

STATE POLICE CREDIT UNION

2017 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 \$189,000.

Connecticut Community Foundation administers the fund and each year a committee of Credit Union members decides on scholarship recipients. Scholarships 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

Kevin Parisi

Congratulations to the 2017 Scholarship Recipients

Michelle Kellett

Erin Rigney

Ally Rigney

Karina Barstow

Reagan Masson

Mairead DeRoy

*Front Cover:
The American Robin, state
bird of Connecticut*

Report of the Chief Executive Officer

To Our Members:

As always, the State Police Credit Union's focus remains on providing excellent service, outstanding products and convenience for you, our members. We exist to serve you and strive to provide the best in financial services for all members.

As technology constantly changes and continues to play an important part in our daily lives, the Credit Union is working diligently to keep up with members' needs. In 2017 we added a Mobile Check Deposit feature to our TouchBanking™ mobile app to make it easy for members to remotely deposit checks. For your convenience, members can now use the secure online loan application feature on our website to apply for a credit card or any type of loan.

In our attempt to reduce paper and 'go green' and to ensure that members receive timely Credit Union notifications, alerts and other information, in 2017 we started communicating with members via email.

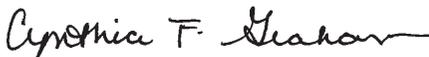
Last year, we also introduced our Variable Rate Home Equity Line of Credit which offers flexible borrowing at low rates.

In 2018, we plan to offer additional enhancements to our loan products so members can continue to find smart ways to borrow money. We're also working on plans to make significant enhancements to our website to provide members with additional tools and features to make your online experience the best.

The Credit Union continues its commitment to protecting the privacy and security of our member's information by utilizing the latest technology available.

Thanks to our staff, Directors, and members of the Supervisory Committee for their support and members for their continued loyalty. I look forward to continued success and growth in 2018. Thank you for trusting us and for referring your family and friends to the Credit Union.

Sincerely,



Cynthia Graham
CEO

State Police Credit Union
Minutes of the 2016 Annual Meeting
II Monticello's Restaurant • Meriden, CT
April 26, 2017

Call to Order: The annual meeting was called to order by Chairman Geoffrey Ice at 5:52 pm

Quorum: Chairman Ice introduced John Kolosky as Secretary pro-tempore. Mr. Kolosky affirmed that a quorum was present. Board members present include Donald Geschimsky, Robert Grega, Geoff Ice, John Kolosky and J. Paul Vance. Board members not present were Patricia Johannes and Charles Kelly.

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.

Introductions: Mr. Ice introduced the Board Members, Cynthia Graham (CEO) and John Gasiorowski (CFO) seated at the head table. Mr. Ice proceeded to introduce the staff of Seward & Monde.

Readings/Approval of Reports: Mr. Ice made a motion to waive all readings and approve the minutes and reports. Motion made by Don Geschimsky. Second made by J. Paul Vance. Motion approved unanimously. There were no requests from the floor.

Old Business: Mr. Ice asked CEO Graham if there was any old business. Ms. Graham stated there was no old business.

New Business: None

Elections: Mr. Kolosky named the four board members who were nominated. Don Geschimsky, Geoff Ice, Charles Kelly and J. Paul Vance. Nominations were asked from the floor. There being no nominations from the floor, Mr. Ice closed the nominations and made the motion that Mr. Kolosky cast one vote for the member up for election.

General Discussion: None

Adjournment: Motion for adjournment was made by member Henry Perucki, seconded by Robert Grega. Meeting ended at 6:06 pm.

Respectfully Submitted,

John Kolosky
Secretary Pro-Tempore

Report of the Supervisory Committee

The Supervisory Committee met with Mr. Tom Lyden, from the accounting firm of Seward and Monde, to review the 2017 audit. We are pleased to report the Connecticut State Police Credit Union is in excellent financial condition. The firm's audit personnel commended the Credit Union's team for its exceptional cooperation and continued thoroughness in maintaining the books and records of the Credit Union.

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

Best Regards,
Kevin Parisi
Supervisory Chair

Members of the Supervisory Committee:

Kevin Parisi, Chairman

Samantha McCord

Thomas O'Brien

Anthony Villanueva

Leonard Wiedner



Mountain Laurel, state flower of Connecticut

Board of Directors Chairman Statement

As the Board of Directors Chairman, I'm happy to announce that the Connecticut State Police Credit Union has had another profitable year. The reasons for the successes are multi faceted and due in no small part to the following:

- The dedication exemplified on a daily basis by the Connecticut State Police Credit Union employees to serve the membership unwaveringly.
- The devotion of time and knowledge by the voluntary Board of Directors, as we make decisions and business adjustments as dictated by an ever changing financial marketplace.
- But more importantly, by you, the members, for utilizing the very competitive products offered and entrusting the Connecticut State Police Credit Union to safeguard your hard earned monies.

