

1997

ANNUAL REPORT



"Under The Same Ownership Since 1948... Our Members"



23rd & Severance in Hutchinson, Kansas 67502

A GENDA

Annual Meeting / March 24th, 1998

- Call to Order

Determination of a Quorum	Loretta Fletchall
Approval of Minutes and Agenda	Loretta Fletchall
Report of Chair	Loretta Fletchall
Report of Supervisory Committee	Patrick Falter
Report of Treasurer	Ed Switzer
Report of Credit Committee	Casey Garten
Report of the President	Garth Strand
Report of Election	Loretta Fletchall
Unfinished Business	

- New Business

- Adjournment

**HUTHINSON
CREDIT
UNION
MISSION
STATEMENT**



- To insure the future viability of Hutchinson Credit Union.
- To offer optimum financial service equitably while maintaining safe and sound operational practices and financial conditions.
- To nurture an environment of democratic control and member orientation as a cooperative financial institution.
- To encourage sound money management through education and counseling.



Loretta Fletchall
Chair
Hutchinson Hospital



LeRoy Broxterman
Vice Chairman
*Hutchinson Comm.
College*



Ed Switzer
Secretary-Treas.
USD 308-Liberty



James E. Woods
Retired-USD 308

BOARD OF DIRECTORS



Kendal Pulliam
Farm Credit Services



Mark Woleslagel
Woleslagel Ins.



John McCannon
*Kansas Corp.
Commission*



Casey Garten
*CoBank/
Farm Credit System*



Kendall Griggs
*Hutchinson Comm.
College*



Richard Carlisle
Farm Credit Services



George Sanders
D.C.C.C.A. Inc.

CREDIT COMMITTEE



Lee Spence
Underground Vaults



Vicki Caywood
Hutchinson Hospital



Pat Falter
Novus

SUPERVISORY COMMITTEE



Carol Richerson
Medical Center



Marvin Schmucker
Schmucker Training & Consulting

MINUTES OF THE **ANNUAL MEETING**

The forty-ninth Annual Meeting of the Hutchinson Credit Union was held March 25, 1997 at the Hutchinson Credit Union office.

Chair Loretta Fletchall called the meeting to order. Thirty members attended.

Mark Woleslagel moved to accept the minutes of the 1996 Annual Meeting as presented. Seconded by Casey Garten.

Chair Fletchall reviewed the highlights Hutchinson Credit Union made in 1996; introducing the Visa Check Card, added 2 new ATMs, Memberlease was made available, financial planning for members through MemberSource, Inc., plus the preparation of opening a branch in Haven, KS. The power of the partnership of members, volunteers & staff all working together will continue to bring success to our credit union and to our members.

Pat Falter, Supervisory Committee, reported two regulatory requirements were met in 1996 plus an additional risk management audit was performed by CUNA Insurance. The committee met with staff as a group & one on one. The committee continues to conduct reviews of various policies, procedures, accounts & reports. Jim Woods made the motion to accept the report. Seconded by John McCannon. Motion carried

The Treasurer's report was given by Roy Broxterman. He stated the figures indicated Hutchinson Credit Union had steady and controlled growth in 1996 and that the credit union is financially sound, managed in a safe and sound manner. Broxterman referred to Garth Strand, President, for the financial reports.

Garth Strand, President, presented graphs comparing the growth in assets, capital, fixed assets, loan delinquency, net income, member & net operation since 1987. Delinquency and charge-off loans remain low. People helping people still works.

Casey Garten, Credit Committee Chairman, reported a new mortgage product is being piloted and an auto leasing program was developed. The Credit Committee meets several times a year to review loans, and verify policy set by the Board of Directors is followed in a safe and sound manner.

Garth Strand, President, stated Hutchinson Credit Union had a good core of members who understood and appreciated the Credit Union Movement. Mr. Strand discussed some of the challenges the credit union will have to deal with now and in the near future.

Pat Falter made the motion to accept the reports. Seconded by Maggie Mullins.

Mark Woleslagel made the motion to adjourn. Seconded by Jim Woods. Motion carried.

