



**LGEFCU**  
LOCAL GOVERNMENT  
FEDERAL CREDIT UNION

LOCAL GOVERNMENT FEDERAL CREDIT UNION

*2013 Annual Report to the Membership*



## Chairman's Letter

To our membership:

It is my pleasure and privilege to present to you the 2013 LGFCU Annual Report to the Membership. This is an opportunity to speak directly to you, our member-owners, about how your Credit Union is performing.

This report contains high-level financial information to give you a sense of where your Credit Union stands. A full independent financial audit is available on our website. If you don't have access to the Internet, contact us and we'll mail you a copy of the report.

Since the Great Recession, we have experienced fundamental weaknesses in our economy and member households. For some, it was holding too much debt. Others saw declining home values that resulted in negative equity. Some members faced extended unemployment. Overall, most members felt the negative pressure of an economy struggling to right itself.

We are proud to inform you that LGFCU has returned to pre-recession performance. Our capital is as strong as ever. Losses due to uncollectible loans have subsided. Earnings are keeping pace with our growth. Members are borrowing again for new vehicles, homes and household goods. We sense a growing optimism from members ready to plan and prepare for a bright future.

I, along with the entire Board, am extremely proud of President Maurice Smith and the entire management team for the wonderful job they have done, building such a talented staff from top to bottom. Everyone performed masterfully to steer the Credit Union through tough times. The Board and management saw eye-to-eye on critical strategies, and together we focused on LGFCU core values and our commitment to being a reliable financial partner to our members.

This is not to say that all is rosy. There are members who continue to face uphill economic realities. Whether you're employed less than full time, your wages haven't kept pace with the cost of living or your circumstances require more financial resources than you have, we understand that trials continue.

*We are proud to inform you that LGFCU has returned to pre-recession performance.*

For more than three decades, LGFCU has built a reputation of serving the diverse interests of members in good and bad times. We've placed financial planning tools at your disposal and offer services to help you make the most of your assets, protect your properties and achieve your financial dreams. If you are struggling, we are here for you as well with affordable services, accessible credit and support to help you establish a solid economic future.

Helping you succeed is deeply rooted in our culture, philosophy and DNA. As a cooperative, you own LGFCU. There are no other financial interests that demand our attention. Not Wall Street. Not hedge funds. Not outside investors. Your Credit Union is owned and controlled by you, right here.

We are the only financial institution on the planet focused solely on serving the financial needs of local governments in North Carolina. LGFCU is truly your hometown and home-state financial partner.

We hope the financial performance of LGFCU, our values and breadth of services help you feel good about your choice to be a member. We know you have other options. Working together, we can create a financial cooperative like no other.

On behalf of the Board of Directors, volunteers and staff of LGFCU, thank you for your membership and support. Now, let's stay busy ensuring a bright future for us all.

Respectfully yours,

**Al Richardson**  
Chairman of the Board of Directors

# Volunteers

Our volunteers play a crucial role in the success of Local Government Federal Credit Union. The members highlighted below are just some of the many men and women who offer their time and talents to benefit us all. Thank you for everything you do.

## BOARD OF DIRECTORS

The LGFCU Board of Directors is comprised of nine member volunteers elected by the membership who set general policies and procedures for the Credit Union.



**Chairman**  
**Al Richardson**  
Black Mountain



**Treasurer**  
**Ruth Barnes**  
Atlantic Beach



**Lin Jones**  
Durham



**Vice Chairman**  
**Willie Best**  
Chapel Hill



**Kellie Blue**  
Pembroke



**Paul Miller**  
Snow Hill



**Secretary**  
**Jeanne Erwin**  
Cary



**David Dear**  
Shelby



**Aaron Noble**  
Burlington

## DIRECTORS EMERITI

**Frances Efirid**, Cary

**Jack Scoville**, Cary

## ADVISORY COUNCIL

The Advisory Council members serve as a liaison between LGFCU and their communities, promoting the Credit Union to existing and potential members. As of December 31, 2013, there are 451 members, representing 92 of the state's 100 counties.

## SUPERVISORY COMMITTEE

The Supervisory Committee's primary responsibility is inspecting the Credit Union's records for accuracy, its assets for security and its procedures to ensure the proper use and handling of funds.

**Chairman Ben Canada**, Wake County  
**Patty Gravinese**, Research Triangle Park  
**Emily Lucas**, Zebulon  
**Michelle Price**, Cary  
**Lee Smiley**, Apex

## LOAN REVIEW COMMITTEE

When a loan officer in a branch office denies a member's loan or credit card application, the member has the right to appeal the decision. The Loan Review Committee has the authority to uphold the original decision or approve the loan.

