

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 Scope 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 for a Certified Audit, the most thorough audit available.
- The committee utilizes a second CPA firm, Clifton LarsonAllen (CLA), to oversee the internal audit function. Among numerous general control reviews, CLA also completed the following audits in 2017: Vendor Management; File Maintenance; Unsecured Consumer Loans; Secured Consumer Loans; Employee Account and Loan Monitoring; IT Risk Assessment; Member Business Lending; New Accounts; Wire Transfers; Dormant Accounts; Home Equity Line of Credit (HELOC) Loans; Mortgage Loans; Indirect Loans; BSA/ALM/OFAC; Mortgage Licensing (SAFE) Act Program; Investments; Corporate Account Reconciliations; Administration of Collections; Dual Control of Loan Funding; and Responses & Corrective Action of 2017 Findings.
- 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 2017 audits did not disclose any material violations of law or unsound business practices. Additionally, RSM 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

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

Supervisory Committee

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



2017 Annual Report

Tucson Old Pueblo Credit Union

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Federally insured by NCUA

Dear TOPCU Member,

It is indeed my pleasure to recap 2017 and report that it was another year of significant evolution positively impacting our members' lives. When TOPCU succeeds, our members succeed as well.

TOPCU's management team is committed to making managing your money easier, more effective and more fun. That means *banking*—on *your* time and *your* terms. TOPCU's mobile app users rose 45% in 2017. Making money management easier also means providing great tools that put you in control of your money. In 2017, we made our website easier to use with a cleaner appearance and easier navigation.

So many people have put their trust and confidence in TOPCU. Here are just three reasons why:

- As a driving force that helps strengthen and grow the Tucson community, TOPCU provides lucrative account options and financing to new and expanding businesses. We have increased our business accounts by 26% and business lending by 13%.
- Consumers find TOPCU a great choice for auto loans. In 2017, auto lending increased by 29%—the third year in a row of positive loan growth.
- By utilizing the cost-effective TOPCU Solar Loan, many businesses and consumers have dramatically reduced their electric bills while taking control of their future energy costs. In 2017, TOPCU remained the #1 Tucson credit union for Solar Loans with a portfolio increase of 80%.

Green has been the TOPCU color of choice in 2017 with the introduction of additional environmentally friendly loan programs. In addition to our unique Solar Loan and Bicycle Loan programs, TOPCU is diligently working to positively impact our beautiful city and its surrounding environment by funding your Green objectives. Financing opportunities are now available for new windows, doors, insulation,

and most anything Green. Contact us to see how we can help you *Go Green*.

Since TOPCU's field of membership encompasses Tucson only, community participation is very important to us. In 2017, TOPCU employees dedicated over 415 volunteer hours at local community and non-profit events. As in previous years, many of TOPCU's staff continue to commit their time and talents to various non-profit events around Tucson. If you see them at an event, please stop by and say hello.

TOPCU's management is constantly striving to add value to your membership and improve your member experience. The number of members grew over 7% in 2017—the third year in a row of positive membership growth. Membership is now nearly 14,000 members. The momentum continues with a full slate of enhancements in the works for 2018.

TOPCU has a bright future thanks to you, our devoted members. The TOPCU staff thanks you—and will continue to do so by conscientiously working 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



David Fregonese
Board Chair

Assets	2017	2016
Loans	\$86,582,152	\$74,671,637
Loan Loss Allowance	(996,113)	(828,517)
Cash and Cash Equivalent	1,290,796	1,518,531
Investments	50,731,004	54,729,163
Property and Equipment	3,818,271	3,848,406
Other Assets	6,097,556	5,960,665
Total Assets	\$147,523,666	\$139,889,885

Liabilities & Equity	2017	2016
Borrowed Funds	\$0	\$0
Liabilities	1,919,650	1,576,340
Savings Accounts	63,520,946	58,143,434
Checking Accounts	30,400,878	28,504,773
Money Market Accounts	24,589,966	23,636,252
Certificate Accounts	9,577,679	10,345,717
IRAs	7,536,934	8,088,301
Capital	9,977,613	9,605,068
Total Liabilities	\$147,523,666	\$139,899,885

Sources of Funds	2017	2016
Loans	\$4,344,506	\$3,813,320
Investments	824,553	866,031
Investment Services	251,327	237,523
Fees/Other Income	1,427,900	1,506,580
Total Income	\$6,848,286	\$6,423,454

Allocation of Funds	2017	2016
Dividends	\$84,143	\$93,256
Interest on Borrowed Funds	6,934	3,994
Operating Expenses	5,772,815	5,551,501
Provision for Loan Loss	708,019	390,998
Net Income (loss)	258,380	418,706
Non-Operating Expense	17,995	(35,001)
Total Allocations	\$6,848,286	\$6,423,454

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