Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

The Monarch Cement Company

A Kansas Corporation

P.O Box 1000, Humboldt, Kansas

620-473-2222
www.monarchcement.com
shareholder.relations@monarchcement.com
3241 – Cement, Hydraulic
3273 – Ready-Mixed Concrete

Annual Report
For the Period Ending: December 31, 2018

As of December 31, 2018, the number of shares outstanding of our Common Stock was: 2,644,159

As of December 31, 2018, the number of shares outstanding of our Class B Common Stock was: 1,216,630

As of December 31, 2017, the number of shares outstanding of our Common Stock was: 2,628,185

As of December 31, 2017, the number of shares outstanding of our Class B Common Stock was: 1,232,604

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name of the issuer and its predecessors

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

The Monarch Cement Company

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable) Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

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

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

2) 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, 2018
Total shares outstanding: 2,644,159 as of December 31, 2018

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, 2018
Total shares outstanding: 1,216,630 as of December 31, 2018

Number of shares in the Public Float: 3,328,377 as of December 31, 2018
Total number of shareholders of record: 294 as of December 31, 2018

Transfer Agent

Name: The Monarch Cement Company
Phone: P.O. Box 1000
Email: Humboldt, KS 66748-0900

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

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

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

3) Issuance History

A. Changes to the Number of Outstanding Shares

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 15,974 shares of Monarch's Capital Stock were issued in the year ended 2018 upon conversion of an equal number of shares of Monarch's Class B Capital Stock, including the following share conversions as indicated below:

Number of Shares outstanding as of 01/01/2016	Opening Balance: Capital: 2,607,705 Class B: 1,253,084								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
2/29/16	Conversion	1,000	Class B to Capital						

3/28/16	Conversion	1,500	Class B to Capital						
5/25/16	Conversion	625	Class B to Capital						
8/29/16	Conversion	600	Class B to Capital						
1/6/17	Conversion	5,000	Class B to Capital						
3/23/17	Conversion	50	Class B to Capital						
8/23/17	Conversion	11,705	Class B to Capital						
3/26/18	Conversion	1,135	Class B to Capital						
5/5/18	Conversion	7,222	Class B to Capital						
10/1/18	Conversion	3,650	Class B to Capital						
12/14/18	Conversion	1,767	Class B to Capital						
12/26/18	Conversion	2,200	Class B to Capital						
Shares Outstanding on 12/31/2018:	Ending Balance: Capital: 2,644,159 Class B: 1,216,630								

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, 2018.

B. Debt Securities, Including Promissory and Convertible Notes

The Company has a credit agreement with BOKF, NA dba Bank of Oklahoma which provides for a $15.0 million revolving note maturing on December 31, 2021. As of December 31, 2018 and 2017, there was nothing borrowed against the revolving loan.

4) Financial Statements

A. <u>The following financial statements were prepared in accordance with:</u>

☒ U.S. GAAP
☐ IFRS

B. <u>The financial statements for this reporting period were prepared by:</u>

The Monarch Cement Company

5) Issuer's Business, Products and Services

A. <u>Summarize the issuer's business operations</u>

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. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Subsidiaries of Monarch include: Beaver Lake Concrete, Inc., Capitol Concrete Products Co., Inc., City Wide Construction Products Co., Concrete Enterprises, Inc., Concrete Materials, Inc., Dodge City Concrete, Inc., Hays Ready-Mix, Inc., Joplin Concrete Company, Inc., Kansas Sand and Concrete, Inc., Kay Concrete Materials Co., Monarch Cement of Iowa, Inc., Salina Concrete Products, Inc., Springfield Ready Mix Co. and Tulsa Dynaspan, Inc. These subsidiaries are 100% owned by Monarch and can be contacted through Monarch.

C. Describe the issuers’ 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.

6) 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.

7) Officers, Directors, and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Walter H. Wulf, Jr.	Officer/Director		173,102 187,692	Capital Class B	6.55% 15.43%	
Kent A. Webber	Officer		650	Capital	*	
Robert M. Kissick	Officer/Director		16,832 39,903	Capital Class B	* 3.28%	
Debra P. Roe	Officer		1,925 825	Capital Class B	* *	
Tony D. Kasten	Officer		-	-	-	
Lisa J. Fontaine	Officer		2,500	Capital	*	
Kenneth G. Miller	Officer		600	Capital	*	
N. Joan Perez	Officer		5,800	Capital	*	
Jack R. Callahan	Director		1,000	Class B	*	
Mark A. Callaway	Director		100	Capital	*	
David L. Deffner	Director		13,963	Class B	1.15%	
Gayle C. McMillen	Director		69,220	Class B	5.69%	
Byron J. Radcliff	Director		4,050 1,000	Capital Class B	* *	
Robert K. Radcliff	Director		4,050	Capital	*	
Steve W. Sloan	Director		2,000	Capital	*	
Michael R. Wachter	Director		1,600 600	Capital Class B	* *	
Walter H. Wulf, III	Director		3,800 3,700	Capital Class B	* *	
Paula D. Radcliff	Owner of more than 5%	Dexter, KS	199,760 211,960	Capital Class B	7.55% 17.42%	

*Less than one percent.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 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);

   None

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

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Securities Counsel

Firm:	Stinson Leonard Street LLP
Address 1:	1201 Walnut Street, Suite 2900
Address 2:	Kansas City, MO 64106-2150

Accountant or Auditor

Firm:	BKD, LLP
Address 1:	1201 Walnut Street, Suite 1700
Address 2:	Kansas City, MO 64106-2246
Phone:	(816) 221-6300

Investor Relations Consultant

Firm:	Stinson Leonard Street LLP
Address 1:	1201 Walnut Street, Suite 2900
Address 2:	Kansas City, MO 64106-2150

10) Issuer Certification

Principal Executive Officer:

I, Walter H. Wulf, Jr. certify that:

1. I have reviewed this Annual Report of The Monarch Cement Company;

2. 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

3. 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, 2019

/s/ Walter H. Wulf, Jr.
Chairman of the Board and
Chief Executive Officer

Principal Financial Officer:

I, Debra P. Roe certify that:

