



2017 ANNUAL REPORT

# *People Helping People*



# Chairman's Report

## WELCOME!

**This is the 64th Annual Meeting of Lubrizol Employees' Credit Union.**

We have had another year of remarkable growth and positive changes. LZECU remains financially sound and strong. We are strong because of you, the members, a fantastic staff and a dedicated group of volunteers and Board of Directors.

### What has your credit union done for you lately?

This past year we completed one of the largest changes in the credit union: the transition to a new data processor, new Home Banking system, new Mobile App with mobile deposit, new Bill Pay system with person-to-person transfer (P2P) and telephone banking (ART) system. With the hard work of the entire staff, we made it. As noted last year, many of the changes were behind the scenes. Some of our improvements include:

- Single sign-on to access all our online services (Home Banking, Mobile Banking, Mobile App, Bill Pay, Mastercard®)
- Access to Bill Pay directly from Home Banking
- Access to LZECU Mastercard account directly from Home Banking
- Ability to freeze your debit card through Home Banking
- Convenient, safe and secure eSignatures for loan and deposit documents through DocuSign®
- Upgraded our debit cards to EMV chip cards
- Ability to issue temporary debit cards in the office

### Our Membership

We have a very strong, active membership and a very large potential for increasing our membership. Our field of membership includes the primary member, which is the Lubrizol employee, and ALL relatives.

- The staff and/or a Board member goes to new employee orientation to recruit new members.
- Loans are at a record high. We have money to loan at some of the lowest rates available! Check with Emma or Elizabeth for a new or used auto, RV, boat, signature or real estate loan. They can meet or beat rates you may find elsewhere.
- We continue to actively market and cross-sell our services.
- Agatha continues to edit and update our fantastic website. The updates make for easier navigation and a more cohesive feel with our brand.

### What is your credit union doing to continually improve and grow?

- We are in the process of upgrading our Mastercard credit cards to EMV chip cards.
- We are improving member communication by utilizing digital channels, including text, email and plant email.
- We are in the process of making our online services accessible for people with disabilities.
- We continue to mobilize Home Banking features to be accessible on the app.
- We are looking at a building design to make the member experience even better.
- We will use our new Home Banking, Mobile Banking, Bill Pay and P2P services to grow our membership.

### Strengths

Lubrizol Employees' Credit Union remains strong. Total assets increased 4.3% (\$1,865,605) during 2017 and were a record \$45,296,723 at the end of the year. Total loans increased 7.4% (\$1,478,948) and totaled a record \$21,420,248 at the end of the year. A total of \$224,858 was added to our capital during the year. At the end of the year, our capital-to-asset ratio was a very strong 12.22%.

### Summary

Your credit union remains very strong. This is confirmed by our annual examination by the State of Texas Credit Union Department (TCUD) and the National Credit Union Administration (NCUA), which assisted during the exam this year. Our goal has always been to be the BEST credit union in the State of Texas, not the largest. We continue to be proud that we improve and grow the credit union every year. With the services that we provide, we believe that we can be your primary financial institution if we are not already. This year we made a large step in that direction. With our strong and supportive membership, exceptional staff and group of dedicated volunteers, we have the basis for continued growth and improvement. I want to recognize our exceptional staff: Rose, Susie, Emma, Hedda, Carol, Elizabeth, Agatha, Charlie and Monica.

On behalf of your Board of Directors,  
Rich Miller, *Chairman of the Board*

## Treasurer's Report

Total assets increased by 4.30% for the year 2017, closing with a total asset balance of \$45,296,723. This compares to the 2016 asset balance of \$43,431,118. Loan balances increased 7.42% for the year, ending at \$21,420,248. Net operating expenses were .25% under budget. The major item was additional payments to pay off the depreciation on the building. There is a plan to update the current location. Our capital position remains strong as evidenced by our net worth ratio of 12.22% at the end of December 2017.

LZECU is committed to remaining a strong and stable organization. Our credit union continues to receive good exam reviews from the State Examiner's Office. We continue to aggressively monitor delinquent accounts and daily operating expenses and demand the greatest return for our investment dollars.

