



## **Meeting Agenda**

### **71<sup>st</sup> Annual Meeting of the Saskatoon City Employees Credit Union March 20, 2018**

1. Call to order and Welcome
2. Registration and Declaration of Quorum
3. Adoption of Agenda
4. Reading and approval of previous years annual meeting minutes
5. Business arising out of minutes
6. Board of Directors/President's Report
  - Prairie Hospice Presentation
7. Deposit Guarantee Corporation Annual Report 2017
8. Management Discussion and Analysis Report
9. Management's Responsibility
10. Auditors Report and Presentation of Financial Statements
11. Adoption of reports
12. Appointment of auditors for 2018
13. Election of Directors
14. New Business
  - Scholarship Awards Presentation
  - Door Prizes
  - Other New Business
15. Adjournment



## **SASKATOON CITY EMPLOYEES CREDIT UNION ANNUAL GENERAL MEETING**

The 70<sup>th</sup> Annual General Meeting of the Saskatoon City Employees Credit Union was held on March 28, 2017, Committee Room E, City Hall, 222 3<sup>rd</sup> Avenue North, Saskatoon, Saskatchewan.

### **1. Call to order and Welcome**

The President, Mubarka Butt, welcomed everyone, declared a quorum of the membership present and called the meeting to order at 7:31 p.m.

### **2. Registration and Declaration of Quorum**

30 declared for quorum.

### **3. Adoption of Agenda**

A **motion** to adopt the agenda by Cindy Griffiths was seconded by Ernie Husulak and **carried**.

### **4. Reading and approval of previous year's annual meeting minutes**

Secretary, Graeme Bittner summarized the minutes of the 69<sup>th</sup> Annual General Meeting held March 22, 2016.

A **motion** to accept the minutes as presented was made by Ken Kozak and seconded by Shaz Azam was **carried**.

### **5. Business arising out of the minutes**

There was no business arising from the minutes.

### **6. Board of Directors/President's Report**

It was acknowledged that all reports would be presented and then a motion would be done at the completion of the reports.

Mubarka Butt presented the President's Report going through the financial highlights and Board activities along with the Board development.

## **7. Deposit Guarantee Corporation Annual Report 2016**

General Manager, Dennis Lozinsky, referred the membership to page 8. He then read the Credit Union Deposit Guarantee Corporation annual report message January 2017.

## **8. Management Discussion and Analysis Report**

General Manager Dennis Lozinsky reviewed the Ends Policy which identifies the Credit Unions Strategic goals. Vision, Mission and Values and Market Code statement and the Co-operative principles on page 10 was discussed. He went on to review the Management Discussion and Analysis in the Annual Report, discussing the Credit Unions key strategic highlights. He directed the membership to the Key Performance Results to review the financial performance, credit management and Liquidity and Capital Management from the meeting package. He also reviewed the Enterprise Risk Management that measures risks that the Credit Union faces along with opportunities that are being monitored.

## **9. Management's Responsibility**

The General Manager read the Management's responsibility for financial reporting as seen on page 33 on the AGM report.

## **10. Auditors Report and Presentation of Financial Statement**

President welcomed and introduced Virtus Group accountants Brian and Kristin. They discussed the independent auditors' report regarding management's responsibilities and auditors' responsibilities. They indicated that the financial statements for year ending December 31, 2016 were consistent with from the previous year. They reviewed the summarized the financial statements to the membership. They thanked the Credit Union for their full co-operation with this audit.

In this report, it is of Virtus Group opinion that the financial statements for year ending December 31, 2016 are a fair summary and are in accordance with the criteria described in Note 1 of the 2016 AGM report.

## **11. Adoption of reports**

A **motion** to accept the Board of Directors/Presidents Report, Deposit Guarantee Corporation's report, Management Discussion and Analysis Report, Audit report and the General Managers Presentation of financial statements, was made by Chris Phippard, and seconded by Ken Kozak. The motion was **carried**.

## **12. Appointment of Auditors for 2017**

A **motion** to appoint the audit firm of Virtus Group to conduct the audit function of the Credit Union for 2017 was made by Bill Davern, and seconded by Stan Macala. The motion was **carried**.

## **13. Election of Directors**

Board member Bill Davern from the nominating committee informed the membership that four term positions were vacant and there was seven standing for election. The seven standing are Shaz Azam, Alyson Edwards, Jan-Mark Gustafson, Lori Halter, Gwen Kaminski, Ken Kozak and Marian Voth.

The floor was then opened for more nominations. There was a second call for nominations. There was a third and final call for nominations. There being no more, nominations were closed.

An election was declared. Ballots were distributed and instructed the membership to vote for up to four (4) directors, each to serve a three (3) year term. The nominees with the greatest number of votes would be declared elected.

A **motion** was presented by Ken Kozak “that Joanne and Kayla be the scrutineers and collect the votes and report the results” was seconded by Marty Irwin was **carried**.

The votes were then tabulated.

Bill Davern then announced and congratulated the newly elected incumbents in no particular order; who are elected for a three (3) year terms are:

Shaz Azam,  
Jan-Mark Gustafson,  
Ken Kozak,  
Marian Voth.

A **motion** to destroy the ballots for the election of the board of directors held March 28, 2017 was made by Marty Irwin, seconded by Chris Picard was **carried**.

A YouTube video was shown to the membership on Personal Financial Management (PFM) that will be seen through on-line banking and also the Mobile App.

## **14. New Business**

### **▪ Scholarship Award Presentation**

President Mubarka Butt announced the Boyd Johnson memorial award to this year's recipient, Tatum Sully.

### **▪ Long Service Presentations**

Gail Gillard – 30 years; Michelle Lane – 20 years; Graeme Bittner – 5 years

It was also mentioned on behalf of the Board of Directors to thank Mubarka Butt for her service and contribution as director over the past 6 years.

- **Door Prizes**

Presentations of the door prizes were handed out at random draw.

## **15. Adjournment**

A **motion** to adjourn the meeting at 9:00 pm was made by Ken Kozak and seconded by Shaz Azam and carried.

President Mubarka Butt invited everyone to remain for refreshments immediately following the meeting.

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President Mubarka Butt

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Secretary Graeme Bittner

# President's Report

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## FINANCIAL HIGHLIGHTS

2017 was another good year for our Credit Union. We experienced an increase in our membership, (from 2,243 a year ago up to 2,292), the first increase in quite some time. Our financial assets grew to over \$65.9 million, and we ended 2017 with net earnings of \$289,592.

From our earnings, the Board approved a patronage rebate of \$85,000 for disbursement in 2018. The remainder is kept as retained earnings to meet the Credit Union's regulatory requirements for capital, liquidity and for modest growth.

## STRATEGIC DIRECTION

The Saskatoon City Employees Credit Union is unique in that it serves a niche market of City employees (current and former) and their families. Your credit union's top priority continues to be the long-standing practice of ensuring that its members enjoy the benefits of high quality, personalized service. At the same time, your credit union has subscribed to technological advances as they become cost effective for its membership. Past examples include access to Automated Teller Machines and Internet Banking. The most recent example was the introduction of the Mobile App allowing members to carry out several types of financial transactions from their cell phone wherever they are.

Your credit union continues to partner with other credit unions to reduce costs and to increase revenues. A recent example is the participation loans that yield a higher interest rate, while having an acceptable level of risk.

Another part of your credit union's strategy is to attract new members, particularly those with young families who may have financing needs. Not only do young members make better use of available capital, but they are needed for the long term sustainability of your credit union.

## THE CREDIT UNION SYSTEM

There is much happening in the credit union world. As I write this report, four more credit unions in Saskatchewan are in the process of amalgamation. Innovation Credit Union is seeking a federal charter to compete nationally in on-line banking. Concentra, which holds our short term deposits to meet our regulatory capital and liquidity requirements, is now a federally chartered financial institution.

At provincial level, credit union centrals including SaskCentral are re-organizing to provide support and services on a national scale. Some of the services once provided by SaskCentral are now provided by centrals from other provinces, and vice versa. SaskCentral is now regulated by the Credit Union Deposit Guarantee Corporation

(CUDGC). CUDGC in turn is adjusting to the possibility of federally chartered credit unions in the province.

At the national level, the Canadian Credit Union Association is taking on a greater role in supporting credit unions and the credit union system. There is greater cooperation among the provincial regulatory institutions although one is not likely to see amalgamations due to the individual responsibility for deposit guarantee in each province. Efforts are being made at all levels to fully utilize resources, control costs, and improve service.

## **BOARD ACTIVITIES**

Every year, the Board donates to charities that make significant differences to people in the community. The Prairie Hospice Society most certainly meets that criterion. The Prairie Hospice Society provides compassionate, non-medical client- and family-centered care to end-of-life clients in the comfort of their own homes. It receives no government funding, and depends on donations and dedicated volunteers to fulfill its mission. The Board chose to donate \$2000 to this worthy charity in 2017.

For 2018 the Board has chosen to award two scholarships of \$1000 each in honor of Boyd Johnson, who was a dedicated member of the Board for many years. This year's recipients are Dana Lucas, a first year Arts and Science student at the University of Saskatchewan and Kelly Huisman a third year Arts and Science student also at the University of Saskatchewan who aspires to enter the College of Dentistry.

On behalf of the Board I would like to thank our General Manager, Dennis Lozinsky, Assistant Manager, Graeme Bittner and each of our employees of the Credit Union for their continued commitment and exceptional customer service that makes Saskatoon City Employees Credit Union the financial institution of choice for our members. Finally I would like to thank our members for continuing to support the Credit Union and placing trust in us as your financial institution. I look forward to another prosperous year for our members!

