

*Our community. Our voices.*

2014 Annual Report to the Membership





## Chairman's Letter

### To Our Members/Owners:

On behalf of the Board of Directors, it is my pleasure to present the 2014 Annual Report of Local Government Federal Credit Union. This is an opportunity for your Credit Union to share the progress made in the previous fiscal year.

This past year, I was elected by my peer directors to serve as the Chairman of the Board. I am honored by their faith in me to serve the membership in this very important role. Moreover, I am deeply grateful to you as members for your trust in the Credit Union. We realize you have other choices for financial services. Your membership is not taken for granted.

Recently, there has been much publicity about the safety and soundness of financial institutions. The largest financial institutions are undergoing stress tests to see if their balance sheets can withstand another economic downturn like the most recent recession, and federal and state regulators have greatly increased their scrutiny of banks and credit unions.

We are pleased to have passed every fitness test that has been exacted on LGFCU. The Credit Union undergoes an annual examination by the National Credit Union Administration (NCUA, a federal government agency that regulates credit unions and administers the insurance fund for member deposits). LGFCU submits itself to the inspection of a Board-approved Supervisory Committee and an internal audit team. And we received an unmodified (clean or unqualified) opinion last year from an audit performed by an independent CPA firm.

People have asked me what's so unique about being a member of a credit union. From a distance, credit union services can look similar to other financial service companies. But there are important differences that you should know so you can take full advantage of the benefits of membership.

LGFCU stands committed to conduct itself as a cooperative in everything we do, with specific principles that guide our every decision. We are committed to democratic controls, equal treatment and open availability to all members. We believe a credit union owned by members, controlled by members and focused on members leads to good results.

Not all financial service providers see your best interest as a priority. In fact, some people may find themselves in an adversarial relationship with the financial institutions they use. This happens when a financial provider is more beholden to its stockholders, Wall Street interests or their own profit ambitions.

Your Credit Union offers a fresh perspective on financial services. LGFCU members are owners of the Credit Union. As a result, you are owed a fiduciary duty from your Credit Union. This means we must consider your best interest at every turn. No other priorities come before you as members.

Thank you for your LGFCU membership. We are proud to share the Credit Union with you. We look forward to another year of improving the lives of all members.

Respectfully,

**Jeanne Erwin**  
Chairman, Board of Directors



# Our Volunteers

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

## Board of Directors

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



*Chairman*  
**Jeanne Erwin**  
Cary



*Treasurer*  
**Aaron Noble**  
Burlington



**Lin Jones**  
Durham



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



**Ruth Barnes**  
Atlantic Beach



**Paul Miller**  
Snow Hill



*Secretary*  
**David Dear**  
Shelby



**Kellie Blue**  
Pembroke



**Ken Noland**  
Wilkesboro

## Directors Emerti

Frances Efird, Cary

Al Richardson, Black Mountain

Jack Scoville, Cary

## Advisory Council

The Advisory Council members serve as LGFCU advocates in their communities, acting as ambassadors to potential members and a source of information to existing members. As of December 31, 2014 there were 465 members, representing 93 of the state's 100 counties.

## Supervisory Committee

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

**Chairman Ben Canada**, Raleigh

**Patty Gravinese**, NC Biotechnology Center

**Emily Lucas**, Garner

**Michelle Price**, Cary

**Lee Smiley**, Apex

## Loan Review Committee

**Chairman Tony King**, Louisburg

**Jim Baker\***, Chapel Hill

**Nancy Held\***, Clayton

**Pam Hurdle**, Hertford

**Dale Johnson**, Cary

**Caroline Lee**, Wake County

**Wilbert McAdoo\***, Efland

**Nancy Medlin**, Clayton

**Charles Murray\***, Louisburg

**Cheryl Perry**, Cary

**Jean Stowers**, Johnston Community College

**Sam Tingler**, Cary

**Charles Weber\***, Olympia

**Mark Williams**, Wake Forest

\* retired

# Our community. Our voices.

Librarians. Coaches. Firefighters. **All of us** come to Local Government Federal Credit Union not just for the great rates (although those don't hurt!) but because of our love for **supporting our counties, cities, towns and neighborhoods**. Dedication to community service is what brings our varied voices together at LGFCU.

**LGFCU is a community itself**, and more than a place to manage your money. These stories represent the voices of just a few **LGFCU members, volunteers and staff**, but their **dedication to giving back** speaks for us all.



Ed Weigl of New Bern is an LGFCU Advisory Council member who has served his community for nearly 50 years. Ed has been a volunteer firefighter since 1968 and is still a very active firefighter today. In addition, he currently serves on the board of the Eastern Carolina Firefighters Association and is their Scholarship Chairman, overseeing the distribution of \$7,500 in scholarship funds that enable students and local government employees to pursue higher education.

Ed had been a deputy sheriff since 1973, and retired from the sheriff's office in 2004. In 2011, Ed was recognized for his dedication to the state of North Carolina with the Order of the Long Leaf Pine Award, given by Governor Beverly Perdue. He says that **"By offering free, sound financial guidance and affordable rates to its members"** LGFCU supports the community and allows him to be able to serve, as well.



