition. Lastly, bankers will go back to working with operators so they can “say what they do, do what they say” and be able to prove it.
- **Ag Banking in the Push-Pull Farm Economy by John Blanchfield:** For ag bankers, 2018 could be the most challenging year of the great farm economic correction. Finding the best way to negotiate the push-pull farm economy will not be easy, but a focus on improved people skills and on banking fundamentals offer the best opportunities for ag bankers to win.
- **Surviving Difficult Markets by Steven Knuth:** Marketing is not getting any easier. Dive into the current obstacles and opportunities that lie in the grain and livestock markets right now and the driving factors behind them. Profitability is the goal—explore how a written marketing plan can help you achieve that with AgWest Commodities’ Steven Knuth.
- **Managing Weather Risk in Agriculture by Eric Snodgrass:** Eric Snodgrass will discuss how weather has influenced crop production in the Corn Belt for



the last 70 years, changes in technology and how weather prediction has evolved. Learn how to use the tools meteorologists use to predict both short-term (two week) and long-term (month-plus) weather conditions and the influence these predictions have on commodity prices.

- **I’m Farming and I Grow It: An AgVocating Success Story by Nathan Peterson and Kendal Peterson:** Nathan and Kendal Peterson of Peterson Farm Bros’ story includes how they got started making videos, where all they’ve taken them, the power of communicating through social media, and the lessons they’ve learned in advocating for agriculture online. Their story is entertaining, inspirational and motivational.

## Panel Discussions

The conference will feature three panel discussions:

- **A Conversation About Conversations:** Moderated by John Blanchfield, an experienced panel will address a topic most dread talking about—how to have difficult conversations with your borrowers.
- **Succession Planning: Building Bridges or Burning Bridges?:** This panel will discuss the challenges faced in developing a successful succession plan and how to overcome these obstacles.
- **Buy Land, They’re Not Making It Anymore:** This panel will engage in a conversation regarding agricultural land value trends.

## Registration

For the full agenda and to register, visit [www.sdba.com](http://www.sdba.com). Details are also available regarding exhibiting or sponsoring at this year’s event. Questions, contact Halley Lee at 800.726.7322, 605.224.1653 or [hlee@sdba.com](mailto:hlee@sdba.com). ■

# Change to Cash Method May Yield Permanent Savings

By Blake E. Crow, CPA, MBT, Partner, Financial Institutions Services Group, Eide Bailly LLP, Sioux Falls

**A**s Gordon Gekko proclaims in 1987's "Wall Street," "Bulls make money. Bears make money." (The whole pigs getting slaughtered thing really isn't pertinent to this discussion). Just as banks can structure their balance sheets to take advantage of either rising or falling interest rates, they can do the same with tax positions and rising or falling tax rates.

Tax planning in an environment where tax rates remain constant from one year to the next generally only results in the temporary delay of the payment of tax dollars by either accelerating deductions or deferring income, with the resulting benefit being the time value of money on that delayed payment. However, tax planning in a falling tax rate environment, such as the one we are now in, can result not only in the delay of payment of tax, but also in the permanent savings of the tax dollars represented by the difference in current and future tax rates.

A quick example: \$100,000 of expenses that otherwise would have been deducted in 2018 by a C corporation at their new 21 percent corporate tax rate are instead accelerated into 2017 where their tax rate is still 35 percent. That deduction now results in a tax savings of \$35,000 compared to the \$21,000 benefit that would have been realized had those deductions been left in 2018 absent any tax planning. That \$14,000 differential is a permanent tax savings representing tax dollars that will never have to be paid.

S corporations and their shareholders benefit in the same



manner when their effective tax rates decrease, which they most likely will with pass-through bank income becoming eligible for the new 20 percent deduction for qualified business income beginning in 2018. Depending on the shareholder's personal effective tax rate, that rate reduction can be as large as 10 percent, resulting in a \$10,000 permanent tax savings in the above example.

While the window for many tax planning opportunities may have closed with the turning of the calendar, there is still one category of strategies available to potentially reduce the taxable income recognized in 2017. That category is automatic accounting method changes. Accounting methods are essentially the rules that determine the timing for reporting items of income and expense for tax purposes.

While changing accounting methods generally requires the approval of the IRS, there is a list of automatic changes that require no approval and can be made by simply following the proper filing procedures. Because these changes do not require IRS approval, they can be made up to the due date of the tax return for the relevant year, including extensions. This means we are still in the window of opportunity for making such changes related to the 2017 tax year.

In the tax year many accounting method changes are made, an adjustment known as a Section 481(a) adjustment is required to be made to ensure that no taxable income is either omitted or duplicated as a result of taxable income being calculated differently than in previous years. If that adjustment is a reduction in taxable income, the

entire adjustment is recognized in the year of change.

While there are several automatic accounting method changes that may benefit financial institutions, the most significant current opportunity exists for banks that compute their taxable income on an accrual basis of accounting that are either a C corporation with average annual gross receipts that don't exceed \$5 million, or a Subchapter S corporation with average annual gross receipts that don't exceed \$50 million. These particular banks may be eligible to change their tax accounting method to the cash method and realize a significant favorable adjustment that reduces their taxable income in 2017.

When a change from the accrual method to the cash method is made, the adjustment is generally calculated as the difference between all the receivables and payables on the balance sheet that impact the income statement. To the extent that receivables exceed payables, the adjustment will result in a reduction in taxable income.

Since the largest receivable and payable on the balance sheet of a bank is generally accrued interest receivable and payable, and because accrued interest receivable should always exceed accrued interest payable (or at least we hope), this change almost always results in a reduction in taxable income for the bank in the year of change. For many banks, this negative adjustment is relatively large in comparison to their taxable income and results in significant savings. That fact, combined with the permanent tax savings principles outlined above, makes 2017 the ideal year to make this change for banks that are

eligible.

As Bud Fox, played by a young Charlie Sheen, self-affirming into a hallway mirror just prior to meeting Gordon Gekko for the first time states, "Life all comes down to a few moments. This is one of them."

