

**1971  
Annual  
Report**



**Bank of  
North Dakota**



## THE BANK OF NORTH DAKOTA PHILOSOPHY

- I To encourage and promote agriculture, commerce and industry in North Dakota
- II To provide the most efficient and economical financial service to the state, its agencies, and instrumentalities
- III To provide professional assistance whenever possible and wherever it will encourage and promote the well being and advancement of North Dakota and its citizens

The Bank of North Dakota is owned, operated and controlled by the State of North Dakota under the supervision of the Industrial Commission.

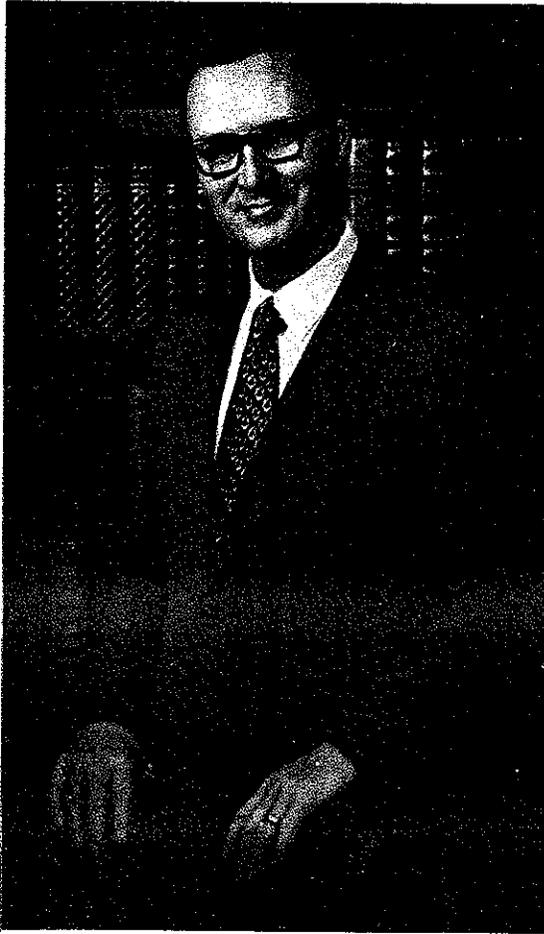
William L. Guy  
Governor, Chairman

Helgi Johanneson  
Attorney General

Arne Dahl  
Commissioner of Agriculture

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H. L. Thorndal  
President and Manager



## TO THE CITIZENS OF NORTH DAKOTA:

The Bank of North Dakota was established a little over fifty years ago for the purpose of encouraging and promoting agriculture, commerce and industry. There never was a time when the need was greater for the Bank's service than now.

The Industrial Commission made up of the Governor, Attorney General, and Commissioner of Agriculture, is responsible for approving the programs established under the policy set forth in the law.

The Bank undoubtedly reached a new high level in public service in 1971. It has done things that other credit institutions would find difficult or impossible in service to state government and the public.

The Bank made the first Federally Insured Student Loan in the nation in 1967, and its loan volume and service to students and parents has been unsurpassed.

The Bank's agreement to purchase home loans from other institutions has helped North Dakota to increase new home construction.

A new farm ownership loan program has been started by the Bank in cooperation with the Farmers Home Administration. This is a continuation of the program whereby the Bank has assisted other credit institutions to make Farmers Home Administration loans.

The Bank continues to be a major source of loan funds for new industry under the Small Business Administration.

Industry and other banks have benefited by the expert loan evaluations of the very competent Bank of North Dakota staff as every effort is made to finance new industry with other financial institutions participating.

Political subdivisions have continued to get the backup service they need from the Bank to assure that their bond issues are purchased and at the lowest interest cost possible.

The Bank has been given an ever increasing responsibility in state government. Its work as an investing agent for the State Investment Board and the Board of University and School Lands has been outstanding this past year in vastly increasing the income to trust funds held by these boards.

The Bank began a facility and equipment modernization program in 1971 that will put a computer to work in quarters conducive to greater efficiency through air and noise conditioning.

After enjoying the most profitable year in the Bank's history, the Industrial Commission ordered a transfer of \$1 million from the Bank's Undivided Profits to the Surplus Account to enable the Bank to make larger loans.

I urge you to read this report. Our state can be proud of the Bank of North Dakota's accomplishments in 1971, when it broadened its many programs of serving the public and state government in complete cooperation with the other credit institutions of our state.

  
William L. Guy  
Governor of North Dakota

TO: THE NORTH DAKOTA INDUSTRIAL COMMISSION

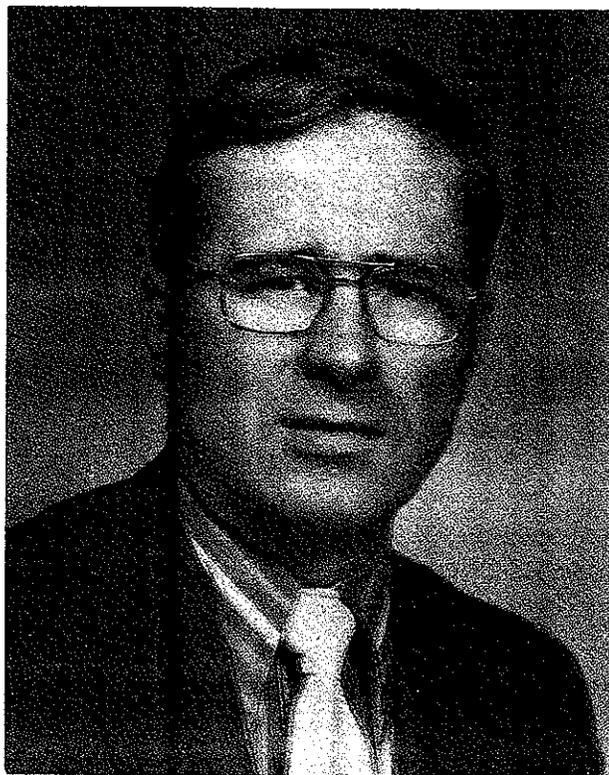
The Bank of North Dakota had record growth in 1971. Year end resources were up \$34 million, over the previous year, to \$178,070,447.39. The Bank reached an all-time high of \$184,713,448.99 on November 17, 1971. We anticipate passing \$200 million in resources early in 1972. Net operating earnings reached a new high of \$4,839,328.68, and the onetime transfer of the Judge A. M. Christianson Project's profits of \$674,569.24 brought the total earnings to \$5,513,897.92.

I refer you to the comparative balance sheet, statement of earnings, reconciliation of capital accounts and the department's narrative in this report. Several new programs were started in 1971. The Bank created a secondary market for Federally Insured Student Loans and FHA and VA Insured Residential Mortgages by offering to buy these types of loans from other North Dakota financial institutions. We have also started making direct Farm Ownership Loans, an area the Bank hasn't been in for several decades. Twenty-three North Dakota banks opened correspondent accounts with the Bank of North Dakota in 1971. One hundred forty-seven of this State's 167 banks maintain an account with the Bank of North Dakota. Clearing activity was exceeding 80,000 checks per day at year end.