1. I have reviewed this Annual Report of The Monarch Cement Company;

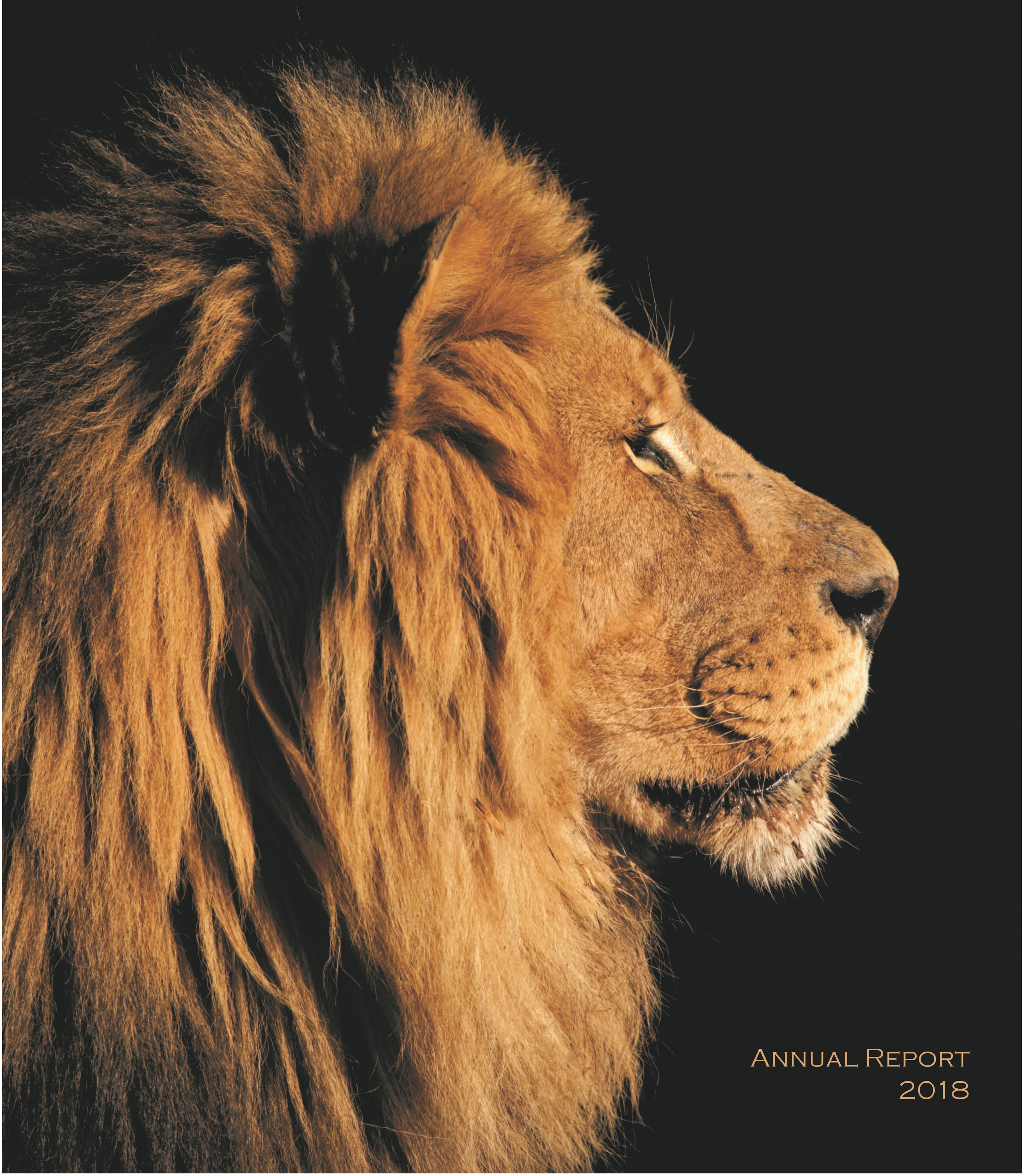
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by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

3. 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, 2019

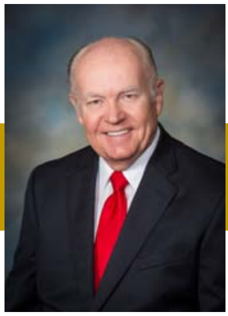
/s/ Debra P. Roe
Chief Financial Officer
Secretary-Treasurer

The Monarch Cement Company



Annual Report
2018

To Our Shareholders



March 15, 2019

Record sales volume in the cement business resulted in a 3.5% increase in consolidated net sales for 2018 as compared to 2017. During the same period, sales of ready-mixed concrete were relatively flat, increasing in our Springfield, Missouri market while decreasing in western Kansas due to lack of funding for roads, a soft housing market and a decline in windfarm construction. Consolidated net sales increased 3.5% for 2018 compared to 2017, while cost of sales increased 6.1% during the same periods resulting in a $1.6 million decrease in gross profit from operations. Administrative expenses declined during 2018 primarily due to the settlement of a lawsuit in 2017, resulting in a 2.8% improvement in income from operations. Other, net was a negative $7.3 million for 2018 while it was a positive $3.7 million for the year 2017 primarily due to a change in accounting principles which, beginning January 1, 2018, requires unrealized gains and losses on equity investments to be recognized in the income statement. For 2018, we recognized a $15.5 million unrealized loss on equity investments. Unrealized gains and losses on equity investments have previously been included in Other Comprehensive Income. During 2018, we also realized a gain on the sale of equity investments of $4.0 million, an increase of $3.8 million from 2017. Net income for the year 2018 was $16.0 million compared to $21.7 million for the year 2017.

We continued to reinvest capital resources in our plant and equipment during 2018, investing an additional $9.0 million in the cement business and $9.6 million in the ready-mixed concrete business. In addition to regularly scheduled major equipment maintenance and ongoing replacements of our ready-mixed concrete and over-the-road truck fleets and mobile equipment, we expanded 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 as well as in southwest Missouri with the purchase of ready mix assets in Neosho, Missouri.

During 2018, for the first time in our history, we reached a new annual sales milestone of one million tons of cement, shipping over 100,000 tons for four consecutive months from our Humboldt, Kansas cement plant. I am pleased to report that not only did our experienced and dedicated employees rise to the challenge of meeting our customers' demands for cement, but did so with no lost-time accidents. As we prepare for the upcoming construction season, we continue to strive to maximize production efficiencies and manufacture high quality products in order to remain the supplier of choice 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 are anxious for the weather to clear and construction season to begin.