***R* EPORT OF THE CHAIR**

I am pleased to report that your credit union has successfully completed it's 50th year of operation and continues to be an active participant in the ever-changing financial services arena. Following are highlights of changes embraced during 1997:

- Two additional ATM's were deployed. The fifth ATM was installed in January as a joint project with another credit union. HCU ATM's have been added in response to the surcharge pricing implemented by the for-profit banking industry. There is no surcharge to use an HCU ATM.
- The Haven branch was opened in March, providing exceptional value for existing members in that area, as well as making the credit union alternative a reality for many soon-to-be members.
- MemberSource, Inc. was formed to offer financial planning as well as the sale and servicing of investment and insurance products. The mission of MemberSource is to improve the financial position of both the member and the credit union, by making high quality financial services and products available in an environment where sales are preceded by education, and where honesty and integrity are unquestionable. MemberSource will be a critical path to opening doors in the future, allowing access to products and services that might not otherwise be available via HCU.
- Work began on a joint project with the City of Hutchinson to issue a "City VISA Card". A portion of the income generated—income that is now leaving our community—will go towards funding designated projects such as zoo improvements or the new hiking/biking trail. This project is a perfect example of the credit union philosophy of people working together for the common good!
- Lastly, 1997 was the 5th consecutive year with no increase in service fees. In fact, the Plus account annual fee was eliminated and ATM usage fees were reduced!

Members, volunteers & staff all working together. The power of this partnership is what will continue to bring success to our credit union and to our members.

● Loretta Fletchall
Chair

**Once again, the
"People Helping
People"
philosophy has
produced a
successful year.**



REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee's responsibilities can be summarized into the following categories:

- Review Policies and Procedures
- Safeguard the Members' Assets
- Evaluate and Review the Credit Union's Financial Condition
- Interact with Credit Union Management
- Cooperate with Regulatory Agencies
- Review the activities of the Board of Directors and other committees
- Determine Compliance with Consumer Credit Regulations

To fulfill the above responsibilities and provide an objective view of the financial strengths and weaknesses of the credit union, the Supervisory Committee relies on and uses a variety of resources.

First, the Certified Public Accounting Firm of Pierce, Faris & Co., Chartered, was employed to conduct the Annual Audit as of August 31, 1997. Their report concluded that our financial statements represent fairly and accurately the financial position of the Credit Union and conform with generally accepted accounting principles.

Secondly, the committee cooperates fully with regulatory examinations by the Kansas State Department of Credit Unions and the National Credit Union Administration. Any records of actions made by these agencies are followed up by the Supervisory Committee to see that the necessary changes to policies and procedures are made. The exam was performed as of November 30, 1997. There were two records of actions in the exam report.

The Supervisory Committee will be putting special emphasis on the year 2000 issue during the remainder of 1998 and all of 1999. Our expectation is to have no disruption of service to members.

Lastly, the Supervisory Committee relies on its own activities and findings. The Committee met 6 times during 1997 to conduct reviews of various policies, procedures, accounts and reports.

In summary, the Supervisory Committee is glad to report to members that their funds and records are being maintained in a safe and confidential manner.

- Patrick D. Falter

Chair

REPORT OF THE TREASURER

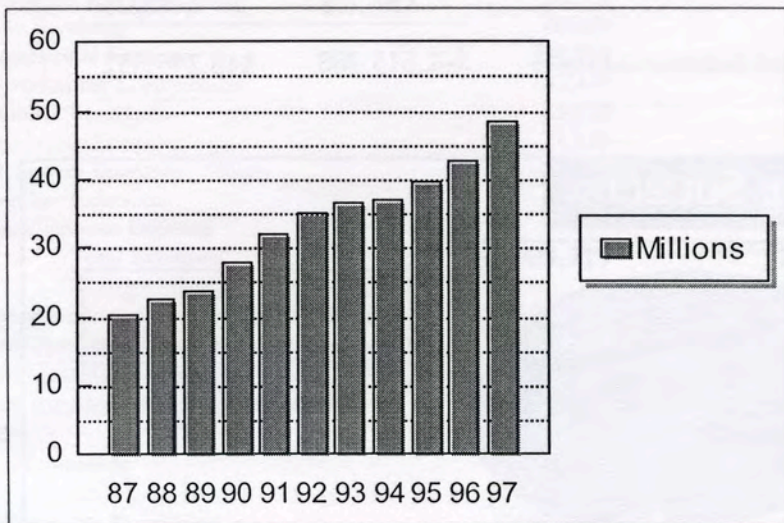
Asset Growth	13.21%	Loan Growth	14.83%
Savings Growth	11.80%	Capital Growth	7.70%

A direct return to the members of \$1,670,327 was made in the form of share and certificate dividends. Our net income of \$398,355 was placed in reserves and undivided earnings. This is necessary to meet state and federal regulations and to meet long term capital goals established by the Board of Directors. Reserves and undivided earnings are the "savings account" of the credit union and help to insure its future viability.

The Board of Directors believes your credit union is financially sound, well-managed and capable of continuing to fulfill its mission of offering financial services in a safe and sound manner.

