

The Supervisory Committee is composed of four 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 RSM, formerly 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 2016: BSA/AML/OFAC; SAFE Act Compliance; Web Site ADA Compliance; ACH NACHA Rules Compliance; Information Technology.
- 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 2016 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  
*Supervisory Committee Chair*

### Board of Directors

Mike McKendrick, *Chair*  
David Fregonese, *Vice Chair*  
Bill Richards, *Treasurer*  
Richard Prater, *Secretary*  
John Brady  
Fred Cushman  
Fred Ronstadt

### Supervisory Committee

James Knoff, *Chair*  
Linda Dhaemers  
Rudy Ingersoll  
Sandra Seitzinger



# 2016 Annual Report

## Tucson Old Pueblo Credit Union

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Tucson, Arizona 85713  
(520) 881-6262  
[www.TOPCU.org](http://www.TOPCU.org)

Federally insured by NCUA

Dear TOPCU Member,

Thanks to your membership, 2016 was another year of progressive innovations at TOPCU—innovations that continue to lay the foundation for TOPCU to thrive for many generations to come. During 2017, that plan will be expanded upon with enthusiasm by both your all-volunteer Board of Directors and the entire staff at TOPCU.

TOPCU's management team is constantly striving to add value to your membership and enhance your member experience. To recap, 2016 brought about or built on these membership benefits:

- Mobile Banking
- Enhanced Debit Card PIN selection
- Small business loans including loans for rental properties
- Unique Youth Account Events
- Solar Panel Loan program – the *only* Tucson Credit Union offering this
- Bicycle Loan program – the *only* Tucson Credit Union offering this
- Enhanced Multi Factor Authentication for on-line banking security

Your management team made great strides in improving TOPCU's financial position as well. For 2016, loan growth was 14.5%—the second year in a row of positive annual loan growth since 2007.

The number of members grew 4% in 2015 and 4.8% in 2016—the second year in a row of positive membership growth since 2007. Membership is now over 12,900 members. A very special thank you to our new members. You've joined one of the longest standing businesses in Tucson—strengthening both TOPCU and the credit union movement. Greater membership improves management's ability to keep costs down and enhance rates and services. In 2017, please tell your friends and family members to come see us for their financial requirements.

The momentum continues with a full slate of improvements in the works for 2017 including:

- EMV chipped Debit Cards
- Upgrading IT security features to further protect member data

- Courtesy Pay improvements
- Enhanced Lending experience

Efforts to increase TOPCU's brand and image through community support are also ongoing. In 2016, 22 employees along with 30 family and friends dedicated over 1,007 hours to volunteer at community and local school events. As in previous years, many of TOPCU's staff continue to commit their time and talents to a wide variety of non-profit events around Tucson. If you see them at an event, please stop by and say hello.

TOPCU's public image is very important—in attracting quality members, talented employees and positive publicity. Did you know that TOPCU's board room is often used as a meeting place for local charities? The training room and lunch room also hold TOPCU's annual meeting each spring, and is used for several youth events throughout the year. Starting this past November, all of the publicly used back office areas such as these have been renovated—new paint, carpeting and other enhancements to better serve the staff, membership and community. Further renovations are planned as TOPCU continues to succeed.

TOPCU has a bright future thanks to you—our devoted member! The TOPCU staff and YOUR Board of Directors thank you—and will continue to do so by working diligently to bring you the services you want and need from your primary financial institution. We want to be your TOP choice—always!

Warm Regards,



G. Vernon Babilon  
CEO/President



Michael McKendrick  
Board Chair

Assets	2016	2015
Loans	\$74,671,637	\$65,187,505
Loan Loss Allowance	(828,517)	(836,352)
Cash and Cash Equivalent	1,518,531	1,691,677
Investments	54,729,163	63,878,932
Property and Equipment	3,848,406	4,026,427
Other Assets	5,960,665	5,595,606
<b>Total Assets</b>	<b>\$139,889,885</b>	<b>139,543,795</b>

Liabilities & Equity	2016	2015
Borrowed Funds	\$0	\$0
Liabilities	1,576,340	1,146,753
Savings Accounts	58,143,434	55,720,137
Checking Accounts	28,504,773	27,603,798
Money Market Accounts	23,636,252	24,612,142
Certificate Accounts	10,345,717	11,911,321
IRAs	8,088,301	9,061,731
Capital	9,605,068	9,487,913
<b>Total Liabilities</b>	<b>\$139,899,885</b>	<b>\$139,543,795</b>

Sources of Funds	2016	2015
Loans	\$3,813,320	\$3,424,889
Investments	866,031	786,222
Investment Services	237,523	242,635
Fees/Other Income	1,506,580	1,364,952
<b>Total Income</b>	<b>\$6,423,454</b>	<b>\$5,818,698</b>

Allocation of Funds	2016	2015
Dividends	\$93,256	\$115,742
Interest on Borrowed Funds	3,994	23
Operating Expenses	5,551,501	5,225,452
Provision for Loan Loss	390,998	215,930
Net Income (loss)	418,706	222,469
Non-Operating Expense	(35,001)	39,082
<b>Total Allocations</b>	<b>\$6,423,454</b>	<b>\$5,818,698</b>

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