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# Agenda

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## **65<sup>th</sup> Annual Membership Meeting**

February 10, 2018 9:00 a.m.  
Brookland Banquet & Conference Center, 1066 Sunset Blvd., West Columbia, South Carolina

**Call to Order**

**Pledge of Allegiance**

**Invocation**

**Roll Call**

**Approval of the February 11, 2017 Meeting Minutes**

**Introductions**

**Reports:**

Report of Chairman

Report of Treasurer

Report of Supervisory Committee

**Remarks – CEO**

**Service Award Presentation**

**Performance by “Prettier Than Matt”**

**Unfinished Business**

**New Business**

**Elections:**

Report of Nominating Committee

Election of Board of Directors

**Discussion**

**Adjournment**

**Drawing for Prizes**

## Report of Chairman & CEO

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Good morning and welcome to South Carolina State Credit Union's 65<sup>th</sup> Annual Membership Meeting. Thanks, once again, to your continued participation and support and the dedicated efforts of a very fine team of volunteers and professionals. By nearly every measure, 2017 will be recorded as the most productive year in SCU's 65 year history.

With \$185 million in new loans, SCU met a record number of member borrowing needs. During 2017, net loan and credit card balances grew by a record \$49 million. At the same time and due to solid loan underwriting and collections efforts, loan-related delinquency and loss remained well in check. In keeping with SCU's continued commitment to meet the borrowing needs of those more credit-challenged members, approximately 48% of SCU's new loans in 2017 were granted to members with lower credit scores.

2017 saw SCU's capital reach an all-time high of \$96.1 million, a \$9 million increase over that of year end 2016. Due to member confidence in SCU's safety and soundness and rates that fall among the most competitive in SC's major markets, member deposits grew by \$50 million. Likewise, assets climbed by \$60 million and, at year end, stood at \$792 million. During 2017, SCU outperformed peer credit unions in the \$500 million to \$1 billion assets category in nearly every measure of safety, soundness, growth and productivity.

After receiving high marks for safety, soundness, accurate and fair representation of financial condition and compliance the prior year, The National Credit Union Administration elected not to examine SCU during 2017.

After an extensive and arduous search to replace Mr. Hammond when he retires this year, the Board unanimously approved the selection of Mr. James Kinard as Mr. Hammond's successor. Mr. Kinard currently serves SCU as Executive Vice President and comes to the role with a degree in Finance from Clemson University and more than three decades of experience in the financial services industry. Both the Board and Mr. Hammond are confident in Mr. Kinard's experience and his ability to lead what has grown into an extremely healthy, 20 branch, full service, \$800 million financial institution.

As the chapter closes on 2017 and as we look into 2018 and beyond, we are both grateful and optimistic for the future of our credit union.

I thank you for the privilege of having served as Chairman of the Board and for the participation and support which has enabled SCU to serve, grow and prosper for the past 65 years.

Respectfully submitted,

Vince Rhodes  
**Chairman of the Board**

# Report of Treasurer

Year Ending December 31, 2017



State Credit Union had an outstanding year of financial growth and performance in 2017. This was the result of the loyal support that SCU received from its members and staff.

The following financial statements and comparative information are provided for your review. SCU assets increased by almost \$60 million in 2017, with deposits increasing by \$50 million. Investment income reached an all-time high of \$4.7 million. Loans grew by \$49 million, while delinquency decreased by another 2 basis points to 0.49%. This marks the fourth year in a row for a decline in delinquency. SCU's solid loan growth, paired with strong investment earnings and low operating expenses, boosted ROA to 116 basis points in 2017. SCU's gross capital reached an all-time high of \$96 million.

State Credit Union will continue to prudently and judiciously safeguard the assets of the credit union while maintaining a strong balance sheet.

We appreciate the opportunity to serve you and we sincerely thank you for your support.