Warmest regards,

Jan-Mark Gustafson  
Board President



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## **ENDS POLICY**

### **MEMBER FINANCIAL WELL BEING**

#### **1.0     SAVING**

- 1.1     Members earn interest at competitive rates on money deposited in guaranteed accounts and/or investments;
- 1.2     Members can purchase non-guaranteed investments.

#### **2.0     BORROWING**

- 2.1     Members can borrow money at competitive rates subject to an acceptable credit record and sufficient collateral.

#### **3.0     TRANSACTIONS**

- 3.1     Members can initiate common financial transactions 24 hours a day - 7 days a week.
- 3.2     Transaction fees are competitive within the Saskatoon market place.

#### **4.0     PERSONALIZED SERVICE**

- 4.1     Members feel welcome, appreciated and respected by Saskatoon City Employees Credit Union staff.
- 4.2     Members receive effective service in a timely manner.

#### **5.0     SAFEKEEPING**

- 5.1     Members can store valuables in a deposit box subject to size and availability at the Saskatoon City Employees Credit Union for safekeeping.

#### **6.0     FINANCIAL KNOWLEDGE**

- 6.1     Members have access to sound financial information and advice

#### **7.0     EQUITY/DIVIDENDS**

- 7.1     Members receive their share of profits in the form of equity and patronage dividends.

#### **8.0     INSURANCE**

- 8.1     Members can purchase life and disability insurance for loans.



## 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).

## Saskatchewan Credit Unions Quick Facts

(as of December 31, 2017, unless otherwise indicated)

- Today there are 44 credit unions in Saskatchewan serving 218 communities through 249 service outlets.
- Credit unions offer financial products and services to more than 476,000 members.
- Saskatchewan credit union assets reached over \$22.4 billion with revenue of over \$933 million.
- Credit union lending amounts to \$18.1 billion.
- Over 420 board members are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$18 million to more than \$5 billion.
- In 2017, Saskatchewan credit unions returned over \$8.1 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,300 people.
- In 2016, Saskatchewan credit unions contributed more than \$7.3 million to growing communities. Our fundraising efforts brought in more than \$186,000 for causes like the Jim Pattison Children's Hospital Foundation of Saskatchewan, Red Cross Disaster Relief and Telemiracle. Our employees logged more than 27,000 hours of volunteer time for community organizations. **(2017 numbers are not yet available.)**
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the **guarantee**.



Saskatchewan  
Credit Unions

saskcu.com

## Vision Statement

Building on member's needs, cooperative ideals, partnerships, and sound financial principles, we provide comprehensive personalized financial services, in an ethical and prudent manner. We commit to the financial wellness of our growing and participative community of members.

## Mission Statement

The Saskatoon City Employees Credit Union exists to provide quality financial services to its members.

## Values

- Open and Voluntary memberships
- Democratic control
- Non-discriminatory
- Service to members towards increasing economic and social well-being
- Distribution towards members
- Build financial stability
- Ongoing education
- Cooperation amongst co-operatives
- Social responsibility

## *Credit Union Market Code*

Saskatoon City Employees Credit Union 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 Saskatoon City Employees Credit Union.
- **Fair sales** purpose is to make sure the credit union's actions and decisions regarding member advice, information and recommendations made by the credit union are objective and reflective of the financial needs and the roles and responsibilities of the member and the credit union.
- **Financial planning** process to advise members on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with Saskatoon City Employees Credit Union. Privacy is the practice to ensure all member information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Saskatoon City Employees Credit Union among our members 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 Saskatoon City Employees Credit Union.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

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

As a true co-operative financial institution, Saskatoon City Employees Credit Union 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 typically 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, setting up reserves (part of which at least would be indivisible; and benefit 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 co-operatives enter into 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.

# Management Discussion and Analysis

## ***Introduction***

Saskatoon City Employees Credit Union is an independent closed-bond Saskatchewan Credit Union owned by our members. Under the current credit union legislation, Saskatoon City Employees Credit Union is able to provide financial services to members and non-members. As of December 31, 2017 Saskatoon City Employees Credit Union had 2292 members and 0 non-members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

Our credit union serves the City of Saskatoon's employees, superannuates and their families through a single branch located in City Hall. We provide a range of traditional retail banking services and products such as personal and business deposit account products, ancillary financial services including domestic and international wire transfers, flash enabled member debit cards, safety deposit boxes, access to mutual fund sales, internet banking including e-transfer, mobile apps and deposit anywhere capabilities, consumer and business loans, lines of credit, credit card and creditor insurance products.

## ***Strategy***

The vision of Saskatoon City Employees Credit Union is to be the leading provider of comprehensive financial services for the employees, superannuates of the city of Saskatoon and their families. To monitor specific objectives throughout the year that support this vision, the board has developed an Ends Policy that establish, measure and monitor our progress toward achieving our goals. Our strategy can be divided into four categories; a) Financial Performance and Risk Management; b) Internal Business Process; c) Members and Growth, and d) People Performance and Development.

Our key strategic objectives in 2017 were to; a) continue to pursue initiatives to optimize revenues and control expenses; b) continue collaboration with like-minded system players; c) improve interest rate competitiveness and analyze implications; d) develop a marketing strategy to build closed bond credit union brand and enhance accessibility channels for growth markets; and e) develop a formal performance management process, continue with training and development of staff, management and directors to improve competencies and keep pace with changes and complexities of financial services industry.

The results of our activities in 2017 are: a) we were able to achieve budgeted loan growth as our loan portfolio increased by 10.5% or \$4.82million from 2016 yearend. With increased interest rates in the low interest rate environment and thin margins gross loan interest revenues only slightly increased in 2017. Our investment interest and non-interest revenues made up for any shortfall in loan revenue increasing by 11.6% and 6.4% respectively. Increased interest income along with reduced operating expenses improved our efficiency ratio and allowed the board to consider a patronage refund; b) we continue to work with like-minded partners to achieve our objectives. We have participated in funding loans with Credit Union partners for a

total of \$7.26 million, an increase of \$4.99 million; c) we did reverse the recent trend of declining membership and increased our membership by 49 members in 2017, we enhanced our competitive interest rate position with mortgage rate specials for 3 and 4 year fixed rate mortgages, and we enhanced accessibility channels with the launch of our mobile apps and deposit anywhere products; and lastly, d) we continue to provide training opportunities for staff and management to enhance our competencies and to keep pace with the increasing complexities of the financial industry. We did not accomplish deployment of a marketing strategy, or develop a formal performance management process.

## ***Key Performance Results***

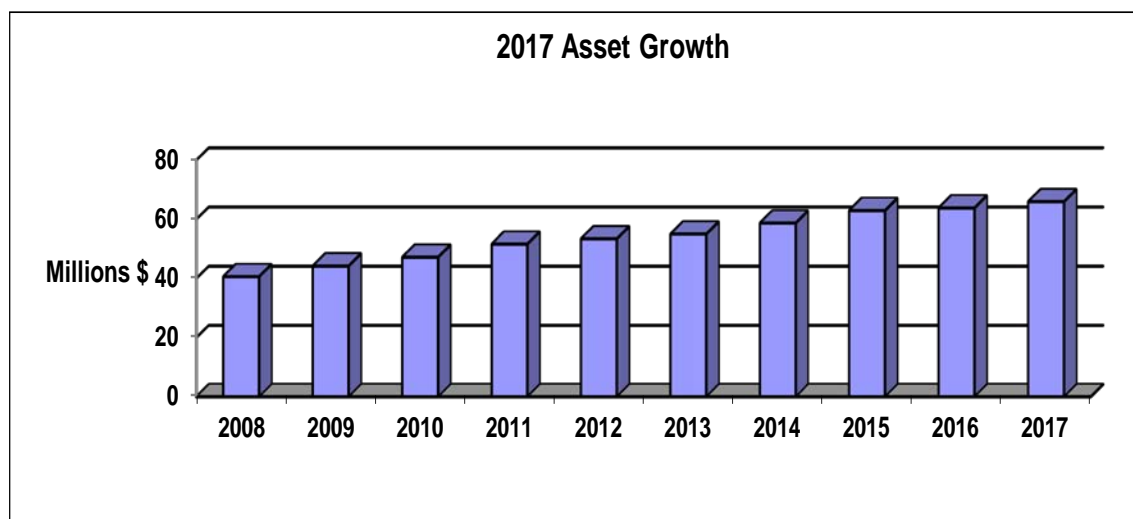
The success of the Saskatoon City Employees Credit Union is measured by its financial management and performance (assets, loans and deposits growth), credit management including credit risk exposure, capital and profitability management, and liquidity management.

Following in this report are the financial statements for the Saskatoon City Employees Credit Union. The following results analysis uses the externally prepared audited financial results as provided by Virtus Group as of December 31, 2017.

### **Financial Performance:**

#### **Balance Sheet Analysis:**

In 2017 our assets increased year-over-year by 3.3% or \$2.1 million to end the year at \$65.9 million. This compares to the asset growth the previous year of 1.40%. Our 2017 asset growth is a result of the overall economic environment, and member confidence, but dampened by the loss of numerous estate accounts.

