

PRESIDENT & CHAIRMAN'S Report

A significant amount of time throughout 2015 was focused on preparing for and going through the core processing conversion. We are very proud of our team's engagement and participation in the training sessions and how they adjusted to all the new processes! The group of people that were onsite to provide assistance expressed that our Credit Union was a poster child for how to be as prepared as possible for a conversion. We are extremely appreciative of the membership's understanding and patience while navigating the changes.

The new and enhanced technology has allowed us to provide the following services that are increasingly popular to the members:

- ▶ Text or emailed E-alerts for daily balances and transactions.
- ▶ Electronic signature for loans, accounts, and other required documents.
- ▶ EMV debit and credit Chip Cards for increased member security.
- ▶ A new mobile banking with free bill payment.
- ▶ E-receipts for teller transactions.
- ▶ Expanded home banking and free bill payment.
- ▶ Remote Deposit Capture

The Board of Directors and Management has continued a very conservative approach to managing the Credit Union assets. The net worth/capital ratio is 19%, which is double the average peer credit union's net worth ratio. The total income has declined due to lower loan and investment interest rates. The operating expenses have been budgeted appropriately to maintain a net income - 1.09% return on average assets. LCCU does not have any debt obligations.

Asset Liability Management is always an integral part of measuring interest rate and liquidity risk. Even though the rate environment has not changed, it is important to be prepared for a potential rate increase and any negative impact on earnings or capital. The methodologies and decisions used have proven to be successful to keep the ALM risk very low. It is a goal to be prepared to pay higher interest rates on deposits if rates do increase.

Contributing to our local community and promoting financial well-being continues to be an important part of our business model. We celebrate when we are able to help members improve their financial status. We take pride in sponsoring several local events and donating to variety of worthy school and non-profit groups.

We want to extend a heartfelt appreciation to all the loyal members that value and support the credit union financial cooperative model! Each member's contribution throughout the past 59 years has allowed Lincoln County Credit Union to provide local financial products and services. The cooperative pooling of funds has in turn allowed us collectively to invest in our community.

Respectfully submitted,
Roy Richardson, *Chairman*
Chari Lucas, *President*

CREDIT UNION Officials

BOARD OF DIRECTORS

- Chairman ▶ Roy Richardson
Vice Chairman ▶ Devi McCully
Secretary ▶ Jon Reny
Director ▶ Lou Kuennen
Director ▶ Lydia Mysse
Director ▶ Jan Ivers
Director ▶ Gayl Smith

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

CREDIT UNION

Services

Savings Accounts
Checking Accounts
Share Certificates
Money Market
Overdraft Privilege
IRAs
Personal Loans
Consumer Loans
Real Estate Loans
Share Secured Loans
Home Equity Loans
Business Loans
VISA Credit Cards
Debit Cards

Voice Response
Money Orders
Safe Deposit Boxes
3 Free Local ATMs
Notary Service
Wire Transfers
Personal Loans
Online Account Access
Bill Payer
Mobile Banking
Remote Deposit Capture
Electronic Transaction
and Balance Alerts



Federally Insured by NCUA.



ANNUAL REPORT 2015



2016 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 2015 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**

2015 ANNUAL MEETING MINUTES

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

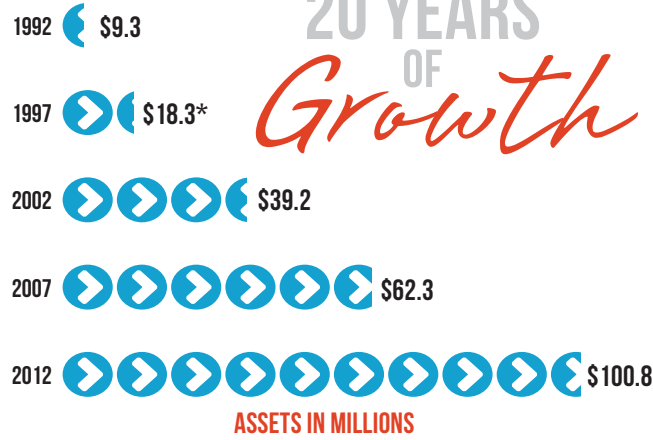
The Credit Union provided a shred truck for the membership to go along with the Annual Meeting Theme, Recycling Money Locally.

The business session was called to order by Vice Chairman, Devi McCully. It was determined that a quorum was present. Members reviewed the minutes of the 2014 Annual Meeting. It was moved and seconded to approve the minutes from the previous meeting. Motion carried. (Bob Lethrud/Dan Thede)

Vice Chairman, Devi McCully, introduced the Board and Supervisory Committee Members and thanked them for their volunteer service.

PRESIDENT'S REPORT:

- ▶ Three people were introduced and recognized for their service to the Credit Union. Connie Everett has served on the Board since 2002 and has resigned her position. Jan Ivers was appointed to the Board in 2008 and has resigned her position to do work with the Peace Corps in Africa. Bill Fansler volunteered his time to prepare 52 tax returns for our community residents.
- ▶ The staff members were recognized and thanked for the many ways they provide service to the membership!
- ▶ After a thorough research a new core processing system was selected. The conversion date is November 2nd. The new system will allow us to expand electronic services to the membership. More in-depth information will be provided to the membership.



*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.

