A wide-angle, high-angle photograph of a grand, ornate theater interior. The theater features multiple tiers of seating, all upholstered in deep red fabric. The walls and ceiling are highly decorative, with intricate gold-colored carvings and moldings. Numerous chandeliers and spotlights are visible, casting a warm, golden glow throughout the space. The overall atmosphere is one of classic elegance and grandeur.

# 2006

ANNUAL REPORT

KERN SCHOOLS FEDERAL CREDIT UNION



2006, the year interest rates stabilized. The big swings up or down did not occur. Rates did go up at the start of the year and have remained steady since that time. Kern Schools Federal Credit Union has been able to offer competitive share certificate and money market

receive your statements online, print copies of your cancelled checks, transfer money, or pay bills twenty-four hours a day, seven days a week. Yes, convenience is important in banking services. We have over fifty ATMs in the Kern County area. If you travel out of town, we are part of

Remember the Spanish proverb: "He who does not look ahead remains behind." We look forward to 2007, and beyond. Ahead are the opportunities to provide you, the member, with a chance to improve your financial situation.

**KERN SCHOOLS FEDERAL CREDIT UNION 2006 ANNUAL REPORT**  
**"TOGETHER, WE HAVE SOMETHING SPECIAL"**

rates during these times. Our loan rates have shown a slight increase to cover the rising cost of money.

With this economic leveling, Kern Schools Federal Credit Union was still able to show positive growth, and more importantly, we were able to provide members the ability to better their quality of life. Our investment program has shown positive results in financial counseling and advising members in a complex financial marketplace. Our goal is to provide each member the opportunity to save for the future. We have investment representatives at each branch who are prepared to handle our members' situation at any financial level. Today, and in the future, this is an integral part of building that lifetime financial partnership with you, the member.

Our ebranch continues to grow in usage. Home banking, bill payment services and loan applications provide a high convenience factor in our busy lives. You can view your account,

the "surcharge free" ATM network of the "CO-OP" Financial Network throughout the United States.

Another area that the Credit Union devotes time and energy is in security. With criminal activity becoming more complicated and sophisticated in today's world, Kern Schools Federal Credit Union has made fighting criminals, forgeries, identity theft, and other security risks a priority. We make every effort to protect the private information of our members. We do not provide members' information to others unless specifically directed by you. This is not only a challenge for your Credit Union, but also for all other financial institutions.

In summary, our Credit Union had a solid financial year of growth in 2006. We have maintained our cooperative spirit, and have striven to meet members' expectations of quality, efficiency, and dependable service. The Board of Directors, Senior Management and all of staff are committed to these expectations.



**Vincent Rojas, Jr.**  
*President/CEO*



MESSAGE FROM THE  
CHAIRPERSON OF THE BOARD OF DIRECTORS  
MIKE KILEEN  
FEBRUARY, 2007

**F**ISCAL YEAR 2006 PROVED TO BE ANOTHER STRONG YEAR FOR YOUR CREDIT UNION. KERN SCHOOLS EXPERIENCED GAINS IN MEMBERSHIP, LOAN VOLUME, DEPOSITS, INCOME, AND TOTAL ASSETS AS IT MAINTAINED ITS STATUS AMONG THE TOP FINANCIAL INSTITUTIONS IN KERN COUNTY; IN SPITE OF AN ECONOMY EXPERIENCING SLOW GROWTH AND A SOFTENING REAL ESTATE MARKET.

