



*Building Strong Financial Futures*

**2016**  
**ANNUAL REPORT**

# Board of Director's Chair Report

Our credit union was founded 86 years ago, yet today we remain focused on the same mission – serving our members. Each and every day we are helping our members overcome challenges by financing their first car, giving advice to improve their damaged credit score, or opening up an account to help them save for their dream vacation. I am pleased to report that Star Choice also continues to overcome challenges and improve the health of our credit union year after year. We were able to continue to grow both our loans and savings while significantly reducing delinquency. Loans granted are at an all-time high as we continue to help more and more members achieve their goals and dreams.

I want to remind you that your Star Choice Credit Union Board of Directors serves as elected representatives of our entire membership. Our purpose is to help guide the organization in its mission to improve the financial wellbeing of people. As our tagline states, we “Build Strong Financial Futures”. It’s our passion, it’s what we’re good at, and we’ve been doing it the right way since 1931.

We continued our dedication to the communities in which we serve by volunteering our time on many community projects. In 2016, we have:

- Continued our partnership with Volunteers Enlisted to Assist People, also known as VEAP, our local food shelf, to help improve the lives of the people in the community by raising money, donating time, and collecting food
- Hosted our 8th Annual BBQ for the Bloomington community in September
- Helped sponsor “National Night Out” in the immediate area of our Bloomington location
- Partnered with Hillcrest Community School doing a variety of things from serving lunch to making sure we do our part to start healthy savings habits for today’s youth
- Partnered with Meals on Wheels to deliver hot meals to senior citizens throughout Bloomington

As a result of our community involvement efforts and our commitment to the credit union philosophy of people helping people, we submitted entries to be considered for the Minnesota Credit Union Network’s 2016 Dora Maxwell and Louise Herring Awards. The Dora Maxwell Award recognizes credit union for Social Responsibility and the Louise Herring Award recognizes credit unions for their Philosophy in Action. We are proud to announce that we have been awarded first place in our asset category for both of these awards. Another great accomplishment for Star Choice this year is that we were one again nominated by a member for the 2016 Minnesota Business Ethics Award. We didn’t receive an ethics award this year, however, we were honored to be selected as a finalist.

As our membership at Star Choice continues to grow, I want to remind you that we can serve anyone who lives, works, worships and/or volunteers within Hennepin County, and those employed by a company within the information media, advertising or related services industry. Star Choice is positioned for great things in 2017. You can count on our commitment to put our members before profits and to provide you with the latest products and services to keep you up to speed. We are excited about what the future holds.

As always, I’d like to thank you for your membership at Star Choice.

Thank you,

Lynn Lettow  
Board Chair, Star Choice Credit Union

# President's Report

It is my pleasure to have been the President of Star Choice Credit Union for over 27 years! Star Choice Credit Union was founded in 1931, making this our 86th year of serving our members. This year has inevitably faced us with new challenges, opportunities and experiences and we are happy to report another year of growth and success for Star Choice Credit Union.

Last year, we made another enhancement to the security of our credit cards; we issued new EMV (chip) credit cards to all of our members with SCCU VISA cards. An EMV debit card contains an embedded microchip that encrypts information to increase data security when making transactions. When purchases are made using the chip feature, the transaction is more secure because of a unique process that is used to determine if the card is authentic. This makes the card more difficult to counterfeit or copy. While magnetic stripe cards are still considered secure, chip technology is the next step to providing enhanced security to our members.

Another change mid-year that most of you may have noticed is our new website, online banking, mobile banking and bill pay. These new applications are more robust and will position us to continue to make enhancements to these services in the future and have proven to be a much better value.

Some of the key indicators for 2016 at Star Choice reveal solid financial performance:

- Our membership is growing and is the highest it has been in 12 years
- We opened more than 575 new accounts last year
- The last seven years have been the strongest membership growth in our history
- Our operating expenses were only up slightly even after several service enhancements
- Our member savings accounts are the highest in our history
- We disbursed the most loans in our history
- The member loan balances are the highest in our history
- Our delinquent loans and loans charged off are better than our peer group
- Since the end of The Great Recession, we have had 5 consecutive years of positive earnings
- Our total assets are now over \$50M—the highest in our history
- We remain optimistic about positive trends continuing in 2017

I would like to give a special thank you to the Board of Directors and Supervisory Committee for their commitment over the years. Their leadership, wisdom and vision have been vital to the success of our credit union. I would also like to thank our management team and employees who have contributed to our mission of providing exceptional member service throughout this busy and productive year. Together we look forward to continued success of our credit union.

