

OFFICIALS AND STAFF

BOARD OF DIRECTORS

TERRY BATES.....CHAIRMAN
MATTHEW LANGFORD VICE CHAIRMAN
THOMAS HIGGINS..... SECRETARY
CINDA JOHNSON.....TREASURER
MARC LUSK
ANTHONY SENA
HECTOR MENDOZA

SUPERVISORY COMMITTEE

DONNA SMITHCHAIRPERSON
ROSEMARY ROBINSON
MICKEY BROWN
GLENN LAVENDER

STAFF

FRANK FRAZZITTA CHIEF EXECUTIVE OFFICER
LYNNETTE PADILLA..... VICE PRESIDENT
JEFF WOODINGTON ACCOUNTING MGR
HOLLY INGRAM MEMBER SERVICES TEAM LEAD
VIRGINIA WILLIAMS.....UTILITY TELLER
LINDSEY LOVE LOAN OFFICER
NICHOLE CAGLE LOAN CLERK
IRETTA KIMBELL PART TIME TELLER
TRINITY MORGANTELLER
CLARA KINNEYACCOUNTING CLERK

PRESIDENT'S REPORT

THANK YOU FOR 70 YEARS OF SERVICE. Amarillo City Federal Credit Union was approved by the NCUA under Charter Number 5665 on March 12, 1948. You may see a copy of the original charter hanging in our lobby entrance. The building at 901 S Lincoln was completed in 1971. In 1988 we shortened our name to City Federal Credit Union. We reached \$20 million in asset size in 2000 and \$30 million in asset size in 2015.

We stand ready to serve our member for the next 70 years with a fresh look at the role we play in the Amarillo community and our special relationship with the employees of the City of Amarillo.

THIS STARTS WITH PEOPLE. We continue to energize the Credit Union with top quality people to serve our membership. While it is sad to see our retirees leave and we miss them, they know they are leaving our members in great hands. Smile at the new faces that stand ready to serve you for a long time.

THIS IS OUR CREDIT UNION. THIS IS OUR FUTURE. WE NEED EACH OTHER! The Credit Union is built upon the foundation of the strength of our common bond of credit union membership and its roots in City of Amarillo employment and other employment groups. The Credit Union sincerely needs your help in attracting new members. Our ability to serve you is based upon our ability to grow and offer attractive services to our members. GET THE WORD OUT.

DOLLAR STRONG! We continue to improve our operating results and surpass previous achievements. We originated \$8.5 million dollars in loans and passed out over \$8 million in currency and sorted over 120,000 coins for our membership. Net income for the year was \$254,000. This is a 14% increase over 2016 net income results of \$222,000.

THANK THE TEAM! The Credit Union's employees and management team have served our membership with compassion, respect, loyalty, and duty. I lastly want to recognize that our service would not be possible without them.

Respectfully Submitted

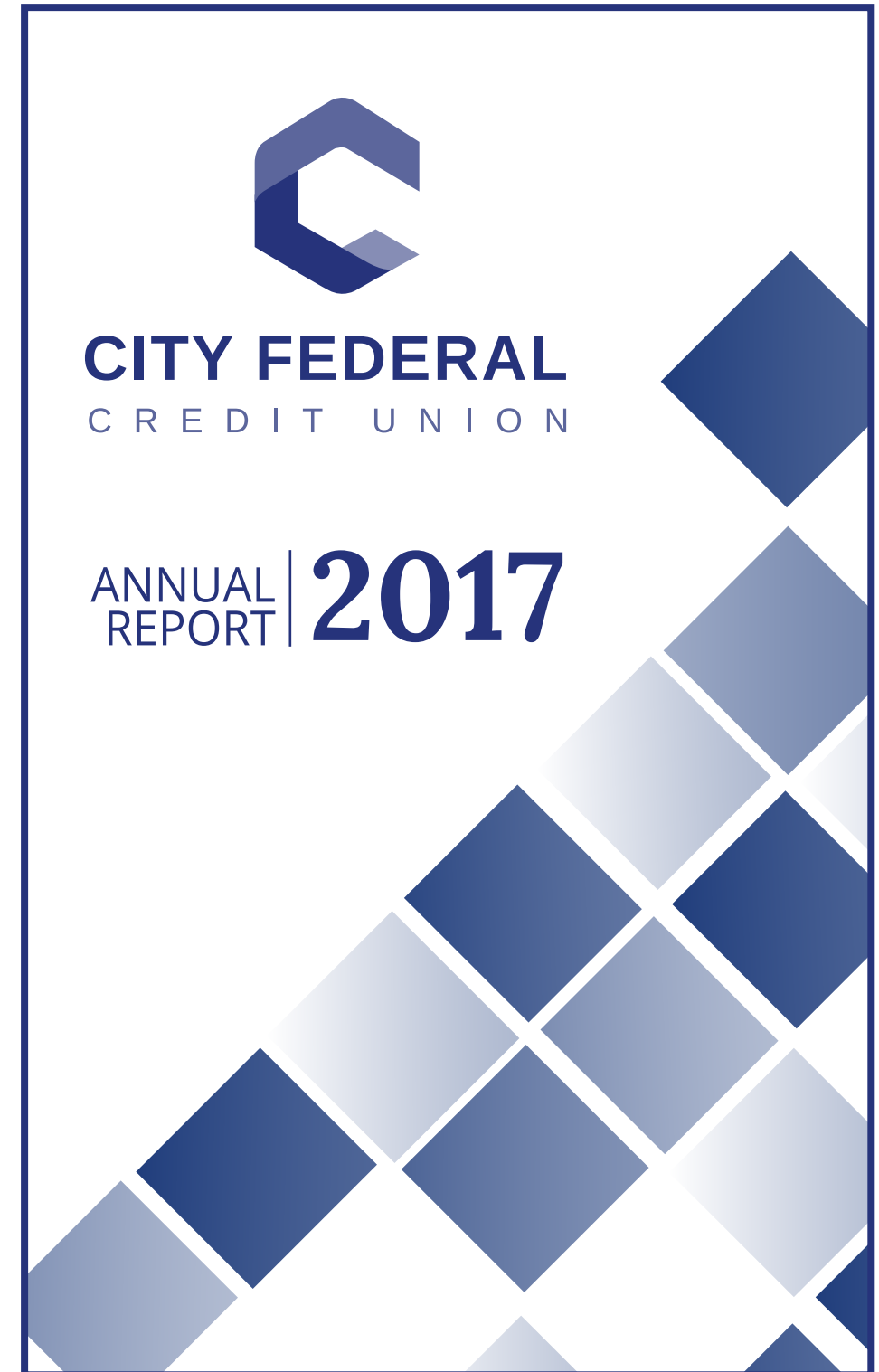
Frank Frazzitta, Chief Executive Officer