GROWTH IS NOT NECESSARILY A POSITIVE ELEMENT IN THE FINANCIAL SERVICES INDUSTRY UNLESS IT IS ACCOMPANIED BY A CORRESPONDING INCREASE IN THE NUMBER AND LEVEL OF SERVICES PROVIDED TO CONSUMERS. YOUR CREDIT UNION BOARD AND STAFF HAVE WORKED DILIGENTLY TO MAINTAIN PROVEN SERVICES WHILE ADDING NEW PROGRAMS TO MANAGE MEMBER SAVINGS, LOANS, INVESTMENTS, INSURANCE, PAYABLES, AND VIRTUALLY EVERY AREA OF YOUR FINANCIAL NEED. THE MOST OBVIOUS WAY TO INCREASE SERVICES IS THROUGH THE ESTABLISHMENT OF NEW FULL SERVICE BRANCHES, SUCH AS THE NEW UNIVERSITY CENTRE BRANCH ON MING AVENUE WHICH OPENED IN THE THIRD QUARTER OF 2006. HOWEVER, WE ARE ALWAYS LOOKING AHEAD TO IDENTIFY CREATIVE OPPORTUNITIES IN ORDER TO PROVIDE THE SERVICES YOU DEMAND. FOR INSTANCE, WE RECENTLY OPENED A NEW BRANCH IN THE SAVE MART SUPERMARKET, LOCATED AT HAGEMAN AND CALLOWAY ROADS, WITH SUNDAY BUSINESS HOURS, A FIRST FOR US. YOU MAY EVEN SEE ONE OR TWO MORE NEW CREDIT UNION LOCATIONS BEFORE THE END OF 2007!

THE ABILITY OF YOUR CREDIT UNION TO OFFER SERVICES TO MEET THE DYNAMIC FINANCIAL NEEDS OF ITS MEMBERS HAS BEEN PERHAPS OUR GREATEST ENDURING STRENGTH OVER THE PAST 66 YEARS. SUSTAINING THAT PHILOSOPHY WILL PROVIDE GREATER CHALLENGES AHEAD AS WE BUILD BUSINESS RELATIONSHIPS WITH FUTURE MEMBERS. TO THAT END KERN SCHOOLS HAS PLACED AN EMPHASIS ON SERVING THE YOUTH OF OUR COMMUNITY. IN 2006, CREDIT UNION STAFF CONDUCTED CLASSROOM PRESENTATIONS FOR OVER 1,500 YOUNG STUDENTS TO TEACH THEM HOW TO SAVE AND MANAGE THEIR FINANCES. STUDENT BRANCHES HAVE BEEN ESTABLISHED AT STOCKDALE AND RIDGEVIEW HIGH SCHOOLS AND THE REGIONAL OCCUPATIONAL PROGRAM TO PROVIDE REAL WORLD BANKING OPPORTUNITIES FOR STUDENTS WHO ARE ALSO EMPLOYEES OF THEIR OWN CREDIT UNION BRANCH.

BUILDING THESE RELATIONSHIPS WITH FUTURE MEMBERS IS A PERFECT EXAMPLE OF WHY WE CONTINUE TO BE A VIABLE LEADER IN THE LOCAL FINANCIAL MARKETPLACE.

I WOULD LIKE TO EXPRESS MY APPRECIATION TO YOUR BOARD OF DIRECTORS, SENIOR MANAGEMENT, VOLUNTEERS, OUR TERRIFIC STAFF, AND EACH OF OUR 169,735 MEMBERS FOR THEIR CONTRIBUTIONS TO THE SUCCESS OF OUR CREDIT UNION. TOGETHER, WE ARE SOMETHING SPECIAL!



JOANNE MILLS  
*Treasurer*

### TREASURER'S REPORT

The Credit Union has had another very successful year. In fact, our Credit Union is coming off of two record setting years. We see the Credit Union with almost \$147 million in capital and a net worth ratio of 8.84% at year end. This strength will enable the institution to meet its purpose, serving the members, through the offering of new innovative products and new branch locations.

Keys to achieving this strength are based on solid profitable operations. Some of the most significant results during 2006 for Kern Schools Federal Credit Union include:

As of December 31, 2006, total assets increased over \$98 million or 6% from December 31, 2005. Total assets are \$1,666,469,000 as of December 31, 2006. Share balances grew by almost \$83 million or 5.9% while loan balances increased \$122 million or 10.2%. Dividends paid out to members were an all time high of \$44.4 million and net income was \$15.7 million.

To help serve this growth the Credit Union opened its newest branch in the University Centre on Ming Avenue. This state-of-the-art branch will insure that we will continue to be able to serve our members for many years to come.

