

Minutes of the 63rd Annual Meeting

Cecil Mills, Chairman of the Board, called the meeting to order at 10:10 AM on March 19, 2016 at the First Presbyterian Church in Morristown, TN. John Walker gave the invocation. Birthday announcements were made followed by the Pledge of Allegiance to the flag. A total of 381 people attended the meeting with 286 being voting members, 33 guests, 62 teens and children. The Secretary, Calvin Lacey, verified that a quorum was present.

Linda Marshall was appointed as parliamentarian for this meeting.

The following reports were given:

Chairman's report	Cecil Mills
Treasurer's report	Ronnie Moore
President's report	Mark Creech
Audit Committee	Mark Creech

Old Business: There was no old business New Business: There was no new business

Lee Johns scholarship recipient for 2015 was Kelly Sue Ann Thornton

All Lowland Credit Union employees were recognized for their service.

Service Awards for Staff

Marsha Anderson	25 years of service
Debbie Crum	15 years of service
Shirley Way	15 years of service
Heather Moore	10 years of service
Lisa Jones	5 years of service

Service Awards for Directors

Joann Jenkins	25 years of service
Calvin Lacey	20 years of service
Eddie Gilbert	5 years of service

Door Prizes were awarded.

Mark Creech presented the nominations for Directors recommended by the Nominating Committee. The candidates with the three highest votes will all get three year terms. The candidate with the fourth highest total will serve a two-year term, and the two with the least number of votes will not be elected

A Vote was taken and the results were:

Eddie Gilbert	Three-year term
Brandon Tomassoni	Three-year term
John Walker	Three-year term
Dwight Clevenger	Two-year term

A benediction was given by Charles Bragg. The meeting was adjourned at 11:10 AM.

AGENDA

- Invocation
- Welcome & Verification of Quorum
- Appointment of Parliamentarian
- Election of Directors
- Approval of Minutes of the 63rd Annual Meeting
- Chairman's Report – John T. Walker
- Treasurer's Report – Ronnie Moore
- President's Report – Mark Creech
- Audit Report – Mark Creech
- Old Business
- New Business
- 2016-2017 Lee Johns Memorial Scholarship Recipients:
 - Olivia Byrd
 - Caleb McBride
 - Rachel Sitton
 - Rachel Watts
 - Michaela Williamson
- Awards and Presentations
- Awarding of Door Prizes
- Adjournment
- Benediction



64th Annual Meeting



LOBBY HOURS

Monday - Thursday: 9am - 5pm
Friday: 9am - 6pm

DRIVE THRU

Monday - Thursday: 8am - 5pm
Friday: 8am - 6pm

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by NCUA



Main Branch

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Morristown, TN
423-581-8345

Morningside Place

1551 East Morris Blvd, Suite A
Morristown, TN
423-581-8345

Newport

344 West Broadway
Newport, TN
423-623-2800

Joint Report from Board & Management

Let's first address "the elephant in the room" your credit union was in the red over \$87k for the year-ended 2016. This is due in part to a couple of things...we've all heard the expression "you have to spend money to make money". We spent a tremendous amount of money on the start-up of a new lending program that should reap us benefits for years to come. Your credit union ventured into the Indirect Lending arena in April this past year and as a result we grew loans by 43% (\$13.7 million). This new program allows you, our members, to obtain auto financing at participating area dealers and you never have to set foot in the credit union. Additionally due to the rapid increase in loans, we had to make an entry of \$75k to the Allowance for Loan Loss (ALL). We are required by Federal Regulation to reserve a certain percentage for loans that could go bad and unfortunately this entry is a direct hit to the income statement. In reality we didn't lose this money, we just had to move it from the Income Statement into a reserve account. And finally, we donated a piece of property located in Greeneville to the Boys & Girls Club of Greeneville that was \$34k off the bottom line. This was a piece of property that had been on the books for a number of years and our board felt it best to donate the property to a worthy cause.

We are proud to report that we grew assets by \$1.4 million in 2016; we finished the year with \$89.5 million in assets and wrote off \$232K in bad loans (a 33% decrease in write offs from 2015). We finished the year with a capital ratio of 9.04% down from 9.29% in 2015. The decrease in Capital is the result of the negative income for the year. Deposits grew by \$1.3 million (1.6%) and as I mentioned before loans grew by \$13.7 million (43%). We couldn't be more pleased with our loan growth for 2016 and we're proud to report through the first two months of 2017 loan growth is still strong. Our board was very wise to venture into this new service and we think we all can agree with loan growth of 43% it was worth our time & money. Our electronic services (home banking, mobile banking, bill pay, remote deposit capture, & ACH transactions) are growing phenomenally and face-to-face transactions continue to decrease. Our venture into indirect lending is a prime example of how our business is changing and more and more folks prefer the convenience of not having to physically come into the offices.