Walter H. Wulf, Jr.
CEO and Chairman of the Board

2018 Financial Results

in thousands, except per share data	2018	2017	2016	2015	2014
FOR THE YEAR					
Net sales	$ 173,895	$ 168,080	$ 165,232	$ 147,900	$ 146,898
Net income	16,035	21,703	21,160	18,252	11,314
PER SHARE INFORMATION					
Basic earnings per share	$ 4.15	$ 5.62	$ 5.48	$ 4.72	$ 2.86
Cash dividends declared per share	1.75	1.40	1.20	1.00	0.92
Stockholders' equity per share	45.60	44.53	39.08	32.22	30.10
YEAR END POSITION					
Total assets	$ 206,305	$ 204,282	$ 190,864	$ 182,014	$ 179,867
Long-term debt obligations	1,415	2,093	35	4,342	5,861

Consolidated net sales for the year ended December 31, 2018 were approximately $173.9 million, an increase of $5.8 million as compared to the year ended December 31, 2017. Sales in our Cement Business were higher by $5.5 million while sales in our Ready-Mixed Concrete Business were higher by $0.3 million. Cement Business sales increased $5.0 million due to a 5.8% increase in volume sold and $0.5 million due to price increases. Ready-mixed concrete sales increased $0.5 million due to a 0.8% increase in cubic yards sold and increased $0.6 million due to price increases. Sales for brick, block, aggregates and other sundry items declined $0.8 million.

Consolidated cost of sales for 2018 were $7.4 million higher than cost of sales for 2017. Cost of sales in our Cement Business increased $3.2 million and cost of sales in our Ready-Mixed Concrete Business increased $4.2 million. Cement Business cost of sales increased $3.0 million due to the 5.8% increase in volume sold in addition to an increase of $0.2 million due to additional production costs. Ready-Mixed Concrete Business cost of sales increased $0.5 million due to the 0.8% increase in cubic yards of ready-mixed concrete sold and increased $3.7 million due to increases in material, production and delivery costs.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2018 was 26.3% compared to 28.1% for the year ended December 31, 2017. The Cement Business gross profit rate remained the same at 41.0% for both 2017 and 2018. The gross profit rate for Ready-Mixed Concrete Business decreased from 14.3% for 2017 to 9.4% for 2018.

Selling, general and administrative expenses decreased by $2.3 million for the year 2018 as compared to the year 2017 primarily due to legal fees and other expenses related to the settlement of a lawsuit in 2017.

Gain on sale of equity investments increased by $3.8 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. Other, net contains miscellaneous non-operating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments, pension and postretirement benefit income, unrealized gains (losses) on equity investments (in 2018), realized loss on impairment of equity investments (in 2016) and dividend income. Significant items in Other, net includes rental income of approximately $360,000 in 2018, 2017 and 2016.

The effective tax rates for 2018 and 2017 were 17.6% and 27.0%, 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 2018 and 2017, percentage depletion decreased the effective tax rate by 5.3% and 4.9%, respectively. The change in deferred tax rate decreased the effective tax rate by an additional 2.1% in 2017.

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
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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statement, in 2018, the Company adopted Accounting Standard Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* Our opinion is not modified with respect to this matter.

As described in Note 7 to the consolidated financial statements, in 2018, the Company adopted ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* 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 2018 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, 2019

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,091,461	$ 15,813,675
Receivables, less allowances of $517,000 in 2018 and $419,000 in 2017 for doubtful accounts	18,336,656	15,540,384
Inventories, priced at cost which is not in excess of market-		
Finished cement	$ 6,847,051	$ 4,743,930
Work in process	5,254,574	4,533,716
Building products	3,862,503	3,906,910
Fuel, gypsum, paper sacks and other	4,972,444	5,343,092
Operating and maintenance supplies	16,108,266	15,374,562
Total inventories	$ 37,044,838	$ 33,902,210
Refundable federal and state income taxes	1,265,747	1,460,985
Prepaid expenses	609,884	457,702
Total current assets	**$ 71,348,586**	**$ 67,174,956**
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of $247,734,083 in 2018 and $235,531,226 in 2017	88,389,107	85,365,801
DEFERRED INCOME TAXES	3,232,597	-
INVESTMENTS	29,529,434	41,348,373
INVESTMENTS IN AFFILIATES	8,647,806	7,597,662
OTHER ASSETS	5,157,721	2,794,957
	$ 206,305,251	**$ 204,281,749**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,790,467	$ 6,277,988
Current portion of other long-term debt	750,000	750,000
Accrued liabilities		
Dividends	1,544,316	1,351,276
Compensation and benefits	2,959,651	3,010,876
Miscellaneous taxes	741,220	679,086
Other	608,077	3,146,408
Total current liabilities	**$ 13,393,731**	**$ 15,215,634**
DEFERRED INCOME TAXES	-	279,955
LONG-TERM DEBT	1,414,571	2,093,145
ACCRUED POSTRETIREMENT BENEFITS	13,766,649	14,787,630
ACCRUED PENSION EXPENSE	1,677,728	-
STOCKHOLDERS' EQUITY		
Capital stock, par value $2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,644,159 shares at 12/31/2018 and 2,628,185 shares at 12/31/2017	$ 6,610,398	$ 6,570,463
Class B capital stock, par value $2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,216,630 shares at 12/31/2018 and 1,232,604 shares at 12/31/2017	3,041,575	3,081,510
Additional paid-in capital	2,485,125	2,485,125
Retained earnings	178,952,905	148,503,541
Accumulated other comprehensive income (loss)	(15,037,431)	11,264,746
TOTAL STOCKHOLDERS' EQUITY	**$ 176,052,572**	**$ 171,905,385**
	$ 206,305,251	**$ 204,281,749**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
NET SALES	$ 173,895,344	$ 168,079,763	$ 165,231,735
COST OF SALES	128,232,590	120,840,491	120,856,600
Gross profit from operations	**$ 45,662,754**	**$ 47,239,272**	**$ 44,375,135**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	20,165,055	22,434,337	16,277,828
Income from operations	**$ 25,497,699**	**$ 24,804,935**	**$ 28,097,307**
OTHER INCOME (EXPENSE)			
Interest income	$ 250,640	$ 155,110	$ 117,478
Interest expense	(9,646)	(28,694)	(119,776)
Loss on impairment of equity investments	-	-	(1,065,662)
Gain on sale of equity investments	3,979,574	165,212	9,721
Unrealized loss on equity investments	(15,490,000)	-	-
Dividend income	655,788	600,142	515,019
Pension and Postretirement benefits	2,754,490	2,283,955	594,900
Other, net	593,401	565,257	529,600
	$ (7,265,753)	$ 3,740,982	$ 581,280
Income before income taxes	**$ 18,231,946**	**$ 28,545,917**	**$ 28,678,587**
PROVISION FOR INCOME TAXES	3,210,000	7,695,000	8,100,000
Equity in affiliate earnings, net of tax	1,012,799	852,343	581,100
NET INCOME	**$ 16,034,745**	**$ 21,703,260**	**$ 21,159,687**
Basic earnings per share	**$ 4.15**	**$ 5.62**	**$ 5.48**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
NET INCOME	**$ 16,034,745**	**$ 21,703,260**	**$ 21,159,687**
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax			
UNREALIZED APPRECIATION ON AVAILABLE-FOR-SALE SECURITIES (Net of deferred tax expense of $-0-, $2,576,000 and $2,840,000, for 2018, 2017 and 2016, respectively)	-	3,859,212	4,264,059
RECLASSIFICATION ADJUSTMENT FOR SALE OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax expense of $-0-, $68,000 and $4,000, for 2018, 2017 and 2016, respectively)	-	(97,212)	(5,721)
RECLASSIFICATION ADJUSTMENT FOR WRITE-DOWN OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax benefit of $-0-, $-0- and $(428,000), for 2018, 2017 and 2016, respectively)	-	-	637,662
PENSION AND POSTRETIREMENT, CURRENT YEAR ACTUARIAL GAIN (LOSS) (Net of deferred tax (benefit) expense of $(1,492,000), $(1,960,000) and $3,670,500, for 2018, 2017 and 2016, respectively)	(4,241,691)	(2,944,577)	5,497,862
PENSION AND POSTRETIREMENT, CURRENT YEAR PRIOR SERVICE CREDIT (LOSS) (Net of deferred tax (benefit) expense of $-0-, $3,251,000 and $(2,000), for 2018, 2017 and 2016, respectively)	-	4,876,949	(1,910)
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax expense of $795,000, $1,246,000 and $1,246,000, for 2018, 2017 and 2016, respectively)	(2,269,377)	(1,878,373)	(1,869,231)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of $(488,000), $(604,000) and $(971,000), for 2018, 2017 and 2016, respectively)	1,379,891	903,717	1,457,991
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax	**$ (5,131,177)**	**$ 4,719,716**	**$ 9,980,712**
COMPREHENSIVE INCOME	**$ 10,903,568**	**$ 26,422,976**	**$ 31,140,399**