Our financial results continue to be bright and reflect the support of the membership of Kern Schools Federal Credit Union. They identify our core strength, that of a strong and diversified membership that uses the Credit Union to meet their financial needs.



CARL D. WOODY, JR.  
*Supervisory Committee*

### SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee, under the direction of the Board of Directors, continues to review and examine the Credit Union's operation process.

The Supervisory Committee, with the assistance of our Chief Internal Auditor, Mr. Perry Goodbrake, and an expanded audit department, has increased its scrutiny into the review of the quality of our loans and their subsequent collection with excellent results. During the year the delinquency ratio has been reduced by 16 points to 0.47% and the charge-off ratio reduced by 37 points to 0.46%.

On April 1, 2006, James C. Dunn resigned from the Supervisory Committee due to medical considerations. He is to be commended and thanked for serving 19 years on the committee.

The auditing firm of Turner, Warren, Hwang, and Conrad, under the direction of the Supervisory Committee, have been performing the Annual Audit of your Credit Union's financial statements for 2006. The audit is not complete, therefore the report being presented is not audited. The final audited report will be available during the second quarter of 2007.

The Supervisory Committee wishes to express its appreciation to the members of management and staff for their assistance and cooperation in making this report possible.

## BOARD of DIRECTORS

Mike Kileen • CHAIRPERSON

Dr. Bill Bruce • 1ST VICE CHAIRPERSON

Jeannine Thompson • 2ND VICE CHAIRPERSON

Joanne Mills • TREASURER

Bryon Schaefer • SECRETARY

Dr. James Fillbrandt • DIRECTOR

Dr. Larry Reider • DIRECTOR

Mary K. Zwartendyk • DIRECTOR

Marilyn Jones • DIRECTOR

Dr. Cecil Briscoe • DIRECTOR

Dr. Bill Williams • DIRECTOR

## SUPERVISORY COMMITTEE

Carl D. Woody, Jr. • CHAIRPERSON

Jim Sheats • SECRETARY

Dennis Scott • MEMBER

Tom Ross • MEMBER

## ADMINISTRATION

Vincent Rojas, Jr.

PRESIDENT/CEO

Penelope Fulton

SR. V.P., ADMINISTRATIVE SERVICES

Norman Ranallo

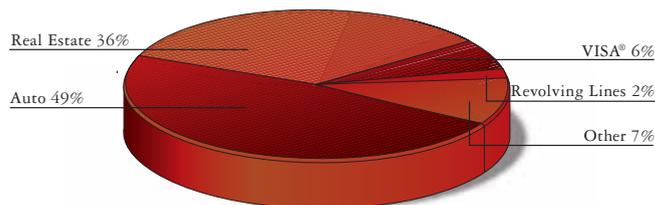
SR. V.P., CHIEF FINANCIAL OFFICER

Barbara Irle

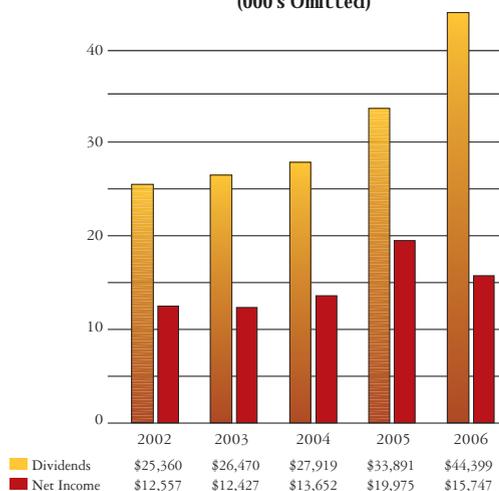
SR. V.P., OPERATIONS/BRANCH ADMINISTRATION

