

State Police Credit Union

2016 Annual Report



The Carl J. Niedzial Memorial Scholarship Fund

The Scholarship Fund was established in 1990 and is supported by your Credit Union and a number of donors wishing to honor the memory of Carl Niedzial. The Fund now surpasses \$165,000.

Connecticut Community Foundation administers the fund and each year a committee of Credit Union members decides on scholarship recipients. Scholarship are open to members of the CT State Police Credit Union and their immediate families (including grandchildren) who plan to attend an accredited college or university.

Scholarship Committee:

Patricia Johannes, Chairperson

Paul Penders

Congratulations to the 2016 Scholarship Recipients

Erin Rigney (Bucknell University)

Erica Allen (University of Connecticut)

Joseph Covello (Norwich University)

Justine Kieltyka (Lake Forest College)

Virgil Procaccini (Marist College)

Savanna Lamas (Westfield State University)



Report of the Chief Executive Officer

To Our Members:

In reflecting on our history as a Credit Union, my staff and I are proud to continue our role as your trusted primary financial institution. We're happy to provide exceptional service, outstanding products and expert guidance to help our members prosper.

In 2016 we added new products and technologies to enhance our members' Credit Union experience. Last year we added a new Money Market Savings product to our offerings. Money Market Savings lets you grow your savings at a more competitive rate without tying up your funds. A minimum balance is required but it yields a higher interest rate.

Members began receiving new debit and credit cards with chip technology. Chip-enabled cards add an additional layer of fraud protection and security to your credit card purchases. Our chip-enabled card rollout is progressing steadily; cards are being sent out monthly as they expire/renew.

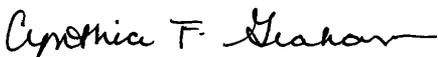
For member convenience, we consolidated our phone lines into one central number. Dial 800-310-7728 to reach both of our locations.

In the coming year, we hope to be more environmentally conscious and reduce our use of paper. We encourage everyone to sign up via our homepage to receive e-news and alerts. We also plan to start taking loan applications online in late Spring.

In the second half of 2017, we plan on implementing Remote Deposit Capture which will allow members to scan checks and transmit the scanned images to the Credit Union for posting and clearing. This will reduce trips to the Credit Union and allow members to deposit funds after hours.

Our dedicated team cares deeply about the Credit Union and its members and we look forward to providing personalized service and activities that support our core values and mission.

Best Regards,



Cynthia Graham
CEO

State Police Credit Union

Minutes of the 2015 Annual Meeting

Il Monticello's Restaurant
Meriden, CT
May 11, 2016

Call to Order: At 5:58 pm the annual meeting was called to order by Chairman Geoffrey Ice.

Quorum: Secretary Patricia Johannes determined that a quorum was present. All the members of the Board of Directors were in attendance as well as President/CEO Cynthia Graham and CFO John Gasiorowski.

Invocation: Director John Kolosky asked for a moment of silence to remember the departed members of the Credit Union and asked for a blessing for the Credit Union and its members, the evening's proceedings and meal to follow.

Minutes: Director Charles Kelly made the motion to wave the reading of the minutes of the April 2015 annual meeting. Member James Nanfito seconded the motion. Motion approved by unanimous vote.

Reports: Chairman Geoffrey Ice introduced the Board of Directors and gave the report of the Directors and Chairman of the Board. Chairman Geoffrey Ice thanked CEO/President Cynthia Graham and the entire staff of the Credit Union for their hard work, service and dedication in implementing the new FiServ system. Chairman Ice recognized newly retired CFO Pat Kelly on his dedication to the Credit Union and welcomed John Gasiorowski to the Credit Union family.

President Cynthia Graham introduced the Credit Union staff and members of the Seward and Monde accounting firm then gave her report emphasizing the new banking features and enhancements now available with the FiServ system. She discussed the use of the new banking app, "Mobiliti" and the online bill pay capability now available on the Credit Union website. She thanked the members for their support and understanding throughout the year.

