



2004  
Annual Report



Huntington C&O Railway Employees Federal Credit Union  
"People Helping People"

## INTRODUCTION

### Business Profile

The Huntington C&O Railway Employees Federal Credit Union was established in 1927 and has grown into a full service financial institution with assets approaching \$30 million and over 6,000 members. Through a variety of channels including Internet, ATM's, telephone service, and one-to-one personal attention, our credit union offers a unique alternative to traditional banking institutions. Furthermore, our credit union has a longstanding tradition of providing outstanding and efficient service, solid results, and exceptional value to its members.

### Business Office

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Huntington, WV 25701

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Web Address: [www.c-ocreditunion.com](http://www.c-ocreditunion.com)

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### Report Contents

Introduction . . . . .	1
2004 Annual Meeting Minutes . . . . .	2
Financial Highlights . . . . .	3
President's Report . . . . .	4
Manager's Report . . . . .	5
Supervisory Committee Report . . . . .	6
Credit Union Staff and Officials . . . . .	7
Member Services Guide . . . . .	8

### Mission Statement

This credit union is a member owned and member controlled not-for-profit financial cooperative. Our mission is to be the perfect financial institution for all eligible members, to provide savings and loan services to our members in a professional and friendly manner, and to operate in a way which provides a stable financial foundation to our members and to our credit union in the most cost effective manner available.



## 2004 ANNUAL MEETING MINUTES

The 76th annual shareholders meeting of the Huntington C&O Railway Employees Federal Credit Union, held on May 18, 2004, at the Huntington Civic Arena, was called to order at 7:00 p.m. by President Fred Hall. Secretary Brian Whitlock made a roll call and confirmed a quorum of directors was present.

Following the presentation of colors, President Hall asked for a moment of silence for all volunteers and members who laid the foundations for our credit union and have passed on before us. An invocation was then given by long-time credit union employee Ralph Wyant.

Next, President Hall recognized those directors and committee members in attendance. Chris Hutchison, manager, introduced the credit union's employees.

A motion was made by John Simpson to dispense with the reading of last year's minutes. The motion was seconded by Chris Hutchison and properly carried.

President Hall called for any unfinished business to be brought to the floor. There was none presented. He then called for any new business. There was none presented.

As nominating committee chairman, Robert Beard reported that John Simpson, Randy Sargent, and Brian Whitlock were presented by the committee for the three expiring seats on the Board of Directors. No other nominees were received by petition. Following, President Hall declared the three nominees elected by acclamation.



Chris Hutchison presents Jaclyn Ann Lazaro the 2004 Pierce-Marcum Volunteer Scholarship Award.

Chris Hutchison then named Jaclyn Ann Lazaro of Huntington, West Virginia, as the 2004 recipient of the Pierce-Marcum Volunteer Scholarship Award. Mr. Hutchison noted Ms. Lazaro's impressive scholastic and volunteer achievements, including a 4.27 grade point average, and announced she will be presented a plaque and a cash award of \$500.

Chris Hutchison discussed current events within the credit union movement. He noted a decline in net income and discussed the economic operating environment. Mr. Hutchison concluded his remarks with a summation of the changing competitive market.

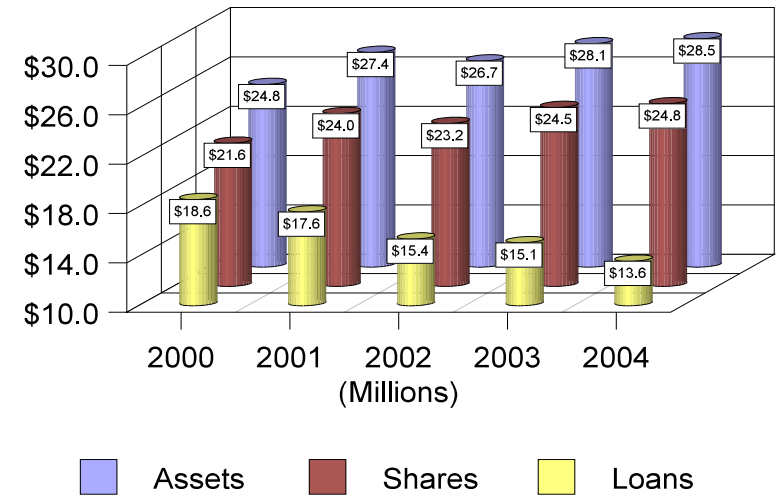
A motion to adjourn the meeting was made by Chris Hutchison. The motion was seconded by Simpson and properly carried. Adjournment was recorded at 7:20 p.m. At the conclusion of the business meeting, a drawing for door prizes was held.