The remodeling program is on schedule. Bids will be let for the mechanical portion and the basement and first floor in February of 1972. The second floor should be completed by March of 1972. The computer will be delivered in January, and we expect to have it "on line" by February 1, 1972.

We anticipate a slight decrease in bond financing in 1972. Student Loans will increase; however, we now have over 2,600 student loans in repayment, and this should result in a smaller increase next year. Repayments of student loans has been excellent. FHA and VA Residential Mortgages may decrease; however, our participation in HUD Multi-Family housing projects will substantially increase our housing loan totals in 1972. We expect a substantial increase in Bank Participation Loans, particularly farm overlines, in the coming year. We will continue to negotiate interest rates on large Certificates of Deposits in 1972. Operating expenses in 1971, other than interest on time money, increased only \$20,546.92. By expanding higher earning loans, keeping time money costs in line with national money market rates and carefully managing operating expenses, we believe 1972 will be another outstanding year for the Bank of North Dakota.

I am sorry to report the deaths of two of our officers. Delvin T. McNeill, Cashier, passed away on March 24, 1971. Phil Hoghaug, Investment Counselor, passed away on November 5, 1971. They are missed by all of their co-workers in the Bank.



James H. Kelly joined the Bank in February and was named Executive Vice-President in December. Charles F. Campbell, Martin Stenehjelm and Ernest Pederson were named Vice-Presidents in December. Ruben Sailer assumed the position of Cashier, in addition to being Auditor. John Dewald joined the Bank in February, 1971, and assumed the management of the Cash Settlement Desk in December. Gail Vetter was promoted to Loan Officer. We plan to reorganize and expand the Loan Department in 1972.

Alton Swanson retired after 29 years of service as head of our Printing and Supply Department in February, 1971. I am sorry to report he passed away in July.

We hope to have the Bank "computerized" in 1972, and to have completely remodeled facilities. We look forward to 1972 with confidence and enthusiasm, and will continue our dedication to be of service to North Dakota and its citizens.

A handwritten signature in dark ink, appearing to read "H. L. Thorndal". The signature is fluid and cursive, written over a light background.

H. L. Thorndal  
President and Manager  
Bank of North Dakota

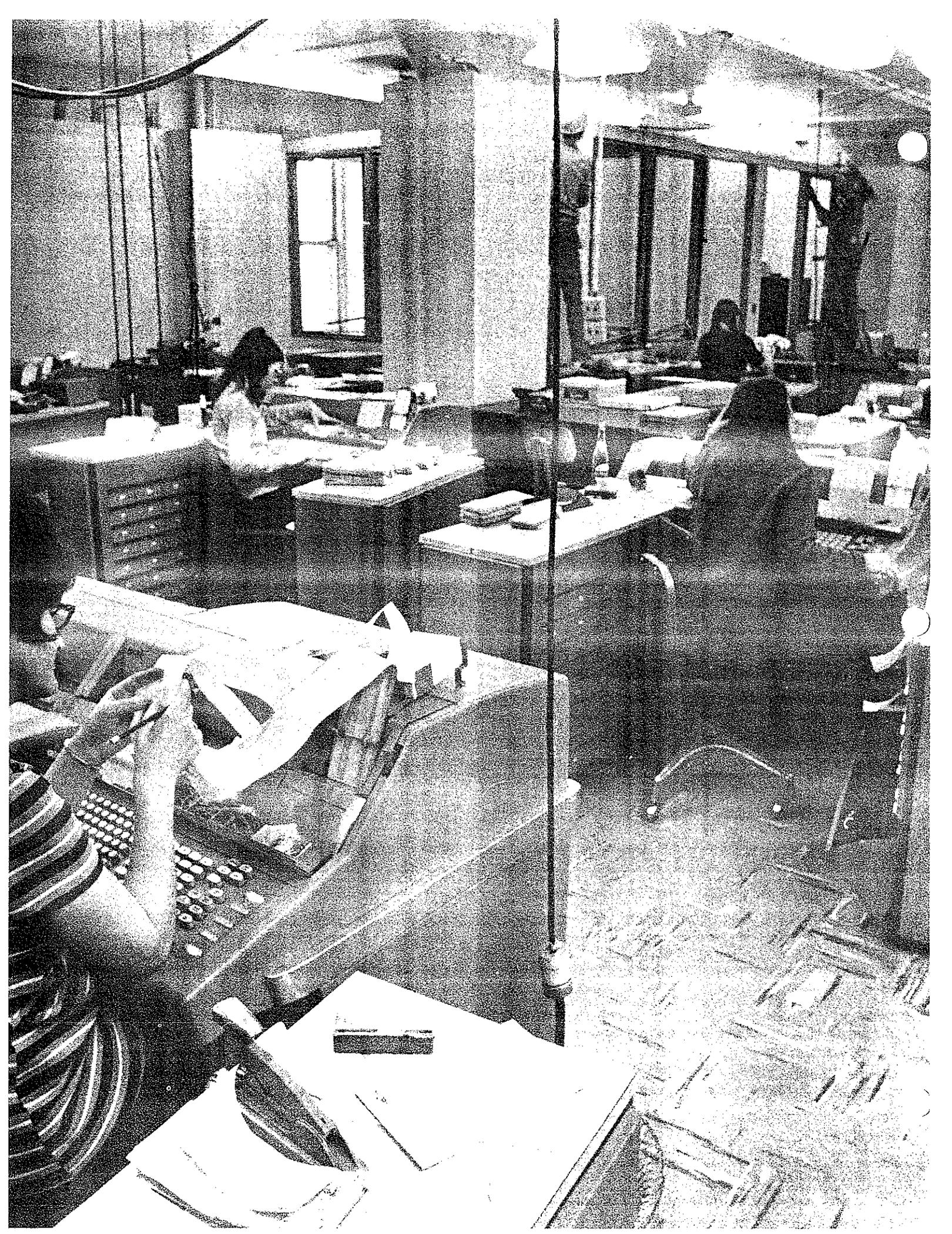


## **AGRICULTURE**

1971 was the year in which the Bank took a new approach towards agriculture. Realizing the ever-increasing need for term and working capital loans, a participating loan program was instigated to assist local lending institutions in providing funds to this most important facet of our economy.

The Bank of North Dakota has developed a program in conjunction with the Farmers Home Administration whereby the Bank of North Dakota will be lending monies to farmers and ranchers for the purpose of land expansion and development. Some \$5,000,000 have been earmarked to encourage and enhance the concept and idea of the unit farm and ranch.

