

MESSAGE

FROM THE CHAIRPERSON

DR. BILL WILLIAMS, CHAIRPERSON

BOARD OF DIRECTORS



THE YEAR 2004 WAS A VERY GOOD ONE FOR THE CREDIT UNION. LOW INTEREST RATES HELPED FUEL THE ALREADY THRIVING MORTGAGE REFINANCE MARKET, WITH VOLUMES REACHING RECORD HIGHS. THEN, JUST AS MORTGAGE VOLU-

MES SEEMED TO SLOW DOWN, THE HOME EQUITY LOAN MARKET TOOK OFF.

ONCE AGAIN, "CONVENIENCE" WAS KEY CONSIDERATION. MEMBERS IN THE EASTERN KERN COUNTY COMMUNITIES ARE EXPERIENCING THE CONVENIENCE OF THE NEW TEHACHAPI EXPRESS BRANCH. KSFCU ALSO OPENED KERN COUNTY'S THIRD STUDENT CREDIT UNION ON THE CAMPUS OF THE REGIONAL OCCUPATIONAL CENTER.

LAST AUGUST, KERN SCHOOLS BROKE GROUND ON THE NEW ADMINISTRATION BUILDING. DURING THE PLANNING PROCESS THE KEY FOCUS WAS TO DESIGN A BUILDING THAT IS BOTH ENERGY EFFICIENT AND COST EFFECTIVE. THIS BUILDING IS THE CENTRAL VALLEY'S FIRST AND ONLY US GREEN BUILDING, WHICH MEANS IT IS HIGHLY EFFICIENT AND ENVIRONMENTALLY FRIENDLY. THE PURPOSE FOR THE BUILDING IS TO MAXIMIZE EFFICIENCY FOR EMPLOYEES AND CENTRALIZE ADMINISTRATIVE STAFF. CURRENTLY WE HAVE FIVE SEPARATE BUILDINGS HOUSING VARIOUS DEPARTMENTS THROUGHOUT THE COUNTY. THE NEW BUILDING WILL ACCOMMODATE 250 EMPLOYEES UPON COMPLETION AND HAS BEEN DESIGNED TO ANTICIPATE THE CREDIT UNION'S GROWTH FOR AT LEAST THE NEXT 15 YEARS.

AS WE CONTINUE TO GROW AND TECHNOLOGY BECOMES MORE AUTOMATED, THE BOARD OF DIRECTORS IS COMMITTED TO KEEPING THE "HUMAN TOUCH" ALIVE. WE REALIZE THAT A HANDSHAKE SIGNIFIES THE BEGINNING OF A RELATIONSHIP. A SMILE SPEAKS A THOUSAND WORDS. AND GREAT SERVICE MAKES A MEMBER'S DAY.

MUCH APPRECIATION GOES OUT TO ALL OF OUR MEMBERS WHO TOOK PART IN THE "CREDIT UNION TAX EXEMPTION" PETITION DRIVE. THE SIGNATURES COLLECTED WERE FORWARDED TO THE CALIFORNIA CREDIT UNION LEAGUE. SIGNING THE PETITION ENCOURAGES POLICY MAKERS TO CONTINUE THEIR SUPPORT FOR THE CREDIT UNION TAX-EXEMPTION.

THUS, 2005 PROMISES TO BE A YEAR OF CONTINUED ATTACKS ON THE CREDIT UNIONS BY THE BANKING INDUSTRY. FIGHTING THESE ATTACKS AND EDUCATING OUR MEMBERS AND ELECTED OFFICIALS AT THE STATE AND FEDERAL LEVEL ON THE IMPORTANCE OF MAINTAINING THE CREDIT UNION TAX-EXEMPTION WILL BE A CONTINUED COMMITMENT OF KSFCU.