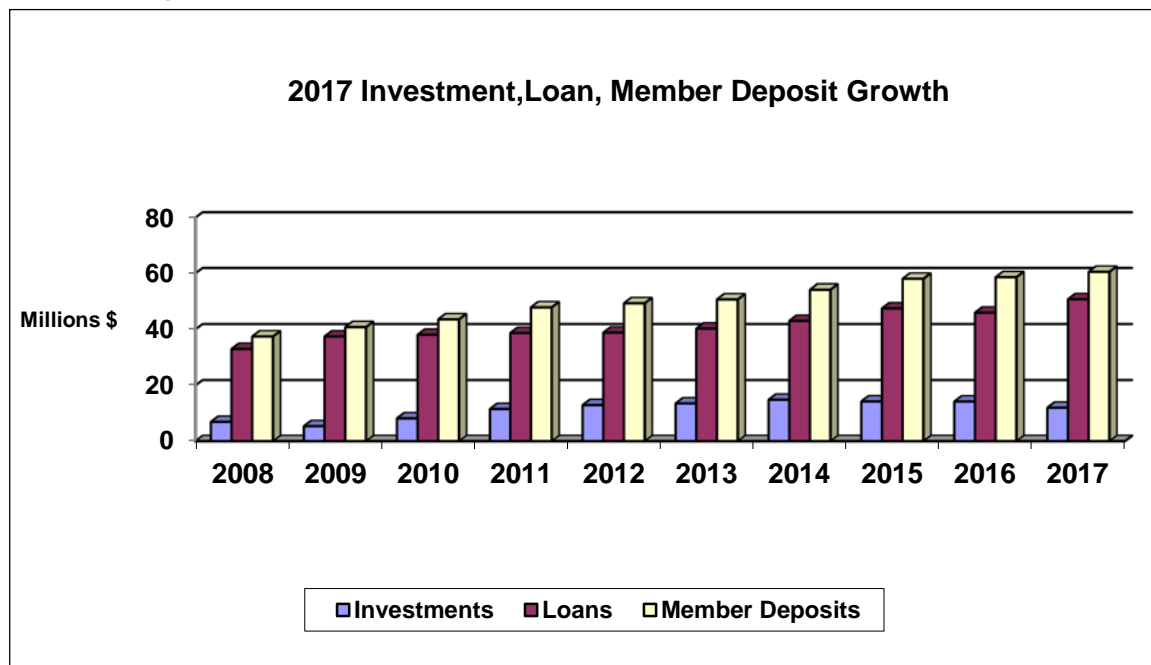


Our loan portfolio increased in 2017 to \$50.8 million, an increase of \$4.8M or 10.5% from December 31, 2016. This compares to 2016's loan decrease of \$1.52M or (3.2%). A summary of lending activity is presented in the enclosed Loan Activity Report as Appendix A.

Our investments, as of December 31, 2017 decreased by \$2.21M or (15.6%) compared to the same period last year where we had a 20.97% or \$2.83M increase. Our investments decreased as a result of funding the loan growth.

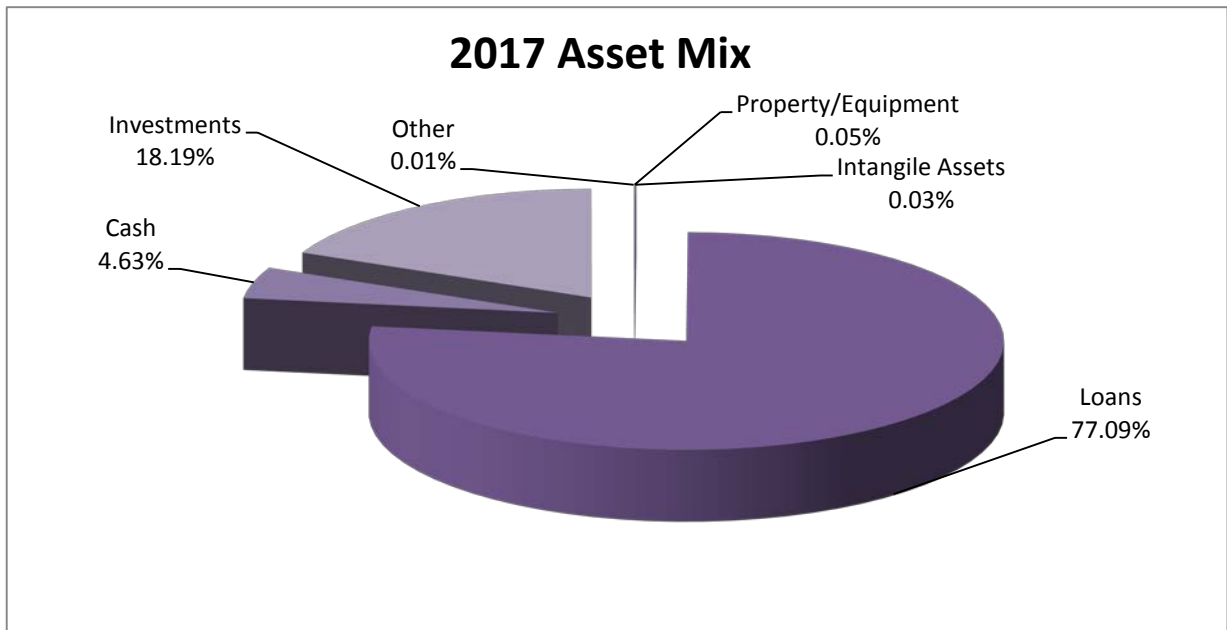
Member deposits increased by \$1.93M to \$60.5M as of December 31, 2017 compared to 2016 results of an increase of \$0.96M or 0.96%.

The following chart illustrates the results in our balance sheet items.

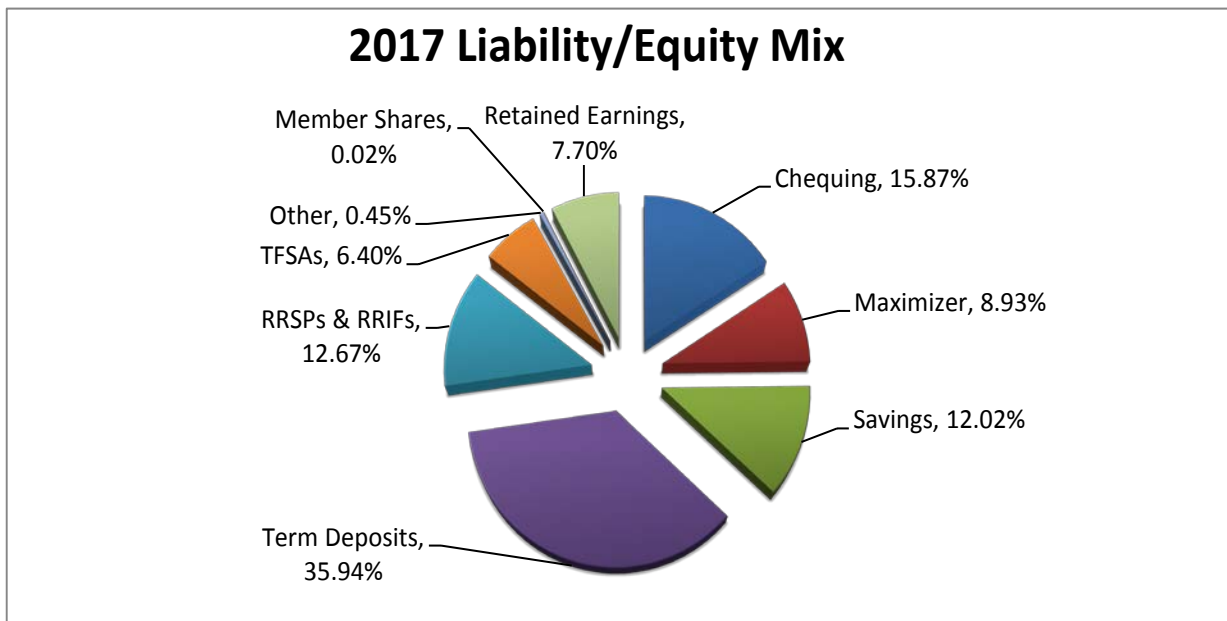




Below is an illustration of our asset composition as of December 31, 2017.



The chart below illustrates the composition of our liability and equity as of December 31, 2017.



## Credit Management:

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. As all our investments are held with Sask Central or Concentra Financial our primary risk is associated with loans. As of December 31, 2017 we had a total loss exposure, which are all loans 90 days or more delinquent, of 4 loans for a total of \$387,572 or 0.83% of our total loans compared to December 31, 2016 of 2 loans for a total of \$417,563 or 0.91%. The 2017 average for the Saskatchewan Credit Union system is 0.84%. As of December 31, 2017 our impaired loss, which are loans we expect to incur a loss is limited to \$21,710 or .03% compared to prior year of 1 loan for \$530 or 0.001% of our total loan portfolio.

