

ANNUAL REPORT 2016



For Those Who ServeTM



Welcome Members

79TH ANNUAL MEETING: FEBRUARY 7, 2017

Meeting Called to Order	Supervisory Committee's Report
Invocation	Election of Officials
Welcome by Chairman of the Board of Directors	• Nominating Committee's Report
Verification of a Quorum	• Nominations from the Floor
Meeting Minutes: February 9, 2016	• Vote / Collect and Count Ballots
Chairman's Report	Old Business
Treasurer's Report	New Business
	Adjournment

Introduction

Originally founded on October 21, 1937, towards the end of the Great Depression, Houston Police Credit Union was created by Houston police officers as a means to establish a financial institution that was owned and operated by the local police force—a financial cooperative. Their mission was to provide reasonably-priced loans and a safe place for life savings for Houston Police Department employees and their families.

The credit union had 14 charter members and in the beginning was a meager operation. When a member wanted to apply for a loan, an appointed officer would take the paperwork in his squad car to the member and then return the forms to the credit union, which was originally a small office in HPD's Property Room. Alex Laux was the first approved loan. The loan limit was \$25.00.

In 1966, with over 2,150 members and \$2.5 million in total assets, the credit union grew large enough to warrant moving out of HPD headquarters and into a separate building. Located at 1600 Memorial Drive, it is still in use as the main branch today.

Membership, assets, and product and service offerings has continued to increase over the years. With a board of directors comprised of HPD executives and officers, the credit union has continued to remain relevant to the lives of its members, even adapting the drive-up at the main branch to accommodate various official vehicles including SWAT trucks and helicopters.

As our membership has grown, so has the credit union. As of 2017, the credit union serves HPD staff, employees, and their families in three locations. Membership has grown to over 26,000 and assets have reached over \$649 million. From serving academy recruits with equipment loans to retirement savings and planning, our credit union has become a vital part of our members' lives through every stage of their career.



Meeting Minutes

FEBRUARY 9, 2016

Dennis Storemski, Chairman, called the meeting to order at 7:00 p.m.

The following members of the board of directors were present: Dennis Storemski, Bobby Camp, Clifford Simmons, Renita Ferguson, Matt Slinkard and Mattie Provost

The following members of the supervisory committee were present: Wendy Baimbridge, Matthew Lem, Milton Martin and Mark Smith

Houston Police Department's Chaplin, Monty Montgomery, gave the invocation.

Mr. Storemski, began by welcoming everyone to the 78th Annual Meeting. He reported that despite the volatile financial market the credit union had an exceptional year. This success was attributed to its loyal members and dedicated staff. The credit union ended the year with a net worth of 13.26 percent, 7.00 percent is considered well capitalized by the National Credit Union Administration. The credit union received a number of awards and recognitions in 2015. For the second consecutive year, the credit union received national recognition for being among the top 200 healthiest credit union in the country. Mr. Storemski also reported that HPCU was recognized for the second year in a row as being one of the credit unions for providing the highest direct financial benefits to its members in the form of low rates on loans, higher than average savings rates, and fewer or lower fees as compared to other financial institutions. He reported that HPCU's savings rates were listed in the top 10 among local banks and credit unions per Go Banking Rates; loan rates were the best 1.00 percent in the Houston market and our \$611 million in assets ranks the credit union among the largest 25 credit unions in Houston.

Mr. Storemski discussed the recent embezzlement by former employee, Cheryl Vickers. He explained how the embezzlement was discovered, the methods of the theft and the total amount that was stolen. Mr. Storemski also reported on the steps taken to prevent internal fraud. He reported that the credit union will receive full restitution and is pursuing the maximum jail sentence for her crime.

Clifford Simmons, Secretary-Treasurer, verified that a quorum was present.

As everyone had been presented with the 2015 Annual Report, a motion was

made to dispense with the reading of the minutes of the previous meeting and accept the minutes as presented. The motion was seconded and passed.

A motion was made to dispense with the reading of the Chairman's Report, the Treasurer's Report, and the Supervisory Committee's Report, and to accept them as presented. The motion was seconded and passed.

At this time, Mr. Storemski reviewed the election procedures and introduced Wendy Baimbridge, Committee Chairman of the Nominating Committee. Mrs. Baimbridge reported that the following were the nominations from the committee:

Board of Directors – 3 Year Term

Renita Ferguson
Charles McClelland
Richard Retz

Mr. Storemski then asked for nominations from the floor. A second call was made for nominations from the floor. After a third call for nominations from the floor, a motion was made to cease nominations and elect the nominees by acclamation. The motion was seconded and passed.

Mr. Storemski asked for any old business that needed to come before the membership. There was none.

Mr. Storemski then asked for any new business. There was none reported.

