

President/CEO Report

Jeffrey L. Hayes

Another challenging year has closed. Much activity has taken place throughout 2010 and North Star Community Credit Union successfully ended in a positive position. The toughest challenge of the year has been the management of the increase in deposits while new loan originations remained relatively flat.

Overall, total assets increased 9.5%, ending the year at \$58,559,347. Because of the general flight to safety and soundness stemming from the previous year(s), deposits continued to flow into the credit union increasing the total deposit portfolio 9.5% to a high of \$52,335,199. Inasmuch as total loans remained relatively flat, this imbalance posed a challenge. Further, it is important to note that in 2010 North Star expended \$217,725 in mandated assistance toward the NCUA stabilization effort. Nevertheless, asset-liability management led to bottom-line net earnings of \$401,693. Although this net performance number is a decrease from the previous year it served to increase the credit union's capital position 7.2% to a total of \$5,976,418. This is important in that it is only through net earnings that the credit union may grow capital value.

Total credit union membership also continued to grow. In 2010 membership grew 2.1% to a year-end net total of 9,087. There are many factors to be considered in the development of new membership. North Star

continues to put forth great effort ensuring the credit union is a high quality, financially sound entity where one may feel safe and secure. North Star staff strives to provide a friendly and knowledgeable approach to conducting business, whether on the deposit side, the loan side, or on the front of providing general transactions and service. Each member of the credit union staff, whether in Cherokee or Ida Grove, is provided the training and tools necessary so as to be well equipped in providing professional service and attention to our membership and prospective members. Further, North Star continues to be progressive in its product development. For example, in 2010 advancements were made in online technology that improved the credit union's online consumer loan application process. Additionally, we advanced beyond traditional travelers checks and brought into play the new offering of prepaid gift cards. Such developments will be ongoing.

As we move forward into 2011 we fully anticipate continued challenges. We expect to continue assisting with the NCUA stabilization effort for a few more years. We will continue monitoring our local economic situations and make continual effort toward increasing the credit union's loan portfolio in a proper and healthy manner, and in-turn continue to offer the best deposit products possible. We will continue the wise process of managing credit union assets and liabilities in a manner that will attract new membership, grow capital strength, and provide valuable assistance to credit union members and their families. It is important that members know they have a strong credit union behind them.

NORTH STAR COMMUNITY CREDIT UNION

38th Annual Meeting Minutes

April 24, 2010

The 38th Annual Meeting of North Star Community Credit Union was held Saturday, April 24, 2010 at the Western Iowa Tech Conference Center, Cherokee, Iowa. Dinner began at 6:00 p.m., followed by the business meeting.

Call to Order

The business meeting was called to order at 7:00 p.m. by Chairman Ralph Semerad. A quorum of 229 was ascertained.

Approval of April 25, 2009 Annual Meeting Minutes

Motioned by Mike Morrow and seconded by Roger Meth to approve the minutes as written. Passed.

Introductions

Board Chairman introduced President/CEO Jeff Hayes, who then introduced board and staff members.

Elections of Officers

Jeff Hayes introduced those running for positions on the Board of Directors: Ralph Semerad, Tim Stoneking, and Becky Westphal. There were no nominations from the floor. Mary Hahn motioned nominations cease. Mike Morrow seconded. Passed. Dave Morrow motioned to accept the nominations as Members of the Board of Directors. Jackie Meth seconded. Passed.

Report of the Chairman

Ralph Semerad welcomed everyone. He spoke of how the focus for 2010 will be the economy.

Report of the Chief Financial Officer

Joe Peterson encouraged members to look over the financial statements included in the annual report. He also talked about having two independent audits that were conducted and all reports came back excellent.

Report of the Audit Committee

Ron Oman commented on audit reports. He reported the biggest concern in the industry is the new regulations that have been passed.

Report of the Credit Committee

Linda Struck reported that in 2009 over \$33.0 million in loans had been generated, representing a 3% increase

from the previous year. She spoke of the Auto Loan Recapture Program that has generated \$461,000 in new auto loans.

Report of the President/CEO

Jeff Hayes reported \$462,942.46 in Net Earnings for 2009 and that assets increased \$8.4 million. It was a better year than expected. He talked about Cherokee land purchase and how North Star is expanding the parking lot. He announced there will be work done to the north of the building this year. Jeff also discussed some of the scams and schemes that are being introduced to the public, pointing out ways to notice these attempts and how to protect yourself.

Jeff welcomed Tim Stoneking to the Board of Directors and thanked Barb Kratz for her several years of service.

Old Business

None

New Business

Ralph Semerad announced Jeff Hayes has been appointed to the Iowa Credit Union Review Board by Governor Chet Culver. Ralph presented Barb Kratz with a plaque for her 18 years of dedicated service on the Board of Directors and recognized Lisa Perrin for her 20 years of service to the credit union.

