The Monarch Cement Company
Annual Report
December 31, 2017

1) Name of the issuer and its predecessors.

The Monarch Cement Company

2) Address of the issuer's principal executive offices

449 1200 Street
P.O. Box 1000
Humboldt, KS 66748
Phone: (620) 473-2222
Email: shareholder.relations@monarchcement.com
Website: http://www.monarchcement.com

3) Security Information

Trading Symbol: MCEM
Exact title and class of securities outstanding: Capital Stock
CUSIP: 609031307
Par or Stated Value: $2.50
Total shares authorized: 10,000,000 as of: December 31, 2017
Total shares outstanding: 2,628,185 as of: December 31, 2017

Trading Symbol: MCEM
Exact title and class of securities outstanding: Class B Capital Stock
CUSIP: 609031406
Par or Stated Value: $2.50
Total shares authorized: 10,000,000 as of: December 31, 2017
Total shares outstanding: 1,232,604 as of: December 31, 2017

Transfer Agent
The Monarch Cement Company
P.O. Box 1000
Humboldt, KS 66748-0900
Phone: (620) 473-2222

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

List any restrictions on the transfer of security:

Class B Capital Stock can only be transferred to family members, otherwise shares will be converted into Capital Stock on a share-for-share basis.

Describe any trading suspension orders issued by the SEC in the past 12 months:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

4) Issuance History

Pursuant to the provisions of Monarch's Articles of Incorporation governing the conversion of its Class B Capital Stock into Capital Stock, a total of 16,755 shares of Monarch's Capital Stock were issued in the year ended 2017 upon conversion of an equal number of shares of Monarch's Class B Capital Stock, including the following share conversions as indicated below:

Shares of Capital Stock Issued Upon Conversion of Class B Capital Stock

Date	Number of Shares
January 6, 2017	5,000
March 23, 2017	50
August 23, 2017	11,705
	16,755

The Company received no payment in connection with the issuances of such shares. No underwriters were involved with the issuance of such shares and no commissions were paid in connection with such issuances. There was no advertisement or general solicitation made in connection with the issuance of such shares. Except as described above, Monarch did not issue or sell any shares of its Capital Stock or Class B Capital Stock during the year ended December 31, 2017.

5) Financial Statements

The Company's consolidated financial statements are attached at the end of this annual filing.

6) Describe the Issuer's Business, Products and Services.

A. Description of issuer's business operations:

The Monarch Cement Company (Monarch) manufactures and sells portland cement. The manufacture of portland cement by Monarch involves the quarrying of clay and limestone and the crushing, drying and blending of these raw materials into the proper chemical ratio. The raw materials are then heated in kilns to 2800º Fahrenheit at which time chemical reactions occur forming a new compound called clinker. After the addition of a small amount of gypsum, the clinker is ground into a very fine powder that is known as portland cement. The term "portland cement" is not a brand name but is a term that distinguishes cement manufactured by this chemical process from natural cement, which is no longer widely used. Portland cement is the basic material used in the production of ready-mixed concrete that is used in highway, bridge and building construction where strength and durability are primary requirements.

Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") are engaged in the ready-mixed concrete, concrete products and sundry building materials business. Ready-mixed concrete is manufactured by combining aggregates with portland cement, water and chemical admixtures in batch plants. It is then loaded into mixer trucks and mixed in transit to the construction site where it is delivered to the contractor. Concrete products primarily include pre-formed components produced by the Company that are ready for use in the construction of commercial buildings, institutional facilities and parking garages.

B. Date and State of Incorporation:

Monarch was organized as a corporation under the laws of the State of Kansas on July 29, 1913.

C. Issuer's primary and secondary SIC Codes:

3241 – Cement, Hydraulic
3273 – Ready-Mixed Concrete

D. Issuer's fiscal year end date:

December 31

E. Principal products or services, and their markets:

The marketing area for Monarch's products, which is limited by the relatively high cost of transporting cement, consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Included within this area are the metropolitan markets of Des Moines, Iowa; Kansas City, Missouri; Springfield, Missouri; Wichita, Kansas; Omaha, Nebraska; Lincoln, Nebraska; Fayetteville, Arkansas and Tulsa, Oklahoma. Sales of cement are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Monarch cement is delivered either in bulk or in paper bags and is sold under the "MONARCH" brand name. The cement is distributed both by truck and rail, either common or private carrier.

Subsidiaries of Monarch sell ready-mixed concrete, concrete products and sundry building materials in Monarch's primary market.

7) Describe the Issuer's Facilities

The Company's corporate office and cement plant, including equipment and raw materials, are located at Humboldt, Kansas, approximately 110 miles southwest of Kansas City, Missouri. The Company owns approximately 5,000 acres of land on which the Humboldt plant, offices and all essential raw materials for the cement operations are located. Construction completed in 2006 increased our cement plant's capacity allowing us to produce in excess of one million tons of cement per year. Producing at that level, raw material reserves are estimated to be sufficient to maintain operations at this plant for more than 50 years, although not all reserves are currently accessible under existing governmental permits and approvals. The Company believes that this plant and equipment are suitable and adequate for its current level of operations and provides for increases in market demand.

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 353 acres of this 400 acre tract have been quarried and the Company has contracted with a third party to quarry and sell the remaining rock. This quarry operation does not have a material effect on the Company's overall operations.

The Company owns various companies which sell ready-mixed concrete, concrete products and sundry building materials within the Humboldt cement plant's primary market. Various equipment and facility improvements in this line of business ensure these plants are suitable and adequate for their current level of operations and provide for increases in market demand. No single subsidiary's physical property is materially significant to the Company.

There are no material encumbrances on our properties.

8) Officers, Directors, and Control Persons

F. Names of Officers, Directors, and Control Persons.

Officers	Directors	Control Persons
Walter H. Wulf, Jr.	Jack R. Callahan	PDR Holdings, LLC
Chairman of the Board	Mark A. Callaway	Walter H. Wulf, Jr.
Kent A. Webber	David L. Deffner	
President	Robert M. Kissick	
*Robert M. Kissick	Gayle C. McMillen	
Vice Chairman of the Board and Vice President	Byron J. Radcliff	
Debra P. Roe	Robert K. Radcliff	
Chief Financial Officer and	Steve W. Sloan	
Secretary-Treasurer	Michael R. Wachter	
Lisa J. Fontaine	Walter H. Wulf, Jr.	
Assistant Secretary	Walter H. Wulf, III	
Tony D. Kasten		
Assistant Secretary-Treasurer		
Kenneth G. Miller		
Vice President - Cement Manufacturing		
N. Joan Perez		
Vice President - Sales		

*Not actively involved in the daily affairs of the Company

G. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   Even though considered a minor offense, our President, Kent Webber, through a plea agreement, pled guilty to taking an excess of the limit on doves in November 2014.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

   None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

   None

H. Beneficial Shareholders.
PDR Holdings, LLC – 10.66%
P.O. Box 100
Dexter, Kansas 67038

9) Third Party Providers

Legal Counsel
Stinson Leonard Street LLP
1201 Walnut Street, Suite 2900
Kansas City, MO 64106-2150

Accountant or Auditor
BKD, LLP
1201 Walnut Street, Suite 1700
Kansas City, MO 64106-2246
Phone: (816) 221-6300
http://www.bkd.com/contact-us/

Investor Relations Consultant
Stinson Leonard Street LLP
1201 Walnut Street, Suite 2900
Kansas City, MO 64106-2150

10) Issuer Certification

I, Kent A. Webber, President (Chief Executive Officer), certify that:

I have reviewed this Annual Report for the year ended December 31, 2017 of The Monarch Cement Company.

Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 15, 2018

/s/ Kent A. Webber
President
(Chief Executive Officer)

I, Debra P. Roe, Chief Financial Officer and Secretary-Treasurer, certify that:

I have reviewed this Annual Report for the year ended December 31, 2017 of The Monarch Cement Company.

Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

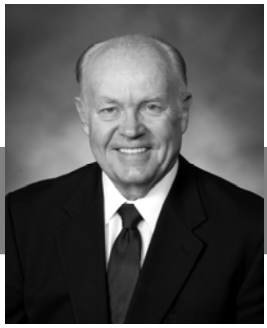
March 15, 2018

/s/ Debra P. Roe
Chief Financial Officer and
Secretary-Treasurer

THE MONARCH CEMENT COMPANY

ANNUAL REPORT
2017

To Our Shareholders



March 15, 2018

The economic recovery which accelerated in our market area during 2016, leveled off during 2017. The resulting increased demand for both cement and ready-mixed concrete allowed us to raise sales prices across all product lines and increase our utilization of our property, plant and equipment. Net sales increased 1.7% for 2017 compared to 2016, while cost of sales decreased 0.9% during the same periods resulting in a $3.9 million increase in gross profit from operations. Legal and other expenses related to the settlement of a lawsuit increased our administrative expenses in 2017 resulting in a 5.5% decrease in income from operations from $28.7 million in 2016 to $27.1 million in 2017. Other, net was a positive $1.5 million for 2017 while it was slightly negative for the year 2016 primarily due to a loss on impairment of equity investments of $1.1 million from an investment in the oil and gas industry. Net income for the year 2017 was $21.7 million compared to $21.2 million for the year 2016.