## ANNUAL STATEMENTS

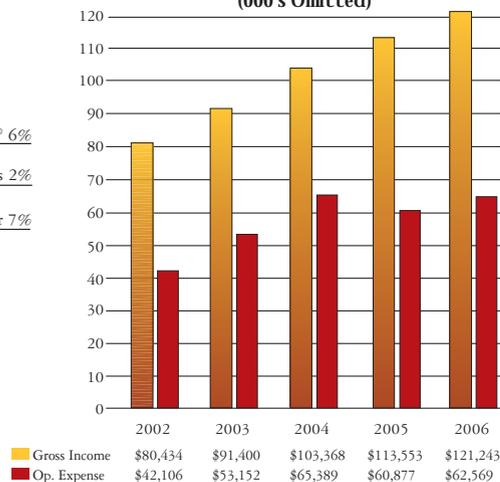
**MEMBER LOANS**  
(PERCENTAGE OF TOTAL LOANS)



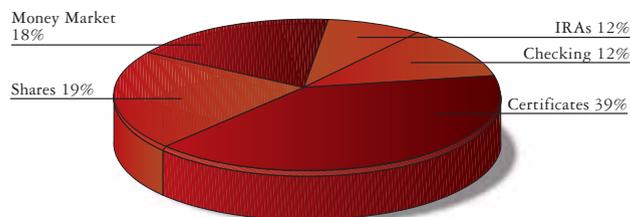
**MEMBER DIVIDENDS & NET INCOME**  
(000's Omitted)



**GROSS INCOME & OPERATING EXPENSE**  
(000's Omitted)



**MEMBER SHARES**  
(PERCENTAGE OF TOTAL SHARES)



## STATEMENTS

**STATEMENT OF INCOME**  
FOR THE YEAR ENDED DECEMBER 31ST - (UNAUDITED)  
(000's Omitted)

INCOME	2005	2006
Interest on Members' Loans	\$72,261	\$81,484
Investment Income	10,078	8,808
Other Income	31,214	30,951
<b>GROSS INCOME</b>	<b>\$113,553</b>	<b>\$121,243</b>
<b>OPERATING EXPENSES</b>	<b>\$60,877</b>	<b>\$62,569</b>
Income from Operations	\$52,676	\$58,674
Non-Operating Gain	1,190	1,472
Income Before Dividends	53,866	60,146
Dividends Paid to Members	33,891	44,399
<b>NET INCOME</b>	<b>\$19,975</b>	<b>\$15,747</b>

**CONDENSED STATEMENT OF FINANCIAL CONDITION**  
AS OF DECEMBER 31ST - (UNAUDITED)  
(000's Omitted)

ASSETS	2005	2006
Loans to Members	\$1,196,835	\$1,319,209
Cash	51,095	32,710
Investments	251,108	217,492
Interest Receivable	6,067	6,870
Premises & Equipment	29,608	40,094
Other Assets	33,487	50,094
<b>TOTAL ASSETS</b>	<b>\$1,568,200</b>	<b>\$1,666,469</b>
<b>LIABILITIES/SHARES/EQUITY</b>		
Dividends Payable	\$2,897	\$3,204
Other Liabilities	35,037	33,672
Member Accounts	1,399,152	1,482,364
Restricted Reserve	34,783	34,783
Undivided Earnings	96,331	112,446
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,568,200</b>	<b>\$1,666,469</b>



"Together, we have something special."

9600 MING AVENUE  
BAKERSFIELD, CA 93311

Presorted Standard  
US POSTAGE  
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BAKERSFIELD, CA  
Permit 595

## 2006 ANNUAL REPORT

### BRANCH LOCATIONS

#### BAKERSFIELD

4530 Ming Avenue  
2424 Chester Avenue  
3901 Mt. Vernon Avenue  
8200 Stockdale Highway  
6101 Coffee Road  
2671 Oswell Street  
5001 Panama Lane  
9800 Ming Avenue  
9600 Hageman Road

#### RIDGECREST

1621 North Downs Street

#### DELANO

1101 Cecil Avenue

#### TEHACHAPI

Tehachapi Express Branch  
821 Tucker Road

Credit Union  
Telephone Numbers

**661 833-7900**  
**800 221-3311**

*www.kstcu.org*