Jeff Hayes administered the Oath of Office to the Board of Directors.

Mike Morrow motioned for the meeting to adjourn, seconded by Leroy Jenness.

Meeting adjourned at 7:50 p.m.

Entertainment by the Cartwright Brothers.

Prizes were drawn.

Respectfully submitted,

Kathleen E. Wittrock, *Acting Secretary*

Barbara J. Kratz, *Secretary*

Ralph J. Semerad, *Chairman*

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YOU'VE GOT A STRONG CREDIT UNION BEHIND YOU

2010 ANNUAL REPORT



ANNUAL MEETING AGENDA

Call to Order
 Ascertainment of Quorum
 Minutes of the Last Meeting
 Introductions
 Elections
 Report of the Chairman
 Report of the Chief Financial Officer
 Report of the Audit Committee
 Report of the Credit Committee
 Report of the President/CEO
 Other Business
 Unfinished Business
 New Business
 Oath of Office
 Adjournment
 Entertainment by "A Touch of Broadway"
 Drawing for Prizes

BOARD OF DIRECTORS

Executive Committee

Ralph J. Semerad, *Chairman*
 Valerie C. Woods, *Vice Chairman*
 Joe D. Peterson, *Chief Financial Officer*
 Becky L. Westphal, *Secretary*

Credit Committee

W. Allan Henn
 Valerie C. Woods
 Linda F. Struck

Audit Committee

Ronald E. Oman
 Donna R. Burkhardt
 Timothy K. Stoneking

REPORT OF THE CHAIRMAN OF THE BOARD

On behalf of the Board of Directors, I welcome our members and guests to the 39th Annual Meeting of North Star Community Credit Union.

North Star Community Credit Union had another good year considering the increased payments to the NCUA Stabilization Fund. Net earnings decreased 13.23% compared to fiscal 2009. Our payment to the NCUA Stabilization Fund increased 215.50%. Membership grew 2.14% for fiscal 2010; we now have over 9,000 members. The loan portfolio decreased 0.02% during 2010. The credit union was able to keep savings and CD rates at fairly stable levels during the year and continues to offer the best rates in the local area. We continue to look at additional ways to help our members. I feel the board and staff did an excellent job in providing services to the members.

During 2011, the economy will continue to be an issue for the board just like it was during fiscal 2010. The assets of the credit union grew 9.45% during 2010 and with that kind of growth the credit union will have to be proactive on interest rates, both on savings and on loans in order to provide the members with the best results. North Star will strive to provide the best service possible. I encourage members to visit with the staff if you have any questions or concerns.

I would like to thank the members for their support and patience during the past year. Your continued support helps make North Star Community Credit Union successful. I would like to thank the board members for the time they have volunteered during the past year.

I look forward to serving you, the members, during the coming year.