Gary J. Aldrich, *Treasurer*

# Supervisory Committee's Report

Appointed by the Board, the role of the Supervisory Committee is to perform audit oversight on behalf of the Board of Directors.

This Supervisory Committee is responsible for ensuring that the credit union meets required financial reporting objectives and follows all necessary procedures to protect members' assets. The Committee employs certified public accountants to perform auditing, account verification and other work under its supervision.

To carry out these responsibilities, the Supervisory Committee completed two key activities in 2017:

- The Committee contracted A. John Weaver and Associates to conduct a comprehensive annual audit for the period ending December 31, 2016. Results of this audit indicate that proper practices and procedures are being followed and that accounting records accurately reflect operation of the credit union.
- The Committee completed a full verification of cash on hand at the credit union for the 2017 calendar year. No discrepancies were found.

In accordance with Texas Finance Code, the Texas Credit Union Department and the National Credit Union Administration (NCUA) conducted an annual examination of books and records for the period ending September 30, 2017. Lubrizol Employees' Credit Union continues to maintain the highest possible rating given by the Texas Credit Union Department and received positive feedback from the NCUA thanks to effective operation and management of our credit union.

The Committee is pleased to report that Lubrizol Employees' Credit Union continues to operate in a financially sound manner and remains dedicated to serving its members.

James Garza  
*Supervisory Committee Chairman*

## Statement of Financial Condition

	2017	2016
<b>Assets</b>		
Loans	\$ 21,420,248	\$ 19,941,300
Cash	\$ 3,010,426	\$ 2,865,733
Investments	\$ 19,711,369	\$ 20,028,218
Building & Land	\$ 45,016	\$ 79,455
Other Fixed Assets	\$ 29,837	\$ 21,471
Other Assets	\$ 1,079,827	\$ 494,941
<b>Total Assets</b>	<b>\$ 45,296,723</b>	<b>\$ 43,431,118</b>
<b>Liabilities &amp; Equity</b>		
Member Shares	\$ 39,526,034	\$ 37,695,176
Liabilities	\$ 232,561	\$ 546,405
Reserves	\$ 749,468	\$ 749,468
Undivided Earnings	\$ 4,788,660	\$ 4,440,069
<b>Total Liabilities &amp; Equity</b>	<b>\$ 45,296,723</b>	<b>\$ 43,431,118</b>

## Income and Expense Statement

	2017	2016
<b>Sources of Income</b>		
Interest on Loans	\$ 1,069,319	\$ 1,052,364
Income from Investments	\$ 354,485	\$ 311,687
Other Income	\$ 259,489	\$ 248,896
<b>Total Income</b>	<b>\$ 1,683,293</b>	<b>\$ 1,612,947</b>
<b>Expenses</b>		
Operating Expenses	\$ 1,213,783	\$ 1,214,280
Dividends	\$ 206,344	\$ 197,233
<b>Total Expenses</b>	<b>\$ 1,420,127</b>	<b>\$ 1,411,513</b>
<b>Operating Income</b>	<b>\$ 263,166</b>	<b>\$ 201,434</b>
Additional Depreciation of Building	\$ 38,308	\$ 55,000
<b>Net Income</b>	<b>\$ 224,858</b>	<b>\$ 146,434</b>

## Member Statistics

	2017	2016
<b>Membership</b>		
Total Members	3,001	3,108
Total Share Draft Accounts	1,499	1,408
Total IRAs	152	167

## Agenda

- Ascertain Quorum
- Minutes of Last Annual Meeting
- Reports to the Membership
- Elections
- Unfinished Business
- New Business
- Door Prizes
- Adjournment





# 63rd Annual Meeting Minutes

March 7, 2017

## Mission

Our mission is to build lifelong relationships through family friendly service and provide beneficial, progressive financial services.

## Vision

Our vision is to be the financial services provider of choice, enriching the lives of our members and employees.