Finally, I would like to thank all of our members. We are thankful for your continued loyalty and support and we look forward to serving you and your families for many years to come.

Daniel E. Christiansen  
President

# Supervisory Committee's Report

During 2016, the Supervisory Committee conducted two audits of Star Choice Credit Union as of the effective dates of June 30 and December 31. Included in these audits were balance sheet and income statement examinations, appropriate tests on bank statements, reconciliations, investments, loans, share and deposit accounts and all reserve accounts. Semi-annual reports were sent to the Minnesota Department of Commerce in compliance with the state law. The Supervisory Committee presented monthly reports at the meetings of the Board of Directors.

Additionally, the Supervisory Committee contracted the services of Clifton Larson Allen, LLP, an independent accounting firm of certified public accountants, to assist in the performance of a comprehensive audit in order to render an opinion on management's financial statements. This firm, at the direction of the Supervisory Committee, has performed a verification of all members' accounts as well as all other procedures required.

In the opinion of Clifton Larson Allen, LLP, the statement of financial condition for the audit period presents fairly, in all material respects, the financial position of Star Choice Credit Union as of June 30, 2016 in conformity with Generally Accepted Accounting Principles.

Pam Skelly, Chair  
Jill Kaliher  
Ricky Brink

# Credit Manager's Report

<u>Activity</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Number of Loans Made	843	755	676
Loans Not Approved	165	179	201
Total Loans Disbursed	\$24,321,220	\$21,276,370	\$18,172,665
Average Loan Disbursed	\$28,851	\$28,181	\$26,883
Number of Uncollectible Loans Charged to Reserves	30	34	33
Amount of Loans Charged to Reserves	\$178,770	\$200,058	\$274,365
Amount Recovered on Loans Charged Off	\$14,267	\$15,453	\$22,557
Net Amount Charged Off	\$164,503	\$184,605	\$251,808
Number of Loans Made Since 1931	116,321	115,478	114,723
Total Loans Disbursed Since 1931	\$528,470,015	\$504,148,795	\$482,872,425
Loan Losses After Recoveries Since 1931	\$4,368,760	\$4,354,493	\$4,169,888

I would like to thank our members for using the credit union to meet your borrowing needs and thank our staff for working so hard to give our members the service they deserve and the dedication to help our members build a strong financial future.