OK, while this probably won't be a life defining moment for you, it is an opportunity that, if eligible, you won't want to let pass you by. ■



Blake E. Crow, CPA, MBT, has more than nine years of public accounting experience with a focus on the financial institutions industry. A partner in the financial institutions services group for Eide Bailly LLP in Sioux Falls, Crow provides management consulting, tax planning and tax compliance services to financial institutions ranging in size from less than \$20 million to more than \$2.4 billion. He conducts tax research projects and communicates current tax developments to clients and staff, consults with financial institutions and their shareholders on S-corporation conversions and S-corporation planning issues, and assists financial institutions with merger and acquisition issues, including tax structuring of transactions and the regulatory application process. An SDBA associate member, Eide Bailly is ranked as one of the 25 largest regional CPA firms in the nation. The regional CPA and business advisory firm offers a team of professionals who work specifically with clients in the financial institutions industry. For more information, contact Crow at [bcrow@eidebailly.com](mailto:bcrow@eidebailly.com), 888.777.2015 or visit [www.eidebailly.com/banking](http://www.eidebailly.com/banking).

HELPING FIRST TIME (& NOW REPEAT)  
**BUYERS' DREAMS**  
COME TRUE SINCE 1973.

**FIRST-TIME & REPEAT  
HOMEBUYER PROGRAMS:**

- 🏠 Downpayment & Closing Cost Assistance
- 🏠 Competitive Rates
- 🏠 Tax Credit – Mortgage Credit Certificate (MCC)



**SOUTH DAKOTA**  
**HOUSING**  
DEVELOPMENT AUTHORITY

605-773-3181 | [www.sdhdha.org](http://www.sdhdha.org)



## BRANCH TRANSFORMATION IS...

- Analyzing your branches
- Creating the best customer experience
- Creating a consistent customer experience
- So much more than just a video teller

Contact us today to learn how an assisted service banking machine may be the answer you are looking for.



**MHM**  
MONEY HANDLING MACHINES  
ESTABLISHED 1963

800.228.2581

[MoneyHandlingMachines.com](http://MoneyHandlingMachines.com)





## *An Emerging Leader on a Community Journey*

# Kelsea Kenzy Sutton, First Fidelity Bank, Burke

By Alisa DeMers, Editor

**K**elsea Kenzy Sutton is passionate about making positive changes in her community. She serves on the county commission and local economic development board, works with the local food system to provide affordable fresh produce in her community, writes grants for the local fitness center and teaches yoga.

Sutton's day job is compliance officer for First Fidelity Bank in Burke, where her father, George Kenzy, is president and CEO. Sutton is the fifth generation of her family to work for the bank chartered by her

great-great grandfather, Lowell S. Lillibridge, in 1905.

Sutton decided to return to her hometown of Burke after graduating from law school. She worked for a local law firm for two-and-a-half years before joining First Fidelity Bank in January 2017.

"I did not go to law school thinking compliance is just the bomb and I love regulations and I love reading them and figuring them out," Sutton said. "But, I do love the bank because I know that it provides essential services for people in my community and all of the bank's

branch communities and it provides good jobs for people in those communities too. So, I am committed to the long-term success of the bank."

"This is an opportunity that I wanted to try – to work in my family's business and with my family. I grew up with all of these employees too; they are like our family."

### A Love of Literature

The oldest of her two sisters, Sutton grew up in Burke, a rural community of around 600 people in the south central part of the state.



She enjoyed playing basketball, softball, track and cross country in middle school and high school. Her first career choices were to be a paleontologist or an archaeologist, which she still thinks would be cool options, and then an anthropologist.

"I always loved books. I always loved literature. My mom (Laurie) was an English major and teacher," Sutton said. "She sparked a love of literature for me at a very young age. She read to me all the time."

"By middle school, I had decided that I wanted to be a lawyer probably because I liked books, I liked reading and I liked words."

Sutton spent her summers during high school working at First Fidelity Bank as a teller and one summer organizing files for an exam. She said the experience was a wonderful summer job, and she loved talking to the bank's customers.

After graduating from Gregory High School in 2007, Sutton attended the University of Colorado in Boulder where she double majored in literature and history.

"It was a great background for law school," she explained. "I gained a lot of research reading and writing skills and good skills for thinking critically about the world."

When Sutton began college, her plans didn't include returning to South Dakota to attend law school or to work. She intended to practice criminal defense in a larger city, such as Chicago.

Sutton began dating her now-husband, Billie Sutton, shortly after she started her first year of college. A few years older than her, Billie was also from Burke, she knew his family and was friends with his sister. In the midst of a successful college rodeo career and ranked in the top 30 in professional rodeo, Billie was paralyzed in a rodeo accident only weeks after the couple started dating.

"Billie wanted to someday return home, and it was really not something I had thought a lot about before," Sutton said. "His family has a ranch here, and he always saw this as his home and his place."

"I started thinking how maybe this is our home and our place, and it became an option in a way that it

really hadn't been before."

Sutton chose to attend law school at the University of South Dakota in Vermillion, where she also received a master's degree in history. The couple was married while Sutton completed law school.

## Practicing Law

After graduating from law school in 2014, Sutton joined the Johnson Pochop and Bartling Law Office in Gregory, which is seven miles west of Burke. One of the partners, Stephanie Pochop, was a friend of Sutton's family and had served as a mentor for her since high school.

At the firm, Sutton took criminal defense appointments, practiced family law and helped Pochop with plaintiff's work for employment discrimination cases in federal court—gender, race, age and ADA ability discrimination.

Sutton learned a lot about employment law, which she said was a good background for working at the bank. She also gained life skills in working with clients who were facing some of the most difficult situations of their lives.

"I learned a lot about managing people in a meaningful way—hearing what they need from you, hearing what they are saying and communicating back to them what you need to tell them," Sutton explained.

"I was so lucky that I got to come work in the firm that I got to work in after law school. I was supported by cool men and women, and they let me do important work, and they empowered me to do important work. I didn't have to go to a big firm and do other people's research for 10 years before I'd maybe get the chance to take my own clients or lead my own cases."

