



**Message
from the
Chairperson**

As a new millennium begins, people are making predictions and exposing forecasts about the world's promise in everything from economics to sports to politics. We can also do that for credit unions. But, no matter the angle you take, all predictions for credit unions must take one essential thing into account: its members. Credit unions both small and large are finding ways to use the Internet to further their member-service goals.

The technical and product advances at KSFCU focus on our members. Be or become a user of our on line banking product, DataNet. Take time to check our Home Page, where you'll find our rates, membership information, loans and applications. Buy a new home or car, or refinance your present one with your Credit Union. Our loan specialists work with your best interest in mind. They'll help you make smart choices. Take pride in and make use of your financial institution.

Marilyn Jones, Chairperson
Board of Directors

KERN SCHOOLS FEDERAL CREDIT UNION
1940 - 2000
**1999 60th
ANNUAL
REPORT**



Our mission is to identify
and respond to the needs
of members by offering cost
effective and competitive
financial services.

**1999, THE LAST YEAR
OF THE CENTURY. IT
WAS A BUSY YEAR FOR
THE CREDIT UNION.**

Like many of you, we prepared for the unknown in the date change to the year 2000. As a consumer, you made sure that water and canned food were available; at the Credit Union, we prepared by following our detailed plan. Although this project began two years prior, making sure that "all the bases were covered" was a focus for us. And of course, the date change went without incident.

This exercise prepared us for the future and e-commerce. We were able to become more aware of the changing market in delivering services. Our DataNet, the home banking product, is just the beginning of our e-commerce trip. Bill payment will be available in the third quarter of 2000. Why do we want to be involved in this new media? Our goal is to serve our members, and to improve their lives through financial services. Delivering these services in the most economical and efficient means is important. To expand our products and service range will allow all members to

choose the way they want to conduct business. Many of us will still want to come in and visit a member service representative. We will still be able to do that while others may sit at their personal computers and click the mouse.

In 1999, forty-nine thousand six hundred loans were made to you, the members. The amount of these loans was more than \$210,300,000. As we approach the 60th Anniversary of the Credit Union, we have made \$2.5 billion in loans to the members of Kern Schools Federal Credit Union since its beginning. On the other side of the equation, the Kern Schools Federal Credit Union paid over \$23,225,000 in dividends to its members this year.

A year ago, we were once again allowed to serve multiple employee groups.

—continued inside



TREASURER'S REPORT

The 1999 calendar year was a significant year in many respects for KSFCU. In spite of the ongoing efforts of the banking industry to place legislative limits on the ability of federal credit unions to expand their fields of membership, your Credit Union has continued to prosper.

During the past year Kern Schools Federal Credit Union has exceeded the 100,000 member plateau as it closed the year with 101,868 members. That represents an increase of nearly 5,000 new members, or 4.97 percent! Additionally, the Credit Union grew in assets from \$635,578,000 to \$670,251,000, paid dividends in excess of \$23 million to its members, and had a net income of \$6,736,666. Summary, financial and statistical data is included in this report.

Management, staff and your Board of Directors are to be commended for their diligent efforts to expand loan programs to

meet changing member financial needs, implement electronic services utilizing the latest technology, and protect member deposits by reducing the rate of loan delinquencies to the lowest level it has been in over a decade (0.54%). As you know, the Y2K phenomenon created quite a furor in the financial industry. However, January 1, 2000 became just another ordinary day thanks to the hard work of management and staff to prepare for the "crisis".

Kern Schools Federal Credit Union strives to remain competitive in this sophisticated financial industry and it is you, the member, who determines its success. By using KSFCU'S services you strengthen your share in your own organization and your Credit Union's status in the local financial marketplace!

Mike Kileen, 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 and audit and regulatory requirements, we rely on our external auditors and the National Credit Union Administration (NCUA) examiners. This included reviewing the monthly Y2K software conversion reports and attending all Board of Directors' meetings.

The Supervisory Committee is pleased that the transition into the 21st Century was a smooth one for the Credit Union and its members.

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

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 1999. The Statement of Financial Condition and Statement of Income published in this report is unaudited and the completed report will be available during the second quarter of 2000.

Carl D. Woody, Jr., Chairperson
Supervisory Committee

PRESIDENT'S MESSAGE

—continued from front

However, the year began in 1999 with bankers suing the National Credit Union Administration, our regulator, challenging the legality of its regulation that allows credit unions to serve multiple groups and asking for an injunction against future credit union membership expansion. The request was denied on March 10, 1999, and in April the Credit Union National Association, our trade organization, filed for a summary judgment against the banks.

