



**Message
from the
Chairperson**

The past year has marked the beginning of a number of projects to better serve our membership. Ground was broken for the new full-service branch on Panama Lane; completion is expected prior to the end of 2002. Our information services began their move to a new facility on Commerce Drive. Arrangements were initiated to expand to larger accommodations in Delano. Initial investigation into a facility in Tehachapi was undertaken. Once again your Credit Union was selected as the Best Financial Institution in Kern County.

Your Credit Union has maintained a strong financial position throughout a year in which there was a great deal of economic turmoil throughout the country.

Now, as we look forward to the coming year, the financial strength of your Credit Union continues to be stable and impressive. We will be approaching one billion dollars in assets during 2002. That asset size marks Kern Schools Federal Credit Union as one of the premier credit unions in the nation.

Thanks to the faithful support of all our members and the strength of the management team, your Credit Union will continue to progress in the basic aim to provide the best financial services possible to the members.

Dr. Cecil Briscoe, Chairperson
Board of Directors



"Together, we have something special."

KSFCU ANNUAL REPORT 2001

In the past twelve months, we have witnessed many events; the tragedy of September 11, the slide of the stock and mutual fund markets and a fluctuating economy. Interest rates had a steep drop, but now seem to be leveling off. For our members, we have tried to provide support during economic uncertainty. The



pricing of saving and loan interest rates has been a priority these past twelve months. At the same time we continue to improve our products and services.

Our Chairman has written about the expansion of physical branch network. We continue to expand our electronic delivery system also. We have upgraded our home-banking product and added a bill payment program to it. We have also made enhancements to our home page (ksfcu.org). Our members can now submit loan applications, access blue book automobile values and more. Our goal is to provide you, the member, with access to your financial information and the ability to conduct transactions at your convenience.

Financial education is important to us. Through our partnership with KSF Investment Services, we provide informational and educational seminars on financial planning for both short and long term needs. Kern Schools Federal Credit

We will continue to use the new tools of technology and information systems to create convenience, reliability and maintain the trust that our members have in the Credit Union.

Union received an award for the educational programs it conducts in the community and school system. We were recognized for our Branch Office at Stockdale High School, our participation in the Junior Achievement Program, the Virtual Business program in the high school system, and the financial education classes that we conduct in the elementary and high school systems.

On behalf of our staff, management, and the Board of Directors, I thank all of the members who continue to support the Credit Union. We will continue to use the new tools of technology and information systems to create convenience, reliability and maintain the trust that our members have in the Credit Union. Most importantly, we must maintain our financial cooperative spirit, the basis for our existence. Remember, *"Together, we have something special."*

Vincent Rojas, Jr.
President/Chief Executive Officer



TREASURER'S REPORT

As California and its financial institutions struggled with a recessionary economy in 2001, your Credit Union experienced another solid financial year reflected by growth in membership, increases in assets, and quality service to members.

It is remarkable that KSFCU continues to grow and reflect financial strength and institutional stability in a weakened economy. This growth and stability is a direct result of leadership from the Board of Directors and management, the service of our fine staff, and your trust and support.

This continued growth was evident in a number of areas. During the year, assets increased by an amazing 23% to 924 million dollars, membership increased by 10% to almost 120,000 members, and deposits increased by \$168 million to over \$826 million, a notable increase of 26%.

Consumer loan activity increased to \$743 million, a 29% increase and Visa usage and income continues to flourish. Your Credit Union paid over \$33 million in dividends to its members, an increase of over 26%. Summarized financial and statistical data are included on page 3 of this annual report.

Management, staff, and your Board of Directors work diligently to ensure the safety and security of your deposits and accounts. We are proud of the image and credibility that KSFCU reflects in our community. And we are equally proud and appreciative of your support of your Credit Union and this continues to be further affirmation that "Together, we have something special."

Dr. Bill Bruce, Treasurer
Board of Directors



SUPERVISORY COMMITTEE'S REPORT

ANOTHER GREAT YEAR!!

The growth of the Credit Union is fabulous. As the growth continues, there are some changes and additions to the work of the Supervisory Committee.

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

The Auditing Firm of Turner, Warren, Hwang and Conrad, under the direction of the Supervisory Committee, continues performing the Annual Audit of your Credit Union's financial status for 2001. The Audit is not complete, therefore, the report being presented is not audited. The completed audit report will be available for review during the second quarter of 2002.