Ralph J. Semerad
Chairman of the Board

FINANCIAL STATEMENT FOR NORTH STAR COMMUNITY CREDIT UNION

Chief Financial Officer's Annual Report

	12/31/2010	12/31/2009
ASSETS		
LOANS.....	\$ 33,323,478.31	\$ 33,329,231.29
ALLOWANCE FOR LOAN LOSS.....	\$ (350,592.87)	\$ (322,000.50)
CASH IN BANK.....	\$ 701,961.05	\$ 701,181.61
INVESTMENTS.....	\$ 23,269,822.93	\$ 18,186,987.46
FIXED ASSETS.....	\$ 788,583.28	\$ 714,558.23
ACCRUED INTEREST-INVESTMENTS.....	\$ 3,856.26	\$ 2,863.43
OTHER ASSETS.....	\$ 242,704.18	\$ 328,556.43
NCUSIF DEPOSIT.....	\$ 489,857.56	\$ 451,605.48
ACCRUED INTEREST-LOANS.....	\$ 89,676.54	\$ 108,143.54
TOTAL ASSETS.....	\$58,559,347.24	\$53,501,126.97
LIABILITIES, SAVINGS, EQUITY		
PROMISSORY NOTES.....	\$ 0.00	\$ 0.00
ACCRUED EXPENSES.....	\$ 18,232.46	\$ 25,284.66
DIVIDENDS PAYABLE.....	\$ 62,135.30	\$ 73,779.52
OTHER LIABILITIES.....	\$ 167,362.85	\$ 47,213.65
TOTAL LIABILITIES.....	\$ 247,730.61	\$ 146,277.83
SHARE CERTIFICATES.....	\$ 23,634,540.67	\$ 23,161,156.23
SHARE ACCOUNTS.....	\$ 17,334,508.07	\$ 15,639,955.36
SHARE DRAFT ACCOUNTS.....	\$ 5,121,570.92	\$ 5,023,586.41
HEALTH SAVINGS ACCOUNTS [HSA]....	\$ 51,758.75	\$ 27,966.48
MONEY MARKET ACCOUNTS.....	\$ 6,192,820.63	\$ 3,927,460.39
TOTAL SAVINGS, SHARES.....	\$52,335,199.04	\$47,780,124.87
LEGAL RESERVES.....	\$ 2,443,204.11	\$ 2,443,204.11
OTHER RESERVES.....	\$ 3,131,520.16	\$ 2,668,577.70
UNDIVIDED EARNINGS.....	\$ 401,693.32	\$ 462,942.46
TOTAL RESERVES & UNDIVIDED EARNINGS.....	\$ 5,976,417.59	\$ 5,574,724.27
TOTAL LIABILITIES, SAVINGS & EQUITY.....	\$58,559,347.24	\$53,501,126.97
INCOME		
INTEREST FROM LOANS.....	\$ 2,337,508.08	\$ 2,366,721.56
INTEREST FROM INVESTMENTS.....	\$ 683,026.81	\$ 546,419.78
OTHER INCOME.....	\$ 428,512.44	\$ 409,401.27
TOTAL INCOME.....	\$ 3,449,047.33	\$ 3,322,542.61
EXPENSES		
SALARIES & BENEFITS.....	\$ (856,888.33)	\$ (832,899.94)
OFFICE OCCUPANCY EXPENSE.....	\$ (116,902.46)	\$ (94,398.72)
OFFICE OPERATIONS EXPENSE.....	\$ (885,143.75)	\$ (728,849.27)
DUES.....	\$ (16,040.25)	\$ (10,942.92)
ANNUAL MEETING.....	\$ (7,522.74)	\$ (7,500.00)
PROMOTIONAL EXPENSE.....	\$ (89,555.13)	\$ (89,636.68)
BOARD EXPENSE.....	\$ (12,486.65)	\$ (14,626.33)
NCUA STABILIZATION.....	\$ (213,725.38)	\$ (67,740.82)
TOTAL EXPENSES.....	\$(2,198,264.69)	\$(1,846,594.68)
NET EARNINGS.....	\$ 1,250,782.64	\$ 1,475,947.93
TRANSFER TO RESERVES.....	\$ (117,443.93)	\$ (104,006.20)
DIVIDENDS TO MEMBERS.....	\$ (731,645.39)	\$ (908,999.27)
TO UNALLOCATED EARNINGS.....	\$ 401,693.32	\$ 462,942.46

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is required by law to regularly inspect cash, securities, notes and accounts. Another role of the Audit Committee is to monitor the performance of elected officials.

In addition, two outside entities review the operations of the credit union. During 2010, Petersen & Associates of Papillion, Nebraska conducted an internal audit. The Credit Union Division of the Iowa Department of Commerce also conducted an examination in 2010. Both of these entities state that North Star Community Credit Union is operationally sound and in compliance with the guidelines set forth by the State of Iowa.

The main purpose of the Audit Committee is to assure the directors and members that the financial condition of the credit union is accurately and fairly represented in its financial statements. The committee strives to protect members from loss caused by inadequate methods.

Respectfully submitted,

Ronald E. Oman
 Donna R. Burkhardt
 Timothy K. Stoneking

REPORT OF THE CREDIT COMMITTEE

The function of the Credit Committee is to approve and review loans the credit union grants. We are appointed by our fellow board members immediately after the annual meeting and serve in this capacity for a year. We meet monthly to consider many requests that affect the present loans as well as loan applications for additional credit.

Loan Balance 12/31/2010	Amount	% of Total
New Car Loans	\$ 4,139,543.83	12.42%
Used Car Loans	\$ 10,145,914.96	30.45%
Total Car Loans	\$ 14,285,458.79	42.87%
Real Estate Loans	\$ 13,236,901.81	39.73%
Consumer Loans	\$ 4,730,209.59	14.19%
MasterCard®	\$ 594,038.19	1.78%
Member Business Loans	\$ 476,869.93	1.43%
Student Loans	\$ 0.00	0.00%
Total Loans	\$ 33,323,478.31	100.00%

New dollar loans generated in 2010.....	\$14,168,616.45
Number of loans granted.....	3,668
Average loan.....	\$3,862.76
Weekly average.....	\$272,473.39
Daily average.....	\$50,966.25
Number of loans per week.....	70.54
Number of loans per day.....	13.19

Of the above totals, the Ida Grove Branch granted 1,404 loans in the amount of \$6,454,015.27.

Credit Committee Members

W. Allan Henn
 Valerie C. Woods
 Linda F. Struck