

Helping Saskatchewan Meet the Challenge  
Credit Unions Build a Strong Economy

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2017 ANNUAL REPORT

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**Lafleche**

**CREDIT**  **UNION**

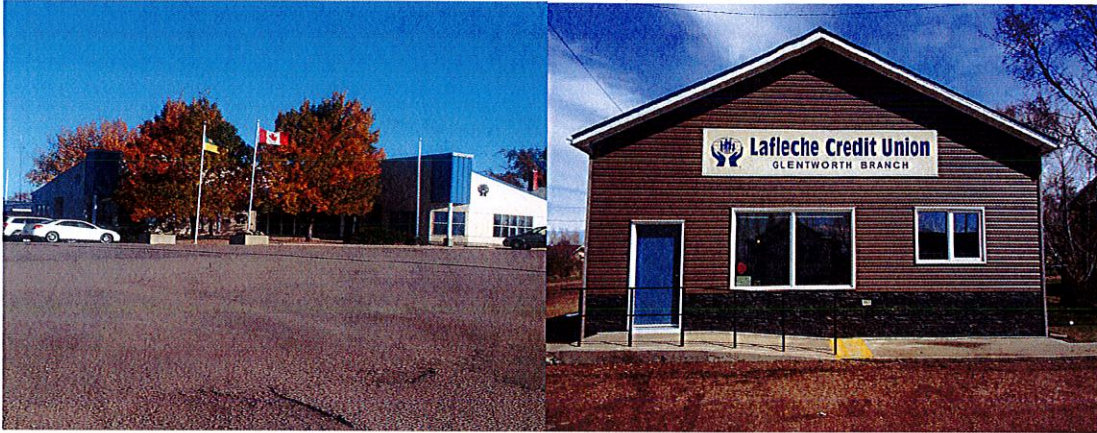
Community minded...just like you!

*Celebrating 80 years of Service*



Saskatchewan  
Credit Unions

[saskcu.com](http://saskcu.com)



This year we celebrate the 80<sup>th</sup> anniversary of Lafleche Credit Union. On March 29, 1938 the Lafleche Credit Union was granted Charter #12 and history was made. Three quarters of a century after the founding of Sask's 1<sup>st</sup> rural credit union, we can look back with thanks at the vision and co-operative spirit of the men and women who joined together to build the strong financial institution we have today and are very proud of.

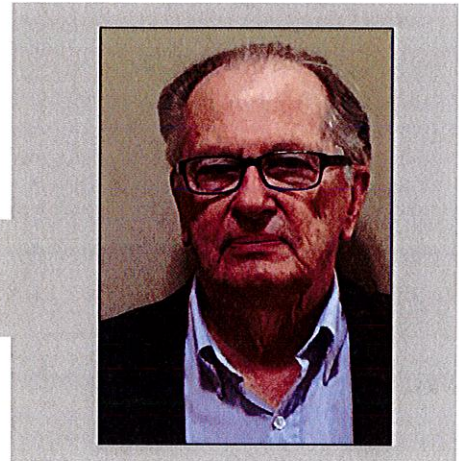
Lafleche Credit Union aims to be the financial service provider of choice within our market area. We are a dynamic, high growth, community oriented organization that offers a full range of leading-edge products and services through a variety of delivery channels, including 2 branches, an Automated Teller, Mobile banking and Internet banking. Lafleche Credit Union boasts assets of \$73.8 million, a membership of 1,890 and 12 full and part-time staff serving the 2 branch locations.

*Vision Statement: "Working together to build a better community and provide exceptional financial service to members"*

We continuously strive to achieve this Vision and believe that employees are a key contributor to our success. We recruit progressive-minded people that will help us to move towards our Vision. Employees are recognized and rewarded for their commitment and contribution to our success.

**For further information, refer to the Lafleche Credit Union's website at [www.laflechecu.com](http://www.laflechecu.com).**

*W*  
aldimer Sutter



Lafleche Credit Union would like to recognize Waldimer (Wally) Sutter for his dedication to the credit union system.

Wally was a director on the Lafleche Credit Union board for 21 years from 1980 – 2001. He also served as President for 6 years and as a member of the Credit Union’s Credit Committee during his time on the board.

Wally’s many contributions include supporting the board’s initiative to go from manual to computerized banking, planning and supporting the construction of a new building for the Lafleche Credit Union and witnessing the first ATM to be installed in the Lafleche area. During his time on the board, Wally also kept current on the financial services industry taking a variety of courses and becoming a Credit Union Directors Association (CUDA) graduate.

Wally’s strong commitment to community extends beyond his service to the credit union. He has also served on the Woodrow Co-op Board, the Saskatchewan Wheat Pool Committee, the Woodrow Rink Committee and his local church board.

Wally and his wife Bettie now reside in Calgary.



*Submitted in 2018 by Lafleche Credit Union*

## **LAFLECHE CREDIT UNION - SERVICES**

- **FULL SERVICE ATM AT MAIN BRANCH** (*Available 24 hours a day – everyday!*)
- **REPAYMENT IN FULL OF ALL DEPOSITS IS "GUARANTEED"** (Info at [www.cudgc.sk.ca](http://www.cudgc.sk.ca))
- **"MEMBERDIRECT"** INTERNET HOMEBANKING AVAILABLE AT **NO CHARGE** WHICH PROVIDES ACCESS TO E-STATEMENTS, CHEQUE IMAGES, E-TRANSFERS, ETC.
- **"MOBILE WEB"** – AN OPTIMIZED VERSION OF MEMBERDIRECT INTERNET BANKING FOR USE WITH A SMART PHONE (ie. Blackberry, iPhone, Android, etc.)
- **"MOBILE BANKING"** - ACCOUNT BALANCES, HISTORY, ETC USING A "SMART PHONE"
- **"MEMBERCARDS"**, WITH "CHIP", ACCESS TO ATM'S & POINT OF SALE MERCHANTS
- MASTERCARD **"GLOBAL PAYMENT CARD"** WITH ATM ACCESS
- **"MASTERCARD CREDIT CARD"**, WITH REWARDS PROGRAM & ATM ACCESS
- FINANCIAL PLANNING SERVICES AVAILABLE (*By appointment with a Financial Planner*)
- 1 –5 YEAR NON-REDEEMABLE TERM DEPOSITS, RRSP's, RRIF's & TFSA's
- DAILY TERM DEPOSITS (30 TO 364 DAYS)
- **AGRI-INVEST ACCOUNTS**
- CONSUMER, AG AND COMMERCIAL LOANS, LINES OF CREDIT & QUICK LOANS
- **CALA** (FARM IMPROVEMENT LOANS) AVAILABLE AT GREAT RATES
- **CALIDON LEASING QUOTES** AVAIABLE UPON REQUEST
- **STUDENT LOAN SERVICES** AVAILABLE
- **1 – 5 YEAR FIXED RATE MORTGAGE LOANS**
- OPTIONAL CREDIT DISABILITY &/or LIFE INSURANCE ON LOANS
- OPTIONAL MEMBER TERM LIFE INSURANCE AVAILABLE (AG & COMM ONLY)
- FREE NIGHT DEPOSITORY SERVICE
- U.S. CHEQUING ACCOUNTS AVAILABLE
- SAFETY DEPOSIT BOXES (VARIOUS SIZES & PRICES)
- CANADIAN AND INTERNATIONAL **WIRES** AVAILABLE (FEES APPLY)