The Credit Union continues to focus on providing quality service and products to our members. Our mission is to identify and respond to the needs of members by offering cost effective and competitive financial services. We begin by offering our Rocky Raccoon accounts for our young members less than thirteen years old. At fourteen to twenty two years of age we have our Kappa Accounts for those students who are learning about financial services. We provide a variety of choices for our members in checking accounts, with and without service charges.

We continue to review, examine and adjust our delivery systems so they can best meet your needs. As the member needs change, the Credit Union is adapting to those needs. We need to continue our relationship with the members' financial requirements. This is our purpose, this is our commitment, this is the way to bring reality to "Together we have something special."

On behalf of our staff, management, and the Board of Directors, I thank all of the members who continue to support the Credit Union. As we move into 2000, we see technology and information as the driving force for knowledge. Knowledge means reaching far more members than before, reaching them faster than before, and being able to serve them better than before. A better informed membership means improving the level of financial services.

Vincent Rojas, Jr.
President/Chief Executive Officer

BOARD OF DIRECTORS

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

SUPERVISORY COMMITTEE

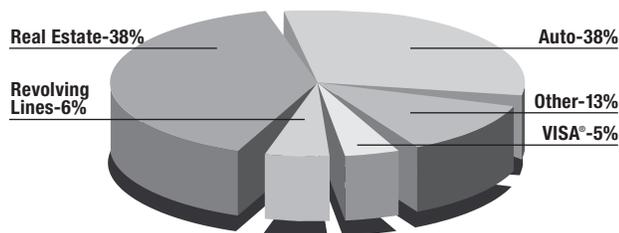
Carl D. Woody, Jr.	Chairperson
James C. Dunn	Member
Curtis H. Kennedy	Member

ADMINISTRATION

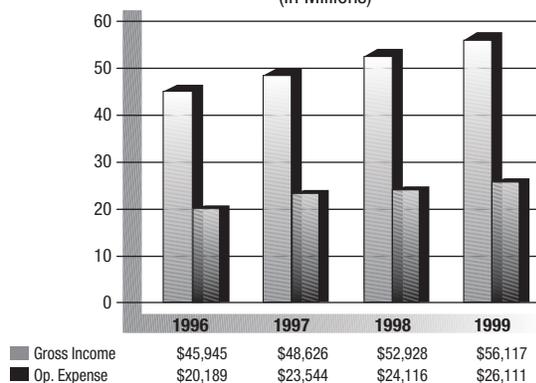
Vincent Rojas, Jr.	President/CEO
Penelope Fulton	Senior Vice President
Norman Ranallo	V.P., Chief Financial Officer
Barbara Irlle	V.P., Operations / Branch Admin.
Jinger Miller	V.P., Financial / Insurance Services

ANNUAL STATEMENTS

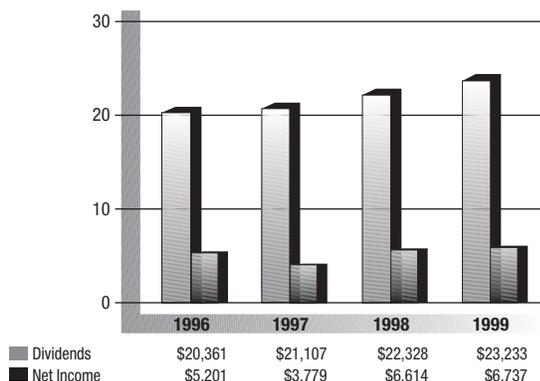
MEMBER LOANS
(Percentage of Total Loans)



GROSS INCOME & OPERATING EXPENSE
(In Millions)



MEMBER DIVIDENDS & NET INCOME
(In Millions)



MEMBER SHARES
(Percentage of Total Shares)



STATEMENTS

**STATEMENT OF INCOME YEAR ENDED DECEMBER 31ST
(UNAUDITED)**

	1998	1999
INCOME		
Interest on Members' Loans	\$34,585,120	\$37,792,000
Investments Income	9,990,423	9,386,700
Other Income	8,353,239	8,938,555
GROSS INCOME	52,928,782	56,117,255
OPERATING EXPENSES	24,115,558	26,110,907
INCOME FROM OPERATIONS	28,813,224	30,006,348
NON-OPERATING GAIN (LOSS)	260,670	(63,000)
INCOME BEFORE DIVIDENDS	29,073,894	29,943,348
DIVIDENDS PAID TO MEMBERS	22,328,084	23,233,106
NET INCOME BEFORE TAXES	6,745,810	6,710,242
INCOME TAX PROVISION	131,691	(26,424)
TOTAL	\$6,614,119	\$6,736,666

