

TWO THOUSAND TWO

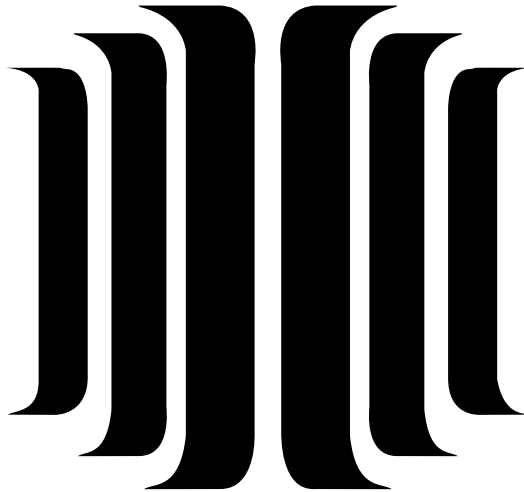
# *Annual Report*

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HUTCHINSON CREDIT UNION



*Where people are worth more than money.™*



**23rd & Severance in Hutchinson, Kansas 67502**

# Agenda

## Annual Meeting / February 25, 2003

- 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 .....	Marvin Schmucker
Report of Treasurer .....	Ed Switzer
Report of Credit Committee .....	Richard Carlisle
Report of the President .....	Garth Strand
Report of Election .....	Loretta Fletchall
Unfinished Business	

- New Business

- Membership Vote Concerning the merger of HPCU into HCU

- Adjournment

**HUTCHINSON  
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.

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## Board of Directors



**Loretta Fletchall**  
Chair  
*Hutchinson Hospital*



**LeRoy Broxterman**  
Vice Chairman  
*Hutchinson Comm. College*



**Ed Switzer**  
Secretary-Treas.  
*Retired-USD 308*



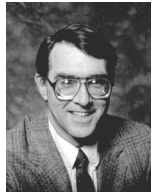
**James E. Woods**  
*Retired-USD 308*



**Kendal Pulliam**  
*Farm Credit Services*



**Mark Wolesslagel**  
*Wolesslagel Ins.*



**John McCannon**  
*Kansas Corp. Commission*

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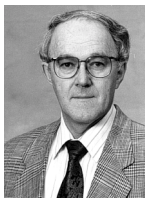
## Credit Committee



**Leila Emack**  
*Retired - Dillons*



**Mike Souba**  
*Freelance Photography*



**Kendall Griggs**  
*Hutchinson Comm. College - Retired*



**Richard Carlisle**  
*Farm Credit Services*



**Patsy Stoecker**  
*Hutchinson Hospital*



**Pat Falter**  
*Novus Windshield Repair*

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## Supervisory Committee



**Ann Wagner**  
*Farm Credit Services*



**Lee Spence**  
*Underground Vaults*



**Ed Howard**  
*USD 308*



**Bruce Trapp**  
*Mid-Kansas Coop Haven*



**Marvin Schmucker**  
*Schmucker Training & Consulting*

# Minutes of the Annual Meeting

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The 54th Annual Meeting of the Hutchinson Credit Union was held March 26, 2002, at the Hutchinson Credit Union Avenue A office.

Chair Loretta Fletchall called the meeting to order. Twenty-six members attended.

Jim Woods moved to accept the minutes of the 2001 Annual Meeting as presented. Seconded by Kendal Pulliam. Motion carried.

Chair Fletchall referred to the printed report stating the Credit Union had successfully completed its 54th year of operation and also entered into a strategic partnership with Hutchinson Postal Credit Union to share space at Avenue A. Hutchinson Credit Union has remained healthy and viable because of the support from members and guidance from volunteers and staff. The Credit Union received a Camel One from the State Department of Credit Unions.

Marvin Schmucker, Supervisory Committee, stated audits were completed by the certified public accounting firm of Pierce, Faris & Company, Chartered, and State Department of Credit Unions. Vic Deaver has been hired to do consulting work several days each quarter. He reviews policy and procedures, lending, general ledger activity and reports back to the Supervisory Committee on his findings. The Committee continues to review procedures, policies, conduct staff meetings and attend Board Meetings. Jim Woods made the motion to accept. Seconded by Lee Spence. Motion carried.