# LAFLECHE CREDIT UNION LIMITED

LAFLECHE, SASKATCHEWAN

Incorporated: March 29, 1938

Credit Union Charter No.12

## EXECUTIVE

President.....Lynn Sutherland  
Vice-President.....Glenn Sproule  
Recording Secretary...Carmen Ellis  
Treasurer.....Bruce Anderson

## DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Glenn Sproule	Farming	Thomson Lake	2018
Marg Clark	Business Owner	Glentworth	2018
Larry Wall	Co-op Manager	Hazenmore	2018
Debbie Ash	Ranching	Glentworth	2019
Kathy DeWulf	Farming	Lafleche	2019
Dawn Mitchell	Rancher	Glentworth	2019
Lynn Sutherland	Business Owner	Lafleche	2020

## STAFF

Bruce Anderson	Lori McLean
Marcia Clermont (P/T)	Jody Packet (P/T)
Carmen Ellis	Dallas Rusk (Casual)
Laura Greffard (P/T)	Trudy Sewell (P/T)
Tracy Johnson	Jill Stark (P/T)
Christine Kelly	Sandra Watteyne (P/T)

*2017 was another successful year for the Lafleche Credit Union, and we thank our members for their continued support. Thank you also to the staff for your commitment to teamwork, and your continued excellence in providing service to members. You are the key to our continued success and viability.*

# **LAFLECHE CREDIT UNION LIMITED**

**80<sup>th</sup> ANNUAL MEETING**

**WEDNESDAY, APRIL 18<sup>TH</sup>, 2018**

**WOOD RIVER MEMORIAL HALL BASEMENT**

## **PROPOSED AGENDA**

- 1. REGISTRATION**
- 2. CALL TO ORDER**
- 3. ADOPTION OF AGENDA**
- 4. MINUTES OF THE PREVIOUS ANNUAL MEETING**
- 5. BUSINESS ARISING FROM MINUTES**
- 6. PRESIDENT'S MESSAGE**
- 7. MANAGEMENT DISCUSSION & ANALYSIS**
- 8. NOMINATIONS COMMITTEE REPORT**
- 9. AUDITORS REPORT & PRESENTATION OF FINANCIAL STATEMENTS**
- 10. ADOPTION OF REPORTS**
- 11. APPOINTMENT OF AUDITOR FOR 2018**
- 12. GUEST SPEAKER – WALLY SUTTER, PAST PRESIDENT & DIRECTOR**
- 13. PRESENTATION OF SERVICE AWARDS**
- 14. DRAW FOR DOOR PRIZES (Winners must be present)**
- 15. ADJOURNMENT**

**79<sup>th</sup> ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED**  
**WEDNESDAY, APRIL 19, 2017**

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The evening started at 6:00 p.m. with a beef supper, catered by the Wood River Community Hall, with 50 in attendance.

President Lynn Sutherland called the meeting to order at 6:50 p.m.

Duane Clermont/Debbie Ash: Moved to adopt the agenda as presented. Carried

Guy Monette/Jean Walters: Moved that the minutes of the last annual meeting be adopted as presented. Carried

Lynn Sutherland presented the Board of Directors report.

Bruce Anderson summarized the Management discussion & analysis report.

Debbie Ash presented the Nominations Committee report.

Rod Sieffert representing our audit firm, Meyers Norris Penny, presented the audited summary financial statements that are included in the annual meeting report. Rod also noted that complete sets of financial statements are available for any member to review.

Dawn Mitchell/Ben Filson.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried

David Calvin Jr/Perri Poirier: Moved that we appoint Meyers Norris Penny as our auditors for 2016. Carried

Tanya Herman-Vanthuyne fr Sunstone Retirement Specialist, gave a brief presentation on the her services that is available to our members on a referral basis for investment/insurance & financial planning area.

The following Service Awards were presented; DIRECTORS: Lynn Sutherland- 3 yrs, Guy Monette- 27 yrs (retiring) STAFF: Carmen Ellis- 35 yrs,

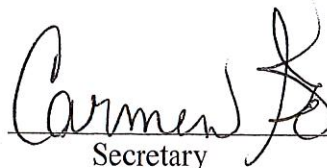
General Manager Bruce Anderson presented Keith Sproule with the Sask Credit Union Director Achievement Award for his dedication and invaluable contribution to the Credit Union system. Keith served on the Lafleche CU Board for 35 years as director, 6 years as President, and many years as the District Delegate & was elected to the executive of CUC of Sask.

Various door prizes of Lafleche CU promotional items were drawn and handed out.

Christine Kelly adjourned the meeting at 7:30 p.m.



President



Secretary

# President's Message

Welcome to the Lafleche Credit Union 80<sup>th</sup> Annual General Meeting.

As President of the Board of Directors, I am pleased to announce that once again we had a profitable year. Interest rates continued to remain low, which helped Loan demand during the year. The local loan demand along with some good syndication opportunities resulted in loans growing to \$46 million, which is a record level for our credit union.

The Agriculture sector faced a variety of challenges this year. Weather, over supply, as well as tariffs imposed by protectionist governments all played a supporting role. In spite of these challenges our deposits continued to grow. Lafleche Credit Union's average Asset growth over the last five years is 4.9% per year, bringing our Assets to a record level of **\$73.5 million**.

As President, I am pleased to announce that the Board has decided to share the profits with our members to celebrate our 80<sup>th</sup> Anniversary. For 2017, Lafleche Credit Union has allocated **\$244,000** to our Member Profit Sharing program. This payment represents a 12% rebate on loan interest paid in 2017 and a 12% bonus on deposit interest earned in 2017. We will be paying 80% out in cash to members and 20% will be added to member equity accounts.

Our **Vision**: Working together to build a better community and provide the best financial service – anywhere, anytime, anyway.

Our **Mission**: We are Saskatchewan's First rural Credit Union – leading, developing, and supporting our communities through our members' financial success.