**Anthony and Emma Norman** of Wake Forest are LGFCU employees, brought together in marriage and each called to work at LGFCU through their love of serving others. They both volunteer through the NC State Alumni Association and their church.

Anthony, Operations Process Analyst, also volunteers with kids and teens at the YMCA and sits on the LGFCU Volunteer Committee, helping staff find opportunities to give back in their own communities. He says, **"When I volunteer, it gives me an idea of who I'm serving when I'm at work. I have that perspective that these are potential members and could be people I'm working for at my 9 to 5."**

Emma, Technical Trainer, does additional volunteer work with high school students through Alpha Kappa Alpha's ASCEND program. She says of her community work, "I've always been raised to give back; even as a child my mom would make sure we had the opportunity to serve. It's innately ingrained into who I am...without it I feel like there's a void, like something's off kilter."



Tamara Faulkner of Hickory is a member of the LGFCU Lake Hickory Advisory Council. She is Secretary of the Board of Directors of the North Carolina Library Paraprofessional Association, and was recently named Library Journal Paraprofessional of the Year 2015 for her 21 years of service at the Hickory Public Library. In 2014, the program that Tamara single-handedly manages served 1,700 seniors by bringing library materials and programs right to their doors. Inspired by her own experience caring for her mother with Alzheimer's Disease, Tamara says, "One day I will be old, so I want to treat my senior customers the way I hope to be treated when I'm their age. I want to make a difference in the lives of people I serve, in my career and in my personal life, and that gives my life purpose."

Tamara also works with Senior Information Resources as the Chair of the Media & Promotion Committee, advocates for the library through radio and TV interviews, writes a column for the Hickory Daily Record and more. As if that wasn't enough she'll be working with LGFCU to help bring The Real Deal, a program that teaches teenagers how the real world works with money, to her community.

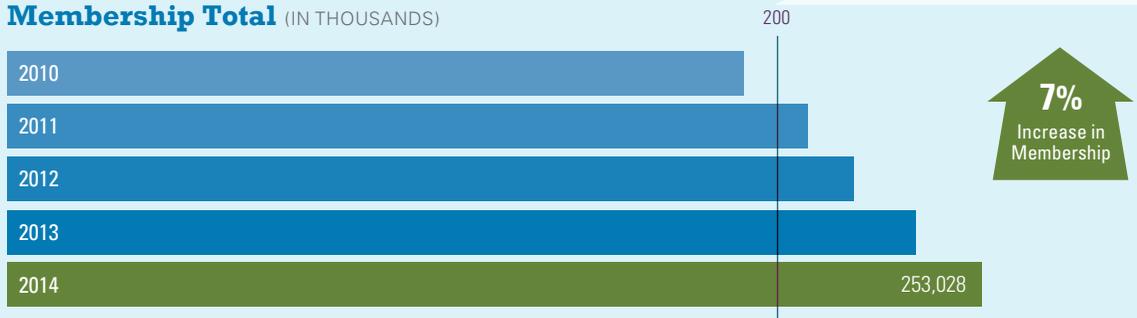
As busy as she is, Tamara wouldn't change a thing. "Most of all, I love serving my community because I believe that in some small way, the work I do positively impacts their lives, and makes their days just a little bit brighter. God has been good to me, and I want to pass along that joy."

So many people in the **LGFCU community** have stories like this to share. We are **proud to represent** and **provide services** to the people at the very heart of North Carolina; those who work tirelessly to protect and serve, and then go home at the end of the day and serve some more. For all that you do, and for **adding your voice** to the LGFCU membership, **we thank you.**

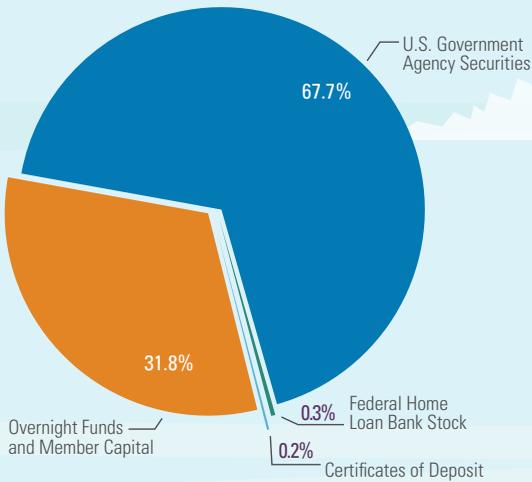


# Our Numbers

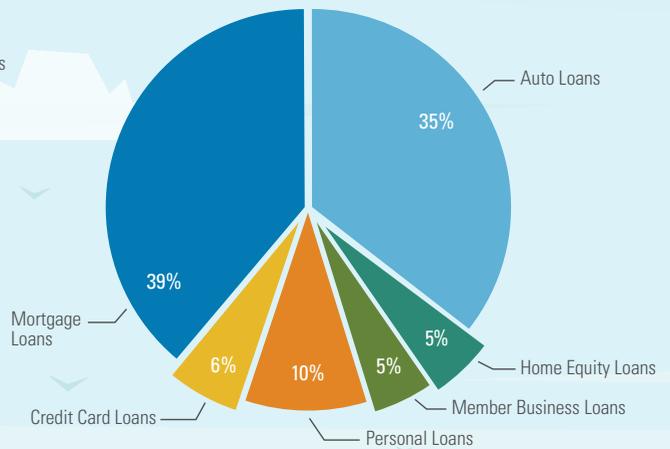
## Membership Total (IN THOUSANDS)



