

1998 ANNUAL *Report*

Kern Schools Federal Credit Union



CHAIRPERSON'S REPORT



I have been very proud of our Credit Union's performance over the past year. In fact, the credit union industry has gone through a

tumultuous twelve months and has emerged unbeaten if not unbruised. The attack on the National Credit Union Administration by the American Bankers Association has left federal credit unions living under new laws, which restrict member growth and thereby limit the expansion of services.

During this time of uncertainty, Kern Schools Federal Credit Union has reversed a rising delinquency percentage, expanded membership, and enlarged profitability.

These positive trends are not a reflection of Kern County's improved economic health. The County's economy has suffered from a series of negative factors including bad weather and a substantial decline in oil prices. What has helped our Credit Union to strengthen during this difficult period is staff leadership and commitment. This leadership and commitment leads to more and better services which keep our membership loyal.

Credit unions are about the support of the individual consumer. They are not about service to businesses. The laws that originated credit unions created a financial haven for people who were not wealthy. It gave credit unions tax advantages so they could give ordinary people a financial break, a break that would normally be available only to the wealthy.

I am proud that Kern Schools Federal Credit Union is fulfilling its role so well. If given the chance, it will strengthen its members and in doing so will strengthen Kern County.

James Fillbrandt, Chairperson
Board of Directors



MESSAGE FROM THE PRESIDENT/CEO



1998

was a strong year for Kern Schools Federal Credit Union. During a slow growth economy and with the Wall Street markets setting

new record highs, we were able to maintain a solid deposit base. We continued to pay competitive market dividend rates to our members and to provide low cost loans to our borrowing members. Politically, we (the credit union movement) were able to influence the democratic process in Washington, D.C. to protect consumer choice in selecting a financial institution. After two and a half years operating under an injunction filed by the American Bankers Association which limited offering membership to new

employee groups, Congress passed HR 1151, the Credit Union Membership Access Act. This public law was passed in October, 1998. Credit union members who contacted our federal legislators urging passage of HR 1151 represented the democratic process. All consumers owe a big thank you to credit union members, such as all of you, who took part in this process.

In our ongoing goal to educate and assist members in financial areas, the Credit Union sponsored two Consumer Credit Counseling evening sessions for members. These sessions were well attended and Loan Officers were available to assist our members. The Credit Union granted over \$118 million in new loans during 1998. Included in this amount was over \$54 million in home loans made through our Home Loan Center. We introduced our thirty-year mortgage, which provided many

members an opportunity to purchase homes.

Last fall, we introduced "DATANET." DataNet is our home banking service. This product allows members to access their Credit Union accounts through a personal computer any day, from any place, at any time, and we have received many favorable comments about it. DataNet is an excellent complement to our telephone product DataVoice.

The Credit Union has a detailed schedule to review, evaluate, correct and test all of our systems for the new millennium. The Year 2000 (Y2K) issue has been one of our top priorities for the past eighteen months. We are on schedule to complete our process well before the year 2000. We provide monthly status reports to our Board of Directors, as well as to our federal

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TREASURER'S REPORT



Again, this past year, we were faced with the ongoing battle of the banking industry's efforts to limit the growth of federal credit

unions. Members are to be commended for demonstrating their strong support by writing their legislators in defense of the credit unions and in defense of the people's rights to choose their own financial institution.

Your Credit Union's management and Board of Directors has not let this battle interfere with their business, as you can easily see from the financial reports for which they also should be commended.

This past year Kern Schools Federal Credit Union had a net enrollment increase of 4,781 members, bringing our

total membership to 96,896; increased from \$511,358 to \$565,159 in members deposits; grew from \$573,070,645 to \$635,578,451 in assets; and paid over \$22,328,000 in dividends."

Preparations for Y2K are on target; Automated Teller Machines continue to be placed in strategic areas to better serve our membership, DataNet was implemented which allows you to get information and perform transactions on your accounts from any computer, and the upgrading of DataVoice will soon be completed.

Our independent audit and those of the National Credit Union Administration continue to show our strength and the soundness of Kern Schools Federal Credit Union.

Bill Williams, Treasurer
Board of Directors

SUPERVISORY COMMITTEE'S REPORT



The Supervisory Committee is responsible for the annual audit and determines the scope of the work performed under the umbrella of

regulatory requirements. For guidance in meeting audit and regulatory requirements, we rely on our external auditors and the National Credit Union Administration (NCUA) examiners. This includes reviewing the monthly reports, a requirement by NCUA, concerning the Y2K program of software conversion.