On behalf of the entire board I would like to thank you the members for your continued support. I would also like to thank the management and staff for making 2017 another successful year for Lafleche Credit Union. This credit union's success is very much due to the hard work of management and staff, and this is reflected in our most recent performance assessments from both internal and external auditors.

Lastly, I would like to thank the Board for the support they have given me as Chairman during the past year; for the dedication and commitment they gave to serving our members; and most importantly to their dedication towards discharging their duties. We will continually strive to provide the financial services that meet the needs of our members.

Respectfully submitted,



Lynn Sutherland, President



# **Management Discussion and Analysis – presented by Bruce Anderson, General Manager**

## ***Management Discussion and Analysis:***

The following discussion and analysis on the financial position and operations of Lafleche Credit Union Limited, hereinafter referred to as LCU, at December 31, 2017, should be read in conjunction with the Consolidated Financial Statements and accompanying notes, and is presented to enable readers to assess material changes in the financial condition and operating results of the credit union.

## ***Our Vision, Mission and Values:***

**Vision:** *Working together to build a better community and provide exceptional financial service to members.*

**Mission Statement:** *We are Sask's 1<sup>st</sup> Rural Credit Union – leading, developing and supporting our communities through our members' financial success.*

**Values:** Service Excellence; Product Excellence and Creativity; Stability, Security and Long-term prosperity; Leadership and Community Involvement; Teamwork; Employee Satisfaction; Financial Performance, Productivity & Growth; Democratic Process; Marketing

## ***Credit Union Market Code:***

LCU voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- **Complaint handling**, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of LCU.
- **Fair sales** by outlining the roles and relationship of staff to all member/clients and in accordance with the financial services agreement.
- **Financial planning process** to advise member/clients on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with LCU. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of LCU among our members, clients and communities.
- **Capital management** to ensure our capital structure aligns with our risk philosophy.
- **Financial reporting** to adhere to business and industry standards.
- **Governance practices** to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of LCU.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

## ***Co-operative Principles***

As a true co-operative financial institution, LCU acts in accordance with internationally recognized principles of co-operation:

### ***Voluntary and Open Membership***

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### ***Democratic Member Control***

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

### ***Member Economic Participation***

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

### ***Autonomy and Independence***

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### ***Education, Training and Information***

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

### ***Co-operation among Co-operatives***

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### ***Concern for Community***

Co-operatives work for the sustainable development of their communities through policies approved by their members.

## ***Introduction***

LCU is an independent regional Saskatchewan credit union owned by our members. Under current credit union legislation, LCU is able to provide financial services to members and non-members. At **Dec 31, 2017** LCU had **1,890** members and did not have any non-members. Non-members would not participate in the democratic processes of the credit union, nor in any patronage distribution should one be declared in any particular year.

Our credit union serves the communities of Lafleche, Glentworth and the surrounding districts through our two branch offices and various electronic delivery channels. We also provide financial services through some third party arrangements enabling the underwriting of credit through our alliance with Calidon Financial Services and investees such as Concentra Bank. Through these channels we are able to access lease contracts and syndication arrangements, etc. This allows LCU to further diversify our loan portfolio by type and geographic location. We also provide a referral **Wealth Management** Program through our alliances with Credential Financial Strategies and Sunstone Retirement Specialists.

## **Strategy**

The Vision of LCU is to be the financial service provider of choice within our service area. To monitor specific objectives throughout the year that support this vision, the board regularly monitors our five-year *Strategic Plan*.

Our key strategic objectives in 2017 were: 1) succession planning for the GM position; 2) training and education of staff and directors; 3) have the right mix of products and services to meet member needs and 4) continue to build alliances to enhance services provided to members.

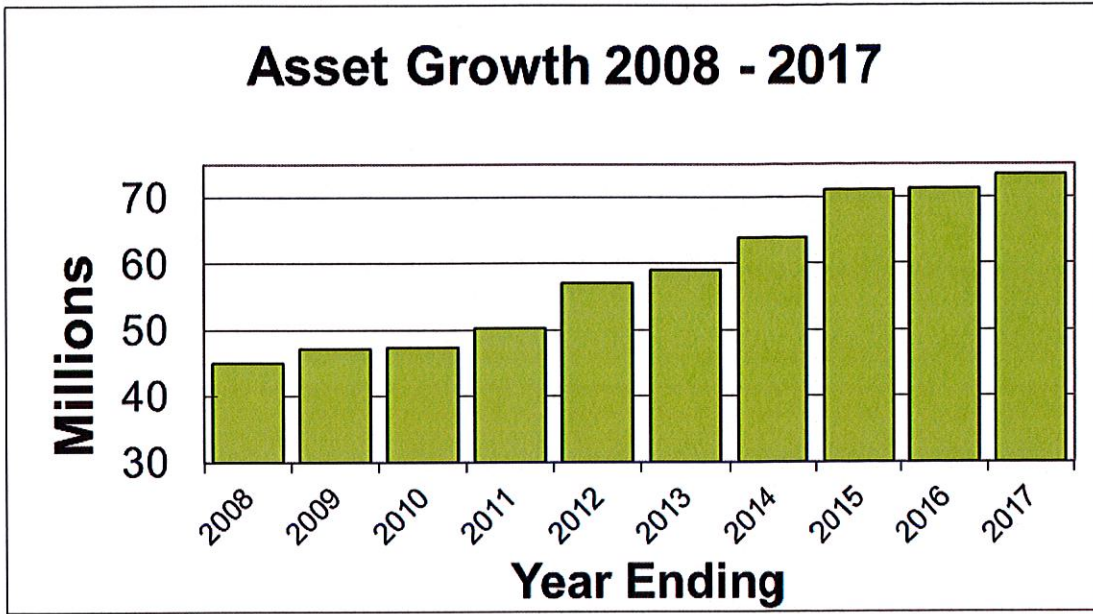
Margins continue to be very tight due to the low interest rate environment, however we did have some decent Deposit growth in 2017 and very good loan growth, even though our memberships declined marginally during the year.

Meeting the goal of our vision requires that LCU not only attract new members, but even more important is to preserve our existing membership. To support our objective of increased member loyalty, staff training is provided as needed, with special emphasis on product knowledge. Staff attended numerous webinars and some classroom training sessions throughout 2017.