The idea of working at First Fidelity Bank always existed for Sutton, as she knew the bank would someday need a new lawyer. When the opportunity arose for her to join the bank, Sutton said she agonized over the decision to leave the law firm because she found the work there meaningful and challenging. Pochop, who herself had the chance

to work with her father at the law firm, told Sutton she wouldn't trade that experience for any other job.

"That was very powerful to me, and I think about it a lot," Sutton recalled. "It has been a real honor to work with my dad."

"I look to my dad a lot for professional advice. He has always been good at people and patient with an open mindedness and understanding. He emulates that on a day-to-day basis, and he teaches me that."

While Sutton enjoyed the firm, she admits that the work was demanding.

"There are a lot of stressful things about doing trial work. It is easy to romanticize it when I am not doing it anymore," Sutton explained. "I had a young family. I am an empathetic person. I really internalize my clients problems in a way that is not always healthy."

## First Fidelity Family

Sutton joined First Fidelity Bank in January 2017 as the assistant compliance officer. She spent the year working with the bank's former long-time lawyer, Dan Flynn, until he retired at the end of 2017. Sutton learned from Flynn how the organization works and its rotating legal issues. While Sutton admits she does not know it all, she knows where to find the answers. As of the bank's first board meeting of this year, her title is compliance officer.

Sutton works with the bank's appraisal and real estate program reviewing appraisals and working with those who conduct the evaluations. She answers legal questions about accounts and estates and works with the bank's internal auditor regarding regulations.

Sutton most enjoys reviewing the bank's policies, writing new policies when needed and working with human resources. Sutton said her father, George, handles the more technical aspects of HR, while she enjoys the more philosophical components.

"I have a good perspective on balancing the business' interest and the employees' interest, and the

*Kelsea Kenzy Sutton works at First Fidelity Bank's main location in her hometown of Burke.*



actual philosophy behind having good HR," she said. "It is about having a happy, healthy, productive workplace."

Sutton is proud that First Fidelity Bank has adopted the South Dakota Department of Health's recommended breast feeding policy and is a breast feeding-friendly business. All of the bank's locations have a lactation room that employees and customers can use. The bank also has a paid parental leave policy which provides mothers, fathers, and adoptive and foster parents with paid parental leave separate from sick and vacation time.

Another change First Fidelity Bank is in the process of implementing is a new core processor and loan software. The bank also has a newly-revamped website and will be offering more user-friendly Internet banking features.

Sutton's sister, Katelyn Kenzy Brady, returned to Burke this past summer and handles the bank's marketing and social media and is working on new digital marketing for the bank. Katelyn's husband, Alec Brady, also works at the bank in operations.

In addition to serving in the South Dakota State Legislature and

campaigning for state governor, Sutton's husband, Billie, is an investment consultant for the bank. The couple has an 18-month-old son, Liam. Sutton calls her and Billie's busy schedules work-life integration.

"Both Billie and I flow from our personal to professional lives at any hour of any day. We check emails late, and we check emails early. We make calls in the evenings, and we make calls in the mornings," she said. "We work when we are at work, but then I might also leave for an hour and take my lunch break and go have coffee with a friend and do some grant writing work."

"It all flows into each other, and then we take a break when we need it. I don't think there is a separation, and that has become normal for me."

## Community Changes

"I've had adult conversations with friends who do not live in small communities now, and they articulate that service and involvement is missing from their lives when they are in a bigger place and they are searching for it because that is how they grew up," Sutton explained. "I give a lot of credit to my community. Being involved feels meaningful because you know

who you are doing it for. A small town can really afford you a lot of opportunity to try new things and to be a leader."

"And part of it is my parents showing me and telling me that you should give back in any ways that you can whenever you can."

While attending college in Boulder, Sutton was introduced to public health from a fitness aspect and the local food movement.

"That sent me on a personal journey that sent me on a more community journey about how public health in the form of fitness, nutrition, mental health and addiction affects the economy and affects people's lives very personally," Sutton said.

While still in law school, Sutton had the idea to form the Burke Area Farmers Market, which is held every Thursday afternoon from July to September on an empty lot on Main Street in Burke. Sutton is the president and market manager.

Her father also suggested she serve on the local fitness center board the summer before returning home from law school. Sutton writes grants and helps secure funding for community health projects at the center. The center offers affordable





*Kelsea and Billie Sutton and their son, Liam.*

memberships and some free classes to anyone in the community through a partnership with the Burke Community Memorial Hospital.

This past fall, Sutton was selected to be part of the first Change Networks program funded by the Bush Foundation in South Dakota. Participants of the program are given a \$5,000 grant to develop a plan to implement a change in their organization and/or community. Participants in the program attend conferences and workshops over the course of one year to assist them with their plans.

Sutton is working to develop ideas for food sustainability in Gregory County and access to fresh produce grown in the region and state. She hopes to develop a plan to landscape a "pocket park" or green space where people can gather for lunch or coffee that can also be a welcoming community space for the farmers market. She would also like to build a structure that can be used as a year-round growing system for fresh produce.

"The Change Network is really about leadership development and cultural competency—diversity and inclusion," Sutton said. "I thought it was a good fit for me—the farmers

market, the fitness center, for the bank and the county commission. All of the things that I do would benefit from that kind of leadership development."

## Emerging Bank Leader

This past fall, Sutton attended one of the SDBA's emerging leaders networking meetings. First Fidelity Bank has since started its own emerging leaders group at the bank.

"What young leaders and emerging leaders programming can do, in addition to networking and energizing people around banking and banking issues, is show the next generation of banking what the purpose of advocacy is and why it is important to show up and why it is important to take some time away from your family or job to do that," Sutton explained. "I think they are very willing to that if there is a clearly-defined purpose for it that matters to them and if they feel like they are making a difference."

Sutton said the SDBA is like a lot of organizations, such as the South Dakota State Bar and her local Rotary Club, which are trying to figure out how to attract new members and engage younger generations.