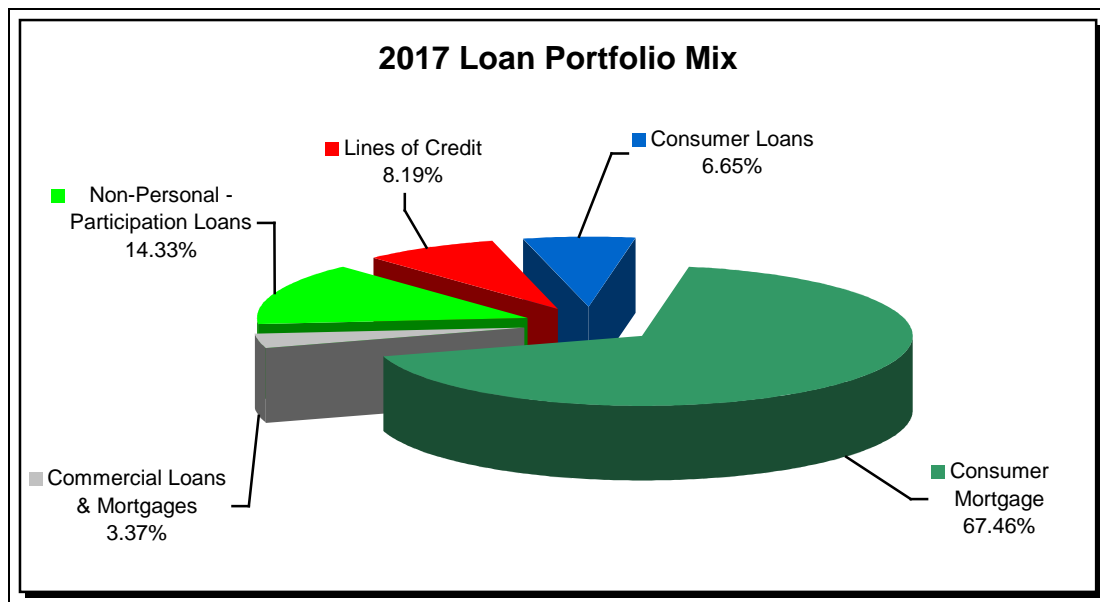
### Loan Portfolio Mix:

Our loan portfolio is predominantly consumer credit representing as of December 31, 2017, 82.3%, (87.6% for December 31, 2016), of our total loan portfolio. Of this mortgages, comprise 81.97% of the consumer loan portfolio compared to 86.3% the prior year. Our consumer mortgages represent 67.46% of our **total loan** portfolio. Consumer mortgages present a lower risk to the Credit Union and directly correlates to our strong risk weighted capital ratio. Our loans as a percentage of assets increased to 77.0% (72.0% - 2016) of our assets. As this ratio is an indicator of our liquidity risk our regulator monitors this ratio and the standard is loans should not exceed 80.0% of our assets.

Our board's risk appetite loan portfolio mix is as follows:

Consumer	50% - 95%;	Commercial	0% - 25%;	Agriculture	0% - 10%;
Participation	0% - 10%;	Leases	0% - 10%;		

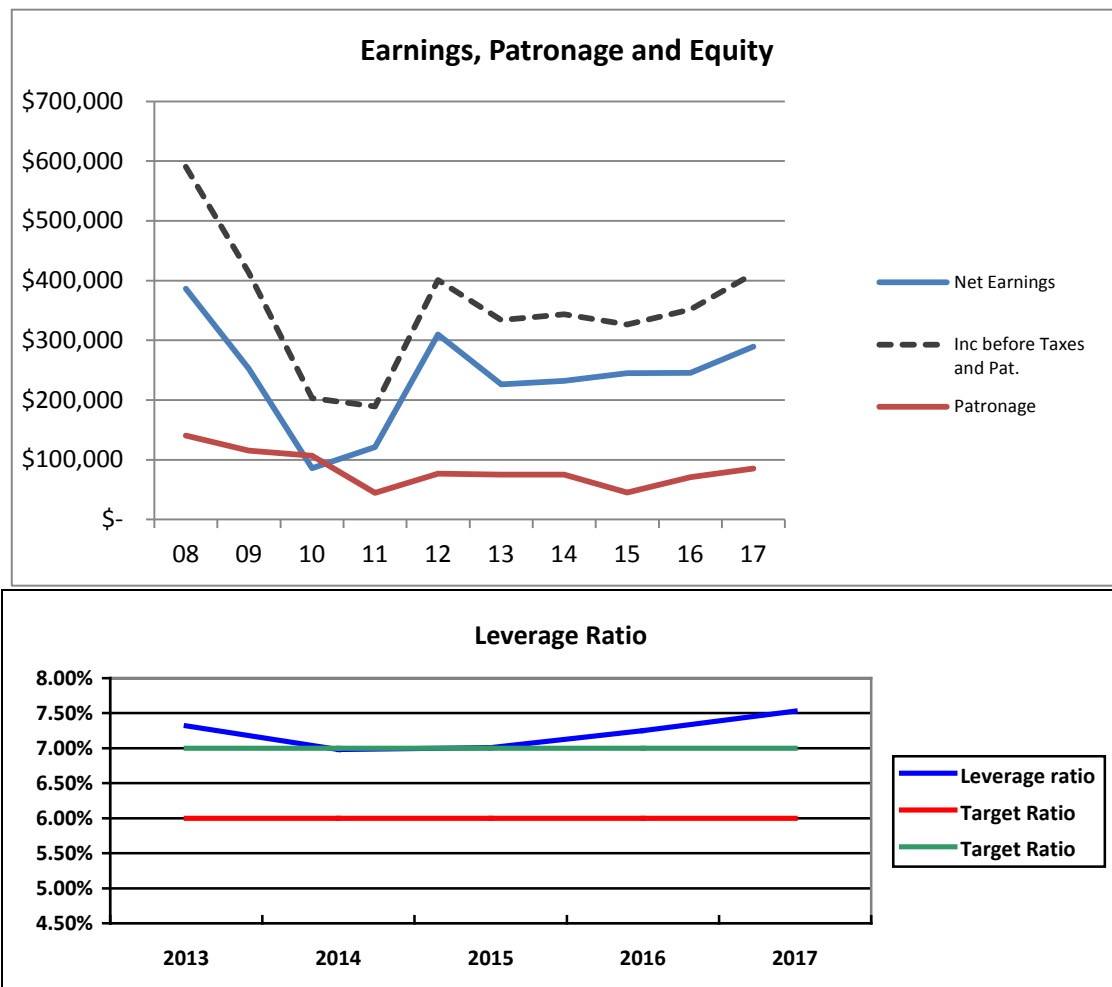
Our loan portfolio mix is illustrated in the chart below as of December 31, 2017.



## Capital and Profitability Management

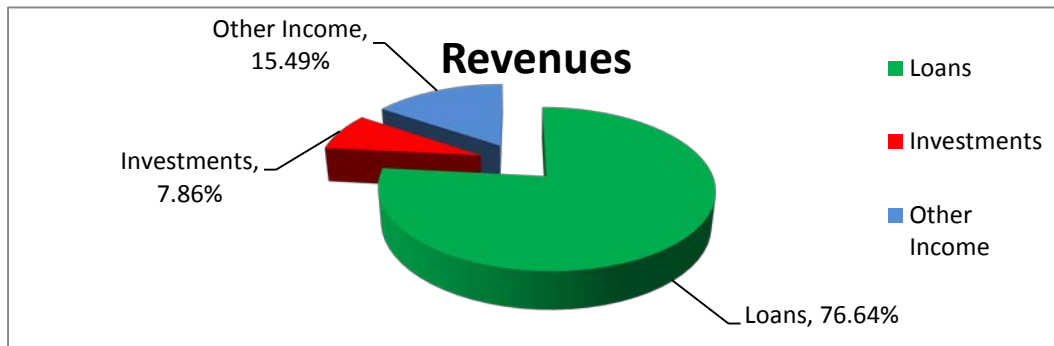
### Return on Assets (ROA):

Another indicator of the Credit Union performance is our profitability measured by the return on assets. For our purposes we measure the net income generated compared to the assets of our credit union. As of December 31, 2017 our ROA after tax is 44 basis points, compared to the system ROA of 0.59 basis points. Our ROA as of December 31, 2016 was 38 basis points (40 basis points - 2015). As of December 31, 2017 our ROA "before patronage allocation" is 57 basis points and 49 basis points at December 31, 2016. The 2017 Consolidated Credit Union system ROA "before patronage allocation" was 63 basis points. Ideally an ROA would be between 55 and 75 basis points. Your board has set a ROA target of 35 to 50 basis points.

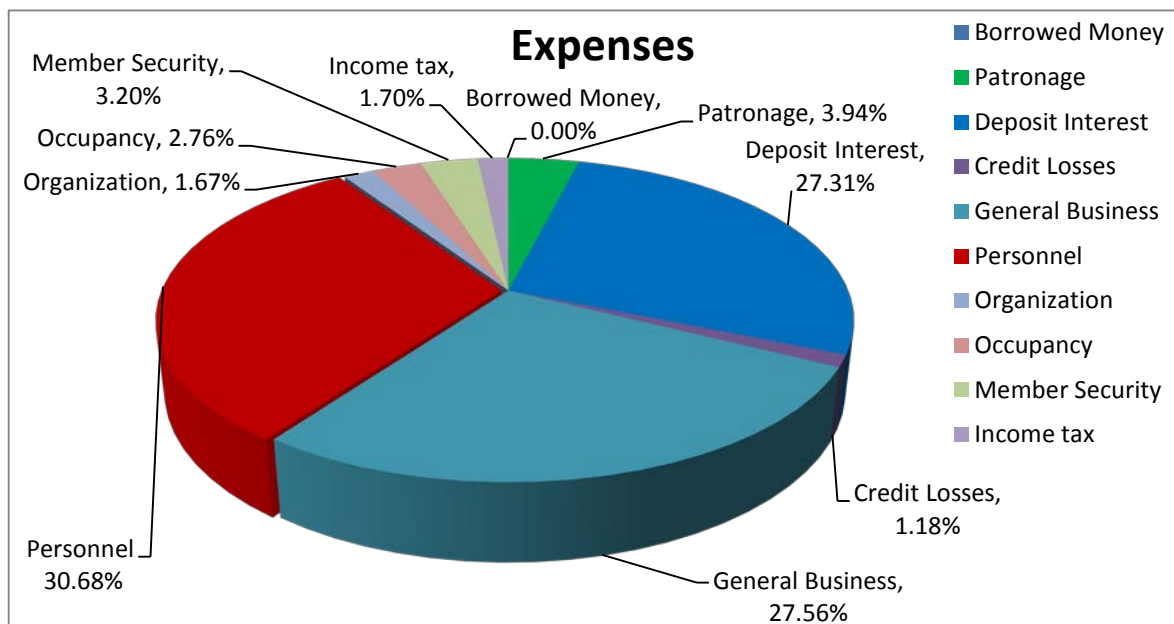


Our 2017 net annual earnings of \$289,592 are slightly higher than the prior year. Revenues composition includes loan interest, investment income, and non-interest income. Our revenues from loans remained stable in comparison to 2016 however our investment income increased due in large part to the accounting of the Concentra Bank flow through dividends, and our non-interest income increasing.