Garth Strand, President, presented the treasurer's report by reviewing charts from 1989 to 2001 on Capitol Spread on funds, Loan and Asset Growth, Loan Quality, Member and Services, 12-31-01 Peer Credit Union Comparisons and Member Age Distribution. It has been a successful year for loan growth and asset growth. The Credit Union continues to have a solid balance sheet. John McCannon made the motion to accept. Seconded by Jim Woods. Motion carried.

Richard Carlisle, Credit Committee, stated they meet to review new loans, delinquencies, charge-offs and randomly review loan files to insure compliance. Changes made in 2001 were: Differential loan pricing model was adjusted, incorporating the use of a credit score, updated the loan denial to include instructions on how to appeal a loan decision, mortgage servicing was implemented and the electronic imaging of loan files was completed. Staff continues to follow loan policies. Kendal Pulliam made the motion to accept. Seconded by Jim Woods. Motion carried.

Garth Strand, President, recalled a conversation he had with a long time member who said "Our Credit Union isn't what it used to be...and I'm glad." It is very important that we respond to the market place. We must remember who we are, keep our core values on track, renew and rekindle ourselves, which takes team work, diversity in thinking and people, plus courage to express our thoughts. Hutchinson Credit Union has a lot of good things going on.

Strand reported on the elections stating that there was no election conducted because there was only one nominee for each position to be filled. The following were elected by acclamation: Jim Woods, Ed Switzer - Board of Directors; Lee Spence - Supervisory Committee; Kendal Griggs and Leila Emack will be appointed to the Credit Committee by the Board of Directors.

Jim Woods made the motion to adjourn. Seconded by Roy Broxterman. Motion carried.

# Report of the Chair

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I am pleased to report that our credit union has successfully completed its 55th year of operation and continues to be an active participant in the ever-changing financial services arena. Along with the highlights of the committee reports, following are important changes embraced by our credit union during 2002:

- Completed the new branch at Avenue A and opened for business on January 31st, 2002. This included a strategic partnership with Hutchinson Postal Credit Union to creatively share office and drive-thru space.
- Significantly enhanced the value of HCU membership with the addition of the mortgage-servicing product. This allows the credit union to handle all service work for member mortgages and not jeopardize the balance sheet with long term, fixed rates. At year-end our credit union was servicing over \$30 million in member mortgage loans.
- On July 1st, our data processing systems were completely updated as we re-positioned our credit union to continue meeting member expectations in a fast-moving, technologically enhanced world. A few of the more noticeable changes to date resulting from the computer upgrade have been a greatly enhanced web-branch which now provides VISA and mortgage information as well as images of members checks that have cleared their accounts. Member statements have been redesigned and are being delivered almost a week faster. In addition, there have been numerous improvements to internal operating efficiencies, which will continue as staff develops the new systems.
- Basic service fees remained unchanged for the 10th consecutive year.
- Our election process has just been completed, demonstrating that the very core of the cooperative principles, democratic control, is alive and well at our credit union.

The cooperative movement was forged to allow common people to attain uncommon results. For 55 years our credit union has been attaining results desired by our members, proof that the cooperative principles are as valid today as they have ever been. On-going success requires support from the members, steady and unselfish guidance from volunteers and best efforts from the staff. Margaret Mead said, "Never doubt that a small group of thoughtful, committed people can change the world; indeed it is the only thing that ever has." It is arguable whether or not our credit union has actually changed the world, but it is undeniable that by working together, we have made a difference.

- Loretta Fletchall  
*Chair*

**"...your credit union has successfully completed it's 55th year of operation and continues to be an active participant in the ever-changing financial services arena."**



# Report of the Supervisory Committee

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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 your 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 8-31-02. Their report concluded that our financial statements represent fairly and accurately the financial position of your Credit Union and conform with generally accepted accounting principles.

Secondly, the committee cooperates fully with regulatory examinations by the Kansas 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 most recent exam covered transactions up to the close of business on September 30, 2002. There were no records of action or document of resolution required.