The Credit Union's Internal Auditor, Linda Pickett, working with the Supervi-

sory Committee, continues to perform audits of the various branches and departments throughout the Credit Union.

The accounting firm of Turner, Warren, Hwang and Conrad, under the direction of the Supervisory Committee, has been conducting the annual audit of your Credit Union's financial status for 1998. The Statement of Financial Condition and Statement of Income published in this report is unaudited and the completed report will be available for review during the second quarter of 1999.

James C. Dunn, Chairperson
Supervisory Committee

PRESIDENT'S MESSAGE

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regulator, the National Credit Union Administration (NCUA). NCUA conducts an annual physical review of our Y2K schedule. In addition to the testing of our systems, we have established contingency plans in all of our critical areas.

To reiterate from years past, the idea of a financial cooperative like a credit union only works if everyone participates. As you can see, by supplementing our delivery systems we strive to maintain quality service, as well as to provide convenient access to our services. It is the relationship that builds loyalty and gives meaning to the commitment "Together We Have Something Special." This is a relationship between our community, our membership, our staff and our management. On behalf of the Board of Directors, my management team and the staff of the Credit Union, I thank you for your support. It is our goal to be the best financial institution for you, our member.

Vincent Rojas, Jr.

BOARD OF DIRECTORS

James Fillbrandt	Chairperson
Marilyn Jones	1st Vice Chairperson
Cecil Briscoe	2nd Vice Chairperson
Bill Williams	Treasurer
Mike Kileen	Secretary
S.W. "Bill" Bruce	Director
Robert Elliott	Director
Ron Fontaine	Director
Larry Reider	Director
Jeannine Thompson	Director
Mary Zwartendyk	Director

SUPERVISORY COMMITTEE

James C. Dunn	Chairperson
Curtis H. Kennedy	Member
Carl D. Woody, Jr.	Member

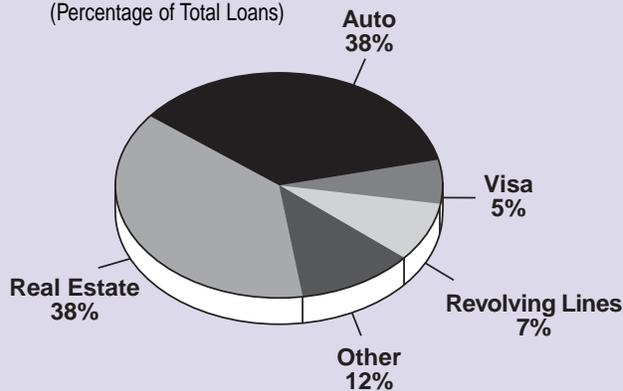
ADMINISTRATION

Vincent Rojas, Jr.	President/CEO
Penelope Fulton	Sr. Vice President
Norman Ranallo	V.P., Chief Financial Officer
Gary Blackburn	Vice President, Operations

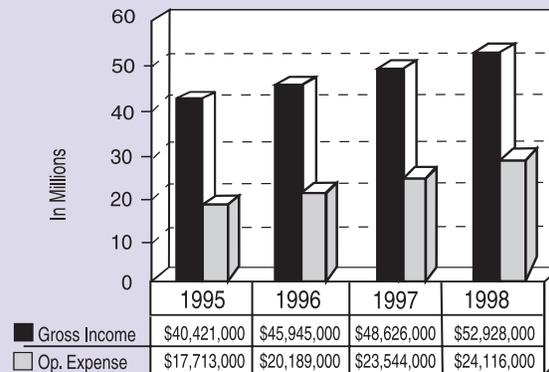
ANNUAL STATEMENTS

Member Loans

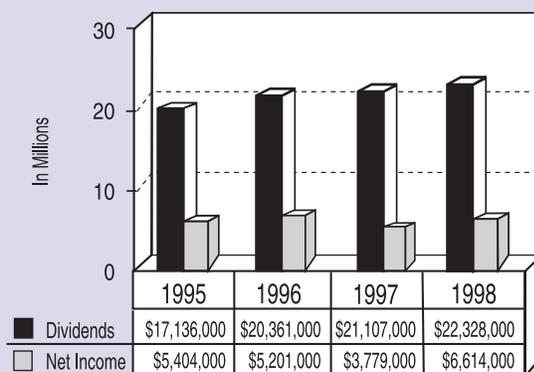
(Percentage of Total Loans)