Respectfully submitted,

James M. Simpson, Jr.  
**Treasurer**

	<u>2016</u>	<u>2017</u>
Assets.....	\$731,915,503	\$791,548,613
Deposits.....	\$639,661,926	\$689,834,130
Total Capital.....	\$87,169,361	\$96,133,526
Loans Outstanding.....	\$355,465,276	\$404,841,878
Contribution to Reserves.....	\$6,356,447	\$8,903,245
Money Market Balances.....	\$193,678,391	\$213,074,560
Charge-off Ratio.....	0.67%	0.60%
Delinquent Loan Ratio.....	0.51%	0.49%
Net Capital Ratio.....	11.54%	11.80%
Gross Capital Ratio.....	11.91%	12.14%
Return-on-Assets Ratio.....	0.90%	1.16%
Gross Operating Expense to Average Assets Ratio ...	3.68%	3.64%

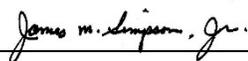
# Income and Expense Statement

Year Ending December 31, 2017

<b>INCOME</b>	<b>YTD ACTUAL</b>
Interest Income from Loans	\$16,891,619.86
Interest Income from Credit Cards	4,733,253.42
Investment Income	4,728,478.65
Fees & Charges	7,309,281.06
Interchange Income	5,066,439.21
Insurance Income	1,146,601.39
Misc. Operating Income	1,372,732.21
Total Income from Operations	\$41,248,405.80
Gain (Loss) on Investments	\$0.00
Non Operating Income/Expense	\$0.00
Total Income	\$41,248,405.80

<b>EXPENSES</b>	
Compensation	\$10,922,889.93
Employee Benefits	3,566,878.33
Travel & Conferences	184,635.02
Management Expense Account	8,200.00
Association Dues	64,503.47
Office Occupancy Expense	2,165,137.13
Office Operations Expense	2,000,497.83
Member Educational Expense	0.00
Promotional Expense	816,727.89
Loan Servicing Expense	201,125.02
Credit Card Expense	1,646,385.73
Repossession Expense	98,626.31
Professional & Outside Services	3,027,889.97
Data Processing Expense	2,359,193.38
Provision for Loan Losses	2,327,513.26
Supervision & Examination	167,103.63
Cash Over & Short	(1,745.93)
Interest on Borrowed Money	0.00
Annual Meeting Expense	23,690.53
Fraud & Forgery Expense	317,791.48
Misc. Operating Expense	39,140.13
NCUSIF Accrued Premium	0.00
Courtesy Pay Chargeoff & Recovery	175,555.66
Loss (Gain) on Disposition of Fixed Assets	9,870.32
Loss (Gain) on Disposition of Other Assets	170,698.23
Total Expenses	\$30,292,307.32
Income after Ops. Expense	\$10,956,098.48
Dividends	\$2,052,853.27
Net Income after Dividends	\$8,903,245.21

To the best of our knowledge, this statement and the related statements, are true and correct and present fairly the financial position and the results of operations for the period covered.



James M. Simpson, Treasurer/ Board Member



A. E. Hammond, President/CEO



Dara Carrico, CFO

# Balance Sheet

## Year Ending December 31, 2017

		**Assets**	
Loans 2 to 6 Mos. Delinquent		637	\$1,713,273.53
Loans 6 to 12 Mos. Delinquent		54	124,752.37
Loans Over 12 Mos. Delinquent		4	159,353.19
	Subtotal	(1) 695	\$1,997,379.09
Consumer Loans Current		33,831	\$339,692,890.18
Credit Cards Current		24,760	62,148,902.55
Deferred Loan Expense			1,002,706.92
	Total Loans	59,286	\$404,841,878.74
Allowance for Loan Losses			(2,736,265.43)
	Net Loans		\$402,105,613.31
Other Receivables			\$6,365,473.22
Cash on Hand and on Deposit			28,256,706.20
Other Real Estate Owned			0.00
Investments			323,078,341.55
Prepaid Expenses			955,504.50
Fixed Assets - Net			19,392,355.92
Accrued Income on Investments			879,343.01
Accrued Income on Loans			1,169,699.69
Other Assets			2,460,610.17
NCUSIF Deposit			6,605,992.05
In Process Items			278,973.13
	Total Assets		\$791,548,612.75
		**Liabilities**	
Accounts Payable			\$1,091,865.84
Notes Payable			0.00
Dividends Payable			10,507.83
Taxes Payable			0.00
Other Liabilities			7,214,848.48
	Total Liabilities		\$8,317,222.15
		**Savings and Equity**	
Regular Shares			\$252,298,529.36
Holiday Clubs			553,585.61
Sharedraft Accounts			119,316,196.15
Money Market Accounts			213,074,560.03
Shares - IRA			23,611,404.72
IRA Certificates			16,887,316.83
Certificates			64,092,537.61
	Total Savings		\$689,834,130.31
Equity From Mergers (2)			\$826,782.78
Regular Reserve			19,181,984.96
Undivided Earnings			64,485,247.34
Net Income			8,903,245.21
	Total Equity		\$93,397,260.26
	Total Savings, Equity & Liabilities		\$791,548,612.75

(1) Includes credit cards. (2) This consists of equity from the 2009 Anderson County Educators FCU merger, 2012 Anderson City Employees FCU merger and 2015 S.C. MembersFirst FCU merger.