The farm sector of the State's economy is further aided when the Bank of North Dakota acts as agent for the North Dakota Rural Rehabilitation Corporation in making FHA subordinated farm operating loans when credit is not available from other lenders.



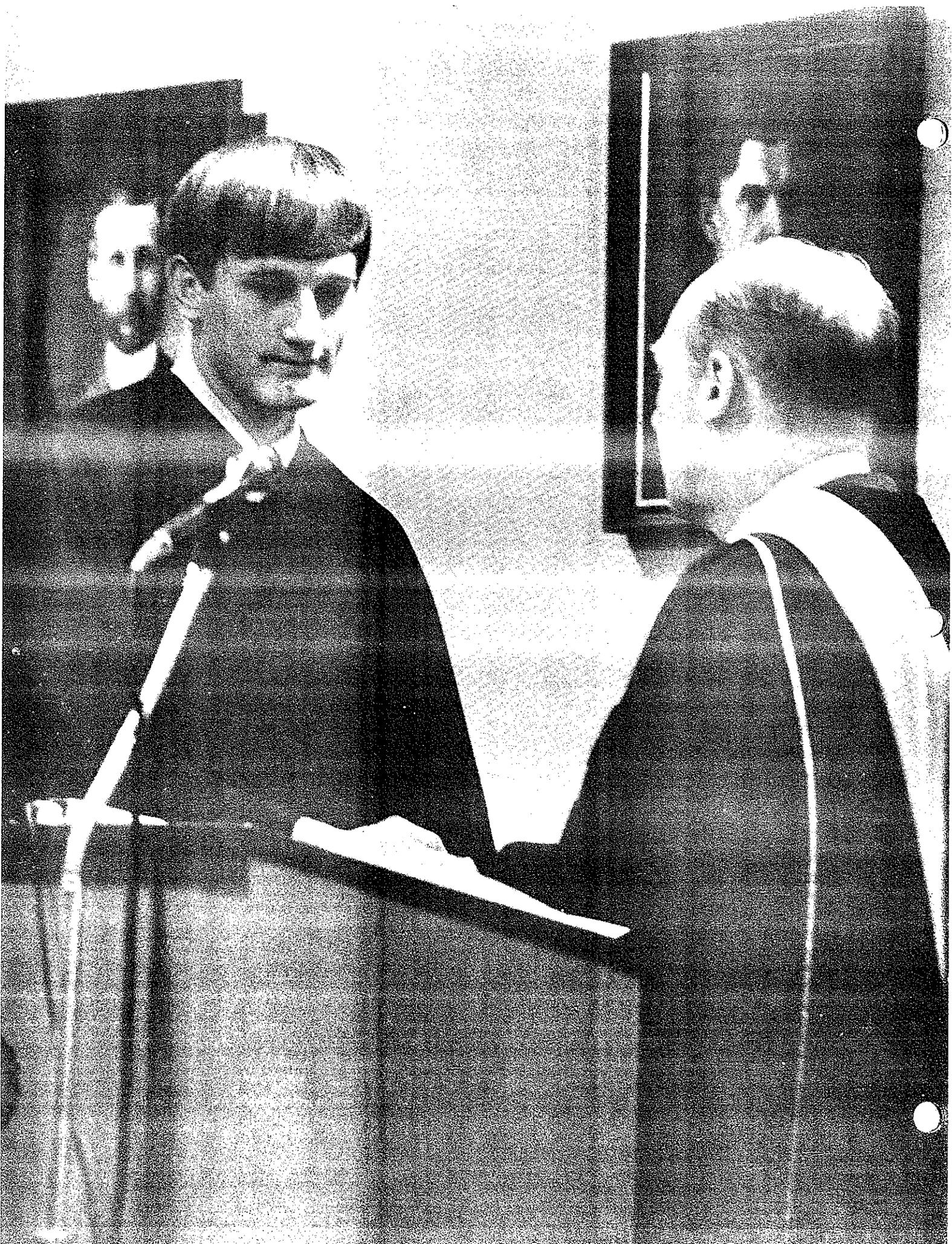
## **REMODELING AND COMPUTERS**

The tremendous growth of the Bank of North Dakota's resources, some fifty million dollars in the 1969 - 71 period, and the corresponding increases in the volume of work dramatically underscore the need for improved equipment and additional, more efficient working space.

A Burroughs Computer is being installed in early 1972 and will be put to work immediately. The Demand Deposit Programs and the Proof and Transit Programs are completed and ready for the final testing. The Savings, Certificate, and Deposit programs, Real Estate Loans, Securities Portfolio, and General Ledger are scheduled to be computerized during the first half of 1972.

The remodeled Operations Department of the Bank's second floor provides room for the computer with adjacent work preparation areas and office space for efficient banking operation. The office of our General Counsel has been remodeled to include a much needed conference room.

Renovation of the Bank will continue throughout 1972 and will result in a more productive work environment as well as the capability to efficiently handle the present work load and the anticipated additional growth.



## STUDENT LOANS

Mr. Graden Porter, whose graduation picture appears here, was the recipient of the first student loan in the United States under the Federally Insured Student Loan Program. The Bank of North Dakota processed this loan August 10, 1967, and, with the assistance of subsequent loans, Mr. Porter graduated from Valley City State College November 18, 1971, with a degree in education.