*Brian Whitlock, Board Secretary*

## FINANCIAL HIGHLIGHTS

	2004	% change	2003
Total Assets	\$28,450,909	1.4%	\$28,053,590
Member Shares	\$24,774,414	1.3%	\$24,461,026
Total Loans	\$13,631,734	-9.4%	\$15,049,015
Investments	\$12,442,336	11.4%	\$11,169,279
Net Worth	\$3,620,475	0.4%	\$3,605,171
Operating Income	\$1,518,920	-4.0%	\$1,581,706
Operating Expense	\$1,101,116	5.7%	\$1,041,275
Dividend Expense	\$402,499	-12.7%	\$461,307
Net Income	\$15,305	-80.7%	\$79,124
Net Loan Write Offs	\$78,709	-43.1%	\$138,441
Total Membership	6,143	-1.0%	6,206
Members with Loans	1,364	-8.8%	1,496
Net Worth Ratio	12.7%		12.9%
Loans-to-Shares Ratio	55.0%		61.5%
Av. Delinquent Ratio	1.36%		1.44%

### 5-Year Trends



## PRESIDENT'S REPORT

The credit union industry continues to evolve as we move into the twenty-first century. Many credit unions are expanding their fields of membership to extend low-cost, quality financial services to more Americans than ever before. Nationally, there are around 9,300 credit unions with total assets surpassing \$600 billion serving more than 82 million members. This growth and expansion poses both opportunities and obstacles for our credit union.

The opportunities are obvious—more and more American consumers are realizing the benefits of credit union membership. With this awareness, our credit union stands to grow and diversify its membership base. However, we are not the “only game in town” when it comes to attracting new business. For the first time, we are now in direct competition with other credit unions for potential new members. Moreover, we must work harder than ever before to maintain a primary financial relationship with our current members. Here is where the obstacles appear.

When comparing financial service providers, we feel our credit union stands apart from traditional banks due to our affordable rate and fee structures and our ability to provide personal attention to each member's needs. But when our competition is another credit union, the distinctions are not as clear cut, since most credit unions adhere to the “not for profit, not for charity, but for service” credo. So the challenge to our credit union has now become finding ways to make our products and services even more affordable, accessible, and value-oriented.



To help meet this challenge, several changes have been enacted over the past year. For example, our drive-thru window is now open on Saturdays from 9:00 a.m. to noon. We also have telephone staff available to take member service calls and to process loan applications during our new Saturday hours. More recently, we gave our lobby an extreme make-over. Spacious and private offices were installed, along with more comfortable seating. Finally, our online account access program, NetLink, continues to evolve, offering members easy account access “24/7” via the Internet.

In closing, the Board and I pledge to continue to earn your business by offering personal, quality service while maintaining our philosophy of “People Helping People.”

*John P. Simpson, President*

## MANAGER'S REPORT

Our credit union's net income for 2004 was \$15,822. This continues a downward trend that started several years ago when our income began declining in 2001. As I stated in previous annual reports, reduced loan demand, bankruptcies, interest rates and increased competition all contributed to our reduced earnings.

There were, however, still some areas of our operation where we recorded positive results for the year. Our net worth ratio, an indicator of financial strength, remained high at 12.72%. Loan delinquency ratios and bankruptcy losses were lower this year than the 2003 levels. And, compared to many local financial institutions, the fees we charged for our services remained low.

In April 2005, Congress passed bankruptcy reform legislation which becomes effective in October 2005. While it will not stop people from filing bankruptcy, this law is intended to make it more difficult for people who are able to pay their bill to file bankruptcy. Under the previous bankruptcy law, many creditors, including credit unions, suffered losses from escalating bankruptcy filings. We believe many of the filings under the old law were abuses of the bankruptcy system, and the new law is a step in the right direction to be more fair to all parties involved.

In the mid 1980's, there were over 20,000 credit unions in the United States. Through mergers and attrition, that number has reduced to about 9,300 in 2004. Nationally, the average income for all credit unions was a little less in 2004 than in 2003, and some analysts project the credit union industry may earn less money during the next five years than it did during the past five years. If this happens, we may see a further reduction in the number of credit unions.

