

Engines of Growth

2016 ANNUAL GENERAL MEETING



Lafleche

CREDIT  **UNION**
Community minded...just like you!



Saskatchewan
Credit Unions

saskce



This year marks the 79th anniversary of the 1st rural credit union in Sask. 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 the first 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 can all be 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 web and Internet banking. The Credit Union boasts assets of \$71.2 million, a membership of 1,913 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.laflehecu.com.

KEITH SPROULE



Keith Sproule is being honored tonight by the Lafleche Credit Union, where he previously served on the board for 35 years. For 6 of those years, 1974 to 1980, Keith served as President of the local board. His contributions at the local level were supplemented by his involvement provincially. Keith served for many years as District Delegate, and was elected to the executive of Credit Union Central of Sask (now SaskCentral) where he served several terms as Vice-President. He represented the SaskCentral at numerous national and international meetings during his time on the board. Keith retired from the board in 1987.

Keith has been extensively involved in his community over the years. He has been a past member of the Sask Wheat Pool committee and a Lafleche Co-op director. Keith is an active member of the Lafleche Legion to this very day, along with being an active member of the Lafleche United Church. Keith continues to volunteer his time and leadership to the Lafleche community.

We are proud to honor Keith as recipient of the Saskatchewan Credit Union Director Achievement Award. Thank you for your many past years of dedicated service to the board of the Lafleche Credit Union and SaskCentral.

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)
- **"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 CHOICE REWARDS & ATM ACCESS
- CUETS **"MASTERCARD CREDIT CARD"**, WITH CHOICE REWARDS & ATM ACCESS
- FINANCIAL PLANNING SERVICES AVAILABLE (*By appointment with 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 Sprould
Recording Secretary... Carmen Ellis
Treasurer.....Bruce Anderson

DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Lynn Sutherland	Business Owner	Lafleche	2017
Guy Monette	Farming	Meyronne	2017
Glenn Sproule	Farming	Thomson Lake	2018
Marg Clark	Business Owner	Glentworth	2018
Debbie Ash	Ranching	Glentworth	2019
Kathy DeWulf	Farming	Lafleche	2019
Dawn Mitchell	Rancher	Glentworth	2019

STAFF

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

The year 2016 was another successful year for 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

79th ANNUAL MEETING

WEDNESDAY, APRIL 19TH, 2017

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 2017**
- 12. GUEST SPEAKER – TANYA HERMAN-VANTHUYNE (SUNSTONE RETIREMENT SPECIALISTS)**
- 13. PRESENTATION OF SERVICE AWARDS**
- 14. DRAW FOR DOOR PRIZES (Winners must be present)**
- 15. ADJOURNMENT**

78th ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED
WEDNESDAY, APRIL 13, 2016

The evening started at 6:00 p.m. with a beef supper, catered by the Wood River Community Hall, with 60 in attendance.

President Guy Monette called the meeting to order at 6:40 p.m.

Marilyn Lamont/Clem Boisvert: Moved to adopt the agenda as presented. Carried

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

Guy Monette presented the Board of Directors report.

Bruce Anderson summarized the Management discussion & analysis report.

Glenn Sproule presented the Nominations Committee report.

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

Loretta Eastley/David Calvin Sr.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried

Lynn Sutherland/Penny Anderson: Moved that we appoint Meyers Norris Penny as our auditors for 2016. Carried

The following Service Awards were presented; DIRECTORS: Glenn Sproule- 9 yrs, STAFF: Leah Munteanu- 15 yrs, Lori McLean – 5 yrs


General Manager Bruce Anderson presented Isobel Spence with the Co-operative Order of Merit Award for her dedication and invaluable contribution to the co-operative system. Isobel served on the Lafleche CU Board for 9 years as director, 1 year as President, and wrote the 25th Anniversary story of Lafleche CU, titled "The First 50 Years".

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

Debbie Sutherland adjourned the meeting at 7:20 p.m.



President



Secretary

President's Message

Welcome everyone to the Lafleche Credit Union 79th Annual General Meeting.

As the President of the Board of Directors, I am pleased to announce that our credit union has once again managed to have a profitable year. This comes in spite of continued low interest rates, and declining demand for loans, a challenge that is being experienced in most rural areas of the province.

