

MONARCH CEMENT CO
Form 10-Q
August 09, 2010

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, 2010, 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

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As of July 27, 2010, there were 2,539,454 shares of Capital Stock, par value \$2.50 per share outstanding and 1,484,744 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, 2009 has been derived from the audited consolidated balance sheet of the 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 2009 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

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2010 and December 31, 2009

| ASSETS | 2010 | 2 0 0 9 |
|---|---------------|---------------|
| CURRENT ASSETS: | (Unaudited) | |
| Cash and cash equivalents | \$1,463,503 | \$2,149,397 |
| Receivables, less allowances of \$980,000 in 2010 and \$911,000 in 2009 for doubtful accounts | 16,335,036 | 12,558,856 |
| Inventories, priced at cost which is not in excess of market- | | |
| Finished cement | \$7,149,868 | \$5,345,468 |
| Work in process | 2,724,055 | 2,050,200 |
| Building products | 5,097,062 | 5,225,431 |
| Fuel, gypsum, paper sacks and other | 7,077,456 | 7,625,573 |
| Operating and maintenance supplies | 11,304,007 | 11,538,788 |
| Total inventories | \$33,352,448 | \$31,785,460 |
| Refundable federal and state income taxes | 1,073,412 | 310,795 |
| Deferred income taxes | 775,000 | 775,000 |
| Prepaid expenses | 887,102 | 324,844 |
| Total current assets | \$53,886,501 | \$47,904,352 |
| PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$168,181,938 in 2010 and \$162,880,507 in 2009 | 88,450,795 | 90,817,394 |
| DEFERRED INCOME TAXES | 19,365,778 | 19,093,778 |
| INVESTMENTS | 17,296,427 | 18,419,208 |
| OTHER ASSETS | 516,744 | 762,945 |
| | \$179,516,245 | \$176,997,677 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$6,095,879 | \$5,083,300 |
| Line of credit payable | 8,354,868 | 511,944 |
| Current portion of advancing term loan | 2,777,322 | 2,732,490 |
| Accrued liabilities | 7,667,764 | 10,900,596 |
| Total current liabilities | \$24,895,833 | \$19,228,330 |
| LONG-TERM DEBT | 10,636,868 | 12,096,835 |
| ACCRUED POSTRETIREMENT BENEFITS | 31,075,587 | 30,206,610 |
| ACCRUED PENSION EXPENSE | 12,790,018 | 12,250,038 |
| STOCKHOLDERS' EQUITY: | | |
| Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued 2,538,329 shares at 06/30/2010 and 2,532,463 shares at 12/31/2009 | \$6,345,823 | \$6,331,158 |
| 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 1,485,869 shares at 06/30/2010 and 1,491,735 shares at 12/31/2009 | 3,714,672 | 3,729,337 |
| Retained earnings | 102,878,787 | 105,989,712 |
| Accumulated other comprehensive loss | (12,821,343) | (12,834,343) |
| Total stockholders' equity | \$100,117,939 | \$103,215,864 |

\$179,516,245 \$176,997,677

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS

For the Three Months and the Six Months Ended June 30, 2010 and 2009 (Unaudited)

| | For the Three Months | | For the Six Months Ended | |
|---|---------------------------|------------------|--------------------------|------------------|
| | Ended June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| NET SALES | \$34,073,747 | \$36,164,068 | \$52,268,473 | \$61,494,804 |
| COST OF SALES | 26,562,233 | 27,933,443 | 47,221,231 | 52,792,267 |
| Gross profit from operations | \$7,511,514 | \$8,230,625 | \$5,047,242 | \$8,702,537 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 3,861,768 | 4,032,897 | 7,749,286 | 8,154,530 |
| Income (Loss) from operations | \$3,649,746 | \$4,197,728 | \$(2,702,044) | \$548,007 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | \$50,779 | \$53,414 | \$101,665 | \$87,637 |
| Interest expense | (158,757) | (182,771) | | |