

# ANNUAL REPORT 2015

MILL  CITY®  
CREDIT UNION



FEDERALLY INSURED BY NCUA

## WELCOME TO THE "82ND" ANNUAL MEETING OF YOUR CREDIT UNION!

Two thousand fifteen was a year of change, challenge and opportunity for our organization. Change included many moves to adapt to the needs of a community organization while continuing to exceptionally serve our existing membership base. Challenges included, but were not limited to, the economy, narrow interest margins, fraud monitoring, regulatory oversight, and the associated cost of compliance. We work diligently to grow within our business model (organic growth) while also looking for future opportunities outside that model.

The financial results of the organization are indicative of the present market conditions. Lower growth rates were planned and achieved as we do not wish to grow the deposit base faster than the loan portfolio. As a result, we are looking for slow and steady growth while dealing with the economic realities of the present. In spite of the many challenges we have once again produced strong bottom line results with an ROA of .46%. Our Net Worth to Total Asset Ratio

now stands at a very respectable 10.94%. Board and management have always been committed to maintaining a balanced and fiscally strong organization.

One of the largest changes in 2015 was the opening of our new full service Branch Office at 10653 Wayzata Boulevard. The move was made to embrace the new community portion of our membership while simultaneously extending enhanced service to our existing membership. The office is highly visible to the 105,000 cars per day that pass the location on I-394. Many new members comment that they noticed us while passing by on the freeway. As we looked to the future this highly visible location was exactly what we were looking for to expand service and delivery options. A lease with the option to buy was signed on the property to control our future options and needs, while retaining our 9999 Wayzata Boulevard Office as our Administrative (Admin) Office.


### Other highlights for the year include but are not limited to:

- Worked closely with managers at all GMI - US locations. This included strategic visits, creation of the Mill City CU/GMI Value Proposition, and focused development efforts in Murfreesboro (TN).
- Cultivated relationships with community organizations/businesses to drive growth. This included the gathering of data on communities, leveraging expertise of outside firms to enhance brand identity, and by specific target marketing through multiple delivery channels.
- Improved lending products and processes for member convenience. Adjustments were made to rates, tiers and delivery channels to remain competitive with advancing industry trends.
- Launched a new website. Enhancements include: responsive design; dedicated web page for GMI employees; and enhanced engagement tools to drive interaction / track online behaviors.

- Drive adoption and usage of eChannel/advanced services. This includes measuring and tracking over 20 channels and installing CardValet and Mobile Deposit to provide member convenience.
- Won national awards for our Mill City Credit Union Brand Identity and Sales & Service culture.
- Developed give back program – Making the Greater Good Even Greater

Finally, we would like to thank the staff for their dedication and hard work. We would like to 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. Our primary goal is to provide each member/owner with a strong, safe, and efficient financial alternative. Together, we will move into a bright and prosperous financial future.

Respectfully,



Kent Greff



Peter McDonald

## 2015 FINANCIALS

### BALANCE SHEET

ASSETS	2013	2014	2015
Net Loans Outstanding	\$ 162,892,200	\$ 173,762,466	\$ 181,272,891
Cash and Equivalents	21,544,959	18,438,594	18,521,556
Investments	108,489,081	97,886,602	106,862,621
Land, Building & Improvements	2,972,872	2,980,794	2,843,704
Other Fixed Assets	340,866	518,389	417,203
All Other Assets	6,538,268	7,188,398	6,018,728
<b>Total Assets</b>	<b>\$ 302,778,246</b>	<b>\$ 300,775,243</b>	<b>\$ 315,936,703</b>
<b>LIABILITIES &amp; EQUITY</b>			
Accounts Payable/other Liabilities	1,776,493	1,638,445	2,304,113
Dividends Payable	-	-	-
Notes Payable	-	-	-
Member Shares and Deposits	269,684,936	265,782,445	279,144,530
<b>Equity</b>			
Reserves	4,031,025	4,031,025	4,031,025
Undivided Earnings	25,901,019	27,357,411	29,123,275
Unrealized Gains/Losses AFS Invest	(71,619)	200,053	(82,720)
YTD Earnings	1,456,392	1,765,864	1,416,480
<b>Total Liabilities &amp; Equity</b>	<b>\$ 302,778,246</b>	<b>\$ 300,775,243</b>	<b>\$ 315,936,703</b>

### INCOME STATEMENT

INTEREST INCOME & EXPENSE	2013	2014	2015
Interest On Loans	\$ 7,286,339	\$ 7,539,335	\$ 7,777,531
Interest On Investments	1,357,379	1,150,190	1,345,489
<b>Total Interest Income</b>	<b>8,643,718</b>	<b>8,689,525</b>	<b>9,123,020</b>
Interest & Dividends	1,171,871	926,943	933,698
<b>Net Interest Income</b>	<b>7,471,847</b>	<b>7,762,582</b>	<b>8,189,322</b>
Provision for Loan Loss	99,218	(77,877)	(21,810)
<b>Net Interest Income after PLL</b>	<b>7,372,629</b>	<b>7,840,459</b>	<b>8,211,132</b>
<b>NON-INTEREST INCOME</b>	<b>\$ 2,881,987</b>	<b>\$ 2,687,065</b>	<b>\$ 2,592,862</b>
<b>NON-INTEREST EXPENSES</b>			
Compensation & Benefits	4,284,990	4,361,492	4,779,892
Office Operations	2,322,064	2,448,551	2,535,153
Loan Expense	376,103	367,666	371,549
Other Expense	1,604,856	1,583,951	1,700,920
<b>Total Non-Interest Expenses</b>	<b>8,588,013</b>	<b>8,761,660</b>	<b>9,387,514</b>
<b>Net Income before Corp. CU Costs</b>	<b>1,666,603</b>	<b>1,765,864</b>	<b>1,416,480</b>
<b>CORPORATE CREDIT UNION COSTS</b>			
Corporate CU Stabilization Expense	210,213	-	-
<b>Total Corporate Credit Union Expense</b>	<b>210,213</b>	<b>-</b>	<b>-</b>
<b>NET INCOME</b>	<b>\$ 1,456,390</b>	<b>\$ 1,765,864</b>	<b>\$ 1,416,480</b>

## REPORT OF THE SUPERVISORY COMMITTEE

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.

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 2015 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, 2015.

The committee thanks the entire staff for their cooperation in making 2015 a successful year.



Joe Piepgras  
Supervisory Committee Chair



### BOARD OF DIRECTORS

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

Missy Mound, *Vice President*  
*Chief Lending Officer*

Robin Downing, *Vice President*  
*Human Resources*

Pam LaBelle, *Vice President*  
*Chief Marketing Officer*

Mitch Myre, *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 317127

\*General Mills Onsite Branches