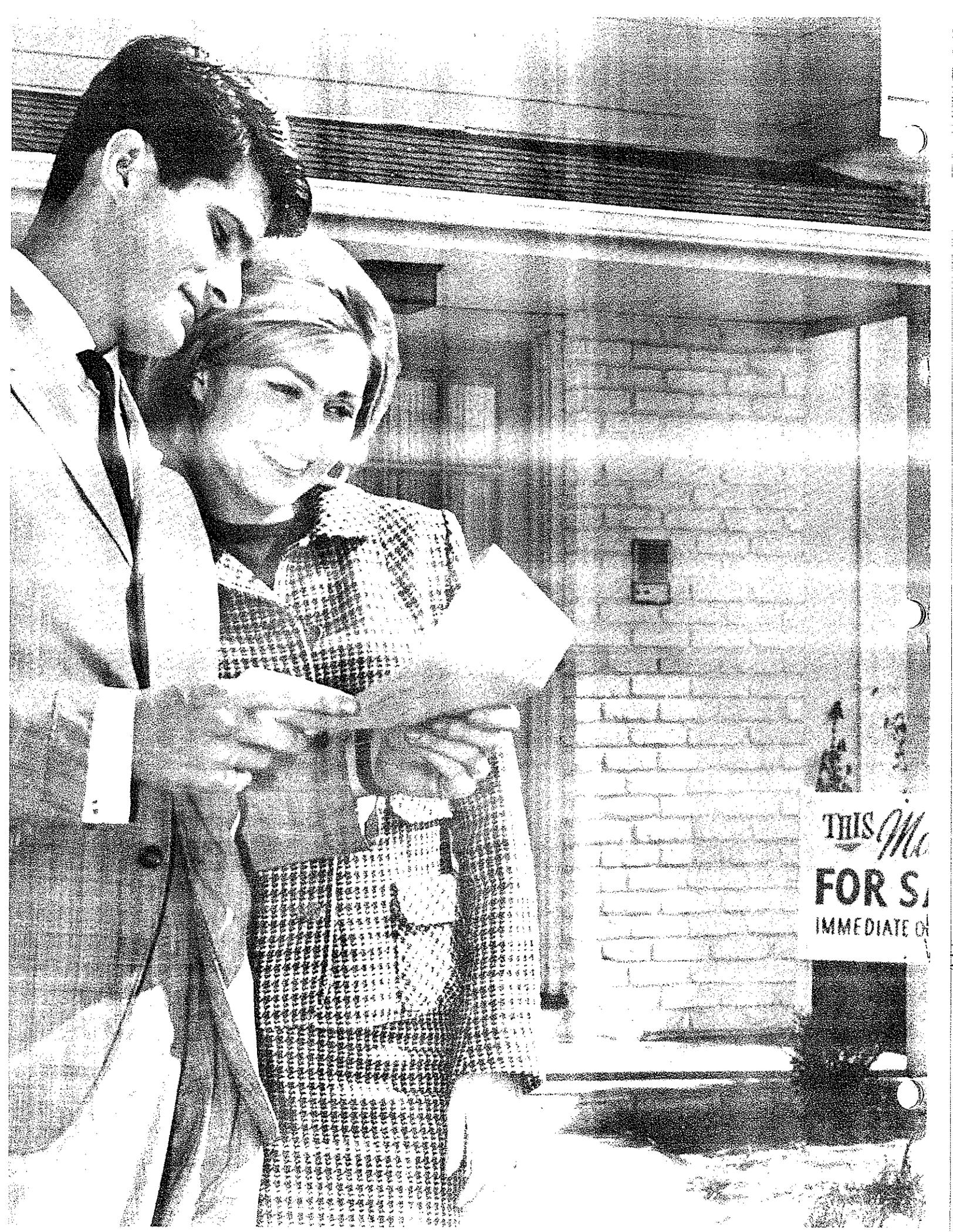
Mr. Porter stated at his graduation ceremonies that the assistance afforded by this program made it possible for him to attain his degree.

Since the first loan was made, your bank has processed 18,500 loans to other North Dakota students for a total of \$15,833,250.95. This constitutes approximately 30 percent of the total amount processed by all eligible lenders in the State of North Dakota.

In June of 1971, the Bank of North Dakota established a Secondary Market for student loans held by eligible local lenders. Under this program the Bank of North Dakota purchases loans of North Dakota students in the senior or last year status, thereby releasing additional funds to local lenders so they may start over with first year students. To date, 71 local lenders have made use of this program for a total of \$2,450,000.

The goal of the Bank of North Dakota is to provide the leadership and participation necessary so that NO North Dakota student shall be denied the opportunity to further their educational desires because of lack of financial assistance. The fact that North Dakota ranks first in the nation in the availability of loans to students of college age is a direct result of your bank's participation in this important and worthwhile program.

With over 2,600 student loans now in repayment status, it is apparent that the North Dakotans who have benefited from this program are deeply appreciative. The repayment record is excellent in spite of the tight job market facing recent graduates.



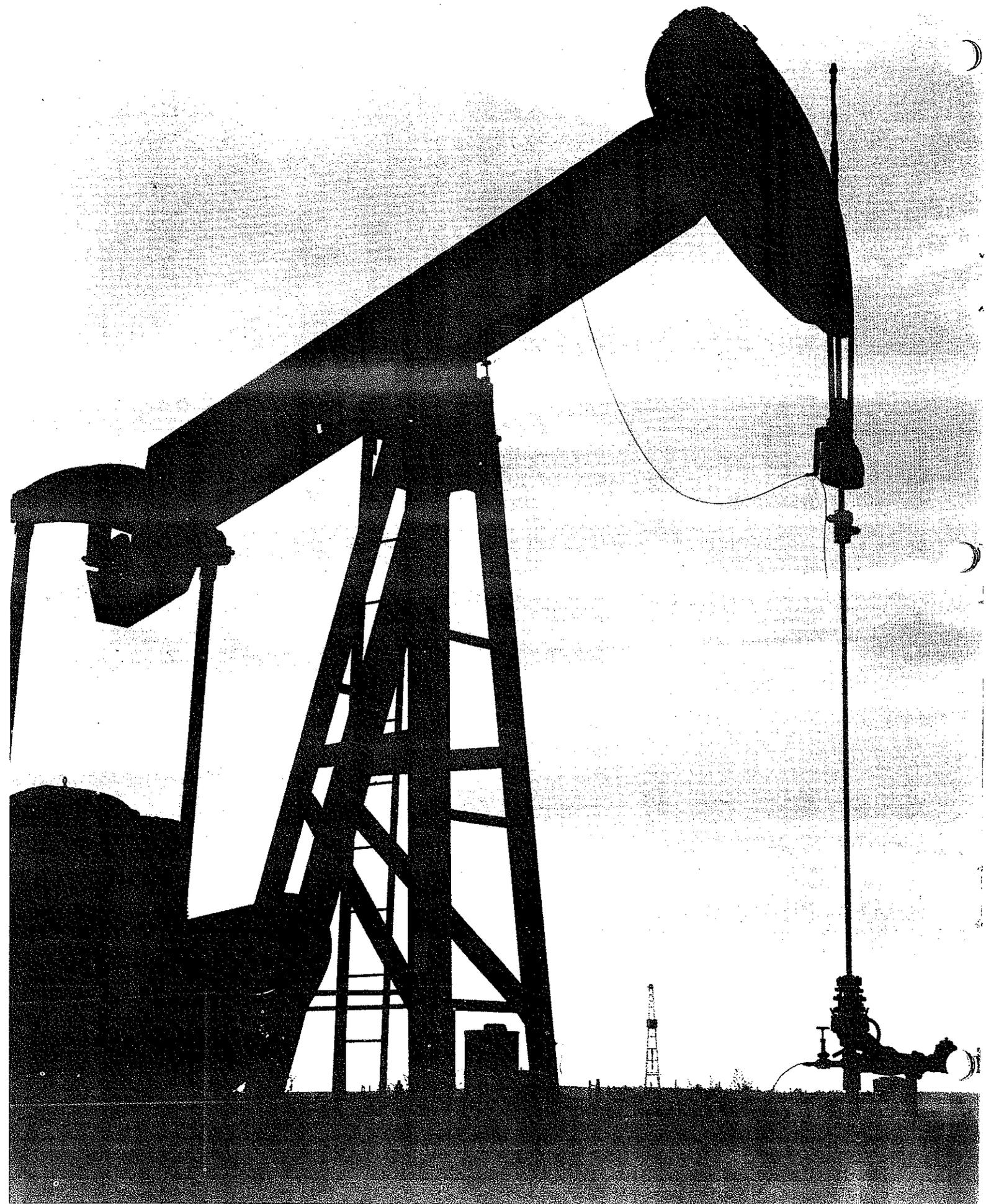
THIS HOME  
FOR SALE  
IMMEDIATE OFFER

## **REAL ESTATE**

Purchasing your own home was greatly simplified in 1971 when the Bank of North Dakota initiated, in cooperation with hometown lending institutions, a secondary market in the single-family housing area. Through this program, the Bank of North Dakota increased its 1971 home lending investment by more than \$3,737,000.