Being true to the Credit Union's values and the Board's Ends Policy of a fair distribution of earnings, your board and management determined it would be prudent to once again declare a patronage refund to our members without putting the Credit Union at unnecessary risk. Thus a patronage allocation of \$85,000.00 was approved for distribution in 2018. With this dividend declaration we are still able to maintain our leverage ratio above the 7.0% minimum at 7.53% and achieve a ROA after tax of 0.44%.

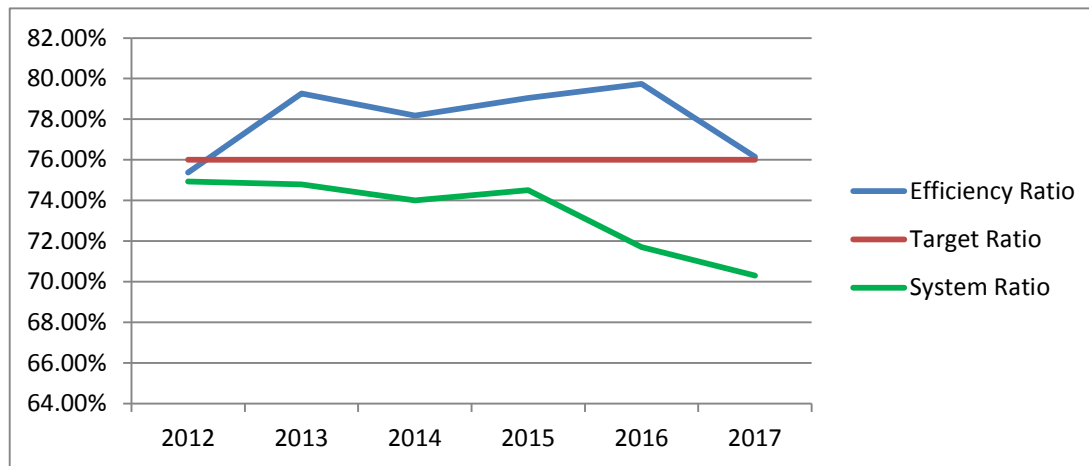


Our expenses are comprised of member deposit interest, interest on borrowed money, patronage, credit losses, operating expenses (general business, occupancy, organizational, personnel and member security) and taxes. In the continued low interest rate environment of 2017, we experienced a decrease in our member deposit interest expense. We had a \$20,000 increase in credit loss provisions in preparation for new accounting standards, a decrease in personnel and member security expenses for a slight reduction in operating expenses. The chart below illustrates our expense breakdown.



### Efficiency Ratio:

The efficiency ratio is a measure of revenue to expenses expressed as a percentage and the lower the ratio the more profitable the entity. Our Credit Union's operating efficiency ratio as of December 31, 2017 is 76.14%, (2016 -79.74%), (2015 – 79.04%), (2014 – 78.18%) while the system ratio as of December 31, 2017 is 70.30%. Our goal is to have an operating efficiency of 76.0% to 80% and reduce this ratio to 75% to 78% for 2018. In order to improve our efficiency we need to reduce and control our operating expenses and increase our revenues.



## Liquidity Management

### Liquidity Risk:

Liquidity is yet another factor which we monitor. 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 decreases or changes in funding sources.

As a result, (Credit Union Deposit Guarantee Corporation (CUDGC)) developed new standards effective January 1, 2017 titled, the Liquidity Coverage Ratio (LCR). The purpose of the LCR is to measure whether the credit union has sufficient cash and very liquid assets to convert to cash (*defined as High Quality Liquid Assets*) to meet their liquidity requirements for a period of at least 30 days in the event member deposits are withdrawn. CUDGC LCR standard is 80%-2017; 90%-2018; and 100%-2019.

With our investment practices and our member deposit structure our liquidity position is strong. Calculated according to the Standards of Sound Business Practice, as of December 31, 2017 our LCR is 534.6%, well above the current requirements.

### Equity/Capital Ratios:

The fundamental financial strength of a credit union is the level of capital it holds to protect against both anticipated and unexpected business events. Equity or Common Equity-Tier 1 Capital is comprised of Retained earnings, Contributed Surplus and accumulated other comprehensive income less deductions as listed in CUDGC Standards of Sound Business Practice. The chart below illustrates the regulatory minimums, and Saskatoon City Employees Credit Union 2017 results.

2017	CUDGC's - Regulatory Minimum Limits (as a % of risk-weighted assets)			Saskatoon City Employees Credit Union		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital	2017 Common Equity Tier 1	2017 Total Tier 1	2017 Total Eligible Capital
	7.0%	8.50%	10.50%	15.75%	15.75%	15.86%

**Total Tier 1 Capital** is comprised of Common Equity-Tier 1 capital plus qualifying membership shares and other investment shares that meet the criteria for inclusion. As of December 31, 2016 our Total Tier 1 capital was 17.20%. **Total Eligible Capital** is the sum of Tier 1 and Tier 2 capital and the minimum regulatory required capital is 10.50%. Our goal is to attain a Total Eligible Common Equity position of between 12.0% and 15.0%. As of December 31, 2016 our Total Eligible Common Equity was 17.24% of our risk weighted assets. The minimum standard of our board policy is 10.5%. The Credit Union system Total Eligible Capital ratio is 13.74% as of December 31, 2017.

Our capital ratios have declined by 1.38 percentage points or by 8%; however this is in line with our strategic plan and capital plan as we still hold approximately 2.0 percentage points in surplus capital. With surplus capital we are not optimizing the use of our capital to maximize earnings for the benefit of our members. However, we are in an enviable position of surplus capital rather than having to build capital.

**As our only source to build capital is earnings, payment of future patronage refunds may not be available; rather the earnings may be retained to build capital.**

## **People**

### **Members**

In 2017 our memberships increased by 2.18% from 2243 members to 2292 members. In 2017 there were 149 new member records opened and 100 member records closed for a net increase of 49 memberships. In 2016 where 110 new member records were opened and 155 member records were closed a decrease of (1.92%) and (4.1% decrease – 2015). The Credit Union system as a whole experienced a membership increase of 0.53% in 2017.

### **Directors**

The board of directors has determined the board will operate with 9 members. There are three positions available as of the date of our annual general meeting on March 20, 2018, two of which will be three year terms and the third will fill a vacancy of Stephen Kelly who resigned from the board. The two (2) incumbents, Allen Beck and Stan Macala have signed nominations seeking re-election to the board. We thank all the members of the board for their service to the Credit Union and extend our appreciation to Stephen Kelly for his commitment to our board.

### **Staff**

The Credit Union is proud of its staff and management and the manner in which they continue to serve our members in a timely and professional manner. As well as, the nearly 91 volunteer hours the staff and management have dedicated over the year. Our staff complement is 7 members (6 full-time and 1 part-time) and a 2 member management team. We extend appreciation and thanks to Joanne Salahub and Kayla Silzer who resigned in 2017, for their dedication and service to our members. We also welcome Drew Tady and Scott Roesch to our team and look forward to working with these gentlemen.

## **Summary**

Overall our financial results are positive as the Credit Union experienced growth in assets, specifically loans, deposits and net interest margin and an increase in net earnings in 2017. With stable net earnings and higher non-interest and other revenues our Credit Union is able to award excess earnings to our members with an \$85,000.00 patronage refund.

Management and staff continue to initiate and implement processes to better position our credit union to experience positive financial results for 2018 all while navigating the risks and regulations in the financial services industry. The Board of Directors and Executive Management team are committed to balancing and managing the various risks of the organization to ensure strength, stability and viability well into the future.

## ***Enterprise Risk Management***

Management works with the Board of Directors to establish and adopt policies and procedures to effectively manage the various risks to which the organization is exposed. Tools that management and the board have undertaken to identify, assess and manage the risks include regular monitoring, stress testing, both internal and external audits, combined with ongoing reporting to and monitoring by our regulator - Credit Union Deposit Guarantee Corporation. In addition our Credit Union has contracted the services of SaskCentral to assist our Credit Union in developing complete updated and integrated Capital and Liquidity plans.