During 2017, we continued to reinvest capital resources in our plant and equipment. Of the $18.9 million spent on capital expenditures during 2017, approximately $11.6 million was invested in the cement business and $7.3 million in the ready-mixed concrete business. These expenditures included regularly scheduled major equipment maintenance, modifications to improve production and energy efficiency, enlarging our corporate offices, and ongoing replacements of our ready-mixed concrete and over-the-road truck fleets and mobile equipment. For 2018, we have budgeted approximately $20.7 million for capital expenditures as we continue maintaining and upgrading our cement manufacturing facility, modernizing our ready-mixed concrete truck fleet and expanding our over-the road truck fleet. We are also expanding our footprint in the western Kansas ready-mixed concrete market with the purchase of Hays Ready-Mix, Inc. in Hays, Kansas and certain other ready mix assets in Larned and Great Bend, Kansas.

After 46 years of service to the Company, including the past 20 years as President, I stepped down as President at the December Board of Directors' meeting. In my continuing role as Chairman of the Board, let me assure you that I am actively involved and dedicated to sustaining the long-term success of our Company. As we prepare for the upcoming construction season, our newly elected President, Kent A. Webber, is eagerly working with our team of dedicated employees to maximize production efficiencies and to continue manufacturing high quality products for our many loyal customers. We remain committed to preserving our long-standing tradition of excellence. With grateful appreciation for the continued support of our steadfast stockholders and the blessings and support of our Heavenly Father, we optimistically look forward to success in the coming year.

Walter H. Wulf, Jr.
Chairman of the Board

2017 Financial Results

in thousands, except per share data	2017	2016	2015	2014	2013
FOR THE YEAR					
Net sales	$ 168,080	$ 165,232	$ 147,900	$ 146,898	$ 127,442
Net income	21,703	21,160	18,252	11,314	5,443
PER SHARE INFORMATION					
Basic earnings per share	$ 5.62	$ 5.48	$ 4.72	$ 2.86	$ 1.36
Cash dividends declared per share	1.40	1.20	1.00	0.92	0.92
Stockholders' equity per share	44.53	39.08	32.22	30.10	28.85
YEAR END POSITION					
Total assets	$ 204,282	$ 190,864	$ 182,014	$ 179,867	$ 174,106
Long-term debt obligations	2,093	35	4,342	5,861	12,061

Consolidated net sales for the year ended December 31, 2017 were approximately $168.1 million, an increase of $2.9 million as compared to the year ended December 31, 2016. Sales in our Cement Business were higher by $5.5 million while sales in our Ready-Mixed Concrete Business were lower by $2.6 million. Cement Business sales increased $3.0 million due to a 3.7% increase in volume sold and $2.5 million due to price increases. Ready-mixed concrete sales decreased $0.3 million due to a 0.5% decrease in cubic yards sold and increased $0.6 million due to price increases. Sales for brick, block, aggregates and other sundry items declined $2.9 million.

Consolidated cost of sales for 2017 were $1.1 million lower than cost of sales for 2016. Cost of sales in our Cement Business decreased $0.3 million and cost of sales in our Ready-Mixed Concrete Business decreased $0.8 million. Cement Business cost of sales increased $1.9 million due to the 3.7% increase in volume sold which was offset by a $2.2 million decrease in production costs as a result of operating efficiencies made possible by higher production levels. Ready-Mixed Concrete Business cost of sales decreased $0.3 million due to the 0.5% decrease in cubic yards of ready-mixed concrete sold which was offset by an increase of $1.3 million due to increases in production costs. Cost of sales for brick, block, aggregates and other sundry items decreased $1.8 million.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2017 was 29.2% compared to 27.3% for the year ended December 31, 2016. The Cement Business gross profit rate improved from 38.8% for 2016 to 43.0% for 2017. The gross profit rate for Ready-Mixed Concrete Business decreased from 16.1% for 2016 to 14.3% for 2017.

Selling, general and administrative expenses increased by $5.5 million for the year 2017 as compared to the year 2016 primarily due to legal fees and other expenses related to the settlement of the Huff lawsuit (see note 9).

Gain on sale of equity investments increased by $0.2 million for the year ended December 31, 2017 compared to the $1.1 million loss on impairment of equity investments for the year ended December 31, 2016. Other, net contains miscellaneous non-operating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments and dividend income. Significant items in Other, net includes rental income of approximately $360,000 in 2017 and 2016 and proceeds related to the settlement of a lawsuit of approximately $640,000 in 2015.

The effective tax rates for 2017 and 2016 were 27.0% and 28.2%, respectively. The Company's effective tax rate differs from the federal and state statutory income tax rate primarily due to the effects of percentage depletion. During 2017 and 2016, percentage depletion decreased the effective tax rate by 4.9% and 4.1%, respectively. The change in deferred tax rate decreased the effective tax rate by an additional 2.1% in 2017 and tax credits decreased the effective tax rate by an additional 2.4% in 2016.

Certain statements in this Annual Report constitute "forward-looking statements". Except for historical information, the statements made in this report are forward-looking statements that involve risks and uncertainties. You can identify these statements by forward-looking words such as "should", "anticipate", "believe", "intend", "may", "forecast" or similar words. In particular, statements with respect to the timing, scope, cost and benefits of our proposed and recently completed capital improvements and expansion plans, including potential fuel savings, projected installation costs and other cash needs, and our forecasted cement sales are all forward-looking statements. You should be aware that forward-looking statements involve known and unknown risks, uncertainties, and other factors that may affect the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: general economic and business conditions; competition; raw material and other operating costs; costs of capital equipment; changes in business strategy or expansion plans; demand for our Company's products; cyclical and seasonal nature of our business; the affect weather has on our business; the effect of environmental and other government regulation; and the effect of federal and state funding on demand for our products.

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

Independent Auditor's Report

Board of Directors and Stockholders
The Monarch Cement Company
Humboldt, Kansas

We have audited the accompanying consolidated financial statements of The Monarch Cement Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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 Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1,* in 2017 the Company adopted ASU 2018-02, *Income Statement Reporting Comprehension Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The 2017 financial results are presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
March 15, 2018

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,813,675	$ 12,117,812
Receivables, less allowances of $419,000 in 2017 and $468,000 in 2016 for doubtful accounts	15,540,384	15,662,897
Inventories, priced at cost which is not in excess of market-		
Finished cement	$ 4,743,930	$ 4,715,192
Work in process	4,533,716	3,338,303
Building products	3,906,910	3,663,506
Fuel, gypsum, paper sacks and other	5,343,092	6,898,116
Operating and maintenance supplies	15,374,562	14,726,352
Total inventories	$ 33,902,210	$ 33,341,469
Refundable federal and state income taxes	1,460,985	1,146,981
Prepaid expenses	457,702	971,306
Total current assets	**$ 67,174,956**	**$ 63,240,465**
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of $235,531,226 in 2017 and $226,962,699 in 2016	85,365,801	81,351,103
DEFERRED INCOME TAXES	-	3,651,813
INVESTMENTS	41,348,373	33,105,362
INVESTMENTS IN AFFILIATES	7,597,662	6,787,591
OTHER ASSETS	2,794,957	2,727,793
	$ 204,281,749	**$ 190,864,127**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,277,988	$ 5,655,288
Current portion of term loan	-	4,285,714
Current portion of other long-term debt	750,000	-
Accrued liabilities		
Dividends	1,351,276	1,158,237
Compensation and benefits	3,010,876	3,186,365
Miscellaneous taxes	679,086	699,355
Other	3,146,408	2,142,991
Total current liabilities	**$ 15,215,634**	**$ 17,127,950**
DEFERRED INCOME TAXES	279,955	-
LONG-TERM DEBT	2,093,145	34,614
ACCRUED POSTRETIREMENT BENEFITS	14,787,630	20,714,778
ACCRUED PENSION EXPENSE	-	2,099,271
STOCKHOLDERS' EQUITY		
Capital stock, par value $2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,628,185 shares at 12/31/2017 and 2,611,430 shares at 12/31/2016	$ 6,570,463	$ 6,528,575
Class B capital stock, par value $2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,232,604 shares at 12/31/2017 and 1,249,359 shares at 12/31/2016	3,081,510	3,123,398
Additional paid-in capital	2,485,125	2,485,125
Retained earnings	148,503,541	134,210,386
Accumulated other comprehensive income	11,264,746	4,540,030
TOTAL STOCKHOLDERS' EQUITY	**$ 171,905,385**	**$ 150,887,514**
	$ 204,281,749	**$ 190,864,127**

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
NET SALES	$ 168,079,763	$ 165,231,735	$ 147,899,622
COST OF SALES	119,052,321	120,142,145	115,187,416
Gross profit from operations	**$ 49,027,442**	**$ 45,089,590**	**$ 32,712,206**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	21,938,552	16,397,383	15,780,087
Income from operations	**$ 27,088,890**	**$ 28,692,207**	**$ 16,932,119**
OTHER INCOME (EXPENSE)			
Interest income	$ 155,110	$ 117,478	$ 94,592
Interest expense	(28,694)	(119,776)	(230,388)
Loss on impairment of equity investments	-	(1,065,662)	-
Gain on sale of equity investments	165,212	9,721	8,343,407
Dividend income	600,142	515,019	558,323
Other, net	565,257	529,600	1,013,357
	$ 1,457,027	$ (13,620)	$ 9,779,291
Income before income taxes	**$ 28,545,917**	**$ 28,678,587**	**$ 26,711,410**
PROVISION FOR INCOME TAXES	7,695,000	8,100,000	8,845,000
Equity in affiliate earnings, net of tax	852,343	581,100	385,196
NET INCOME	**$ 21,703,260**	**$ 21,159,687**	**$ 18,251,606**
Basic earnings per share	**$ 5.62**	**$ 5.48**	**$ 4.72**