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	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, 2016	**$ 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**
Reclassification of net unrealized gain on equity investments at December 31, 2017	-	-	-	21,171,000	-	(21,171,000)	-
Net income	-	-	-	16,034,745	-	-	16,034,745
Dividends declared ($1.75 per share)	-	-	-	(6,756,381)	-	-	(6,756,381)
Transfer of shares	39,935	(39,935)	-	-	-	-	-
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(4,241,691)	(4,241,691)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(2,269,377)	(2,269,377)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,379,891	1,379,891
BALANCE DECEMBER 31, 2018	**$ 6,610,398**	**$ 3,041,575**	**$ 2,485,125**	**$ 178,952,905**	**$ -**	**$ (15,037,431)**	**$ 176,052,572**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
OPERATING ACTIVITIES:			
Net income	$ 16,034,745	$ 21,703,260	$ 21,159,687
Adjustments to reconcile net income to			
net cash provided by operating activities:			
Depreciation, depletion and amortization	16,748,567	14,828,892	14,713,760
Income from equity method investments, net of dividends	(960,464)	(810,071)	(548,894)
Increase in long-term notes receivable	(117,184)	-	-
Deferred income taxes	(1,813,552)	774,768	986,423
Gain on disposal of assets	(79,892)	(822,980)	(311,221)
Realized gain on sale of equity investments	(3,979,574)	(165,212)	(9,721)
Realized loss on impairment of equity investments	-	-	1,065,662
Unrealized holding loss on equity investments	15,490,000	-	-
Postretirement benefits and pension expense	(6,183,210)	(6,593,923)	(5,645,689)
Change in assets and liabilities:			
Receivables, net	(2,599,877)	122,513	(1,285,225)
Inventories	(3,126,353)	(560,741)	837,062
Income taxes refundable/payable	195,238	(314,004)	(1,147,891)
Prepaid expenses	(152,182)	513,604	(371,540)
Other assets	(236,116)	9,378	(8,729)
Accounts payable and accrued liabilities	(2,623,693)	4,413,744	(1,957,250)
Net cash provided by operating activities	$ 26,596,453	$ 33,099,228	$ 27,476,434
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	$ (17,730,701)	$ (18,913,388)	$ (13,306,356)
Proceeds from disposals of property, plant and equipment	228,990	868,509	913,186
Payment for acquisition of business, net of cash acquired	(3,550,214)	-	-
Payment for purchases of equity investments	(6,628,799)	(2,424,073)	(3,936,419)
Proceeds from disposals of equity investments	6,937,312	616,274	381,123
Payment for acquisition of equity method investments	(89,680)	-	-
Net cash used for investing activities	$ (20,833,092)	$ (19,852,678)	$ (15,948,466)
FINANCING ACTIVITIES:			
Payments on bank loans	$ -	$ (4,285,714)	$ (1,428,571)
Payments on other long-term debt	(678,574)	(22,787)	(21,678)
Cash dividends paid	(6,563,341)	(5,212,066)	(4,439,907)
Purchase of capital stock	(243,660)	(30,120)	(132,180)
Net cash used for financing activities	$ (7,485,575)	$ (9,550,687)	$ (6,022,336)
Net increase (decrease) in cash and cash equivalents	**$ (1,722,214)**	**$ 3,695,863**	**$ 5,505,632**
Cash and Cash Equivalents, beginning of year	**15,813,675**	**12,117,812**	**6,612,180**
Cash and Cash Equivalents, end of year	**$ 14,091,461**	**$ 15,813,675**	**$ 12,117,812**
Supplemental disclosures:			
Interest paid, net of amount capitalized	$ 9,646	$ 28,694	$ 119,776
Income taxes paid	4,825,000	7,300,000	8,260,000
Income tax refund	-	67,016	-
Capital equipment additions included in accounts			
payable and accrued liabilities	304,519	119,370	165,317
Capital stock repurchases included in accrued liabilities	83,880	327,540	357,660

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) **Reclassifications**--Certain reclassifications have been made to the 2016 and 2017 financials statements for the adoption of Accounting Standards Update (ASU) 2017-07 *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*

e) **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, 2018 and 2017, 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, 2018, the Company had $12.4 million in overnight investment accounts (including money market mutual funds – Level 1) that were not covered by FDIC's general deposit insurance in addition to $2.4 million in general deposits that exceeded FDIC limits. The investment 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.

f) **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. Beginning in 2018, our equity securities are carried at fair value and unrealized gains and losses, are recorded in net income. Realized gains and losses, based on the specifically identified cost of the security, are included in net income. 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 equity method investment involves an entity for which it is not practical to determine fair value.

g) **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.