**Chairman Tony King**, Louisburg  
**Jim Baker**, Chapel Hill  
**Nancy Held**, Cary  
**Pam Hurdle**, Hertford  
**Dale Johnson**, Cary  
**Caroline Lee**, Wake County  
**Wilbert McAdoo**, Orange County  
**Nancy Medlin**, Clayton  
**Charles Murray**, Franklin County  
**Cheryl Perry**, Cary  
**Jean Stowers**, Johnston County  
**Sam Tingler**, Cary  
**Charles Weber**, Retired  
**Mark Williams**, Wake Forest

# Putting People Before Profits

Local Government Federal Credit Union is more than just another financial institution. For more than 30 years, LGFCU has been a proud partner in the many communities we serve across the state of North Carolina. We recognize the importance of practicing good corporate citizenship, which supports the worldwide credit union philosophy of “People Helping People.”

“It is fashionable for companies to say they give back to the community. For a cooperative like LGFCU, we are the community. Our members are municipal officials, elected officeholders, community volunteers, county employees and other individuals who make our communities wonderful places to live. When we help our North Carolina communities, we are doing our part as a responsible citizen. Not only do LGFCU members reap the benefits of LGFCU, all residents feel the benefits.” Maurice Smith, President, Local Government Federal Credit Union.

## AFFINITY CARDS

LGFCU offers affinity Visa® Debit Cards that benefit specific groups in our membership. With every purchase a member makes using the affinity card, LGFCU donates half of its net income to the associations to be used for training, equipment and to further their missions. As of December 31, 2013, these affinity cards generated a combined total of more than **\$1.35 million for the organizations** they serve. They include:

- ♦ North Carolina State Firemen’s Association (NCSFA)
- ♦ North Carolina Association of Rescue & Emergency Medical Services (NCAR&EMS)
- ♦ North Carolina League of Municipalities (NCLM) Local Leadership Foundation
- ♦ North Carolina Recreation and Parks Association (NCRPA)

“The NCSFA Debit Card from LGFCU has allowed us to expand our scholarship program and benefits to our members. It is also an issue of pride for our association and members to have a card that sets us apart. Hitting the \$1,000,000 mark was not only financially beneficial to us, but also displayed the pride our members have in using their own card.”

Tim Bradley  
Executive Director  
NC State Firemen’s Association

## SCHOOL OF GOVERNMENT

The School of Government was created by the University of North Carolina at Chapel Hill to serve government officials in North Carolina. Annually, LGFCU offers **\$50,000 in scholarships** to local government employees to apply toward tuition for conferences, classes, and seminars offered by the School of Government. In addition, LGFCU has provided seed money for two new initiatives, the Developmental Finance Initiative and the LGFCU Fellows Program.

Tom Thornburg  
Senior Associate Dean  
UNC School of Government

“The LGFCU scholarship program is a tremendous help to the School of Government. Scholarships give members of our audience an opportunity to offset the registration fee. This permits some people to attend courses who otherwise could not ... (and) helps relieve pressure on budgets of smaller governments.”



## COLLEGE SCHOLARSHIPS

Each year, LGFCU awards **120 one-year scholarships** to members who are graduating high school students or students attending colleges, universities and graduate schools. All scholarships are for \$1,000, payable in one installment to the school, and may be applied to tuition, textbooks, computers or other fees.

**“It’s one the best gifts I’ve ever received. I’m so happy! I didn’t expect it, and I’m very grateful to LGFCU for it. Education is something I value and paying for college can be a struggle. I’m very thankful.”**

**Devin Cherry**  
Student and scholarship recipient  
Elizabeth City State University

## COMMERCIAL LENDING

Since its inception in 2006, LGFCU Commercial Lending has made **281 loans to fire, rescue and EMS departments and municipalities** in 74 counties across the state, worth an estimated \$61.7 million. “We bring a lot more to the table than just a loan,” said Bill Carter, Vice President of Commercial Lending. “Even if they get the loan from someone else, we’re educating them to make better decisions.” Commercial Lending is also a proud sponsor of the annual NC Fallen Firefighters Memorial Service held each May in downtown Raleigh, and the North Carolina Association of Fire Chiefs.

**Ken Briscoe**  
President  
NC Association of Fire Chiefs

**“LGFCU Commercial Lending provides a way for North Carolina fire departments to use their tax money wisely, so they can protect not only life and property, but the money provided to them from their fire districts.”**



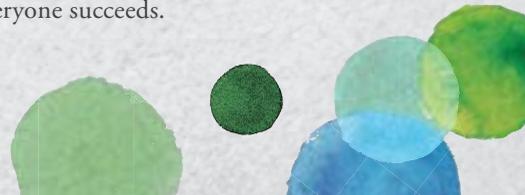
## CORPORATE VOLUNTEERISM COMMITTEE

Made up of LGFCU employees, the directive of the CVC is to do the most good, where it’s most needed. In 2013, LGFCU employees collected more than **1,950 cans** to benefit the Food Bank of Central & Eastern North Carolina, partnered with Trees Across Raleigh for their spring planting, and supplied a family and two senior citizens with clothes, gifts and gift cards through Wake County Social Services’ Holiday Cheer program.