To help make up for the lower local demand for loans, management (with Board approval) has diversified our loan portfolio by funding leases through Calidon leasing, as well as by funding additional syndicated loans by partnering with other provincial credit unions.

In 2016 agriculture had another good year; cattle prices remained strong and crop yields were excellent. Weather extended the harvest season and we are still feeling those effects as producers continue to work to market their product. Strong commodity prices provided good results for producers in our area. You will note that deposits dropped slightly in 2016, however, this was attributed to the late harvest in our area. Lafleche Credit Union's average Asset growth over the past 5 years has been about **5%** per year, bringing Assets to a record high level of **\$71.2 Million**.

On behalf of the entire board I would like to thank the members for your continued support. I would also like to thank the management and staff for making 2016 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 recent performance assessments.

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.

In closing, 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 give 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 our members.

Respectfully submitted,

A handwritten signature in blue ink that reads "Lynn Sutherland". The signature is written in a cursive, flowing style.

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, 2016, 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 1st 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 Sask. 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, 2016 LCU had 1,913 members and did not have any non-members. Non-members would not participate in the democratic processes of the credit union.

Our credit union serves the communities of Lafleche and Glentworth through our two branch offices. In these communities we provide a range of financial services including deposit products; registered products such as RRSP, RRIF, and TFSA's; agricultural, personal, and commercial credit, and a referral Wealth Management Program through Credential Financial Strategies and Sunstone Retirement Specialists.

Strategic Planning

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 *strategic plan*.

Our key strategic objectives in 2016 were: 1) continue with training and education of staff and directors; 2) have the right mix of products and services to meet member needs; 3) build alliances to provide shared services or services not able to provide on our own; and to 4) grow our loan portfolio and maintain profitability.

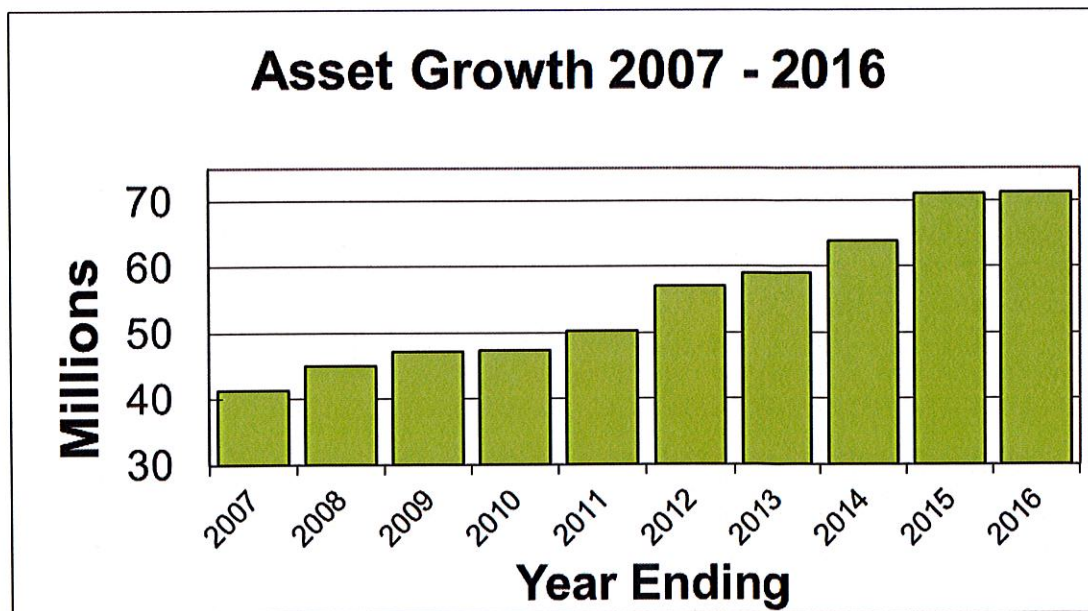
Margins continue to be very tight, due to the low interest rates, however we did have some Asset growth once, and our memberships grew during the year due to the TD Canada Trust branch closure.