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our membership now and in the future. This process is called enterprise risk management (ERM), and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. In 2017 the board and management updated and reviewed twelve (12) risks and six (6) opportunities identified through the analysis process. Management has determined these risks continue to be relevant for our Credit Union. Through regular reviews of the market and market conditions, various internal assessments and regulatory compliance reviews, management reports to the board of directors at minimum on an annual basis. Through this process, the following risks have been identified according to their potential impact on Saskatoon City Employees Credit Union (SCECU). Risk is managed on a regular basis, with regular monthly meetings of the Credit Union's Board of Directors and quarterly and annual risk reports being presented to the Board of Directors.

### **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 our 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.

Strategic risks identified for Saskatoon City Employees Credit Union are opportunities which include: 1) Renewed effort to work collaboratively with other credit unions to control operating costs and increase revenue including collaboration with other credit unions to create efficiencies in compliance and other back office functions; 2) Grow deposits and loans by offering appropriate, relevant and timely products/services to attract new members and expand the wallet share of existing members; and 3) Pursue initiatives that increase revenue or provide new sources of revenue. We accept these risks and we will increase the risk in pursuit of opportunities by pursuing collaborative initiatives and working with like-minded partners. We will develop a marketing strategy to enhance the unique brand position of the niche market that SCECU operates within. We will review within the organization where there are opportunities to increase fees and research opportunities in leasing and syndication/participation loans. In addition we will continue to scrutinize our income and expenses constantly to identify areas of gain. In 2017 we implemented the personal financial management module through internet banking. In November 2017



we implemented mobile banking apps for both iPhone and android devices; as well we implemented the deposit anywhere service. At the date of writing this report we have 313 users registered and our remote deposit has averaged 18 transactions a month for an average deposit of \$2,400.00.

### **Market Risk**

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement. Our risk is not being able to price competitively. SCECU operates in one of the most competitive markets in Saskatchewan, not only from other Credit Unions but banks and other non-traditional players in the financial services industry. We accept the risk and to manage this risk management will conduct reviews of product offerings, delivery and pricing to help ensure profitability and maintain competitiveness. We will continue to develop our competitive advantage in excellent personal service and supplement that with mortgage rate specials, large deposit interest rate bonuses and investigate relational pricing.

### **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 decreases or changes in funding sources. Our objective is to maintain the Regulatory Statutory Liquidity ratio of 10% and strive to maintain our liquidity coverage ratio within a range of 110 to 150% of our requirements. Our liquidity is well above the tolerance target and not a current risk facing SCECU.

### **Credit Risk**

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. As all our investments are held with Sask Central or Concentra Bank our primary risk is associated with loans. SCECU will strive to not allow our loan to assets ratio to exceed 80% and maintain a ratio in the range of 70-80%. As extending credit has inherent risk, increasing our loan portfolio will increase our risk exposure and may require an increase in capital requirements. We have elevated our risk by participating in the purchase of loans from our partners. Although this increases our risk it also increases our potential revenues as the loans bear a higher interest rate than our investments. Our risk is the competitive pressure in the consumer and mortgage market compressing margins. We also identified the risk of concentration as our loan portfolio is predominately residential mortgages. We have alleviated this slightly with the purchase of commercial loans and mortgages. The 2017 decline in Saskatoon's housing market has not adversely impacted our 2017 earnings however we have adjusted our policies and procedures. We accept these risks and manage them with an updated lending policy and procedures to ensure underwriting due diligence, audits are conducted, and CMHC mortgages are underwritten. Pursuing commercial syndication opportunities and offering more competitive mortgage rates also help manage these risks. As of December 31, 2017 our loan to asset ratio is 77.0%. We will not allow our loan delinquency over 90 days to exceed 4 % but strive to maintain a ratio below 3%. As of December 31, 2017

our total loss exposure which is all loans 90 days or more delinquent, consists of 4 loans for a total of \$387,572 or 0.83% (0.91%-2016). We will continue to diversify our loan portfolio in order to maximize our returns while remaining compliant with regulatory standards by supplementing our loan demand with syndication loan and participation loan purchases. As of December 31, 2017 we have funded or participated in, a total of \$7.26 million in participation loans and have committed to an additional \$962,000 for commercial mortgages with Concentra Bank and New Community Credit Union.

### **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. Our risk is becoming non-compliant through error, lack of knowledge or lack of resources to monitor effectively. SCECU has policy and procedure in place to mitigate our exposure to these risks. SCECU has designated a Risk and Compliance Manager and a Compliance Officer for concurrence to the Money Laundering and Anti-Terrorism reporting requirements and a Privacy Officer to ensure compliance to the Personal Information Protection and Electronic Documents Act (PIPEDA). Staff performs annual training requirements to stay informed and competent in these areas. To assist the Credit Union in our AML compliance work we have contracted SaskCentral Business Solutions to provide AML compliance support services. We are in compliance with The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards (CRS), Anti-Spam Legislation (CASL) to name but a few. To the best of my knowledge we are in compliance with all other regulatory requirements. The board also participates in annual training requirements regarding privacy and proceeds of crime and terrorist financing and receives quarterly AML reporting and annual reporting on PIPEDA compliance. This is in addition to the internal and external audits, CUDGC reviews, FINTRAC audits, and WCB audits. We will endeavor to comply with the Standards of Sound Business Practice, seek legal opinions where appropriate and be compliant with all regulatory oversight.

### **Operational Risk**

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

Operational risks specific to SCECU include inability generate sufficient revenue or control operating expenses, inability to implement efficient practices as current resources stretched beyond capacity, misalignment of staff performance and strategic goals leading to organizational underperformance and loss of membership due to staff not having adequate knowledge or appropriate skill set to handle job requirements.

To manage this risk SCECU has established policy, procedure and internal controls and continues to review these to ensure they are compliant and effective. We will continue to collaborate with other Credit Unions to achieve efficiencies, pursue more cost effective training for our staff, engage the staff in improving the service culture and strategy for the Credit Union and develop a performance plan. As the CEAMS

group has dissolved and the staff absorbed into SaskCentral we will strive to capitalize by contracting SaskCentral resources. These resources will provide expertise and cost savings for both technological solutions and delivery systems. As of December 31, 2015 we have signed a new 7 year deal with Celero to provide our core banking services commencing January 1, 2016. For our members protection we have implemented measures such as password access, encryption of data, authority levels and built security systems to protect member information as well as backing up all data and banking system information.

We have entered into a three year contract with SaskCentral Market Solutions to perform internal audits to assist us in ensuring appropriate policies and procedures are in place.

In an effort to control our costs and increase our revenues we have approved and funded participation loans, and will pursue increased revenues from credit card offerings and creditor insurance sales.

### ***Regulatory Matters***

Regulatory matters are, like most Credit Unions, an ongoing concern of Saskatoon City Employees Credit Union. There are an estimated 20 regulatory bodies to which the Saskatoon City Employees Credit Union must comply. Significant bodies include; The Registrar of Credit Unions, the Credit Union Deposit Guarantee Corporation (CUDGC), Financial Transactions & Reports Analysis Center of Canada (FINTRAC), Canada Revenue Agency (CRA), Government of Saskatchewan Provincial Sales Tax, (PST), Insurance Council of Saskatchewan (ICS), Office of the Privacy Commissioner and Canadian Payments Association (CPA).

### ***Corporate Structure and Governance***

The governance of Saskatoon City Employees Credit Union is anchored in the co-operative principle of democratic member control. The board operates and is governed under the Carver Model of Board Governance (TM). The Board Governance Policy states, " On behalf of the members and potential members, the Board will govern the Saskatoon City Employees Credit Union with a *strategic* perspective, attending to its *leadership* role and to its continual *improvement* in defining *values* and *vision*." A full version of the Boards policy is available on our website at [www.scecu.com](http://www.scecu.com).

### **Board of Directors**

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

The board is responsible for the strategic oversight, business direction and supervision of management of Saskatoon City Employees Credit Union. In 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.

#### ***Board Job Description***

Specific jobs of the Board, as an informed agent of the membership, are those that ensure appropriate organizational performance.

- 3.1 The Board will provide the link between the organization and the membership as owners.
- 3.2 The Board will provide written governing policies that, at the broadest levels, address each category of organizational decision.
  - 3.2.1 ENDS: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (**what good for which recipients at what cost**).
  - 3.2.2 EXECUTIVE LIMITATIONS: Constraints on executive authority, which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
  - 3.2.3 GOVERNANCE PROCESS: Specifications of how the Board conceives, carries out and monitors its own task.
  - 3.2.4 BOARD-STAFF LINKAGE: How power is delegated and its proper use monitored; the General Manager role, authority, and accountability.
- 3.3 The Board will participate in the organization's Strategic Planning, but its role will be limited to updating the Board's Policies and Wish List.
- 3.4 The Board will provide assurance of organizational performance.

## **Directors**

*Please refer to the separate enclosure as Appendix B, naming your board of directors and staff members.*

## **Board Composition**

The board is composed of 9 individuals elected from and by the membership at our annual general meeting. Terms are for 3 years and tenure is not limited. Nominations are made by active board members and members at large. Voting is by paper ballot and election results are announced at Saskatoon City Employees Credit Union's annual general meeting.

## **Committees**

The responsibility of the board of a modern financial services organization involves an ever-growing list of duties. Saskatoon City Employees Credit Union maintains committees comprised of **the entire board of directors**. If Board committees are necessary, they will assist with the Board's job only; never interfering in the direct link between the Board and the General Manager, and never fragmenting the wholeness of the Board's job. **Committees are not authorized to change Board Policy.**

These responsibilities enable a clear focus on specific areas of activity vital to the effective operation of our credit union.

