

THE GARDEN CITY CO-OP, INC.

GARDEN CITY, KANSAS

AUGUST 31, 2018

THE GARDEN CITY CO-OP, INC.  
Garden City, Kansas

OFFICERS AND DIRECTORS  
August 31, 2018

BOARD OF DIRECTORS

Tyler Hands	Garden City, Kansas	Chairman
Bill Maughlin	Dighton, Kansas	Vice-Chairman
Gordon Drees	Garden City, Kansas	Secretary-Treasurer
Christopher Fullmer	Dighton, Kansas	Assistant Secretary-Treasurer
Clayton Maddux	Deerfield, Kansas	Director
Lynn Teeter	Ulysses, Kansas	Director
Max Engler III	Deerfield, Kansas	Director
Curtis Ansel	Deerfield, Kansas	Associate Director
Chris Boyd	Garden City, Kansas	Associate Director
Nelson Rider	Ulysses, Kansas	Associate Director

MANAGEMENT STAFF

John McClelland	General Manager
Jeff Boyd	Chief Financial Officer
Toby Wilson	Chief Operations Officer
Chris Wagner	Grain Division Vice-President
Tim Giesick	Crop Production Vice-President
Lakin Dreiling	Petroleum Vice-President

Federally Licensed and Bonded	Storage Capacity - Bushels	25,913,000
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Incorporated Under Agricultural Cooperative Marketing Act in 1919

Corporate Existence Expires November 15, 2040

Business Office  
PO Box 838  
106 North 6th Street  
Garden City, KS 67846

Roger W. Field, CPA  
Gregory D. Daughhete, CPA  
Todd V. Pflughoeft, CPA  
Kenneth D. Hamby, CPA  
Michael R. Meisenheimer, CPA  
Nick L. Mueiting, CPA  
Billy J. Klug, CPA  
Randall R. Hofmeier, CPA  
Brent L. Knoche, CPA  
Brian W. Mapel, CPA  
Jeffrey D. Reece, CPA  
Brady H. Byrnes, CPA

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
The Garden City Co-op, Inc.  
Garden City, Kansas

We have audited the accompanying consolidated financial statements of The Garden City Co-op, Inc., Garden City, Kansas and subsidiary which comprise the consolidated balance sheets as of August 31, 2018 and 2017, and the related consolidated statements of operations, cash flows, and members' equity for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Garden City Co-op, Inc. and subsidiary as of August 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lindberg Vogel Pierce Faris*