Daniel E. Christiansen  
Credit Manager

# Statement of Condition

	12-2016	% Assets 12-2016	Variance to Last Month	Month-end 12/15	% Assets 12-2016	Variance to Last Year	Percent of Change
<b>Assets</b>							
<i>Loans</i>							
SECURED CONSUMER	15,052,856	29.55 %	335,773	12,953,433	29.35 %	2,099,423	16.21 %
UNSECURED CONSUMER	3,783,497	7.43 %	30,453	3,457,336	7.83 %	326,161	9.43 %
1ST AND 2ND MORTGAGES	24,621,316	48.34 %	446,640	24,259,536	54.97 %	361,780	1.49 %
MEMBER BUSINESS	617,782	1.21 %	62,827	285,531	0.65 %	332,250	116.36 %
<b>Loans</b>	<b>44,075,450</b>	<b>86.53 %</b>	<b>875,694</b>	<b>40,955,836</b>		<b>3,119,614</b>	
LN LOSS ALLOWANCE	(235,384)	-0.46%	(32,738)	(177,788)	-0.40%	(57,596)	32.40 %
CASH IN BANK/ON HAND	311,991	0.61 %	49,587	387,207	0.88 %	(75,216)	-19.43%
ALLOYA	3,039,278	5.97 %	2,047,411	2,953,393	6.69 %	85,885	2.91 %
MNIPC	183,253	0.36 %	69,198	101,954	0.23 %	81,299	79.74 %
CHECKS OUTSTANDING	(445,057)	-0.87%	(154,564)	(264,015)	-0.60%	(181,042)	68.57 %
FIFTH THIRD TRANSACTIONAL ACCOUNT	65,000	0.13 %	0	0	0.00 %	65,000	0.00 %
TERM INVESTMENTS	735,000	1.44 %	(1,960,000)	1,715,000	3.89 %	(980,000)	-57.14%
CORP CENTRAL	0	0.00 %	0	343,281	0.78 %	(343,281)	-100.00%
NCUSIF	445,131	0.87 %	0	426,441	0.97 %	18,690	4.38 %
<i>OTHER ASSETS</i>							
FIXED ASSETS	2,348,524	4.61 %	(8,469)	2,446,187	5.54 %	(97,664)	-3.99%
ACCRUED INCOME	88,667	0.17 %	3,369	83,947	0.19 %	4,720	5.62 %
ALL OTHER ASSETS	321,981	0.63 %	(12,841)	207,574	0.47 %	114,407	55.12 %
<b>OTHER ASSETS</b>	<b>2,759,171</b>	<b>5.42 %</b>	<b>(17,941)</b>	<b>2,737,708</b>		<b>21,464</b>	
OTHER REAL ESTATE	2,347	0.00 %	(977)	2,347	0.01 %	0	0.00 %
<b>Total Assets</b>	<b>50,936,182</b>	<b>100.00 %</b>	<b>875,670</b>	<b>49,181,365</b>		<b>1,754,817</b>	
<b>Liabilities</b>							
ACCOUNTS PAYABLE	376,331	0.74 %	226,868	187,032	0.42 %	189,300	101.21 %
DIVIDENDS PAY	3,649	0.01 %	(1,615)	4,109	0.01 %	(460)	-11.20%
ACCRUED EXPENSES	35,703	0.07 %	12,109	40,008	0.09 %	(4,305)	-10.76%
ACCRUED STATE EXAM AND ASSESSMENT	0	0.00 %	4,500	0	0.00 %	0	0.00 %
<b>Total Liabilities</b>	<b>415,683</b>	<b>0.82 %</b>	<b>241,862</b>	<b>231,149</b>		<b>184,535</b>	
<b>Equity</b>							
<i>MEMBER SHARES</i>							
REGULAR SHARES	17,737,747	34.82 %	353,058	16,065,208	36.41 %	1,672,539	10.41 %
CLUB SHARE	1,701,734	3.34 %	(17,041)	1,471,544	3.33 %	230,190	15.64 %
MONEY MARKET	5,871,649	11.53 %	(4,164)	5,896,201	13.36 %	(24,552)	-0.42%
HSA SHARES	162,733	0.32 %	1,085	140,215	0.32 %	22,518	16.06 %
CHECKING	12,932,222	25.39 %	332,581	12,857,404	29.14 %	74,818	0.58 %
CERTIFICATES OF DEPOSIT	5,235,715	10.28 %	(19,236)	5,555,282	12.59 %	(319,567)	-5.75%
IRA CERTIFICATE OF DEPOSIT	1,222,053	2.40 %	(1,921)	1,426,320	3.23 %	(204,266)	-14.32%
IRA SHARES	1,208,180	2.37 %	(20,542)	1,259,788	2.85 %	(51,607)	-4.10%
<b>MEMBER SHARES</b>	<b>46,072,033</b>	<b>90.45 %</b>	<b>623,820</b>	<b>44,671,961</b>		<b>1,400,071</b>	
<i>MEMBER CAPITAL</i>							
REGULAR RESERVES	1,443,696	2.83 %	0	1,443,696	3.27 %	0	0.00 %
OPERATING RESERVES	2,834,559	5.56 %	0	2,713,368	6.15 %	121,191	4.47 %
NET INCOME	170,211	0.33 %	9,988	121,191	0.27 %	49,020	40.45 %
<b>MEMBER CAPITAL</b>	<b>4,448,466</b>	<b>8.73 %</b>	<b>9,988</b>	<b>4,278,255</b>	<b>9.70 %</b>	<b>170,211</b>	
<b>Total Equity</b>	<b>50,520,498</b>	<b>99.18 %</b>	<b>633,808</b>	<b>48,950,216</b>		<b>1,570,282</b>	
<b>Total Liabilities &amp; Equity</b>	<b>50,936,182</b>	<b>100.00 %</b>	<b>875,670</b>	<b>49,181,365</b>		<b>1,754,817</b>	

