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HD 2 CU

**HIGHWAY DISTRICT 2
CREDIT UNION
FORT WORTH, TEXAS**

ANNUAL REPORT

DECEMBER 31, 2011

Highway District 2 Credit Union
Order of Business
53rd Annual Meeting, April 12, 2012, Fort Worth Texas

Chairman of Board, presiding

1. Call meeting to order
 2. Ascertain a quorum is present. (Bylaws require 25 members to constitute a quorum.)
 3. Invocation by _____.
- OLD BUSINESS:
4. Approval of Minutes of the 52nd Annual Meeting
 5. Printed reports from:
 - Board of Directors
 - Auditor
 - 2011 Balance Sheet and Income StatementQuestions may be directed to committee chairpersons.
 6. Other old business.

NEW BUSINESS

7. Recognize chairperson of Nominating Committee, Joann Cottrell and committee members, Peggy Cooper and Greg Gorecki.
8. Chairman of Nominating Committee will nominate four directors to serve for a two-year term. (Directors whose term expires are: Juan Leal, Vicki Martin, William Riley and Richard Schiller.
9. Ask for nominations from the floor, if none ask for a motion to elect these nominees by acclamation. (If there are nominees from the floor, then a ballot will need to be prepared. A tally committee will be appointed to count the ballots.)
10. Recognize credit union staff: Dania Pearson and Tanya Crockett.
11. Recognize retirees, those that have traveled the farthest distance, etc.
12. Other new business.
13. Adjourn
14. Drawing for door prizes.

HIGHWAY DISTRICT 2 CREDIT UNION
April 28, 2011
MINUTES OF THE 52nd ANNUAL MEETING

Spring Creek Barbeque
8628 West Camp bowie at Las Vegas Trail
Fort Worth, Texas

The meeting was called to order by the manager of the credit union board, Tanya Crockett. It was ascertained that a quorum was present.

The invocation was given by Mr. James Goad.

Old Business:

Mr. Rosson made a motion to accept minutes of the 51st Annual Meeting as printed. Mr. Ray Buzalsky seconded; motion was approved.

There was no other old business.

New Business:

Printed reports from the Board of Directors, Audit Report, Balance Sheet and Income Statement were distributed to each member. The Highway District 2 Credit Union is well capitalized in accordance with the regulations set forth by the National Credit Union Administration (NCUA). A minimum net worth ratio of 7% is considered to be well capitalized. The Highway District 2 Credit Union net worth ration is 16.52%. The manager asked if there were questions concerning any of the reports. There were none.


The manager recognized the Board of Directors, all retirees in attendance, and first time attendees. The manager thanked the current Board of Directors for their support throughout the year. Due to recently retiring and moving out of the area, Board members, Charlie Doss and Vicki Graves, resigned from the Board.

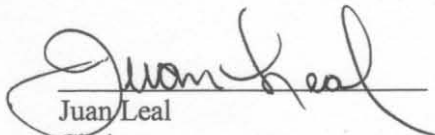
John Rosson, Chairman of the Nominating Committee, was recognized for nominations to serve a two-year term on the Board of Directors. The Nominating Committee nominated Ray Buzalsky, James Goad, William Riley, Jim Sawey and Richard Schiller.

John Rosson asked for nominations from the floor. There were none. Bob Martin made a motion that these nominees be elected by acclamation. Mr. Durda seconded and the motion carried.

The manager asked if there were other questions or other new business. There was none.

There were fifty members present and five guests for the meeting. There being no further business, the meeting was adjourned. The credit union staff conducted the drawing for door prizes.


Tanya Crockett
Manager/President


Juan Leal
Chairman

11ANNMEETMIN

Highway District 2 Credit Union
53rd Annual Meeting, April 12, 2012

BOARD OF DIRECTORS REPORT
DECEMBER 31, 2011

To the Highway District 2 Credit Union Members:

We, the Board of Directors, are elected by the membership to establish goals and give direction to the operation of our credit union in a sound business manner and in compliance with State and Federal laws and regulations. The daily operation is placed in the hands of the staff that serve you.

