

# **Keystone Credit Union**

**53rd Annual Meeting**

**At 10:00 am**

**March 3, 2018**

**At**

**Knights of Columbus Hall**

**Tyler, TX**

**KEYSTONE CREDIT UNION BOARD OF DIRECTORS**

BARRY PATTERSON.....CHAIRMAN OF THE BOARD  
SERVING 1997-2019  
JODY PHILLIPS.....BOARD MEMBER  
SERVING 2014-2018  
MICHAEL PETERSON.....BOARD MEMBER  
SERVING 2014-2018  
DON WILKERSON.....BOARD MEMBER  
SERVING 1991-2020  
JOHN PRATER.....BOARD MEMBER  
SERVING 1980-2020  
LAURA ALVEY.....BOARD MEMBER  
SERVING 2017-2019

**KEYSTONE CREDIT UNION STAFF**

TERRY NOWLAND.....CHIEF EXECUTIVE OFFICER  
ANGELA POWERS.....VICE PRESIDENT  
MARK CHELF.....SENIOR LOAN OFFICER  
EDD CLARK.....REAL ESTATE LENDER  
JOY ARMSTRONG.....REAL ESTATE PROCESSOR  
CHARLENE WOEHL.....ACCOUNTING  
YOLANDA DURHAM.....COLLECTION OFFICER  
LUANN MASSEY.....TELLER  
HANNAH SULLIVAN.....TELLER  
RACHEL HICKEY.....TELLER

**KEYSTONE CREDIT UNION  
SERVICES**

**SAVINGS ACCOUNTS**

ATM CARD

**SPECIAL SAVINGS ACCOUNTS**

**SAFE DEPOSIT BOXES**

**CHECKING ACCOUNTS**

VISA DEBIT CARDS

**INTERNET BANKING**

BILL PAY

MOBILE BANKING

**DIRECT DEPOSIT SERVICES**

**PAYROLL DEDUCTION**

**ACH SERVICES**

**IRA ACCOUNTS**

**PERSONAL LOANS**

NEW AND USED AUTOMOBILE

MOTORCYCLE / ATV

BOAT / JET SKI

MOTOR HOME

SIGNATURE LOANS

TERM LOANS

STOCK LOANS

FARM EQUIPMENT LOANS

**VISA CREDIT CARDS**

**MORTGAGE LOANS**

1<sup>ST</sup> LIEN HOME EQUITY

**53<sup>RD</sup> ANNUAL MEETING  
KEYSTONE CREDIT UNION  
SATURDAY, MARCH 3, 2018**

**CALL TO ORDER .....BARRY PATTERSON**

**ACERTAIN QUORUM.....JOHN PRATER  
5 DRAWINGS @ \$25.00**

**MINUTES OF LAST MEETING.....BARRY PATTERSON**

**REPORTS TO SHAREHOLDERS**

**DIRECTORS REPORT.....JODY PHILLIPS  
5 DRAWINGS @ \$25.00**

**TREASURER.....JODY PHILLIPS**

**AUDIT COMMITTEE.....LAURA ALVEY  
5 DRAWINGS @ \$25.00**

**CREDIT COMMITTEE.....LAURA ALVEY**

**COMMENTS FROM THE MEMBERSHIP  
5 DRAWINGS @ \$25.00**

**REPORT FROM NOMINATING COMMITTEE.....FAYE PETTIGREW  
KEVIN FOWLER  
STEVE HARDY**

**ELECTION OF DIRECTORS  
2 DRAWINGS \$50.00**

**MERGER VOTE**

**OTHER BUSINESS  
2 DRAWINGS \$100.00**

**1 DRAWING \$300.00**

**52<sup>nd</sup> Annual Meeting Minutes**  
**Keystone Credit Union**  
**March 4, 2017**

The 52<sup>nd</sup> Annual Meeting of Keystone Credit Union was held March 4, 2017 at 10:00 am at the Knights of Columbus Hall, Council 1502.

Barry Patterson called on John Prater to ascertain if a quorum was present. John replied that a quorum of the membership was present.