All investments are held to maturity.

To the best of our knowledge, this statement and the related statements are true and correct and present fairly the financial position and the results of operations for the period covered.

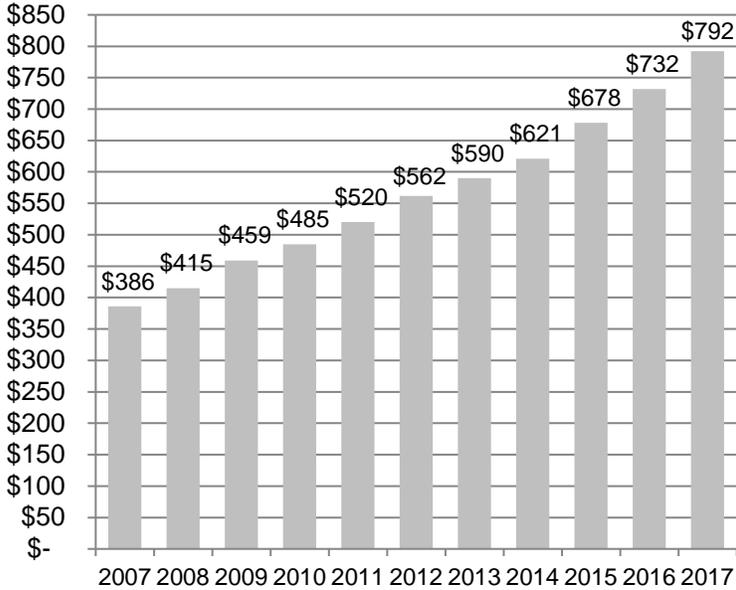
  
James M. Simpson, Treasurer/Board Member

  
Dara Carrico, CFO

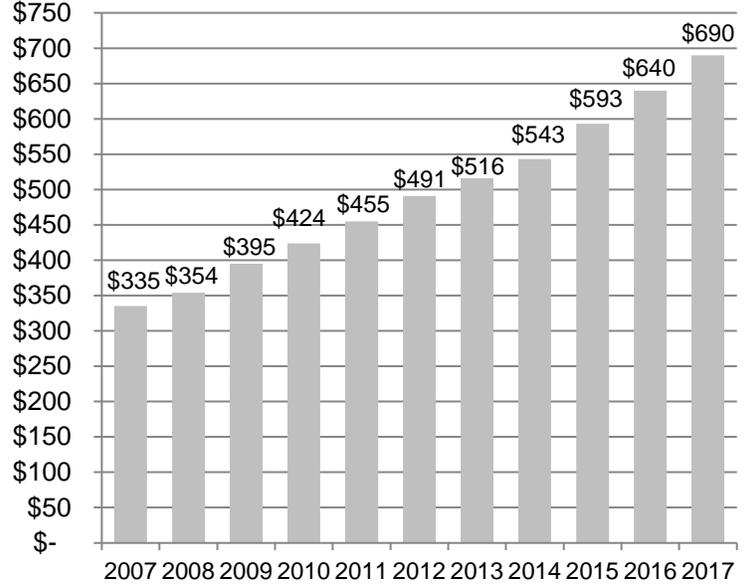
  
A. E. Hammond, President/CEO

# Financial Charts

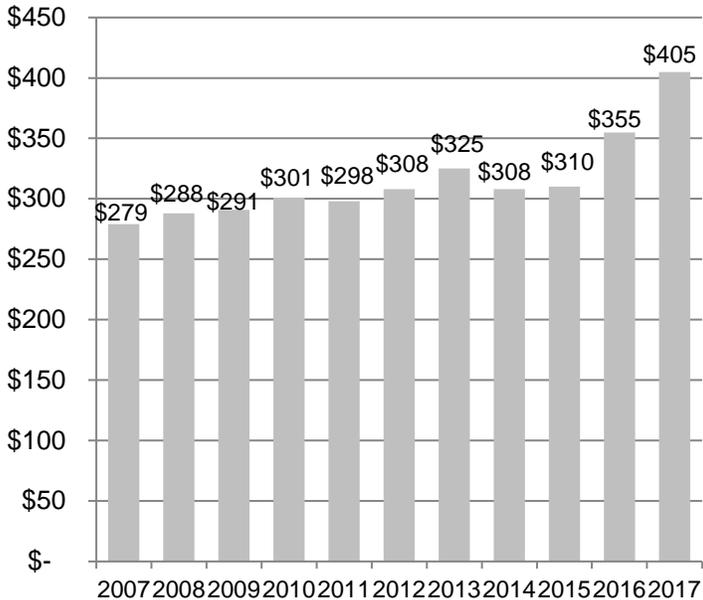
## Assets (millions)



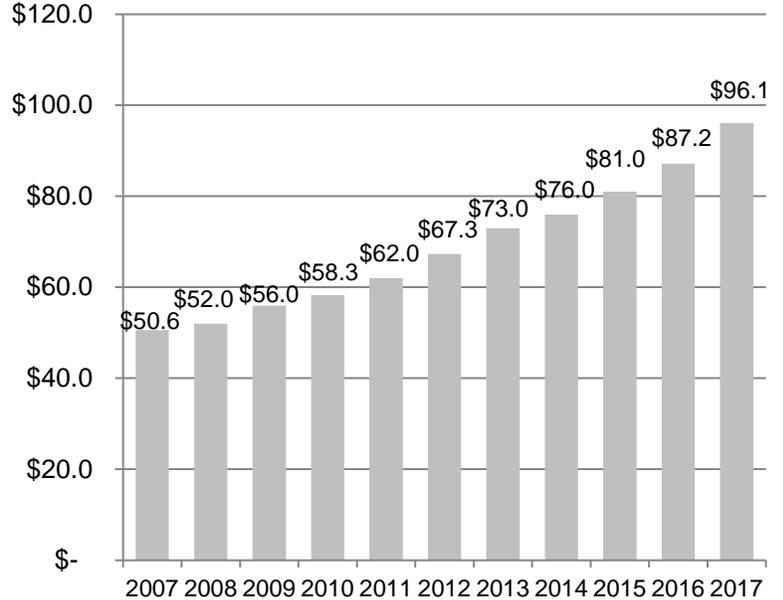
## Deposits (millions)



## Loans (millions)



## Gross Capital (millions)



# Report of Supervisory Committee

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*Year Ending December 31, 2017*



The Supervisory Committee is responsible for ensuring the credit union meets required financial reporting objectives and has established practices and procedures sufficient to safeguard members' assets. These responsibilities are met through regular audits, examinations and reviews performed throughout the year.

We engaged a CPA firm that specializes in the credit union industry to perform our annual external audit during 2017. Our credit union received an independent auditor's report that included an opinion that State Credit Union's December 31, 2016 financial statements fairly presented in all material aspects the financial position of the credit union. The report also stated we are conforming to generally accepted accounting principles.

The National Credit Union Administration examines the credit union because we are a federally chartered credit union and are federally insured. The credit union was eligible for an extended examination cycle and was not examined during 2017.

The internal audit department operates under the direction of the Supervisory Committee. The internal audit function endeavors to provide independent, objective assurance and consulting activities designed to add value and improve the credit union's operations as a service to management and the credit union's officials. It helps the credit union accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Supervisory Committee meets on a regular basis with the Director of Internal Audit, concentrating on areas of high risk. The Committee makes a regular report to the Board of Directors.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'G. Bell', with a long horizontal line extending to the right.

Gary E. Bell, DHA, CPA, **Chairman**

# Report of Nominating Committee

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## The Nominating Committee consists of:

Bobby D. Gist  
*University of South Carolina*

Thomas R. Gorman  
*Retired, State Government*

Frank V. Grobusky  
*Retired, State Government*

## The Nominating Committee met on September 13, 2017 and agreed unanimously to submit the following for nomination:

### Board of Directors (3-year term)

**Marie J. Isert**

**Herbert A. Lanford, Jr.**

**James M. Simpson, Jr.**

The following is a brief description of the individuals who have been nominated for a position of elected official for State Credit Union. We believe the slate of nominees presented by the Nominating Committee is highly qualified and that it represents a good cross-section of the membership.