At December 31, 2018, the Company had one customer that comprised approximately eleven percent (11%) of total outstanding accounts receivable.

h) **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 $12.1 million and $9.3 million as of December 31, 2018 and 2017, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been $1.5 million, $2.2 million and $2.6 million higher than those reported at December 31, 2018, 2017 and 2016, 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 2018, 2017 or 2016.

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.

i) **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. The Company did not capitalize any interest in 2018. During 2017 and 2016, the Company capitalized approximately $34,700 and $40,900, 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, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Cost of Sales	$ 14,400,000	$ 12,900,000	$ 13,100,000
Selling, General and Administrative Expenses	1,900,000	1,700,000	1,400,000
Other, net	400,000	200,000	200,000
Total	$ 16,700,000	$ 14,800,000	$ 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, 2018, 2017 and 2016.

j) **Other Current Liabilities**--Accrued liabilities-Other contains approximately $0.0 and $2.3 million related to prepayments held on account in 2018 and 2017, respectively.

k) **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 in December of 2017.

l) **Revenue Recognition**--There have been no changes to the amount or timing of our revenue recognition as a result of our adoption of ASU 2014-09, *Revenue from Contracts with Customers,* which the Company adopted using the modified retrospective transition approach. 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, which is the point in time when the Company’s performance obligation with the customer is satisfied. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered. See Note 11 “Lines of Business” for the Company’s revenue disaggregated by segment for 2018, 2017 and 2016.

m) **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.

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

o) **Other, net**--Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments, pension and postretirement benefit income, unrealized gains (losses) on equity investments (in 2018), realized loss on impairment of equity investments (in 2017 and 2016) and dividend income. Significant items in Other, net include proceeds related to rental income of approximately $360,000 in 2018, 2017 and 2016.

p) **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 2018, 2017 and 2016.

q) **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.

r) **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.

s) **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.

t) **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 2018 and determined that its goodwill is not impaired and therefore no impairment was required.

Goodwill is approximately $4.6 million and $2.5 million at December 31, 2018 and 2017, respectively, and is included in Other, Assets.

(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.

Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. 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. Equity investments that do not have readily determinable market prices were remeasured to fair value upon the occurrence of an observable price change.

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.

(3) INVESTMENTS

Equity Investments

The Company adopted ASU 2016-01, *Financial Instruments,* in the first quarter of 2018 and recorded a $21.2 million cumulative effect adjustment to retained earnings as of January 1, 2018 to implement the standard. Beginning in 2018, the Company is recognizing gross unrealized gains and losses on their investments in net income. The following table shows the gross unrealized gains (losses) recorded in the income statement aggregated by investment category at:

	December 31, 2018
Cement industry	$ (6,800,000)
General building materials industry	(6,120,000)
Oil & gas refining and marketing industry	(2,380,000)
Residential construction industry	(190,000)
Total	$ (15,490,000)

The Company's equity investments are measured using quoted prices in active markets for identical assets (Level 1). The following table shows the fair value of the Company's investments aggregated by investment category at:

	December 31, 2018	December 31, 2017
Cement industry	$ 11,261,206	$ 17,027,515
General building materials industry	10,886,212	13,398,711
Oil & gas refining and marketing industry	6,384,000	9,947,922
Residential construction industry	998,016	974,225
Total	$ 29,529,434	$ 41,348,373

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:

	2018	2017	2016
Carrying value	$ 8,647,806	$ 7,597,662	$ 6,787,591
Ownership percentage	32.41%	32.04%	32.04%
Cash dividends received	$ 52,335	$ 42,271	$ 32,206
Undistributed earnings	3,813,953	2,801,154	1,948,811
Difference between carrying amount and the underlying equity in net assets*	(44,589)	(81,933)	(39,663)
Equity in earnings	1,012,799	852,343	581,100

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

During 2018, 2017 and 2016, the Company purchased $0.8 million, $1.4 million and $1.4 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, 2018 and 2017.

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. If it is probable that the Company will not recover the carrying amount of its investment, the impairment is 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, 2018 or 2017.

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and their estimated useful lives at December 31, 2018 and 2017 consisted of:

	Lives (Years)	2018	2017
Quarry land		$ 2,004,549	$ 2,004,549
Other land		8,909,048	7,948,138
Buildings and improvements	15 – 39	33,587,995	32,314,533
Cement manufacturing equipment	15 – 25	157,754,746	155,365,717
Ancillary equipment	5 – 10	14,890,961	15,384,903
Ready-mix and concrete production machinery and equipment	5 – 15	39,791,790	37,203,111
Transportation and mobile equipment	3 – 7	56,109,828	51,385,650
Office machinery, equipment, furniture and fixtures	3 – 10	7,799,063	8,146,392
Construction in process		15,275,210	11,144,034
		$ 336,123,190	$ 320,897,027
Less: Accumulated depreciation and depletion		247,734,083	235,531,226
		$ 88,389,107	$ 85,365,801

(5) REVOLVING LOAN AND LONG-TERM DEBT

On December 31, 2018, 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, 2021. The previous agreement also included a $10.0 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 $18.3 million, $37.0 million and $27.4 million, respectively as of December 31, 2018. 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, 2018 and 2017, there was nothing borrowed against the revolving loan.

At December 31, 2018 and 2017, Other long-term debt in the table below is comprised of $2.2 million and $2.9 million, respectively related to the settlement of the Pensmore lawsuit and to noncompete payment obligations.