The committees currently in place are:

- Audit and Risk Committee  
The Audit and Risk Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The

Committee on an organization wide basis oversees the identification, understanding and management of risks that may affect Saskatoon City Employees Credit Union. The committee consists of at least a quorum of directors and comprised of all members of the Board.

- Nominating Committee  
The Nominating Committee consists of four board of directors and one Credit Union staff member and would oversee the nomination and election processes for elections of credit union directors.
- Conduct Review Committee  
The Conduct Review Committee ensures that Saskatoon City Employees Credit Union 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 the perception of unfair benefit or conflict of interest. The committee is selected by a board motion at the board's annual re-organizational meeting.

The following committees are not current committees of the board, rather, the functions are performed by the entire board of directors.

- Governance Committee  
Although not currently a formal committee of the board, the entire board reviews their governance on a continual basis. In 2017 the board updated their Governance Process Policy. The Governance Committee establishes and maintains effective governance guidelines, ensures the performance of the general manager, ensures succession of senior leadership, and ensures compliance with governance policies and Saskatoon City Employees Credit Union bylaws. It consists of all the directors. The board would outline their terms of reference, guidelines and requirements.
- Policy Committee  
Although not currently a formal committee of the board, operational policy development, by virtue of board governance policy is delegated to the general manager. The board reviews its policies on a monthly basis at the regular board meetings as a standing agenda item.

### ***Compensation and Attendance***

All directors are required to attend a minimum of 75% of all board meetings, calculated from the first meeting after the Annual General Meeting to the last regular meeting of the board before the next Annual General Meeting unless excused by Board motion

In 2017 the board of directors held eleven (11) regular meetings and five audit meetings. Attendance ranged from a low of 50% to high of 100% attendance, with four (4) members being excused for attending less than the required minimum.

The directors of the Credit Union shall be reimbursed for their services. Any such reimbursement is designed to offset expenses and not to directly provide a benefit. Each director will receive an annual stipend in the amount of \$475 to offset personal expenses incurred as a result of their attendance at credit union meetings. Each director while on Credit Union business, will receive a mileage reimbursement, and be reimbursed for the actual cost of hotel accommodations, meals and airfare. Directors are also exempted from the payment of Credit Union service charges and eligible for long service awards.

### ***Director Training***

Training and retraining will be used to increase and maintain the existing board member skills and understanding, and for the orientation of candidates for board membership. As the entire board policy may be daunting to new and prospective board members, new board members will receive a Board of Directors Orientation Manual to assist them with an understanding of Saskatoon City Employees Credit Union including a brief history of our Credit Union, a listing of Credit Union affiliates and partners along with the guide to the Carver Model of Board Governance (TM).

### ***Evaluation***

The board will monitor and discuss the board's process and performance at each meeting through round-the-table exception reporting. Self-monitoring will include comparison of board activity and discipline to policies in the GOVERNANCE PROCESS and BOARD-STAFF LINKAGE categories.

### **Executive Management**

Your management team consists of the general manager and the assistant manager. Dennis Lozinsky is your general manager effective May 1, 2011 and E. Graeme Bittner is the assistant manager effective June 20, 2011.

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

Saskatoon City Employees Credit Union has always contributed to the well-being of the community that we serve beyond the financial and economic role that financial institutions play. Around the world companies are putting increased emphasis on corporate social responsibility (CSR) and the concept of a triple bottom line (TBL) that focuses not only on profit but also on people and the planet. We take the steps necessary to have a positive impact on our community and the environment consistent with our corporate values. Saskatoon City Employees Credit Union promotes environmental standards by means of programs such as paper recycling, reduced printing by using more electronic dissemination of information, electronic statement promotion, online banking, document imaging and branch remote depositing. Saskatoon City Employees Credit Union personnel policies encompass the well-being of employees such as the development of a safe and respectful workplace. The Credit Union supports employee volunteer activities conducted during work hours or otherwise. Saskatoon City Employees Credit Union also supports city employees' functions with donations. Saskatoon City Employees Credit Union supports our community by awarding annually two (2), \$1000.00 Boyd Johnson Memorial Scholarships. Saskatoon City Employees Credit Union board has also developed a Charitable Donations Policy wherein the board awards up to \$2000.00 annually to registered charities.

## ***Capital Management***

The board of directors of Saskatoon City Employees Credit Union stated definitively our members are best served by an autonomous credit union and every effort will be undertaken to ensure SCECU remains as an autonomous credit union. In order to provide this service, appropriate management of the credit union resources is required. Specifically, capital management is paramount to SCECU's future viability and sustainability.

Capital management can be very complex and includes 6 values as follows:

### **►Board and Management oversight**

- Policies are developed regarding desired capital levels, risk tolerance, capital expenditures

### **►Sound capital assessment and planning**

- Capital Plans are developed and reviewed by management and board on a regular basis

### **►Comprehensive assessment of risks**

- Risks to capital are assessed through processes such as Enterprise Risk management (ERM)
- i.e. where is the largest concentration of risk to capital ( credit/loans)

### **►Stress Testing**

- On a quarterly basis capital levels are tested for possible erosion
- Stress testing programs are used to test the ability of the credit union to absorb losses
- i.e. How would rising interest rates effect our capital level

► **Monitoring and Reporting**

- Regular reports are prepared for the directors and Credit Union Deposit Guarantee Corporation.

► **Internal Control Review**

- Ongoing internal controls and functions in place
- Scheduled internal audits and CUDGC reviews.

**Leverage Ratio**

<b>Leverage Ratio</b>			
<b>CUDGC Minimum Standard</b>	<b>SCECU Board Target</b>	<b>2017 Results</b>	<b>2016 Results</b>
5.00%	Not less than 7.00%	<b>7.53%</b>	<b>7.025%</b>

Leverage ratio is a measure of actual capital held by the Credit Union to its adjusted total assets. Total assets are reduced by intangibles assets, plus approved loans not yet disbursed.

**Capital Adequacy**

The Credit Union Deposit Guarantee Corporation (CUDGC) has set out minimum standards for Credit Unions to follow with regards to capital limits. CUDGC limits are regulatory minimums, and the regulator's expectation of credit unions is to establish capital limits that:

- support prudent operations;
- are appropriate for the credit union's risk profile, risk appetite and risk tolerance are aligned with the credit union's stress testing program and **Internal Capital Adequacy Assessment Process (ICAAP)**; and
- are stricter than regulatory minimums.

The Standards of Sound Business Practice financial performance standards for capital are shown below as "CUDGC Minimum Ratio" along with SCECU targets and results:

<b>CUDGC's - Minimum Capital – as a % of Risk-Weighted Assets</b>			
	Regulatory Limits (as a % of risk-weighted assets)		
	Common Equity Tier 1	Total Tier 1	Total Eligible Capital
CUDGC Minimum Ratio	<b>7.0%</b>	<b>8.50%</b>	<b>10.50%</b>
Saskatoon City Employees Credit Union Board Targeted Ratio	<b>8.5-10%</b>	<b>12-14%</b>	<b>12-15%</b>
Saskatoon City Employees Credit Union <b>ICAAP Analysis</b>	-	-	<b>13.83%</b>
Saskatoon City Employees Credit Union Achieved Ratio Dec 31/17	<b>15.75%</b>	<b>15.75%</b>	<b>15.86%</b>

To assist management and the board in proper management of the capital an ICAAP is performed on a quarterly basis and reported to the board accordingly. Saskatoon



City Employees Credit Union has, with the assistance of SaskCentral – Market Solutions, performed an Internal Capital Adequacy Assessment Process (ICAAP) to determine the impact of risks to our Credit Union's capital position. Through this process it was determined that we will require total capital of 13.83% of our risk-weighted assets as of December 31, 2017.

As Saskatoon City Employees Credit Union currently exceeds both the CUDGC minimum regulatory levels and the board policy targets, management will continue to seek opportunities in 2018 to optimize our capital position. These ventures, which may expose the Credit Union to more risk but it is with the expectation of increased earnings.

As per our policy earnings will be allocated in the following order of priority (As per SSBP – Capital Adequacy Requirements January 1, 2017):

- Capital until the capital standards are met;
- Additional capital to support growth, development, safety and financial soundness;
- Patronage and/or dividends.

**Capital is a reflection of the success of your credit union and a strong capital position is the basis of a strong Credit Union. It also serves as the financial cushion that allows your Credit Union to expand product lines and develop new services.**

Respectfully submitted,



Dennis Lozinsky  
General Manager

## LOAN ACTIVITY REPORT

In 2017, 303 loans and loan extensions were approved for a total of \$17,477,739.00 bringing our total loans granted by our Credit Union since inception to \$504,517,003.00. At December 31, 2017 our loans were 77.00% of our total assets compared to December 31, 2016 with loans at 72.0% of our assets.

The following is a breakdown of the mortgage and non-mortgage loans:

	<b>2017 (#'s)</b>	<b>2017 (\$)</b>	<b>2015 (#'s)</b>	<b>2016 (\$)</b>
Mortgage Loans	69	\$14,840,098.00	85	\$15,825,209.00
Non-Mortgage Loans	234	\$2,637,641.00	222	\$2,737,959.00
Total	303	\$17,477,739.00	307	\$18,563,168.00

At December 31, 2017 our loan delinquency was 0.83% of our total outstanding loans compared to the provincial average of 1.03%.