"I can see how there are

frustrating generational barriers. A lot of times when you cannot get new members, it comes off like these people just don't care—these kids don't care. They don't want to spend the extra time to do something. And I very much don't think that is true," Sutton said.

"Generations have more in common than they think they do. We all want good banks, good jobs, good products—we all want those things. When we come together to talk about it, we can see that."

Sutton is also serving on the SDBA's new Women in Banking Committee. The committee is currently working on the agenda for the SDBA's first one-day conference for women—Lead Strong: Women in Banking Conference—set for Oct. 2, 2018, in Sioux Falls.

Women in banking programming is important, Sutton said, because women need to learn to see themselves in leadership roles. Sutton has heard many accomplished women say they don't consider themselves for leadership roles or running for an office.

"We have a lot of women who make our banks run—a lot of women do a lot of important work for our banks. And we need to see that translate to leadership roles," said Sutton.

"We have better ideas, we have more progressive ideas, we have stronger organizations when we have as many of those different perspectives at the table as possible."

Sutton said she has had incredible people in her life who have given her opportunities—her professors, Stephanie Pochop and her parents.

"I have had a lot of people invest in me. I have had a ton of support that has brought me here and has led me to a place where I can think about being an emerging leader and to think about encouraging other people to be emerging leaders," Sutton said.

"We need to be that person for other people—to say you are valuable, you are smart, you are important." ■

compliance.....

# The Regulators are Coming, The Regulators are Coming...

*By Darlia Fogarty, Director of Compliance and COO, Compliance Alliance*

**T**he board believes the compliance officer has been given adequate policies, training and staff to ensure the bank will not encounter any issues when the regulators arrive for the compliance exam. So the exam should be a non-event right?

Let's talk about the process of an on-site visit. For the staff involved, the on-site regulatory visit can be painful to endure, but it is necessary to ensure the safety and soundness of the bank. An overlooked mistake could be minor in the overall scheme of things; however, in the worst-case scenario, it could cause major penalties up to and including personal liability for the board.

So how do you know whether your bank is ready for an exam? How do you determine whether you're conducting the proper periodic maintenance and routines to keep your compliance programs as effective as possible? The answer is simple by examiners standards: by exercising proper oversight of these programs at the board level. If only there was a definite way to determine what the regulators deem "proper" oversight. Oversight is carried out by reviewing the right reports with the right content at the right times.

The board must ensure that they are being given solid, accurate information to carry out their fiduciary duties as well as to make informed decisions. One way to do this is to demand quality reports at specified intervals. Reports that are inaccurate, incomplete or delivered too infrequently may conceal weaknesses that should be addressed. Reports should occur at three basic intervals: monthly, quarterly and annually.

Monthly reports should focus on the execution of the board's policies by delivering performance data and metrics. These reports should cover frontline activity and clearly demonstrate whether the day-to-day work of compliance is being done on time and accurately. Monthly reporting should expose where weaknesses may exist, and state the corrective actions being taken to remedy the deficiencies.

Quarterly reports should focus on trends and analytics that demonstrate whether risk exposures are increasing or decreasing. The quarterly report gives insight into how the compliance program is functioning over time. These reports should contain information about regulatory trends and upcoming or changing rules in addition to considering the environmental and operating conditions that could affect the bank's progress and performance.

These reports should also summarize the results of



compliance monitoring activities that occurred during the quarter and which activities are planned in the quarter ahead. This data allows directors to conclude what, if any, internal events or changes will influence the bank. In general, these reports show the up-to-the-minute state of preparedness for exams and audits.

Finally, annual activities such as audits or third-party reviews generate reports on the compliance program's effectiveness. This annual look-back reflects how well the bank kept its risk exposures to acceptable levels. These types of reports often detail the overall effectiveness of the senior management team and compliance management in carrying out their responsibilities. These reports take an independent look at the program to gauge its effectiveness, efficiency and performance over a historical period.

That being said, remember that, if the reports are not accurate or are considered to be inadequate, the reports will be of no benefit. When reviewing your bank's reports, keep in mind the following signs that should alert you to ineffective reporting:

- Reports that are too long or too detailed. Key points cannot be extracted when the volume of information presented buries the real meaning.
- Reports that state only facts but provide no analytical statements or ratings. The board needs to understand whether the data being presented is positive or negative.
- Reports that fail to identify the root causes of weaknesses. Failure to identify the root cause delays the implementation of corrections.



- Reports that identify the root causes of deficiencies, but do not suggest appropriate corrective action. Solutions should be offered in reports.
- Reports that only emphasize weaknesses and ignore strengths. Focusing only on the negatives may inappropriately exaggerate the scope or materiality of an identified problem.
- Reports that do not reflect the materiality or severity of an issue. Treating every issue uniformly is a sign that perspective may be lacking. The report should clearly identify whether or not the issue is systemic or isolated.

Oversight of a compliance program that can withstand not only regulatory scrutiny, but the changing economic environment and regulatory conditions is a tough assignment. Proper reporting ensures proper maintenance of the compliance program, and a well-maintained program that can be clearly communicated to examiners is the key to passing the exam. ■



Darlia Fogarty is director of compliance and COO for Compliance Alliance, an SDBA endorsed vendor and associate member. Compliance Alliance is committed to providing resources for bankers to assist with compliance; from keeping up with the changes, all the way through the reporting. Contact Fogarty at 888.353.3933 or visit [www.compliancealliance.com](http://www.compliancealliance.com).

## \$3 Million in Housing Grants to Benefit South Dakota Families

Thanks to a collaborative effort between community housing providers, financial institutions and the Federal Home Loan Bank of Des Moines, 180 South Dakota families will receive the gift of affordable housing.

FHLB Des Moines recently awarded \$2.3 million in grants from its Competitive Affordable Housing Program to provide housing for low-income families, seniors, persons with disabilities, homeless and at-risk youth in the state of South Dakota. The Bank also contributed more than \$600,000 throughout the year to assist South Dakota families with down payment and closing cost expenses.



