

President & Chairman's Report

In 1864 Friedrich Wilhelm Raiffeisen founded the first rural credit union in Heddesdorf, Germany. In 1934, Congress passed the Federal Credit Union Act, which permitted credit unions to be organized anywhere in the United States. A credit union is a cooperative financial institution that is owned by its members and operated for the purpose of promoting thrift, providing credit at reasonable rates, and providing other financial services to its members.

In 2014 Lincoln County Credit Union continued to live out the mission of Promoting Thrift through Quality Service. We are passionate about recycling money in Lincoln County! The business model of collecting deposits, making loans to members, and offering needed services in a local community is recycling money.

A FEW HIGHLIGHTS:

- 6,133 savings accounts. Total deposits at 2014 year end were \$84,356,689.
- 3,158 checking accounts with 3,102 debit cards.
- 633 loans for a total of \$13,799,675 disbursed in 2014. The 2014 year-end loan portfolio totaled \$41,838,133.
- \$29,464 given to sponsor community events, charitable organizations, and school activities.
- \$33,794 in local property taxes to fund schools, roads, public safety, courts, ambulance, parks, and others that receive tax dollars paid by property owners.
- \$250,606 paid to members in the form of dividends on deposit accounts.

The Federal Reserve kept market interest rates near historic lows. We upheld our commitment to you and paid above or market rates on deposit accounts.

We continued to maintain a very strong capital position. The capital to asset ratio at year end was 19% for a total of \$19,829,339.

We operate three convenient branch offices, 3 ATMs, online account access, free bill-payment, and a variety of other services to meet the members' financial needs. Overall, the results for 2014 reflect how prudent the Credit Union acts to manage the membership's funds.

Our philosophy is to provide financial education to help our members make small and big changes to significantly improve their financial lives. In 2014 we were able to save our members thousands of dollars by refinancing/restructuring debt at lower interest rates.

In 2014 we spent a tremendous amount of time preparing for the core processing conversion. We are continuing on that journey this year. While it will be a major change, it is exciting that we will have new technology to offer new and improved products and services.

Because we are a cooperative, all the services used locally by our members increase our ability to give back and contribute to strengthen Lincoln County.

In closing, we want to extend a genuine appreciation for your loyalty to Lincoln County Credit Union. With integrity we will continue to manage the funds that have been entrusted to us!

Cooperatively,
Roy Richardson, *Chairman*
Chari Lucas, *President*

Credit Union SERVICES

Home Equity Loans
Business Loans
VISA
Debit Cards
Voice Response
Money Orders

Savings Accounts
Checking Accounts
Share Certificates
Money Market
Overdraft Privilege
IRAs
Personal Loans
Consumer Loans
Real Estate Loans
Share Secured Loans
Safe Deposit Boxes
3 Free Local ATMs
Notary Service
Wire Transfers
Construction Loans
Online Account Access
Bill Payer

Your Financial
Cooperative

RECYCLING MONEY Locally

Credit Union OFFICIALS

BOARD OF DIRECTORS

Chairman • Roy Richardson
Vice Chairman • Devi McCully
Secretary • Jon Reny
Director • Lou Kuennen
Director • Lydia Mysse
Director • Amy Foss

SUPERVISORY COMMITTEE

Keith Ivers • Chairman
Abbe Heemeier • Member
Anna Erlandson • Member



LIBBY OFFICES
714 West 6th Street
293-7771 • fax 293-3236

Rosauer's Grocery Store
293-4275 • Open 6 days a week

TROY OFFICE
Stein's Market
295-5569 • Open 6 days a week



Federally Insured by NCUA.
NCUA Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government.
National Credit Union Administration, a U.S. Government Agency



Annual Report
2014

2015 ANNUAL MEETING Agenda

- I **CALL TO ORDER**
DETERMINE A QUORUM IS PRESENT
(15 members required per Article IV, Section 5 of the bylaws)
- II **READING & APPROVAL** *(or correction)*
OF THE 2014 MINUTES
- III **PRESIDENT & BOARD CHAIRMAN'S REPORT**
- IV **SUPERVISORY COMMITTEE REPORT**
- V **ELECTION OF OFFICERS**
Article V, Section 4 of the bylaws; All elections shall be determined by majority vote, and shall be by Ballot except when there is only one candidate for office.
- VI **OTHER BUSINESS**
- VII **ADJOURNMENT**



*Zonolite Employees Credit Union merged in 1994, assets were \$1.4 million and Big Sky Community Credit Union merged in 1996, assets were \$2.7 million.

2014 Annual Meeting Minutes SEPTEMBER 19, 2014

The Annual meeting of Lincoln County Credit Union was held at the Fred Brown Pavilion.

The business session was called to order by Chairman Connie Everett. It was determined that a quorum was present. Members reviewed the minutes of the 2013 Annual Meeting. A correction was made; Vice Chairman Roy Richardson conducted last year's meeting, Chairman Everett was not present. It was moved and seconded to approve the corrected minutes from the previous meeting. Motion carried. (Kandis Peterson/Marcia Jacky)

Chairman Connie Everett introduced the Board and Supervisory Committee Members and thanked them for their volunteer service.

President Chari Lucas was introduced and came forward to share a verbal report.

→ Two people were introduced and recognized who were closely involved with the Credit Union for several years. Marcia Jacky, the previous Credit Union Manager who retired in 1995 and Joe Collogan who served many years on the Board of Directors.

→ The financial statistics were reviewed. The 2013 business strategy to slow down asset growth and manage the key operating and balance sheet ratios was successful. The \$18.5 million in capital belongs to the membership, not a select group of stock holders.

