

MONARCH CEMENT CO
Form 10-Q
November 09, 2009

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 September 30, 2009, 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

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

As of October 27, 2009, there were 2,532,463 shares of Capital Stock, par value \$2.50 per share outstanding and 1,491,735 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, 2008 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 2008 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
 September 30, 2009 and December 31, 2008

ASSETS	2 0 0 9	2 0 0 8
CURRENT ASSETS:	(Unaudited)	
Cash and cash equivalents	\$3,155,302	\$3,111,509
Short-term investments, at cost which approximates fair value	-	2,100,000
Receivables, less allowances of \$966,000 in 2009 and \$788,000 in 2008 for doubtful accounts	21,445,816	15,499,638
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$5,354,644	\$4,507,180
Work in process	2,312,898	1,681,765
Building products	5,384,679	5,069,230
Fuel, gypsum, paper sacks and other	7,130,811	6,312,135
Operating and maintenance supplies	11,151,473	10,943,746
Total inventories	\$31,334,505	\$28,514,056
Refundable federal and state income taxes	-	27,102
Deferred income taxes	710,000	710,000
Prepaid expenses	779,071	508,324
Total current assets	\$57,424,694	\$50,470,629
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$159,557,848 in 2009 and \$151,055,752 in 2008	88,903,515	90,803,872
DEFERRED INCOME TAXES	18,031,540	19,473,540
INVESTMENTS	18,633,591	12,740,244
OTHER ASSETS	893,527	1,276,364
	\$183,886,867	\$174,764,649
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$6,762,473	\$6,308,873
Line of credit payable	5,253,788	-
Current portion of advancing term loan	2,715,022	2,643,913
Accrued liabilities	7,348,804	8,553,694
Total current liabilities	\$22,080,087	\$17,506,480
LONG-TERM DEBT	12,843,755	15,108,016
ACCRUED POSTRETIREMENT BENEFITS	27,408,899	26,210,409
ACCRUED PENSION EXPENSE	15,363,826	14,720,952
EQUITY:		
COMPANY STOCKHOLDERS' EQUITY:		
Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued 2,532,463 shares at 9/30/2009 and 2,518,658 shares at 12/31/2008	\$6,331,158	\$6,296,645
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 1,491,735 shares at 9/30/2009 and 1,505,540 shares at 12/31/2008	3,729,337	3,763,850
Retained earnings	108,418,928	104,958,556
Accumulated other comprehensive loss	(12,289,123)	(14,509,123)

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

	Total Company stockholders' equity	106,190,300	100,509,928
NONCONTROLLING INTEREST		-	708,864
	Total equity	\$106,190,300	\$101,218,792
		\$183,886,867	\$174,764,649

See notes to condensed consolidated financial statements

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
 For the Three Months and the Nine Months Ended September 30, 2009 and 2008 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
NET SALES	\$42,410,390	\$48,876,781	\$103,905,194	\$116,962,489
COST OF SALES	31,761,671	36,074,978	84,553,938	93,876,580
Gross profit from operations	\$10,648,719	\$12,801,803	\$19,351,256	\$23,085,909
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,015,605	3,973,522	12,170,135	11,867,519
Income from operations	\$6,633,114	\$8,828,281	\$7,181,121	\$11,218,390
OTHER INCOME (EXPENSE):				
Interest income	\$52,062	\$53,413	\$139,699	\$191,149
Interest expense	(157,277)	(236,550)	(487,742)	(771,220)
Gains on equity investments	53,568	-	123,133	-
Dividend income	40,021	75,869	130,780	177,382
Other, net	200,645	153,925	175,713	591,359
	\$189,019	\$46,657	\$81,583	\$188,670
Income before taxes on income	\$6,822,133	\$8,874,938	\$7,262,704	\$11,407,060
PROVISION FOR INCOME TAXES	1,875,000	2,470,000	2,000,000	3,200,000
NET INCOME	\$4,947,133	\$6,404,938	\$5,262,704	\$8,207,060
Less: Net Loss attributable to noncontrolling interest	-	-	(48,799)	(174)
NET INCOME ATTRIB. TO COMPANY	\$4,947,133	\$6,404,938	\$5,311,503	\$8,207,234
RETAINED EARNINGS, beg. of period	104,397,360	99,364,723	104,958,556	98,488,627
Less cash dividends	925,565	926,201	1,851,131	1,852,401
RETAINED EARNINGS, end of period	\$108,418,928	\$104,843,460	\$108,418,928	\$104,843,460
Basic earnings per share	\$1.23	\$1.59	\$1.32	\$2.04
Cash dividends per share	\$0.23	\$0.23	\$0.46	\$0.46

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three Months and the Nine Months Ended September 30, 2009 and 2008 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
NET INCOME	\$4,947,133	\$6,404,938	\$5,262,704	\$8,207,060
UNREALIZED APPRECIATION (DEPRECIATION) ON AVAILABLE FOR SALE SECURITIES (Net of deferred tax expense (benefit) of \$1,276,000, \$(524,000), \$1,528,000 and \$(2,044,000), respectively)	1,917,568	(786,000)	2,295,133	(3,066,000)

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

LESS: RECLASSIFICATION ADJUSTMENT FOR

REALIZED GAINS INCLUDED IN

NET INCOME (net of deferred tax expense

of \$20,000, \$-0-, \$48,000, and \$-0-, respectively) 33,568

-

75,133

-

COMPREHENSIVE INCOME \$6,831,133

\$5,618,938

\$7,482,704

\$5,141,060

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the Nine Months Ended September 30, 2009 and 2008 (Unaudited)