Certified Public Accountants

Dodge City, Kansas  
November 13, 2018

THE GARDEN CITY CO-OP, INC.  
Garden City, Kansas

CONSOLIDATED BALANCE SHEETS  
August 31, 2018 and 2017

ASSETS		
	2018	2017
<b>CURRENT ASSETS</b>		
Cash	\$ 142,443.85	\$ 634,080.31
Accounts and notes receivable - trade	4,074,297.89	3,781,271.44
Allowance for doubtful accounts	(73,750.00)	(50,000.00)
Grains receivable - trade	23,977,668.39	15,515,430.91
Grain storage receivable	1,606,807.00	1,705,898.12
Margin deposits and derivative assets	415,358.10	211,568.75
Other receivables	1,658,778.85	2,467,568.92
Inventories	33,677,871.30	16,856,920.46
Prepaid commodities and expenses	3,085,634.00	2,264,731.32
<b>TOTAL CURRENT ASSETS</b>	<b>68,565,109.38</b>	<b>43,387,470.23</b>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Corporate stock and equity	50,409,445.81	50,159,689.34
Limited liability companies	2,735,367.80	3,294,671.57
Cash surrender value of life insurance	0.00	247,491.86
Other assets	0.00	606.66
<b>TOTAL INVESTMENTS AND OTHER ASSETS</b>	<b>53,144,813.61</b>	<b>53,702,459.43</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Cost	91,327,326.65	90,345,002.48
Accumulated depreciation	(52,909,631.26)	(49,371,180.75)
<b>NET PROPERTY, PLANT, AND EQUIPMENT</b>	<b>38,417,695.39</b>	<b>40,973,821.73</b>
<b>TOTAL ASSETS</b>	<b>\$ 160,127,618.38</b>	<b>\$ 138,063,751.39</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts, expenses, and taxes payable	\$ 12,418,995.97	\$ 7,099,202.44
Grains payable	7,596,487.48	7,534,584.06
Collections received in advance	1,258,633.44	440,393.09
Current maturities of notes payable	25,752,342.26	7,859,737.77
Current maturities of capital lease obligations	1,026,655.15	1,507,630.97
Current maturities of patron notes payable	5,600,000.00	5,600,000.00
Patronage dividends payable	1,070,806.26	250,843.79
Equity retirements payable	700,000.00	0.00
Income taxes payable	129,835.82	71,528.90
<b>TOTAL CURRENT LIABILITIES</b>	<b>55,553,756.38</b>	<b>30,363,921.02</b>
<b>LONG-TERM LIABILITIES, excluding current maturities</b>		
Notes payable	14,288,335.00	16,991,667.00
Capital lease obligations	0.00	1,026,655.15
Grain contracts payable	993,919.41	1,264,362.31
Deferred income taxes	396,044.27	683,835.56
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>15,678,298.68</b>	<b>19,966,520.02</b>
<b>MEMBERS' EQUITY</b>		
Common stock	30,853,239.00	30,496,665.15
Participating stock	7,812,772.85	7,903,456.60
Patronage dividends	2,498,547.95	585,302.16
Equity retirements payable	(700,000.00)	0.00
Retained savings	48,431,003.52	48,747,886.44
<b>TOTAL MEMBERS' EQUITY</b>	<b>88,895,563.32</b>	<b>87,733,310.35</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 160,127,618.38</b>	<b>\$ 138,063,751.39</b>

See accompanying notes.



THE GARDEN CITY CO-OP, INC.  
Garden City, Kansas

CONSOLIDATED STATEMENTS OF OPERATIONS  
For Years Ended August 31, 2018 and 2017

	2018	2017
SALES		
Grain	\$ 121,310,078.36	\$ 104,909,100.75
Supply	33,824,222.96	29,322,628.38
Commercial and wholesale	49,913,412.50	33,989,666.55
	205,047,713.82	168,221,395.68
TOTAL SALES		
	180,630,162.31	149,654,617.27
COST OF SALES		
	24,417,551.51	18,566,778.41
GROSS MARGINS ON SALES		
OTHER INCOME		
Storage and handling	3,076,030.48	4,145,291.09
Drying income	227,725.54	128,288.19
Service income	1,413,123.88	1,123,506.11
Freight income	1,003,542.26	1,880,621.78
Gain on disposal of property, plant, and equipment	38,472.22	488,420.67
Interest income and finance charges	51,957.36	48,391.38
Patronage dividends	563,507.31	4,483,388.16
Investment income and dividends on stock	978,160.13	1,781,835.11
Miscellaneous income	116,099.85	117,305.39
	7,468,619.03	14,197,047.88
TOTAL OTHER INCOME		
	31,886,170.54	32,763,826.29
GROSS SAVINGS		
EXPENSES		
Personnel costs	13,119,499.63	13,452,825.64
Fixed expenses	9,700,095.95	9,344,193.29
Other expenses	6,029,106.15	6,198,705.04
	28,848,701.73	28,995,723.97
TOTAL EXPENSES		
	3,037,468.81	3,768,102.32
SAVINGS BEFORE INCOME TAXES		
INCOME TAXES	216,493.35	(188,883.64)
	\$ 3,253,962.16	\$ 3,579,218.68
NET SAVINGS		
DISTRIBUTION OF NET SAVINGS		
Patronage dividends	\$ 3,569,354.21	\$ 836,145.95
Retained savings	(315,392.05)	2,743,072.73
	\$ 3,253,962.16	\$ 3,579,218.68
TOTAL		

See accompanying notes.