**Marie J. Isert.** Ms. Isert has served as an elected official since 1976. Her service includes serving on the Credit Committee for 15 years, on the Board of Directors from 1991 to 1993, chairing the Supervisory Committee and again being elected to the Board of Directors in 2001. Ms. Isert retired in 1994 as the Program Information Supervisor with the Human Resources Management Division where she had been employed since 1970.

**Herbert A. Lanford, Jr.** Mr. Lanford has served on the Board of Directors since 1994 and previously served as secretary for 12 years on the Supervisory Committee. Mr. Lanford is currently serving as chair of the Asset/Liability Management Committee. He retired December 31, 2008 from the South Carolina Human Affairs Commission as Executive Assistant/Director, Compliance Programs.

**James M. Simpson, Jr.** Mr. Simpson has served on the Board of Directors since 1982 and is currently serving as Treasurer. He previously served on the Nominating Committee in 1978 and the Supervisory Committee in 1979. He retired in 2001 from the South Carolina Budget & Control Board as Director of Internal Operations.

# Minutes of February 11, 2017 Meeting

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The 64<sup>th</sup> Annual Membership Meeting of S.C. State Federal Credit Union was held at Brookland Banquet and Conference Center in West Columbia, SC, on Saturday, February 11, 2017.

## **Call to Order**

Chairman Vince Rhodes called the meeting to order at 9:00 a.m. and introduced the Parliamentarian, Mrs. Linda Bush. Jesse Washington, Secretary, verified a quorum was present.

## **Pledge of Allegiance**

Brooks Galloway, 2<sup>nd</sup> Vice Chairman, led the membership in the Pledge of Allegiance.

## **Invocation**

Jesse Washington gave the invocation and led the membership in a moment of silence in memory and honor of our departed members.

## **Roll Call**

Chairman Rhodes called for a motion to dispense with the roll call of over 70,000 members.

Alan Feldsott (moved) to dispense with the roll call of over 70,000 members. Bruce Davis (seconded). **Motion Carried.**

## **Approval of the February 13, 2016 Meeting Minutes**

Chairman Rhodes called for a motion to approve the minutes of the February 13, 2016 Annual Membership Meeting.

Laura Fowler (moved) to approve the minutes of the February 13, 2016 Annual Membership Meeting. Charles Geiger (seconded). **Motion Carried.**

## **Introductions**

Rick Hammond, CEO introduced special guests Rev. Dr. Carl R. Wells who will deliver an inspirational message and a musical presentation and Kendall Belk with Harvest Hope Food Bank. Next, Chairman Rhodes introduced and thanked the members of the Board of Directors, Supervisory Committee, and Nominating Committee for their dedication. He also applauded Rick Hammond, CEO for doing an outstanding job.

## **Reports**

### **Report of Chairman**

Chairman Rhodes welcomed everyone to the 64<sup>th</sup> Annual Membership Meeting of S.C. State Federal Credit Union remarking that it is a privilege and an honor to serve State Credit Union.

Chairman Rhodes stated 2016 will be recorded as one of the most, if not the most productive year in the life of State Credit Union. He reported that SCU has 20 branches located strategically throughout the state of SC to address the financial needs of the membership and based upon the data, the performance of the branches has exceeded all expectations.

Chairman Rhodes reported that State Credit Union is in one of the strongest capital positions in years and is poised to continue another unprecedented period of growth and productivity.

He advised the membership that as elected officials, they are always mindful of the opportunities and threats that can have an impact on the credit union. However, State Credit Union welcomes competition, because if viewed positively, it will make the credit union even better. Chairman Rhodes stated that competition breeds determination. He stated that State Credit Union is successful because of the commitment of our senior staff, our dedicated employees and our elected officials. Chairman Rhodes advised the membership that State Credit Union is a strong and sound financial institution as validated by the annual audits from the federal, state and local firms we employ.

In conclusion, Chairman Rhodes asked the membership to join him in thanking the elected officials for their commitment to the success of State Credit Union.

#### Report of Treasurer

James Simpson, Treasurer, noted that the Treasurer's Report and its supporting documents were included in the Annual Report on pages 3-6. Mr. Simpson reported that assets increased by \$54 million in 2016. Deposits increased by approximately \$47 million, while delinquency decreased by 8 basis points to 0.51%. This marks the third year in a row for a decline in delinquency. Loan growth of \$45 million, paired with a lower operating expense ratio, boosted ROA to 90 basis points. SCU's gross capital reached an all-time high of \$87 million.