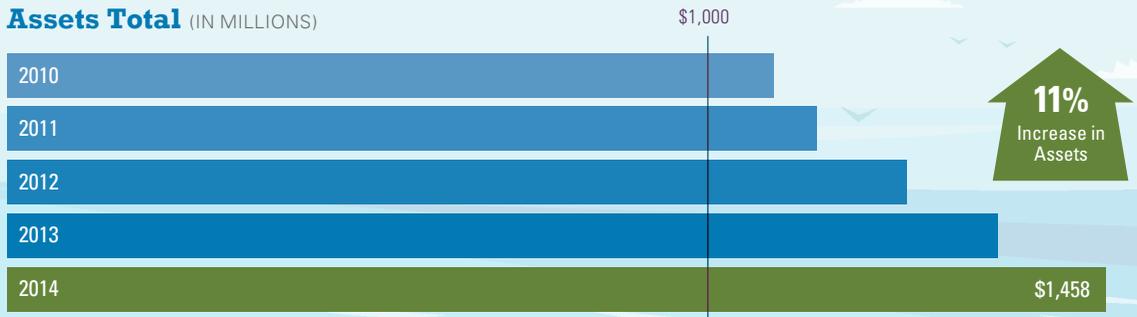
## 2014 Investment Portfolio Mix



## 2014 Loan Portfolio Mix



## Assets Total (IN MILLIONS)



## Statements of Financial Condition

Assets	2014	2013
Cash and Investments	\$358,610,660	\$339,540,424
Mortgage Loans	\$397,890,367	\$390,562,910
Personal Loans	\$100,970,843	\$74,512,996
Member Business Loans	\$49,727,747	\$36,435,407
Home Equity Loans	\$52,605,378	\$50,070,041
Auto Loans	\$364,591,012	\$316,080,551
Credit Card Loans	\$59,675,317	\$44,105,542
Allowance for Loan Losses	(\$7,347,860)	(\$6,446,448)
Net Loans	\$1,018,112,804	\$905,320,999
National Share Insurance	\$12,628,748	\$11,940,083
Other Assets	\$68,706,641	\$57,838,693
<b>Total Assets</b>	<b>\$1,458,058,853</b>	<b>\$1,314,640,199</b>
<b>Liabilities &amp; Equity</b>	<b>2014</b>	<b>2013</b>
Payables	\$5,435,646	\$6,701,856
Share Accounts	\$287,316,652	\$246,396,533
Share Draft Accounts	\$233,776,951	\$182,628,860
Money Market Accounts	\$381,394,687	\$360,917,821
Individual Retirement Accounts	\$157,785,962	\$150,114,091
Share Certificates	\$264,823,576	\$272,527,200
Total Deposits	\$1,325,097,828	\$1,212,584,506
<b>Total Reserves &amp; Undivided Earnings</b>	<b>\$127,525,379</b>	<b>\$95,353,837</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$1,458,058,853</b>	<b>\$1,314,640,199</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.

## Statements of Income (2014, UNAUDITED)

Operating Income	2014	2013
Investment Income	\$6,745,273	\$6,438,561
Mortgage Loans	\$16,411,882	\$16,432,048
Personal Loans	\$9,149,910	\$6,557,037
Home Equity Loans	\$2,633,062	\$2,569,151
Auto Loans	\$12,114,190	\$9,441,950
Credit Card Loans	\$4,429,415	\$2,801,556
Member Business Loans	\$1,416,279	\$1,253,403
<b>Total Loan Income</b>	<b>\$46,154,738</b>	<b>\$39,055,145</b>
Other Operating Income	\$28,345,000	\$24,274,243
<b>Total Income</b>	<b>\$81,245,011</b>	<b>\$69,767,949</b>
<b>Operating Expenses</b>	<b>2014</b>	<b>2013</b>
Operating Expenses	\$56,463,069	\$48,728,217
Interest on Borrowed Funds	\$4,438	\$1,583
Share Accounts	\$685,407	\$588,679
Share Draft Accounts	\$286,632	\$253,335
Money Market Accounts	\$1,304,227	\$1,241,397
Individual Retirement Accounts	\$1,635,956	\$1,535,604
Share Certificates	\$3,457,143	\$3,983,975
<b>Total Deposit Expense</b>	<b>\$7,369,365</b>	<b>\$7,602,990</b>
<b>Total Expenses</b>	<b>\$63,836,872</b>	<b>\$56,332,790</b>
<b>Net Operating Income</b>	<b>\$17,408,139</b>	<b>\$13,435,159</b>

## 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, 2014 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.



*/ To improve the lives of our members /*