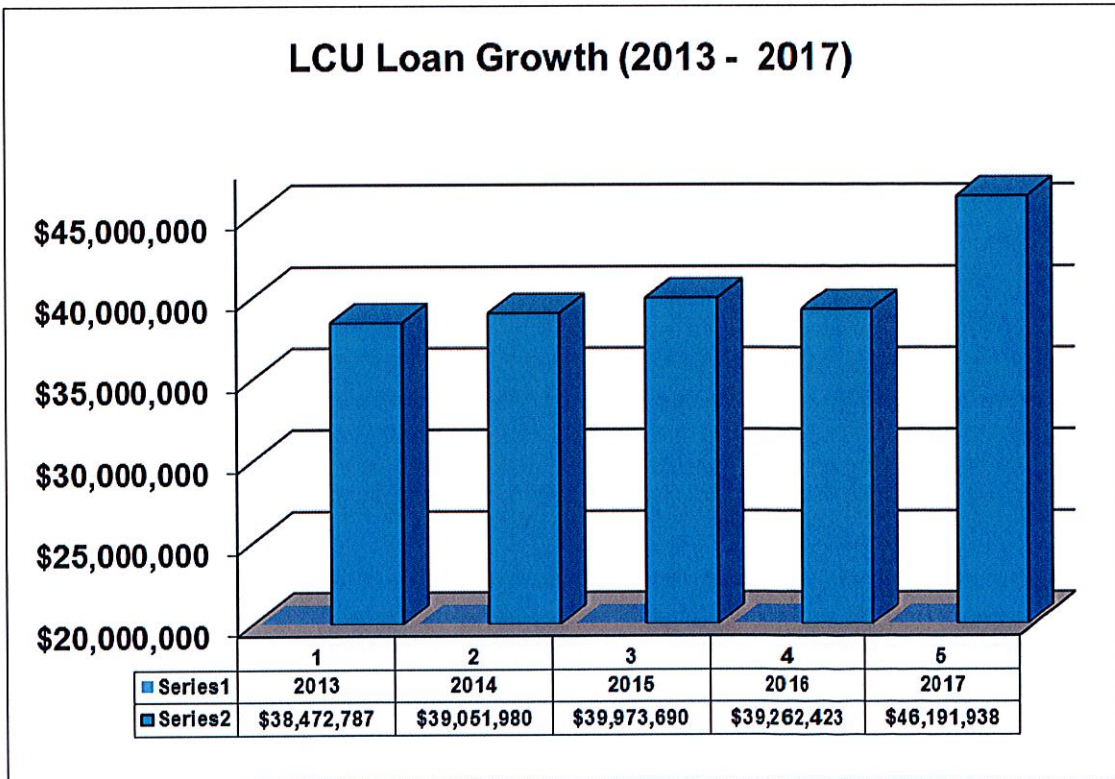
## **Financial Performance**

LCU establishes annual financial performance objectives through a business plan that is reviewed and approved each year by the board. Each month the board receives an accrued financial statement showing assets, liabilities, income and expenses, as well as a number of key ratios, percentages, and changes to the statement from last month and from last year to date. Each quarter the board also reviews a comparison of actual figures to budget from the business plan. This report is reviewed in detail to measure our success compared to the budget projections.

**Balance Sheet** – LCU had another successful year financially in 2017. Assets of Lafleche CU grew slightly to end the year at **\$73.5** million. This represents growth of **\$2.3** million or **3.18%%** for 2017. The graph on the following page illustrates our 10-year Asset growth, which has been **6.3%** per year on average, which has been above our projections:



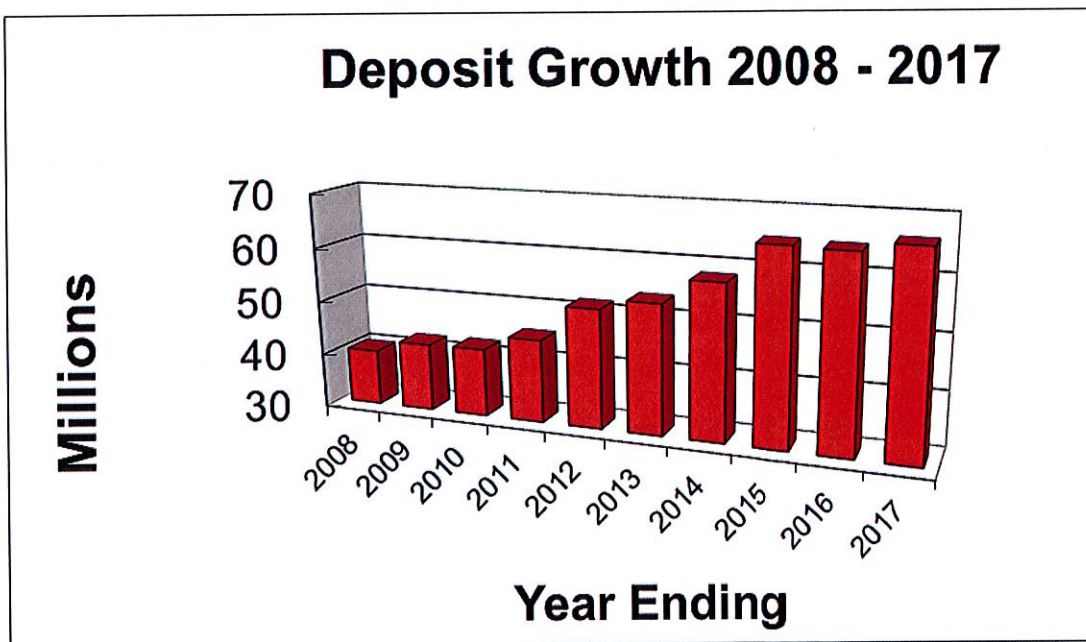
A key measurement of liquidity is the ratio of total loans to total assets. LCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Accounting for **62.8%** of total assets, our loan portfolio ended the year at **\$46.2 million**, which represented a **17.7%** increase. It is our goal to effectively manage loan growth towards our loan portfolio target of 65-70% of total assets. In 2017, we disbursed loans totaling **\$6.5 million**, which was a decrease from the **\$7.1 million** disbursed the previous year (this does not include syndications funded during the year). We also were funding **\$2.5 million** in leases and **\$16.2 million** in syndicated loans at year-end. Loan delinquency ended the year at **0%** compared to **.34%** in 2016, and the Loan loss provision expense was also **zero** as compared to **\$12,300** the prior year.



Member Deposits increased by **\$1.52 million** or **2.4%** to end the year at **\$66.2 million**. Management continues to monitor and manage deposit growth to ensure the liquidity requirements of the credit union are met. As we have noted in the past, we like to see growth, however the significant growth we have experienced over the last few years, combined with new capital standards has presented some challenges for us. Over the last 10 years, as illustrated on the Deposit Growth graph on the following page, our deposits have increased from **\$40.0 million** to **\$66.2 million**, which is growth of **65%**, or **6.5%** per year. This has been due to the excellent support of our members!

Deposit growth creates Asset (Investment) growth, which in turn requires more capital to meet regulatory requirements. With more emphasis being placed on capital in recent years, and this degree of growth, our focus over the past few years has been on increasing our capital. That has resulted in limiting the amount of patronage payments in the past few years, however the Board of Directors have approved a Patronage Payment for 2017 as was noted by our President.

We would like to remind everyone that LCU deposits are **100% guaranteed** by the regulator of Saskatchewan credit unions, namely the Credit Union Deposit Guarantee Corporation (CUDGC).



**Profitability** – The profitability of LCU is determined by our ability to manage net interest margin, non-interest revenues and non-interest expenses. Our pre-tax income for 2017 was **\$504,642**, compared to **\$413,976** the previous year. Total interest income of **\$2.4 million** was up slightly from 2016, due to the loan growth achieved in 2017. Non-interest revenue includes insurance commissions, loan fees, account service fees and foreign exchange revenue. Non-interest revenue increased by \$26,387 in 2017, which was mainly due to some higher than usual fee revenue received during the year. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.56 million** as compared to **\$1.51 million** in 2016. Non-interest expenses as a percentage of Assets were **2.12%**, which was the same as the previous year. This percentage continues to fall below the Sask. credit union system average of **2.34%**.

**Capital Ratio** – One of the primary measures of financial strength in a financial institution is its capital position. Capital levels are managed in accordance with policies and plans that are reviewed and approved by the Board of Directors. Credit Unions measure capital using 2 methods, the first of which is a simple comparison of Tier 1 (total) capital to total assets.

The 2<sup>nd</sup> ratio compares capital to our risk weighted assets. Our regulator, CUDGC, requires that all Sask credit unions hold a minimum of 6% Tier 1 capital, with a recommended minimum of 7%. Under the 2<sup>nd</sup> key ratio calculation CUDGC requires Sask credit unions to hold a minimum of 8% risk weighted (eligible) capital with a recommended minimum of 10%.

As of Dec 31, 2017 LCU's eligible capital was **15.58%** compared to Sask CU system average at **13.74%**. Total (Tier 1) Capital as a percentage of total assets was **14.22%** compared to the system average at **12.88%**. LCU's total Tier 1 capital is made up of retained earnings and member equity held as shares. While our capital levels have been increasing, we must pay particular attention to increasing capital due to the growth we have experienced in the past several years. Our regulators continue to monitor our capital levels going forward to ensure strength of our credit union.

For several years now we have been measuring our capital through a method known as Internal Capital Adequacy Assessment Process or ICAAP for short. This is part of CUDGC's regular supervisory review process and all Sask credit unions are required to adopt ICAAP to assess capital requirements. Our December 31, 2017 assessment indicates that we continue to exceed the required capital levels as set out by CUDGC.

Lafleche CU recognizes a need to sustain and build the credit union's capital position in order to continue to meet regulatory and sound business practices. Adequate capital enables the credit union to sustain its liquidity requirements, to safely fund development initiatives, and provide leverage to effectively manage performance standards.

In general, the purpose of the Capital Plan is to identify optimal capital ranges for LCU and the actions that Board and Management will employ to work towards those optimal ranges.

- Too little capital restricts the credit union's ability to grow and generate good returns. It also increases the risk of having insufficient funds to cushion against unexpected losses or liquidity needs.
- Too much capital could be perceived that the credit union is not generating sufficient return on its capital.

LCU's capital plan is directly related to its service delivery strategies and risk philosophy. The credit union has traditionally held a moderate appetite for risk. It has focused on traditional financial services, and maintained a relatively low level of risk in its loan and investment portfolio. Liquidity has been maintained within a very comfortable range. This has proven to be an effective strategy through this extended period of low interest rates. Lafleche CU continues to grow its balance sheet and maintain profitability in this ever increasing competitive financial services market.

### ***Enterprise Risk Management (ERM)***

As a financial institution, Lafleche Credit Union must manage the risks it faces to achieve its business objectives. In doing so, it must balance the risk with the potential reward for optimum return. The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated and unexpected business events. Our credit union has a strong level of capital, but have chosen to take a moderate approach to risk. Our main

objective is to preserve and build capital while maintaining market share and growing wallet share by providing our members with competitive products and excellent service.

As our credit union continues to grow and experiences further product and service diversification, the risk profile or the organization will change. Capital adequacy measurements have evolved from the asset allocation of the balance sheet to the lines of business, operating, technology, reputation and other known risks. Allocation of capital is required to offset these various risks.

A second element of risk management is liquidity. The liquidity standards have changed significantly with the introduction in 2017 of a liquidity coverage ratio and stress testing. The objective of the new standards is to ensure that credit unions have an adequate stock of unencumbered high quality liquid assets that consist of cash or assets that can be converted to cash at little or no loss of value; and meet its liquidity cash needs for a 30 calendar day stress scenario. After 30 days it is assumed corrective actions have been taken. Credit Unions are expected to conduct stress tests to assess the level of liquidity they should hold. Our risk management process has evolved to the point where we:

- Identify risks to which the credit union is exposed
- Measure our exposure to identified risks
- Ensure that an effective risk monitoring program is in place
- Monitor risk exposure on an ongoing basis
- Control and mitigate risk exposures
- Report to the Board and Senior management on risk exposures

We do this through our risk management regime, which consists of the following:

- ERM Review – risks are identified and tracked
- Risk Appetite Statement – identifies the amount and type of risk the credit union is able and willing to accept in pursuit of its business objectives
- ICAAP Report – determines LCU’s ability to absorb financial and economic stress
- Capital Plan – determines the capital levels that are considered appropriate given the current risk profile and risk appetite
- Liquidity Plan – establishes the credit union’s ability fund its business activities
- Strategic/Business Plan – sets strategic direction and related operational plans
- Budget – projects the effect of any steps taken through the capital & liquidity plans

Our risk management framework manages risks in the following categories:

### **Strategic Risk**

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, obsolete products or resource allocation will impact the ability to meet our objectives. This risk is a function of the compatibility of an organization’s strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation. Lafleche Credit Union has formal planning processes which result in a strategic business plan focused on strategic objectives outlined in this report. The credit union has reporting processes in place to monitor performance relative to plans and provides regular updates to the Board. The ERM process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training sessions as well as system meetings and conferences to hear other perspectives and learn from other credit union directors.

### **Credit/Concentration Risk**

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations, and the risk that the credit union is unable to meet loan growth targets. LCU is affected primarily by its direct lending activities. In addition to lending to members, LCU assumes risks related to loans purchased from other credit unions and affiliates, leases financed by Calidon Leasing, and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exceptions risk. Our loan portfolio and lending practices undergo regular and ongoing independent assessment through external audits, internal audits and regulatory reviews by Deposit Guarantee Corp. Reports are provided to management and to the Board of Directors through the Audit & Risk Committee. LCU had all 3 of these audits performed in 2017 with no significant concerns identified.

### **Liquidity Risk**

Liquidity is required to meet the day to day cash needs and members' loan requirements. This risk arises from general funding activities and through management of assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. At Dec 31, 2017 Lafleche Credit Union held 10.40% of its member liabilities in a Statutory Liquidity Account with SaskCentral and LCU has never had to draw upon this facility to fund its liquidity requirements. Adjustments are made to this account four times a year in Feb, May, Aug and November to ensure that the amount held remains at or just above the 10% level. Due to the fact LCU's loan to asset ratio was only 62.5% (target is +70%) at Dec 31<sup>st</sup>, the liquidity risk for our organization continues to be minimal.

### **Market Risk**

Market risk is the exposure to potential loss from changes in market prices and foreign exchange risk. Losses can occur when value of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

LCU's market risk is impacted primarily by movements in interest rates, specifically from the timing differences that exist between re-pricing of loans, investments, and deposits. Our exposure to changes in interest rates is monitored by management in two ways. The first is through our contract for financial services with Innovation Credit Union who monitor and measure our exposure and provide reports to management and the board. The second is by monitoring reports from Concentra Bank and other articles, periodicals, etc. regarding rate forecasts and market trends.

### **Legal and Regulatory Risk**

Regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. No matters came before the Audit & Risk Committee or MNP, our external auditors, which would indicate any such violations occurred in 2017. LCU operates in a highly regulated environment and undergoes numerous audits from entities such as MNP, SaskCentral Internal Audit, FINTRAC, and the Credit Union Deposit Guarantee Corporation. Due to this high degree of regulation the risk in this area is greatly diminished.



## **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity, and natural disasters.

## **Regulatory Matters**

### **Corporate Structure and Governance**

The governance of LCU is anchored in the co-operative principle of democratic member control. Our "member representative", **Debbie Ash**, attends provincial meetings on our behalf and keeps the Board & management apprised of what is happening at SaskCentral.

### **Board of Directors**

#### ***Mandate and Responsibilities:***

The board is responsible for the strategic oversight, business direction and supervision of the General Manager. By acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

#### **Directors**

<b><u>Name</u></b>	<b><u>Term Expires</u></b>
Lynn Sutherland (President)	April 2020
Debbie Ash (Delegate) <i>Member Representative</i>	April 2019
Dawn Mitchell	April 2019
Kathy DeWulf	April 2019
Glenn Sproule (Vice-President)	April 2018
Marg Clark	April 2018
Larry Wall (Appointment)	April 2018

#### ***Board Composition:***

The board is composed of 7 individuals elected on an "at large" basis by members. Terms are usually for 3 years and tenure is limited to 9 years (3 terms). Nominations are made by filing out a nomination paper during the allotted time period prior to the annual meeting. Voting is by paper ballot, done in-branch, and election results are announced at LCU's annual general meeting.

#### ***Committees:***

The responsibilities of the board serving a modern financial services organization involves an ever-growing list of duties. LCU maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union.

- **Executive Committee**

This committee is comprised of the President, Vice-President, and one other director and they act as the official representatives of the Board. The Executive Committee is the most senior committee and can act on behalf of the board in between meetings where timely decisions are required.

- **Audit and Risk Committee (ARCO)**  
This Committee oversees the enterprise risk management and financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly.
- **Conduct Review Committee**  
This committee ensures that LCU acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The committee is chosen at the annual reorganization meeting. It is comprised of 3 directors that are charged with reviewing the conduct of dealings that take place during the fiscal year with all directors, management and their family members.
- **Building Committee**  
Purpose is to work with management in the development of policies and plans relevant to the credit union service facilities. The committee also oversees the maintenance and improvements of all properties, within approved budgetary constraints, that are owned by the credit union for its own use. The committee is comprised of 3 directors appointed each year by the board at the reorganization meeting.
- **Nominating Committee**  
This committee oversees the nomination and election processes for elections of credit union directors. The committee is comprised of the 2 or 3 directors elected in the prior year. Its primary purpose is to ensure that all those coming forward to run as a director of the credit union qualifies in all material respects before accepting the nomination papers. As well, the Nominating Committee has the role of seeking out members to run for vacant board positions who they feel would be an Asset to the Board of Directors. The Nominating Committee will always consult with management to ensure that the potential candidate operates their affairs in a satisfactory manner and that no conflict of interest is evident.

***Compensation and Attendance:***

Board members are volunteers, but are compensated for attending regular and committee meetings throughout the year, and are paid mileage for traveling as required. The budgeted amount for board remuneration and travel in 2017 was \$18,387 and actual expenditures for the year were \$19,390. The Board holds monthly board meetings plus a Strategic Planning session, Budget meeting and GM performance plan/review meetings each year. In addition, the directors also attend special board meetings, committee meetings, and the annual general meeting.

***Director Training:***

Board members are encouraged to take Credit Union Director Achievement (CUDA) training to improve their governance skills. A few of the Lafleche CU directors are graduates of the national CUDA training program, while others are working towards their designation. Four (4) LCU Board members attended an in-house weekend training session in 2017 to complete their "Level A" of the CUDA program. The Board also participated in various other in-house training sessions for anti-money laundering, privacy, market code and code of conduct in 2017.

## ***Executive Management***

The management structure of LCU is follows:

General Manager: Bruce Anderson, ACUIC  
Manager of Lending and Branch Services: Tracy Johnson, FCUIC  
Manager of Deposit Services: Carmen Ellis

## ***Corporate Social Responsibility (CSR)***

Concern for Community is one of the co-operative principles, and Lafleche CU is a strong believer in corporate social responsibility. Each year we make every attempt to support our communities through our efforts in staff & board volunteerism, charitable giving, and financial support within the communities that we serve. We continue to encourage staff to volunteer in the community in leadership and various other capacities with local organizations.

I have included a page in the annual report which provides a partial listing of some of the many donations and sponsorships provided, once again, in the past year. Each year we are proud to donate \$50 per student as a Grad Bursary to all graduating students at 3 local high schools within our market area. In addition, our employees volunteered **1,174** hours of community service to various boards, committees, and other volunteer and/or elected positions during the calendar year.

Lafleche Credit Union measures success in terms of personal relationships, not market share, asset size or annual earnings. The staff and board's commitment is to the members and we believe it is in our member's best interest to keep things small for now. At Lafleche Credit Union, we are proud of our 2 branches with only 12 employees. Our staff know almost all of our members' names (and many of their kids' names) and we are not jumping on the merger bandwagon anytime soon. That said, it becomes increasingly difficult to meet the regulatory requirements put on credit unions by government and the Credit Union Deposit Guarantee Corp. We will continue our best efforts to ensure that members receive the best quality financial services we can provide with the resources that we have. With our members' continued support this should be for many more years into the future.

# NOMINATION COMMITTEE REPORT

## 2018 Election Process:

The purpose of the Nomination Committee is to oversee the annual nomination and election of directors for the Lafleche Credit Union. Policy states that the Nomination Committee shall consist of directors that are not candidates for re-election in the current year's election.

The Nomination Committee for **2018** was Lynn Sutherland and myself. The Board of Directors appoints a returning officer each year that is responsible for advertising for nominations, collecting the nominations, and advertising and supervising the election process. Carmen Ellis was appointed as the returning officer. The General Manager acts as a staff resource to the Nomination Committee.

It is the policy of Lafleche Credit Union to actively solicit qualified prospective candidates to seek election to the Board of Directors, and to provide director contact for any member who expresses an interest in running for the board, or to make inquiries about the election process.

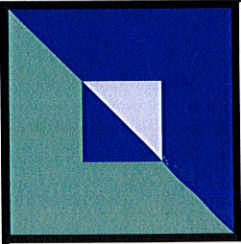
The committee ensures that there are sufficient nominees to fill each vacancy on the Board. The Board consists of seven directors, with two or three director's terms expiring each year when possible, so that we are able to maintain some level of stability/experience on the Board.

During the 2018 nomination period Marg Clark, Larry Wall and Glenn Sproule filed papers with the returning officer prior to the deadline. These 3 candidates were elected by acclamation, as no other nomination papers were received during the allotted time period. Thank you to all our current directors for your commitment to Lafleche Credit Union.

Respectfully submitted,  
On behalf of the Nomination Committee



Kathy DeWulf,  
Chairperson



**Lafleche**

**CREDIT UNION**

Community minded...just like you!

## IT PAYS TO BE A MEMBER!

Lafleche CU Board of Directors  
Announces there will be  
Member Profit Sharing (MPS) Day  
Sometime in June 2018!  
(Watch for Posters!)



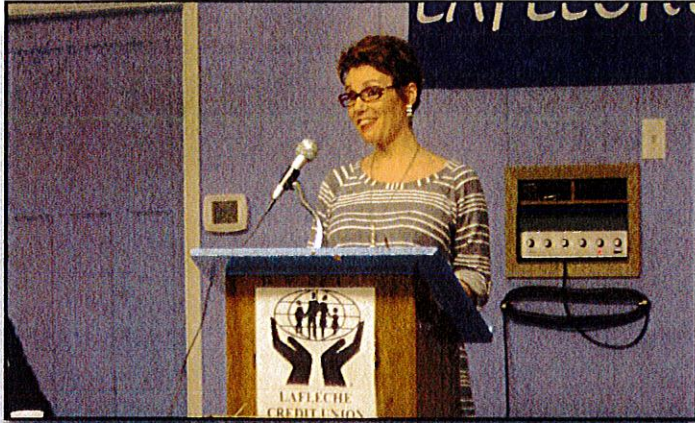
\$244,000 to be re-  
turned to members,  
which is 12% dividend  
on deposit interest  
earned and 12% rebate  
on loan interest paid.

# LAFLECHE CREDIT UNION

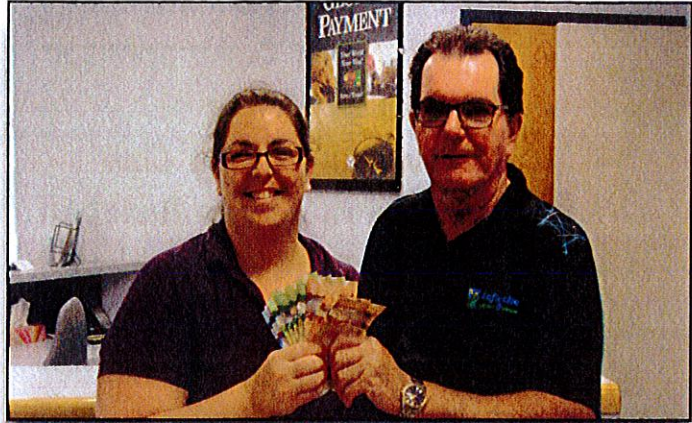
## SERVING THE COMMUNITY SINCE 1938

The Lafleche Credit Union celebrated 80 years of service to the community in 2017. We once again held *Member Appreciation Lunches* at Lafleche and Glentworth to show our gratitude for members' support. We are very proud of

our continued commitment to community support, which is evidenced by the list of sponsorships and donations on the following page. Below are photos of events, awards, etc. during the year.



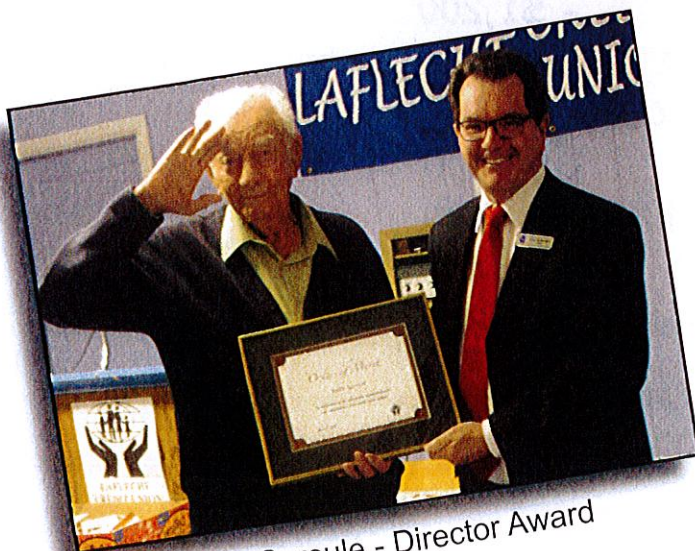
Tanya Herman-Vanthuyne - Guest Speaker at AGM



Donation to Lafleche Day Care



2017 Staff



Keith Sproule - Director Award



2017 Board of Directors

## 2017 Donations/Sponsorships

- Canadian Co-op Association & Co-op Dev Foundation
- Co-op Youth Camp sponsor
- Festival of Trees
- Glentworth Curling Club
- Glentworth Giants Baseball
- Glentworth Minor Hockey
- Glentworth Senior Bowlers
- Glentworth Senior Thunder
- Golf Prizes - Men's, Ladies & Par 3 at Thomson Lake
- Kincaid School Calendar
- Lafleche Club 50
- Lafleche Curling Club
- Lafleche Canada 150
- Lafleche Lions Club
- Lafleche United Church
- Lake Crest Golf Club - Men's Night Sponsor
- LCS Yearbook, Grad and Hot noon meal sponsor
- Legion-Lafleche & Glentworth poppy fund
- Mankota 4H Club
- Music Festival - Lafleche
- Red Cross
- St. Joseph's Hospital
- Stock Grower's Assoc
- Terry Fox Run
- Wood Mountain Rodeo
- Wood Mtn Regional Park