#### Report of Supervisory Committee

Gary Bell, Supervisory Committee Chair, stated that the Report of the Supervisory Committee is included in the Annual Report on page 7. Dr. Bell reported that the audit reports indicate that SCU is in fine financial condition. He noted that the Supervisory Committee works extremely hard and meets once a month with the Director of Internal Audit to ensure that internal controls are in place.

#### Remarks – CEO

Mr. Hammond welcomed everyone to the 64<sup>th</sup> Annual Membership Meeting. He reported that 2016 has been the credit union's most productive year since being chartered in 1952. Mr. Hammond went on to say that productivity is measured not necessarily by profits generated and growth but by members served and financial lives improved.

He stated in an effort to improve the financial lives of our members, two ATMs were installed, a new full service branch was opened on St. Andrews Road, and a plethora of mobile member access and payment solutions have been made available. In 2016, SCU processed more than 1 million branch transactions and more than 3 million electronic transactions. Mr. Hammond advised the membership that success is measured by how well we meet the borrowing needs of our members. Mr. Hammond stated that in keeping with SCU's mission to improve the financial lives of our members, roughly 50% of new loans were granted to members with lower tier credit scores.

Delinquencies and loss ratios dropped which is a testament to how well we underwrite and secure loans and how well and how diligently we reach out to our members when they fall behind. Mr. Hammond noted that the lending, collections and underwriting teams did their all-time best in 2016.

Mr. Hammond reported that during the third quarter of last year, the National Credit Union Association (NCUA) our federal regulator and insurer, came in and conducted a thorough examination of SCU's overall operation. They left SCU with no material findings or recommendations and the usual high marks for safety, soundness, fair representation of financial condition and compliance. Mr. Hammond reported that he was recently notified that NCUA may not feel the need to examine SCU in 2017. He noted that despite that prospect, the membership has his full assurance that the elected officials and the management team will operate with the seriousness and due diligence that the shareholders of a \$700+ million financial institution would expect.

In conclusion, Mr. Hammond stated that while the provision of service and the implementation of new products and services are important, operating in a safe, sound and compliant manner is absolutely essential to the credit union's survival.

Mr. Hammond then presented Kendall Belk, Director of Donor Relations at Harvest Hope Food Bank, with a donation to aid in providing for the needs of the hungry in South Carolina.

### Introduction of Guest Speaker

Next, Mr. Hammond introduced the guest speaker, Reverend Dr. Carl R. Wells. Dr. Wells is the Assistant Director of the Office of Equal Opportunity Programs/Deputy Title IX Coordinator with the University of South Carolina. He is responsible for investigating allegations of discrimination and harassment and violations of Title IX statutes and policies. Dr. Wells has more than 18 years' experience as a trainer, facilitator, and investigator.

Dr. Wells received his undergraduate degree from Winthrop University, his master's degree from Emory University and his Ph.D. from the University of South Carolina. In addition, Dr. Wells earned his Master of Divinity degree in 1991 from the Candler School of Theology at Emory University. Dr. Wells' personal motto is "To whom much is given much is required." (Luke 12:48) His commitment to that motto is evidenced by the numerous community service projects in which he has participated.

### Guest Speaker – Rev. Dr. Carl Wells

Dr. Wells opened by singing "How Great Thou Art" and delivered a very moving message entitled, "The But Principle".

Dr. Wells concluded with Isaiah 40:30-3. "Even the youths shall faint and be weary, and the young men shall utterly fall; **but** they that wait upon the LORD shall renew their strength; they shall mount up with wings as eagles; they shall run, and not be weary; and they shall walk, and not faint."

### Award Presentations

Mr. Hammond stated that a number of employees have reached anniversary milestones but only Tal Lackey has reached 25 years of service at SCU. Mr. Hammond congratulated Mr. Lackey.

### Unfinished Business

There was no unfinished business.

### New Business

There was no new business.

### Elections

#### Report of Nominating Committee

Bobby Gist, Nominating Committee Chairman, reported the Committee met on September 14, 2016 to review the slate of nominees whose terms were expiring. No petitions were received and according to SCU's bylaws no nominations will be accepted from the floor. Mr. Gist stated the Nominating Committee unanimously voted to present the following nominees to fill the three open positions for three-year terms on the Board of Directors – R. Brooks Galloway, Ronald T. Herrin and Gary L. Turner.