Mike Wilson

"FHLB Des Moines is honored to provide the opportunity for families in the state of South Dakota to have a home," said Mike Wilson, president and CEO of FHLB Des Moines. "We believe each and every individual should have access to safe and affordable housing. These projects inspire us every day to continue our

mission of providing funding to lenders so the needs of communities are met."

Every year, FHLB Des Moines returns 10 percent of its net income throughout communities in its district, consisting of 13 states and three U.S. Pacific territories.

The Competitive Affordable Housing Program encourages partnerships between FHLB Des Moines member institutions and local housing providers to construct new and restore existing homes to ensure housing for the community. Beyond housing, the program works to generate jobs by employing local businesses to complete projects. In 2017, the Bank awarded \$44.5 million in Competitive Affordable Housing Program grants to fund housing for 2,636 families across the district.

FHLB Des Moines also offers down payment and closing cost assistance through its Home\$tart®, Home\$tart Plus and Native American Homeownership Initiative programs to help families realize their dream of homeownership. The Bank distributed \$15.2 million in down payment funding in 2017 to support 2,100 families with the purchase of a home.

For a complete listing of 2017 Competitive Affordable Housing program grant recipients, visit the FHLB Des Moines website at [www.fhlbdm.com](http://www.fhlbdm.com). For more information, contact the Bank's Community Investment Department by calling 800.544.3452, ext. 1173. ■

**Northern**  
PLAINS APPRAISAL, LLC.®  
*The highest value is our commitment to you.*

**Brian J. Gatzke, ARA, MBA**

*Certified General Appraiser, SD & MN*

311 Third St | PO Box 63 | Brookings, SD 57006-0063

P: 605.692.9445 | F: 605.610.0948

[info@northernplainsappraisal.com](mailto:info@northernplainsappraisal.com) | [www.northernplainsappraisal.com](http://www.northernplainsappraisal.com)

Our team of valuation professionals provide reports in Uniform Standards of Professional Appraisal Practice (USPAP), Yellow Book (USFLA) and IRS appraisal standards. Having grown up in rural communities and family farms in the Dakotas, we know the value of professionalism and integrity. We specialize in:

- Agricultural Properties
- Dairies, Farms & C.A.F.O.s
- Conservation Easements
- Wildlife Habitat
- Rural Residential
- Commercial Properties
- Single and Multi Family
- IRS
- Yellow Book (USFLA)
- Mini-Storage Warehouses
- Lake Properties
- Estates, Donations, & Trusts

*Our team also offers: consulting services, MLS research, agricultural land advising and real property valuation.*

**Contact us today for a personalized quote!**



ask the appraiser.....

BY SHERRY BREN | Executive Director | South Dakota Appraiser Certification Program

# USPAP Composition, Structure and Compliance; Ethics Rule—Conduct

## Public Trust

**Question:** The expression “public trust” is used in USPAP. What is public trust and who or what is the public in the USPAP context?

**Response:** USPAP mentions public trust three times. The PREAMBLE states that the purpose of USPAP is “... promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers.” The PREAMBLE also states “The appraiser’s responsibility is to protect the overall public trust and it is the importance of the role of the appraiser that places ethical obligations on those who serve in this capacity.” Lastly, the ETHICS RULE reinforces this concept with “An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.”

While USPAP does not define public trust, it is clear from the context that it refers to the need for the public to be able to have confidence that services provided by an appraiser are performed competently and in a manner that is independent, impartial and objective.

The public, whose trust the appraiser must promote and preserve, exists on several levels. The most direct is the appraiser’s client. In addition to the client, any additional intended users would be part of the appraiser’s public. But, even beyond the client and other intended users, there are other parties who may rely on the work of an appraiser, and the appraiser must be careful not to mislead such third parties. Finally, it could be said that the general public is also part of that public. If the general public cannot depend on appraisers to act as independent professionals and provide credible results, the economy could suffer.

## Does disclosure of prior services apply to appraiser or property?

**Question:** An appraiser performed a review of an appraisal report for 123 Main Street. Seven months later, he was asked to review another appraisal report regarding the same property prepared by the same appraiser. The appraiser is unsure if he must disclose to the client that he provided a prior service regarding the

subject property. He knows an appraisal review is the development and communication regarding the quality of another appraiser’s work. He thinks a review assignment is not about a property, it is about an appraiser. Is the reviewer correct that the subject of an appraisal review is the appraiser and no disclosure of any prior services is necessary?

**Response:** No. An appraisal review assignment is not about an appraiser, but the work of the appraiser. As such, an appraisal review is a prior service. Standards Rule 3-2 provides additional insight into developing an appraisal review. The reviewer must:

- (c) identify the purpose of the appraisal review, including whether the assignment includes the development of the reviewer’s own opinion of value or review opinion related to the work under review;
- (d) identify the work under review and the characteristics of that work which are relevant to the intended use and purpose of the appraisal review, including:
  - (vi) the physical, legal, and economic characteristics of the property, properties, property type(s), or market area in the work under review.

**Comment:** The subject of an appraisal review assignment may be all or part of a report, a workfile, or a combination of these, and may be related to an appraisal or appraisal review assignment. ■

**Note:** South Dakota does not allow an appraisal management company to prohibit an appraiser from reporting the fee paid to the appraiser in the body of the appraisal report. Violation of ARSD 20:77:07:03 is grounds for disciplinary action against the appraisal management company.

---

If you have an appraisal related question that you would like to have answered in the “Ask the Appraiser” column, submit it to Sherry Bren, executive director of the Appraiser Certification Program, 308 S. Pierre St., Pierre, SD 57501, fax 605.773.5405 or by email to [Sherry.Bren@state.sd.us](mailto:Sherry.Bren@state.sd.us).