	2018	2017
Other	$ 2,164,571	$ 2,843,145
Less current maturity of long-term debt	750,000	750,000
Total long-term debt	$ 1,414,571	$ 2,093,145

Aggregate annual maturities of long-term debt as of December 31, 2018 are:

2019	$	750,000
2020		693,417
2021		721,154
	$	2,164,571

(6) INCOME TAXES

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

	2018	2017	2016
Taxes currently payable	$ 5,024,000	$ 6,920,000	$ 7,114,000
Deferred income taxes	(1,814,000)	775,000	986,000
Provision for income taxes	$ 3,210,000	$ 7,695,000	$ 8,100,000

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

	2018	2017	2016
Computed at statutory rate (2018-21%; prior years-34%, over $10 million-35%)	$ 3,829,000	$ 9,891,000	$ 9,937,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit	632,000	564,000	405,000
Percentage depletion	(970,000)	(1,399,000)	(1,168,000)
Domestic production activities deduction	-	(491,000)	(320,000)
Current year tax credits	(40,000)	(50,000)	(700,000)
Dividends received deduction	(76,000)	(159,000)	(119,000)
Change in deferred tax rate	-	(620,000)	-
Other	(165,000)	(41,000)	65,000
Provision for income taxes	$ 3,210,000	$ 7,695,000	$ 8,100,000

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

	2018	2017
Allowance for doubtful accounts	$ 134,000	$ 109,000
Accrued vacation	361,000	338,000
Depreciation	(258,000)	(247,000)
Postretirement benefits	3,445,000	3,650,000
Pension liability	598,000	128,000
Unrealized holding gains	(3,410,000)	(7,439,000)
Tax carryforwards	1,283,000	1,378,000
Settlement of lawsuit	563,000	736,000
Impairment on investments	215,000	501,000
Other, net	301,597	566,045
Net deferred tax assets/(liabilities)*	$ 3,232,597	$ (279,955)

*Net of valuation allowance of $1,643,000 and $1,726,000 for 2018 and 2017, 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, 2018:

Expiration Date	Tax Carryforwards
2024	$ 79,000
2025	132,000
2029	116,000
2032	348,000
2033	571,000
2034	38,000
	$ 1,284,000

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 2015. 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, 2018, 2017 and 2016.

(7) PENSION AND OTHER POSTRETIREMENT BENEFITS

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which changes the presentation of the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs. The other components of net benefit cost will be included in nonoperating expense. A practical expedient is provided that permits entities to use the components of cost disclosed in prior years as a basis for the retrospective application of the new income statement presentation. The adoption of this standard, including the practical expedient, did not have a material impact on our consolidated financial statements. For the year ended December 31, 2017, the Company reclassified $(1.8) million and $(0.5) million from cost of sales and selling, general and administrative (income) expenses, respectively, to nonoperating income. For the year ended December 31, 2016, the Company reclassified $(0.7) million and $0.1 million from cost of sales and selling, general and administrative (income) expenses, respectively, to nonoperating income.

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 2019 cash expenditures for this plan to be approximately $956,000 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 was effective January 1, 2018.

Monarch uses a December 31 measurement date for the plans. At December 31, 2018 and 2017, the current portion of the accrued benefit cost of approximately $956,000 and $964,000, respectively, is recorded in compensation and benefits. Information about the plans' funded status and postretirement cost follows:

	2018	2017
Change in benefit obligation:		
Beginning of year	$ 15,751,631	$ 21,754,778
Service cost	235,568	493,532
Interest cost	545,879	877,968
Actuarial (gain)/loss	(971,954)	1,537,807
Benefits paid*	(838,475)	(784,506)
Plan amendments	-	(8,127,949)
Benefit obligation at end of year	$ 14,722,649	$ 15,751,630
Change in fair value of plan assets:		
Beginning of year	$ -	$ -
Employer contributions*	838,475	784,506
Benefits paid*	(838,475)	(784,506)
Fair value of plan asset at end of year	$ -	$ -
Weighted Average Assumptions used to determine benefit obligations:		
Discount rate	4.00%	3.50%
Trend rate	N/A	N/A
Funded status, end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligations	(14,722,649)	(15,751,630)
Funded status = year-end benefit liability	$ (14,722,649)	$ (15,751,630)

*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:

	2018	2017
A. Accrued postretirement benefits at beginning of year	$ (20,323,984)	$ (22,529,062)
B. Net periodic postretirement benefit income	(1,806,003)	(1,420,573)
C. Employer contributions	856,619	804,961
D. Retiree drug subsidy	18,144	20,456
E. Accrued postretirement benefits at end of year (A) - (B) + (C) - (D)	$ (17,679,506)	$ (20,323,984)

Following are the components of net periodic benefit cost:

	2018	2017	2016
Components of net periodic benefit cost:			
Service cost	$ 235,568	$ 493,532	$ 468,648
Interest cost	545,879	877,968	865,504
Amortization of prior service cost	(3,136,032)	(3,215,800)	(3,215,800)
Recognized net actuarial loss	548,582	423,727	491,393
Net periodic benefit income	$ (1,806,003)	$ (1,420,573)	$ (1,390,255)
Weighted Average Assumptions used to determine net periodic postretirement benefit cost:			
Discount rate	3.50%	4.00%	4.00%
Trend rate	N/A	7.0% for fiscal 2017 decreasing 0.5%/yr to 5.0%	7.0% for fiscal 2016 decreasing 0.5%/yr to 5.0%

Amounts recognized in the balance sheets consist of:

	2018	2017
Current liability	$ (956,000)	$ (964,000)
Noncurrent liability	(13,766,649)	(14,787,630)
Net amount recognized	$ (14,722,649)	$ (15,751,630)

Amounts recognized in accumulated other comprehensive income consist of:

	2018	2017
Net actuarial loss	$ 5,954,028	$ 7,474,564
Prior service credit	(8,910,885)	(12,046,917)
	$ (2,956,857)	$ (4,572,353)

Other changes in benefit obligations recognized in other comprehensive income:

	2018	2017	2016
Current year actuarial (gain)/loss	$ (971,954)	$ 1,537,807	$ (3,532,669)
Amortization of actuarial loss	(548,582)	(423,727)	(491,393)
Current year prior service credit	-	(8,127,949)	-
Amortization of prior service credit	3,136,032	3,215,800	3,215,800
Total recognized in other comprehensive income	$ 1,615,496	$ (3,798,069)	$ (808,262)

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost in 2019:

Actuarial loss	$ 410,000
Prior service credit	(2,431,958)
Total	$ (2,021,958)

The amortization schedule for prior service costs is as follows:

Description	Date Established	Initial Amount	Initial Period	12/31/2018 Outstanding Balance	Annual Amortization
Change in Benefit Structure	12/31/2015	$ (4,952,676)	5.70 years	$ (2,346,003)	$ (868,891)
	12/31/2017	(8,127,949)	5.20 years	(6,564,882)	(1,563,067)
				$ (8,910,885)	$ (2,431,958)

ASC Topic 715 requires the disclosure of the impact on certain items of a percentage point increase and decrease in the medical trend rates. Since there is no trend in assumption in 2018, this has no impact on the 2018 service cost and interest cost, or the accumulated postretirement benefit obligation at December 31, 2018.