IN CLOSING, WE RECOGNIZE THAT OUR COUNTRY IS AT WAR AND WE OFFER A SPECIAL PRAYER FOR ALL AMERICAN TROOPS WHO UNSELFISHLY DEFEND OUR WAY OF LIFE. WE PRAY FOR THEIR FAMILIES AS WELL AND OFFER OUR SINCERE GRATITUDE FOR THEIR COURAGE AND SACRIFICE ON BEHALF OF OUR NATION.

"TOGETHER, WE HAVE SOMETHING SPECIAL."



KERN SCHOOLS FEDERAL CREDIT UNION  
2004 ANNUAL REPORT

In the 2004 level interest rate environment, Kern Schools Federal Credit Union responded to members needs while preserving the safety and soundness of the organization. Members continued to seek a safe haven for their investment dollars. Although we continued to grow in membership and services, we stayed focused on our mission, vision, corporate values and member service philosophy.



Vincent Rojas, Jr.  
President/Chief  
Executive Officer

Members' usage of our variety of delivery systems, i.e., ATMs, Data Voice, Data Net, and Bill Payment services continues

loans on our products, and to pay a competitive dividend on share certificates, money market accounts and our share savings. Last year, we paid \$27,918,000 in dividends to members, an increase of \$1,445,000 over 2003. One of our greatest influences in our financial performance was our continued strength in our automobile lending. We also are striving to become the lender of first choice for our members in the real estate market. Through technological advances and automation of several of our processes, including the application process, we

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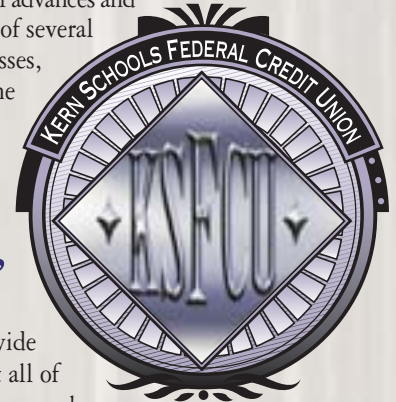
to grow. There were over 3.8 million transactions performed at our ATMs last year. Our website had 21.5 million visits to it during 2004, with over 183,000 bill pay transactions that totaled \$39.5 million. Yes, we are able to grow because members use electronic and remote delivery systems to access their accounts.

We restructured our share checking accounts in order to provide a better no service charge account. In fact, in our branch offices, members performed over three million deposits that represented over 8.9 million checks processed in 2004. Because of these numbers, the Board of Directors and Senior Management continue to search for new locations for branch offices, ATMs and Express Branches. We are looking not only in areas within the greater Bakersfield area, but also, in our outlying communities in Kern County.

We continue to emphasize our basic philosophy by providing low interest

hope to provide services that all of you expect as members of Kern Schools Federal Credit Union. If your desire is to invest in the non-insured investment area, we have expanded our Investment and Insurance Department to cover all of our branch offices with an Investment Representative.

As financial requirements of our membership have changed, Kern Schools Federal Credit Union also has adapted to provide the new services and products. Our vision is to be your financial institution of choice. As owners of the Credit Union, member needs should be met. This is the basic premise of a not for profit financial cooperative. The Board of Directors, Senior Management, and all of Staff are committed to these principles. As we begin our new year, we wish all of our members success in 2005, and, remember, the Credit Union works only if you use its services.



"Together, we have something special."



**Jeannine Thompson**  
*Treasurer*

**TREASURER'S REPORT**

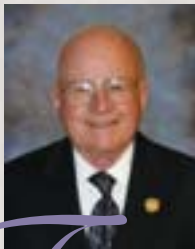


*K*ern Schools Federal Credit Union has had another very successful year, maintaining a strong financial condition and continuing the steady growth trend. During 2004, total assets have grown 14% to \$1,398,789,000, while membership has grown 8% to 154,102. This growth has occurred while profitability has reached an all time high, in excess of \$13.6 million, and dividends paid to members has grown to almost \$28 million.