The next item on the agenda was a barbecue dinner. After the dinner was served, cash drawings totaling \$5,000.00 were held.

A motion was then made to adjourn. The motion was seconded and it passed.

Dennis Storemski,
Chairman

Clifford Simmons,
Secretary-Treasurer



Chairman's Report

As Chairman of the Board of Directors, it's been a privilege and a pleasure to guide such an incredible organization. I genuinely appreciate the unwavering trust and loyalty of you, our members, to Houston Police Credit Union. As the board of directors, we apply our knowledge of the credit union industry and our members to make the best decisions to safeguard your financial assets. We seek every opportunity to strengthen the value of membership with HPCU by offering competitive deposit and loan rates as well as convenient products and services. In 2016, we consistently provided loan rates that were ranked among the best compared to our competitors. Deposit rates neared three times the national average.

It's with great honor to report that HPCU remained strong and financially healthy in 2016. Throughout the year, we launched several loan promotions to keep the excitement in borrowing for our members and add value to those tough financial decisions of purchasing a new vehicle, consolidating high interest debt or using equity in the home for improvements. Despite the economic and external concerns, HPCU maintained high performance in many areas including a 13.59 percent increase in total loans to members. We made it possible for over 3,700 members to obtain an auto loan, over 5,800 members to obtain a personal loan and nearly 200 members to obtain a home equity loan.

Combined with quality products and services, HPCU reached over \$370 million in loans and experienced a growth in assets to over \$649 million with membership climbing over 26,000 members. A loan increase, complemented by controlled asset growth, allowed us to significantly move the needle on the long-term strategic goal to increase the percentage of assets invested in loans to our members. We ended 2016 with a loan to asset ratio of 57.05 percent and increased its net worth to 13.84 percent, a momentous milestone.

As we look ahead to 2017, HPCU's goals concentrate highly on increasing membership and improving its products and services. We have a long history and commitment to the men and women of the Houston Police Department, the department's civilian employees and the immediate family members of both. Through provision of individual solutions, we want to ensure that every qualifying member enjoys the benefits of membership with a sound and responsive financial partner.

HPCU's goal since it opened its doors in 1937 has been to meet the needs of our members while exceeding their expectations. Thank you for making us your financial institution of choice. We look forward to serving you in 2017.

Respectfully submitted,

A handwritten signature in black ink that reads "Dennis Storemski". The signature is written in a cursive, flowing style.

Dennis Storemski,
Chairman



Supervisory Committee's Report

The supervisory committee, appointed by the board of directors, ensures our members that HPCU can be relied upon for financial strength and security. Additionally, the supervisory committee ensures that the credit union's policies and procedures adequately protect our members' interests, provides reasonable assurance that the regulations, policies and procedures that govern the credit union are properly followed, and provides an annual audit report of the credit union's financial condition and the results of its operations. The supervisory committee is assisted in carrying out its purpose and responsibilities by HPCU's Internal Audit department.

Periodically, the credit union is examined by regulatory agencies including the National Credit Union Administration (NCUA). In 2016, the supervisory committee retained the services of the independent accounting firm of Nearman, Maynard, Vallez, Certified Public Accountants, to perform an audit of the credit union's financial statements as of and for the year ended December 31, 2016. Nearman, Maynard, Vallez performed the audit of the credit union's financial statements as of and for the year ended December 31, 2015. Nearman, Maynard, Vallez awarded HPCU an unqualified opinion that the prior year records audited in 2016 fairly represent the financial condition of the credit union.

The supervisory committee is pleased to report these positive results and to be of service to the HPCU membership.

Respectfully submitted,

A handwritten signature in black ink that reads "Wendy Baimbridge". The signature is written in a cursive, flowing style.

Wendy Baimbridge,
Chairman



Treasurer's Report

Houston Police Credit Union remains a strong and stable financial institution. The leadership and sound practices of the board of directors, management and staff have resulted in another successful year for us. I am pleased to report the financial performance of 2016.

In 2016, assets increased to a total of \$649 million, an increase of \$37 million, making this another year we have thrived and demonstrated that we are fully capable of meeting the financial needs of each of our members. To this end, \$7.6 million was paid out to members in dividends. In addition to meeting the savings and investment needs of our members, we extended over \$370 million in affordable loans. All this was accomplished while net operating expenses were held to 0.56 percent of assets and net worth increased to 13.84 percent. This strong financial performance places us at the forefront of a number of our peer credit unions and in a position to offer some of the best products and services available to our members.

As we kick off 2017, we can all look forward to the new year with the same certainty and sense of purpose as this past year that helped build a brighter future for both our members and HPCU.

Respectfully submitted,

A handwritten signature in black ink that reads "Cliff Simmons". The signature is written in a cursive, flowing style.