Gross Income & Operating Expense

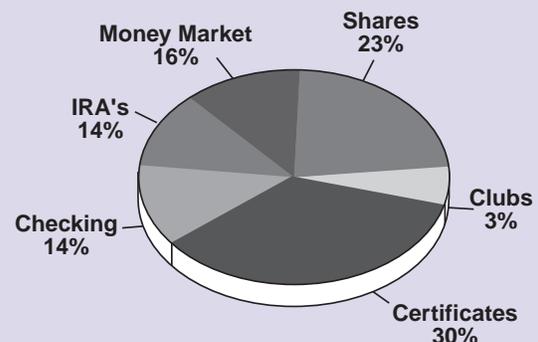


Member Dividends & Net Income



Member Shares

(Percentage of Total Shares)



STATEMENTS

STATEMENT OF INCOME YEAR ENDED DECEMBER 31ST (UNAUDITED)

INCOME	1997	1998
Interest on Members' Loans	\$33,665,525	\$34,585,120
Investments Income	8,082,291	9,990,423
Other Income	6,878,483	8,353,239
GROSS INCOME	\$48,626,299	\$52,928,782
OPERATING EXPENSES	\$23,544,486	\$24,115,558
Income from operations	\$25,081,813	\$28,813,224
Non-operating gain (loss)	3,236	260,670
Income before dividends	\$25,085,049	\$29,073,894
Dividends paid to members	21,107,935	22,328,084
Net income before taxes	\$3,977,114	\$6,745,810
Income tax provision	198,169	131,691
TOTAL	\$3,778,945	\$6,614,119

STATEMENT OF FINANCIAL CONDITION AT DECEMBER 31ST (UNAUDITED)

ASSETS	1997	1998
Loans to Members	\$376,620,127	\$422,302,415
Cash	12,540,280	20,562,409
Investments	150,446,138	164,996,136
Interest Receivable	3,060,995	3,149,402
Premises & Equipment	12,700,095	12,662,799
Other Assets	17,703,010	11,905,290
TOTAL	\$573,070,645	\$635,578,451
LIABILITIES/SHARES/EQUITY		
Dividends Payable	\$2,012,499	\$2,094,804
Other Liabilities	5,769,735	7,943,852
Member Accounts	511,357,612	565,159,000
Restricted Reserve	24,783,321	24,783,321
Undivided Earnings	29,147,478	35,597,474
TOTAL	\$573,070,645	\$635,578,451



BRANCH LOCATIONS
BAKERSFIELD
 4530 Ming Avenue
 2424 Chester Avenue
 3902 Mt. Vernon Avenue
 8200 Stockdale Highway
 4550 California Avenue
 6101 Coffee Road
 2671B Oswell Street
RIDGECREST
 1621 North Downs Street
DELANO
 828 High Street
TELEPHONE: 661/833-7900





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58th ANNUAL MEETING - CONDENSED MINUTES



The 58th Annual Meeting of KSFCU was called to order at The Doubletree Hotel at 6:30 p.m., by Chairperson Fillbrandt. Dr. Fillbrandt welcomed members and guests to a "Happy Birthday, Bakersfield" celebration, and announced that entertainment would be provided by David Zent and company.

Introductions were made of the Head Table, the Board of Directors, the Supervisory Committee, candidates for the Board of Directors, the management staff of the Credit Union, and the ten members present with three-digit account numbers.

The Flag Salute was led by Mrs. Mary Kay Zwartendyk, and the invocation was delivered by Ms. Marilyn Jones.

Following adjournment for dinner, the meeting continued with the annual reports. It was moved by Ms. Jeannine Thompson and seconded by Mrs.

Christine Mashtaire to approve the minutes, the financial statements and all the reports as contained in the 1997 Annual Report as submitted. Motion carried.

Mr. Jim Waterman entertained a motion to destroy the ballots from the 1997 election; it was seconded by Mr. Roscoe Morgan, and carried.

Prize drawings were held throughout the meeting, which was adjourned at 8:13pm.

Respectfully submitted,
 Julie Ulmer, Recording Secretary