KSFCU has over \$1.05 billion in loans outstanding and deposits in excess of \$1.26 billion. This 83.3% loan to share is among the nations highest and shows the Credit Union's commitment

to reinvesting deposits into the membership and community. The Credit Union has also been an active participant in the rapid real estate activity in Kern County. Real estate loans increased 32% in 2004 and are now over \$312 million.

The Board of Directors and management continue to work closely to make sure available services and delivery systems are the very best to meet the needs and expectations of the entire membership. These services and systems, supported by staff committed to keeping the human touch alive, have been instrumental in our success and position us well for the future.



**Carl D. Woody, Jr., Chairperson**  
*Supervisory Committee*

**SUPERVISORY COMMITTEE'S REPORT**



*T*he Supervisory Committee, under the direction of the Board of Directors, continues to review and examine the Credit Union's operational practices.

The Supervisory Committee, with the assistance of our new Internal Auditor, Mr. Perry Goodbrake, has been able to increase its scrutiny into procedures and functions of the various departments of the Credit Union with excellent results.

During the year the committee lost its senior member, Curtis Kennedy, who served for a period of twenty years. He possessed an integrity and knowledge that will be sorely missed. He has been replaced by Dennis Scott, who presently serves as Assistant Superintendent of

Business Services for the Kern High School District.

The Auditing Firm of Turner, Warren, Hwang and Conrad, under the direction of the Supervisory Committee, has been performing the Annual Audit of your Credit Union's financial status for 2004. The Audit is not complete; therefore, the report being presented is not audited. The complete audited report will be available for review during the second quarter of 2005.