Secretary Patricia Johannes read the report of the Supervisory Committee who had met with Seward and Monde accounting firm. The SPCU continues to be a financially sound organization. Director Donald Geshimsky made the motion to accept the committee reports. Member James Stephenson seconded the motion. Motion approved by unanimous vote.

Unfinished Business: None

New Business: None

Elections: Joan Perzanowski gave the report of the nominating committee. Nominated for election for a two (2) year term on the Board of Directors were Martin Lane, Patricia Johannes and John Kolosky. There were no nominations from the floor. Ballots were closed. Chairman Geoffrey made the motion for Director Robert Grega to cast one vote for each person up for election and was seconded by Director Charles Kelly. Motion approved by unanimous vote.

General Discussion: Questions regarding the Midpoint office were raised. The issue has been resolved. Members should now be able to visit the office without any problems. The traffic flow to the Midpoint office will be monitored to see if hours need to be adjusted in the future. Currently the Midpoint office is open Tuesday and Thursdays.

Adjournment: Director Martin Lane made the motion to adjourn at 6:14 pm. Seconded by Member Nancy Rakausas. Motion approved by unanimous vote.

Respectfully Submitted by
Patricia Johannes, Secretary

Report of the Supervisory Committee

We are pleased to report that the annual audit conducted by the reputable accounting firm of Seward and Monde for 2016 was successfully completed. The Supervisory Committee met with Mr. Tom Lyden from the accounting firm of Seward and Monde, to review the 2016 audit. We are pleased to report The Connecticut State Police Credit Union is a financially sound organization dedicated to serving its members and we are confident that the institution will remain in compliance with all Credit Union regulations and guidelines.

The Supervisory Committee wishes the staff and volunteers a successful year.

Best Regards,

Kevin Parisi

Supervisory Chairman

Members of the Supervisory Committee:

Kevin Parisi, Chairman

Jeffrey Jalbert

Samantha McCord

Anthony Villanueva

Leonard Wiedner

Board of Directors Chairman Statement

In 1960, when our 'founding father' Sgt. Carl Neidzial created the State Police Credit Union at the direction of Commissioner Leo J. Mulcahy, could he ever envision the growth in members, assets and services that would be offered to our members 57 years later? Carl would be most proud and amazed at the successes and services we as a credit union provide for our members today and the ever-increasing technology advances which will facilitate providing for more banking options, security and services in the coming months and years.

Speaking for the Board of Directors, I want to recognize Cindi Graham, John Gasiorowski and the entire Credit Union staff for their efforts and for their part in making your State Police Credit Union a successful 2016.

Geoffrey L. Ice
Chairman

Members of the Board of Directors

Geoffrey L. Ice, Chairman
Charles Kelly, Vice- Chairman
Robert Grega, Treasurer
Patricia Johannes, Secretary

Donald Greschimsky
John Kolosky
J. Paul Vance

STATE POLICE CREDIT UNION, INC.
Financial Statements
December 31, 2016 and 2015

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

Supervisory Committee

State Police Credit Union, Inc.

Meriden, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of State Police Credit Union, Inc. (a Connecticut state chartered credit union) which comprise the statements of financial condition as of December 31, 2016 and 2015 and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Police Credit Union, Inc. as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Seward and Monde

North Haven, Connecticut
February 9, 2017

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	\$ 161,856	\$ 142,043
Interest-bearing deposits	2,085,127	2,174,996
Investments:		
Available-for-sale	6,717,046	3,490,660
Held-to-maturity	2,250,000	-
Other	30,501,000	31,786,000
Loans to members, net of the allowance for loan losses	20,867,861	22,126,797
Accrued interest receivable	90,088	90,343
National Credit Union Share Insurance Fund deposit	513,880	525,146
Corporate Credit Union capital shares	100,000	100,000
Property and equipment, net of accumulated depreciation	30,522	14,892
Other assets	87,743	91,902
	\$ 63,405,123	\$ 60,542,779
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares	\$ 53,881,147	\$ 51,192,902
Accrued expenses and other liabilities	193,730	209,266
Total liabilities	54,074,877	51,402,168
Commitments and contingent liabilities (Notes 3 and 7)		
Members' Equity:		
Accumulated other comprehensive loss - unrealized losses on securities	(65,263)	(9,340)
Retained earnings, partially appropriated	9,395,509	9,149,951
Total members' equity	9,330,246	9,140,611
	\$ 63,405,123	\$ 60,542,779

The accompanying notes are an integral part of these financial statements.