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
NET INCOME	**$ 21,703,260**	**$ 21,159,687**	**$ 18,251,606**
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax			
UNREALIZED APPRECIATION ON AVAILABLE-FOR-SALE SECURITIES (Net of deferred tax expense of $2,576,000, $2,840,000 and $1,896,000, for 2017, 2016 and 2015, respectively)	3,859,212	4,264,059	2,847,407
RECLASSIFICATION ADJUSTMENT FOR SALE OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax expense of $68,000, $4,000 and $3,336,000, for 2017, 2016 and 2015, respectively)	(97,212)	(5,721)	(5,007,407)
RECLASSIFICATION ADJUSTMENT FOR WRITE-DOWN OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax benefit of $-0-, $(428,000) and $-0-, for 2017, 2016 and 2015, respectively)	-	637,662	-
PENSION AND POSTRETIREMENT, CURRENT YEAR ACTUARIAL GAIN (LOSS) (Net of deferred tax (benefit) expense of $(1,960,000), $3,670,500 and $(4,456,500), for 2017, 2016 and 2015, respectively)	(2,944,577)	5,497,862	(6,683,361)
PENSION AND POSTRETIREMENT, CURRENT YEAR PRIOR SERVICE CREDIT (LOSS) (Net of deferred tax (benefit) expense of $3,251,000, $(2,000) and $1,974,000, for 2017, 2016 and 2015, respectively)	4,876,949	(1,910)	2,961,193
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax expense of $1,246,000, $1,246,000 and $905,000, for 2017, 2016 and 2015, respectively)	(1,878,373)	(1,869,231)	(1,357,404)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of $(604,000), $(971,000) and $(689,000), for 2017, 2016 and 2015, respectively)	903,717	1,457,991	1,034,977
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax	**$ 4,719,716**	**$ 9,980,712**	**$ (6,204,595)**
COMPREHENSIVE INCOME	**$ 26,422,976**	**$ 31,140,399**	**$ 12,047,011**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Company Stockholders						
	Capital Stock	Class B Capital Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
BALANCE JANUARY 1, 2015	**$ 6,369,843**	**$ 3,298,967**	**$ 2,485,125**	**$ 103,482,537**	**$ -**	**$ 763,913**	**$ 116,400,385**
Net income	-	-	-	18,251,606	-	-	18,251,606
Dividends declared ($1.00 per share)	-	-	-	(3,863,060)	-	-	(3,863,060)
Transfer of shares	166,257	(166,257)	-	-	-	-	-
Purchase of capital stock	-	-	-	-	(204,274)	-	(204,274)
Retirement of capital stock	(16,837)	-	-	(187,437)	204,274	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	2,847,407	2,847,407
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	(5,007,407)	(5,007,407)
Pension and Postretirement current year prior service credit	-	-	-	-	-	2,961,193	2,961,193
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(6,683,361)	(6,683,361)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,357,404)	(1,357,404)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,034,977	1,034,977
BALANCE DECEMBER 31, 2015	**$ 6,519,263**	**$ 3,132,710**	**$ 2,485,125**	**$ 117,683,646**	**$ -**	**$ (5,440,682)**	**$ 124,380,062**
Net income	-	-	-	21,159,687	-	-	21,159,687
Dividends declared ($1.20 per share)	-	-	-	(4,632,947)	-	-	(4,632,947)
Transfer of shares	9,312	(9,312)	-	-	-	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	4,264,059	4,264,059
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	(5,721)	(5,721)
Reclassification adjustment for write-down of securities in net income	-	-	-	-	-	637,662	637,662
Pension and Postretirement current year prior service loss	-	-	-	-	-	(1,910)	(1,910)
Pension and Postretirement current year actuarial gain	-	-	-	-	-	5,497,862	5,497,862
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,869,231)	(1,869,231)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,457,991	1,457,991
BALANCE DECEMBER 31, 2016	**$ 6,528,575**	**$ 3,123,398**	**$ 2,485,125**	**$ 134,210,386**	**$ -**	**$ 4,540,030**	**$ 150,887,514**
Reclassification of stranded tax effect due to TCJA	-	-	-	(2,005,000)	-	2,005,000	-
Net income	-	-	-	21,703,260	-	-	21,703,260
Dividends declared ($1.40 per share)	-	-	-	(5,405,105)	-	-	(5,405,105)
Transfer of shares	41,888	(41,888)	-	-	-	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	3,859,212	3,859,212
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	(97,212)	(97,212)
Pension and Postretirement current year prior service credit	-	-	-	-	-	4,876,949	4,876,949
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(2,944,577)	(2,944,577)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,878,373)	(1,878,373)
Amortization of Pension and Postretirement loss	-	-	-	-	-	903,717	903,717
BALANCE DECEMBER 31, 2017	**$ 6,570,463**	**$ 3,081,510**	**$ 2,485,125**	**$ 148,503,541**	**$ -**	**$ 11,264,746**	**$ 171,905,385**

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
OPERATING ACTIVITIES:			
Net income	$ 21,703,260	$ 21,159,687	$ 18,251,606
Adjustments to reconcile net income to			
net cash provided by operating activities:			
Depreciation, depletion and amortization	14,828,892	14,713,760	14,686,217
Income from equity method investments, net of dividends	(810,071)	(548,894)	(376,613)
Deferred income taxes	774,768	986,423	2,054,391
Gain on disposal of assets	(822,980)	(311,221)	(528,472)
Realized gain on sale of equity investments	(165,212)	(9,721)	(8,343,407)
Realized loss on impairment of equity investments	-	1,065,662	-
Postretirement benefits and pension expense	(6,593,923)	(5,645,689)	(5,362,790)
Change in assets and liabilities:			
Receivables, net	122,513	(1,285,225)	(2,137,915)
Inventories	(560,741)	837,062	(2,638,808)
Income taxes refundable/payable	(314,004)	(1,147,891)	391,939
Prepaid expenses	513,604	(371,540)	969,757
Other assets	9,378	(8,729)	9,862
Accounts payable and accrued liabilities	4,413,744	(1,957,250)	1,426,477
Net cash provided by operating activities	$ 33,099,228	$ 27,476,434	$ 18,402,244
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	$ (18,913,388)	$ (13,306,356)	$ (14,108,388)
Proceeds from disposals of property, plant and equipment	868,509	913,186	668,115
Payment for purchases of available-for-sale equity investments	(2,424,073)	(3,936,419)	(2,977,360)
Proceeds from disposals of available-for-sale equity investments	616,274	381,123	11,381,520
Payment for acquisition of equity method investments	-	-	(1,767,280)
Net cash used for investing activities	$ (19,852,678)	$ (15,948,466)	$ (6,803,393)
FINANCING ACTIVITIES:			
Payments on bank loans	$ (4,285,714)	$ (1,428,571)	$ (5,901,521)
Payments on other long-term debt	(22,787)	(21,678)	(264,988)
Cash dividends paid	(5,212,066)	(4,439,907)	(3,787,393)
Purchase of capital stock	(30,120)	(132,180)	(2,295,124)
Net cash used for financing activities	$ (9,550,687)	$ (6,022,336)	$ (12,249,026)
Net increase (decrease) in cash and cash equivalents	**$ 3,695,863**	**$ 5,505,632**	**$ (650,175)**
Cash and Cash Equivalents, beginning of year	**12,117,812**	**6,612,180**	**7,262,355**
Cash and Cash Equivalents, end of year	**$ 15,813,675**	**$ 12,117,812**	**$ 6,612,180**
Supplemental disclosures:			
Interest paid, net of amount capitalized	$ 28,694	$ 119,776	$ 230,388
Income taxes paid	7,300,000	8,260,000	7,088,045
Income tax refund	67,016	-	688,325
Capital equipment additions included in accounts payable and accrued liabilities	119,370	165,317	351,542
Capital stock repurchases included in accrued liabilities	327,540	357,660	489,840

See accompanying Notes to the Consolidated Financial Statements

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Nature of Operations**--The Monarch Cement Company (Monarch) is principally engaged in the manufacture and sale of portland cement. The marketing area for Monarch's products consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Sales are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") sell ready-mixed concrete, concrete products and sundry building materials within Monarch's marketing area.

b) **Principles of Consolidation**--Monarch has direct control of certain operating companies that have been deemed to be subsidiaries within the meaning of accounting principles generally accepted in the United States of America. Accordingly, the financial statements of such companies have been consolidated with Monarch's financial statements. All significant intercompany transactions have been eliminated in consolidation.

We use the equity method to account for investments in companies if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the companies in which we invest. Investments accounted for under the equity method are recorded initially at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Our proportionate share of the net income or loss of these companies is included in consolidated net income.

c) **Use of Estimates**--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) **Cash Equivalents**--The Company considers all liquid investments with original maturities of three months or less which we do not intend to roll over beyond three months to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market investments and repurchase agreements with various banks.

