

# 2007

ANNUAL REPORT



KERN SCHOOLS FEDERAL CREDIT UNION

# W

hat happened to 2007? There were certainly many challenges for you, the consumer-member. In an economy where the Federal Reserve drove down interest rates, the consumer saw minimal benefit. Interest rates on loans, credit cards, and mortgages did not mirror the trend of the Federal Reserve. At Kern Schools Federal Credit Union, we managed interest rates, both on the lending and the savings sides, to the benefit of the members.



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

which gives the member a quick response to questions through our eBranch.

With our eyes to the future, we continue to provide services through our Youth Programs and Student Credit Unions on high school campuses. With these programs we are able to provide financial education to tomorrow's Credit Union borrowers and savers.

Even with all of the economic challenges we face today, the Credit Union continues to maintain its financial strength in reserves, offering excellent products and delivering first class member service. Without members using the Credit Union, we could not accomplish or deliver financial services. Remember, *"Together, we have something special."*

We have paid attention to the economic needs of our members. The mortgage market downturn has touched several areas adversely. Home property values decreased, foreclosures increased, and unemployment rose. The Credit Union has worked with members on a case-by-case basis to assist in resolving member financial hardships. In order to make sure our staff is prepared for these challenges, we conducted 14,416 staff hours of training which averages to about 24 hours per employee.

Members who use our electronic services have increased. We have 85,000 DataNet users who conduct a monthly average of 297,000 visits. These members use the Credit Union's service twenty-four hours a day, seven days a week. These members paid out \$10,629,800 representing 387,000 items. These delivery systems offer enhanced convenience to the users. We have 7,130 members who receive their monthly Credit Union statement electronically through eStatements. In addition, this year we introduced "LiveChat"

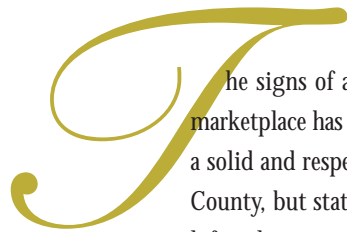
**KERN SCHOOLS**

**FEDERAL CREDIT UNION**

**2007 ANNUAL REPORT**

*"Together, we have something special."*





The signs of a struggling economy are all around us and the financial marketplace has faced increasing challenges. Yet your Credit Union remains a solid and respected member of the financial scene, not only here in Kern County, but statewide as well. Our total assets exceed 1.6 billion dollars, a lofty plateau exceeded by few and envied by many. It is remarkable that KSFCU continues to grow and reflect financial strength and institutional stability in such a weakened economy.



Message from the  
Chairperson of the Board of Directors  
**Dr. Bill Bruce**  
April, 2008

While not growing as dramatically as recent years due to the economic slowdown, KSFCU continues to add members and deposits. Our VISA® accounts and VISA® usage have continued to grow. Your Board of Directors and management continue to seek ways to improve the financial choices of our members. Central to our mission is the continuous exploration of ways and means that insure our services and our institution are more efficient and more convenient for you, our members.

Toward that goal, we have added small business loans, opened new branches, placed new ATMs, and offered a continuing series of member educational opportunities ranging from identity theft protection to investment/retirement planning ideas. We have lowered the deposit necessary to become a member to only \$5. We continue to add and upgrade the new electronic tools of our information society which help us improve convenience, reliability, and opportunity for members. The number of electronic and online transactions continues to increase at a startling pace. Virtually all your financial banking needs and options can be handled online or by phone without ever needing to pass through the doors of a branch. From electronic deposit to online loans, your Credit Union is here to meet your needs wherever possible.