# South Dakota Bankers Association 2019 Scenes of South Dakota Calendar



The South Dakota Bankers Association is pleased to offer you the Scenes of South Dakota Calendar. This calendar will feature photos of South Dakota submitted by South Dakota bankers, their family members and customers. Your bank logo and name can be printed on each calendar to display in homes and businesses all year long. **Calendar orders are due by September 1, 2018, to get the low price of \$1.19\* per calendar. Each order will have an additional \$25.00 production charge.**

The Scenes of South Dakota calendars are exclusive to SDBA member banks. These calendars are a great opportunity to thank your customers for their business and promote your bank. The SDBA logo is also included to emphasize the strength and security of South Dakota's banking industry. Please see the information below and order today! All orders will be shipped November 1, 2018.



Name \_\_\_\_\_

E-mail \_\_\_\_\_

Bank \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Quantity (minimum order 100) \_\_\_\_\_

## CUSTOM IMPRINT

**Please note: Imprint Area for bank logo and/or name is 10.375" wide x 1.25" tall.**

Bank logo and/or name to imprint needs to be provided in an Illustrator EPS or high resolution TIF file (300 dpi) and emailed to [ademers@sdba.com](mailto:ademers@sdba.com). Please supply all linked art and fonts required to print your file.\*\*

- ☐ Use same imprint from the 2018 Scenes of South Dakota Calendar.
- ☐ Black bank logo (FREE)      ☐ Color logo (add \$100 to order)
- ☐ New calendar order (Please provide bank logo/name according to file requirements above.)
- ☐ We've ordered before, but have changes to our imprint area.

(Please note changes in the Special Requests area.)

Would you like a proof emailed to you?    ☐ Yes    ☐ No, I do not need to see a proof.

## Special Requests:

\*\*\$65.00/hour (prorated) charge may apply if logo or imprint design changes need to be made to artwork supplied.

## HOW TO SUBMIT YOUR ORDER

**MAIL TO:**  
South Dakota  
Bankers Association  
ATTN: Alisa DeMers  
PO Box 1081  
Pierre, SD 57501

**FAX TO:**  
605.224.7835

**EMAIL TO:**  
[ademers@sdba.com](mailto:ademers@sdba.com)

**PHONE:**  
800.726.7322

**WEBSITE:**  
[www.sdba.com/calendar](http://www.sdba.com/calendar)

**\*Pricing Information:** Orders placed by September 1, 2018 receive the low price of \$1.19 per calendar. After September 1, price is \$1.49. Each order will have an additional \$25.00 production charge (layout for press run, in-house press proof, boxing, labeling), plus shipping. Logo will be black unless color is requested. Send no money now. Orders will be billed when shipped. Orders cannot be accepted after September 15, 2018.





## Ness Named Banker of the Year by Northwestern Financial Review



**L**arry Ness, chairman and CEO of First Dakota National Bank of Yankton, has been named 2018 Banker of the Year by NorthWestern Financial Review magazine. Bell Bank partners with NorthWestern Financial Review as program

sponsor to honor the 72-year-old banker. Ness started working at First Dakota National Bank when it was on the verge of failing and turned it into one of the nation's leading agricultural lenders and one of South Dakota's leading financial institutions.

"As chairman and CEO, Ness is reaping the rewards of a lifetime of work," says NorthWestern Financial Review publisher Tom Bengtson. "Ness shares many leadership traits with previous Banker of the Year selections, including having a knack for innovation, aggressively recruiting talent, recognizing opportunities in tough times, being engaged in helping the community, and gratitude.

"In nearly 35 years at First Dakota, he has hired the right people, strung together a series of savvy acquisitions, built a culture of decisiveness and fun by leading and delegating, brought his three sons into the bank, built the nation's 38th largest ag loan portfolio, won the respect of his community by giving back time and treasure, and encouraged employees, customers and students to make the most of what they have."

Prior to landing the presidency at First Dakota National Bank in 1983, Ness worked four years as an examiner at the Office of the Comptroller of the Currency, and he worked as a banker in Mitchell for seven years and in Volga for two years.

Ness is the magazine's 30th Banker of the Year selection. His is only the third selection from the state of South Dakota.

NorthWestern Financial Review reaches more than 3,000 commercial banks in the Midwest. It is published by Minneapolis-based NFR Communications Inc. Additionally, the company produces the CFPBJournal.com, which covers the activities of the Consumer Financial Protection Bureau, and BankBeatData.com, a subscription service that tracks bank performance and acquisition data. NFR Communications also provides management services to the Bank Holding Company Association. ■

## Bruce E. Hanson Joins BankStar Financial



**B**ruce E. Hanson has joined BankStar Financial as vice president/chief financial officer. Hanson brings an extensive history of management skills and banking experience to BankStar.

Prior to joining BankStar, Hanson was the chief accounting officer and vice president/controller for HF Financial Corp./Home Federal Bank and a finance

manager for the Sanford Health Plan in Sioux Falls. He has extensive experience in financial management and reporting, regulatory reporting, process improvement and automation, and federal and state taxation.

"We are pleased and excited to have Bruce as part of our BankStar team," said Chuck Hegerfeld, CEO and president. "We look forward to utilizing Bruce's extensive knowledge and experience in helping us continue to serve our customers and communities."

A native of both Clark and Toronto, S.D., Hanson attended and graduated from the University of South Dakota with a bachelor's degree in accounting. He also currently holds an active CPA certificate and is a licensed member of the South Dakota Board of Accountancy. ■

## Meta to Acquire Crestmark Bancorp, Partner with Liberty Lending

**M**eta Financial Group, Inc.®, the holding company for the federally-chartered savings bank MetaBank®, has reached an agreement to acquire Crestmark Bancorp, Inc., the holding company for the Michigan state-chartered bank, Crestmark Bank, in an all-stock transaction. This acquisition provides Meta with a national commercial and industrial lending platform and is intended to add an immediate pipeline of insurance premium financing business and provide opportunities for innovation and synergistic cross-selling among business lines.

MetaBank® and Liberty Lending, LLC have entered into a three-year program agreement whereby MetaBank will provide personal loans to Liberty Lending customers. Meta and Liberty Lending will market the program jointly. This marks the entry point for Meta into a direct-to-consumer credit business, leveraging its balance sheet to generate higher income on higher margin products. ■



classifieds.....