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
INTEREST INCOME		
Interest on loans to members	\$ 950,810	\$ 1,053,199
Interest on investments and cash equivalents	465,406	380,299
	1,416,216	1,433,498
INTEREST EXPENSE		
Dividends on members' shares	131,229	163,532
NET INTEREST INCOME	1,284,987	1,269,966
PROVISION FOR LOAN LOSSES	8,000	5,800
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,276,987	1,264,166
NONINTEREST INCOME		
Fees and charges	144,959	156,479
Other	3,382	2,816
	148,341	159,295
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	613,476	569,915
Operations	541,151	571,870
Professional and outside services	25,143	42,876
	1,179,770	1,184,661
NET INCOME	245,558	238,800
OTHER COMPREHENSIVE LOSS		
Unrealized holding losses on securities	(55,923)	(10,486)
OTHER COMPREHENSIVE LOSS	(55,923)	(10,486)
COMPREHENSIVE INCOME	\$ 189,635	\$ 228,314

The accompanying notes are an integral part of these financial statements.

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Retained Earnings</u>		<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Appropriated Regulatory</u>	<u>Unappropriated</u>		
Balance, December 31, 2014	\$ 1,154,397	\$ 7,756,754	\$ 1,146	\$ 8,912,297
Net income	-	238,800	-	238,800
Other comprehensive loss	-	-	(10,486)	(10,486)
Balance, December 31, 2015	1,154,397	7,995,554	(9,340)	9,140,611
Net income	-	245,558	-	245,558
Other comprehensive loss	-	-	(55,923)	(55,923)
Balance, December 31, 2016	<u>\$ 1,154,397</u>	<u>\$ 8,241,112</u>	<u>(\$ 65,263)</u>	<u>\$ 9,330,246</u>

The accompanying notes are an integral part of these financial statements.

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES		
Net income	\$ 245,558	\$ 238,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,000	5,800
Depreciation	5,690	10,464
Net changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	255	(1,516)
(Increase) decrease in other assets	4,159	(61,014)
Increase (decrease) in accrued expenses and other liabilities	(15,536)	44,269
Net cash provided by operating activities	248,126	236,803
INVESTING ACTIVITIES		
Purchases of investments - available-for-sale	(4,984,149)	(1,506,036)
Purchases of investments - held-to-maturity	(2,250,000)	-
Purchases of investments - other	(11,079,988)	(13,870,000)
Proceeds from maturities of investments - available-for-sale	2,021,486	750,411
Proceeds from maturities of investments - other	12,045,342	13,874,374
Net decrease in loans to members	1,250,936	1,231,394
(Increase) decrease in National Credit Union Share Insurance		
Fund deposit	11,266	(20,872)
Purchases of property and equipment	(21,320)	(12,991)
Net cash provided (used) by investing activities	(3,006,427)	446,280
FINANCING ACTIVITIES		
Net increase (decrease) in members' shares	2,688,245	(78,971)
Net cash provided (used) by financing activities	2,688,245	(78,971)
Increase (decrease) in cash and cash equivalents	(70,056)	604,112
Cash and cash equivalents, beginning	2,317,039	1,712,927
Cash and cash equivalents, ending	\$ 2,246,983	\$ 2,317,039
Supplemental Disclosures:		
Cash paid during the year for:		
Interest	\$ 131,229	\$ 163,532

The accompanying notes are an integral part of these financial statements.

STATE POLICE CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

State Police Credit Union, Inc. (the "Credit Union") is a cooperative association holding a corporate charter under the provisions of the Connecticut Credit Union Act.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, overnight certificates, certificates purchased with a maturity of three months or less, federal funds and non-term share deposits in a corporate credit union.

