

Chairman's Report for Annual Meeting

As we reflect back on 2014 and celebrate a successful year of improving our members' lives, I am reminded of the challenging times we face when initiating change. Change is a constant friend and a foe. Technology is rapidly changing which provides opportunities for TOPCU to give members new ways to easily and conveniently access their accounts, move money and make payments.

The only "constant" is "change"...and boy, did we have some change. This past year we switched over to a new member information data processing system, which is often referred to as a core system. The new system brought TOPCU into the 21st century in regards to the ability to provide members with additional services. These new services are both non-technical such as Money Orders as well as technical like improved Internet banking, mobile banking (coming in 2015), and remote deposit capture (coming in 2015). As with anything new, there were some challenges. The Board is proud of our employees who helped our members through the transition and thankful for the patience of our members going through the process of changing over to the new system. Fortunately, the greatest inconvenience was for a very short period of time. The new core system brings many additional opportunities to continue to best serve our members.

If you look at our financial statement for 2014, you will see our credit union is well capitalized and, therefore, considered safe and sound. TOPCU is growing as a result of a management team and employees who are dedicated to serving our members' financial needs, and they continually seek innovative and creative ways to best serve our members.

The volunteer Supervisory Committee is dedicated to their task of ensuring that internal controls remain strong and members' accounts are secure. The management team and employees work hard to assure TOPCU's future through well planned and sustainable growth. Their mindset is "members first".

Your volunteer Board of Directors come from diverse backgrounds, are knowledgeable and very much involved in getting the best for its members and offering solutions for their financial needs. The Credit Union Division Manager of the Arizona Department of Financial Institutions complimented your Board of Directors at the last examination on the Board's dedication and involvement in seeing that TOPCU goes forward and prospers.

In closing, I invite you to participate in your credit union's growth by volunteering for positions with TOPCU.



Fred Cushman
Chairman

Volunteers

Board of Directors

Fred Cushman
Mike McKendrick
John Brady
Richard Prater
Bill Richards
David Fregonese
John Leavitt

Supervisory Committee

James Knoff
Priscilla Lane
Scott Carner
Rudy Ingersoll
Linda Dhaemers



2014 Annual Report

Tucson Old Pueblo Credit Union

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Report from the President and CEO

As you may have witnessed, 2014 was a year of many changes—changes that lay the foundation of a plan for TOPCU to thrive and ultimately enjoy many successful years going forward. During 2015, that plan will be continued with enthusiasm.

A new member data processing system went “live” on July 1, 2014. The conversion from the old processing system to the new one was very successful, affording many opportunities for continued member service improvements and additional new services that the membership has been requesting.

The focus of our efforts in 2014 was to dramatically improve member service with changes in technology and changes in procedures. Here is a sampling of what your TOPCU staff accomplished to better serve you—and we’re not done yet!

- Conversion to a new core member data processing system. The management team and the staff dedicated a tremendous amount of time to assure minimal interruption to service levels.
- On-line loan applications are available to TOPCU members through On-Line banking.
- Members can now request loan Skip-a-Pay any time of the year.
- Youth accounts with special features for young members have been created.
- Two new employees were hired for your Senior Management team. Mark Outler joined us as the Vice President of Lending and Collections, and Kenton Hall joined us as the CFO/Vice President of Finance. Collectively they bring over 60 years of credit union and financial institution experience.
- On-line e-statement enrollment continued to increase in 2014. 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.
- Leveraged our Centennial Lending ownership, a company owned by credit unions for mortgage processing. By transferring mortgage processing to the experts at Centennial Lending, TOPCU is able to maintain regulatory compliance in the wake of many new and proposed mortgage regulations.
- Elevated TOPCU’s classification from Adequately Capitalized to Well Capitalized. Well Capitalized is the highest capital classification issued by the National Credit Union Administration, TOPCU’s governmental regulatory agency and insurer. TOPCU financials are available at www.ncua.gov

Exciting new features on the horizon for 2015 are:

- Mobile banking with Remote Deposit Capture that will allow members to deposit checks to their accounts through their mobile phone.
- Enhanced business lending for small business accounts.
- Enhanced small business account features.

TOPCU staff remains active in the Tucson community. TOPCU employees volunteered 697 hours of 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
- 100 Club / Fisher House 911 Challenge
- YMCA Fiesta
- Barrio Centro Fiesta

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

Report from the Supervisory Committee

The Supervisory Committee is composed of five members appointed annually by the Board of Directors. Its 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 performs the State 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 utilizes a second CPA firm, CliftonLarsonAllen (CLA), to oversee the internal audit function. Among numerous general control reviews, CLA also completed the following audits in 2014: Bank Secrecy Act; SAFE Act; and FACA/FACTA/Red Flag Act.
- A third auditing firm, WesPay, conducted the 2014 Automated Clearing House (ACH) Rules Audit.
- 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 2014 audits did not disclose any material violations of law or unsound business practices. Additionally, McGladrey issued an “Unqualified Opinion” of TOPCU’s financial records, 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 years.



Mr. James Knoff, Chair

2014 Financial Statement *

Assets	2014	2013
Loans	\$61,425,198	\$62,334,979
Loan Loss Allowance	(1,076,460)	(1,385,216)
Cash and Cash Equivalent	1,855,078	13,810,374
Investments	62,501,401	52,767,411
Property and Equipment	4,280,570	4,358,588
Other Assets	5,317,945	2,277,274
Total Assets	134,303,732	\$134,163,410

Liabilities & Equity	2014	2013
Borrowed Funds	\$0	\$0
Liabilities	1,180,387	1,697,791
Savings Accounts	53,197,537	51,679,013
Checking Accounts	24,768,672	22,516,929
Money Market Accounts	22,995,411	23,959,267
Certificate Accounts	13,359,210	15,440,422
IRAs	9,504,206	9,993,120
Capital	9,298,309	8,876,868
Total Liabilities	\$134,303,732	\$134,163,410

Sources of Funds	2014	2013
Loans	\$3,227,550	\$3,410,836
Investments	781,156	593,535
Investment Services	227,777	287,609
Fees/Other Income	977,647	1,154,585
Non-Operating Income	382,310	254,932
Total Income	\$5,596,440	\$5,701,496

Allocation of Funds	2014	2013
Dividends	\$173,506	\$233,729
Interest on Borrowed Funds	96	89
Operating Expenses	5,099,674	5,301,993
Provision for Loan Loss	24,912	(39,764)
Net Income (loss)	418,380	131,102
Non-Operating Expense	(120,128)	74,347
Total Allocations	\$5,596,440	\$5,701,496

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