

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

OFFICERS AND DIRECTORS
August 31, 2017

BOARD OF DIRECTORS

Thomas Mulville	Dighton, Kansas	Chairman
Tyler Hands	Garden City, Kansas	Vice-Chairman
Bruce Howard	Ulysses, Kansas	Secretary-Treasurer
Gordon Drees	Garden City, Kansas	Assistant Secretary-Treasurer
Christopher Fullmer	Dighton, Kansas	Director
Bill Maughlin	Dighton, Kansas	Director
Lynn Teeter	Ulysses, Kansas	Director
Clayton Maddux	Deerfield, Kansas	Associate Director
Curtis Ansel	Deerfield, Kansas	Associate Director
Chris Boyd	Garden City, Kansas	Associate Director
Zion Roth	Garden City, Kansas	Associate Director

MANAGEMENT STAFF

John McClelland	General Manager
Jeff Boyd	Chief Financial Officer
Toby Wilson	Chief Operations Officer
Ken Jameson	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
Clark R. Cowl, CPA
Todd V. Pflughoeft, CPA
Steven R. Stoecklein, CPA
Kenneth D. Hamby, CPA
Michael R. Meisenheimer, CPA
Nick L. Muetting, 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, 2017 and 2016, 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, 2017 and 2016, 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.

Lindburg Vogel Pierce Faris

Certified Public Accountants

Dodge City, Kansas
November 13, 2017

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

CONSOLIDATED BALANCE SHEETS
August 31, 2017 and 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash	\$ 634,080.31	\$ 367,825.57
Accounts and notes receivable - trade	3,781,271.44	4,318,763.00
Allowance for doubtful accounts	(50,000.00)	(50,000.00)
Grains receivable - trade	15,515,430.91	27,398,392.14
Grain storage receivable	1,705,898.12	2,157,308.23
Margin deposits and derivative assets	211,568.75	120,689.51
Other receivables	2,467,568.92	2,871,683.76
Inventories	16,856,920.46	17,319,796.84
Prepaid commodities and expenses	2,264,731.32	3,829,951.99
TOTAL CURRENT ASSETS	43,387,470.23	58,334,411.04
INVESTMENTS AND OTHER ASSETS		
Corporate stock and equity	50,159,689.34	46,500,833.93
Limited liability companies	3,294,671.57	2,654,286.50
Cash surrender value of life insurance	247,491.86	244,412.31
Notes receivable	0.00	80,335.76
Other assets	606.66	5,627.83
TOTAL INVESTMENTS AND OTHER ASSETS	53,702,459.43	49,485,496.33
PROPERTY, PLANT, AND EQUIPMENT		
Cost	90,345,002.48	92,919,811.23
Accumulated depreciation	(49,371,180.75)	(47,901,682.97)
NET PROPERTY, PLANT, AND EQUIPMENT	40,973,821.73	45,018,128.26
TOTAL ASSETS	\$ 138,063,751.39	\$ 152,838,035.63
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts, expenses, and taxes payable	\$ 7,099,202.44	\$ 3,406,350.95
Grains payable	7,534,584.06	8,493,169.42
Collections received in advance	440,393.09	605,352.27
Grain storage collected in advance	0.00	43,021.99
Current maturities of notes payable	7,859,737.77	29,994,678.06
Current maturities of capital lease obligations	1,507,630.97	1,314,044.76
Current maturities of patron notes payable	5,600,000.00	5,600,000.00
Patronage dividends payable	250,843.79	392,889.20
Income taxes payable	71,528.90	144,330.98
TOTAL CURRENT LIABILITIES	30,363,921.02	49,993,837.63
LONG-TERM LIABILITIES, excluding current maturities		
Notes payable	16,991,667.00	14,445,000.00
Capital lease obligations	1,026,655.15	2,566,538.63
Grain contracts payable	1,264,362.31	606,112.57
Deferred income taxes	683,835.56	564,154.84
TOTAL LONG-TERM LIABILITIES	19,966,520.02	18,181,806.04
MEMBERS' EQUITY		
Common stock	30,496,665.15	29,831,411.49
Participating stock	7,903,456.60	7,909,915.26
Patronage dividends	585,302.16	916,741.45
Retained savings	48,747,886.44	46,004,323.76
TOTAL MEMBERS' EQUITY	87,733,310.35	84,662,391.96
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 138,063,751.39	\$ 152,838,035.63

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF OPERATIONS
For Years Ended August 31, 2017 and 2016

	2017	2016
SALES		
Grain	\$ 104,909,100.75	\$ 160,844,081.01
Supply	29,322,628.38	31,892,639.62
Commercial and wholesale	33,989,666.55	36,128,563.47
TOTAL SALES	168,221,395.68	228,865,284.10
COST OF SALES	149,654,617.27	208,227,039.69
GROSS MARGINS ON SALES	18,566,778.41	20,638,244.41
OTHER INCOME		
Storage and handling	4,145,291.09	4,600,618.12
Drying income	128,288.19	436,414.60
Service income	1,123,506.11	1,167,832.36
Freight income	1,880,621.78	2,587,088.65
Gain (loss) on disposal of property, plant, and equipment	488,420.67	(55,796.73)
Interest income and finance charges	48,391.38	78,440.08
Patronage dividends	4,483,388.16	2,791,907.84
Investment income and dividends on stock	1,781,835.11	1,093,874.92
Miscellaneous income	117,305.39	136,153.89
TOTAL OTHER INCOME	14,197,047.88	12,836,533.73
GROSS SAVINGS	32,763,826.29	33,474,778.14
EXPENSES		
Personnel costs	13,452,825.64	13,736,628.64
Fixed expenses	9,344,193.29	9,761,601.95
Other expenses	6,198,705.04	7,650,710.76
TOTAL EXPENSES	28,995,723.97	31,148,941.35
SAVINGS BEFORE INCOME TAXES	3,768,102.32	2,325,836.79
INCOME TAX BENEFIT (EXPENSE)	(188,883.64)	70,104.81
NET SAVINGS	\$ 3,579,218.68	\$ 2,395,941.60
DISTRIBUTION OF NET SAVINGS		
Patronage dividends	\$ 836,145.95	\$ 1,309,630.65
Retained savings	2,743,072.73	1,086,310.95
TOTAL	\$ 3,579,218.68	\$ 2,395,941.60

See accompanying notes.