Investments

Securities that the Credit Union has both the positive intent and ability to hold to maturity are classified as held-to-maturity, and are carried at amortized cost. The Credit Union classified certain securities as available-for-sale, which are reported at fair value, with unrealized holding gains and losses reported in other comprehensive income. Share certificates in a corporate credit union and certificates of deposit in commercial banks and savings institutions are not considered securities as defined in generally accepted accounting principles. Accordingly, these investments are classified separately and are stated at cost.

The amortization of premiums and accretion of discounts is recorded over the life of the security using a method which approximates the interest method. Realized gains and losses on the sales of all securities are reported in income and computed using the specific identification cost basis.

Loans to Members

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses in the portfolio at the balance sheet date. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (i) the real estate portfolio; (ii) the consumer portfolio and (iii) the credit card portfolio.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the method that fits the credit risk characteristics of each portfolio segment.

The establishment of the allowance for loan losses relies on a consistent process that requires management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. The monitoring process includes periodic assessments by management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

A loan is impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Loan Charge-offs

The Credit Union's charge-off policies by segment of the loan portfolio are as follows:

- Real Estate - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- Auto Loans - The Credit Union generally fully or partially charges down to the net realizable value when the loan is 120 days past due.
- Unsecured Loans - The Credit Union generally charges off when the loan is 90 days past due.
- Credit Cards - The Credit Union generally charges off when the loan is 90 days past due.

Accrued Interest on Loans

Accrual of interest on loans is discontinued at the time the loan is 90 days delinquent. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Property and Equipment

Leasehold improvements, furniture and equipment are carried at cost, less accumulated depreciation and amortization. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the related lease.

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA Board. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit.

NCUSIF Insurance Premium

The Credit Union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of total insured shares, unless the payment is waived or reduced by the NCUA board. As further discussed in Note 11, the NCUA board voted to assess additional assessments in response to the economic strains on the corporate credit union system.

Members' Shares

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

Retained Earnings

The Credit Union is required to appropriate a portion of retained earnings. This appropriation represents a regulatory restriction of retained earnings. Other appropriated retained earnings represent a restriction of retained earnings as established by the Board of Directors.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2016 and 2015 amounted to \$15,449 and \$7,634, respectively.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

The Credit Union evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2016, the Credit Union does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Credit Union's policy to recognize any interest and penalties in the provision for taxes.

The income tax returns of the Credit Union for 2013, 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Subsequent Events

The Credit Union evaluated events occurring between the end of our most recent fiscal year and February 9, 2017, the date the financial statements were available to be issued.

2 - INVESTMENTS

Securities classified as available-for-sale are as follows:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	<u>\$ 6,782,309</u>	<u>\$ 3,000</u>	<u>(\$ 68,263)</u>	<u>\$ 6,717,046</u>

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	<u>\$ 3,500,000</u>	<u>\$ 1,105</u>	<u>(\$ 10,445)</u>	<u>\$ 3,490,660</u>

Securities classified as held-to-maturity are as follows:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>(\$ 29,800)</u>	<u>\$ 2,220,200</u>

Other investments (carried at amortized cost) are as follows:

	December 31	
	2016	2015
Certificates of deposit	<u>\$ 30,501,000</u>	<u>\$ 31,786,000</u>

Securities by contractual maturity as of December 31 are summarized as follows:

	2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year	\$ 1,500,000	\$ 1,501,300	\$ 500,000	\$ 500,090
1 - 5 years maturity	7,532,309	7,435,946	3,000,000	2,990,570
Total	<u>\$ 9,032,309</u>	<u>\$ 8,937,246</u>	<u>\$ 3,500,000</u>	<u>\$ 3,490,660</u>

The weighted average yield on securities at December 31, 2016 and 2015 is approximately 1.45% and 1.27%, respectively.