Over two hundred new jobs were made possible by a more aggressive attitude towards commercial and industrial development. The Bank's investment in this aspect of the State's economy increased more than \$3,000,000 in 1971.

It is the Bank of North Dakota's intention to continue to expand in this area in cooperation with other lending institutions as stated in the Bank's Philosophy which pledges . . . . the encouragement and promotion of agriculture, commerce and industry in North Dakota.



## MINERAL LEASING DEPARTMENT

The Mineral Leasing Department is a by-product of the direct farm loan business engaged in by the state during the 1920's and the early 1930's.

The State, through the Bank of North Dakota, made 16,482 loans covering 4,129,130 acres of land in the amount of \$39,573,000 since 1920. Through loan failures, the State acquired 1,600,000 acres all of which have been sold except 969.7 acres.

By reserving 5 percent of the minerals in land sold in 1939 and 1940, and 50 percent of the minerals in land sold after 1940, the State now has approximately 750,000 mineral acres. The leasing of minerals for oil and gas exploration has brought \$5,856,283.34 to the State of North Dakota. The income from the minerals in 1971 through November was \$218,831.21, with about \$15,000 expected in December. This income comes from lease bonuses, delay rentals and royalties.

This department also manages the Judge A. M. Christianson Project consisting of 30 purchase contracts, five rental units in the project at Burlington, North Dakota plus some cultivated land and grass land along the Des Lacs and Souris rivers in the Burlington area.

The department services twenty-four GI farm loans and the Nursing and Home for Aged Revolving Loan Fund consisting of fifteen loans with a total principal balance of \$1,360,537.82.

A new venture of the department is to act as agent for the North Dakota Rural Rehabilitation Corporation in making (FHA subordinated) farm operating loans. These loans are made only when credit is not available from other lenders.



## SECURITIES AND BONDS

November 16, 1971, is noted as a day of achievement, for on that day the Bank of North Dakota finalized the sale of the Vietnam Veterans Adjusted Compensation Bonus Bonds. The Bank, acting as agent for the North Dakota Industrial Commission and in compliance with the 1971 legislative actions, undertook the task of preparing the issue and presenting it to the National Securities Market for competitive bidding. The successful bid of an interest rate of 3.8652 percent was most advantageous to the State of North Dakota and the proceeds of \$15,000,000 realized from this sale will provide a substantial bonus for some 33,000 North Dakota veterans of the Vietnam Conflict.

The Securities Department of the Bank of North Dakota had a very active year. Sales of Municipal Bonds for the year totaled \$10,400,000 to both commercial and private sources. In addition to this, a total of \$4,058,000 was dispensed in Bond Repurchase Agreements.

The bank purchased \$1,935,000 of tax based Municipal Bonds plus \$1,480,000 of Municipal Industrial Development Bonds, and \$2,822,000 of Board of Higher Education Bonds.

In addition to the Securities above, the Bank of North Dakota also manages the Teachers Retirement, Bonding, Fire and Tornado, Highway Patrol, and Workmen's Compensation Funds. These funds under the management of the Bank increased from \$60,907,301.59 on December 31, 1970, to \$63,745,728 on December 31, 1971. In September of 1971 the Bank was given the responsibility for the securities portion of the State Common School Land Fund. During the four-month period, the par value of the Fund was increased \$200,000, and the earning capacity of the Fund was increased \$829,324.73. The security assets of the State Common School Land Fund totaled \$28,802,301 as of December 31, 1971.

## INDUSTRIAL COMMISSION

William L. Guy, Chairman  
Governor

Helgi Johanneson, Member  
Attorney General

Arne Dahl, Member  
Commissioner of Agriculture

### OFFICIAL STAFF

H. L. Thorndal, President and Manager  
James H. Kelly, Executive Vice-President  
Robert A. Birdzell, General Counsel  
D. C. Kierland, Vice President  
C. C. Bantz, Vice-President  
Charles R. Campbell, Vice-President  
R. E. Sailer, Auditor and Cashier  
Martin Stenehjelm, Vice-President  
Ernest Pederson, Vice-President  
Shirley Homuth, Ass't. Cashier

### AUDIT DEPARTMENT

R. E. Sailer, Auditor and Cashier  
Martha Huber, Ass't. Auditor  
Allan Nosbusch, Ass't Auditor  
James Franchuk, Ass't Auditor

### LOAN DEPARTMENT

James H. Kelly, Exec. Vice-President  
LeRoy Gilbertson, Loan Officer  
John W. Fay, Loan Officer  
Gail Vetter, Loan Officer  
Duane Wagner, Service Officer  
MeDonna Fryer, Loan Teller

### LEGAL DEPARTMENT

Robert A. Bridzell, Gen. Counsel

### CASHIER'S DEPARTMENT

R. E. Sailer, Auditor and Cashier  
Ila Eckroth, Head Teller

### MANAGEMENT COMMITTEE

H. L. Thorndal, Chairman  
James H. Kelly  
D. C. Kierland  
C. C. Bantz  
R. E. Sailer  
Ila Eckroth  
Martin Stenehjelm  
Ernest Pederson

### ADVISORY BOARD

Eugene Rich, Chairman  
Exec. V. P., St. Bank of Fargo  
Richard Carley, Vice Chairman  
Pres. Casselton State Bank  
Noel Fedje, Secretary  
V. P., Dain, Kalman & Qual  
Lloyd Everson, Member  
Pres., Northern National Life Ins. Co.  
W. E. Koenker, Member  
V. P., University of North Dakota

### OPERATIONS DEPARTMENT

D. C. Kierland, Vice-President  
Carl Arndt, Ass't. Manager  
Evelyn Zelmer, Chief Clerk

### SECURITIES DEPARTMENT

C. C. Bantz, Vice-President  
Charles F. Campbell, Vice-President  
Shirley Homuth, Ass't. Cashier  
Eva Goetz, Invest. Secretary  
John Dewald, Settlement Desk

### STUDENT LOAN DEPARTMENT

Martin Stenehjelm, Vice-President  
I. Jeannine Christy, Ass't. Manager  
Stella Van Dyke, State Scholarship