The Federal Deposit Insurance Corporation's (FDIC) standard maximum deposit insurance amount fully guarantees all deposit accounts up to $250,000. At times, cash in banks may be in excess of the FDIC limits. At December 31, 2017, the Company had $12.9 million in sweep arrangement accounts (including a money market mutual fund – Level 1) that were not covered by FDIC's general deposit insurance in addition to $3.2 million in general deposits that exceeded FDIC limits. The sweep accounts assets are normally 80% invested in U.S. Treasury securities and repurchase agreements for those securities. We have not experienced any losses in our accounts due to exceeding FDIC insurance limits or lack of FDIC coverage.

e) **Investments**--Equity securities for which the Company has no immediate plan to sell but that may be sold in the future are classified as available for sale. If the fair value of the equity security is readily determinable, it is carried at fair value and unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Realized gains and losses, based on the specifically identified cost of the security, are included in net income. Equity securities whose fair value is not readily determinable are carried at cost unless the Company is aware of significant adverse effects which have impaired the investments. Equity method investments are recorded initially at cost and subsequently adjusted for our share of the net income or loss and cash contributions or distributions to or from these entities. Our cost and equity method investments generally involve entities for which it is not practical to determine fair values.

f) **Receivables**--Accounts receivable are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

g) **Inventories**--Inventories of finished cement and work in process are recorded at the lower of cost or market on a last-in, first-out (LIFO) basis. Total inventories reported under LIFO amounted to $9.3 million and $8.1 million as of December 31, 2017 and 2016, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been $2.2 million, $2.6 million and $2.8 million higher than those reported at December 31, 2017, 2016 and 2015, respectively. The cost of manufactured items includes all material, labor, factory overhead and production-related administrative overhead required in their production.

We did not incur any material liquidation gains in the LIFO layers for 2017, 2016 or 2015.

Other inventories are purchased from outside suppliers. Fuel and other materials are priced by the first-in, first-out (FIFO) method while operating and maintenance supplies are recorded using the average cost method.

Inventories of fuel, gypsum, paper sacks and other are used in the manufacture of cement. The operating and maintenance supplies consist primarily of spare parts for our cement manufacturing equipment.

h) **Property, Plant and Equipment**--Property, plant and equipment are stated at cost of acquisition or construction. The Company capitalizes the cost of interest on borrowed funds used to finance the construction of property, plant and equipment. During 2017, 2016 and 2015, the Company capitalized approximately $34,700, $40,900 and $74,500, respectively, of interest expense related to current construction projects.

The Company records depreciation, depletion and amortization related to manufacturing operations in Cost of Sales; those related to general operations are recorded in Selling, General and Administrative Expenses; and those related to non-operational activities are in Other, net on the Consolidated Statements of Income. The approximate amounts included in each line item as of December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Cost of Sales	$ 12,900,000	$ 13,100,000	$ 13,500,000
Selling, General and Administrative Expenses	1,700,000	1,400,000	900,000
Other, net	200,000	200,000	300,000
Total	$ 14,800,000	$ 14,700,000	$ 14,700,000

Depreciation of property, plant and equipment is provided by charges to operations over the estimated useful lives of the assets using accelerated methods. The majority of the Company's buildings, machinery and equipment are depreciated using 200% (double) declining balance depreciation. Some of the assets used in the Cement Business manufacturing process are depreciated using 150% declining balance depreciation. The Company switches to straight line depreciation once it exceeds the amount computed under the declining balance method being used until the asset is fully depreciated. The Company does not depreciate construction in process. Depletion rates for quarry lands are designed to amortize the cost over the estimated recoverable reserves. Expenditures for improvements that significantly increase the assets' useful lives are capitalized while maintenance and repairs are charged to expense as incurred.

The Company continually evaluates whether events or changes in circumstances have occurred that would indicate that the carrying amount of long-lived assets may not be recoverable. An impairment loss would be recognized and the asset cost would be adjusted to fair value when undiscounted estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The impairment loss would be the amount by which the carrying amount of a long-lived asset exceeds its fair value. Various factors that the Company considers in its review include changes in expected use of the assets, changes in technology, changes in operating performance and changes in expected future cash flows. No asset impairment was recognized during the years ended December 31, 2017, 2016 and 2015.

i) **Other Current Liabilities**--Accrued liabilities-Other contains approximately $2.3 million and $0.8 million related to prepayments held on account in 2017 and 2016, respectively.

j) **Income Taxes**--Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. The Company uses the specific identification (or portfolio) method for reclassifying material stranded tax effects in accumulated other comprehensive income (AOCI) to earnings.

The Company elected to apply the provisions of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. As a result, the Company reclassified $2.0 million from AOCI to retained earnings.

k) **Revenue Recognition**--The Company records revenue from the sale of cement, ready-mixed concrete, concrete products and sundry building materials following delivery of the products to customers. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered.

l) **Cost of Sales**--The Company considers all production and shipping costs, (gain) loss on disposal of operating assets, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and internal transfer costs as cost of sales.

m) **Selling, General and Administrative Expenses**--Selling, general and administrative expenses consist of sales personnel salaries and expenses, promotional costs, accounting personnel salaries and expenses, director and administrative officer salaries and expenses, legal and professional expenses and other expenses related to overall corporate costs.

n) **Other, net**--Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments, realized loss on impairment of equity investments and dividend income. Significant items in Other, net include proceeds related to rental income of approximately $360,000 in 2017 and 2016. Significant items in Other, net include proceeds related to the settlement of a lawsuit of approximately $640,000 in 2015.

o) **Earnings per Share**--Basic earnings per share is based on the weighted average common shares outstanding during each year. Diluted earnings per share are based on the weighted average common and common equivalent shares outstanding each year. Monarch has no common stock equivalents and therefore does not report diluted earnings per share. The weighted average number of shares outstanding was 3,860,789 in 2017, 3,860,789 in 2016 and 3,864,518 in 2015.

p) **Taxes Collected from Customers and Remitted to Governmental Authorities**--Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of income on a net basis.

q) **Self Insurance**--The Company has elected to self-insure certain costs related to employee and retiree health and accident benefits programs. Costs resulting from self-insured losses are charged to income when incurred. Health benefits provided to employees in the Ready-Mixed Concrete Business and health and accident benefits provided to employees in the Cement Business are totally self-insured but are subject to an individual stop loss of $100,000 and $200,000 for the Ready-Mixed Concrete Business and the Cement Business, respectively, with an aggregate stop loss of 120% for both lines of business.

r) **Disclosure about Fair Value of Financial Instruments**--Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. Investment fair values equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities. If it is not practicable to estimate the fair value of an investment, the investment is recorded at cost and evaluated quarterly for events that may adversely impact its fair value.

s) **Intangibles - Goodwill and Other**--Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but is tested for impairment on an annual basis. The Company performed a qualitative assessment of its goodwill during the fourth quarter of 2017 and determined that its goodwill is not impaired and therefore no impairment was required.

(2) FAIR VALUE

Realized gains (losses) on equity investments are computed using the specific identification method. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The aggregate amount of equity securities carried at cost for which the Company has not elected the fair value option, was $0.9 million at December 31, 2017. The remaining $40.5 million in equity security investments are stated at fair value. As of December 31, 2016, the aggregate amount of equity securities carried at cost was $0.9 million and the remaining $32.2 million in equity security investments were stated at fair value. The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet at December 31, 2017 and 2016:

		Fair Value Measurements Using:		
December 31, 2017 Assets:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale equity securities				
Cement industry	$ 17,027,516	$ 17,027,516	$ -	$ -
General building materials industry	13,398,711	13,398,711	-	-
Oil & gas refining and marketing industry	9,060,492	9,060,492	-	-
Residential construction industry	974,225	974,225	-	-
Total assets measured at fair value	$ 40,460,944	$ 40,460,944	$ -	$ -

		Fair Value Measurements Using:		
December 31, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale equity securities				
Cement industry	$ 15,822,611	$ 15,822,611	$ -	$ -
General building materials industry	10,491,782	10,491,782	-	-
Oil & gas refining and marketing industry	4,953,589	4,953,589	-	-
Residential construction industry	964,950	964,950	-	-
Total assets measured at fair value	$ 32,232,932	$ 32,232,932	$ -	$ -

Cash and cash equivalents have carrying values that approximate fair value using Level 1 prices. Receivables, accounts payable and short and long-term debt have carrying values that approximate fair values using Level 2 inputs. The Company's valuation techniques used to measure the fair value of its marketable equity securities were derived from quoted prices in active markets for identical assets (Level 1 inputs). Investments that are recorded at cost or the equity method are evaluated quarterly for events that may adversely impact their carrying value.

There were no transfers between levels and there were no significant changes in the valuation techniques during the period ended December 31, 2017. The Company has no liabilities at either date requiring remeasurement to fair value on a recurring basis in the balance sheet. The Company has no additional assets or liabilities at either date requiring remeasurement to fair value on a non-recurring basis in the balance sheet.

The Company did not show any gross unrealized losses on their investments at December 31, 2017. The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual trade lots of securities have been in a continuous unrealized loss position at December 31, 2016:

Available-for-sale equity securities	Less than 12 Months		12 Months or Greater		Total	
December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
General building materials industry	$ -	$ -	$ 124,627	$ 8,493	$ 124,627	$ 8,493
Residential construction industry	468,690	26,277	-	-	468,690	26,277
Total	$ 468,690	$ 26,277	$ 124,627	$ 8,493	$ 593,317	$ 34,770

(3) INVESTMENTS

Cost Method Investments

The Company owns stock in a privately-owned company in the ethanol production industry. The investment, for which fair value approximates carrying value, was evaluated at December 31, 2017 and 2016 for impairment. The evaluations of the investment for each period's impairment analysis were based on the specific identification of shares held and quoted prices in markets that are not active (Level 2) and no impairments were identified. As a result of the evaluations, the Company does not consider the cost method investment to be impaired at December 31, 2017 or 2016.

Fair Value Investments

Impairment Analysis

December 31, 2017--The Company's investments in available-for-sale securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company did not identify any other-than-temporary impairments in investments which would have resulted in a recognized loss in earnings of equity investments. The Company did not identify any specific investments in available-for-sale equity securities that were other-than-temporarily impaired and therefore did not recognize any unrealized losses.