We had a joint exam by the State of Tennessee and NCUA (National Credit Union Administration) as well as an external audit conducted by Pugh CPAs out of Knoxville. We're proud to report that we were given a clean opinion by each of these entities. As always, examiners & auditors pointed out areas that need our attention for improvement. Additionally they pointed out things that would help us prepare for when we hit \$100 million in assets as we will be subjected to additional rules & regulations.

We reported at last year's Annual Meeting that we would be undertaking a Main Office remodel during 2016. While we hired an architectural firm out of Knoxville to do a feasibility study of the Main Office, we concluded there would be constraints that would prohibit us from keeping the Main Office open during the remodel; therefore, we concluded that it would not be cost effective to undertake a remodel at this time. We are working on an alternate plan for later in the year.

Our goal is to strive to offer you the best products and services while maintaining the safety & soundness of the credit union. We are thankful for a great, caring staff and their hard work this past year and it goes without saying that we are grateful for you, our members, for without you there would not be a Lowland Credit Union. We look forward to serving you into 2017 and beyond. Thank you for your continued support.

SUMMARY OF SIGNIFICANT CHANGES SINCE LAST ANNUAL MEETING 3/19/2016

Changes to Management	None
Changes to By-Laws	None
Important Notes to Changes in Financial Condition	No NCUA Corporate Stabilization deposit required for 2016.
Changes to Membership Size	Members December 2015: 12,030 Members December 2016: 12,169 New Member Increase (Decrease): 139
Sevices offered since last Annual Meeting	Indirect auto lending

BOARD OF DIRECTORS

John T. Walker, Chairman
Eddie Gilbert, Vice Chairman
Ronnie Moore, Treasurer
Todd Marshall, Secretary
Joann Jenkins
Tommy Musser
Roy Arnwine
Brandon Tomassoni
Leon Cagle, Associate Director

Balance Sheet

	2016 Unaudited	2015 Unaudited
ASSETS		
Loans to Members	46,079,483	32,293,464
Allowance for Losses	(249,960)	(248,757)
Cash	2,440,390	3,345,696
Investments	37,423,270	48,858,383
Deposit in NCUSIF	797,581	773,290
Prepaid Expenses and Other Assets	524,625	433,270
Property & Equipment Net	2,524,792	2,687,523
Total Assets	89,540,181	88,142,869

LIABILITIES & EQUITY		
Members' Savings Accounts	81,248,847	79,940,148
Interest Payable on Members' Savings	-	-
Other Liabilities	233,139	228,243
Total Liabilities	81,481,986	80,168,391
Retained Earnings, Substantially Restricted	8,058,195	7,974,478
Total Liabilities & Equity	89,540,181	88,142,869

Statement of Income

	2016 Unaudited	2015 Unaudited
INTEREST REVENUE		
Interest & Fees on Loans	1,848,195	1,838,763
Interest on Investments	654,003	677,372
Total Interest Revenue	2,502,198	2,516,135

INTEREST EXPENSE		
Dividends & Interest Expense On Member Savings	214,765	216,699
Total Interest Expense	214,765	216,699
Net Interest Revenue	2,287,433	2,299,436

Provision for Loan Losses	183,973	132,976
Net Interest Revenue after Provision for Loan Losses	2,103,460	2,166,460
Other Operating Revenue	1,246,539	1,184,460
3,349,999	3,350,920	

Other Operating Expenses		
Salaries & Employee Benefits	1,485,406	1,397,904
Office Occupancy and Operations	169,327	173,080
Professional Fees	816,022	809,142
Members' Insurance	44,866	47,379
Other Operating Expenses	890,807	805,909
Total Operating Expenses	3,406,428	3,233,414

Other Income (Expense)		
Potential Gain (loss) asset for sale	-	-
Gain (loss) on Disposal of Assets	(34,062)	(6,602)
Gain (loss) on Disposal of Investments	2,956	249
Net Income	(87,535)	111,153