The Supervisory committee continues to contract with an independent third party for additional audit work. This work is similar in nature to that done by an internal auditor and is done to supplement the C.P.A. audit and exam work. The internal auditor's report is received directly by the Supervisory committee.

Lastly, the Supervisory Committee relies on its own activities and findings. The Committee met six times during 2002 to conduct reviews of various policies, procedures, accounts and reports. The Committee also participated in the annual planning session. A committee member attended most Board of Directors meetings. A confidential staff survey was conducted to provide a direct, open line of communication with the staff. Two members of the committee attended a National Supervisory Committee conference.

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

- Marvin Schmucker  
*Chair*

# Report of the Treasurer

<b>Asset Growth</b>	<b>12.74%</b>
<b>Savings Growth</b>	<b>13.01%</b>

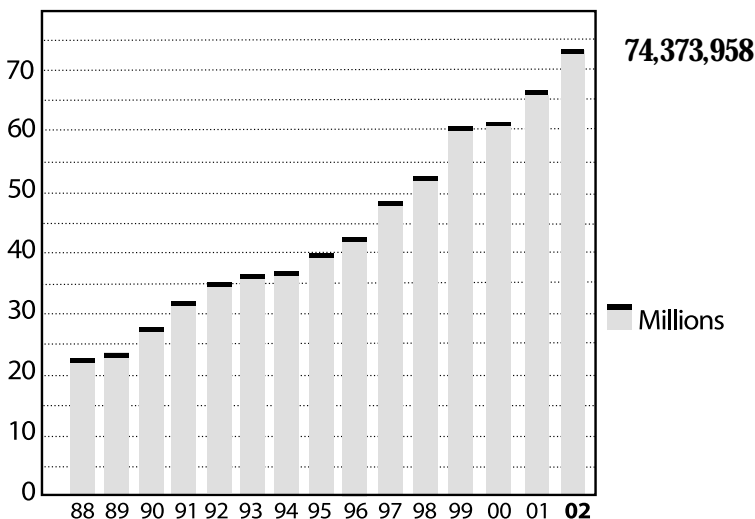
<b>Loan Growth</b>	<b>.21%</b>
<b>Capital Growth</b>	<b>9.74%</b>

A direct return to the members of \$1,681,078 was made in the form of share and certificate dividends. Our net income of \$714,456 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*



# Balance Sheet

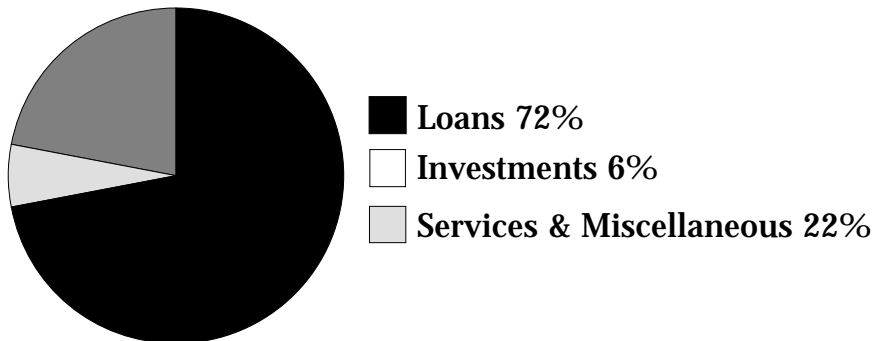
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## Year End Closings