In closing I ask of you, the members a personal favor to help the Connecticut State Police Credit Union remain profitable and grow. Please continue to utilize the products offered and encourage family members and fellow employees to join and take advantage also.

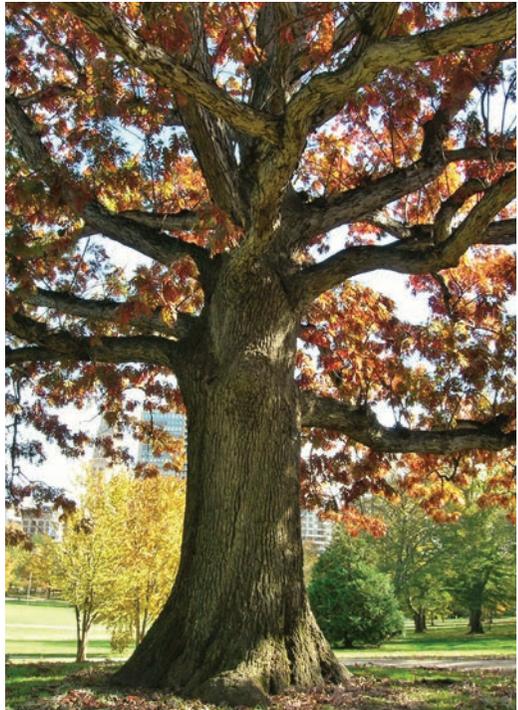
Best Regards,

Robert Grega,
Board Chair

Members of the Board of Directors

Robert Grega, Chairman
J. Paul Vance, Vice-Chairman
John Kolosky, Treasurer
Charles Kelly, Secretary

Donald Greschinsky
Geoffrey Ice
Patricia Johannes



*Charter Oak, state tree
of Connecticut*

STATE POLICE CREDIT UNION, INC.
Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 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

ASSOCIATED WORLD-WIDE WITH



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, 2017 and 2016, 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
March 5, 2018

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 260,962	\$ 161,856
Interest-bearing deposits	1,862,607	2,085,127
Investments:		
Available-for-sale	6,422,292	6,717,046
Held-to-maturity	3,500,000	2,250,000
Other	28,704,000	30,501,000
Loans to members, net of the allowance for loan losses	19,644,969	20,867,861
Accrued interest receivable	101,374	90,088
National Credit Union Share Insurance Fund deposit	522,315	513,880
Corporate Credit Union capital shares	100,000	100,000
Property and equipment, net of accumulated depreciation	22,203	30,522
Other assets	53,675	87,743
	\$ 61,194,397	\$ 63,405,123
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares	\$ 51,329,358	\$ 53,881,147
Accrued expenses and other liabilities	329,715	193,730
Total liabilities	51,659,073	54,074,877
Commitments and contingent liabilities (Notes 3 and 7)		
Members' Equity:		
Accumulated other comprehensive loss - unrealized losses on securities	(93,454)	(65,263)
Retained earnings, partially appropriated	9,628,778	9,395,509
Total members' equity	9,535,324	9,330,246
	\$ 61,194,397	\$ 63,405,123

STATE POLICE CREDIT UNION, INC.
 STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
INTEREST INCOME		
Interest on loans to members	\$ 878,843	\$ 950,810
Interest on investments and cash equivalents	592,890	465,406
	1,471,733	1,416,216
INTEREST EXPENSE		
Dividends on members' shares	119,621	131,229
NET INTEREST INCOME	1,352,112	1,284,987
PROVISION FOR LOAN LOSSES	36,000	8,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,316,112	1,276,987
NONINTEREST INCOME		
Fees and charges	140,025	144,959
Other	4,080	3,382
	144,105	148,341
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	621,644	613,476
Operations	567,714	541,151
Professional and outside services	37,590	25,143
	1,226,948	1,179,770
NET INCOME	233,269	245,558
OTHER COMPREHENSIVE LOSS		
Unrealized holding losses on securities	(28,191)	(55,923)
OTHER COMPREHENSIVE LOSS	(28,191)	(55,923)
COMPREHENSIVE INCOME	\$ 205,078	\$ 189,635