Clifford Simmons,
Secretary-Treasurer



Credit Union Officials

Board of Directors

From left to right: Dennis Storemski, Chairman; Bobby Camp, 1st Vice Chairman; Clifford Simmons, Secretary-Treasurer; Renita Ferguson, Assistant Secretary-Treasurer; Matt Slinkard, Membership Officer; Mattie Provost, Member; Richard Retz, Member



Supervisory Committee

From left to right: Wendy Baimbridge, Chairman; Matthew Lem, Member; Milton Martin, Member; Mark Smith, Member





President's Report

Since 1937, Houston Police Credit Union has lived the credit union credo of “people helping people.” As the financial institution for the Houston Police Department, we understand the sacrifice that our members make to protect and serve the city of Houston. We accept the inherent responsibility to show we are there *For Those Who Serve™*; we exist and will always be “the credit union” *For Those Who Serve* and those who support them. Our commitment to understanding and improving the lives of our members sets us apart from our competition. As a result of our longstanding dedication to personal service and genuine concern for our members, we’ve witnessed forward progression year after year. It brings me great honor to share the results of a successful year in 2016.

Exceptional member service is our priority. HPCU remains steadfast to our dedication to member service. Rather than focusing on maximizing profits, our not-for-profit structure allows our emphasis to be our members. With this strategy in mind, we carefully monitor specific measures to ensure that we deliver the level of service our members expect and deserve. In 2016, we achieved an average member service survey score of 4.83 (out of 5). For the third consecutive year, we were recognized nationally among the top 200 healthiest credit unions in the country. We were also recognized as one of the top ten largest Houston-area credit unions ranked by total assets. Moreover, we achieved a yield on assets of 3.49 percent as a result, in part, of adequate policies to ensure that loans are properly priced and investments are properly managed. Accomplishments of this magnitude validate that we are achieving our purpose while successfully adding value to our members’ lives and improving our financial strength. Financial strength is imperative to our success, and we take our responsibility to our members seriously.

Tactical and vigilant strategies, combined with sound investment plans, dedicated operational efficiencies, and exceptional financial expertise, ensure our members that HPCU is a trusted financial partner. Additionally, our evolving products and services offering combined with risk-management expertise provides members with the confidence that the funds they entrust with us are safe and secure. The stability of continued growth patterns is confirmation of our success to our members.

Since 1937, we’ve consistently experienced strategic growth in assets, loans and returns to our members. A solid bottom line has allowed us to share this growth with our members in the form of quality products and services, low fees and higher than average dividends. We work diligently to help our members achieve their financial dreams. In 2016, we did not stray from our plan and dedication to improve the lives of our members.

We are proud of our long-lasting track record of stability and growth. As we continue this pattern of success in the years to come, our members can count on HPCU being a solid financial partner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ayn V. Talley".

Ayn Talley,
President



Management Team

Management Team

From left to right: Ayn Talley, President; Kimberly Foster, Executive Vice President; Angela Berry, Vice President; Darlene Davis, Vice President; Rachel Miranda, Vice President; Rebecca Ritter, Vice President; Wayne Stafford, Vice President; LeDetri Jenkins, Assistant Vice President; Stephanie Longrigg, Assistant Vice President; Willie Porter, Assistant Vice President



Our Purpose

Houston Police Credit Union exists to promote the financial well-being of its members. We will maintain the financial strength of the credit union through a broad range of innovative financial products, prudent management of our members' resources and the excellent service provided by a dedicated, well-trained staff.



Financial Summary 2016

Income & Expense

Total Operating Income	\$30,187,601.32
Total Expenses	\$13,887,215.97
Non-Operating Gain	\$46,611.19
Total Income Before Dividend Distribution	\$16,346,996.54
Regular Dividends	\$7,637,496.69
Net Income	\$8,709,499.85

Assets

Loans to Members	\$370,402,590.11
Investments	\$218,079,346.68
Daily Investments	\$6,396,162.91
Other Assets	\$54,386,288.55
Total Assets	\$649,264,388.25

Liabilities & Equity

Regular Shares	\$427,594,667.73
IRA Shares	\$48,911,680.03
Share Certificates	\$16,404,618.58
Checking Accounts	\$60,788,643.92
Accounts Payable and Accrued Expenses	\$8,795,834.36
Regular Reserve	\$6,331,969.89
UDE	\$80,436,973.74
Total Liabilities and Equity	\$649,264,388.25