<b>Assets</b>	<b><u>12-31-01</u></b>	<b><u>12-31-02</u></b>
Cash Accounts .....	\$1,458,726 .....	\$858,878
Real Estate Loans .....	27,183,154 .....	25,238,102
Business/ Agricultural Loans .....	5,070,225 .....	6,869,226
Consumer Loans .....	22,222,596 .....	24,214,816
Loan Loss Allowance .....	(606,135) .....	(633,807)
Investments .....	6,688,818 .....	13,736,131
Building and Land (Net) .....	2,048,328 .....	2,086,522
Furniture and Fixtures (Net) .....	314,562 .....	947,333
Prepaid Expenses .....	88,365 .....	117,282
Accrued Income .....	253,741 .....	235,989
NCUSIF Deposit .....	542,967 .....	613,259
Other Assets .....	702,300 .....	90,227
<b>Total Assets .....</b>	<b><u>\$65,967,647 .....</u></b>	<b><u>\$74,373,958</u></b>
<b>Liabilities</b>		
Miscellaneous .....	\$357,373 .....	(\$53,650)
Share Deposits .....	58,595,792 .....	66,698,670
Reserves and Undivided Earnings .....	7,014,482 .....	7,728,938
<b>Total Liabilities, and Equity .....</b>	<b><u>\$65,967,647 .....</u></b>	<b><u>\$74,373,958</u></b>

## Income Sources

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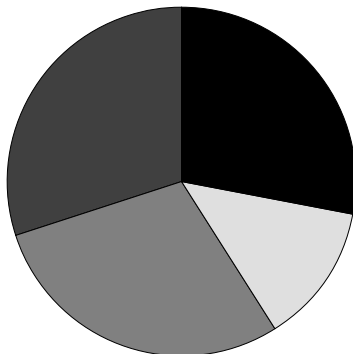




# Income Statement

<b>Income</b>	<b>2001</b>	<b>2002</b>
Income on Loans .....	\$4,482,028 .....	\$4,042,570
Income on Investments .....	442,126 .....	345,153
Other Income .....	915,616 .....	1,229,546
<b>Total Operating Income</b>	<b>\$5,839,770</b>	<b>\$5,617,269</b>
<b>Operating Expenses</b>		
Compensation .....	1,122,240 .....	1,335,600
Employee Benefits .....	228,994 .....	275,306
Travel and Conference Expense .....	20,143 .....	59,981
Association Dues .....	22,713 .....	23,169
Office Occupancy and Operations .....	758,407 .....	981,365
Education and Promotion .....	168,436 .....	99,624
Loan Servicing .....	55,786 .....	64,605
Professional Expense .....	356,002 .....	207,445
Provision for Loan Losses .....	92,000 .....	87,993
Member Insurance .....	18,316 .....	34,785
Regulatory Expense .....	21,203 .....	22,090
Interest on Borrowed Money .....	-0- .....	-0-
Member Relations .....	6,796 .....	8,014
Miscellaneous Expense .....	13,547 .....	18,924
<b>Total Expenses</b>	<b>\$2,884,583</b>	<b>\$3,218,901</b>
Operating Income .....	\$5,839,770 .....	\$5,617,269
Less Operating Expenses .....	(2,884,583) .....	(3,218,901)
Non-Operating Income/Expense .....	(17,988) .....	(2,835)
<b>Net Income Before Dividends</b>	<b>\$2,937,199</b>	<b>\$2,395,533</b>
Less Dividends .....	(2,036,665) .....	(1,681,078)
<b>Balance to Reserves</b>	<b>\$900,534</b>	<b>\$714,455</b>

## Income Distribution



- Human Resources 28%**
- Reserves 13%**
- Operations 29%**
- Dividends 30%**

# Report of the Credit Committee

	<u>2001</u>	<u>2002</u>
Total Number of Loans Made .....	10,545	10,976
Total Dollar Volume of Loans Made .....	\$38,277,610	\$50,063,659
Number of Loans Made Since April 1, 1948 .....	176,397	187,373
Total Dollar Volume of Loans Since April 1, 1948 .....	\$378,774,144	\$428,837,803
Loans Charged-off Since April 1, 1948 .....	\$1,568,190	\$1,636,698
Recoveries From Charged-off Loans .....	\$83,639	\$91,826

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

The credit committee is responsible for insuring 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, delinquencies, charge-offs and randomly review loan files to insure compliance. Types of loans, portfolio changes, the overall loan pricing structure as well as new products and services are also reviewed.