### **Agricultural Credit Analyst, The First National Bank in Sioux Falls, Sioux Falls, S.D.**

The First National Bank in Sioux Falls is looking for an experienced agricultural credit analyst to lead a team of analysts and manage a growing agricultural credit portfolio. The successful candidate will analyze and evaluate large and complex agricultural credits, participate in the ongoing design of processes and underwriting tools, generate and provide reports with recommendations to senior management, and develop and conduct credit training for the agricultural lending staff. Additionally, the successful candidate will recruit, manage and develop a team of agricultural analysts. Candidate should possess a four-year degree along with five or more years of ag credit analysis. The First National Bank in Sioux Falls is located in beautiful downtown Sioux Falls, offers an extensive benefits package, an outstanding culture, and an organization dedicated to the development of our employees. To see the full job description and to apply, please visit our Careers site at [www.fnbsf.com/careers](http://www.fnbsf.com/careers). ■

### **Agriculture Loan Officer, McIntosh County Bank, Ashley, N.D.**

Our client, McIntosh County Bank located in Ashley, N.D., is seeking a highly motivated individual to join its lending team in the position of an agriculture loan officer. The successful applicant will be responsible for servicing agricultural loan accounts, retaining current customer relationships and assisting with other duties as assigned. Qualifications include a degree in accounting, finance or related field. The ideal candidate would possess knowledge of lending concepts, practices and procedures along with good judgment skills to plan and accomplish goals set forth. In addition, work well both independently and in a team environment and have excellent written and verbal communication skills. Knowledge of the agriculture industry including ranch, crop and machinery lending is preferred. This position offers a competitive compensation and benefits package and a stable work environment. EOE. To apply, please visit – [www.eidebailly.com/careers/positions-with-clients](http://www.eidebailly.com/careers/positions-with-clients). ■

### **Commercial Business Banker, Plains Commerce Bank, Sioux Falls, S.D.**

Plains Commerce Bank is looking for an experienced, energetic, self-motivated person to fill a full-time commercial business banker position in our Sioux Falls, S.D., location. Qualities of

the successful candidate include strong communication and business development skills, personal computer skills with the willingness to learn new software programs, the ability to work under pressure and in a team environment, must be available and willing to travel to off-site locations when necessary to meet business needs and have preferably two years minimum of prior lending experience. Candidate will be responsible for identifying, pursuing and developing potential loan and deposit opportunities, managing and growing existing business banking relationships, evaluating, preparing and presenting potential loan requests at internal loan meetings, and educating, representing and promoting a positive image of the bank in the community. Visit <http://www.plainscommerce.com/about/careers> to apply. Member FDIC. Equal Housing Lender. ■

### **Credit Analyst, Security State Bank, Tyndall, S.D.**

Security State Bank in Tyndall, S.D., has an opening for a credit analyst. This is a great opportunity for a motivated, progressive individual with a four-year college degree. This position will allow the successful candidate to begin a career in southeastern South Dakota that has the potential to grow and evolve with a banking organization that consistently sets the standard in community banking. The successful applicant will participate in all facets of lending and branch banking with emphasis in analyzing our commercial customer's financial condition. A strong sense of business opportunities, together with the creativity, energy and enthusiasm necessary to formulate and implement business development strategies is essential. Strong interpersonal communication and analytical skills, as well as the ability to practice sound decision making are required. A degree in agricultural business, finance or related area is required. This position will give you an opportunity to join a progressive banking organization that offers a competitive salary and benefits package. Successful applicant must pass pre-employment screening including credit history and criminal background check. Please submit resume to Dave Sutura, Security State Bank, PO Box 9, Tyndall, SD 57066. EOE ■

If you have a job opening at your bank or something to sell, send your classified listing via email to [ademers@sdba.com](mailto:ademers@sdba.com) and we will post it on the SDBA website and print it in the South Dakota Banker Magazine. The fee is \$50 per ad (200 word limit) for SDBA members or \$100 per ad (200 word limit) for non-members. Questions, call 605.224.1653.

## **Proposal to Address Appraiser Shortage Adopted**

**T**he Appraisal Qualifications Board announced Feb. 1, 2018, that it will adopt a proposal to change the qualification criteria for real property appraisers. The ABA – which has long raised concerns about the shortage of appraisers, particularly in rural areas – supported the proposal, noting in previous comments that it “presents workable solutions that will keep the industry viable with improved residential licensing criteria, while maintaining high certification standards.”

Effective May 1, the AQB will reduce the college-level

education degree requirements for licensed residential and certified residential appraisers, create an alternative track for licensed residential appraisers to become certified without obtaining a bachelor's degree, and reduce the number of field hours needed to obtain certification from 2,000 to 1,000 for licensed appraisers and 2,500 to 1,500 for certified appraisers. ABA believes that these changes are an important step toward encouraging new entrants into the profession and addressing the appraisal issues currently facing the industry. ■

## Seminars/Conferences/Webinars/Schools

### SDBA EVENTS

#### **SDBA State Legislative Day**

Feb. 7, 2018 | Pierre

#### **NDBA/SDBA Bank Management Conference**

Feb. 16-17, 2018 | Scottsdale, Ariz.

#### **IRA Update Seminar**

Feb. 21, 2018 | Sioux Falls

#### **New Accounts Seminar**

April 4, 2018 | Sioux Falls

#### **SDBA Agricultural Credit Conference**

April 11-13, 2018 | Pierre

#### **ABA Government Relations Summit**

April 23-25, 2018 | Washington, D.C.

#### **SDBA/NDBA Annual Convention**

June 10-12, 2018 | Fargo

#### **SDBA Bank Technology Conference**

Sept. 11-12, 2018 | Sioux Falls

#### **SDBA Lead Strong: Women in Banking Conference**

Oct. 2, 2018 | Sioux Falls

### WEBINARS

For a complete list of webinars, visit [www.sdba.com/webinars](http://www.sdba.com/webinars).

#### **Feb. 12, 2018**

Consumer Real Estate Loans

#### **Feb. 13, 2018**

Box Renter Dies, Who Goes Into the Box?