The Highway District 2 Credit Union had a good year 2011. For the year, the Highway District 2 Credit Union recorded a net income of \$6,591.65.

The Highway District 2 Credit Union is well capitalized in accordance with the regulations set forth by the National Credit Union Administration (NCUA). A minimum net worth ratio of 7% is considered to be well capitalized. The Highway District 2 Credit Union net worth ratio is 17.39%.

The credit union continued to pay competitive dividend rates on our share accounts. Dividends are declared and paid quarterly. Although the share accounts are on-demand accounts (funds available without early withdrawal penalty), the dividends paid in 2011 were competitive with 1-year certificate of deposit rates offered at other financial institutions.

Although the economy seems to be improving, loan demand increased from \$1,192,151 in 2010 to \$1,358,557 for 2011. However, average yield on loans decreased from 8.3893% in 2010 to 7.9968% in 2011. The Credit Union continued to be competitive on the pricing of interest rates for new and used vehicles.

Membership fell from 1,083 in 2010 to 1,054 in 2011. Share account balances decreased from \$5,762,186.22 in 2010 to \$5,449,696.14 in 2011.

The annual audit was performed in January, 2012 by Sanford, Baumeister & Frazier, P.C. A copy of the opinion letter is included in this packet.

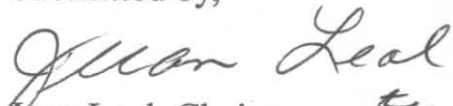
Page 2 - Chairman letter 2011

The Highway District 2 Credit Union is in the process of creating a website. Please look in your quarterly statement for more information on the upcoming website.

Finally, let me say thanks to the staff, Dania Pearson and Tanya Crockett, who handle the daily business of our credit union.

Your comments are always welcomed. It is our goal to give you the best service possible.

Submitted by,


Juan Leal, Chairman *tl*

BOARD OF DIRECTORS

		Term Expiration
Chairman	Juan Leal	April, 2012
Vice Chairman	Ray Buzalsky	April, 2013
Sec./Treasurer	Vicki Martin	April, 2012
Member	James Sawey	April, 2013
Member	Richard Schiller	April, 2012
Member	James Goad	April, 2013
Member	William Riley	April, 2012

STAFF

President/Manager	Tanya Crockett
Assistant Manager	Dania Pearson

2012Staff

February 15, 2012

To the Board of Directors and Members of
Highway District 2 Credit Union

Independent Auditors' Report

We have audited the accompanying statements of financial condition of Highway District 2 Credit Union as of December 31, 2011 and 2010, and the related statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highway District 2 Credit Union as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sanford, Baumeister & Frazier, LLP

SANFORD, BAUMEISTER & FRAZIER, LLP



Detailed Balance Sheet
HIGHWAY DISTRICT TWO CREDIT UNION
For Overall CU

Run Date: 02/03/2012 1:41:35PM

As of: 12/31/2011

Month-to-Date

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ASSETS

LOANS

701000	Loans	2,445,151.93	
	TOTAL LOANS		2,445,151.93
719000	Allowance For Loan Losses	(10,525.11)	
	NET LOANS		2,434,626.82

ACCOUNTS RECEIVABLE

	Accounts Receivable	0.00	
	TOTAL ACCOUNTS RECEIVABLE		0.00

CASH

731000	Cash	0.00	
732000	Southwest Bank	118,813.80	
739000	Teller Drawer Vault	0.00	
	TOTAL CASH		118,813.80

INVESTMENTS

744000	Investments	0.00	
745000	Investments	0.00	
745100	SimpliCD	745,000.00	
745200	Southwest Bk - CD	101,503.57	
745300	Southwest Bank - CDARS	2,900,000.00	
745400	Southwest Bank - ICS	200,661.86	
746000	Investments	0.00	
747000	Investment Deposit Ncuif	57,621.86	
	TOTAL INVESTMENTS		4,004,787.29