STATE POLICE CREDIT UNION, INC.
 STATEMENTS OF CHANGES IN MEMBERS' EQUITY
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total
	Appropriated Regulatory	Unappropriated		
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	1,154,397	8,241,112	(65,263)	9,330,246
Net income	-	233,269	-	233,269
Other comprehensive loss	-	-	(28,191)	(28,191)
Balance, December 31, 2017	\$ 1,154,397	\$ 8,474,381	(\$ 93,454)	\$ 9,535,324

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

STATE POLICE CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Net income	\$ 233,269	\$ 245,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	36,000	8,000
Depreciation	9,103	5,690
Net changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(11,286)	255
Decrease in other assets	34,068	4,159
Increase (decrease) in accrued expenses and other liabilities	<u>135,985</u>	<u>(15,536)</u>
Net cash provided by operating activities	<u>437,139</u>	<u>248,126</u>
INVESTING ACTIVITIES		
Purchases of investments - available-for-sale	(1,596,406)	(4,984,149)
Purchases of investments - held-to-maturity	(2,741,065)	(2,250,000)
Purchases of investments - other	(10,806,845)	(11,079,988)
Proceeds from maturities of investments - available-for-sale	1,371,892	2,021,486
Proceeds from maturities of investments - held-to-maturity	1,582,937	-
Proceeds from maturities of investments - other	13,003,050	12,045,342
Net decrease in loans to members	1,186,892	1,250,936
(Increase) decrease in National Credit Union Share Insurance Fund deposit	(8,435)	11,266
Purchases of property and equipment	<u>(784)</u>	<u>(21,320)</u>
Net cash provided (used) by investing activities	<u>1,991,236</u>	<u>(3,006,427)</u>
FINANCING ACTIVITIES		
Net increase (decrease) in members' shares	<u>(2,551,789)</u>	<u>2,688,245</u>
Net cash provided (used) by financing activities	<u>(2,551,789)</u>	<u>2,688,245</u>
Decrease in cash and cash equivalents	(123,414)	(70,056)
Cash and cash equivalents, beginning	<u>2,246,983</u>	<u>2,317,039</u>
Cash and cash equivalents, ending	<u>\$ 2,123,569</u>	<u>\$ 2,246,983</u>
Supplemental Disclosures:		
Cash paid during the year for:		
Interest	<u>\$ 119,621</u>	<u>\$ 131,229</u>

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

STATE POLICE CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

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.

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, 2017 and 2016 amounted to \$29,865 and \$15,449, 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, 2017, 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 2014, 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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.

Subsequent Events

The Credit Union evaluated events occurring between the end of our most recent fiscal year and March 5, 2018, the date the financial statements were available to be issued.

2 - INVESTMENTS

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

	December 31, 2017			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Federal agency securities	<u>\$ 6,515,746</u>	<u>\$ 3,036</u>	<u>(\$ 96,490)</u>	<u>\$ 6,422,292</u>
	December 31, 2016			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Federal agency securities	<u>\$ 6,782,309</u>	<u>\$ 3,000</u>	<u>(\$ 68,263)</u>	<u>\$ 6,717,046</u>

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

	December 31, 2017			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Federal agency securities	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>(\$ 56,752)</u>	<u>\$ 3,443,248</u>
	December 31, 2016			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Federal agency securities	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>(\$ 29,800)</u>	<u>\$ 2,220,200</u>

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.

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Use of Estimates

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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, 2017, 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 2014, 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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

	December 31	
	<u>2017</u>	<u>2016</u>
Certificates of deposit	<u>\$ 28,704,000</u>	<u>\$ 30,501,000</u>

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

	<u>2017</u>		<u>2016</u>	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year	\$ 18,201	\$ 18,532	\$ 1,500,000	\$ 1,501,300
1 - 5 years maturity	<u>9,997,545</u>	<u>9,847,008</u>	<u>7,532,309</u>	<u>7,435,946</u>
Total	<u>\$ 10,015,746</u>	<u>\$ 9,865,540</u>	<u>\$ 9,032,309</u>	<u>\$ 8,937,246</u>

The weighted average yield on securities at December 31, 2017 and 2016 is approximately 1.67% and 1.45%, respectively.

3 - LOANS TO MEMBERS

Loans to members consist of the following:

	December 31	
	<u>2017</u>	<u>2016</u>
Mortgage loans:		
Fixed rate	\$ 13,989,908	\$ 15,297,903
Home equity	<u>1,120,097</u>	<u>1,135,907</u>
	<u>15,110,005</u>	<u>16,433,810</u>
Consumer loans:		
Vehicle loans	750,454	651,397
Other consumer loans, primarily unsecured	3,073,216	2,985,919
Credit card loans	<u>855,686</u>	<u>898,372</u>
	<u>4,679,356</u>	<u>4,535,688</u>
	19,789,361	20,969,498
Allowance for loan losses	<u>(144,392)</u>	<u>(101,637)</u>
	<u>\$ 19,644,969</u>	<u>\$ 20,867,861</u>

The weighted average yield on loans to members at December 31, 2017 and 2016 is 4.1% and 4.2%, 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, 2017 and 2016 totaled approximately \$488,000 and \$511,000, respectively.