### MINERAL LEASING DEPARTMENT

Ernest Pederson, Vice-President  
Teresa Martin, Bookkeeper

### INVESTMENT COMMITTEE

H. L. Thorndal, Chairman  
James H. Kelly  
Robert A. Birdzell  
C. C. Bantz  
Leroy Gilbertson  
Charles F. Campbell

## STATEMENT OF CONDITION

ASSETS	Dec. 31, 1971	Dec. 31, 1970
Cash and Due from Banks	\$13,217,599.70	\$10,175,189.03
U. S. Government Securities	17,420,792.15	25,568,916.35
Federal Agencies Securities	31,007,729.82	24,014,525.38
State and Municipal Securities	11,196,549.48	21,231,053.84
Bankers Acceptances & Other Investments	32,686,086.00	11,590,520.56
Federal Funds Sold	8,100,000.00	3,300,000.00
Loans		
Farmers Home Administration Notes	\$19,685,604.02	\$16,445,942.03
Federally Insured Student Loans	15,195,049.60	8,491,645.98
GI & FHA Farm and Home Loans	17,945,632.55	14,130,272.42
Loans to State Institutions	236,374.10	1,626,575.72
Farm & Real Estate Contracts	185,671.50	4,457.14
SBA Guaranteed Participation Loans	4,008,187.92	3,389,838.97
N. D. Bank Participation Loans	5,081,693.58	2,729,548.14
Bank Premises and Equipment	2.00	2.00
Accrued Interest Receivable	<u>2,103,474.97</u>	<u>1,221,523.61</u>
<b>TOTAL ASSETS</b>	<b><u>\$178,070,447.39</u></b>	<b><u>\$143,920,011.17</u></b>
<b>LIABILITIES</b>		
Demand Deposits:		
Individual, Partnership & Corporation	\$2,423,774.20	\$2,067,961.90
Deposits of Banks	8,087,245.33	4,608,527.88
U. S. Government	770,508.14	160,938.02
State Treasurer Account	31,178,117.19	20,144,224.62
Political Subdivisions	41,789,656.96	38,583,399.51
Cashier's Checks, etc.	389,043.53	310,394.06
Time and Savings Deposits:		
Individual, Partnership & Corporation	12,590,651.43	11,184,523.03
State Treasurer	36,592,636.00	31,945,336.00
Political Subdivisions	<u>20,143,029.41</u>	<u>13,145,260.18</u>
<b>TOTAL DEPOSITS</b>	<b>\$153,964,662.19</b>	<b>\$122,150,565.20</b>
Appropriation Due to State Gen. Fund (1)	\$4,875,000.00	\$1,375,000.00
Accrued Interest Expenses	729,453.93	512,492.56
Other Liabilities	<u>104,949.20</u>	<u>-----</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$159,674,065.32</u></b>	<b><u>\$124,038,057.76</u></b>
Reserves	\$2,716,395.84	\$2,723,697.96
<b>CAPITAL ACCOUNTS</b>		
Capital	\$2,000,000.00	\$2,000,000.00
Surplus	4,000,000.00	3,000,000.00
Undivided Profits	<u>9,679,986.23</u>	<u>12,158,255.45</u>
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>\$15,679,986.23</b>	<b>\$17,158,255.45</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b><u>\$178,070,447.39</u></b>	<b><u>\$143,920,011.17</u></b>

(1) The 1971 Legislature appropriated \$6,500,000.00 of the Bank's earnings to the State General Fund for the 1971 - 1973 biennium. This is payable in installments of \$1,625,000.00 each six months.

The 1971 Legislature appropriated \$500,000.00 of the Bank's earnings for the Industrial Building Mortgage Trust.

All securities are carried at par or cost, whichever is lower.