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, training of front-line employees is provided as needed, with special emphasis on product knowledge. Staff attended numerous webinars and some classroom training throughout 2016.

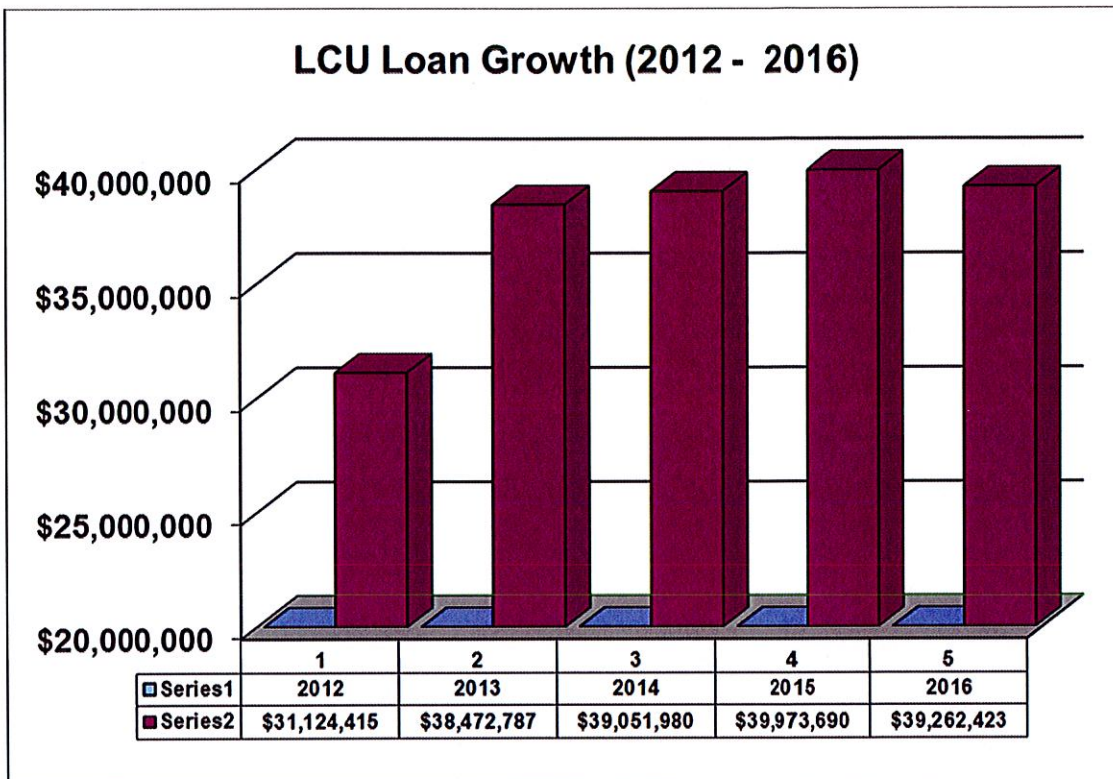
Financial Performance

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 2016. Assets of Lafleche CU grew slightly to end the year at **\$71.2** million. This represents marginal growth of **\$186,962** or **.26%** for 2016. The graph below illustrates our 10-year Asset growth:



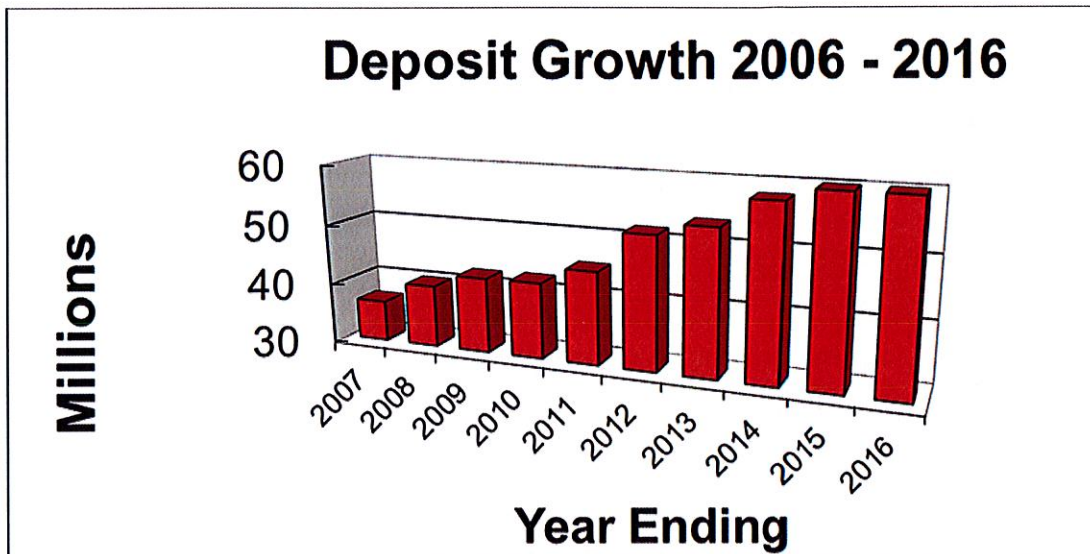
A key measurement of liquidity is the ratio of total loans to total assets. LCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Accounting for **55%** of total assets, our loan portfolio ended the year at **\$39.3** million, which represented a **1.8%** decrease. It is our goal to effectively manage loan growth towards our loan target of 65-70% of total assets. In 2016, we disbursed loans totaling **\$7.1** million, which was an increase from the **\$4.5** million disbursed the previous year. We also were funding **\$2.5** million in leases at year-end. Loan delinquency ended the year at **.34%** compared to **.52%** in 2015, and the Loan loss provision expense was **\$12,300** as compared to **\$23,171** the prior year.



Member Deposits decreased by **\$271,516** million or **.42%** to end the year at **\$64.7** 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 was presenting 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 **\$42.5** million to **\$64.7** million, which is growth of over 50%. Although deposits decreased slightly in 2016, it was a levelling off year, and as illustrated by the graph we have had excellent average deposit growth of around 5% per year in the past 10 years.

Deposit growth creates Asset (Investment) growth, which in turn requires more capital to meet regulatory requirements. With more emphasis being placed on capital recently, and this degree of growth, our focus has been on increasing our capital. This in turn limits the amount of patronage we are able to pay, therefore the decision of the board was to not pay any patronage from our 2016 operations.

We would like to remind everyone that LCU deposits are **100% guaranteed** by the regulator of credit unions in Saskatchewan, 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 2016 was **\$401,676**, compared to **\$434,318** the previous year. Total interest income was \$2.2 million, which was up slightly from 2015, due to repricing during the year. Non-interest revenue includes insurance commissions, loan fees, account service fees and foreign exchange revenue. Non-interest revenue decreased by \$23,900 in 2016, which was mainly due to less foreign exchange revenue received during the year. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.51** million as compared to **\$1.46** million in 2015. Non-interest expenses as a percentage of Assets were **2.12%** as compared to **2.05%** in 2015. This percentage continues to be below the Sask. credit union system average of **2.42%**.

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 2nd ratio compares capital to our risk weighted asset total. 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 2nd 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, 2016 our eligible capital was **16.05%** compared to Sask CU system average at **13.55%**. Total (Tier 1) Capital as a percentage of total assets was **14.51%** compared to the system average at **12.65%**. 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 will be carefully monitoring our capital levels going forward to ensure strength of our credit union.

Back in 2011 LCU began the process of 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, 2016 assessment indicates that we are exceeding 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

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called Enterprise Risk Management or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by the Deposit Guarantee Corporation. Through this process, the following risks have been identified according to their potential impact on LCU.

Credit/Concentration Risk

Credit risk is the risk of 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.

Liquidity Risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned increases or decreases in liquidity.

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, product obsolescence or resource allocation will impact the ability to meet our objectives. There is some risk that stable staff and Board complements cannot be maintained, even with the existence of a comprehensive plan.

Emerging/Reputation Risk

There is an emerging risk that both the existing membership and the pool of potential members will shrink to the point of threatening the viability of the credit union.

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.

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards.