Barry Patterson, Chairman of the Board, presided over the meeting in which there were 185 members and 15 guests attending. The invocation was given. Barry Patterson introduced the Board of Directors and the credit union staff. Barry mentioned the 1-½ percent credit card rebate. The minutes of the previous annual meeting were presented in writing in the program and on a motion and second from the floor the minutes were approved as presented.

Barry Patterson called on Michael Peterson for the Directors Report. Michael stated that the Directors report was on page 7 of the program. The report stated the credit union had paid \$135,457 in dividends on accounts, a increase of \$19,531. Total loans stand at \$17,140,006 a increase of \$ 5,635,368.

Barry Patterson called on Don Wilkerson for the Treasurer's Report. Don stated that the Treasurer's Report was on pages 8-9 of the program and it reflected the financial standing for the year. Don stated that after paying all expenses the credit union still paid average dividends.

Barry Patterson called on Steve Hardy for the Audit Committee Report. Steve stated that the Audit Committee Report was on page 10 of the program. The program stated that the credit union was examined in 2017, by the State Credit Union Department Examiners and by Ferrell and Associates. The independent firm, Ferrell & Associates had been retained to conduct a complete review of the financial records, bank secrecy act program, and patriot act of the credit union for the year ending December 31, 2016. A copy of Mr. Ferrell's report was also presented on page 11. Additionally, each month the audit committee of the credit union reviews the financial statements and the delinquent list. The Audit Committee then presents their report to the Board of Directors.

Barry Patterson called on Terry Nowland for the Credit Committee Report. Terry stated that the Credit Committee Report was on page 12 of the program. The report stated that the amount of loans outstanding is \$17,140,006.26. The report also stated that out of approximately \$340 million in loans the credit union has lent

we have had to write off only \$3,150,935.58 and of this, we have collected \$471,267.89.

Barry Patterson stated that the Board of Directors consists of seven members, two of whom are up for re-election this year for a three-year term in addition, and one place to be filled for the unexpired term of Gene Mason. A nominating committee was appointed to select nominees to serve on the Board. At this point Barry then gave the names of the nominating committee: Faye Pettigrew and Kevin Fowler.

Faye Pettigrew took the floor. Where upon Faye then read the submitted names suggested by the nominating committee, Don Wilkerson and John Prater for places one and two and Laura Alvey to take the expired term of Gene Mason.

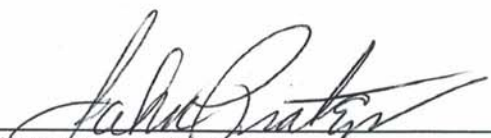
Barry Patterson then opened the nominations to the floor. Hearing no nominations, Barry asked the members to elect the members the nominating committee had suggested by acclamation. There was a first and second. Barry conducted the vote and he stated the eyes have it, Don Wilkerson and John Prater, and Laura Alvey were elected.

Door prizes were given away totaling \$1,100.

Two persons in attendance failed to receive their \$2 at the door.

There being no further business and on a motion duly made and seconded the meeting was adjourned.

  
\_\_\_\_\_  
Barry Patterson, Chairman of the Board

  
\_\_\_\_\_  
John Prater, Secretary

## DIRECTORS REPORT

THE BOARD OF DIRECTORS CONSIST OF SIX MEMBERS WHOSE NAMES APPEAR BELOW. DIRECTORS MEET EACH MONTH IN REGULAR SESSION AND IF NECESSARY, CALL SPECIAL MEETINGS. THE BOARD OF DIRECTORS HAD ONE SPECIAL MEETINGS DURING 2017. DUTIES OF DIRECTORS ARE TO APPROVE NEW MEMBERS, TO APPROVE EXPENSE ITEMS, TO APPROVE LOANS TO OFFICIALS AND DIRECTORS AND CREDIT UNION EMPLOYEES, SET UP ANY SPECIAL REGULATIONS OR BY-LAWS, TO SET DIVIDEND RATES AND TAKE CARE OF ANY OTHER BUSINESS THAT COMES BEFORE THE BOARD. THESE DUTIES ARE PERFORMED ON A VOLUNTARY BASIS WITHOUT PAY.