Chairman Rhodes stated since there are three nominees to fill the three vacant positions, and no petitions were received that R. Brooks Galloway, Ronald T. Herrin and Gary L. Turner are each appointed to three-year terms on the Board of Directors.

### **Discussion**

There was no discussion brought before the Chairman.

### **Adjournment**

Chairman Rhodes called for a motion to adjourn.

Ron Herrin (moved) to adjourn. Jesse Washington (seconded). **Motion Carried.** The meeting adjourned.

## Employee Service Awards

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<b>Years of Service</b>	<b>Employee Name</b>
25	Kimberly Riser
25	Michele Shealy
20	Lisa Barton
20	Pamela Miller
20	Merida Trask
15	Vicki Beckham
15	Clifford Dawkins
15	Angela Huffstetler
15	Diana Kelly
15	Iphigenia Linen
15	Darla Lucas
15	Keith O'Shei
15	Anthony Reynolds
15	Britt Speer
15	Melissa Tindall
10	Darla Jirel
10	Stephen Kulp
10	Deborah Lackore
10	Jamie Norman
10	April Spires
10	Tiffany Swygert
10	Andrea Williams
10	Kathleen Wilson
5	Lakeshia Burris
5	Dara Carrico
5	Gina Finch
5	Mary French
5	Jack Gilmer
5	Amanda Murphy
5	C. Benson Odom
5	Christie Patsches
5	Kristin Richardson
5	Shantell Rivers
5	Jessica Smith

# Membership

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State Credit Union is a member-owned financial institution providing services to state, city, county and school district employees, as well as anyone eligible to participate in the SC State Retirement System. It serves those employed by or attending any school in the South Carolina Technical College System or state-chartered college or university. Anyone who is related to another member by blood or marriage may also join the credit union.

In addition, any individual who lives, works or attends school in Aiken, Anderson, Florence, Greenwood, Oconee, Orangeburg, Pickens or Spartanburg counties is eligible to join.

Members retain their membership for life even though they may change employment or retire.

# Officials and Staff

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The following is not a complete list of responsibilities, but an overview of the various functions of the elected officials and staff members.

The **Board of Directors** consists of nine members, each of whom serves a three-year term of office. Terms are staggered; three directors are elected for a full term each year. Others may be elected to fill unexpired terms or any vacancies. The Board may appoint any person to fill a vacancy until the next election. From its own number, the board elects a Chairman, 1<sup>st</sup> Vice Chairman, 2<sup>nd</sup> Vice Chairman, Secretary, and Treasurer. These five officers make up the Executive Committee.

The **Executive Committee** may meet as often as necessary and the board must meet no less than monthly. Board members serve without compensation.

It is the responsibility of the Board of Directors to make policy. The Board also employs a CEO to manage the day-to-day operations of the credit union and to implement its policies.

The **Supervisory Committee** consists of three to five members, each of whom serves a one-year term of office. From its own number, the committee elects a Chairman and a Secretary. The committee meets as often as necessary, but no less than quarterly. Its members serve without compensation.

The Supervisory Committee has the responsibility to make, or have made, an annual audit of the records and business of the credit union, and to make reports to the Board of Directors of its findings. If necessary the committee may seek outside assistance to perform its duties. Should a vacancy occur, the Supervisory Committee shall appoint a person to fill the vacancy until the next election.

The **Nominating Committee** consists of three members. The committee is appointed by the Chairman of the Board of Directors and elects a Chairman from its members.

It is the responsibility of the Nominating Committee to seek and nominate persons who are interested in serving the credit union to fill any elected position which is vacant. In making its selection, the Nominating Committee is charged with the responsibility of selecting qualified persons who represent a cross section of the members.

The Nominating Committee serves without compensation and is dissolved after making its official report.

The **CEO** is employed by the Board of Directors. It is the duty of the CEO to act on behalf of the elected officials in the day-to-day operations of the credit union.

The CEO is charged with the responsibility of employing and training the staff. He is also responsible for proposing and implementing policy. The CEO is responsible for representing the members' interests, the elected officials' interests and the staff members' interests at all times. He is responsible for research, development and implementation of new and improved services.

The CEO is a full-time employee and is compensated for services.

The **Staff** is employed by the CEO. It is the responsibility of the staff to deliver service to the members in an efficient and professional manner.

Staff members are full-time and part-time employees and are compensated for their services.