ACCRUED INCOME & PREPAID EXPENSES

781000	Accrued Interest on Loans	12,993.51	
782000	Accrued Income On Investments	17,519.53	
764000	Association Dues	3,883.63	
765000	Prepaid Workman'S Comp	387.48	
766000	PREPAID SECURITY SYSTEM	415.62	
767000	Prepaid Exam Fee	580.01	
768000	PREPAID HARDWARE MAINT	316.75	
769000	Prepaid Bond	2,998.67	
	TOTAL ACCRUED INC & PREPAID EXPENSES		39,095.20

FIXED ASSETS

770000	Prepaid Insurance	0.00	
772000	LEASE SECURITY DEPOSIT	1,000.00	
	NET LAND & BUILDING		1,000.00
774000	Furniture And Equipment	48,710.92	
774100	Leasehold Improvements	9,120.23	
775000	Allowance For Depreciation	(47,439.33)	
	NET FURNITURE, FIXTURES & EQUIPMENT		10,391.82
	NET FIXED ASSETS		11,391.82

ALL OTHER ASSETS

798000	Repossessed Assets	0.00	
	TOTAL OTHER ASSETS		0.00

Detailed Balance Sheet
HIGHWAY DISTRICT TWO CREDIT UNION
For Overall CU

Run Date: 02/03/2012 1:41:36PM

As of: 12/31/2011

Month-to-Date

Page 2 of 2

TOTAL ASSETS

6,608,714.93

LIABILITIES AND EQUITY

LIABILITIES

803000	Acct Pay - TX Unclaimed Property	0.00
804000	Other Contingent Liab-NCUSIF Capit	0.00
	Notes and Interest Payable	0.00
820000	Dividends Payable	0.00
999990	Reversal GL Acct	0.00
999999	Cubics Suspense	0.00
840000	Member Paid Insurance	240.90
841000	Fed Withhold Taxes Payable	1,150.00
846000	Social Security Taxes Payable	914.66
847000	Fed Unemploy Comp Tax Payable	0.00
848000	State Unemploy Comp Tax Pay	0.00
855000	Accrued Annual Meeting Expense	775.52
856000	Accrued Audit Expense	6,533.38