OUR RECORDS INDICATE THAT WE HAD A LESS THAN AVERAGE YEAR IN 2017. INTEREST RATES ON CERTIFICATES OF DEPOSIT DECLINED IN 2017; ALTHOUGH WE WERE ABLE TO PAY AVERAGE DIVIDEND RATES.

THE CREDIT UNION PAID \$ 150,517 IN DIVIDENDS ON SHARES, DEPOSIT ACCOUNTS, IRA ACCOUNTS, AND SHARE DRAFT ACCOUNTS IN 2017. THIS IS AN INCREASE OF \$ 15,060. THE CREDIT UNION'S LOANS STAND AT \$24,294,214. THIS INDICATES THAT LOANS HAVE INCREASED \$ 7,154,208.

THE BOARD OF DIRECTORS WOULD LIKE TO ISSUE A SPECIAL THANKS TO COMMITTEE MEMBERS, CREDIT UNION PERSONNEL, AND MEMBERS FOR THEIR CONTINUED SUPPORT.

GEVENIA BIRCHER  
MICHAEL PETERSON

BARRY PATTERSON  
JODY PHILLIPS

JOHN PRATER  
DON WILKERSON

Keystone Credit Union  
MONTHLY STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2017

	DECEMBER 2017	DECEMBER 2016
<b>ASSETS</b>		
Loans To Members	\$ 24,294,213.85	\$ 17,140,006.26
Allowance for Loan Loss	(182,885.06)	(101,314.77)
Receivables	(1,227.56)	(313.55)
Cash	2,470,985.95	2,603,869.53
Investments	8,672,778.44	16,367,778.44
Prepaid Expenses & Deferred Charges	71,299.29	71,950.09
Fixed Assets	640,318.31	650,725.16
Accrued Income	66,671.83	42,741.96
Deposit in NCUSIF	269,541.85	266,241.80
Other Assets	.00	.00
<b>TOTAL ASSETS</b>	<b>\$ 36,301,696.90</b>	<b>\$ 37,041,684.92</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable	\$ 2,805.73	\$ 4,328.76
Notes Payable	50.00	.00
Dividends Payable	.00	60.61
Taxes Payable	.00	.00
Accrued Expenses	51,620.89	54,404.21
Other Liabilities	(21,988.04)	35,829.87
<b>TOTAL LIABILITIES</b>	<b>\$ 32,488.58</b>	<b>\$ 94,623.45</b>
<b>MEMBER EQUITY</b>		
Regular Shares	\$ 19,640,474.31	\$ 20,410,646.24
Share Drafts	2,206,615.93	1,881,235.26
I.R.A.'s	3,723,976.94	3,829,719.85
Share Certificates	.00	.00
Other Shares	1,122,236.73	1,242,904.49
<b>TOTAL MEMBER EQUITY</b>	<b>\$ 26,693,303.91</b>	<b>\$ 27,364,505.84</b>
<b>RESERVES AND UNDIVIDED EARNINGS</b>		
Regular & Legal Reserves	\$ 1,862,148.10	\$ 1,862,148.10
Other Reserves	.00	.00
Undivided Earnings	7,671,202.96	7,830,691.29
Current Period Net Income	42,553.35	(110,283.76)
<b>TOTAL CAPITAL</b>	<b>\$ 9,575,904.41</b>	<b>\$ 9,582,555.63</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 36,301,696.90</b>	<b>\$ 37,041,684.92</b>

We certify to the best of our knowledge and belief, this statement and related statements are true and correct and present fairly the financial position and results of operations for the periods covered.