MISSION STATEMENT

“City Federal Credit Union is committed to exceed our members expectations to meet their *financial happiness*, while providing a *heartfelt and long-lasting relationship.*”

CORE VALUES

- Service-driven
- Relationship-Focused
- Integrity
- Member Delighted
- Innovative
- Accountability
- Entrepreneurial
- Enjoyable Atmosphere



BOARD OF DIRECTORS REPORT

It has been an honor to serve as Chairman of the Board of Directors again this year. The most important function of the Board is to provide general direction and control for the affairs of the Credit Union. The board delegates the execution of functional operations to credit union personnel. The Board of Directors however, retains responsibility for direction and control.

I am pleased to report that 2017 was a successful year at City Federal Credit Union. The financial balance sheet remains strong. We have experienced asset growth, loan growth, and operating results have improved for the third year in a row. There has also been moderate growth in membership this year. Operating results and procedures were again rated highly by independent examiners during our annual audit. The Credit Union remains financially stable. The Board remains confident in the direction of City Federal Credit Union under the leadership of CEO Frank Frazzitta.

The investments in technology made over the past two years continue to pay dividends by streamlining operations and allowing us to offer many new services. Our upgraded technology has enabled our members to conduct virtually any financial transaction such as applying for a loan, depositing a check, or transferring money between accounts from their computers or an app on a smartphone. Technology has enabled the credit union to continue to compete with much larger institutions. It has allowed us to focus on what our credit union does best; return assets to members in the form of lower fees, better rates of return and competitive loan rates. For those members who prefer a more traditional experience, very little has changed, You can still call, drive up, or walk in.

New updates to the lobby and work areas have been a recent focus and have contributed to a more pleasing and modern atmosphere when visiting the credit union. If you haven't been in for a while, try to get by and check it out. The lobby has an improved design and better flow. New paint, upgraded flooring and ceiling, LED lighting, an accessible desk, and granite countertops are just some of the improvements.

One of the primary challenges City Federal Credit Union faces today is the slow rate of membership growth. One of the ways this is being addressed is by increasing our field of membership. We have expanded our field of membership to include the Friends of the Library. Their membership requirements are open to all. This has had a modest impact on new memberships, this year gaining 42 members, which is an annual growth rate of about 1.6%. Another thing each of us could do is to tell our friends, family members and coworkers about your experience with City Federal Credit Union and encourage them to check us out.

The Board wishes to express their appreciation to the staff for their hard work and dedication. The Board would like to recognize the Supervisory Committee for their oversight efforts. The members of the Committee volunteer many hours annually to provide oversight, helping to insure the integrity and security of credit union operations. To the over 2,640 member/owners of City Federal Credit Union we thank you for your continued loyalty and support as we move forward. We know you have many options for your financial needs and are honored you have chosen us.

As we strive to remain successful going forward, we will continue to offer new services and improvements in the coming year. Rest assured however that our focus will always be to offer the same friendly, personal service as we have for the past 70 years.

Respectfully,
Terry Bates, Chairman

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is responsible for various audits and related activities as prescribed by the National Credit Union Administration regulatory agency. We follow an approved Plan of Action as our guideline for procedures to be performed during monthly meetings and at various times throughout the year. We learn accepted policies and procedures by viewing educational webinars or by attending other training as available. Loan documentation is routinely assessed, new and closed accounts are confirmed, cash counts are performed on a random basis, dormant account activity and other reports are reviewed. The committee has also contracted with Waypoint Advisory Services to perform some of the procedures requiring more in-depth audit knowledge such as reviewing staff and officials' accounts, doing test balances of the general ledger, and validating bank statement reconciliations.