The accumulated postretirement benefit obligation as of December 31, 2018 is shown below:

HRA Plan Provisions	$ 14,722,649

Expected benefit payments and expenses shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period are presented below:

December 31, 2019	$ 955,490
December 31, 2020	980,686
December 31, 2021	972,314
December 31, 2022	962,738
December 31, 2023	942,970
Five fiscal years ending December 31, 2028	4,667,440

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 2019, 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:

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 55,300,128	$ 51,089,299
Service cost	1,174,186	1,039,006
Interest cost	1,937,797	2,048,385
Actuarial (gain)/loss	(3,045,065)	3,624,674
Benefits paid	(2,519,348)	(2,501,236)
Benefit obligation at end of year	$ 52,847,698	$ 55,300,128

	2018	2017
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 55,398,348	$ 48,990,028
Actual return on plan assets	(5,709,030)	3,851,556
Employer contributions	4,000,000	5,058,000
Benefits paid	(2,519,348)	(2,501,236)
Fair value of plan assets at end of year	$ 51,169,970	$ 55,398,348
Funded status, end of year:		
Fair value of plan assets	$ 51,169,970	$ 55,398,348
Benefit obligation	52,847,698	55,300,128
Funded status = pension liability, end of year	$ (1,677,728)	$ 98,220

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:

	2018	2017
Accumulated benefit obligation, end of year	$ 50,757,374	$ 52,973,728

Amounts recognized in the balance sheets consist of:

	2018	2017
Noncurrent asset	$ -	$ 410,061
Noncurrent liability	(1,677,728)	(311,841)
Net amount recognized	$ (1,677,728)	$ 98,220

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

	2018	2017
Net actuarial loss	$ 24,010,791	$ 18,624,455
Prior service cost	188,497	260,152
	$ 24,199,288	$ 18,884,607
Less: Deferred tax	6,290,000	4,910,000
Additional pension liability, net of deferred tax	$ 17,909,288	$ 13,974,607

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

	2018	2017	2016
Current year actuarial (gain)/loss	$ 6,705,645	$ 3,366,770	$ (5,635,693)
Amortization of actuarial loss	(1,319,309)	(1,083,990)	(1,937,598)
Current year prior service loss	-	-	3,910
Amortization of prior service cost	(71,655)	(91,427)	(100,569)
	$ 5,314,681	$ 2,191,353	$ (7,669,950)
Less: Deferred tax	(1,380,000)	(1,770,000)	(3,070,000)
Minimum pension (asset) liability, net of deferred tax	$ 6,694,681	$ 3,961,353	$ (4,599,950)

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2019:

Actuarial loss	$ 1,946,000
Prior service cost	71,000
Total to be amortized	$ 2,017,000

The amortization schedule for prior service costs is as follows:

Description	Established Dec. 31 of:	Initial Amount	Initial Period	12/31/2018 Outstanding Balance	2018 Amortization Amount
Unrecognized Prior Service Cost	2007	$ 876,119	13.41 years	$ 157,456	$ 65,333
	2009	55,026	12.50 years	15,408	4,402
	2015	21,393	11.14 years	15,633	1,920
				$ 188,497	$ 71,655

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

	2018	2017
A. Cumulative balance at beginning of year	$ 18,982,827	$ 14,593,983
B. Net periodic pension cost	461,267	669,156
C. Contributions	4,000,000	5,058,000
D. Cumulative balance at end of year (A) - (B) + (C)	$ 22,521,560	$ 18,982,827

The weighted average assumptions used to determine net pension cost and benefit obligations as of December 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Benefit obligation:			
Discount rate	4.00%	3.50%	4.00%
Expected return on plan assets	7.00%	7.50%	7.50%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%
Pension cost:			
Discount rate	3.50%	4.00%	4.00%
Expected return on plan assets	7.50%	7.50%	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, 2018, 2017 and 2016:

	2018	2017	2016
Service cost	$ 1,174,186	$ 1,039,006	$ 960,105
Interest cost	1,937,797	2,048,385	2,016,977
Expected return on plan assets	(4,041,680)	(3,593,652)	(2,791,141)
Amortization of prior service cost	71,655	91,427	100,569
Recognized net actuarial loss	1,319,309	1,083,990	1,937,598
Net periodic pension expense	$ 461,267	$ 669,156	$ 2,224,108

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 2018 and 2017 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, 2018 and 2017, plan assets by category were as follows:

	2018	2017
Equities	54%	60%
Debt Securities	37%	34%
Other	9%	6%

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, 2018 and 2017 are as follows:

		Fair Value Measurements Using:		
2018	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	$ 4,426,674	$ 4,426,674	$ -	$ -
Equity securities:				
Consumer discretion	2,219,980	2,219,980	-	-
Consumer staples	2,208,988	2,208,988	-	-
Energy	4,083,086	4,083,086	-	-
Financials	3,055,197	3,055,197	-	-
Healthcare	2,049,162	2,049,162	-	-
Industrials	1,959,111	1,959,111	-	-
Information technology	2,555,238	2,555,238	-	-
Materials	3,240,063	3,240,063	-	-
Miscellaneous	616,691	616,691	-	-
Real Estate	1,714,263	1,714,263	-	-
Telecommunication	2,570,448	2,570,448	-	-
Utilities	1,206,227	1,206,227	-	-
Fixed income securities:				
Intermediate Duration Fund	18,937,658	18,937,658	-	-
Strategic Income Fund	327,184	327,184	-	-
Total	$ 51,169,970	$ 51,169,970	$ -	$ -
2017				
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	$ -	$ -

The plans' expected benefit payments as of December 31, 2018, shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period, are presented below:

2019	$ 3,121,239
2020	3,254,746
2021	3,256,992
2022	3,278,649
2023	3,283,717
Five fiscal years ending December 31, 2028	16,502,907

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. Beginning July 1, 2018, the Company matched 100% of the employee's deferrals up to 2% of compensation plus 50% of deferrals over 2% that do not exceed 4% of compensation up to a maximum match of $3,000 per year. For the first half of 2018, 2017 and 2016 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 $109,894, $62,534 and $58,407 to these plans for the years 2018, 2017 and 2016, respectively. The Company expects to contribute approximately $150,000 to these plans in 2019.