August 3rd, 2015

- ▶ This year's theme for the Annual Meeting is "Recycling Money Locally". The business model of collecting deposits, making loans to members and offering needed services in a local community is recycling money. There has been a low interest rate environment for several years. The huge benefit for consumers is that borrowing rates have been extremely low. So far this year we have disbursed approximately \$9 million loan dollars which has resulted in a net increase in the total loan portfolio. It is up to about \$43 million.
- ▶ The Federal Reserve did not raise interest rates this year. The next meeting is on September 16th. Lincoln County Credit Union is well positioned and committed to pay higher dividend rates if rates do increase. In the meantime, the Board is very much interested in coming up with ways to reward members based upon their loyalty and use of Credit Union products.

Vice Chairman McCully thanked Lucas for the report.

Election of Officers: Article V, Section 4 of the bylaws states that elections shall be conducted if there is more than one candidate for each vacant position. The terms expiring this year are Devi McCully and Jon Reny. They are both willing to serve another term. Gayl Smith was appointed to fill the vacant position and is willing to serve a 3 year term.

Drawings were conducted for 2 shredders, a fishing picture, a cross stitch wall art, photo by a local photographer, a hand-made duck, a "Piece of Time" necklace, 4 coolers and 2 share deposits of \$50.

Respectfully submitted,

Jon Reny, *Secretary*
Devi McCully, *Vice Chairman*

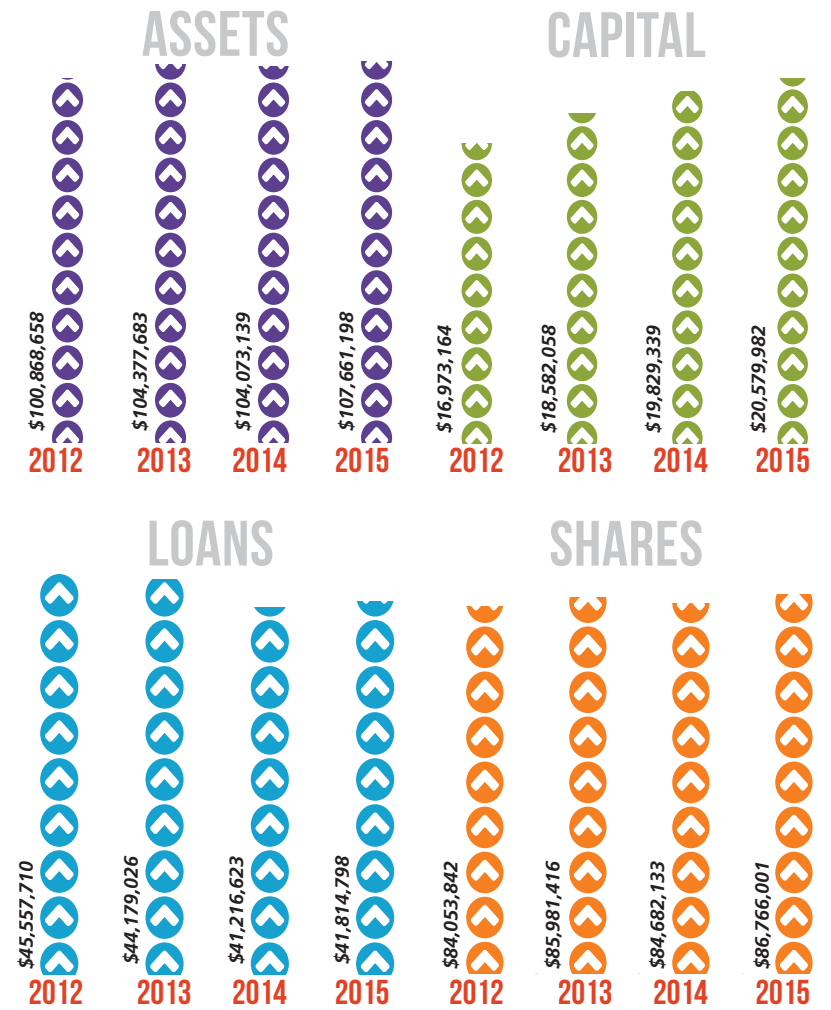
SUPERVISORY COMMITTEE Report

The Supervisory Committee, appointed by the Board of Directors, is responsible for conducting internal audits. Throughout the year the committee members performed internal audits of operational functions.

The Committee is also responsible for hiring an external auditor. In 2015 Wipfli LLP was selected to meet the National Credit Union Administration's audit requirements. The following were reviewed: verification of cash, bank reconciliations, investments, general ledgers, wire transfers, reserve accounts, lending and allowance for loan losses, employee and official's accounts, Bank Secrecy Act, ACH Audit, and the Red Flag/Identity Theft Program.

The State of Montana and Division of Banking and Financial Institution conducted a regulatory risk focused exam. The purpose of the examination is to assess the financial and operating condition of the credit union, senior management effectiveness and Board oversight, adequacy of the adherence to operating policies, and compliance with applicable laws and regulations through seven risk areas. Lincoln County is operated in a safe and sound manner and is well capitalized supported by strong earnings.

Respectfully submitted,
Keith Ivers, *Chairperson*



CONDENSED INCOME STATEMENT COMPARISON

	December 31, 2014	December 31, 2015
Loan Income	\$ 2,238,191	\$ 2,053,599
Investment Income	\$ 454,874	\$ 485,322
Other Income	\$ 626,104	\$ 715,396
TOTAL INCOME	\$ 3,319,169	\$ 3,254,317
Operating Expenses	\$ 1,655,185	\$ 1,721,742
Provision for Loan Loss	\$ 0	\$ 0
Non-Operating Loss	\$ 111,291	\$ 138,812
Dividends	\$ 250,606	\$ 238,506
Stabilization Expense	—	—
TOTAL EXPENSES	\$ 2,017,082	\$ 2,099,060
NET INCOME	\$ 1,302,087	\$ 1,155,257