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

	For the year ended December 31, 2017		
	<u>Consumer</u>	<u>Real Estate</u>	<u>Total</u>
Balance, beginning of year	\$ 83,532	\$ 18,105	\$ 101,637
Provision for loan losses	36,000	-	36,000
Recoveries	7,360	-	7,360
Loans charged off	<u>(605)</u>	<u>-</u>	<u>(605)</u>
Balance, end of year	<u>\$ 126,287</u>	<u>\$ 18,105</u>	<u>\$ 144,392</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ 9,427</u>	<u>\$ 1,306</u>	<u>\$ 10,733</u>
Collectively evaluated for impairment	<u>\$ 116,860</u>	<u>\$ 16,799</u>	<u>\$ 133,659</u>
	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>

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, 2017 there were \$60,000 of outstanding loan commitments, and at December 31, 2016, there were no outstanding loan commitments.

As of December 31, 2017 and 2016, available credit on unsecured credit card lines of credit was approximately \$1,993,000 and \$1,945,000, 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>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 192,537	\$ 235,987
Leasehold Improvements	56,467	56,467
	<u>249,004</u>	<u>292,454</u>
Accumulated Depreciation and Amortization	(226,801)	(261,932)
Net Property and Equipment	<u>\$ 22,203</u>	<u>\$ 30,522</u>

Depreciation expense amounted to \$9,103 and \$5,690 for the years ended December 31, 2017 and 2016, respectively.

5 - MEMBERS' SHARES

Members' shares are summarized as follows:

	December 31	
	<u>2017</u>	<u>2016</u>
Regular shares	\$ 35,567,617	\$ 37,833,290
Share draft accounts	6,197,148	5,707,513
Money market accounts	3,168,306	2,944,610
IRA shares	687,474	761,258
IRA certificates	340,697	323,266
Share certificates	<u>5,368,116</u>	<u>6,311,210</u>
	<u>\$ 51,329,358</u>	<u>\$ 53,881,147</u>

Shares by maturity are summarized as follows:

	December 31	
	<u>2017</u>	<u>2016</u>
No contractual maturity	\$ 45,620,546	\$ 47,246,671
0 - 1 year maturity	2,762,398	3,168,274
1 - 3 years maturity	1,185,687	1,236,653
Greater than 3 years maturity	<u>1,760,727</u>	<u>2,229,549</u>
	<u>\$ 51,329,358</u>	<u>\$ 53,881,147</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 \$394,000 and \$547,000 at December 31, 2017 and 2016, 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, 2017 and 2016 were approximately \$6,480,000 and \$7,530,000, 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 2017 and 2016. Interest is charged at a rate determined by the lender on a periodic basis. There were no outstanding borrowings at December 31, 2017 and 2016. 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, 2017 and 2016.

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, 2017 are as follows:

December 31,	<u>Amount</u>
2018	\$ 82,479
2019	84,650
2020	84,650
2021	<u>84,650</u>
	<u>\$ 336,429</u>

Rental expense for the years ended December 31, 2017 and 2016 amounted to \$94,005 and \$91,040, 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, 2017 and 2016 was \$48,000 and \$44,725, 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, 2017 and 2016 were \$48,040 and \$42,366, 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, 2017 and 2016, the Credit Union's RBNW ratio was 6.38% and 6.15%, respectively and was not considered a "complex" credit union. Management believes, as of December 31, 2017 and 2016, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2017, 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, 2017 and 2016 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, 2017:						
Net worth	\$ 9,628,778	15.73%	\$ 3,671,664	6.00%	\$ 4,283,608	7.00%
December 31, 2016:						
Net worth	\$ 9,395,509	14.81%	\$ 3,804,307	6.00%	\$ 4,438,358	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, 2017 and 2016 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, 2017 and 2016 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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- Bill pay
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- Loan applications

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- Mobile check deposit
- Transfer funds
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- Money Market Savings
- Club (Holiday, Vacation, Special Savings)
- Special Purpose
- Loan Payment
- Term Share Certificates
- Share Draft (Checking)
- IRA Share
- IRA Term Share Certificates

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
- Foreign Currency Exchange Services
- On Target Newsletter

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