A verification of all Credit Union accounts is conducted every two years; the last one was done in the summer of 2016 with no negative responses. When credit union officials and staff perform various mandatory actions during the year such as the ACH audit and the Disaster Recovery Test, at least one representative from the Committee is present. A Bank Secrecy Act Audit is performed annually.

Based on audit requirements and standards for credit unions set forth by National Credit Union Administration (NCUA) Rules and Regulations, Waypoint Advisory Services performed our annual required Agreed Upon Procedures (AUP) review in November of 2017. NCUA Federal Examiners completed a regulatory examination in June of 2017. In the reports provided to the Supervisory Committee by these agencies, both expressed confidence in the performance of the credit union and its staff. No major exceptions were noted in either case.

Based on these various verifications and assessments, I believe our Credit Union to be in sound financial condition.

I am excited about the growth and modernization within the institution and am pleased to see the services offered to our members continue to improve. I appreciate the opportunity to work with such a supportive and committed group of officers, staff and committee members.

Donna Smith, Chairperson

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2017	
ASSETS	2017	2016
CASH AND EQUIVALENTS	\$2,080,712	\$1,839,657
INVESTMENTS	\$1,469,520	\$7,109,445
LOANS	\$30,463,238	\$22,975,775
LESS ALLOWANCE FOR LOAN LOSSES	<u>\$101,494</u>	<u>\$64,606</u>
NET LOANS OUTSTANDING	\$30,361,743	\$22,911,169
FIXED ASSETS	\$441,476	\$412,112
ACCRUED INTEREST	\$118,963	\$94,640
OTHER ASSETS	<u>\$331,490</u>	<u>\$329,436</u>
TOTAL ASSETS	<u>\$34,803,904</u>	<u>\$32,696,459</u>
LIABILITIES		
ACCOUNTS PAYABLE & ACCRUED EXPENSES	\$488,248	\$214,604
SHARE DEPOSITS	\$18,886,384	\$18,378,526
SHARE DRAFT (CHECKING) ACCOUNTS	\$4,590,259	\$4,722,671
TERM SHARE CERTIFICATES	\$1,005,866	\$951,522
INDIVIDUAL RETIREMENT ACCOUNTS	\$2,700,523	\$2,402,082
NON-MEMBER SHARE CERTIFICATES	\$3,728,000	\$2,876,000
TOTAL LIABILITIES	<u>\$31,399,280</u>	<u>\$29,545,405</u>
MEMBERS EQUITY		
REGULAR RESERVES (STATUTORY REQUIREMENT)	\$640,292	\$640,292
OTHER RESERVES		
UNDIVIDED EARNINGS	\$2,510,763	\$2,288,735
NET INCOME (LOSS)	<u>\$253,567</u>	<u>\$222,028</u>
TOTAL MEMBERS EQUITY	<u>\$3,404,622</u>	<u>\$3,151,055</u>
TOTAL LIABILITIES & MEMBERS EQUITY	<u>\$34,803,904</u>	<u>\$32,696,459</u>

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2017	
INCOME	2017	2016
INTEREST ON LOANS	\$1,327,323	\$1,054,057
INCOME FROM INVESTMENTS	\$62,630	\$133,355
FEE INCOME	\$216,328	\$190,839
OTHER OPERATING INCOME	\$2,877	\$5,449
NON-OPERATING INCOME	\$0	\$0
TOTAL INCOME	<u>\$1,609,157</u>	<u>\$1,383,700</u>
EXPENSES		
COMPENSATION & BENEFITS	\$602,367	\$538,612
OFFICE OCCUPANCY	\$45,279	\$43,635
OFFICE OPERATIONS	\$186,269	\$143,298
OTHER EXPENSE	\$280,285	\$253,441
PROVISION FOR LOAN LOSSES	\$120,000	\$90,206
TOTAL EXPENSES	<u>\$1,234,200</u>	<u>\$1,069,192</u>
NET INCOME BEFORE DIVIDENDS	\$374,957	\$314,508
DIVIDENDS	<u>-\$121,390</u>	<u>-\$92,480</u>
GAIN OR LOSS ON ASSETS	-\$0	-\$0
NET INCOME	<u>\$253,567</u>	<u>\$222,028</u>
KEY RATIOS		
NET WORTH/ASSETS	9.78%	9.64%
RETURN ON AVERAGE ASSETS	0.75%	0.70%
OPERATING EXPENSE	3.30%	3.07%
LOANS/ASSETS	87.53%	70.27%
DELINQUENT LOANS/LOANS	1.14%	2.00%
NET CHARGEOFFS	0.54%	0.74%
ASSET GROWTH	6.45%	5.46%
MEMBERS	2,638	2,596
MEMBERSHIP GROWTH	1.59%	-2.11%