Management, staff, and your Board of Directors work diligently to ensure the safety and security of your deposits and accounts. We are all proud of the image and credibility that Kern Schools Federal Credit Union reflects in our community. We remain the envy of countless financial institutions and our commitment to promote exceptional service and quality financial products to you, our members, is our mission and our goal. In the final analysis, it is your belief in and continuing use of your Credit Union services that provides the unwavering strength that makes Kern Schools Federal Credit Union a jewel in the financial marketplace. This is, indeed, why *"Together, we have something special."*



*"Together, we have something special!"*



**Jim Sheats**  
*Supervisory Committee*

## Supervisory Committee's Report

**K**ern Schools Federal Credit Union's Board of Directors has appointed the members of the Supervisory Committee, which has the responsibility for monitoring and evaluating Credit Union activities on behalf of the members. To accomplish our goal, the Supervisory Committee performs several specific duties including:

- Overseeing an annual independent audit of the Credit Union.
- Ensuring the soundness of the annual Board of Directors Election.
- Verifying member's accounts.
- Ensuring that Board policies and procedural guidelines are followed.

Kern Schools Federal Credit Union's Vice President and Chief Internal Auditor, Mr. Perry Goodbrake and the Audit Department under the direction of the Supervisory Committee, continually review the activities of the Credit Union to ensure those activities are in compliance with polices, procedures and regulations to safeguard the assets of the Credit Union.

To fulfill our responsibility, the Supervisory Committee engaged the firm of Turner, Warren, Hwang & Conrad for the 2007 annual audit. This independent firm was contracted by the Committee to verify the financial statements, the accuracy of member account statements and compliance with federal regulations and Board policy. Currently, the 2007 audit is not completed and therefore the financials as presented herein are not audited. The final audited report will be available during the second quarter of 2008.



**Bryon Schaefer**  
*Treasurer*

## Treasurer's Report

**T**he weakening housing market, rising energy costs and mounting personal debt are confronting Kern County as well as the rest of the country. The strain resulting from the financial headwinds are pushing up bankruptcies, loan defaults and provisions for loan losses — all of which ultimately reduce net income and capital formation for credit unions.

Kern Schools Federal Credit Union is certainly not immune from these facts. We have seen loans to the membership increase in 2007, while member share deposits dropped. Total assets remained level with the prior year while profitability has fallen.

Member loans increased \$76 million or 5.8% during 2007, while member shares dropped 0.9%. Assets at the end of 2007 totaled \$1.652 Billion, 0.8% under Total Assets at December 31, 2006. Net income in 2007 was \$4.588 million compared to \$15.747 million in 2006, a drop of \$11.159 million or 71%. This drop was caused by loan losses in 2007 totaling \$13.055 million, compared to none in 2006. In addition, dividends paid to members in 2007 increased \$7.021 million to \$51.42 million, from the \$44.399 million paid in 2006.

Total capital reserves of the Credit Union remain very strong. Over \$146 million in reserves is 8.84% of Total Assets and is indicative of a credit union with great strength and the ability to meet the needs of its membership now and in the future.

## Board of Directors

- Dr. Bill Bruce, Chairman
- Jeannine Thompson, 1st Vice Chairperson
- Joanne Mills, 2nd Vice Chairperson
- Bryon Schaefer, Treasurer
- Dr. James Fillbrandt, Secretary
- Dr. Larry Reider, Director
- Mary K. Zwartendyk, Director
- Marilyn Jones, Director
- Dr. Cecil Briscoe, Director
- Dr. Bill Williams, Director
- Mike Kileen, Director

## Supervisory Committee

- Jim Sheats, Chairperson
- Tom Ross, Secretary
- Carl D. Woody, Jr., Member
- Dennis Scott, Member