## Leadership

### BOARD OF DIRECTORS

	Term Expires
Rich Miller, Chairman of the Board	2018
Danny Koons, Vice Chairman of the Board	2018
Gary Aldrich, Treasurer	2019
Brad Busby, Secretary	2020
Delinda Dutton, Director	2018
John Taylor, Director	2020
Joe Morris, Director	2018

### SUPERVISORY COMMITTEE

James Garza, Chairman  
Mike Deen, Member

### NOMINATING COMMITTEE

Michael Collins  
Virginia Carr  
Jan McClain  
Brad Busby

### CREDIT UNION STAFF

Rose Flores, President/CEO  
Carol Fitzpatrick, Accounting Supervisor  
Agatha Anariba, Marketing,  
Project & IT Administrator  
Susie Morley, Payment Services Specialist  
Emma Anderson, Loan Manager  
Elizabeth Munoz, Loan Officer  
Hedda Dangleben, Member Service Supervisor  
Charlie Riggs, Member Service Representative  
Monica Garza, Member Service Representative

The 63rd Annual Meeting of Lubrizol Employees' Credit Union was held on Tuesday, March 7, 2017, at 7:00 p.m. at the Deer Park Theatre and Courts Building. Refreshments were served as members and guests registered for the meeting. Members eligible to vote were given ballots. Everyone received the 2016 Annual Report, a door gift and a ticket for the door prize drawings.

**Call to Order:** Chairman Rich Miller called the meeting to order. A quorum was declared present since more than 25 members were in attendance.

**Approval of the Minutes:** Mr. Miller called for a reading of the 2016 Annual Meeting Minutes. A motion was made to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Motion was seconded and passed.

**Election:** Mr. Miller informed this year there are three (3) Board seats up for election of which two seats are for 3-year terms and one seat is for a 2-year term. The nominee coming in third place, according to the number of votes, will fill the 2-year term seat left vacant by Don Epps's resignation. Mr. Miller introduced the nominees: Brad Busby (incumbent), Patrick Newby (incumbent), Rick Smith and John Taylor (incumbent).

Mr. Miller asked for nominations from the floor. There were no nominations from the floor. A motion was made, seconded and vote carried to cease the nominations. A committee of three members was appointed to collect and count the ballots. Mr. Miller informed the election results would be announced at the end of the meeting.

**Reports:** Chairman Rich Miller gave his Chairman's Report, which is in the 2016 Annual Report. Mr. Miller discussed the core, Home Banking and Bill Pay conversions that took place over the New Year holiday weekend. The 2017 goals were also discussed, which includes plans for EMV chip cards and instant issue debit cards. Mr. Miller discussed the importance of membership, LZECU's financial strength and ranking within Texas credit unions. Mr. Miller informed that after 30 years of volunteer service, Vice Chairman Don Epps resigned January 1st due to retirement and no longer living in the area. Mr. Miller thanked Don for his service and making LZECU a better credit union. Mr. Epps was presented with a 30-year service award. Mr. Miller informed Patrick Newby was appointed by the Board to fill the vacant board chair left by Mr. Epps. Mr. Miller presented the following staff service awards: Rose Flores, 20 years; Hedda Dangleben, 15 years; Carol Fitzpatrick, 10 years; and Agatha Anariba, 5 years. Mr. Miller thanked them for their service and dedication to our credit union.

Mr. Miller informed the Treasurer's Report and the Supervisory Committee's Report can be found in the 2016 Annual Report, which was handed out to all members at registration. Mr. Miller asked if there were any questions regarding either report. No one had any questions.

In closing, Mr. Miller thanked the membership for their support and making LZECU successful. He asked everyone to invite their family members and LZ coworkers to join LZECU and take advantage of the many benefits. Mr. Miller also thanked the staff and Board for doing an outstanding job.

**Old Business:** None

**Door Prize Drawings:** There were 26 prizes for members 13 years of age and up and 16 prizes for members 12 years of age and under. Gary Aldrich was the winner of the \$300 Adult Grand Prize. Sauver Mitchell was the winner of the \$100 Kid's Grand Prize.

**Election Results:** Incumbents Brad Busby and John Taylor were elected for 3-year terms and Patrick Newby was elected for a 2-year term.

**Adjournment:** Mr. Miller asked for a motion to adjourn the meeting. Motion was made, seconded and vote carried to adjourn the business meeting. The business meeting was adjourned at 8:00 p.m.