December 31, 2016--The Company's investments in available-for sale securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company identified a $1.1 million other-than-temporary impairment for the third quarter in its oil & gas refining and marketing industry investments resulting in a recognized loss on equity investments. The fair value of those investments then became the new cost basis. The Company did identify some specific investments in available-for-sale equity securities that were not other-than-temporarily impaired resulting in the recognition of unrealized losses (see table above in Note 2 "Fair Value"). These unrealized losses were immaterial.

Investment Results

The investment results for the years ended December 31, 2017 and 2016 are as follows for available-for-sale equity securities carried at fair value:

	Amortized	Gross Unrealized Holding		Fair
December 31, 2017	Cost	Gains	Losses	Value
Available-for-sale equity securities				
Cement industry	$ 2,690,000	$ 14,340,000	$ -	$ 17,030,000
General building materials industry	5,980,000	7,420,000	-	13,400,000
Oil & gas refining and marketing industry	2,700,000	6,360,000	-	9,060,000
Residential construction industry	480,000	490,000	-	970,000
Total available-for-sale equity securities	$ 11,850,000	$ 28,610,000	$ -	$ 40,460,000
Total gross unrealized gains, net of losses		$ 28,610,000		
Less: Deferred taxes on unrealized holding gains		7,439,000		
Unrealized gains recorded in equity, net of deferred tax		$ 21,171,000		
December 31, 2016				
Available-for-sale equity securities				
Cement industry	$ 2,690,000	$ 13,130,000	$ -	$ 15,820,000
General building materials industry	4,620,000	5,870,000	-	10,490,000
Oil & gas refining and marketing industry	1,650,000	3,305,000	-	4,955,000
Residential construction industry	930,000	35,000	-	965,000
Total available-for-sale equity securities	$ 9,890,000	$ 22,340,000	$ -	$ 32,230,000
Total gross unrealized gains, net of losses		$ 22,340,000		
Less: Deferred taxes on unrealized holding gains		8,936,000		
Unrealized gains recorded in equity, net of deferred tax		$ 13,404,000		

Equity Method Investments

The Company owns common stock of GFI, a privately-owned company in the brick industry. The Company has determined that it has the ability to exercise significant influence, but not control, over the operating and financial policies of GFI. Consequently, the equity method of accounting is used for the investment.

Pertinent information about the Company's investment in GFI is as follows:

	2017	2016	2015
Carrying value	$ 7,597,662	$ 6,787,591	$ 6,238,697
Ownership percentage	32.04%	32.04%	32.04%
Cash dividends received	$ 42,271	$ 32,206	$ 8,583
Undistributed earnings	2,801,154	1,948,811	1,367,711
Difference between carrying amount and the underlying equity in net assets*	(81,933)	(39,663)	(39,663)
Equity in earnings	852,343	581,100	385,196

* The difference between carrying amount and the underlying equity in net assets is in a memo account allocated to goodwill.

During 2017, 2016 and 2015, the Company purchased $1.4 million, $1.4 million and $1.2 million, respectively, of brick from GFI in arm's length transactions in the normal course of business for resale to third parties. The Company eliminated intra-entity profits or losses for its proportionate share of GFI's common stock for inventory still remaining with the Company until such profits or losses were realized in transactions with third parties. Amounts due to GFI for Company purchases were not significant at December 31, 2017 and 2016.

The Company's equity method investment is reviewed for impairment on a periodic basis or if an event occurs or circumstances change that indicate the carrying amount may be impaired. This assessment is based on a review of the investment's performance and a review of indicators of impairment to determine if there is evidence of a loss in value of the investment. Factors the Company considers include:

- Absence of the Company's ability to recover the carrying amount;
- Inability of the equity affiliate to sustain an earnings capacity which would justify the carrying amount of the investment; and
- Significant litigation, bankruptcy or other events that could impact recoverability.

For an equity investment with impairment indicators, the Company measures fair value on the basis of discounted cash flows or other appropriate valuation methods (Level 3). If it is probable that the Company will not recover the carrying amount of its investment, the impairment is considered other-than-temporary and recorded in earnings, and the equity investment balance is reduced to its fair value accordingly. After review, the Company does not consider its equity method investment, for which fair value approximates carrying value, to be impaired at December 31, 2017 or 2016.

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and their estimated useful lives at December 31, 2017 and 2016 consisted of:

	Lives (Years)	2017	2016
Quarry land		$ 2,004,549	$ 2,004,549
Other land		7,948,138	7,789,358
Buildings and improvements	15 – 39	32,314,533	31,958,611
Cement manufacturing equipment	15 – 25	155,365,717	153,611,285
Ancillary equipment	5 – 10	15,384,903	15,194,096
Ready-mix and concrete production machinery and equipment	5 – 15	37,203,111	36,892,925
Transportation and mobile equipment	3 – 7	51,385,650	50,478,780
Office machinery, equipment, furniture and fixtures	3 – 10	8,146,392	7,214,383
Construction in process		11,144,034	3,169,815
		$ 320,897,027	$ 308,313,802
Less: Accumulated depreciation and depletion		235,531,226	226,962,699
		$ 85,365,801	$ 81,351,103

(5) REVOLVING LOAN AND LONG-TERM DEBT

On December 31, 2015, the Company entered into a new credit agreement with its current lender, BOKF, NA dba Bank of Oklahoma (Bank of Oklahoma), which amended and restated its revolving loan. The Company's current agreement provides for a $15.0 million revolving loan maturing on December 31, 2018. The previous agreement included a $15.0 million term loan that matured on December 31, 2017. Interest rates on the Company's revolving loan are variable and based on the rate of interest regularly published by the Wall Street Journal and designated as the U.S. Prime Rate (hereto referred to as the WSJ prime rate) less 1.50% with a 1.50% interest rate minimum or floor. Interest rates on the Company's term loan were variable and based on the WSJ prime rate less 1.25% with a 1.75% interest rate minimum or floor. The agreement requires the Company to pledge its investment account, receivable accounts and inventory to Bank of Oklahoma as collateral for the revolving loan. The Company is obligated to maintain at least $12.0 million in its pledged investment account. The carrying value of receivables, inventory and the investment account pledged as collateral was $15.4 million, $33.9 million and $39.4 million, respectively as of December 31, 2017. The agreement also contains financial covenants requiring the Company, as of the end of any fiscal quarter, to maintain a minimum tangible net worth before accumulated other comprehensive income (loss) of $95.0 million and a minimum tangible net worth after accumulated other comprehensive income (loss) of $85.0 million. The Company was in compliance with these requirements at year end.

As of December 31, 2017 and 2016, there was $0.0 and $0.0, respectively, borrowed against the revolving loan. The interest rate was 3.00% and 2.25% on December 31, 2017 and 2016, respectively, and is payable quarterly. As of December 31, 2017 and 2016, there was approximately $0.0 million and $4.3 million, respectively, borrowed on the term loan. The interest rate was 3.25% and 2.50% on December 31, 2017 and 2016, respectively, and is payable quarterly.

At December 31, 2017, Other long-term debt in the table below is comprised of $2.9 million related to the settlement of the Pensmore lawsuit and to noncompete payment obligations. At December 31, 2016 the Note payable, bank in the table below is comprised of a $4.3 million term loan and Other long-term debt that is related to noncompete payment obligations.

	2017	2016
Note payable, bank	$ -	$ 4,285,714
Other	2,843,145	34,614
	$ 2,843,145	$ 4,320,328
Less current maturity of bank note payable	-	4,285,714
Less current maturity of long-term debt	750,000	-
Total long-term debt	$ 2,093,145	$ 34,614

Aggregate annual maturities of long-term debt as of December 31, 2017 are:

2018	$ 772,787
2019	678,574
2020	693,417
2021	721,154
	$ 2,865,932

(6) INCOME TAXES

The components of the provision for federal and state income taxes in the accompanying consolidated statements of income are as follows:

	2017	2016	2015
Taxes currently payable	$ 6,920,000	$ 7,114,000	$ 6,791,000
Deferred income taxes	775,000	986,000	2,054,000
Provision for income taxes	$ 7,695,000	$ 8,100,000	$ 8,845,000

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is as follows:

	2017	2016	2015
Computed at statutory rate (34%; over $10 million-35%)	$ 9,891,000	$ 9,937,000	$ 9,250,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit	564,000	405,000	545,000
Percentage depletion	(1,399,000)	(1,168,000)	(741,000)
Domestic production activities deduction	(491,000)	(320,000)	(193,000)
Current year tax credits	(50,000)	(700,000)	-
Dividends received deduction	(159,000)	(119,000)	(88,000)
Change in deferred tax rate	(620,000)	-	-
Other	(41,000)	65,000	72,000
Provision for income taxes	$ 7,695,000	$ 8,100,000	$ 8,845,000

The tax effects of significant temporary differences relating to deferred taxes, net of valuation allowances, on the balance sheets were:

	2017	2016
Allowance for doubtful accounts	$ 109,000	$ 187,000
Accrued vacation	338,000	500,000
Depreciation	(247,000)	(505,000)
Postretirement benefits	3,650,000	8,174,000
Pension liability	128,000	973,000
Unrealized holding gains	(7,439,000)	(8,936,000)
Tax carryforwards	1,378,000	1,684,000
Settlement of lawsuit	736,000	-
Impairment on investments	501,000	771,000
Other, net	566,045	803,813
Net deferred tax assets/(liabilities)*	$ (279,955)	$ 3,651,813

*Net of valuation allowance of $1,726,000 and $2,052,000 for 2017 and 2016, respectively.