TREASURER \_\_\_\_\_

OFFICER 



**Keystone Credit Union**  
**MONTHLY STATEMENT OF INCOME AND EXPENSES**  
**FOR THE PERIOD ENDING DECEMBER 31, 2017**

	DECEMBER 2017	QTR-TO-DATE	YEAR-TO-DATE
<b>INCOME:</b>			
Income From Loans	\$ 83,377.95	\$ 249,406.89	\$ 905,080.63
Investment Income	12,050.34	34,933.53	171,248.95
Fees & Charges	9,236.16	29,646.18	108,084.71
Miscellaneous Income	1,017.13	3,786.01	15,722.07
<b>Total Income</b>	<b>\$ 105,681.58</b>	<b>\$ 317,772.61</b>	<b>\$ 1,200,136.36</b>
<b>COST OF FUNDS:</b>			
Dividends on Accounts	\$ 16,661.42	\$ 43,330.50	\$ 150,517.39
Cost of Borrowed Money	.00	.00	.00
<b>Total Cost of Funds</b>	<b>\$ 16,661.42</b>	<b>\$ 43,330.50</b>	<b>\$ 150,517.39</b>
<b>EXPENSES:</b>			
Employee Compensation and Benefits	\$ 41,666.72	\$ 120,921.58	\$ 472,286.87
Travel and Conferences	(1,476.28)	(1,059.28)	(1,139.28)
Association Dues	.00	585.00	985.00
Office Occupancy	8,667.59	26,876.83	105,284.73
Office Operations	11,489.86	30,716.48	134,966.67
Educational & Promotional	(3,088.16)	(2,428.16)	3,701.84
Loan Servicing	5,048.89	13,286.41	65,106.00
Professional & Outside Services	6,173.25	17,791.10	76,753.86
Provision for Loan Losses	11,428.26	11,428.26	174,656.13
Member Insurances	.00	.00	.00
Miscellaneous Expenses	3,280.30	13,770.54	33,561.55
<b>Total Operating Expense</b>	<b>\$ 83,190.43</b>	<b>\$ 231,888.76</b>	<b>\$ 1,066,163.37</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 5,829.73</b>	<b>\$ 42,553.35</b>	<b>\$ (16,544.40)</b>
<b>NON-OPERATING GAINS/(LOSSES):</b>			
Gain/(Loss) on Sale of Investments	\$ .00	\$ .00	\$ .00
Gain/(Loss) on Sale of Fixed Assets	.00	.00	9,893.18
Other Non-Operating Gains or (Losses)	.00	.00	.00
<b>Total Non-Operating Expenses</b>	<b>\$ .00</b>	<b>\$ .00</b>	<b>\$ 9,893.18</b>
<b>NET INCOME</b>	<b>\$ 5,829.73</b>	<b>\$ 42,553.35</b>	<b>\$ (6,651.22)</b>

## **AUDIT COMMITTEE**

KEYSTONE CREDIT UNION IS EXAMINED BY THE STATE CREDIT UNION DEPARTMENT EXAMINERS, THE NATIONAL CREDIT UNION ADMINISTRATION (FEDERAL) EXAMINERS, AND BY FERRELL AND ASSOCIATES. THE CREDIT UNION IS OPERATED ACCORDING TO STATE RULES AND REGULATIONS. AN INDEPENDENT AUDITING FIRM, FERRELL AND ASSOCIATES, HAS BEEN RETAINED TO CONDUCT A COMPLETE AUDIT OF THE FINANCIAL RECORDS OF THE CREDIT UNION FOR THE YEAR ENDING DECEMBER 31, 2017. A SUMMARY OF THIS AUDIT CAN BE FOUND ON THE NEXT PAGE. ADDITIONALLY, EACH MONTH THE AUDIT COMMITTEE REVIEWS THE FINANCIAL STATEMENT AND DELINQUENCY LIST AND PRESENTS ITS REPORT TO THE BOARD OF DIRECTORS. THE REVIEW PROCESS INCLUDES A COMPLETE REVIEW OF ALL DELINQUENT LOANS, BANK SECRECY ACT PROGRAM, PATRIOT ACT, BALANCE SHEETS, RELATED STATEMENTS OF INCOME, MEMBERS EQUITY, CHANGES IN FINANCIAL POSITION, AND RESULTS OF OPERATION FOR THE CREDIT UNION FOR THE PAST YEAR ENDED DECEMBER 31, 2017.