**"ALL DEPOSITS GUARANTEED BY THE STATE OF NORTH DAKOTA"**

## CONSOLIDATED STATEMENT OF EARNINGS

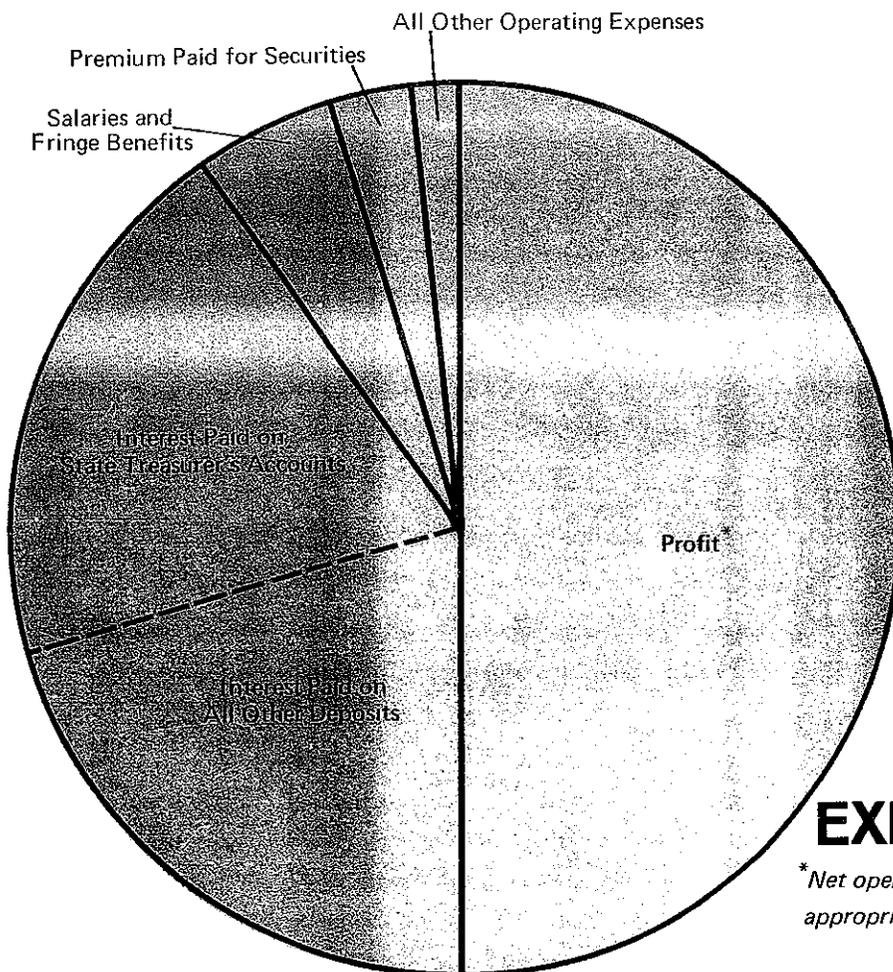
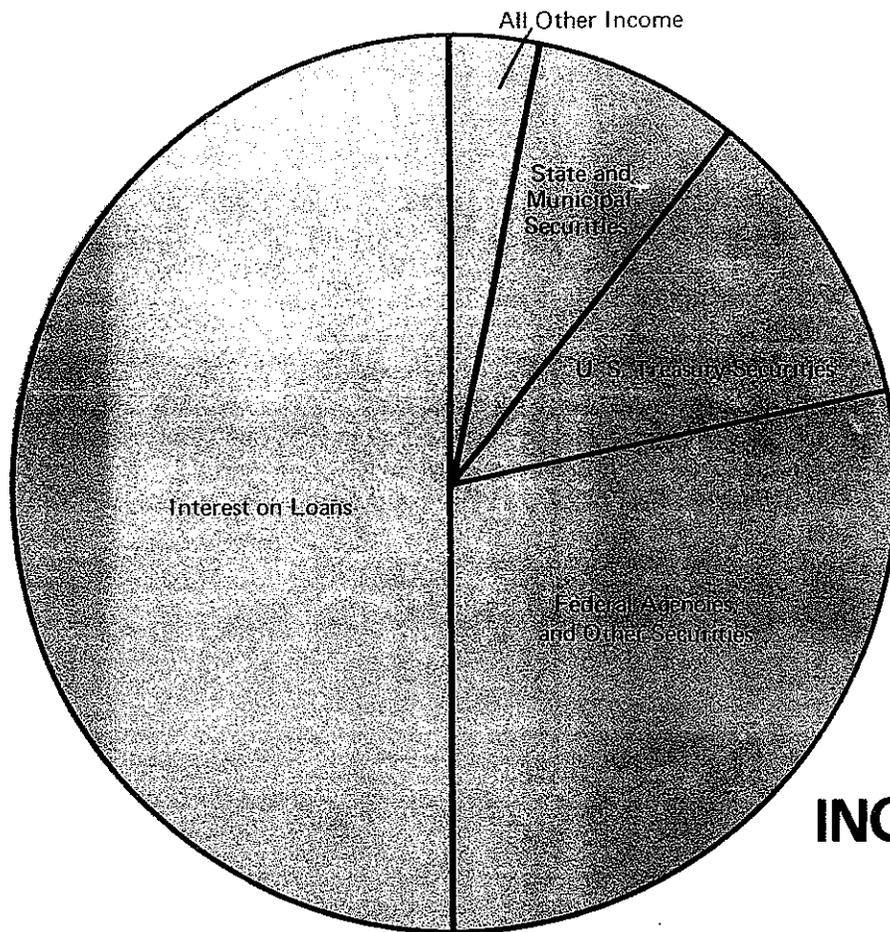
	1971	1970
OPERATING INCOME		
Interest on Loans	\$4,650,940.82	\$2,305,064.61
Interest and Dividends on:		
U. S. Treasury Securities	917,684.97	1,210,565.16
State and Municipal Securities	674,555.67	1,430,470.78
Federal Agencies and Other Securities	2,967,359.13	3,387,067.08
Interest on Federal Funds	120,523.92	237,591.48
Mineral Trust Expense Refund	23,300.00	26,850.00
State Scholarship Expense Refund	9,694.78	11,408.67
Fees, Charges, Rents & Other Income	<u>137,463.50</u>	<u>94,140.22</u>
<b>TOTAL INCOME</b>	<b>\$9,501,522.79</b>	<b>\$8,703,158.00</b>
Interest Paid on Deposits (1)	\$3,721,607.62	\$3,656,116.17
Other Charge Offs and Recoveries	<u>- 1,854.58</u>	<u>8,664.13</u>
Gross Income	\$5,781,769.75	\$5,038,377.70
Operating Expenses (Appropriated)		
Salaries	448,937.07	432,914.64
Retirement, F. I. C. A., Hospital Ins., OASIS	40,276.94	37,130.53
Fees and Services	118,189.48	117,878.66
Supplies and Materials	24,033.21	21,733.16
Equipment Purchased	13,184.48	17,790.49
Equipment Rental	<u>33,162.65</u>	<u>29,789.43</u>
<b>TOTAL EXPENSES</b>	<b>\$677,783.83</b>	<b>\$657,236.91</b>
Net Gain(or Loss) on Securities	<u>(264,657.24)</u>	<u>(53,618.77)</u>
<b>NET OPERATING INCOME</b>	<b><u>\$4,839,328.68</u></b>	<b><u>\$4,327,522.02</u></b>

(1) Includes \$1,755,850.74 paid to State Treasury accounts

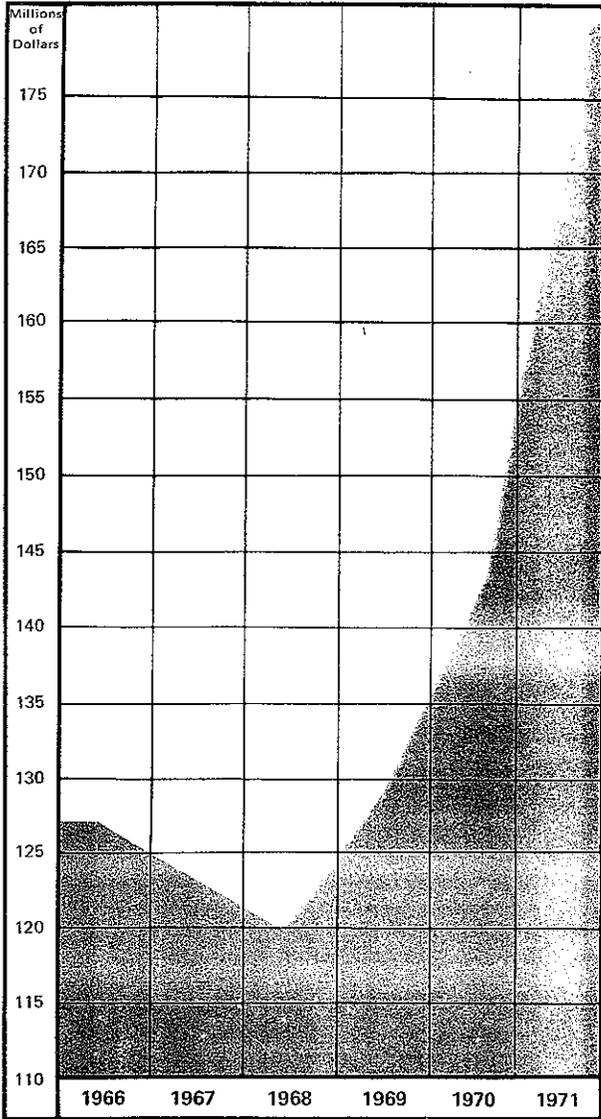
## RECONCILEMENT OF CAPITAL ACCOUNTS

	1971	1970
Balance at Beginning of Year (Capital, Surplus, Undivided Profit & Reserves)	\$19,881,953.41	\$20,110,159.41
ADDITIONS:		
Net Operating Income	4,839,328.68	4,327,522.02
Transfer of Judge A. M. Christianson Project (1)	674,569.24	
Transfer to Surplus from Undivided Profit	1,000,000.00	
Other Additions	<u>8,155.88</u>	<u>14,000.00</u>
<b>TOTAL ADDITIONS</b>	<b>\$6,522,053.80</b>	<b>\$4,341,522.02</b>
DEDUCTIONS:		
Transfer to N. D. General Fund (2)	\$6,500,000.00	\$4,125,000.00
Transfer to Industrial Building Mortgage Trust (3)	500,000.00	
Transfer to Surplus	1,000,000.00	
Charged Off Securities		340,323.02
Other Deductions	7,625.14	104,405.00
<b>TOTAL DEDUCTIONS</b>	<b><u>\$8,007,625.14</u></b>	<b><u>\$4,569,728.02</u></b>
Balance at End of Year	<u>\$18,396,382.07</u>	<u>\$19,881,953.41</u>