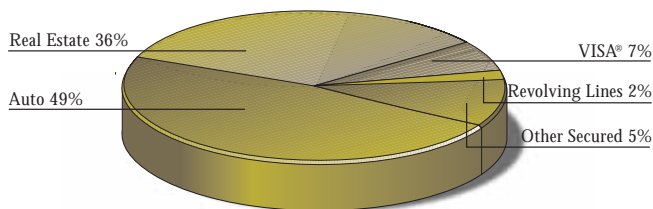
## Administration

- 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

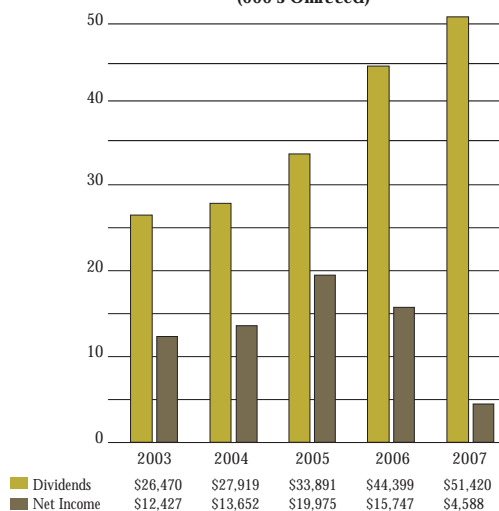


**ANNUAL STATEMENTS**

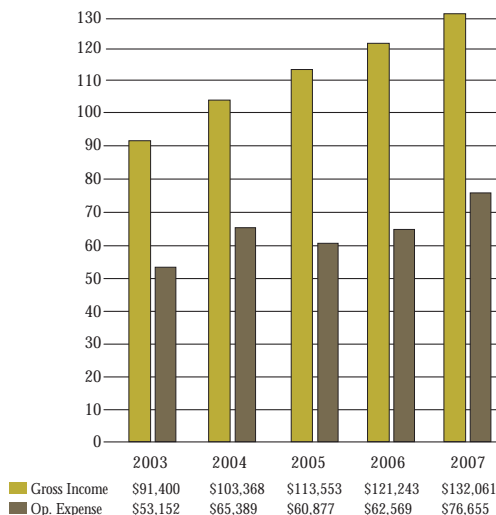
**MEMBER LOANS**  
(Percentage of Total Loans)



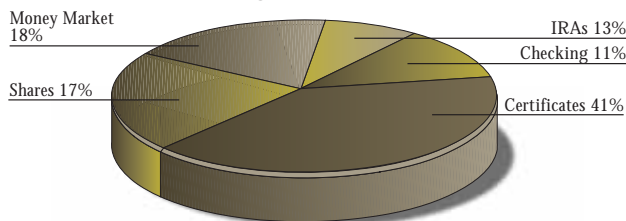
**MEMBER DIVIDENDS & NET INCOME**  
(000's Omitted)



**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)

	2006	2007
<b>INCOME</b>		
Interest on Members' Loans	\$81,484	\$87,679
Investment Income	8,808	10,016
Other Income	30,951	34,366
<b>GROSS INCOME</b>	<b>\$121,243</b>	<b>\$132,061</b>
<b>EXPENSES</b>		
Loan Losses		\$13,055
Other Operating Expenses	62,569	63,610
<b>OPERATING EXPENSES</b>	<b>\$62,569</b>	<b>\$76,665</b>
Income from Operations	\$58,674	\$55,396
Non-Operating Gain	1,472	612
Income Before Dividends	60,146	56,008
Dividends Paid to Members	44,399	51,420
<b>NET INCOME</b>	<b>\$15,747</b>	<b>\$4,588</b>

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

	2006	2007
<b>ASSETS</b>		
Loans to Members	\$1,319,209	\$1,387,740
Cash	32,710	23,565
Investments	217,492	134,766
Interest Receivable	6,870	6,938
Premises & Equipment	40,094	42,558
Other Assets	50,094	57,081
<b>TOTAL ASSETS</b>	<b>\$1,666,469</b>	<b>\$1,652,648</b>
<b>LIABILITIES/SHARES/EQUITY</b>		
Dividends Payable	\$3,204	\$3,006
Other Liabilities	33,672	34,247
Member Accounts	1,482,364	1,469,313
Restricted Reserve	34,783	34,783
Undivided Earnings	112,446	111,299
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,666,469</b>	<b>\$1,652,648</b>



"Together, we have something special."

9600 Ming Avenue  
Bakersfield, CA 93311

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US POSTAGE  
**PAID**  
BAKERSFIELD, CA  
Permit 595

## 2007 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
- 13129 Rosedale Highway

#### RIDGECREST

- 1621 North Downs Street

#### DELANO

- 1101 Cecil Avenue

#### TEHACHAPI

- Tehachapi Express Branch
- 821 Tucker Road

#### WASCO

- 2425 Highway 46

Credit Union  
Telephone Numbers

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

*www.ksfcu.org*