	2009	2008
OPERATING ACTIVITIES:		
Net income	\$5,262,704	\$8,207,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	9,136,307	8,830,955
Deferred income taxes, long-term	(38,000)	(42,000)
Gain on disposal of assets	(66,087)	(216,899)
Realized gain on sale of equity investments	(123,133)	-
Change in assets and liabilities:		
Receivables, net	(5,946,178)	(8,775,717)
Inventories	(2,820,449)	2,305,770
Refundable income taxes	27,102	-
Prepaid expenses	(270,747)	(343,487)
Other assets	19,697	105,413
Accounts payable and accrued liabilities	1,031,913	7,069,265
Accrued postretirement benefits	1,198,490	1,174,211
Accrued pension expense	642,874	(420,694)
Net cash provided by operating activities	\$8,054,493	\$17,893,877
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	\$(6,857,737)	\$(6,899,507)
Proceeds from disposals of property, plant and equipment	118,942	232,550
Payment for acquisition of business	-	(2,319,934)
Payment for purchases of equity investments	(3,530,703)	(4,930,019)
Proceeds from disposals of equity investments	1,460,489	-
Decrease in short-term investments, net	2,100,000	-
Net cash used for investing activities	\$(6,709,009)	\$(13,916,910)
FINANCING ACTIVITIES:		
Increase in line of credit, net	\$5,253,788	\$-
Payments on bank loans	(1,976,177)	(1,532,394)
Payments on other long-term debt	(216,975)	(241,991)
Cash dividends paid	(3,702,262)	(3,624,263)
Purchases of noncontrolling interests	(660,065)	-
Net cash used for financing activities	\$(1,301,691)	\$(5,398,648)
Net increase (decrease) in cash and cash equivalents	\$43,793	\$(1,421,681)
Cash and Cash Equivalents, beginning of year	3,111,509	4,404,116
Cash and Cash Equivalents, end of period	\$3,155,302	\$2,982,435
Interest paid, net of amount capitalized	\$496,676	\$788,714
Income taxes paid, net of refunds	\$(72,660)	\$1,790,000
Capital equipment additions included in accounts payable	\$289,842	\$44,680

See notes to condensed consolidated financial statements

THE MONARCH
CEMENT
COMPANY AND
SUBSIDIARIES
NOTES TO THE
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS
September 30, 2009
(Unaudited), and
December 31,
2008

1. For a summary of accounting policies, the reader should refer to Note 1 of the consolidated financial statements included in our Company's most recent annual report on Form 10-K.
2. Certain reclassifications have been made to the 2008 financial statements to conform to the current year presentation. These reclassifications had no effect on net earnings.
3. For the nine months ended September 30, 2009, we restored the \$.1 million temporary LIFO liquidation created by reductions in finished cement and work in process inventory in the first six months of 2009. The temporary LIFO liquidation gain had been deferred as a component of accrued liabilities. We had temporary LIFO liquidation gains during the nine months ended September 30, 2008 due to reductions in finished cement and work in process inventory of \$.8 million. For the three months ended September 30, 2009, we restored \$.1 million of the LIFO liquidation incurred in the first six months of 2009. We had temporary LIFO liquidation gains for the three months ended September 30, 2008 due to reductions in finished cement and work in process inventory of \$.8 million.

During the nine months and the three months ended September 30, 2009 we did not incur any permanent reductions in the LIFO layers of work in process or cement inventories. During the nine months ended September 30, 2008 we incurred a \$.7 million permanent reduction in LIFO layers which was recognized as a reduction of cost of sales. During the three months ended September 30, 2008 we did not incur any permanent reductions in the LIFO layers of work in process or cement inventories.
4. Basic earnings per share of capital stock has been calculated based on the weighted average shares outstanding during each of the reporting periods. The weighted average number of shares outstanding was 4,024,198 and 4,026,958 in the third quarter of 2009 and 2008, respectively. The weighted average number of shares outstanding was 4,024,198 and 4,026,958 in the first nine months of 2009 and 2008, respectively. The Company has no common stock equivalents and therefore, does not report diluted earnings per share.
5. Our Company groups its operations into two lines of business - Cement Business and Ready-Mixed Concrete Business. The "Cement Business" refers to our manufacture and sale of cement and "Ready-Mixed Concrete Business" refers to our ready-mixed concrete, concrete products, precast concrete construction, and sundry building materials business. Corporate assets for 2009 and 2008 include cash and cash equivalents, deferred income taxes, investments and other assets. Following is information for each line for the periods indicated:

	Cement Business	Ready- Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Three Months Ended 9/30/09				

Edgar Filing: MONARCH CEMENT CO - Form 10-Q

Sales to unaffiliated customers	\$ 17,982,074	\$24,428,316	\$ -	\$ 42,410,390
Intersegment sales	3,940,641	-	(3,940,641)	-
Total net sales	\$ 21,922,715	\$24,428,316	\$(3,940,641)	\$ 42,410,390
Income from operations	\$ 4,980,605	\$1,652,509		\$ 6,633,114
Other income, net				189,019
Income before income taxes				\$ 6,822,133
Capital Expenditures	\$ 1,469,980	\$985,253		\$ 2,455,233