Regulatory Matters

Corporate Structure and Governance

The governance of LCU is anchored in the co-operative principle of democratic member control. Our delegate 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

<u>Name</u>	<u>Term Expires</u>
Lynn Sutherland (President)	April 2017
Guy Monette	April 2017
Glenn Sproule (Vice-President)	April 2018
Marg Clark	April 2018
Debbie Ash (Delegate)	April 2019
Dawn Mitchell	April 2019
Kathy DeWulf	April 2019

Board Composition:

The board is composed of 7 individuals elected on an "at large" basis by members. Terms are for 3 years and tenure is limited to 9 years (3 terms). Nominations are made by filing 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.

- **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, and is comprised of 3 directors.
- **Building Committee**
Purpose is to work with management in the development of policies and plans relevant to the credit union service facilities. 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.

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 2016 was \$14,929 and actual expenditures for the year were \$17,852. The Board holds monthly board meetings plus a strategic planning session, budget meeting and GM performance plan/review meeting 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. The Board also participated in various in-house training for anti-money laundering, privacy, market code and code of conduct in 2016.

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)

Lafleche CU is a strong believer in corporate social responsibility, and makes every attempt to support our communities through our efforts in staff/board volunteerism, charitable giving, and financial support within the communities that we serve. I have included a page in our 2016 annual report which provides a partial listing of some of the many donations and sponsorships provided 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, employees donated over **1,195** hours of community service to various boards, committees, and other volunteer and/or elected positions during 2016.

NOMINATION COMMITTEE REPORT

2017 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 the directors that were elected the previous year, and therefore are not candidates for re-election in the current year's election.

The Nomination Committee for **2017** was Dawn Mitchell, Kathy DeWulf 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, so that we are able to maintain some level of stability/experience on the Board.

During the 2017 nomination period Lynn Sutherland filed papers with the returning officer prior to the deadline. Lynn was elected by acclamation, as no other nomination papers were received during the allotted time period. With one other director position to fill the nominating committee proceeded to search for a qualified candidate. We are pleased to report that Larry Wall from Hazenmore has agreed to take a one year appointment to the board of directors and we thank him for taking on this role.

Respectfully submitted,
On behalf of the Nomination Committee



Debbie Ash,
Chairperson

LAFLECHE CREDIT UNION

SERVING THE COMMUNITY SINCE 1938

The Lafleche Credit Union celebrated 79 years of service to the community in 2016. 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.



LCU donations to Lafleche Central School



Board and Staff working at Member Lunches



GM presenting award to Isobel Spence



2016 Board of Directors

2016 Donations/Sponsorships

- Canadian Co-op Association
- Festival of trees - G'burg
- Glentworth Curling Club
- Glentworth School BBQ
- 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 Lions Club
- Lake Crest Golf Club - Men's Night Sponsor
- LCS Yearbook, Grad and Hot noon meal sponsor
- Legion-Lafleche & Glentworth poppy fund
- Music Festival - Lafleche
- St. Joseph's Hospital
- Terry Fox Runs
- Wood Mountain Rodeo
- WM Regional Park

Donations/Sponsorships over \$250 in 2016

- McCord Rec Centre (building reno) - \$2,000
- LCS Library Renovation project - \$1,000
- School Grad Scholarships - \$ 650
(Lafleche, Glentworth & Kincaid)
- Lafleche School Ski Trip - \$ 500
- Kincaid School Stage upgrade - \$ 500
- Curling - Monday League sponsorship - \$ 500
- Terry Fox Runs - sponsored lunch - \$ 400
- Co-op Development Foundation (CDF)- \$ 300
- Wood Mountain Rec Club - \$ 275

Lafleche Credit Union Limited
Summary Financial Statements
December 31, 2016

Lafleche Credit Union Limited
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For the year ended December 31, 2016

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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, 2016, 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 for the year then ended. We expressed an unmodified opinion on those financial statements in our report dated March 19, 2017.

