

Chairman's Report for Annual Meeting

Tucson Old Pueblo Credit Union exists for you, its members/owners.

This has been a year of transition for our Credit Union. There has been significant changes in senior management, the Supervisory Committee, and your Board of Directors. David Fregonese is our newest Board member, Jim Knoff is now the Chairman of the Supervisory Committee, and G. Vernon Babilon is the new CEO.

You will be getting reports from three different entities that control our Credit Union. The Board of Directors governs the Credit Union by policy and purse strings. The CEO and senior management control the day-to-day operation of the Credit Union. The Supervisory Committee is the "watch dog" of the Credit Union, ensuring the Board's policies are correct and being adhered to by management.

In April 2013, I was elected Chairman of the Board. I mentioned this has been a year of significant changes. Vern Babilon was brought on as CEO in January 2013. In the sixteen months that Vern has been CEO, the Board monitored where Vern was taking the Credit Union, how he was doing it, why he was doing it and how it would affect you, our members.

Speaking for the Board, we have found Vern to be professional, personable, knowledgeable, open and forward thinking with good leadership skills. Vern comes from a credit union background and understands the "member first" concept. The Board has confidence that Vern and his senior management team will serve the members well. We feel he and his team are opening opportunities for members to use our credit union in new and different ways. An example would be mobile banking that will be coming this year. Please take the time to read the CEO report for additional details. All in all, I think we are in good hands.

As all of us know, change can be a scary thing. The Board would like to commend and thank the employees for making the transition relatively smooth, and giving the best service possible during the transition.

At the start of my report for the Board, I said you are "owners" of our Credit Union. We invite you, as owners, to participate and volunteer for various volunteer positions with the Credit Union.



Fred Cushman
Chairman

Volunteers

Board of Directors

Fred Cushman
Mike McKendrick
John Brady
Rick Prater
Bill Richards
Dave Fregonese

Supervisory Committee

James Knoff
Priscilla Lane
Scott Carner
Doris Rentschler



2013 Annual Report

Tucson Old Pueblo Credit Union

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Federally Insured by NCUA

Report from the President and CEO

As you may have witnessed, 2013 was a year of many changes—changes that began laying the foundation of a plan for this credit union to thrive and ultimately enjoy many successful years going forward. During 2014, that plan will be continued with enthusiasm. In particular, watch for announcements about the implementation of a new core computer processing system and the many benefits it will bring to all members. The new system will go “live” on July 1, 2014. Your credit union staff is really excited about it.

- The focus of our efforts in 2013 was to dramatically improve member service. Here is what your TOPCU staff accomplished to better serve you—and we’re not done yet!
- TOPCU added full-service Saturday hours at two locations.
- All Branch Member Service Representatives now attend employee development training to better enhance each member’s experience when visiting TOPCU branches.
- On-line e-statement enrollment doubled in 2013. Your participation in this program reduces your risk of experiencing identification theft while saving your credit union over \$7,500 annually in paper processing and mailing costs—not to mention the positive environmental impact of going paperless.
- TOPCU invested in Centennial Lending—a company owned by credit unions—and our mortgage business partner. This investment resulted in \$27,812 of income to TOPCU in 2013—and we expect this number to grow in the coming years.
- TOPCU Board of Directors chose to reduce the required minimum share par value from \$25 to \$5—making it easier for members to establish an account at TOPCU.
- A huge undertaking, your TOPCU management team researched, analyzed and negotiated for a new core computer processing system.

TOPCU staff remains active in the Tucson community. TOPCU employees volunteered their personal time to assure the success of the following charitable events:

- Tucson Fire Fighters Union Chili Cookoff
- Tucson Police Foundation’s
 - Unsung Heroes Recognition Dinner
 - Canine Walk for Cops
 - Thank a Cop Day
 - Cops and Rodders Car Show
- Greater Tucson Fire Foundation’s
 - Firefighters’ Poker Run
 - Casino Night
 - Fire Fighter Retiree Breakfast

We have exciting times ahead of us at TOPCU! Please know that your membership is vitally important and appreciated by the entire staff and management here at your credit union. As always, it is an honor to be of service to you.



G. Vernon Babilon
President/CEO

2013 Financial Statement*

Assets	2013	2012
Loans	\$62,334,979	\$68,061,974
Loan Loss Allowance	(1,385,512)	(1,880,912)
Cash and Cash Equivalent	13,810,374	11,266,821
Investments	52,767,411	48,722,813
Property and Equipment	4,358,588	4,602,436
Other Assets	2,277,274	2,509,973
Total Assets	\$134,163,410	\$133,283,105

Liabilities & Equity	2013	2012
Borrowed Funds	\$0	\$0
Liabilities	1,697,791	769,274
Savings Accounts	51,679,013	48,300,033
Checking Accounts	22,516,929	21,708,202
Money Market Accounts	23,959,267	25,001,380
Certificate Accounts	15,440,422	16,929,393
IRAs	9,993,120	11,672,212
Capital	8,876,868	8,902,612
Total Liabilities	\$134,163,410	\$133,283,105

Sources of Funds	2013	2012
Loans	\$3,410,836	\$4,041,317
Investments	593,535	667,547
Investment Services	287,609	184,894
Fees/Other Income	1,154,585	1,276,100
Non-Operating Income	254,932	89,948
Total Income	\$5,701,496	\$6,259,806

Allocation of Funds	2013	2012
Dividends	\$233,729	\$374,626
Interest on Borrowed Funds	89	1,560
Operating Expenses	5,301,993	5,510,027
Provision for Loan Loss	(39,764)	1,331,733
Net Income (loss)	131,102	(1,055,887)
Non-Operating Expense	74,347	97,747
Total Allocations	\$5,701,496	\$6,259,806

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

Report from the Supervisory Committee

The Supervisory Committee is composed of a 3-5 member group appointed by the Board of Directors. The committee’s purpose is to ensure that all Board-approved policies and procedures are being adhered to, and that the credit union is operated in a fiscally responsible manner. To accomplish these goals, the following Audit Program is in place:

- A CPA firm is contracted to perform the federally mandated Annual Audit and Bi-Annual Verification Program. The committee has chosen to contract with McGladrey for a Certified Audit, the most thorough audit available.
- The committee hired a second CPA firm, CliftonLarsonAllen (CLA) to oversee the internal audit program. Among numerous general control reviews, CLA also completed the following audits in 2013: Bank Secrecy Act, Automated Clearing House (ACH), SAFE Act, Information Technology and FACA/FACTA/Red Flag Act.
- The CPA firms report directly to the Supervisory Committee, which in turn reports to the Board of Directors.

The Supervisory Committee is pleased to report that the 2013 internal audits did not disclose any material violations of law or unsound business practices. Additionally, McGladrey issued an “Unqualified Opinion” of TOPCU’s financial records at their Annual Audit, the best report that can be assigned by a CPA firm.

In closing, we want to thank the Board of Directors, management and staff for their continued assistance and cooperation throughout the year.



Mr. James Knoff, Chair