Linda Pickett, Audit Manager, continues to present reports of her audits of the branches and various departments to the Supervisory Committee. The growth of the Credit Union and the expansion of services, certainly make her close scrutiny of operations more demanding. She is an asset to the Credit Union.

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

Curtis Kennedy, Chairperson
Supervisory Committee

KERN SCHOOLS FEDERAL CREDIT UNION CONDENSED MINUTES 61ST ANNUAL MEETING

March 29, 2001
Doubletree Hotel

The Sixty-First Annual Meeting of Kern Schools Federal Credit Union was called to order at the Doubletree Hotel at 6:35 p.m. by Chairperson Jones. Ms. Jones welcomed members and guests and thanked the committee for the gold coin mementos and annual report which have been placed at each seat. Ms. Jones also announced that the entertainment would be provided by *Strolling Strings and The Liberty High School Choir*.

Ms. Jones thanked KSF Investments for hosting the beverages before the meeting. KSF Investments will have a drawing for a Palm Pilot later in the program.

Ms. Jones introduced the Board of Directors: Dr. Cecil Briscoe, Dr. Larry Reider, Dr. Ron Fontaine, Dr. Bill Williams, Mr. Mike Kileen, Mr. Robert Elliott and Mrs. Mary Zwartendyk. The Supervisory Committee: Mr. Curtis Kennedy, Mr. James Dunn and Mr. Carl Woody, Jr. and Management Staff: Mr. Vince Rojas, President/CEO, Ms. Penny Fulton, Sr. Vice President-Administrative Services, Mrs. Barbara Irle, Sr. Vice President-Operations/Branch Administrator, Mrs. Jinger Todd, Vice President-Financial and Insurance Services and Ms. Shari Butler, Assistant to the President.

Ms. Jones also introduced Credit Union Members with longevity (those having two and three digit account numbers, having witnessed the growth of the Credit Union over most of its 60 plus years), George Hanley with a 2 digit account number; Christina Mashtaire, Roscoe Morgan, Bob Otto, Bill Vinson, Earlene Waters, George Osborn, Sidney Lang, Bob Elliott and Paul Henry, all having three digit account numbers.

The Flag Salute was led by Mr. Vince Rojas and the Invocation was given by Dr. Bill Williams.

An intermission was taken while dinner was served, raffle tickets for various prizes were drawn throughout the evening.

Following dinner, Chairperson Jones reconvened the meeting and spoke briefly about the Credit Union's success and plans for the future. The Credit Union will soon have Bill Pay available for its members and several new levels of VISA accounts. We are soon to open the newest branch at Panama and Stine and plan on expanding our ATM network. One of the goals is to educate our members about the tools we have available to make their banking experience easier.

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BOARD OF DIRECTORS

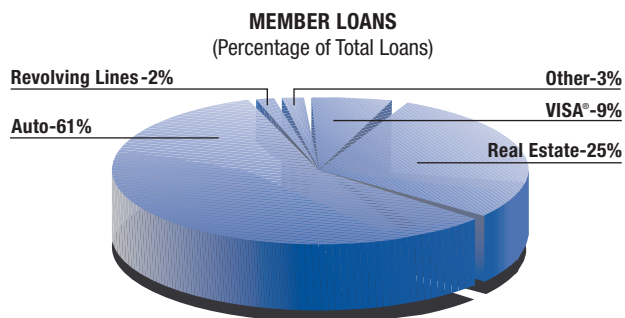
| | |
|----------------------|----------------------|
| Dr. Cecil Briscoe | Chairperson |
| Dr. Bill Williams | 1st Vice Chairperson |
| Mike Kileen | 2nd Vice Chairperson |
| Dr. Bill Bruce | Treasurer |
| Jeannine Thompson | Secretary |
| Dr. James Fillbrandt | Director |
| Dr. Larry Reider | Director |
| Robert Elliott | Director |
| Mary K. Zwartendyk | Director |
| Marilyn Jones | Director |