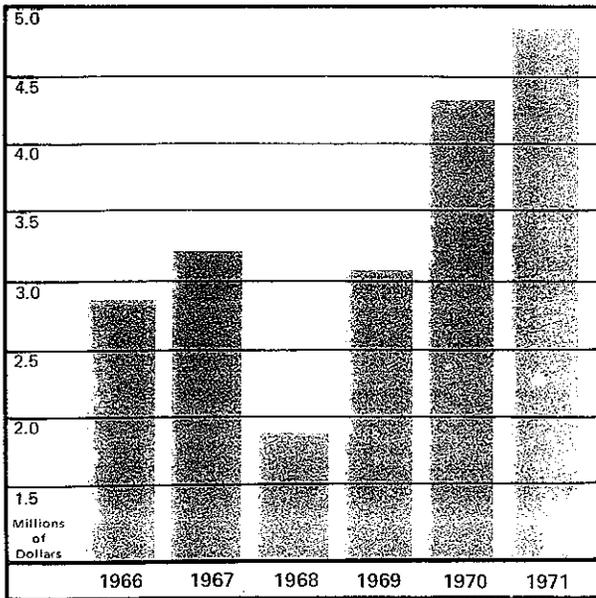
- (1) Judge A. M. Christian Project Transferred to The Bank of North Dakota by H. B. 1559.
- (2) Transferred to a liability account for the North Dakota General Fund from the Undivided Profit Account by S. B. 2319.
- (3) Transferred to Industrial Building Mortgage Trust by H. B. 1063.



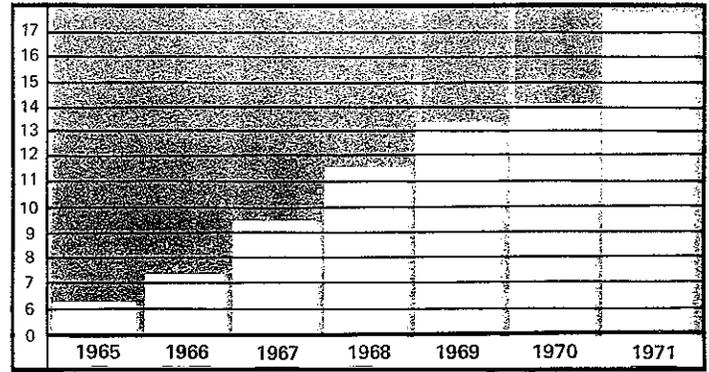
\* Net operating earnings available for future legislative appropriation to the State of North Dakota



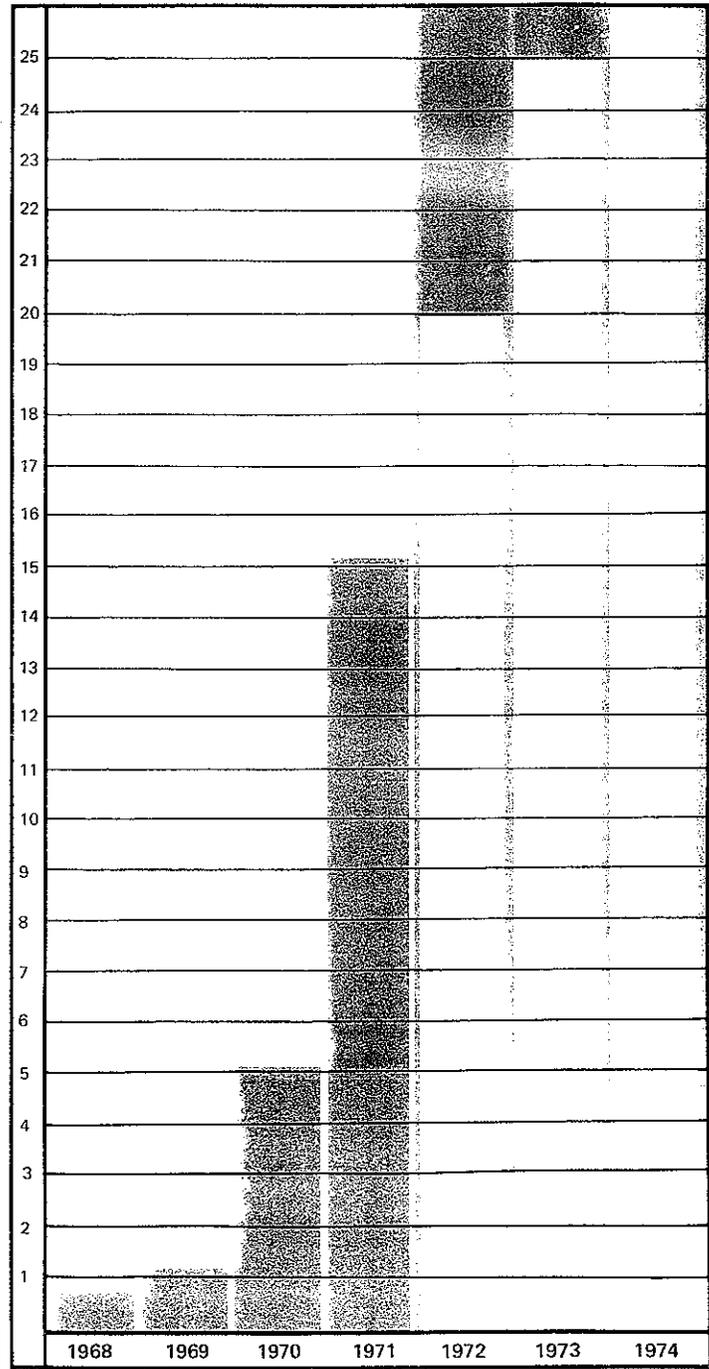
TOTAL RESOURCES



NET OPERATING INCOME



FARM AND HOME MORTGAGES VALUE



FEDERALLY INSURED STUDENT LOANS