#### **Feb. 13, 2018**

New Accounts Seminar—Trust and Fiduciary

#### **Feb. 14, 2018**

Regulation CC—Check Holds

#### **Feb. 15, 2018**

Compliance Rules for Commercial Loans Secured by Real Estate

#### **Feb. 15, 2018**

Mapping Multi-Tiered Business Accounts

#### **Feb. 16, 2018**

Call Report for Banks—Recent Changes, Highlights and Pitfalls

#### **Feb. 20, 2018**

Writing an Effective Credit Memorandum

#### **Feb. 21, 2018**

ACH Rules Update

#### **Feb. 21, 2018**

Open-Ended Lines of Credit—Compliance Issues

#### **Feb. 22, 2018**

Ransomware and Cyber Extortion

#### **Feb. 22, 2018**

Vital Check and Deposit Issues—Part I

#### **Feb. 23, 2018**

Dealing with Appraisals: Regulations and Requirements

#### **Feb. 26, 2018**

Basic Personal and Business Tax Return Analysis

#### **Feb. 27, 2018**

BSA Emerging Issues 2018

#### **Feb. 28, 2018**

It's Time for a TRID Check Up

#### **Feb. 28, 2018**

ACH Origination and Same Day Entries

#### **March 1, 2018**

Addressing Threats of Violence

#### **March 1, 2018**

Basic Bankruptcy for Bankers

#### **March 2, 2018**

Call Report—Lending Schedules for Banks

#### **March 5, 2018**

Commercial Construction Lending

#### **March 6, 2018**

Residential Construction Lending

#### **March 6, 2018**

Best-Ever Compliance Checklists for Commercial Loans

#### **March 7, 2018**

Compliance Perspectives

#### **March 8, 2018**

How to Analyze a Start-up Business

#### **March 12, 2018**

For Bank Managers, Trainers & RMs:  
How to Create, Cultivate and Convert  
More Banking Sales Leads

#### **March 13, 2018**

Analyzing Appraisals for Mortgage Decisions

#### **March 14, 2018**

Understanding the New Mortgage Services Rules

#### **March 14, 2018**

BSA Series: Completing CTR & SAR Reports Line by Line

#### **March 15, 2018**

Cybercrime and the Dark Web

### SCHOOLS

#### **GSB Bank Technology Management School**

April 8-13, 2018 | Madison, Wis.

#### **GSB Human Resource Management School**

April 15-20, 2018 | Madison, Wis.

#### **Dakota School of Lending Principles**

April 24-27, 2018 | Aberdeen, S.D.

#### **GSBC Community Bank Investments School**

May 20-24, 2018 | Denver, Colo.

#### **Dakota School of Banking**

June 17-22, 2018 | Jamestown, N.D.

#### **National School for Experienced Ag Bankers**

June 25-29, 2018 | Spearfish, S.D.

#### **Graduate School of Banking at Colorado**

July 15-27, 2018 | Boulder, Colo.

#### **Graduate School of Banking at Wisconsin**

July 29-Aug. 10, 2018 | Madison, Wis.

#### **SDBA IRA School**

Sept. 5-7, 2018 | Sioux Falls

#### **GSB Financial Managers School**

Sept. 9-14, 2018 | Madison, Wis.

#### **GSB Sales and Marketing School**

Oct. 14-19, 2018 | Madison, Wis.

#### **GSB Bank Technology Security School**

Oct. 21-26, 2018 | Madison, Wis.

For more details and to register for a training, visit the SDBA's online event calendar at [www.sdba.com/events](http://www.sdba.com/events).  
Or contact the SDBA's Halley Lee at [hlee@sdba.com](mailto:hlee@sdba.com) or 800.726.7322.

# GSB 2018

## HUMAN RESOURCE MANAGEMENT SCHOOL



## April 15-20, 2018

Fluno Center for Executive Education  
Madison, WI

The human resource function directly impacts your bank's productivity and bottom-line results. That's why HR professionals in financial services require a working knowledge of the business of banking as well as strong talent management and leadership skills. This one-week school is designed specifically for HR professionals in banking and ties together banking and human resource leadership.

Expand your knowledge of banking, human resource management and employee performance at this respected school—and establish a network of colleagues to exchange ideas for years to come. Topics are timely and relevant, and may include:

- Introduction to the Business of Banking
- Bank Profitability Analysis
- Asset/Liability Management
- Bank Regulatory & Competitive Environment
- Strategic Planning & Marketing
- HR's Role in Building and Maintaining Company Culture
- Role of Benefits in Total Rewards
- Building a Talent Management Succession Plan
- Employment Law Update
- Developing a Base Compensation Plan
- Best Practices: Building and Refining Incentive Compensation Plans

### All-Inclusive Tuition Adds Value

Human Resource Management School tuition includes a non refundable \$350 registration fee and all instructional materials. Tuition also includes a full breakfast and lunch daily, welcome reception, closing night dinner and five nights single occupancy lodging. 2018 tuition is \$3,150.



**Scholarships available!**

See [gsb.org](http://gsb.org) for details

**Sponsored by:**

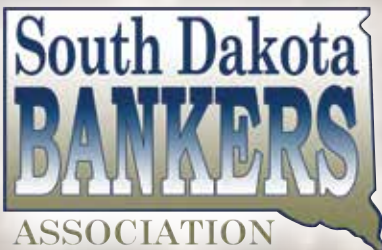


**Graduate School of Banking**  
at the University of Wisconsin – Madison



# South Dakota Bankers Association 2018 AGRICULTURAL CREDIT CONFERENCE

April 11-13, 2018 | Ramkota Hotel & Conference Center | Pierre, S.D.



## Keynote Speakers



The SDBA Agricultural Credit Conference focuses on the unique needs of ag bankers and the need for quality information and training to better serve their customers. The SDBA has lined up speakers on a variety of timely topics to help ag bankers navigate through challenging times. Experienced and new ag lenders, as well as CEOs, will all benefit from this conference.

Sponsored by:

