

MONARCH CEMENT CO
Form 10-Q
August 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended **June 30, 2008**, or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____ .
Commission file number: **0-2757**

THE MONARCH CEMENT COMPANY

(Exact name of registrant as specified in its charter)

KANSAS

(state or other jurisdiction of incorporation or organization)

48-0340590

(IRS employer identification no.)

P.O. BOX 1000, HUMBOLDT, KANSAS

(address of principal executive offices)

66748-0900

(zip code)

Registrant's telephone number, including area code: **(620) 473-2222**

(former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

As of **July 31, 2008**, there were 2,520,818 shares of Capital Stock, par value \$2.50 per share outstanding and 1,506,140 shares of Class B Capital Stock, par value \$2.50 per share outstanding.

PART I - FINANCIAL INFORMATION

The condensed consolidated financial statements included in this report have been prepared by our Company without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Our Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods presented. Those adjustments consist only of normal, recurring adjustments. The condensed consolidated balance sheet of the Company as of December 31, 2007 has been derived from the audited consolidated balance sheet of the

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

Company as of that date. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Company's most recent annual report on Form 10 K for 2007 filed with the Securities and Exchange Commission. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Item 1. Financial Statements

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2008 and December 31, 2007

ASSETS	2 0 0 8	2 0 0 7
CURRENT ASSETS:	(Unaudited)	
Cash and cash equivalents	\$ 3,648,367	\$ 4,404,116
Receivables, less allowances of \$670,000 in 2008 and \$640,000 in 2007 for doubtful accounts	21,616,002	13,531,221
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 4,485,659	\$ 6,110,974
Work in process	775,433	2,569,641
Building products	5,063,048	4,518,379
Fuel, gypsum, paper sacks and other	5,707,637	4,606,447
Operating and maintenance supplies	10,308,605	9,759,949
Total inventories	\$ 26,340,382	\$ 27,565,390
Deferred income taxes	635,000	635,000
Prepaid expenses	559,360	248,380
Total current assets	\$ 52,799,111	\$ 46,384,107
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$145,741,585 in 2008 and \$140,661,628 in 2007	93,502,609	93,301,169
DEFERRED INCOME TAXES	14,703,534	13,155,534
INVESTMENTS, \$2,101,675 in 2008 and \$2,060,850 in 2007 at cost	13,051,525	13,468,319
OTHER ASSETS	1,538,316	1,179,116
	\$ 175,595,095	\$ 167,488,245
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,635,865	\$ 6,413,945
Line of credit payable	7,029,435	-
Current portion of advancing term loan	2,140,582	2,181,524
Accrued liabilities	5,101,880	6,749,711
Total current liabilities	\$ 24,907,762	\$ 15,345,180
LONG-TERM DEBT	16,915,327	18,024,478
ACCRUED POSTRETIREMENT BENEFITS	28,044,679	27,206,515
ACCRUED PENSION EXPENSE	6,067,843	5,848,510
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	708,864	709,038
STOCKHOLDERS' INVESTMENT:		
Capital stock, par value \$2.50 per share, one vote per share -		

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

Authorized 10,000,000 shares, Issued 2,519,218 shares at 6/30/2008 and 2,510,708 shares at 12/31/2007	\$ 6,298,045	\$ 6,276,770
Class B capital stock, par value \$2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for- share basis - Authorized 10,000,000 shares, Issued 1,507,740 shares at 6/30/2008 and 1,516,250 shares at 12/31/2007	3,769,350	3,790,625
Retained earnings	99,364,723	98,488,627
Accumulated other comprehensive loss	(10,481,498)	(8,201,498)
Total stockholders' investment	\$ 98,950,620	\$ 100,354,524
	\$ 175,595,095	\$ 167,488,245

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Three Months and Six Months Ended June 30, 2008 and 2007 (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
NET SALES	\$ 42,996,482	\$ 40,090,959	\$ 68,085,708	\$ 64,303,319
COST OF SALES	33,992,699	30,757,645	57,801,602	51,235,525
Gross profit from operations	\$ 9,003,783	\$ 9,333,314	\$ 10,284,106	\$ 13,067,794
SELLING, GENERAL AND				
ADMINISTRATIVE EXPENSES	3,999,798	3,542,993	7,893,997	7,391,431
Income from operations	\$ 5,003,985	\$ 5,790,321	\$ 2,390,109	\$ 5,676,363
OTHER INCOME (EXPENSE):				
Interest income	\$ 62,838	\$ 70,165	\$ 137,736	\$ 136,053
Interest expense	(280,523)	(548,592)	(534,670)	(1,024,262)
Gains on equity investments	-	904,368	-	2,113,686
Dividend income	75,804	52,205	101,513	86,774
Other, net	197,244	498,986	437,608	684,072
	\$ 55,363	\$ 977,132	\$ 142,187	\$ 1,996,323
Income before taxes on income	\$ 5,059,348	\$ 6,767,453	\$ 2,532,296	\$ 7,672,686
PROVISION FOR INCOME TAXES	1,455,000	2,125,000	730,000	2,400,000
NET INCOME	\$ 3,604,348	\$ 4,642,453	\$ 1,802,296	\$ 5,272,686
RETAINED EARNINGS, beg. of period	96,686,575	87,428,176	98,488,627	86,797,943
Less cash dividends	926,200	885,931	926,200	885,931
RETAINED EARNINGS, end of period	\$ 99,364,723	\$ 91,184,698	\$ 99,364,723	\$ 91,184,698
Basic earnings per share	\$.90	\$ 1.15	\$.45	\$ 1.31
Cash dividends per share	\$ 0.23	\$ 0.22	\$ 0.23	\$ 0.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months and Six Months Ended June 30, 2008 and 2007 (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
NET INCOME	\$ 3,604,348	\$ 4,642,453	\$ 1,802,296	\$ 5,272,686

UNREALIZED APPRECIATION (DEPRECIATION)

ON AVAILABLE FOR SALE SECURITIES (Net

of deferred tax expense (benefit) of \$(1,060,000), \$204,000,

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

\$(1,520,000), and \$852,000, respectively)	(1,590,000)	310,368	(2,280,000)	1,281,686
LESS: RECLASSIFICATION ADJUSTMENT FOR REALIZED GAINS INCLUDED IN NET INCOME (net of deferred tax expense of \$-0-, \$360,000, \$-0-,and \$844,000, respectively)	-	544,368	-	1,269,686
COMPREHENSIVE INCOME (LOSS)	\$ 2,014,348	\$ 4,408,453	\$ (477,704)	\$ 5,284,686

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2008 and 2007 (Unaudited)

	2008	2007
OPERATING ACTIVITIES:		
Net income	\$ 1,802,296	\$ 5,272,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,834,692	5,768,977
Minority interest in losses of subsidiaries	(174)	(120,957)
Deferred income taxes	(28,000)	(442)
Gain on disposal of assets	(208,699)	(145,997)
Realized gain on sale of equity investments	-	(2,113,686)
Change in assets and liabilities:		
Receivables, net	(8,084,781)	(4,837,062)
Inventories	1,451,786	(4,853,667)
Refundable income taxes	-	739,574
Prepaid expenses	(310,980)	(375,166)
Other assets	53,375	10,740
Accounts payable and accrued liabilities	4,700,133	3,211,814
Accrued postretirement benefits	838,164	840,535
Accrued pension expense	219,333	(198,769)
Net cash provided by operating activities	\$ 6,267,145	\$ 3,198,580
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	\$ (4,722,884)	\$ (4,148,405)
Proceeds from disposals of property, plant and equipment	221,850	175,736
Payment for acquisition of business	(2,319,934)	-
Payment for purchases of equity investments	(3,383,206)	(931,096)
Proceeds from disposals of equity investments	-	3,051,038
Purchases of subsidiaries' stock	-	(189,740)
Net cash used for investing activities	\$ (10,204,174)	\$ (2,042,467)