As member-owners, your continued support is vital to the sustained success of your credit union.

● Ed Switzer
Secretary-Treasurer



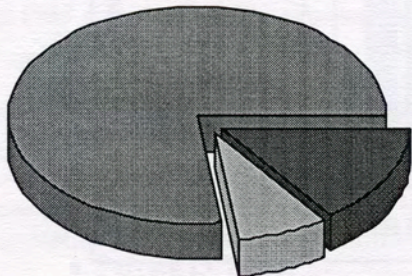
ASSETS

STATEMENT OF CONDITION

YEAR END CLOSINGS

Assets	12-31-96	12-31-97
Cash Accounts	\$875,744	\$1,007,395
Real Estate Loans	13,698,577	18,644,191
Business/ Agricultural Loans	2,027,324	2,224,733
Consumer Loans	19,061,504	19,076,273
Loan Loss Allowance	(551,633)	(513,623)
Investments	5,188,859	5,399,680
Building and Land (Net)	1,420,959	1,361,190
Furniture and Fixtures (Net)	211,300	304,368
Prepaid Expenses	94,017	95,824
Accrued Income	235,171	263,543
NCUSIF Deposit	352,763	379,760
Other Assets	703	2,218
Total Assets	\$42,615,288	\$48,245,552
Liabilities		
Miscellaneous	\$(251,830)	\$406,404
Share Deposits	38,775,446	43,349,120
Reserves	4,091,672	4,490,028
Total Liabilities and Equity	\$42,615,288	\$48,245,552

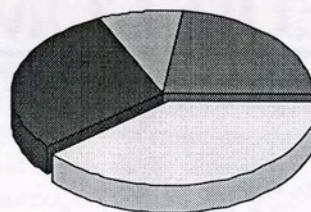
INCOME SOURCES



Loans	77%
Investments	8%
Service & Miscellaneous Fees	15%

FINANCIAL REPORT

INCOME DISTRIBUTION



Human Resources	23%
Reserves	9%
Operations	29%
Dividends	39%

Income	1996	1997
Income on Loans	\$3,082,049	\$3,344,874
Income on Investments	281,331	347,211
Other Income	539,785	638,532
Total Operating Income	\$3,903,165	\$4,330,617
Operating Expenses		
Compensation	\$728,124	\$815,733
Employee Benefits	146,722	163,574
Travel and Conference Expense	13,281	20,910
Association Dues	18,449	21,045
Office Occupancy and Operations	527,187	594,427
Education and Promotion	86,222	101,416
Loan Servicing	46,081	73,867
Professional Expense	218,917	241,662
Provision for Loan Losses	133,419	110,030
Member Insurance	25,920	38,300
Regulatory Expense	24,487	15,731
Interest on Borrowed Money	107	133
Member Relations	3,307	2165
Miscellaneous Expense	17,096	24,108
Total Expenses	\$1,989,319	\$2,223,101
Operating Income	\$3,903,165	\$4,330,617
Less Operating Expenses	(1,989,319)	(2,223,101)
Non-Operating Income/Expense	--	(38,835)
Net Income Before Dividends	\$1,913,846	\$2,068,681
Less Dividends	(1,454,264)	(1,670,327)
Balance to Reserves	\$459,582	\$398,354

REPORT OF THE CREDIT COMMITTEE

	<u>1996</u>	<u>1997</u>
Total Number of Loans Made During the Year	9,537	10,161
Total Dollar Volume of Loans Made During the Year	\$23,372,486	\$27,052,233
Number of Loans Made Since April 1, 1948	125,702	135,047
Total Dollar Volume of Loans Since April 1, 1948	\$221,061,162	\$245,957,316
Loans Charged-off Since April 1, 1948	\$982,262	\$1,135,087
Recoveries From Charged-off Loans During the Year	\$51,860	\$54,211

***CREDIT COMMITTEE PURPOSE:** To represent the membership by maintaining a safe, sound, fair and responsive credit system.*

The Credit Committee is responsible for insuring that the lending policies of the credit union, as established by the Board of Directors, are carried out by the loan officers. The committee meets to review the reports of new loans and delinquencies and randomly review loan files to insure compliance. Types of loans and the overall loan pricing structure are also reviewed.