3 - LOANS TO MEMBERS

Loans to members consist of the following:

	December 31	
	2016	2015
Mortgage loans:		
Fixed rate	\$ 15,297,903	\$ 16,226,206
Home equity	1,135,907	1,128,752
	<u>16,433,810</u>	<u>17,354,958</u>
Consumer loans:		
Vehicle loans	651,397	894,092
Other consumer loans, primarily unsecured	2,985,919	3,034,855
Credit card loans	898,372	931,002
	<u>4,535,688</u>	<u>4,859,949</u>
	20,969,498	22,214,907
Allowance for loan losses	<u>(101,637)</u>	<u>(88,110)</u>
	<u>\$ 20,867,861</u>	<u>\$ 22,126,797</u>

The weighted average yield on loans to members at December 31, 2016 and 2015 is 4.2% and 4.3%, respectively.

In the ordinary course of business, the Credit Union makes loans to its directors and officers at substantially the same terms as those prevailing at the time of origination for comparable transactions with other members. Loans to directors and officers at December 31, 2016 and 2015 totaled approximately \$541,000 and \$755,000, respectively.

The following is an analysis of the allowance for loan losses by portfolio segment:

	For the year ended December 31, 2016		
	<u>Consumer</u>	<u>Real Estate</u>	<u>Total</u>
Balance, beginning of year	\$ 70,005	\$ 18,105	\$ 88,110
Provision for loan losses	8,000	-	8,000
Recoveries	19,545	-	19,545
Loans charged off	<u>(14,018)</u>	<u>-</u>	<u>(14,018)</u>
Balance, end of year	<u>\$ 83,532</u>	<u>\$ 18,105</u>	<u>\$ 101,637</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ 5,583</u>
Collectively evaluated for impairment	<u>\$ 77,949</u>	<u>\$ 18,105</u>	<u>\$ 96,054</u>
	For the year ended December 31, 2015		
	<u>Consumer</u>	<u>Real Estate</u>	<u>Total</u>
Balance, beginning of year	\$ 78,397	\$ 18,105	\$ 96,502
Provision for loan losses	5,800	-	5,800
Recoveries	10,592	-	10,592
Loans charged off	<u>(24,784)</u>	<u>-</u>	<u>(24,784)</u>
Balance, end of year	<u>\$ 70,005</u>	<u>\$ 18,105</u>	<u>\$ 88,110</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ 10,494</u>	<u>\$ 1,850</u>	<u>\$ 12,344</u>
Collectively evaluated for impairment	<u>\$ 59,511</u>	<u>\$ 16,255</u>	<u>\$ 75,766</u>

A summary of the recorded investment in loans by portfolio segment is as follows:

	As of December 31, 2016		
	Consumer	Real Estate	Total
Ending balance	\$ 4,535,688	\$ 16,433,810	\$ 20,969,498
Individually evaluated for impairment	\$ 55,826	\$ -	\$ 55,826
Collectively evaluated for impairment	\$ 4,479,862	\$ 16,433,810	\$ 20,913,672

	As of December 31, 2015		
	Consumer	Real Estate	Total
Ending balance	\$ 4,859,949	\$ 17,354,958	\$ 22,214,907
Individually evaluated for impairment	\$ 104,941	\$ 184,964	\$ 289,905
Collectively evaluated for impairment	\$ 4,755,008	\$ 17,169,994	\$ 21,925,002

The table below provides an analysis of past due loans by class:

	As of December 31, 2016					
	Days Delinquent			Total	Total	Total
	30-59	60-90	Over 90	Delinquent Loans	Current Loans	Loans
Mortgage loans:						
Fixed rate	\$ -	\$ -	\$ -	\$ -	\$ 15,297,903	\$ 15,297,903
Home equity	21,103	-	-	21,103	1,114,804	1,135,907
Consumer loans:						
Vehicle loans and other	14,002	-	15,124	29,126	3,608,190	3,637,316
Credit card loans	1,576	2,083	1,938	5,597	892,775	898,372
	<u>\$ 36,681</u>	<u>\$ 2,083</u>	<u>\$ 17,062</u>	<u>\$ 55,826</u>	<u>\$ 20,913,672</u>	<u>\$ 20,969,498</u>

