

Report from the Board of Directors

The past year has been one of challenge and opportunity. With the slow economy Tucson Old Pueblo Credit Union saw reduced loan demand and higher loan losses. The six month running loan loss ratio for the end of 2009 was 4.18% but the actual ratio as of December of 2009 had fallen to 2.76%. While these loan losses are high, loan losses show signs of abating and 2010 is likely to bring a further reduction here. The credit union itself has become a leaner organization. Our total assets at the beginning of 2009 were \$138,527,628 and our total assets at the end of the year were \$128,553,577.

In addition to the challenges presented by the local economy, the National Credit Union Administration, the federal regulator of credit unions, assessed all federally insured credit unions with an additional surcharge to cover losses at the corporate credit union level. As a result, Tucson Old Pueblo Credit Union was required to realize a share of those losses. Nevertheless, excluding those unusual events, the credit union achieved a savings of \$493,393 in operating expenses for the year. This amounts to a notable 7.9% reduction in overall operating expense. At year end, we retained \$6,751,215 in capital which amounted to 5.63% of assets.

It is important to remember your deposits at Tucson Old Pueblo Credit Union are federally insured for up to \$250,000. The insurance fund that protects our members' deposits, the National Credit Union Share Insurance Fund (NCUSIF), is backed by the full faith and credit of the U. S. government. No credit union member has ever lost money insured by this fund.

With a strong membership base and a talented management team, Tucson Old Pueblo Credit Union is situated to take advantage of new business opportunities. The credit union has launched initiatives, like the new "Nickel-Back" checking account which is designed to better appeal to under served markets such as that of younger members. As always, Tucson Old Pueblo Credit Union strives to provide the great cost effective products and services were are already noted for. Your credit union continues to value the relationship between the cooperative organization and the individual member.



Russell Hughes

Volunteers

Board of Directors

Adam Amante
John Brady
Gail Carey
David Deibel
Russell Hughes
Jill Moreno
Richard Prater

Supervisory Committee

Ana Archer
Kim Kamphaus
Rhonda Lugo

Lending Oversight Committee

David Deibel
Russell Hughes
Joe Mirachi
Alan Merritt

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TUCSON
OLD PUEBLO
CREDIT UNION

2009 Annual Report

Report from the President and CEO

Report from the President

Joe Mirachi

By all accounts, 2009 was the most difficult and challenging year for credit unions in over 50 years. The “great recession” of 2008 - 2009 resulted in a surge in unemployment, declining home values and at one point a near meltdown of certain financial markets. For TOPCU, the increase in unemployment hit our members hardest and resulted in many members struggling to repay their loans. We have continued to work with members during these tough economic times; however, the credit union incurred a high level of loan losses during the year. In recent months, the economy has shown improvement and delinquent loans have started to decrease. Additionally, our Board of Directors, management team, and staff have taken a number of proactive measures to improve loan quality and reduce expenses. As a result, TOPCU is projected to return to profitability by the third quarter of 2010 and earn a modest profit for the year as a whole.

At the same time, during 2009 we built a foundation for growth and improved service for our members. We made changes so members can expect consistent, high-quality service each time they interact with our staff. We restructured and cross-trained our staff to enable members to work with one TOPCU representative who can handle virtually all their financial needs. These changes were noted in the results of the member survey conducted in the summer as over 18% of members indicated an increase in satisfaction with TOPCU over the prior 12 months.

As evidenced by our community involvement, in 2009 we continued and deepened our relationship with City of Tucson employees. We joined the City in several community events throughout the year including the Cops and Rodders Car Show, the Fire Fighters’ Chili Cook-off, The Unsung Heroes Dinner, and the Opening Ceremonies of the Senior Olympics.

Our mission is to provide financial services that meet the needs of those who serve our community. TOPCU seeks to be the primary financial institution for City of Tucson employees and select groups; to be a mutually profitable and growing institution to better serve the financial needs of our members; and to attract and retain high-quality employees who deliver exceptional service to our members.

Achieving these goals would be impossible without our core values: integrity, empathy, knowledge, and fun. These values guide us in all that we do.



2009 Financial Statement*

Assets	2009	2008
Loans	\$113,653,388	\$126,444,488
Loan Loss Allowance	(4,055,110)	(3,228,460)
Cash and Cash Equivalent	2,894,938	5,623,913
Investments	8,305,960	1,246,234
Property and Equipment	4,983,562	5,270,765
Other Assets	2,770,839	3,170,688
Total Assets	\$128,553,577	\$138,527,628

Liabilities & Equity	2009	2008
Borrowed Funds	\$ 0	\$5,298,080
Liabilities	757,401	1,041,990
Savings Accounts	37,415,553	36,751,398
Checking Accounts	17,079,050	15,792,672
Money Market Accounts	23,677,268	19,201,576
Certificate Accounts	28,406,010	35,255,057
IRAs	13,980,659	14,131,184
Capital	7,237,636	11,055,671
Total Liabilities	\$128,553,577	\$138,527,628

Sources of Funds	2009	2008
Loans	\$7,933,671	\$9,058,692
Investments	98,406	162,538
Fee/Other Income	2,176,393	2,041,577
Non-Operating Income	639,863	154,966
Total Income	\$10,848,333	\$11,417,774

Allocation of Funds	2009	2008
Dividends	\$1,581,037	\$2,954,377
Interest on Borrowed Funds	352,201	252,185
Operating Expenses	6,751,866	6,256,608
Provision for Loan Loss	5,981,265	4,929,520
Net Income (loss)	(3,818,036)	(2,974,916)
Total Allocations	\$10,848,333	\$11,417,774

*Unaudited financial statement as prepared by
Tucson Old Pueblo Credit Union

Report from the Supervisory Committee

The Supervisory Committee, which is appointed by the Board of Directors, is responsible for conducting a comprehensive annual audit of the credit union to ensure that its operations are sound. To do so, the committee engaged Turner, Warren, Hwang & Conrad, a Certified Public Accounting firm, to audit the credit union’s financial statements for the year ending December 31, 2009. The Arizona Department of Financial Institutions and the National Credit Union Administration also perform examinations each year to evaluate Tucson Old Pueblo Credit Union’s financial condition and operation. In addition, the credit union employs a full-time internal auditor who reports to the Supervisory Committee to assist in providing additional safeguards. Tucson Old Pueblo Credit Union is in sound financial condition as a result of strong leadership from the Board of Directors, management, and dedicated staff.



Kim Kamphaus
Chair

Report from the Credit Committee

The Credit Committee, appointed by the Board of Directors, assures that established loan policies are applied consistently and that loans are not denied unfairly. If a loan has been denied, a member may request to have his or her loan reviewed by the Credit Committee.

In 2009 a total of 1,142 loans were funded for a total of \$26,252,431.



April Gabriel