**CONDENSED STATEMENT OF FINANCIAL CONDITION AT DECEMBER 31ST
(UNAUDITED)**

	1998	1999
ASSETS		
Cash	\$20,562	\$15,505
Investments	164,996	140,403
Loans, Net	422,302	480,546
Property & Equipment	12,663	14,846
Other Assets	15,055	18,951
TOTAL ASSETS	\$635,578	\$670,251
LIABILITIES & EQUITY		
Dividends Payable	\$2,095	\$2,122
Other Liabilities	7,943	22,778
Members' Shares	565,159	584,604
Members' Earnings	60,381	60,747
TOTAL LIABILITIES & EQUITY	\$635,578	\$670,251



FEDERAL CREDIT UNION

"Together, we have something special."

4530 MING AVENUE
BAKERSFIELD, CA 93309

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 595
BAKERSFIELD, CA



1999 ANNUAL REPORT

BRANCH LOCATIONS

BAKERSFIELD

4530 Ming Avenue

2424 Chester Avenue

3902 Mt. Vernon Avenue

8200 Stockdale Highway

4616 California Avenue

6101 Coffee Road

2671B Oswell Street

RIDGECREST

1621 North Downs Street

DELANO

4530 Ming Avenue

661 833-7900

800 221-3311

WWW.KSFCU.ORG



KERN SCHOOLS FEDERAL CREDIT UNION CONDENSED MINUTES 59TH ANNUAL MEETING

March 16, 1999 Doubletree Hotel, Bakersfield, CA

Having confirmed there was a quorum present, the Fifty-Ninth Annual Meeting of Kern Schools Federal Credit Union was called to order at the Doubletree Hotel at 6:30 p.m. by Chairperson Jim Fillbrandt. Dr. Fillbrandt introduced those at the head table, other members of the Board of Directors, the Nominating and the Supervisory Committee members, Senior Management, members with longevity, and candidates for the Board of Directors. Representatives from the auditing firm of Turner, Warren, Hwang and Conrad Accountancy Corporation were introduced by Vincent Rojas, Jr., President/Chief Executive Officer who also announced that prizes would be drawn throughout the evening and entertainment was provided by *The Mama's Midlife Crisis*.

Mr. Rojas led the Flag Salute and Ms. Marilyn Jones delivered the invocation.

Upon reconvening following dinner, Dr. Fillbrandt commented on how the credit union industry had just come through a very

challenging year, having successfully defeated the banks when Bill HR1151 went before Congress and the Senate. He stressed that we must continue to offer services that the banks cannot offer in order to maintain our competitive edge. He thanked the management team for its efforts this past year in surpassing the goals in 1998.

Mr. Rojas, discussed how technology has added value to our delivery systems with services like ATMs, Data Voice and our newest service, DataNet, which allows members to transfer funds from within their own accounts by use of the internet. With Y2K nearing, we have been diligent in meeting the standards imposed by our regulator, the NCUA (National Credit Union Administration.) He stated that we are currently on schedule with testing and expect to be completed by June 30, 1999. He thanked the Board of Directors who provide guidance and allow us to meet our potential, and also expressed his appreciation to his management staff and employees for their

continued support and efforts in 1998.

Upon reviewing the report, it was moved by Ms. Deborah Verdugo and seconded by Ms. Mary Alice Kessinger to accept the minutes of the 58th Annual Meeting, the Financial Statement and the Officer's Reports as contained in the Annual Report. Motion carried unanimously.

Dr. Fillbrandt announced the election results whereby the following candidates were elected for a three-year term: Dr. Bill Bruce, Mr. Robert Elliott, Dr. James Fillbrandt, and Ms. Marilyn Jones. It was moved by Mr. Dewey Shanholtzer and seconded by Mr. Fred Dukes to destroy the ballots from the previous year's election. Motion carried.

There being no further business to conduct, the meeting was adjourned at 8:04 p.m.

Respectfully Submitted,
Paula Pessin,
Recording Secretary