SUPERVISORY COMMITTEE

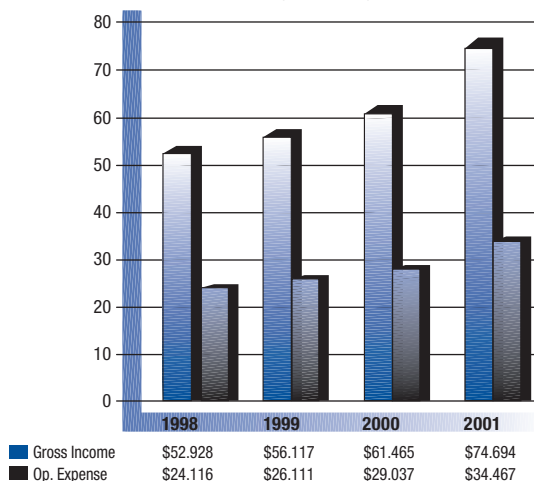
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| Curtis H. Kennedy | Chairperson |
| James C. Dunn | Member |
| Carl D. Woody, Jr. | Member |

ADMINISTRATION

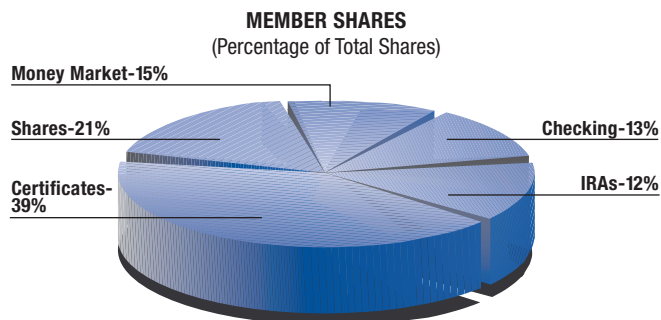
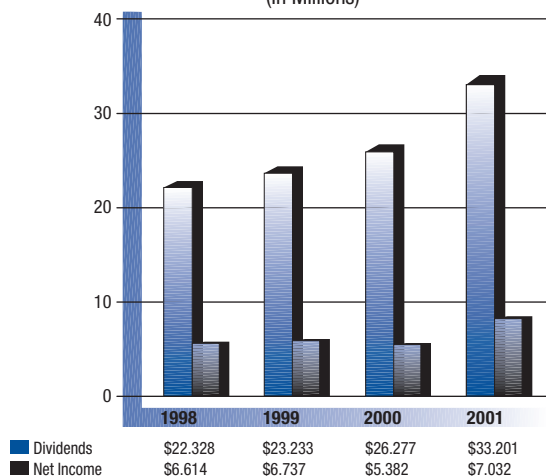
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|--------------------|---|
| Vincent Rojas, Jr. | President/CEO |
| Penelope Fulton | Senior Vice President, Administrative Services |
| Norman Ranallo | Sr. V.P., Chief Financial Officer |
| Barbara Irle | Sr. V.P., Operations / Branch Admin. |



GROSS INCOME & OPERATING EXPENSE
(In Millions)



MEMBER DIVIDENDS & NET INCOME
(In Millions)



STATEMENTS

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

| INCOME | 2000 | 2001 |
|----------------------------|-----------------|-----------------|
| Interest on Members' Loans | \$43,755 | \$54,978 |
| Investments Income | 7,850 | 7,011 |
| Other Income | 9,860 | 12,705 |
| GROSS INCOME | \$61,465 | \$74,694 |
| OPERATING EXPENSES | \$29,037 | \$34,467 |
| Income from Operations | 32,428 | 40,227 |
| Non-Operating Gain (Loss) | (769) | 4 |
| Income Before Dividends | 31,659 | 40,233 |
| Dividends Paid to Members | 26,277 | 33,201 |
| Net Income Before Taxes | 5,382 | 7,032 |
| Income Tax Provision | 0 | 0 |
| TOTAL | \$5,382 | \$7,032 |

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

| ASSETS | 2000 | 2001 |
|---------------------------------------|------------------|------------------|
| Loans to Members | \$574,610 | \$743,033 |
| Cash | 12,175 | 17,189 |
| Investments | 128,881 | 117,832 |
| Interest Receivable | 3,989 | 4,051 |
| Premises & Equipment | 14,679 | 18,917 |
| Other Assets | 18,522 | 23,458 |
| TOTAL ASSETS | \$752,856 | \$924,480 |
| LIABILITIES/SHARES/EQUITY | | |
| Dividends Payable | \$2,259 | \$2,028 |
| Other Liabilities | 23,138 | 17,914 |
| Member Accounts | 657,971 | 826,339 |
| Restricted Reserve | 29,783 | 34,783 |
| Common Stock | 0 | 0 |
| Undivided Earnings | 39,705 | 43,416 |
| TOTAL LIABILITIES & EQUITY | \$752,856 | \$924,480 |



"Together, we have something special."