Some of the Company's subsidiaries file separate state income tax returns resulting in net operating loss carryforwards. In addition, some subsidiaries separately filed federal income tax returns in prior years which also resulted in net operating loss carryforwards. The provision for income taxes and income tax liabilities recorded in the financial statements include those separate calculations. The deferred taxes resulting from these and other tax carryforwards are included in the above table net of valuation allowances. The valuation allowance has been used to reduce the tax benefit associated with the tax carryforwards. The following table presents the expiration dates of the Company's carryforwards, net of valuation allowances, for tax purposes as of December 31, 2017:

Expiration Date	Tax Carryforwards
2023	$ 20,000
2024	162,000
2025	132,000
2029	145,000
2032	348,000
2033	571,000
	$ 1,378,000

The Company uses a recognition threshold of "more likely than not" that a tax position would be sustained upon examination before any part of the benefit of that position is recognized in the Company's financial statements.

The Company, or one of its subsidiaries, files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2014. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any significant interest expenses recognized during the years ended December 31, 2017, 2016 and 2015.

(7) PENSION AND OTHER POSTRETIREMENT BENEFITS

Postretirement Benefits

Monarch provides certain postretirement health and life insurance benefits to all retired employees in the Cement Business who, as of their retirement date, meet the eligibility requirements. These benefits are self-insured by Monarch and are paid out of Monarch's general assets. Monarch expects 2018 cash expenditures for this plan to be approximately $964,000 which is equal to the net expected benefit payments for the year. In 2017, we initiated a change in our postretirement benefits for our Cement Business staff employees from a defined benefit to a defined contribution structure. The change is effective January 1, 2018.

Monarch uses a December 31 measurement date for the plans. At December 31, 2017 and 2016, the current portion of the accrued benefit cost of approximately $964,000 and $1,040,000, respectively, is recorded in compensation and benefits. Information about the plans' funded status and postretirement cost follows:

	2017	2016
Change in benefit obligation:		
Beginning of year	$ 21,754,778	$ 24,764,837
Service cost	493,532	468,648
Interest cost	877,968	865,504
Actuarial (gain)/loss	1,537,807	(3,532,669)
Benefits paid*	(784,506)	(811,542)
Plan amendments	(8,127,949)	-
Benefit obligation at end of year	$ 15,751,630	$ 21,754,778
Change in fair value of plan assets:		
Beginning of year	$ -	$ -
Employer contributions*	784,506	811,542
Benefits paid*	(784,506)	(811,542)
Fair value of plan asset at end of year	$ -	$ -
Weighted Average Assumptions used to determine benefit obligations:		
Discount rate	3.50%	4.00%
Trend rate	N/A	7.0% for fiscal 2016 decreasing 0.5%/yr to 5.0%
Funded status, end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligations	(15,751,630)	(21,754,778)
Funded status = year-end benefit liability	$ (15,751,630)	$ (21,754,778)

*Amounts are net of retiree prescription drug subsidy received during the fiscal year.

Accrued Postretirement Benefits represents the accumulated difference between actual contributions and actual expenses from past years. It is updated from the prior year as follows:

	2017	2016
A. Accrued postretirement benefits at beginning of year	$ (22,529,062)	$ (24,730,859)
B. Net periodic postretirement benefit income	(1,420,573)	(1,390,255)
C. Employer contributions	804,961	833,054
D. Retiree drug subsidy	20,456	21,512
E. Accrued postretirement benefits at end of year (A) - (B) + (C) - (D)	$ (20,323,984)	$ (22,529,062)

Following are the components of net periodic benefit cost:

	2017	2016	2015
Components of net periodic benefit cost:			
Service cost	$ 493,532	$ 468,648	$ 568,845
Interest cost	877,968	865,504	1,101,504
Amortization of prior service cost	(3,215,800)	(3,215,800)	(2,362,132)
Recognized net actuarial loss	423,727	491,393	625,449
Net periodic benefit income	$ (1,420,573)	$ (1,390,255)	$ (66,334)
Weighted Average Assumptions used to determine net periodic postretirement benefit cost:			
Discount rate	4.00%	4.00%	4.00%
Trend rate	7.0% for fiscal 2017 decreasing 0.5%/yr to 5.0%	7.0% for fiscal 2016 decreasing 0.5%/yr to 5.0%	7.5% for fiscal 2015 decreasing 0.5%/yr to 5.0%

Amounts recognized in the balance sheets consist of:

	2017	2016
Current liability	$ (964,000)	$ (1,040,000)
Noncurrent liability	(14,787,630)	(20,714,778)
Net amount recognized	$ (15,751,630)	$ (21,754,778)

Amounts recognized in accumulated other comprehensive income consist of:

	2017	2016
Net actuarial loss	$ 7,474,564	$ 6,360,484
Prior service credit	(12,046,917)	(7,134,768)
	$ (4,572,353)	$ (774,284)

Other changes in benefit obligations recognized in other comprehensive income:

	2017	2016	2015
Current year actuarial (gain)/loss	$ 1,537,807	$ (3,532,669)	$ 1,760,952
Amortization of actuarial loss	(423,727)	(491,393)	(625,449)
Current year prior service credit	(8,127,949)	-	(4,952,676)
Amortization of prior service credit	3,215,800	3,215,800	2,362,132
Total recognized in other comprehensive income	$ (3,798,069)	$ (808,262)	$ (1,455,041)

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost in 2018:

Actuarial loss	$ 553,934
Prior service credit	(3,136,032)
Total	$ (2,582,098)

The amortization schedule for prior service costs is as follows:

Description	Date Established	Initial Amount	Initial Period	12/31/2017 Outstanding Balance	Annual Amortization
Change in Benefit Structure	12/31/2013	$ (10,091,710)	4.30 years	$ (704,074)	$ (704,074)
Change in Benefit Structure	12/31/2015	(4,952,676)	5.70 years	(3,214,894)	(868,891)
Change in Benefit Structure	12/31/2017	(8,127,949)	5.20 years	(8,127,949)	(1,563,067)
				$ (12,046,917)	$ (3,136,032)

ASC Topic 715 requires the disclosure of the impact on certain items of a percentage point increase and decrease in the medical trend rates. These amounts are illustrated as follows:

	1% Increase	1% Decrease
Interest cost and service cost for 2017		
Amount prior to change	$ 1,371,500	$ 1,371,500
Amount after 1 percentage point change	1,697,434	1,181,002
Increase (decrease)	325,934	(190,498)
Accumulated postretirement benefit obligation at December 31, 2017		
Amount prior to change	$ 15,751,630	$ 15,751,630
Amount after 1 percentage point change	N/A	N/A
Increase (decrease)	N/A	N/A

The accumulated postretirement benefit obligation as of December 31, 2017 is shown below:

HRA Plan Provisions	$ 15,751,630

Expected benefit payments and expenses (net of employee contributions), shown separately for the next five fiscal years, and in the aggregate for the subsequent five-year period are presented below:

December 31, 2018	$ 964,005
December 31, 2019	959,394
December 31, 2020	979,958
December 31, 2021	971,000
December 31, 2022	960,674
Five fiscal years ending December 31, 2027	4,687,761

Pension Plans

Monarch has noncontributory defined benefit pension plans covering substantially all employees in the Cement Business who meet the eligibility requirements. Monarch's funding policy is to contribute annually an amount within the minimum/maximum range of tax deductible contributions. In 2018, there are no minimum expected contributions to the plans.

Monarch uses a December 31 measurement date for the plans. Information about the plans' funded status and pension cost follows:

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 51,089,299	$ 51,051,530
Service cost	1,039,006	960,105
Interest cost	2,048,385	2,016,977
Actuarial (gain)/loss	3,624,674	(547,382)
Plan amendment	-	3,910
Benefits paid	(2,501,236)	(2,395,841)
Benefit obligation at end of year	$ 55,300,128	$ 51,089,299

	2017	2016
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 48,990,028	$ 37,838,417
Actual return on plan assets	3,851,556	7,879,452
Employer contributions	5,058,000	5,668,000
Benefits paid	(2,501,236)	(2,395,841)
Fair value of plan assets at end of year	$ 55,398,348	$ 48,990,028
Funded status, end of year:		
Fair value of plan assets	$ 55,398,348	$ 48,990,028
Benefit obligation	55,300,128	51,089,299
Funded status = pension liability, end of year	$ 98,220	$ (2,099,271)

The actuarial formula used to calculate the projected benefit obligation takes into account future increases in pension contributions that would take place as the employees' salaries increase. The accumulated benefit obligation uses an actuarial formula to calculate the projected benefit obligation which assumes that the employees cease to work for the Company at the time the estimation is made. The plans' accumulated benefit obligation follows:

	2017	2016
Accumulated benefit obligation, end of year	$ 52,973,728	$ 49,062,350

Amounts recognized in the balance sheets consist of:

	2017	2016
Noncurrent asset	$ 410,061	$ 31,998
Noncurrent liability	(311,841)	(2,131,269)
Net amount recognized	$ 98,220	$ (2,099,271)

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic benefit cost consist of:

	2017	2016
Net actuarial loss	$ 18,624,455	$ 16,341,675
Prior service cost	260,152	351,579
	$ 18,884,607	$ 16,693,254
Less: Deferred tax	4,910,000	6,680,000
Additional pension liability, net of deferred tax	$ 13,974,607	$ 10,013,254