- Office Operating Expense 45.93%
- Dividends 25.26%
- Reserve 28.81%



Five-Year Summaries

Summary of Operations

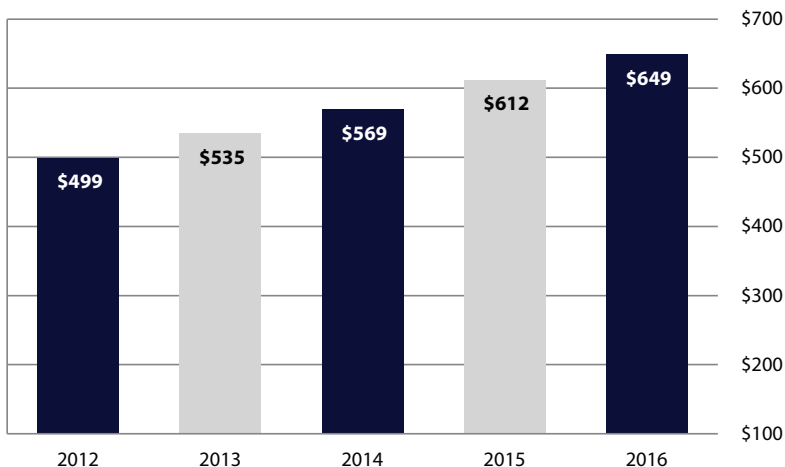
Dollar amounts in thousands

	2012	2013	2014	2015	2016
Total Assets	\$498,988	\$534,851	\$569,187	\$611,860	\$649,264
Loans to Members	\$209,477	\$239,903	\$274,975	\$326,081	\$370,403
Member Savings	\$428,695	\$464,864	\$490,181	\$522,433	\$553,700
Total Reserves	\$65,060	\$64,170	\$73,209	\$80,386	\$86,769
Total Income	\$22,059	\$23,071	\$24,746	\$26,820	\$30,234
Total Expenses	\$11,211	\$11,388	\$11,315	\$12,728	\$13,887
Total Income Before Dividend Distribution	\$10,848	\$11,683	\$13,431	\$14,092	\$16,347
Net Operating Expense Ratio	1.04%*	0.95%*	0.77%	0.81%	0.56%

*Includes National Credit Union Administration assessment for the recapitalization of the federal deposit insurance fund

Summary of Asset Growth

Dollar amounts in millions





February 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

			1	2	3	4
					HPD Payday	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
					HPD Payday	
19	20	21	22	23	24	25
26	27	28				



March 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

			1	2	3	4
					HPD Payday	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
					Shred Day HPD Payday	
19	20	21	22	23	24	25
26	27	28	29	30	31	
					HPD Payday	



April 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
					HPD Payday	
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30					HPD Payday	



May 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			
	Memorial Day HPCU Closed					



June 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

HPD Payday

Shred Day

HPD Payday



July 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

							1
2	3	4 Independence Day HPCU Closed	5	6	7 HPD Payday	8	
9	10	11	12	13	14	15	
16	17	18	19	20	21 HPD Payday	22	
23	24	25	26	27	28	29	
30	31						



August 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4 HPD Payday	5
6	7	8	9	10	11	12
13	14	15	16	17	18 HPD Payday	19
20	21	22	23	24	25	26
27	28	29	30	31		



September 2017

Sunday Monday Tuesday Wednesday Thursday Friday Saturday

					1	2
					HPD Payday	HPCU Closed
3	4	5	6	7	8	9
	Labor Day HPCU Closed					
10	11	12	13	14	15	16
					Shred Day HPD Payday	
17	18	19	20	21	22	23
24	25	26	27	28	29	30
					HPD Payday	



October 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13 HPD Payday	14
15	16	17	18	19	20	21
22	23	24	25	26	27 HPD Payday	28
29	30	31				



November 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

			1	2	3	4
5	6	7	8	9 HPD Payday	10 HPCU Closed	11 Veterans' Day HPCU Closed
12	13	14	15	16	17	18
19	20	21	22 HPD Payday	23 Thanksgiving Day HPCU Closed	24 HPCU Closed	25 HPCU Closed
26	27	28	29	30		



December 2017

Sunday

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

						1	2
3	4	5	6	7		8	9
						HPD Payday	
10	11	12	13	14		15	16
						Shred Day	
17	18	19	20	21		22	23
					HPD Payday	HPCU Closed	HPCU Closed
24	25	26	27	28		29	30
31	Christmas Day HPCU Closed						HPCU Closed



January 2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 New Year's Day HPCU Closed	2	3	4	5 HPD Payday	6
7	8	9	10	11	12	13
14	15	16	17	18	19 HPD Payday	20
21	22	23	24	25	26	27
28	29	30	31			



Daily Memos

A series of horizontal dotted lines for writing memos.

Branch Locations

Main Branch: 1600 Memorial Drive, Houston, TX 77007

Travis: 1200 Travis Street, Floor 20, Houston, TX 77002

Willowbrook: 17314 State Highway 249, Suite 107, Houston, TX 77064

713.986.0200 • 800.927.8707 • *HPCU.coop*