# Budget Comparison

	YTD 12/16	Budget YTD 12/16	Variance to Budget	Percent Variance to Budget	YTD 12/15	Variance to Last Year
<b>Income</b>						
<b>INTEREST ON LOANS</b>						
SECURED LOANS	459,824	437,940	21,884	5.00 %	410,065	49,760
UNSECURED LOANS	367,295	372,601	(5,306)	-1.42%	380,938	(13,643)
1ST AND 2ND MORTGAGE	997,922	1,034,520	(36,598)	-3.54%	1,021,213	(23,291)
MEMBER BUSINESS	19,719	19,863	(144)	-0.73%	5,129	14,589
<b>INTEREST ON LOANS</b>	<b>1,844,760</b>	<b>1,864,923</b>	<b>(20,163)</b>		<b>1,817,345</b>	<b>27,415</b>
INVESTMENT INC	26,559	10,217	16,341	159.94 %	20,137	6,422
FEES/ CHARGES/MISC	607,356	590,688	16,668	2.82 %	584,286	23,070
<b>Total Income</b>	<b>2,478,674</b>	<b>2,465,828</b>	<b>12,846</b>	<b>162.07 %</b>	<b>2,421,768</b>	<b>56,906</b>
<b>Expense</b>						
<b>OPERATIONS EXPENSES</b>						
COMPENSATION	704,260	696,554	7,706	1.11 %	657,258	47,003
EMPLOYEE BENEFITS	158,975	173,150	(14,175)	-8.19%	169,639	(10,664)
TRAVEL/EDUCATION	77,215	71,400	5,815	8.14 %	27,115	50,099
ASSOCIATION DUES	12,601	12,600	1	0.01 %	12,748	(147)
OFFICE OCCUPANCY	56,194	64,980	(8,786)	-13.52%	62,573	(6,380)
OFFICE OPERATIONS	433,572	434,100	(528)	-0.12%	423,890	9,682
MBR ED AND PROMOTION	37,602	40,600	(2,998)	-7.39%	41,991	(4,390)
LOAN SERVICING	188,660	196,800	(8,140)	-4.14%	191,171	(2,510)
PROFESSIONAL/OUTSIDE	342,514	350,750	(8,236)	-2.35%	371,834	(29,320)
OPERATING FEES	21,595	1,800	19,795	1,099.72 %	27,945	(6,350)
CASH OVER/SHORT	745	240	505	210.60 %	426	319
INTEREST, BORR MONEY	62	206	(145)	-70.09%	759	(697)
ANNUAL MEETING EXP	996	850	146	17.14 %	1,252	(256)
MISC OPERATING EXP	610	600	10	1.67 %	595	15
LOAN LOSS PROVISION	222,100	180,000	42,100	23.39 %	200,300	21,800
<b>OPERATIONS EXPENSES</b>	<b>2,257,701</b>	<b>2,224,630</b>	<b>33,071</b>		<b>2,189,497</b>	<b>68,204</b>
<b>DIVIDENDS</b>						
DIV-REGULAR SHARES	8,639	8,045	594	7.38 %	7,753	886
DIV-CHECKING	2,756	3,109	(353)	-11.35%	2,220	536
DIV-CLUB ACCTS	869	867	2	0.24 %	862	7
DIV-IRA SHARES	1,227	632	594	93.99 %	1,333	(106)
DIV-CERTIFICATES	27,392	31,887	(4,495)	-14.10%	30,412	(3,020)
DIV-MONEY MARKET SAV	6,885	29,793	(22,909)	-76.89%	7,073	(188)
<b>DIVIDENDS</b>	<b>47,767</b>	<b>74,334</b>	<b>(26,567)</b>		<b>49,652</b>	<b>(1,885)</b>
GAIN/LOSS-DISP ASSET	2,995	0	2,995	0.00 %	61,428	(58,432)
<b>Total Expense</b>	<b>2,308,464</b>	<b>2,298,964</b>	<b>9,499</b>	<b>1,255.24 %</b>	<b>2,300,577</b>	<b>7,887</b>
<b>Net Income</b>	<b>170,211</b>	<b>166,864</b>	<b>3,347</b>	<b>-1,093.17%</b>	<b>121,191</b>	<b>49,020</b>