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	2017	2016	2015
Current year actuarial (gain)/loss	$ 3,366,770	$ (5,635,693)	$ 9,378,909
Amortization of actuarial loss	(1,083,990)	(1,937,598)	(1,098,528)
Current year prior service loss	-	3,910	17,483
Amortization of prior service cost	(91,427)	(100,569)	(99,728)
	$ 2,191,353	$ (7,669,950)	$ 8,198,136
Less: Deferred tax	(1,770,000)	(3,070,000)	3,280,000
Minimum pension (asset) liability, net of deferred tax	$ 3,961,353	$ (4,599,950)	$ 4,918,136

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2018:

Actuarial loss	$ 1,357,000
Prior service cost	71,000
Total to be amortized	$ 1,428,000

The amortization schedule for prior service costs is as follows:

Description	Established Dec. 31 of:	Initial Amount	Initial Period	12/31/2017 Outstanding Balance	2017 Amortization Amount
Unrecognized Prior Service Cost	2001	409,804	15.74 years	$ -	$ 19,384
	2003	22,267	13.23 years	-	388
	2007	876,119	13.41 years	222,789	65,333
	2009	55,026	12.50 years	19,810	4,402
	2015	21,393	11.14 years	17,553	1,920
				$ 260,152	$ 91,427

Cumulative employer contributions in excess of net periodic pension cost are as follows:

	2017	2016
A. Cumulative balance at beginning of year	$ 14,593,983	$ 11,150,091
B. Net periodic pension cost	669,156	2,224,108
C. Contributions	5,058,000	5,668,000
D. Cumulative balance at end of year (A) - (B) + (C)	$ 18,982,827	$ 14,593,983

The weighted average assumptions used to determine net pension cost and benefit obligations as of December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Benefit obligation:			
Discount rate	3.50%	4.00%	4.00%
Expected return on plan assets	7.50%	7.50%	7.50%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%
Pension cost:			
Discount rate	4.00%	4.00%	4.00%
Expected return on plan assets	7.50%	8.00%	8.00%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%

The following table presents the components of net periodic pension cost as of December 31, 2017, 2016 and 2015:

	2017	2016	2015
Service cost	$ 1,039,006	$ 960,105	$ 930,560
Interest cost	2,048,385	2,016,977	1,904,787
Expected return on plan assets	(3,593,652)	(2,791,141)	(3,058,180)
Amortization of prior service cost	91,427	100,569	99,728
Recognized net actuarial loss	1,083,990	1,937,598	1,098,528
Net periodic pension expense	$ 669,156	$ 2,224,108	$ 975,423

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets as well as current facts and circumstances.

Plan assets are held by a trustee bank. A fund manager has been retained to make investment decisions within guidelines specified by Monarch. The guidelines permit investment in both equities and fixed income securities including common stocks, corporate bonds and debentures and U.S. Government securities. An investment committee appointed by the Board also invests a portion of the funds in equity securities. Asset allocation is primarily based on a strategy to provide stable earnings through investing in interest-generating or fixed income investments while still permitting the plan to recognize potentially higher returns through investments in equity securities. Focusing on balancing the risks and rewards of each broad asset class, the percentage of allocation between fixed income and equity investments for 2017 and 2016 are as follows:

Equities	60%
Fixed Income	40%

The pension investment guidelines strive for diversification of equity securities among the various market sectors and do not permit participation in higher risk investment strategies involving hedging activities and the use of derivative instruments.

The plan allows a 5% fluctuation before assets are rebalanced. During periods of extreme market volatility, the fluctuation may exceed 5% before rebalancing is complete. At December 31, 2017 and 2016, plan assets by category were as follows:

	2017	2016
Equities	60%	61%
Debt Securities	34%	34%
Other	6%	5%

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Fair value prices for all securities in the pension plan portfolio are provided by our trustee bank which utilizes an internationally recognized independent pricing service. Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities which were priced at the market close. Level 2 assets have observable inputs other than Level 1 prices. Plan assets are classified within Level 3 of the hierarchy when relevant observable inputs for a security are not available.

We have established control procedures in which we independently assess the pricing obtained from the trustee bank which utilizes the pricing service. These internal processes include obtaining and reviewing available reports on controls at the trustee bank and pricing service, evaluating the prices for reasonableness given market changes, investigating anomalies and confirming determinations through discussions with the trustee bank.

The fair value of Monarch's pension plan assets by asset category at December 31, 2017 and 2016 are as follows:

		Fair Value Measurements Using:		
2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 3,339,703	$ 3,339,703	$ -	$ -
Equity securities:				
Consumer discretion	2,547,179	2,547,179	-	-
Consumer staples	2,400,453	2,400,453	-	-
Energy	5,062,828	5,062,828	-	-
Financials	4,486,060	4,486,060	-	-
Healthcare	1,479,904	1,479,904	-	-
Industrials	3,686,431	3,686,431	-	-
Information technology	2,899,681	2,899,681	-	-
Materials	4,798,590	4,798,590	-	-
Miscellaneous	1,037,507	1,037,507	-	-
Real Estate	1,368,247	1,368,247	-	-
Telecommunication	1,298,465	1,298,465	-	-
Utilities	1,611,277	1,611,277	-	-
Fixed income securities:				
Intermediate Duration Fund	19,092,853	19,092,853	-	-
Strategic Income Fund	289,170	289,170	-	-
Total	$ 55,398,348	$ 55,398,348	$ -	$ -

2016	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 2,330,731	$ 2,330,731	$ -	$ -
Equity securities:				
Consumer discretion	1,518,156	1,518,156	-	-
Consumer staples	1,590,751	1,590,751	-	-
Energy	4,972,054	4,972,054	-	-
Financials	3,317,196	3,317,196	-	-
Healthcare	1,295,447	1,295,447	-	-
Industrials	3,222,337	3,222,337	-	-
Information technology	2,908,948	2,908,948	-	-
Materials	5,936,565	5,936,565	-	-
Miscellaneous	706,064	706,064	-	-
Real Estate	1,120,027	1,120,027	-	-
Telecommunication	1,341,707	1,341,707	-	-
Utilities	1,807,050	1,807,050	-	-
Fixed income securities:				
Intermediate Duration Fund	16,704,124	16,704,124	-	-
Strategic Income Fund	218,871	218,871	-	-
Total	$ 48,990,028	$ 48,990,028	$ -	$ -

The plans' expected benefit payments as of December 31, 2017, shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period, are presented below:

2018	$ 2,977,017
2019	3,075,465
2020	3,193,861
2021	3,198,345
2022	3,219,797
Five fiscal years ending December 31, 2027	16,348,511

The Company has defined contribution plans covering substantially all permanent employees of the Ready-Mixed Concrete Business. These plans allow the Company, at its discretion, to match the employee's contributions. For the 2017, 2016 and 2015 plan years, the Company matched 25% of the first 6% of the employee's compensation up to a maximum match of $2,500. The Company contributed $62,534, $58,407 and $60,252 to these plans for the years 2017, 2016 and 2015, respectively. The Company expects to contribute approximately $63,000 to these plans in 2018.

The Company contributes to multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c) If the Company chooses to stop participating in one of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the annual period ended December 31, 2017, is outlined in the table below. The Company considers only one plan it contributes to under collective bargaining agreements to be significant. The "EIN/Pension Plan Number" column provides the plan's Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2017 and 2016 is for the plan's year-end at December 31, 2016 and 2015, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject. There have been no significant changes that affect the comparability of 2017, 2016 and 2015 contributions.

		Pension Protection Act Zone Status			Contributions by Company				
Pension Fund	EIN/Pension Plan Number	2017	2016	FIP/RP Status Pending/ Implemented	2017	2016	2015	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Central States, Southeast & Southwest Areas Pension Plan	36-6044243/001	Red	Red	Yes	$347,590	$344,012	$301,893	Yes	3/31/2019 & 4/30/2019 [a]
Other Funds					49,936	49,014	44,031		
					$397,526	$393,026	$345,924		

[a] The Company is party to two collective bargaining agreements that require contributions to Central States, Southeast & Southwest Areas Pension Plan. In 2017, 36% of the Company's contributions were required by a collective bargaining agreement that expires 3/31/2019 and 64% were required by an agreement that expires 04/30/2019.

The Company was not listed in any of its multiemployer plans' Forms 5500 as providing more than 5% of the total contributions. Forms 5500 were not available for the plan year ending in 2017.

(8) RECLASSIFICATION OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the reclassifications out of accumulated other comprehensive income (loss) for the periods indicated and the affected line item in the statements where net income is presented:

Reclassification for	2017	2016	2015
Net periodic pension and postretirement costs in:			
Cost of Sales	$ 1,576,402	$ 183,786	$ (123,308)
Tax benefit (expense)	(626,000)	(74,000)	49,467
Net of tax	$ 950,402	$ 109,786	$ (73,841)
Selling, General & Administrative Expenses	$ 40,254	$ 502,454	$ 661,735
Tax expense	(16,000)	(201,000)	(265,467)
Net of tax	$ 24,254	$ 301,454	$ 396,268
Unrealized net gains on available-for-sale securities in:			
Gain on sale of equity investments	$ 165,212	$ 9,721	$ 8,343,407
Tax expense	(68,000)	(4,000)	(3,336,000)
Net of tax	$ 97,212	$ 5,721	$ 5,007,407
Loss on impairment of equity investments	$ -	$ (1,065,662)	$ -
Tax benefit	-	428,000	-
Net of tax	$ -	$ (637,662)	$ -
Reclassifications, net of tax	$ 1,071,868	$ (220,701)	$ 5,329,834

See Note 7, "Pension and Other Postretirement Benefits", for discussion of pension and postretirement amounts yet to be reclassed in accumulated other comprehensive income.