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**

DR. BILL WILLIAMS • CHAIRPERSON

MIKE KILEEN • 1ST VICE CHAIRPERSON

DR. BILL BRUCE • 2ND VICE CHAIRPERSON

JEANNINE THOMPSON • TREASURER

JOANNE MILLS • SECRETARY

DR. JAMES FILLBRANDT • DIRECTOR

DR. LARRY REIDER • DIRECTOR

MARY K. ZWARTENDYK • DIRECTOR

MARILYN JONES • DIRECTOR

BRYON SCHAEFER • DIRECTOR

Dr. Cecil Briscoe • DIRECTOR

**SUPERVISORY COMMITTEE**

CARL D. WOODY, JR. • CHAIRPERSON

JIM SHEATS • SECRETARY

JAMES C. DUNN • MEMBER

DENNIS SCOTT • MEMBER

**ADMINISTRATION**

VINCENT ROJAS, JR.  
PRESIDENT/CEO

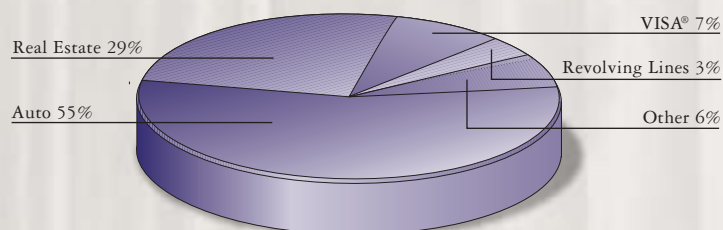
PENELOPE FULTON  
SR. V.P., ADMINISTRATIVE SERVICES

NORMAN RANALLO  
SR. V.P., CHIEF FINANCIAL OFFICER

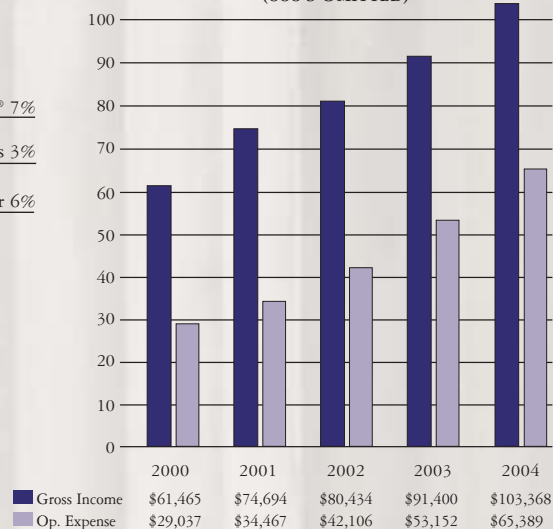
BARBARA IRLE  
SR. V.P., OPERATIONS /BRANCH ADMINISTRATION



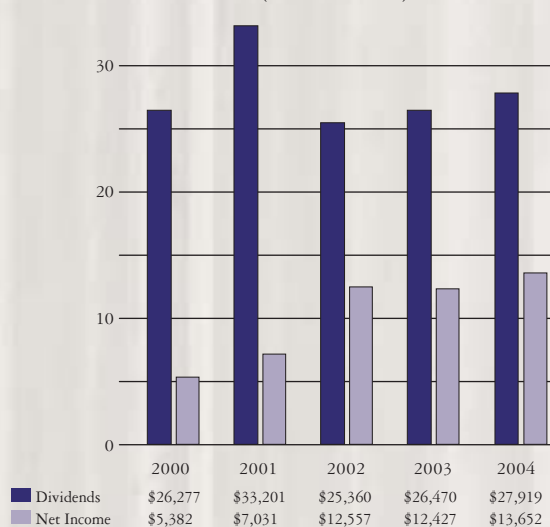
**MEMBER LOANS**  
(PERCENTAGE OF TOTAL LOANS)



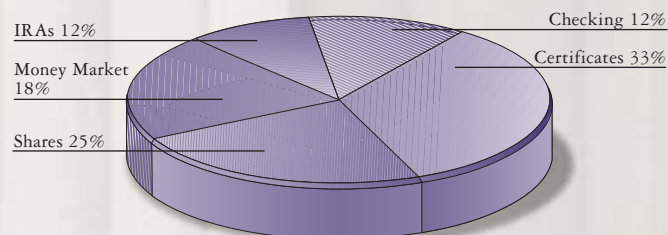
**GROSS INCOME & OPERATING EXPENSE**  
(000'S OMITTED)



**MEMBER DIVIDENDS & NET INCOME**  
(000'S OMITTED)



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



STATEMENTS

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

INCOME	2003	2004
Interest on Members' Loans	\$67,326	\$71,573
Investment Income	4,184	5,503
Other Income	19,890	26,292
<b>GROSS INCOME</b>	<b>\$91,400</b>	<b>\$103,368</b>
<b>OPERATING EXPENSES</b>	<b>\$53,152</b>	<b>\$65,389</b>
Income from Operations	38,248	37,979
Non-Operating Gain (Loss)	649	3,592
Income Before Dividends	38,897	41,571
Dividends Paid to Members	26,470	27,919
<b>NET INCOME</b>	<b>\$12,427</b>	<b>\$13,652</b>

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

ASSETS	2003	2004
Loans to Members	\$950,278	\$1,040,438
Cash	35,413	36,685
Investments	201,174	271,690
Interest Receivable	4,813	4,998
Premises & Equipment	26,920	18,248
Other Assets	13,306	26,730
<b>TOTAL ASSETS</b>	<b>\$1,231,904</b>	<b>\$1,398,789</b>
<b>LIABILITIES/SHARES/EQUITY</b>		
Dividends Payable	\$2,054	\$2,239
Other Liabilities	15,313	17,469
Member Accounts	1,111,681	1,262,622
Restricted Reserve	34,783	34,783
Undivided Earnings	68,073	81,676
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,231,904</b>	<b>\$1,398,789</b>



FEDERAL CREDIT UNION

"Together, we have something special."

4530 MING AVENUE  
BAKERSFIELD, CA 93309

Presorted Standard  
US POSTAGE

**PAID**

BAKERSFIELD, CA  
Permit 595

# 2004

## 2004 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

#### 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.ksfcu.org*