Respectfully submitted,



Dennis Lozinsky  
General Manager

# Saskatoon City Employees Credit Union

## Listing of Board of Directors & Staff

Effective: March 28, 2017

Updates \*: December 31, 2017

### Board of Directors

Name	Department	Start Date	Term Expiry
Stanley Macala	President of CUPE Local 59	AGM – 2012	AGM – 2018
Allen Beck	* Retired -Fire & Protective Services	AGM – 2006	AGM – 2018
Bill Davern	Retired – City Solicitor	AGM - 2015	AGM – 2019
Martin Irwin	Retired – Provincial Court Judge	AGM – 2016	AGM - 2019
Stephen Kelly	* COS Human Resources Consultant	AGM – 2016	AGM – 2019
Jan-Mark Gustafson	Retired (Infrastructure Services)	AGM – 2011	AGM – 2020
Ken Kozak	Retired (Corporate Services)	AGM – 2014	AGM – 2020
Shahzada Azam	ProtactiQ Performance Solutions	AGM – 2014	AGM – 2020
Marian Voth	* Retired -SIGA–Director of Payroll & Benefits	AGM – 2017	AGM – 2020

### Executive

President	Jan-Mark Gustafson
Vice President	Shahzada Azam(Shaz)
Secretary	Graeme Bittner
Treasurer	Dennis Lozinsky

### Staff

	<u>Years of Service SCECU</u>	<u>Total CU Years of Service</u>
Dennis Lozinsky	16yrs 9mths	31yrs 6mths
Graeme Bittner	5yrs 8mths	11yrs 3mths
Gail Gillard	31yrs 9mths	
Cindy Griffiths	23yrs 9mths	
Michelle Lane	20yrs	
Charlotte McCracken	13yrs 3mths	21yrs 3mths
* Joanne Salahub ( <i>resigned Oct 2017</i> )	7yrs 7mths	9yrs 7mths
* Kayla Silzer ( <i>resigned Jun 2017</i> )	3yrs 6mths	
Stephanie Serblowski	P/T - 2yr 6mths	5 yrs 10mths
*Drew Tady	Oct 2017	
*Scott Roesch	Nov 2017	

## To The Members of Saskatoon City Employees Credit Union

### Management's Responsibility For Financial Reporting

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards (IFRS).

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. The board reviews the financial statements in detail with management prior to their approval for publication.

External auditors appointed by the members audit the financial statements and meet with the Board of Directors and management reviewing their findings. The external auditors report directly to the members and their report shall follow. The external auditors have full and free access to the Board of Directors to discuss their audit and their findings as to the integrity of the credit union's financial reporting and the adequacy of the system of internal controls.



Dennis M. Lozinsky  
General Manager

**SASKATOON CITY EMPLOYEES CREDIT UNION**

**SASKATOON, SASKATCHEWAN**

**INDEPENDENT AUDITORS' REPORT AND  
SUMMARIZED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**



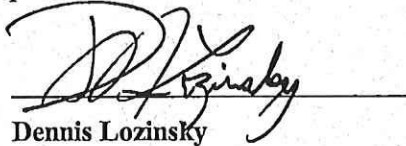
## **MANAGEMENT'S RESPONSIBILITY COMMUNICATION**

**To the Members,**

**Saskatoon City Employees Credit Union**

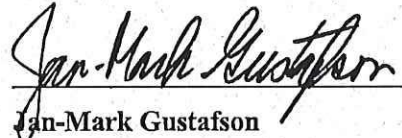
Management is responsible for preparing the accompanying summarized financial statements and is responsible for their integrity and objectivity. The basis of presentation adopted is not in conformity with International Financial Reporting Standards in that the financial statements do not contain all the required disclosures. The basis of presentation is considered by management to be most appropriate for the broad communication of financial information to members, however, readers are cautioned that these statements may not be appropriate for their specific purposes.

Complete financial statements are available upon request.



**Dennis Lozinsky**

**General Manager**



**Jan-Mark Gustafson**

**Chair of Audit Committee**



## INDEPENDENT AUDITORS' REPORT

**To the Members,**

**Saskatoon City Employees Credit Union**

The accompanying summarized statements, which comprise the summarized statement of financial position as at **December 31, 2017** and the summarized statement of changes in members' equity, comprehensive income and cash flows for the year then ended are derived from the audited financial statements of **Saskatoon City Employees Credit Union** for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated February 27, 2018.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of **Saskatoon City Employees Credit Union**.

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

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

### *Auditors' Responsibility*

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

### *Opinion*

In our opinion, the summarized financial statements derived from the audited financial statements of **Saskatoon City Employees Credit Union** for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with the criteria described in Note 1.

**February 27, 2018**

**Saskatoon, Saskatchewan**

*Virtus Group LLP*

**Chartered Professional Accountants**



**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARIZED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**  
(with comparative figures for 2016)

<b>ASSETS</b>		
	<u><b>2017</b></u>	<u><b>2016</b></u>
Cash and cash equivalents	\$ 3,050,871	\$ 3,527,271
Investments	11,992,167	14,207,053
Loans receivable	50,813,128	45,988,177
Other assets	8,100	10,090
Property and equipment	<u>53,999</u>	<u>61,474</u>
	<u><u>\$ 65,918,265</u></u>	<u><u>\$ 63,794,065</u></u>
<b>LIABILITIES</b>		
Deposits	\$ 60,534,777	\$ 58,600,630
Other liabilities	294,235	393,744
Shares	<u>12,085</u>	<u>12,115</u>
	60,841,097	59,006,489
<b>MEMBERS' EQUITY</b>		
Retained earnings	5,077,168	4,787,576
Accumulated other comprehensive income	<u>-</u>	<u>-</u>
	<u><u>\$ 65,918,265</u></u>	<u><u>\$ 63,794,065</u></u>

APPROVED BY THE BOARD:

Jan-Paul Gustafson Director

W.J. Darrow Director



**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARIZED STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with comparative figures for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of year	\$ 4,787,576	\$ 4,541,942
Net income	<u>289,592</u>	<u>245,634</u>
Retained earnings - end of year	<u>\$ 5,077,168</u>	<u>\$ 4,787,576</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL EQUITY</b>	<u><u>\$ 5,077,168</u></u>	<u><u>\$ 4,787,576</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with comparative figures for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>Interest revenue</b>		
Loan	\$ 1,877,807	\$ 1,871,430
Investment	192,674	172,662
	<u>2,070,481</u>	<u>2,044,092</u>
<b>Interest expense</b>		
Borrowed money	87	68
Member deposits	590,053	604,298
Patronage allocation	85,203	70,822
	<u>675,343</u>	<u>675,188</u>
<b>Net interest</b>	1,395,138	1,368,904
<b>Provision for credit losses</b>	<u>25,455</u>	<u>5,179</u>
<b>Net interest after provision for credit losses</b>	<u>1,369,683</u>	<u>1,363,725</u>
<b>Other income</b>	<u>379,549</u>	<u>356,867</u>
<b>Operating expenses</b>		
General business	595,529	567,391
Occupancy	59,569	54,632
Organizational	36,086	37,356
Personnel	662,752	704,589
Security	69,038	75,619
	<u>1,422,974</u>	<u>1,439,587</u>
<b>Income before income taxes</b>	326,258	281,005
<b>Income taxes</b>		
Current	38,666	39,359
Deferred (recovery)	(2,000)	(3,988)
	<u>289,592</u>	<u>245,634</u>
<b>Net income before other comprehensive income</b>	<u>289,592</u>	<u>245,634</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 289,592</u>	<u>\$ 245,634</u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**SUMMARIZED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with comparative figures for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 289,592	\$ 245,634
Items not involving cash:		
- Amortization	49,922	56,166
- Provision for credit losses	25,455	5,179
Patronage allocation accrued	85,000	70,000
Net change in other assets and other liabilities	(112,519)	43,081
	<u>337,450</u>	<u>420,060</u>
<b>Cash provided by (used in) investing activities:</b>		
Investments	2,214,886	(726,469)
Loans receivable	(4,850,406)	1,517,927
Property and equipment	(42,447)	(28,702)
	<u>(2,677,967)</u>	<u>762,756</u>
<b>Cash provided by (used in) financing activities:</b>		
Deposits	1,934,147	559,006
Patronage paid out	(70,000)	(45,796)
Shares	(30)	(385)
	<u>1,864,117</u>	<u>512,825</u>
<b>Increase (decrease) in cash</b>	<u>(476,400)</u>	<u>1,695,641</u>
<b>Cash position - beginning of year</b>	<u>3,527,271</u>	<u>1,831,630</u>
<b>Cash position - end of year</b>	<u><u>\$ 3,050,871</u></u>	<u><u>\$ 3,527,271</u></u>

**SASKATOON CITY EMPLOYEES CREDIT UNION**  
**NOTES TO THE SUMMARIZED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(with comparative figures for the year ended December 31, 2016)**

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**1. Basis of the summarized financial statements**

The summarized financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2017 and December 31, 2016 and for the years then ended.

The preparation of these summarized financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summarized financial statements using the following criteria:

- (a) the summarized financial statements include a statement for each statement included in the audited financial statements;
- (b) information in the summarized financial statements agrees with the related information in the audited financial statements;
- (c) major subtotals, totals and comparative information from the audited financial statements are included; and
- (d) the summarized financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The audited financial statements of **Saskatoon City Employees Credit Union** are available upon request by contacting the Credit Union.

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