(9) SIGNIFICANT ESTIMATES AND CERTAIN CONCENTRATIONS

Thirty seven percent (37%) of the Company's employees are covered by various collective bargaining agreements. There are no union contracts that expire in 2018. The Company believes it has a good working relationship with its employees and has been successful in negotiating multi-year union contracts without work stoppages.

The Company has noncontributory defined benefit pension plans and defined contribution postretirement health plans that provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to services rendered prior to the valuation date based on the Entry Age Actuarial Cost Method and the Projected Unit Credit Actuarial Cost Method, respectively. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term. The financial statements have been prepared using values and information currently available to the Company.

Economic and financial market conditions could adversely affect our results of operations in future periods. Instability in the financial markets may make it difficult for certain of our customers to obtain financing, which may significantly impact the volume of future sales and adversely impact the Company's future operating results.

In addition, volatility of economic conditions could rapidly change the values of assets and liabilities recorded in the financial statements, resulting in material future adjustments in investment values (including defined benefit pension plan investments), allowances for accounts, net realizable value of inventory and realization of deferred tax assets that could negatively impact the Company's ability to meet debt covenants or maintain sufficient liquidity.

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. One of the Company's subsidiaries, City Wide Construction Products Co., Inc. ("City Wide"), supplied concrete for the construction of a 72,000 square foot mansion near Highlandville, Missouri. The Steven T. Huff Family LLC and Pensmore LLC (collectively, "Huff") filed a lawsuit against City Wide and Monarch in the United States District Court for the Western District of Missouri seeking $63 million in actual damages and also seeking punitive damages, alleging that defendants (City Wide and Monarch) "shorted" the amount of steel micro-fiber that was to be added to the concrete supplied to Huff. Huff asserted the following causes of action in this lawsuit: breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, conversion, unjust enrichment and promissory estoppel. The claims against City Wide were based on direct liability and the claims against Monarch were based on direct liability and an alter ego/respondeat superior liability. Monarch did not sell cement to Huff but did sell cement to City Wide used in the concrete supplied to Huff. No claims were made concerning the quality of the cement used. City Wide and Monarch reached a settlement agreement in this lawsuit on July 18, 2017. The Current portion of Other long-term debt and Long-term debt in the accompanying balance sheet include $0.8 million and $2.1 million, respectively, related to the settlement of this lawsuit.

The Company invests in various equity securities which are exposed to market risks. Due to the level of risk associated with certain equity securities, it is at least reasonably possible that changes in the values of equity securities will occur in the near term and that those changes could materially affect the amounts reported in the accompanying balance sheet.

(10) STOCKHOLDERS' EQUITY

Capital Stock and Class B Capital Stock have the same rights except as follows: Class B Capital Stock has voting rights of ten votes per share and restricted transferability; Class B Capital Stock is convertible at all times into Capital Stock on a share-for-share basis; and Capital Stock has one vote per share and is freely transferable.

(11) LINES OF BUSINESS

The Company groups its operations into two lines of business - Cement Business and Ready-Mixed Concrete Business. The Company's business lines are separate business units that offer different products. The accounting policies for each line are the same as those described in the summary of significant accounting policies. Corporate assets include cash and cash equivalents, investments and other assets for 2017, 2016 and 2015. Corporate assets also include refundable federal and state income taxes for 2017 and 2016 and deferred income taxes for 2016 and 2015.

Following is information for each line for the years ended December 31, 2017, 2016 and 2015:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 2017				
Sales to unaffiliated customers	$ 86,976,259	$ 81,103,504	$ -	$ 168,079,763
Intersegment sales	16,582,968	93,495	(16,676,463)	-
Total net sales	$ 103,559,227	$ 81,196,999	$ (16,676,463)	$ 168,079,763
Income from operations	$ 24,578,762	$ 2,510,128		$ 27,088,890
Other income, net				1,457,027
Income before income taxes				$ 28,545,917
Identifiable assets at December 31, 2017	$ 96,387,430	$ 38,878,667		$ 135,266,097
Corporate assets				69,015,652
Total assets at December 31, 2017				$ 204,281,749

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 2016				
Sales to unaffiliated customers	$ 81,493,110	$ 83,738,625	$ -	$ 165,231,735
Intersegment sales	16,819,366	42,406	(16,861,772)	-
Total net sales	$ 98,312,476	$ 83,781,031	$ (16,861,772)	$ 165,231,735
Income from operations	$ 22,856,608	$ 5,835,599		$ 28,692,207
Other expense, net				(13,620)
Income before income taxes				$ 28,678,587
Identifiable assets at December 31, 2016	$ 92,754,156	$ 38,572,619		$ 131,326,775
Corporate assets				59,537,352
Total assets at December 31, 2016				$ 190,864,127
For the Year Ended December 31, 2015				
Sales to unaffiliated customers	$ 69,132,427	$ 78,767,195	$ -	$ 147,899,622
Intersegment sales	16,072,919	35,320	(16,108,239)	-
Total net sales	$ 85,205,346	$ 78,802,515	$ (16,108,239)	$ 147,899,622
Income from operations	$ 15,709,948	$ 1,222,171		$ 16,932,119
Other income, net				9,779,291
Income before income taxes				$ 26,711,410
Identifiable assets at December 31, 2015	$ 93,655,658	$ 38,957,101		$ 132,612,759
Corporate assets				49,401,592
Total assets at December 31, 2015				$ 182,014,351

Total sales by line of business before adjustments and eliminations include both sales to unaffiliated customers (as reported in the Company's consolidated statements of income, comprehensive income and stockholders' equity) and intersegment sales. Intersegment sales are accounted for by the same method as sales to unaffiliated customers.

Income from operations is total net sales less operating expenses. In computing income from operations, none of the following items have been added or deducted: general corporate income and expenses; interest expense; and income taxes. Depreciation and depletion for the Cement Business and Ready-Mixed Concrete Business, respectively, was approximately: $8.5 million and $6.3 million in 2017; $9.0 million and $5.6 million in 2016; and $9.1 million and $5.4 million in 2015. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: $11.6 million and $7.3 million in 2017; $7.1 million and $6.0 million in 2016; $8.8 million and $4.9 million in 2015. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

During 2017, 2016 and 2015, there were no sales to any one customer in excess of 10% of consolidated net sales.

(12) OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in each component of accumulated other comprehensive income, net of estimated tax:

	2016	Change*	2017
Unrealized appreciation on available-for-sale securities	$ 13,404,000	$ 7,767,000	$ 21,171,000
Pension liability adjustment	(10,013,254)	(3,961,353)	(13,974,607)
Postretirement liability adjustment	1,149,284	2,919,069	4,068,353
	$ 4,540,030	$ 6,724,716	$ 11,264,746

	2015	Change	2016
Unrealized appreciation on available-for-sale securities**	$ 8,508,000	$ 4,896,000	$ 13,404,000
Pension liability adjustment	(14,613,204)	4,599,950	(10,013,254)
Postretirement liability adjustment	664,522	484,762	1,149,284
	$ (5,440,682)	$ 9,980,712	$ 4,540,030

* Certain reclassifications have been made pursuant to ASU 2018-02. See Note 1, "Nature of Operations and Summary of Significant Accounting Policies."

** Total other-than-temporary impairment, net of tax, recognized in accumulated other comprehensive income was $1.2 million at December 31, 2016.

(13) SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 15, 2018, which is the date the financial statements were issued.

On February 9, 2018, the Company entered into an agreement to purchase all of the common stock of Hays Ready-Mix, Inc. in Hays, Kansas and certain other ready mix assets in Larned, Kansas and Great Bend, Kansas. The consideration given for this acquisition was $3.0 million plus certain other payments, all subject to final closing. As of the date the financial statements were available for issuance, a complete accounting of the assets and liabilities of Hays Ready-Mix and the related assets purchased was not available, so management has not allocated the purchase of the business combination at this time.

Corporate Information

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Gayle C. McMillen

Byron J. Radcliff

Robert K. Radcliff

Steve W. Sloan

Michael R. Wachter

Walter H. Wulf, Jr.

Walter H. Wulf, III

OFFICERS

Walter H. Wulf, Jr.
Chairman of the Board

Kent A. Webber
President

***Robert M. Kissick**
Vice Chairman of the Board and Vice President

Debra P. Roe
Chief Financial Officer and
Secretary-Treasurer

Lisa J. Fontaine
Assistant Secretary

Tony D. Kasten
Assistant Secretary-Treasurer

Kenneth G. Miller
Vice President - Cement Manufacturing

N. Joan Perez
Vice President - Sales

*Not actively involved in the daily affairs of the Company

Shareholder Information

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ANNUAL MEETING
The annual meeting of the stockholders of The Monarch Cement Company is held the second Wednesday in April of each year at the Company's corporate offices.

TRANSFER AGENT AND REGISTRAR
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STOCK TRADING INFORMATION
Trading Symbol: MCEM
Over-the-Counter (OTC) Market

INVESTOR RELATIONS
Inquiries may be directed to Debra P. Roe, Chief Financial Officer and Secretary-Treasurer, at the corporate address shown above.

FINANCIAL INFORMATION
The Company's financial statements are available on the Company's website, http://www.monarchcement.com and on the OTC Market's website, https://www.otcmarkets.com.

THE MONARCH CEMENT COMPANY
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