	As of December 31, 2015					
	Days Delinquent			Total	Total	Total
	30-59	60-90	Over 90	Delinquent Loans	Current Loans	Loans
Mortgage loans:						
Fixed rate	\$ -	\$ -	\$ 184,964	\$ 184,964	\$ 16,041,242	\$ 16,226,206
Home equity	65,031	2,772	-	67,803	1,060,949	1,128,752
Consumer loans:						
Vehicle loans and other	6,122	2,837	25,008	33,967	3,894,980	3,928,947
Credit card loans	2,529	642	-	3,171	927,831	931,002
	<u>\$ 73,682</u>	<u>\$ 6,251</u>	<u>\$ 209,972</u>	<u>\$ 289,905</u>	<u>\$ 21,925,002</u>	<u>\$ 22,214,907</u>

Loans on which the accrual of interest has been discontinued or reduced amounted to \$20,721 and \$213,143 at December 31, 2016 and 2015, respectively.

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Credit Union offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted. Loans modified in a TDR often involve temporary interest-only payments and term extensions.

At December 31, 2016 and 2015, there were no outstanding loan commitments.

As of December 31, 2016 and 2015, available credit on unsecured credit card lines of credit was approximately \$1,945,000 and \$1,882,000, respectively. Commitments for unsecured lines of credit may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the financial statements.

4 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 235,987	\$ 219,460
Leasehold Improvements	<u>56,467</u>	<u>55,584</u>
	292,454	275,044
Accumulated Depreciation and Amortization	<u>(261,932)</u>	<u>(260,152)</u>
Net Property and Equipment	<u><u>\$ 30,522</u></u>	<u><u>\$ 14,892</u></u>

Depreciation expense amounted to \$5,690 and \$10,464 for the years ended December 31, 2016 and 2015, respectively.

5 - MEMBERS' SHARES

Members' shares are summarized as follows:

	December 31	
	<u>2016</u>	<u>2015</u>
Regular shares	\$ 37,833,290	\$ 34,393,717
Share draft accounts	5,707,513	5,617,954
Money market accounts	2,944,610	2,593,391
IRA shares	761,258	719,660
IRA certificates	323,266	323,643
Share certificates	6,311,210	7,544,537
	<u>\$ 53,881,147</u>	<u>\$ 51,192,902</u>

Shares by maturity are summarized as follows:

	December 31	
	<u>2016</u>	<u>2015</u>
No contractual maturity	\$ 47,246,671	\$ 43,324,721
0 - 1 year maturity	3,168,274	4,521,546
1 - 3 years maturity	1,236,653	1,951,419
Greater than 3 years maturity	2,229,549	1,395,216
	<u>\$ 53,881,147</u>	<u>\$ 51,192,902</u>

Regular shares, share draft accounts, and money market accounts, have no contractual maturity. Certificate accounts have maturities of three years or less and greater than three years. Individual retirement share accounts have maturities of three years or less, greater than three years, and no contractual maturity.

The Credit Union held shares for its directors and officers of approximately \$547,000 and \$495,000 at December 31, 2016 and 2015, respectively.

The Credit Union provides up to \$250,000 insurance through the National Credit Union Share Insurance Fund. The aggregate amounts of members share accounts over \$250,000 at December 31, 2016 and 2015 were approximately \$7,530,000 and \$4,498,000, respectively.

6 - CONCENTRATIONS OF CREDIT RISK

Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's bylaws. A large percentage of the Credit Union's members are employed by Connecticut Department of Public Safety. Further, a significant concentration of members reside in Connecticut. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the region.

7 - COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union utilizes a demand loan agreement with a corporate credit union. The terms of this agreement call for the pledging of all assets as security for any and all obligations taken by the Credit Union under this agreement.

The agreement provided for a credit limit of \$5,000,000 in 2016 and 2015. Interest is charged at a rate determined by the lender on a periodic basis. There were no outstanding borrowings at December 31, 2016 and 2015. The agreement is reviewed for continuation by the lender and the Credit Union annually.

The Credit Union has no outstanding commitments to sell loans or investments at December 31, 2016 and 2015.