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



Notable information during the year includes:

- With the combination of low interest rates and the new mortgage servicing product, members very actively pursued various types of mortgage loans. This provided significant activity and approximately \$460,000 in revenues for the credit union.
- Completion of the first full year of the mortgage servicing product left us servicing 462 loans for a total of \$30.1 million. Currently, this is generating approximately \$4,500 per month in servicing income.
- Introduction of a new GAP product on vehicle financing to protect both the credit union and member from loss.
- Completion of the credit union's first participation loan, a \$2.2 million package completed along with two other credit unions.
- Introduction of a new loan tailored to meet the needs of our RV owning members.
- Charged off loans were at a record low level, with a net of only \$60,321 or .12% being written off in losses.
- Delinquency has risen to 1.4%, the highest in some time but still at an acceptable level.
- With many members refinancing their mortgages and including other debt, our total loans grew less than 1%.
- Approximately 84% of member shares are reinvested in member loans.

A few important projects for the upcoming year include a major rewrite of the loan and collection policy, determining new methodology for funding of the Allowance for Loss accounts and remodeling the lending work flow as part of the Symitar data system.

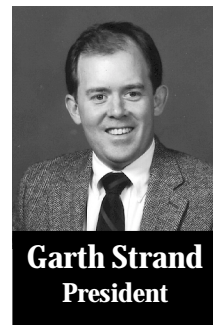
- Richard Carlisle  
Chairman

# From the President

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“Remember who you are.” This advice was given to me by a very wise person.....my Mother! As my parent’s car was pulling away from leaving me off at college, I was waving goodbye and at the same time about to burst with great newfound feelings of freedom and independence. The car stopped, the window rolled down and my beloved Mother stuck her head out, looked me squarely in the eyes and gave me, what may well have been, that life-changing advice, “Remember who you are.” Her words, throughout college and to this day, pop into my head at the most uncanny times. Times of wonder, self-doubt or temptation to conveniently forget just who I am.

I wonder if credit unions “remember who we are.” I believe here at HCU we do....most of the time. The competitive marketplace, regulators and the drive to succeed pull on us from many directions. It is both easy and tempting for us as members, staff and volunteers to forget our mottos of “Not for profit, not for charity, but for service” and “People helping People” as we are caught up in the latest greatest threat, opportunity or temptation.



I wonder if the idea of cooperatives, on which credit unions are built, is not an idea whose time has come again. One definition of a cooperative is: “To develop innovative approaches to solving pressing problems in times of rapid social, economic and technological change where neither the market nor the state offer satisfactory solutions.” Consumers seem to be having some disenchantment with both government and big business. We’re confronted with new and huge issues...globalization of markets, health care, financial stability, environmental issues...all much larger than any of us. Perhaps we can rediscover the innovation that is possible when people come together in cooperative ways.

As we look ahead, I would challenge us all here at HCU to “remember who we are” and seek out the opportunities that good and true cooperation make possible.

## **The Rochdale Cooperative principles from 1844:**

- \*Open, voluntary membership**
- \*Democratic control**
- \*Honest business practices**
- \*Education**

- \*Limited return, if any, on equity capital**
- \*Net surplus belongs to members**
- \*Ultimate aim is to advance the common good**
- \*Cooperation among cooperatives**

– Garth Strand  
*President*

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## **Management Team**

**Wanda Hatcher**  
Senior V.P.

**Garth Strand**  
President

**Casey A. Swarts**  
V.P. Marketing/Technology

**Todd Brunner**  
V.P. Lending

**Michelle Waln**  
Human Resources Director

**Dave Hawthorne**  
Business Development Director

# Our Catalog of Services

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## • 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  
Market Index Certificates

## • SELF-DIRECTED IRA's •

## • 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

## • BUSINESS SERVICES •

Loans  
Checking  
IRA  
Web Branch  
Merchant VISA Services

## • VISA •

## • HUTCH•LINE TELEPHONE TELLER •

## • WEB BRANCH •

## • 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  
Signature Guarantee

## • MemberSource, Inc. •

A Financial Planning Service

## • MEMBER INFORMATION CENTER •

## • AT HUTCHINSON ONLY •

Safe Deposit Boxes  
Drive-up Facilities

Your savings federally insured to \$100,000

# NCUA

National Credit Union Administration  
a U.S. Government Agency

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### HUTCHINSON OFFICES:

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