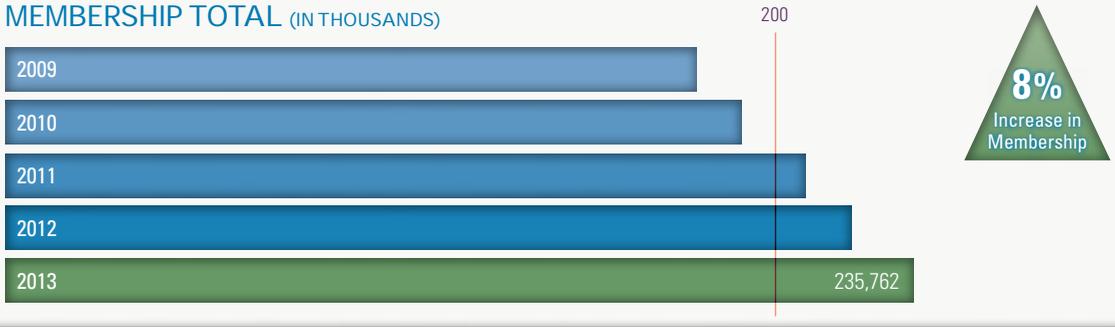
**“Thanks to a generous donation of 1,639 pounds of food from LGFCU, the Food Bank was able to distribute 1,380 meals to people in our service area. Last year, we distributed nearly 52 million pounds with the help of our partner agencies, and this wouldn’t be possible without organizations like LGFCU.”**

**Linda Fisher**  
Special Events and Food Drive Manager  
Food Bank of Central & Eastern North Carolina

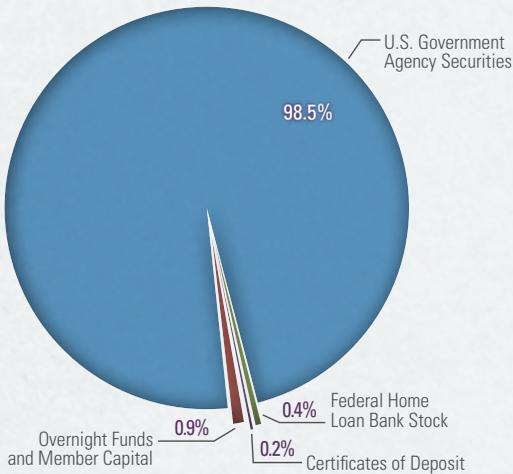
We hope you will also find ways to give back to your own communities, because when we all work together, everyone succeeds.



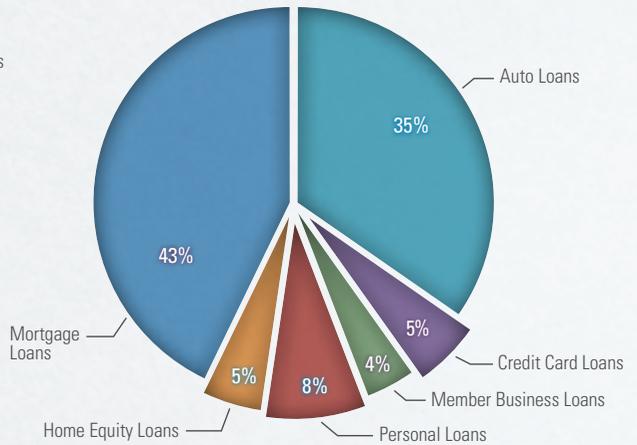
### MEMBERSHIP TOTAL (IN THOUSANDS)