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, 2018, 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 2018 and 2017 is for the plan's year-end at December 31, 2017 and 2016, 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 2018, 2017 and 2016 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions by Company			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2018	2017		2018	2017	2016		
Central States, Southeast & Southwest Areas Pension Plan	36-6044243/001	Red	Red	Yes	$375,918	$347,590	$344,012	Yes	3/31/2019 & 4/30/2019 [a]
Other Funds					117,585	49,936	49,014		
					$493,503	$397,526	$393,026		

[a] The Company is party to two collective bargaining agreements that require contributions to Central States, Southeast & Southwest Areas Pension Plan. In 2018, 33% of the Company's contributions were required by a collective bargaining agreement that expires 3/31/2019 and 67% 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 2018.

(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	2018	2017	2016
Net periodic pension and postretirement costs in:			
Other, net	$ 1,196,486	$ 1,616,656	$ 686,240
Tax expense	(307,000)	(642,000)	(275,000)
Net of tax	$ 889,486	$ 974,656	$ 411,240
Unrealized net gains on available-for-sale securities in:			
Gain on sale of equity investments	$ -	$ 165,212	$ 9,721
Tax expense	-	(68,000)	(4,000)
Net of tax	$ -	$ 97,212	$ 5,721
Loss on impairment of equity investments	$ -	$ -	$ (1,065,662)
Tax benefit	-	-	428,000
Net of tax	$ -	$ -	$ (637,662)
Reclassifications, net of tax	$ 889,486	$ 1,071,868	$ (220,701)

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. All except one of the union contracts expire in 2019. 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. The current portion of Other long-term debt and Long-term debt in the accompanying balance sheet includes $0.8 million and $1.4 million, respectively, related to the settlement of a lawsuit on July 18, 2017.

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, refundable federal and state income taxes, investments and other assets for 2018, 2017 and 2016. Corporate assets also include deferred income taxes for 2018 and 2016.

Following is information for each line for the years ended December 31, 2018, 2017 and 2016:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 2018				
Sales to unaffiliated customers	$ 92,533,075	$ 81,362,269	$ -	$ 173,895,344
Intersegment sales	16,624,186	400,363	(17,024,549)	-
Total net sales	$ 109,157,261	$ 81,762,632	$ (17,024,549)	$ 173,895,344
Income (loss) from operations	$ 26,622,873	$ (1,125,174)		$ 25,497,699
Other loss, net				(7,265,753)
Income before income taxes				$ 18,231,946
Identifiable assets at December 31, 2018	$ 100,031,269	$ 44,349,216		$ 144,380,485
Corporate assets				61,924,766
Total assets at December 31, 2018				$ 206,305,251
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	$ 22,294,807	$ 2,510,128		$ 24,804,935
Other income, net				3,740,982
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	$ 22,261,708	$ 5,835,599		$ 28,097,307
Other income, net				581,280
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

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: $9.3 million and $7.4 million in 2018; $8.5 million and $6.3 million in 2017; and $9.0 million and $5.6 million in 2016. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: $9.0 million and $9.6 million in 2018; $11.6 million and $7.3 million in 2017; and $7.1 million and $6.0 million in 2016. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

During 2018, 2017 and 2016, there were no sales to any one customer in excess of 10% of consolidated net sales.

(12) OTHER COMPREHENSIVE INCOME (LOSS)

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

	2017	Change	2018
Unrealized appreciation on available-for-sale securities*	$ 21,171,000	$ (21,171,000)	$ -
Pension liability adjustment	(13,974,607)	(3,934,681)	(17,909,288)
Postretirement liability adjustment	4,068,353	(1,196,496)	2,871,857
	$ 11,264,746	$ (26,302,177)	$ (15,037,431)

	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

* Beginning January 1, 2018, unrealized appreciation on available-for-sale securities is recognized in net income. See Note 3, "Investments".

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

(13) ACQUISITIONS

Hays Ready-Mix, Inc.

On February 9, 2018, the Company purchased all of the common stock of Hays Ready-Mix, Inc. and the ready-mix concrete assets of a related business located in Great Bend and Larned, Kansas. The combined business is included in our Ready-Mixed Concrete Business, and was acquired primarily to obtain additional markets and to improve manufacturing efficiencies. The consideration for acquiring Hays Ready-Mix stock and related assets totaled $2.6 million.

In accordance with Accounting Standards Codification (ASC) 805, the Company determined the assets and liabilities acquired constituted a business and applied purchase accounting to the assets acquired and the liabilities assumed. Since Hays Ready-Mix is not a substantial subsidiary, pro forma information is not provided for the combined entity. The following table summarizes the consideration paid for acquisition of the assets acquired and the liabilities assumed at the acquisition date as well as the fair value at the acquisition date:

Consideration:		
Cash paid, gross	$	2,592,589
Fair Value of assets acquired and liabilities assumed:		
Assets		
Cash	$	7,079
Accounts receivable		196,395
Property, plant and equipment		1,037,000
Goodwill		2,127,376
Liabilities		
Accounts payable		(456,459)
Short-term debt		(16,942)
Accrued liabilities		(201,860)
Deferred taxes		(100,000)
Total:	$	2,592,589

Neosho Concrete Products Company

On March 31, 2018, the Company purchased the ready-mix concrete assets of Neosho Concrete Products Company, which is included in our Ready-Mixed Concrete Business, primarily to obtain additional markets and to improve manufacturing efficiencies. The consideration for acquiring these assets totaled $0.9 million.

Corporate Information

DIRECTORS

Standing (left to right): Steve W. Sloan, Michael R. Wachter, Mark A. Callaway, Walter H. Wulf, III, Gayle C. McMillen, Robert K. Radcliff
Seated (left to right): Byron J. Radcliff, Jack R. Callahan, Walter H. Wulf, Jr., Robert M. Kissick, David L. Deffner

Standing (left to right): Kenneth G. Miller, Kent A. Webber, Walter H. Wulf, Jr., Robert M. Kissick, Tony D. Kasten
Seated (left to right): Debra P. Roe, N. Joan Perez, Lisa J. Fontaine

OFFICERS

Walter H. Wulf, Jr.
CEO and 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

Tony D. Kasten
Assistant Secretary-Treasurer

Lisa J. Fontaine
Assistant Secretary

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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Humboldt, KS 66748
Phone: (620) 473-2222
Fax: (620) 473-2447

AUDITORS
BKD, LLP
Kansas City, Missouri

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
The Monarch Cement Company
P.O. Box 1000
Humboldt, KS 66748-0900
shareholder.relations@monarchcement.com

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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