We have always tried to serve our membership by providing financial services at affordable prices. With your support, we will continue to do this for many more years to come.

*Chris Hutchison, Manager*



## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee consists of member volunteers appointed by the Board of Directors. The committee's role is to ensure that management operates within the regulations governing federally chartered credit unions. In compliance with the Federal Credit Union Act and our bylaws, the committee ensures that the financial condition of the credit union is accurately and fairly represented in its financial statements and that management develops and implements sound internal controls to protect the assets of the credit union.

The Supervisory Committee engaged the independent accounting firm of Sullivan, Ware & Hall, PLLC, to assist in meeting its responsibilities. By conducting a comprehensive year-end audit of the credit union's financial statements, Sullivan, Ware & Hall, PLLC, rendered an unqualified opinion on the accuracy of the credit union's financial records.

The Supervisory Committee also reviews the report of the annual supervisory examination performed by the National Credit Union Administration (NCUA), the regulatory agency that oversees all federally chartered credit unions. The Committee is pleased to report that the NCUA assigned the credit union its second highest overall rating for the most recent examination period.



In addition, the Committee conducted several unannounced teller and vault cash counts during the past year. The random counts are aimed at testing internal controls regarding the proper handling of currency.

Acting as liaison, the Supervisory Committee assures that all members are treated fairly by maintaining an open communication with the membership. Throughout the year, the committee reviews and responds in writing to all letters and e-mails it receives from the membership. Staying in touch helps ensure the credit union maintains the quality of service that every member deserves.

*Jack O. Dawson, Chairman*

## CREDIT UNION STAFF AND OFFICIALS

### BOARD OF DIRECTORS

John P. Simpson, President  
Fred T. Hall, 1<sup>st</sup> Vice-President  
Hargis V. Harris, 2<sup>nd</sup> Vice-President  
Chris Hutchison, Treasurer  
Brian Whitlock, Secretary  
James G. Adkins  
Robert L. Beard  
Jerry D. Brown  
Jerry E. Chapman  
J.H. "Jim" Baker, Emeritus  
A.C. "Mac" McCaleb, Emeritus

### SUPERVISORY COMMITTEE

Jack O. Dawson, Chairman  
Walt Gilson  
Danny L. Hamilton  
James A. Lemons  
George K. Mitchell

### CREDIT UNION STAFF

**Executive Management**  
Chris Hutchison, Manager  
Brian Whitlock, Comptroller

**Loan Department**  
Erma Eubanks, Supervisor  
Barbara Spence, Loan Officer  
Alisha Gill, Loan Officer  
Teresa Scott, Collections Officer  
Donna Weston, Collections Officer

**Teller Department**  
Carla Young, Head Teller  
Michelle Dixon, Teller  
Carmen Dishman, Teller  
Diane Perry, Teller

**Member Services Department**  
Janet Wilmink, Receptionist  
Sherry Ferrell, Member Services Representative  
Steve Ramey, Marketing Representative  
Lisa Gilkerson, Investments Representative

## MEMBER SERVICES GUIDE

### SAVINGS SERVICES

- Back-to-School Club Accounts
  - Christmas Club Accounts
- Individual Retirement Accounts
  - Official Checks
  - Overdraft Protection
  - Share Certificates
- Share Draft Checking Accounts
  - Share Savings Accounts
  - Vacation Club Accounts

### LOAN SERVICES

- Line-of-Credit Loans
  - "GAP" Insurance
- Mobile Home Loans
  - Mortgage Loans
- New Car Pricing Library
- New & Used Auto Loans
  - Personal Loans
- Share Secured Loans
- Visa Classic Credit Cards

### ELECTRONIC SERVICES

- ACH Direct Debits & Deposits
  - Alliance One ATM Network
- CarFax Vehicle History Reports
  - MAC® ATM Cards
- MasterMoney® Debit Cards
- NetLink Online Account Access
- Overdraft Protection by Transfer
  - Payroll Deduction
  - Wire Transfers

### COURTESY SERVICES

- American Express Travelers Checks
  - Chessie Club Youth Program
    - Coin Counting
- CUNA Mutual Member Insurance
  - Notary Public Service
- Postage Stamps (books of 20)
  - Safe Deposit Box Rentals
  - Temporary Checks
- Travelers Express Money Orders