TOTAL LIABILITIES

9,614.46

SHARES

901000	Shares Of Members	5,449,696.14
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TOTAL SHARES

5,449,696.14

EQUITY

931000	Regular Reserves	264,500.00
940000	Undivided Earnings	884,904.33
960000	Net Income (Loss)	0.00

TOTAL EQUITY

6,599,100.47

TOTAL LIABILITIES AND EQUITY

6,608,714.93

Detailed Income Statement
HIGHWAY DISTRICT TWO CREDIT UNION
For Overall CU

Run Date: 02/03/2012 1:45:33PM

As of: 12/31/2011

Current Month

Quarter-to-Date

Year-to-Date

111000	INTEREST ON LOANS	\$16,065.69	\$47,110.72	\$194,801.57
	TOTAL INTEREST INCOME	\$16,065.69	\$47,110.72	\$194,801.57
121000	Member Preferred Fed CU			
121200	SWC SimpliCD	\$396.18	\$2,555.49	\$20,744.40
121201	Investment Income			
121202	SWC CD	\$256.01	\$256.01	\$1,787.12
121203	Southwest Bank	\$164.61	\$661.86	\$1,764.87
121300	Investment Income			\$35.18
123000	Income From Inv. In Ncusif			
	TOTAL INVESTMENT INCOME	\$816.80	\$3,473.36	\$24,331.57
131000	Fees And Charges	\$66.50	\$97.50	\$279.00
131200	Gap Ins Fees	\$100.00	\$400.00	\$1,120.00
131300	Insurance rebate	\$16.10	\$47.17	\$185.30
132000	Accrued Investment Income	\$1,897.47	\$4,857.12	\$14,163.46
	TOTAL FEE INCOME	\$2,080.07	\$5,401.79	\$15,747.76
151000	Miscellaneous Operating Income			
152000	Gain on Sale of Furniture/Fix.			
153000	Non-operating income			
	TOTAL OTHER INCOME			
	TOTAL INCOME	\$18,962.56	\$55,985.87	\$234,880.90
211000	Salaries	\$6,877.00	\$20,631.00	\$86,549.00
222000	Social Security Taxes Employer	\$526.10	\$1,578.30	\$6,621.06
223000	Unemployment Compensation Tax			\$252.40
224000	Health Ins.			
231000	Employee Travel Conference Exp			
240000	Association Dues	\$353.00	\$976.50	\$3,935.19
251000	Rent	\$1,300.00	\$3,900.00	\$15,600.00
261000	Communication Expense	\$216.32	\$646.56	\$2,554.62
263000	Maintenance Of Furn And Equip			
264000	Stationary And Supplies	\$1,309.85	\$3,471.66	\$12,252.55
264100	TXU	\$104.81	\$311.23	\$1,634.74
265000	Insurance	\$374.83	\$1,124.49	\$5,959.08
265100	Member Insurance			\$14,150.09
266000	Depreciation Furniture Equip	\$394.85	\$1,186.55	\$3,315.20
267000	EMPLOYEE TRAINING			\$35.38
269000	Bank Service Charges	\$95.99	\$328.56	\$945.52
272000	Publicity And Promotions			
282000	Collection Expenses			
283000	Recording Fee Chattel Lien Ins			
284000	Credit Reports	\$134.79	\$399.38	\$1,634.34
285000	Supervisor Fee	\$290.00	\$870.00	\$3,038.86
291000	Legal Fees			
292000	Audit Fees	\$500.00	\$1,500.00	\$6,000.00

Detailed Income Statement
HIGHWAY DISTRICT TWO CREDIT UNION
For Overall CU

Run Date: 02/03/2012 1:45:33PM	As of: 12/31/2011	Current Month	Quarter-to-Date	Year-to-Date
301000	Provision Loan Losses Consumer	\$5,298.05	\$7,069.97	\$7,970.63
302000	Transfer To Undiv Earnings			
303000	Transfer To Reg Reserve			
304000	Data Processing		\$2,832.30	\$12,344.49
305000	Transfer To Spec Res			
312000	Life Savings Insurance	\$595.82	\$1,785.40	\$7,073.48
313000	Borrower'S Insurance			
	Supervisory and Exam Expense			
330000	Cash Over And Short			
350000	Annual Meeting Expense	\$85.00	\$255.00	\$1,251.00
360000	Relocation Amortization			
370000	Miscellaneous Operating Exp			
	TOTAL OPERATING EXPENSE	\$18,456.41	\$48,866.90	\$193,117.63
380000	Dividends	\$1,911.38	\$7,911.44	\$35,171.62
	TOTAL DIVIDEND EXPENSE	\$1,911.38	\$7,911.44	\$35,171.62
420000	Non-Operating Loss on SWC Investment			
	TOTAL NON-OPERATING			
	NET INCOME	(\$1,405.23)	(\$792.47)	\$6,591.65

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HIGHWAY DISTRICT 2 CREDIT UNION
ANNUAL MEETING APRIL 28, 2011

2011 DOOR PRIZE WINNERS

\$100.00	John Rosson
75.00	Tom Athens
50.00	Lucy Oppermann
50.00	Dick McNeil
50.00	Harvey Oppermann
50.00	Mike Durda
50.00	Chris McLain
35.00	Juan Leal
25.00	Lewis Seales
25.00	Larry Kaese
25.00	John Howland
25.00	Vee Riley
15.00	Jimmie Poor
15.00	Garrett McLain
15.00	Angus Churchill
15.00	Frank Durda, IV
15.00	Bob Martin
15.00	Stanley Gomer
15.00	James Austin
15.00	Stephen Brown
10.00	Gene Logan
10.00	James Goad
100.00	Odell Martin
\$800.00	TOTAL DOOR PRIZES