

84th Annual

ANNUAL REPORT

2017



MILL  CITY[®]

CREDIT UNION

FEDERALLY INSURED BY NCUA

WELCOME TO THE 84th Annual Meeting OF YOUR CREDIT UNION!

Two thousand seventeen was another strong year for our organization. In accordance with the Federal Credit Union Act, we continued on our path of building a strong community organization while continuing to exceptionally serve our existing membership base. We have worked diligently to grow within our business model (organic growth), while also looking for opportunities outside of that model.

We closed the year with strong financial results. Gross Loan growth of 8.37% was achieved. Total Deposits grew at a slower pace as they increased by 2.16%. The combination of the two growth measures, loans growing faster than deposits, has a positive bottom line effect on our financials. We continue to look for steady growth while dealing with the economic uncertainties of the present interest rate environment. In 2017 we produced strong bottom line results with an ROA of .63%. Our Net Worth to Total Asset Ratio improved to a very respectable 11.37%. Board and management are committed to maintaining a balanced and fiscally strong organization.

Highlights of the year include but are not limited to:

- ✓ **Exceeded our goal** for new membership growth
- ✓ **Reduced member attrition** and achieved net membership growth
- ✓ **Purchased property in Brooklyn Park** for a new branch location (to be completed fall of 2018)
- ✓ **Reorganized our senior leadership team**, providing internal growth opportunities
- ✓ **Negotiated and signed** a new and financially efficient contract with our core data system provider (Fiserv). The contract provides for improved and expanded services for our member/owners

The following actions further contributed to the financial position of your credit union:

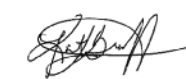
- ✓ **Leased 2nd floor space** at 10653 Wayzata Boulevard to consolidate operations
- ✓ **Sold our 9999 Wayzata Boulevard building** to a law firm
- ✓ **Leased back the 2nd floor** of 9999 Wayzata Boulevard

A final word...

We would like to thank the staff for their dedication and hard work. We thank the board and committee members for providing strong business direction and advice. Most importantly, we would like to thank our members for their ongoing support.

We realize that without you our organization does not exist and we remain vigilant in protecting your organization from numerous outside threats. Our primary goal is to provide each member/owner with a strong, safe, and efficient financial alternative.

Respectfully,



Kent Greff



Peter McDonald

2017 FINANCIALS

BALANCE SHEET

	2015	2016	2017
ASSETS			
Net Loans Outstanding	\$ 181,272,891	\$ 196,836,463	\$ 213,102,406
Cash and Equivalents	18,521,556	19,540,260	16,544,164
Investments	106,862,621	100,869,097	96,391,953
Land, Building & Improvements	2,843,704	2,609,035	2,152,827
Other Fixed Assets	417,203	287,134	340,727
All Other Assets	6,018,728	6,533,920	7,064,807
Total Assets	\$ 315,936,703	\$ 326,675,909	\$ 335,596,884
LIABILITIES & EQUITY			
Accounts Payable/Other Liabilities	2,304,113	1,861,046	2,655,907
Dividends Payable	-	-	-
Notes Payable	-	-	-
Member Shares and Deposits	279,144,530	288,920,892	295,152,974
Equity			
Reserves	4,031,025	4,031,025	4,031,025
Undivided Earnings	29,123,275	30,539,755	32,035,266
Unrealized Gains/Losses AFS Invest	(82,720)	(172,320)	(364,856)
YTD Earnings	1,416,480	1,495,511	2,086,568
Total Liabilities & Equity	\$ 315,936,703	\$ 326,675,909	\$ 335,596,884

INCOME STATEMENT

	2015	2016	2017
INTEREST INCOME & EXPENSE			
Interest On Loans	\$ 7,777,531	\$ 8,056,707	\$ 8,538,973
Interest On Investments	1,345,489	1,622,672	1,829,026
Total Interest Income	9,123,020	9,679,379	10,367,999
Interest & Dividends	933,698	1,012,475	1,130,257
Net Interest Income	8,189,322	8,666,904	9,237,742
Provision for Loan Loss	(21,810)	174,215	572,623
Net Interest Income after PLL	8,211,132	8,492,689	8,665,119
NON-INTEREST INCOME	\$ 2,592,862	\$ 2,942,413	\$ 2,855,820
NON-INTEREST EXPENSES			
Compensation & Benefits	4,779,892	4,816,293	5,107,708
Office Operations	2,535,153	2,819,960	2,821,380
Loan Expense	371,549	395,017	420,867
Other Expense	1,700,920	1,908,322	1,798,606
Total Non-Interest Expenses	9,387,514	9,939,592	10,148,561
Non-Operating Income: Gain on Sale of Building			714,190
NET INCOME	\$ 1,416,480	\$ 1,495,510	\$ 2,086,568

In accordance with the Federal Credit Union Act, the Supervisory Committee is appointed by the Mill City Credit Union Board of Directors and is given the responsibility to assure that the financial operations of the credit union are carried out in accordance with the Act and regulations of the Minnesota Department of Commerce and the National Credit Union Administration (NCUA).

The committee meets regularly with staff to monitor and evaluate internal controls, and utilized the services of CliftonLarsonAllen for monitoring an Internal Control Review Program and conducting related ongoing internal auditing procedures.

The Supervisory Committee also retained the CPA firm of CliftonLarsonAllen to perform the 2017 Financial Statement Annual Audit in accordance with auditing standards generally accepted in the United States of America. Their report concluded that the financial statements were fairly stated in conformity with accounting principles generally accepted in the United States of America.

It is the opinion of the Supervisory Committee that the financial affairs of Mill City Credit Union have been conducted properly and in accordance with policies, bylaws and regulations for the year ending December 31, 2017.

The committee thanks the entire staff for their cooperation in making 2017 a successful year.

Respectfully,



Joe Piepgras
Supervisory Committee Chair



BOARD OF DIRECTORS

Peter McDonald, *Chair*
Bob Kirk, *Vice-Chair*
Rebekah Ferguson, *Secretary*
Earl Robertson, *Director*
Martha Gschneidner, *Director*
Chad Kerlin, *Director*
Geoff Johnson, *Director*
Cam Hoang, *Director*
Paul Boyer, *Director*

SUPERVISORY COMMITTEE

Joe Piepgras
Tara Sheridan
Andrew Deising

MANAGEMENT TEAM

Kent Greff, *President*
Chief Executive Officer

Shirley Neukom,
Senior Vice President
Chief Financial Officer

Mitch Myre, *Vice President*
Chief Lending Officer

Missy Mound, *Vice President*
Chief Marketing Officer

Robin Downing, *Vice President*
Human Resources

Danielle Arthur, *Vice President*
Chief Operations Officer



TWIN CITIES

MINNETONKA
10653 Wayzata Boulevard
Minnetonka MN 55305

DRIVE UP
1 General Mills Boulevard
Golden Valley MN 55426

CHAMPIONS CENTER *
1 General Mills Boulevard
Golden Valley MN 55426

JFB TECHNICAL CENTER *
9000 Plymouth Ave N
Golden Valley MN 55427

ADMIN
9999 Wayzata Boulevard
Minnetonka MN 55305

NATIONWIDE

BELVIDERE *
915 East Pleasant Street
Belvidere IL 61008

CEDAR RAPIDS *
4800 Edgewood Road
Cedar Rapids IA 52406

HANNIBAL *
1 Red Devil Road
Hannibal MO 63401

MURFREESBORO *
2532 General Mills Way
Murfreesboro TN 37127

*General Mills Onsite Branches