### Donations/Sponsorships over \$250 in 2017

- Local Families (Losses due to fires) - \$1,600
- School Grad Scholarships - \$1,200  
*(Lafleche, Glentworth & Kincaid)*
- Co-op Development Foundation (CDF)- \$ 500
- CCA - Peru Flood Victims fund - \$ 500
- Curling - Trav. League sponsorship - \$ 500
- Co-op Youth Camp sponsorship - \$ 475
- Terry Fox Runs - sponsored lunch - \$ 300
- Wood Mountain Rec Club - \$ 275
- LCS Hot Noon Meals - \$ 250

**Lafleche Credit Union Limited**  
**Summary Financial Statements**  
*December 31, 2017*



**Lafleche Credit Union Limited**  
**Contents**  
*For the year ended December 31, 2017*

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**Summary Financial Statements**

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Summary Statement of Changes in Members' Equity.....	3
Summary Statement of Cash Flows.....	4

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## Report of the Independent Auditors' on the Summary Financial Statements

To the Members of Lafleche Credit Union Limited:

The accompanying financial statements of Lafleche Credit Union Limited, which comprise the summary statement of financial position as at December 31, 2017, and the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Lafleche Credit Union Limited for the year then ended. We expressed an unmodified opinion on those financial statements in our report dated March 1, 2018.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Lafleche Credit Union Limited.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the summary financial statements derived from the audited financial statements of Lafleche Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Regina, Saskatchewan

March 1, 2018

**MNP LLP**

Chartered Professional Accountants

**Lafleche Credit Union Limited**  
**Summary Statement of Financial Position**  
*As at December 31, 2017*

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	7,842,396	6,337,615
Investments	18,824,412	25,308,052
Member loans receivable	46,191,938	39,252,423
Other assets	371,608	75,575
Income taxes recoverable	38,269	6,773
Property and equipment	243,220	265,372
	73,511,843	71,245,810
<b>Liabilities</b>		
Member deposits	66,228,330	64,708,342
Other liabilities	884,550	349,809
Membership shares and equity	487,454	504,828
	67,600,334	65,562,979
<b>Members' equity</b>		
Retained earnings	5,911,509	5,682,831
	73,511,843	71,245,810

Approved on behalf of the Board

  
 Director

  
 Director

**Lafleche Credit Union Limited**  
**Summary Statement of Comprehensive Income**  
*For the year ended December 31, 2017*

	2017	2016
<b>Interest income</b>		
Member loans	1,955,947	1,822,751
Investments	419,068	439,466
	<b>2,375,015</b>	<b>2,262,217</b>
<b>Interest expense</b>		
Member deposits	539,760	542,714
Borrowed money	1,864	555
	<b>541,624</b>	<b>543,269</b>
<b>Gross financial margin</b>	<b>1,833,391</b>	<b>1,718,948</b>
<b>Other income</b>	<b>229,565</b>	<b>203,178</b>
	<b>2,062,956</b>	<b>1,922,126</b>
<b>Operating Expenses</b>		
Administration	543,471	501,631
Members' security	62,729	69,210
Occupancy	85,483	83,415
Organizational	63,042	49,743
Personnel	803,589	804,151
	<b>1,558,314</b>	<b>1,508,150</b>
<b>Income before provision for (recovery of) impaired loans, patronage and income taxes</b>	<b>504,642</b>	<b>413,976</b>
<b>Provision for impaired loans</b>	<b>-</b>	<b>12,300</b>
<b>Patronage refund</b>	<b>244,000</b>	<b>-</b>
<b>Income before provision for income taxes</b>	<b>260,642</b>	<b>401,676</b>
<b>Provision for (recovery of) income taxes</b>		
Current	27,722	57,199
Deferred	4,242	(5,932)
	<b>31,964</b>	<b>51,267</b>
<b>Comprehensive income</b>	<b>228,678</b>	<b>350,409</b>

A full set of audited financial statements is available from the Credit Union

**Lafleche Credit Union Limited**  
**Summary Statement of Changes in Members' Equity**  
*For the year ended December 31, 2017*

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	<i>Retained earnings</i>	<i>Total equity</i>
<b>Balance December 31, 2015</b>	<b>5,332,422</b>	<b>5,332,422</b>
Comprehensive income	350,409	350,409
<b>Balance December 31, 2016</b>	<b>5,682,831</b>	<b>5,682,831</b>
Comprehensive income	228,678	228,678
<b>Balance December 31, 2017</b>	<b>5,911,509</b>	<b>5,911,509</b>

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*A full set of audited financial statements is available from the Credit Union*

**Lafleche Credit Union Limited**  
**Summary Statement of Cash Flows**  
*For the year ended December 31, 2017*

	2017	2016
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Interest received from member loans	1,962,549	1,776,530
Interest and dividends received from investments	441,789	442,138
Other income	229,565	203,178
Payments to suppliers and employees	(1,523,717)	(1,326,962)
Interest paid to members	(577,423)	(566,163)
Interest paid on borrowed money	(1,864)	(555)
Income taxes paid	(59,218)	(89,975)
	<b>471,681</b>	<b>438,191</b>
<b>Financing activities</b>		
Net change in member deposits	1,557,650	(248,067)
Net change in membership shares	(17,374)	(11,837)
	<b>1,540,276</b>	<b>(259,904)</b>
<b>Investing activities</b>		
Net change in member loans receivable	(6,946,117)	755,188
Purchases of property, plant and equipment	(21,978)	(27,242)
Net change in investments	6,460,919	1,299,919
	<b>(507,176)</b>	<b>2,027,865</b>
<b>Increase in cash and cash equivalents</b>	<b>1,504,781</b>	<b>2,206,152</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,337,615</b>	<b>4,131,463</b>
<b>Cash and cash equivalents, end of year</b>	<b>7,842,396</b>	<b>6,337,615</b>

A full set of audited financial statements is available from the Credit Union



## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2017

**January 2018**

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### Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral) (together, Provincially Regulated Financial Institutions or "PRFIs").

The Corporation is charged through provincial legislation, *The Credit Union Act, 1998*, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

For more information about deposit protection, the Corporation's regulatory responsibilities, and its role in promoting the strength and stability of Saskatchewan PRFIs, talk to a representative at the credit union or visit the Corporation's web site at [www.cudgc.sk.ca](http://www.cudgc.sk.ca).