→ 2014 was the 5th consecutive year Lincoln County Credit Union sponsored and administered the Volunteer Income Tax Assistance program. Bill Fansler and Charlie Lawrence were recognized for their commitment to the program and for completing 79 tax returns. Without their service the program wouldn't have provided.

→ The existing core processing system has allowed the Credit Union to serve the membership well over the past 17 years; however, due to a variety of factors

it has been determined that we are in need of a new processing system. A thorough research was conducted and it has been narrowed down to two companies. The new system will streamline processes and allow us to offer mobile banking, remote deposit capture, and online loan applications with electronic signatures. The conversion will take place in 2015.

→ The staff were thanked and recognized for the variety of ways they provide service to the membership!

→ This year's theme for the Annual Meeting is "Pay it Forward". Paying it forward is a concept that involves doing something good for someone in response to a good deed done on your behalf or a gift you received. The Board Members came forward and unrolled a poster in the form of a check payable to The Community/Members for \$20,000. Each attendee received an envelope with a \$50 bill, a list of ideas and postcard explaining the program. Every person in attendance was asked to Pay It Forward and share their stories either on the back of the postcard or online. Each Credit Union Volunteer and the President shared how they were going to Pay It Forward.

Chairman Everett thanked Lucas for the report.

Election of Officers: Article V Section 4 of the bylaws state that all elections shall be determined by majority ballot, except when there is only one candidate for each open position. Lou Kuennen and Jan Ivers are willing to serve another term.

Drawings were conducted for 5 "Pay It Forward" movies, 2 shredders, 2 floral arrangements and 3 gift certificates to local businesses. Members enjoyed a BBQ meal.

Respectfully submitted,
Devi McCully, *Secretary* Connie Everett, *Chairman*



Financial STATISTICS

SUPERVISORY Committee Report

The Supervisory Committee is comprised of three members that volunteer to perform duties to ensure procedures and internal controls are followed. They conduct surprise cash verification, inspect general ledger and statement reconciliations, loan audits, review account opening procedures, and inspect reasons for system overrides.

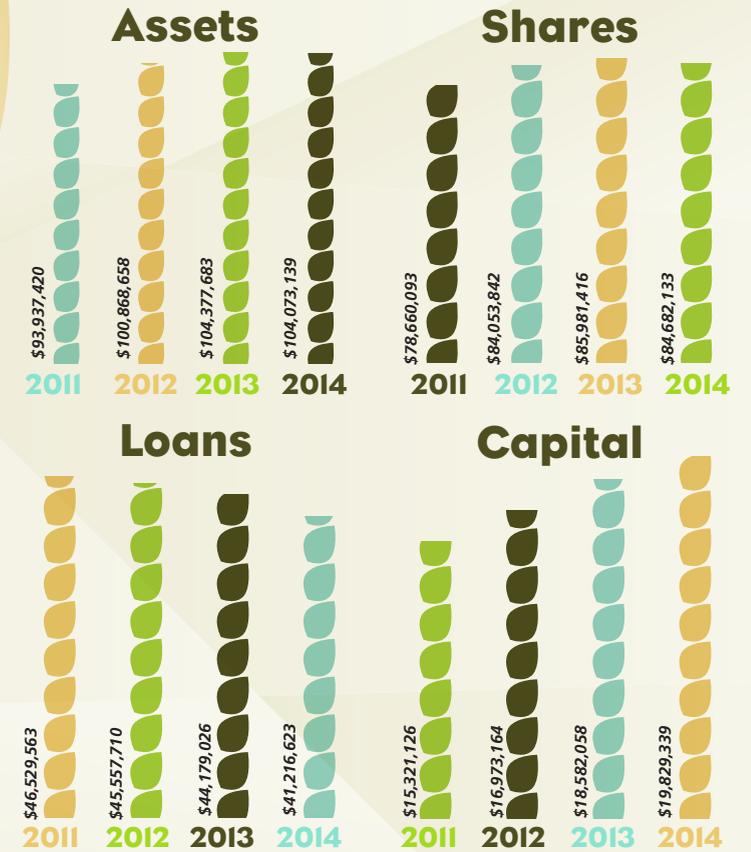
The Committee also engages an external auditor to fulfill the National Credit Union Administration's audit requirements. In 2014 Galusha, Higgins, and Galusha completed the audit. The following were tested and audited: verification of cash, bank reconciliations, investments, general ledger audits, teller controls, dormant accounts and file maintenance, wire transfers, reserve accounts, loan files, the allowance for loan loss methodology, operating and suspense accounts, Bank Secrecy Act, ACH Audit, and the Red Flag/Identity Theft Program.

The Examiners from the State of Montana, Division of Banking and Financial institutions also conducts a full-scope safety and soundness examination.

Lincoln County Credit Union's financial results and trends show the Credit Union remains financially stable with sufficient net worth. There is a system of strong internal controls. The various business risks are assessed and managed.

The Committee is pleased with the internal control standards that are upheld and the management of the funds to position the Credit Union for continued financial success.

Respectfully submitted,
Keith Ivers, *Chairperson*



CONDENSED INCOME Statement Comparison

INCOME STATEMENT	December 31, 2013	December 31, 2014
Loan Income	\$ 2,529,430	\$ 2,238,191
Investment Income	\$ 474,320	\$ 454,874
Other Income	\$ 762,707	\$ 626,104
TOTAL INCOME	\$ 3,766,457	\$ 3,319,169
Operating Expenses	\$ 1,691,684	\$ 1,655,185
Provision for Loan Loss	\$ 90,806	\$ 0
Non-Operating Loss	—	\$ 111,291
Dividends	\$ 279,887	\$ 250,606
Stabilization Expense	\$ 68,606	—
TOTAL EXPENSES	\$ 2,130,983	\$ 2,017,082
NET INCOME	\$ 1,635,474	\$ 1,302,087