During 1997, the Credit Committee made several recommendations to the Board to enhance the overall lending program. A new bankruptcy policy was developed which allows loan officers to consistently and fairly deal with this sensitive issue. Changes were made to the collection policy clarifying how repossessed collateral is handled. Lastly, in response to strong member demand to have their mortgages retained at the Credit Union instead of being sold to the secondary market, a new mortgage product was piloted in 1996, to allow the Credit Union to safely retain additional mortgage loans. This 5-year adjustable rate mortgage was fully implemented in 1997, and allows the Credit Union to safely retain additional mortgage loans. This new product, along with continued popularity of our home equity loan, is responsible for the increase in real estate loans you see on page 7.

1997 was truly a great year for the Credit Union's lending program with outstanding loans increasing almost 15%. Delinquency and charged-off loans remained at very low levels. At year-end, over 92% of members share deposits were on loan to other members. This kind of performance is a result of supportive members, a dedicated staff and a responsive credit union bearing out the practicality of "People Helping People".

- Casey Garten
Chairman

*F*ROM THE PRESIDENT

Hutchinson Credit Union is celebrating it's 50th year of serving it's members! Certainly a milestone of success we need to acknowledge and celebrate! Achieving success is one thing. Sustaining it is quite another. In fact, I believe that in most things, achieving is much easier than sustaining. It is possible to focus energy and resources on almost any goal and accomplish it. Remember our national goal to put a man on the moon? To sustain success requires even more effort through an on going cycle of imagination, anticipation, planning, action, realization and evaluation. I am sad to report that over the past 20 years, more than 10,000 credit unions who were not able to sustain their success, have disappeared.



I am very pleased to report that your credit union continues to have a healthy success cycle in place. For 50 years members, volunteers and staff, all working together, have added the required energy to keep the cycle in motion. We all have a responsibility to keep it going. Members need to voice their needs, dreams and concerns. As owners, members need to be an active participant in helping their credit union succeed. Volunteers need to understand and fulfill their duties and responsibilities. They need to learn, listen and be willing to make decisions. Staff needs to work with and for, the members and volunteers to find ways to meet the needs and carry out the dreams, being ever-mindful of the credit unions mission of putting people before profit.

By reading the preceding reports, you are well aware that 1997 indeed continued the success of our credit union. Everyone did do their part to sustain the cycle of success. Thanks to everyone for helping! People helping people still works. Maybe a little differently than in 1948 and no doubt differently than it will work in 2048. Lets all do our part to keep this time-tested principle alive and well!

● Garth Strand
President

Management Team

Wanda Hatcher
Senior V.P.

Garth Strand
President

Casey A. Swarts
V.P. Marketing/Technology

Todd Brunner
V.P. Lending

Janelle G. Hanson
Human Resources Director

Rick J. Toews
Marketing Director

OUR CATALOG OF SERVICES



HUTCHINSON
CREDIT UNION

- REAL PEOPLE ANSWER THE PHONE

- SHARE SAVINGS, PLUS...

- Certificates
 - Money Market Account
 - Investment Shares Account
 - Christmas Club Account
 - IRA Accounts
 - Scottie Savers Youth Club
 - Gateway Account
 - Special Use Savings Accounts

- FAVORABLE LOANS

- Loans by Mail
 - Pre-approved Loans
 - First Mortgage Loans
 - Second Mortgage Loans
 - Home Equity Line of Credit
 - Car Loans
 - Personal Loans
 - EXPRESS Personal Line of Credit
 - Student Loans

- CHECKING

- Dividend Paying Accounts
 - Overdraft Protection
 - Visa Check & ATM Card
 - Gateway Account
 - Plus Account

- VISA

- HUTCH•LINE TELEPHONE TELLER

- PC HUTCH•LINE

- SELF-DIRECTED IRA's

- US SAVINGS BONDS

- Issue & Redeem

- CONVENIENCE SERVICES

- Direct Deposit
 - Payroll Deduction
 - Automatic Transfers
 - Travelers Checks
 - Money Orders
 - Western Union Transfers
 - Wire Transfers
 - Free Notary Service

- MEMBERlease

- An Auto Leasing Program

- MemberSource, Inc.

- A Financial Planning Service

- MEMBER INFORMATION CENTER

- AT HUTCHINSON ONLY:

- Safe Deposit Boxes
 - Drive-up Facilities

HUTCHINSON OFFICE:

900 E. 23rd
P.O. Box 1645
Hutchinson, KS 67504-1645
Phone (316) 669-0177 (800) 428-8472
Fax (316) 669-8123

HAVEN OFFICE:

209 S. Kansas Ave.
Haven, KS 67543
Phone (316) 465-3842
Fax (316) 465-2611

WICHITA DOWNTOWN OFFICE:

245 North Waco, Suite T-600
Wichita, KS 67202
Phone (316) 266-5141
Fax (316) 266-5142