BASED ON THE RESULTS OF EXAMINATIONS BY THE TEXAS STATE CREDIT UNION DEPARTMENT, THE NATIONAL CREDIT UNION ADMINISTRATION (NCUA), AND FERRELL AND ASSOCIATES, THE AUDIT COMMITTEE BELIEVES THAT THE FINANCIAL STATEMENTS OF THE CREDIT UNION PRESENT FAIRLY THE FINANCIAL POSITION AND RESULTS OF OPERATION FOR THE YEAR ENDED DECEMBER 31, 2017.

MANAGEMENT IS TO BE COMMENDED FOR MAINTAINING A FINANCIALLY SOUND CREDIT UNION. THE CURRENT SUCCESS CAN BE DIRECTLY ATTRIBUTED TO THE DEDICATED PEOPLE WHO SERVE IN THEIR VARIOUS CAPACITIES.



903/769-1901

**FERRELL  
&  
ASSOCIATES**

SUPERVISORY  
COMMITTEE REVIEWS  
CREDIT UNION CONSULTING

C.W. FERRELL, JR.  
P. O. BOX 1100  
HAWKINS, TX 75765-1100

5 February 2018

Board of Directors  
**KEYSTONE CREDIT UNION**  
P. O. Box 4970  
Tyler, Texas 75712-4970

The Comprehensive Annual Review of the books and records of your credit union for the period December 31, 2016 through December 31, 2017 was performed in accordance with requirements set forth by the Texas Credit Union Department, and included any additional procedures deemed necessary.

Accounting records and other supporting evidence were examined or tested including a general review of the system of internal controls. A summary of the procedures and resulting comments and recommendations are included in the reviewer's report.

The credit union's manager and staff continue to do their day-to-day operations in an excellent manner. The entire staff is very conscientious in performing their duties to the best of their ability.

The credit union's staff's cordiality and helpfulness during the review were most appreciated.

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## **CREDIT COMMITTEE REPORT**

THE CREDIT COMMITTEE CONSISTS OF FOUR COMMITTEE MEMBERS WHO MEET AS NEEDED TO MAKE DECISIONS ABOUT PROSPECTIVE LOANS. THE CREDIT COMMITTEE MAY CONSIDER A MEMBERS CREDIT SCORE, THE VALUE OF COLLATERAL OFFERED, LENGTH OF EMPLOYMENT, DEBT RATIO, AND OTHER FACTORS. THE CREDIT UNION DOES TRY TO PROTECT OUR MEMBERS' MONEY BY MAKING SOUND LOANS.

DURING THE YEAR 2017, THE CREDIT UNION MADE 942 LOANS IN THE AMOUNT OF \$16,118,586. BASED ON 52 WEEKS, THE CREDIT UNION AVERAGED ABOUT 18 LOANS PER WEEK. THROUGHOUT OUR HISTORY, THE CREDIT UNION HAS MADE 143,230 LOANS FOR APPROXIMATELY \$ 345 MILLION. HOWEVER, WE HAVE ONLY HAD TO WRITE OFF \$3,250,111.29; OF THIS AMOUNT WE HAVE COLLECTED \$481,782.76.

AS OF DECEMBER 31, 2017, THE CREDIT UNION HAS \$24,294,213.85 IN OUTSTANDING LOANS. THE CREDIT UNION HAS LOANS FOR ALL OF YOUR NEEDS. THE ONLY THING WE DO NOT FINANCE IS BUSINESS LOANS.

AS THE ABOVE FIGURES INDICATE, 2017 WAS A BUSY YEAR FOR THE CREDIT COMMITTEE. WE APPRECIATE ALL OF THE COMMITTEE'S EFFORTS IN MAKING 2017 A SUCCESSFUL YEAR.

**MARK CHELF**  
**ANGELA POWERS**

**JOY ARMSTRONG**

**TERRY NOWLAND**