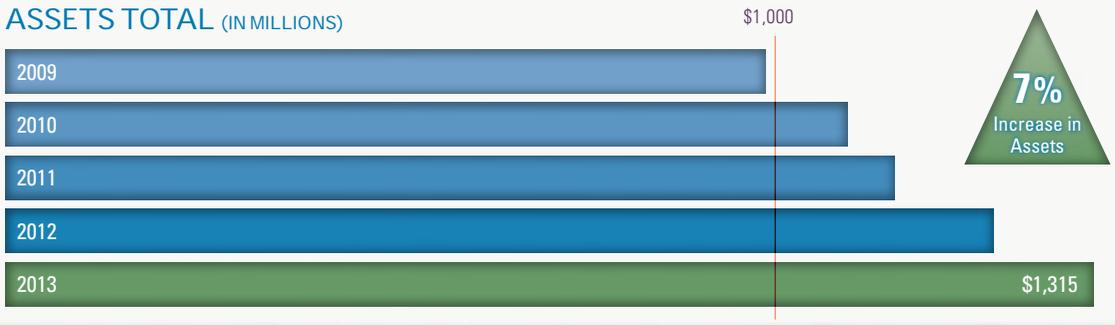
### 2013 INVESTMENT PORTFOLIO MIX



### 2013 LOAN PORTFOLIO MIX



### ASSETS TOTAL (IN MILLIONS)



## STATEMENTS OF FINANCIAL CONDITION

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and Investments	\$339,540,424	\$388,126,529
Mortgage Loans	\$390,562,910	\$393,529,551
Personal Loans	\$74,512,996	\$57,713,137
Member Business Loans	\$36,435,407	\$32,612,527
Home Equity Loans	\$50,070,041	\$50,861,463
Auto Loans	\$316,080,551	\$217,685,793
Credit Card Loans	\$44,105,542	\$27,306,787
Allowance for Loan Losses	\$(6,446,448)	\$(5,654,546)
Net Loans	\$905,320,999	\$774,054,712
National Share Insurance	\$11,940,083	\$11,063,258
Other Assets	\$57,838,693	\$59,440,714
<b>Total Assets</b>	<b>\$1,314,640,199</b>	<b>\$1,232,685,213</b>
<b>Liabilities &amp; Equity</b>	<b>2013</b>	<b>2012</b>
Payables	\$6,701,857	\$3,724,513
Share Accounts	\$246,396,533	\$206,570,805
Share Draft Accounts	\$182,628,860	\$162,607,249
Money Market Accounts	\$360,917,821	\$342,453,879
Individual Retirement Accounts	\$150,114,091	\$140,736,571
Share Certificates	\$272,527,200	\$274,353,774
Total Deposits	\$1,212,584,505	\$1,126,722,278
<b>Total Reserves &amp; Undivided Earnings</b>	<b>\$95,353,837</b>	<b>\$102,238,422</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$1,314,640,199</b>	<b>\$1,232,685,213</b>

## STATEMENTS OF INCOME (2013, UNAUDITED)

<b>Operating Income</b>	<b>2013</b>	<b>2012</b>
Investment Income	\$6,438,561	\$1,955,077
Mortgage Loans	\$16,432,048	\$17,617,735
Personal Loans	\$6,557,037	\$5,598,041
Home Equity Loans	\$2,569,151	\$2,712,378
Auto Loans	\$9,441,950	\$8,339,216
Credit Card Loans	\$2,801,556	\$2,242,737
Member Business Loans	\$1,253,403	\$1,328,253
<b>Total Loan Income</b>	<b>\$39,055,145</b>	<b>\$37,838,360</b>
Other Operating Income	\$24,274,243	\$21,331,201
<b>Total Income</b>	<b>\$69,767,949</b>	<b>\$61,124,638</b>
<b>Operating Expenses</b>	<b>2013</b>	<b>2012</b>
Operating Expenses	\$48,728,217	\$41,502,950
Interest on Borrowed Funds	\$1,583	\$0
Share Accounts	\$588,679	\$479,452
Share Draft Accounts	\$253,335	\$222,451
Money Market Accounts	\$1,241,397	\$1,409,816
Individual Retirement Accounts	\$1,535,604	\$1,423,823
Share Certificates	\$3,983,975	\$4,947,208
<b>Total Deposit Expense</b>	<b>\$7,602,990</b>	<b>\$8,482,750</b>
<b>Total Expenses</b>	<b>\$56,332,790</b>	<b>\$49,985,700</b>
<b>Net Operating Income</b>	<b>\$13,435,159</b>	<b>\$11,138,938</b>

## NATURE OF OPERATIONS

Local Government Federal Credit Union (the "Credit Union") is a not-for-profit cooperative that serves employees of local government units. The Credit Union is organized under the laws of the Federal Credit Union Act and is exempt, by statute, from federal and state income and sales taxes.

The Credit Union serves its members through the State Employees' Credit Union (SECU) network. This network includes more than 250 branches and 1,100 ATMs in all of North Carolina's 100 counties. The Credit Union's primary source of revenue is its loan portfolio.

## AUDITED FINANCIAL STATEMENTS

The financial reports provided here have not been audited. The Credit Union's accounting firm, CliftonLarsonAllen LLP, has audited financial statements for the annual periods ending June 30, 2012 and June 30, 2013, which are posted on the Credit Union's website at [www.lgfcu.org](http://www.lgfcu.org). These financial statements include a more in-depth financial analysis and extensive footnote disclosures that provide additional information on the results of the Credit Union for the respective period ends as noted above.

*“LGFCU volunteers  
display a strong commitment to  
their communities and the welfare  
of their fellow members.”*

**Al Richardson**  
Chairman, Board of Directors

*/ To improve the lives of our members /*

**LGFCU**<sup>®</sup>  
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