4530 MING AVENUE
BAKERSFIELD, CA 93309

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US POSTAGE
PAID
BAKERSFIELD, CA
Permit 595

2001

2001 ANNUAL REPORT

| | |
|--|---|
| BRANCH LOCATIONS | RIDGECREST 1621 North Downs Street |
| BAKERSFIELD 4530 Ming Avenue 2424 Chester Avenue 3901 Mt. Vernon Avenue 8200 Stockdale Highway 4616 California Avenue 6101 Coffee Road 2671B Oswell Street | DELANO 828-A High Street 661 833-7900 800 221-3311 ksfcu.org |



KERN SCHOOLS FEDERAL CREDIT UNION CONDENSED MINUTES 61ST ANNUAL MEETING

— Continued from page 2

The year 2000 brought significant accomplishments, under the guidance of the Board of Directors and Management, the Credit Union now has assets of \$797 million dollars and a total membership of over 110,000 members. We made over 765 computer loans at the low 7.9% interest rate and through a partnership with Bakersfield College, recently unveiled the new Bakersfield College Memorial Stadium Marquee located at the corner of University and Mount Vernon Avenues.

In closing, Chairperson Jones thanked the members for their support and loyalty throughout the many years and stated that the Board of Directors, Management and Staff of Kern Schools Federal Credit Union is committed to the community and will continue to be a leader in support of community efforts, as well as providing quality service to our members.

Mr. Rojas welcomed members and their guests to the 61st Annual Meeting of Kern Schools Federal Credit Union, now a three quarter of a billion dollar financial cooperative.

Peter Cohen, Chairman of Shearson Lehman Brothers was quoted in the New York Times, in January 1988 to say: "There's no one grand stroke that does it. It's a lot of little steps." We have grown and expanded, always staying within the limits of prudent financial decisions while staying competitive in the marketplace. We've always focused on the needs of our members.

The Credit Union is financially sound, with reserves well above the level required by regulators. We continue to be competitive in our share interest rates and loan rates. Where are we with the battle with the American Bankers Association? As Congress returned to session, the banking lobby continues their strategy to drown out the credit unions. The ABA says that credit unions have a competitive advantage, by being less regulated, and pose a threat to bank profits. However, last year the Treasury completed a two year study of credit unions which showed that we have no competitive advantage and are not a threat to the profitability of banks. We continue to educate Congress on who we are, a financial cooperative whose reason for existence is "people helping people," not like a bank's purpose which is to maximize the return to the stockholders of the corporation. The ABA would like to stamp out credit unions so they would have no competition.

Mr. Rojas again thanked everyone for attending and supporting the Credit Union. Special thanks to the Board of Directors for their guidance and direction and a big thank you to the employees and Management, because without all the players named, we could not have this three quarter of a billion dollar financial cooperative. The meeting was handed back to Chairperson Jones.

Ms. Jones confirmed that the attendance verifies a quorum is present and asked everyone who makes a

motion to state their name clearly so it can be recorded in the official minutes.

A motion was made by Mr. Mike Kileen to accept the minutes of the last Annual Meeting, the Financial Statement and the Officers' Reports as contained in the Annual Report. The motion was seconded by Dr. Ron Fontaine. Motion carried.

Ms. Jones reported there were no nominations or applications received for the Board of Director positions for the year 2001. The following incumbents are: Dr. Bill Williams, Dr. Ron Fontaine and Ms. Jeannine Thompson. It was moved by Joanne Loewen and seconded by Ron Berry to elect the incumbents for an additional three year term. Motion carried.

A motion to destroy the ballots from last year's election was made by Dr. Ron Fontaine and seconded by Ms. Jeannine Thompson. Motion carried.

There being no further business to conduct, Ms. Jones adjourned the meeting at 8:44 p.m.

Respectfully submitted,
Shari Butler
Recording Secretary

Approved by:
Marilyn Jones, Chairperson
Larry E. Reider, Acting Secretary