8 - OPERATING LEASES

During 2011 the Credit Union executed a lease, its office space for the main office, for a term of 10 years.

The required minimum rental payments under the terms of the lease at December 31, 2016 are as follows:

<u>December 31,</u>	<u>Amount</u>
2017	\$ 82,479
2018	82,479
2019	84,650
2020	84,650
2021	84,650
	<u>\$ 418,908</u>

Rental expense for the years ended December 31, 2016 and 2015 amounted to \$91,040 and \$84,877, respectively.

9 - EMPLOYEE BENEFITS

The Credit Union has a defined contribution pension plan for the benefit of its employees. Participation is limited to all regular employees who meet specific length of service and age requirements. The pension plan expense for the years ended December 31, 2016 and 2015 was \$44,725 and \$47,655, respectively. The Credit Union's policy is to fund pension costs accrued. The actual payments made to the plan for the years ended December 31, 2016 and 2015 were \$42,366 and \$46,155, respectively.

10 - CAPITAL REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table below) of net worth (as defined in the regulations) to assets (as defined). Credit Unions are also required to calculate a Risk-Based Net Worth Requirement (RBNW) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. At December 31, 2016 and 2015, the Credit Union's RBNW ratio was 6.15% and 5.81%, respectively and was not considered a "complex" credit union. Management believes, as of December 31, 2016 and 2015, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2016, the most recent call reporting period, NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2016 and 2015 are also presented in the table:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2016:						
Net worth	\$ 9,395,507	14.81%	\$ 3,804,307	6.00%	\$ 4,438,358	7.00%
December 31, 2015:						
Net worth	\$ 9,149,951	15.11%	\$ 3,632,567	6.00%	\$ 4,237,995	7.00%

11 - OTHER REGULATORY AND INVESTMENT MATTERS

In June 2010, the National Credit Union Administration (NCUA) issued a letter to Credit Unions (LTCU) #10-CU-09 describing necessary actions taken to continue spreading out the costs of the Corporate Credit Union Stabilization program while minimizing the annual expenses for natural-person credit unions. NCUA did not assess Stabilization expense for insurance as of June 30, 2016 and 2015 due to large lawsuit settlements from brokerage firms or banks that the Justice Department prosecuted.

12 - FAIR VALUE MEASUREMENTS

The Credit Union utilizes the market approach as the valuation technique to measure fair value of its financial instruments. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the Company has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the Company's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at December 31, 2016 and 2015 are determined using Level 1 quoted prices.

For available-for-sale securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

State Police Credit Union Staff

Cynthia F. Graham,
President/CEO

John Gasiorowski,
CFO

Deborah Fiore,
Loan Officer

Cynthia Ariale,
Branch Manager

Julia Stiehl
Senior Member Service Representative

Lisa Doucette, Kathy Miller
Member Service Representatives

**Serving the Connecticut State Police &
The Department of Emergency Services and
Public Protection**



We Do Business in Accordance With
the Federal Fair Housing Law and
the Equal Credit Opportunity Act



Your savings federally insured to at least \$250,000
and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

SPCU Offers all the services of a larger bank, but with a personal touch!

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- Transfer funds
- Bill pay
- Budgeting tools
- E-statements

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Mobiliti

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Savings Accounts

- Regular Share
- Money Market Savings
- Club (Holiday, Vacation, Special Savings)
- Special Purpose
- Loan Payment
- Term Share Certificates
- Share Draft (Checking)
- IRA Share
- IRA Term Share Certificates
- Safety Savers Kids Club

Loan Accounts

- Mortgages
- Home Equity
- Home Equity Line of Credit (HELOC)
- New and Used Vehicle
- Motorcycle, Boat, RV
- Shared Secured and Certificate Secured
- Signature and Co-signer
- Home Improvement
- VISA® Cards

Other

- Debit Cards
- Direct Deposit
- Payroll Deduction/Net Check
- Overdraft Protection from Shares
- Credit Disability Insurance on Loans
- Free Notary Public Services
- *On Target* Newsletter

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