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, 2016 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Regina, Saskatchewan

March 19, 2017

MNP LLP

Chartered Professional Accountants

MNP

Lafleche Credit Union Limited
Summary Statement of Financial Position

As at December 31, 2016

	2016	2015
Assets		
Cash and cash equivalents	6,337,615	4,131,463
Investments	25,308,052	26,610,643
Member loans receivable	39,252,423	39,973,690
Other assets	75,575	52,606
Income taxes recoverable	6,773	-
Property and equipment	265,372	290,445
	71,245,810	71,058,847
Liabilities		
Member deposits	64,708,342	64,979,858
Current tax payable	-	26,003
Other liabilities	349,809	203,898
Membership shares and equity	504,828	516,666
	65,562,979	65,726,425
Members' equity		
Retained earnings	5,682,831	5,332,422
	71,245,810	71,058,847

Approved on behalf of the Board



Director



Director

Lafleche Credit Union Limited
Summary Statement of Comprehensive Income

For the year ended December 31, 2016

	2016	2015
Interest income		
Member loans	1,822,751	1,846,842
Investments	439,466	390,715
	2,262,217	2,237,557
Interest expense		
Member deposits	542,714	546,443
Borrowed money	555	1,153
	543,269	547,596
Gross financial margin	1,718,948	1,689,961
Other income	203,178	227,081
	1,922,126	1,917,042
Operating Expenses		
Administration	501,631	509,912
Members' security	69,210	62,617
Occupancy	83,415	85,681
Organizational	49,743	49,870
Personnel	804,151	751,473
	1,508,150	1,459,553
Income before provision for impaired loans, patronage and income taxes	413,976	457,489
Provision for impaired loans	12,300	23,171
Income before provision for income taxes	401,676	434,318
Provision for (recovery of) income taxes		
Current	57,199	59,819
Deferred	(5,932)	(2,597)
	51,267	57,222
Comprehensive income	350,409	377,096

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, 2016

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2014	4,955,326	4,955,326
Comprehensive income	377,096	377,096
Balance December 31, 2015	5,332,422	5,332,422
Comprehensive income	350,409	350,409
Balance December 31, 2016	5,682,831	5,682,831

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, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	1,776,530	1,869,784
Interest and dividends received from investments	442,138	363,256
Other income	203,178	227,081
Payments to suppliers and employees	(1,326,962)	(1,623,627)
Interest paid to members	(566,163)	(531,031)
Interest paid to SaskCentral/Concentra Financial	(555)	(1,153)
Income taxes paid	(89,975)	(22,155)
	438,191	282,155
Financing activities		
Net change in member deposits	(248,067)	6,864,833
Net change in membership shares	(11,837)	45,089
	(259,904)	6,909,922
Investing activities		
Net change in member loans receivable	755,188	(967,822)
Purchases of property, plant and equipment	(27,242)	(18,180)
Net change in investments	1,299,919	(7,096,819)
	2,027,865	(8,082,821)
Increase (decrease) in cash and cash equivalents	2,206,152	(890,744)
Cash and cash equivalents, beginning of year	4,131,463	5,022,207
Cash and cash equivalents, end of year	6,337,615	4,131,463

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



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2016

January 2017

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the primary regulator and deposit guarantor for Saskatchewan credit unions. 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 has successfully guaranteed the repayment of deposits held in Saskatchewan credit unions for over 60 years. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

Responding to regulatory changes at the international and national levels continued to be a key focus for the Corporation in 2016. Federally, a shift in policy direction assigned regulation of the credit union centrals to the provinces. This resulted in the government of Saskatchewan creating and passing the *Credit Union Central of Saskatchewan Act, 2016* assigning regulatory responsibilities for SaskCentral to the Corporation. In preparation for assuming these responsibilities in 2017, the Corporation developed regulatory policy and supervisory practices.

At the provincial level, work was finalized on the development of liquidity standards and guidance that align with current international standards. As part of this development, the Standards of Sound Business Practice and Capital Standards of Sound Business Practice were reviewed and updated. These documents were provided to credit unions well in advance of coming into effect on January 1, 2017. These efforts will ensure that the Corporation is in a position to continue to protect credit union depositors which, in turn, contributes to the strength and stability of the Saskatchewan credit union system.

In 2017 the Corporation will continue to monitor the potential implications of the changing regulatory environment in addition to carrying forward its preventive efforts to support credit unions as an effective first level of deposit protection. Maintaining constructive relationships with credit unions and investing in programs that reduce risk to the Deposit Guarantee Fund will continue to be a key priority.

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