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, 2020

As of December 31, 2020, the number of shares outstanding of our Common Stock was: 2,609,104
As of December 31, 2020, the number of shares outstanding of our Class B Common Stock was: 1,187,725
As of September 30, 2020, the number of shares outstanding of our Common Stock was: 2,665,931
As of September 30, 2020, the number of shares outstanding of our Class B Common Stock was: 1,194,858
As of December 31, 2019, the number of shares outstanding of our Common Stock was: 2,646,859
As of December 31, 2019, the number of shares outstanding of our Class B Common Stock was: 1,213,930

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 and the dates of the name changes.

The Monarch Cement Company

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; 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.

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

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

The address(es) of the issuer's principal executive office:

The Monarch Cement Company

449 1200 Street
P.O. Box 1000
Humboldt, KS 66748

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

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

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

None

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, 2020
Total shares outstanding:	2,609,104 as of December 31, 2020

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, 2020
Total shares outstanding:	1,187,725 as of December 31, 2020

Number of shares in the Public Float:	3,262,942 as of December 31, 2020
Total number of shareholders of record:	294 as of December 31, 2020

Transfer Agent

Name: The Monarch Cement Company
Address: 449 1200 Street
P.O. Box 1000
Humboldt, KS 66748-0900
Phone: 620-473-2222
Email: shareholder.relations@monarchcement.com

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

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 23,872 shares of Monarch's Capital Stock were issued in the year ended December 31, 2020 upon conversion of an equal number of shares of Monarch's Class B Capital Stock. The following shares were converted during the past two years as indicated below:

Number of Shares outstanding as of 01/01/2018	Opening Balance: Capital: 2,628,185 Class B: 1,232,604								
Date of Transaction	**Transaction type (e.g. new issuance,**	**Number of Shares**	**Class of Securities**	**Value of shares**	**Were the shares issued at a**	**Individual/ Entity Shares were**	**Reason for share issuance (e.g. for cash or**	**Restricted or Unrestr**	**Exemption or**

	cancellation, shares returned to treasury)	Issued (or cancelled)		issued ($/per share) at Issuance	discount to market price at the time of issuance? (Yes/No)	issued to (entities must have individual with voting / investment control disclosed).	debt conversion) OR Nature of Services Provided (if applicable)	icted as of this filing?	Registration Type?
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						
6/19/19	Conversion	1,700	Class B to Capital						
6/28/19	Conversion	1,000	Class B to Capital						
3/30/20	Conversion	19,072	Class B to Capital						
11/12/20	Conversion	3,300	Class B to Capital						
12/4/20	Conversion	1,500	Class B to Capital						
12/28/20	Retirement	60,587	Capital						
12/28/20	Retirement	2,333	Class B						
12/31/20	Retirement	1,040	Capital						
Shares Outstanding on 12/31/2020:	Ending Balance: Capital: 2,609,104 Class B: 1,187,725								

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, 2020.

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, 2020 and December 31, 2019, there was nothing borrowed against the revolving loan.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)

———	———	———	———	———	———	———	———

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual):

Name: Tony Kasten
Title: Chief Financial Officer, Sec./Tres.
Relationship to Issuer: Officer

5) Issuer's Business, Products and Services

A. Summarize the issuer's business operations

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

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

B. Describe any subsidiaries, parents, or affiliated companies.

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.

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	Humboldt, KS	173,102 189,217	Capital Class B	6.63% 15.94%	
Kent A. Webber	Officer	Chanute, KS	3,550	Capital	*	
Robert M. Kissick	Officer/Director	Leawood, KS	14,782 39,903	Capital Class B	* 3.36%	
Tony D. Kasten	Officer	Chanute, KS	50	Capital	*	
Lisa J. Fontaine	Officer	Iola, KS	2,500	Capital	*	
Kenneth G. Miller	Officer	Humboldt, KS	600	Capital	*	
N. Joan Perez	Officer	Humboldt, KS	6,400	Capital	*	
Mark A. Callaway	Director	Wichita, KS	100	Capital	*	
David L. Deffner	Director	Las Vegas, NV	12,863	Class B	1.08%	
Gayle C. McMillen	Director	Salina, KS	69,220	Class B	5.83%	
Byron J. Radcliff	Director	Steamboat Springs, CO	4,250 1,000	Capital Class B	* *	
Robert K. Radcliff	Director	Chicago, IL	4,250	Capital	*	
Steve W. Sloan	Director	Pittsburg, KS	2,000	Capital	*	
Michael R. Wachter	Director	Kent, WA	1,600 600	Capital Class B	* *	
Walter H. Wulf, III	Director	Grand Rapids, MI	3,800 4,100	Capital Class B	* *	

Paula D. Radcliff	Owner of more than 5%	Dexter, KS	199,760 211,960	Capital Class B	7.49% 17.74%	

*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 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 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, 2021

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

Principal Financial Officer:

I, Tony D. Kasten certify that:

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

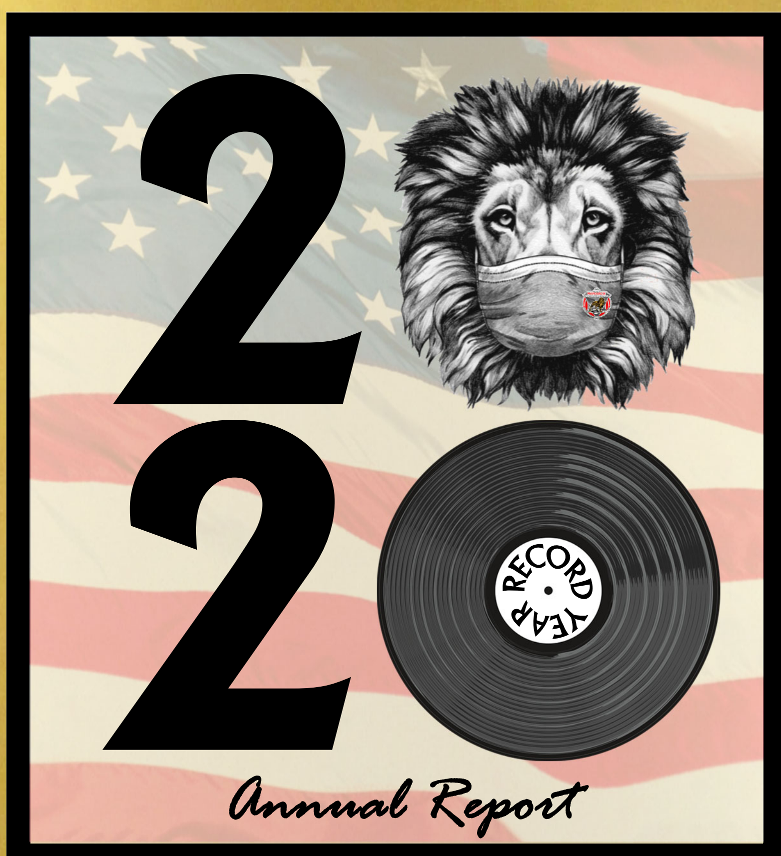
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by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

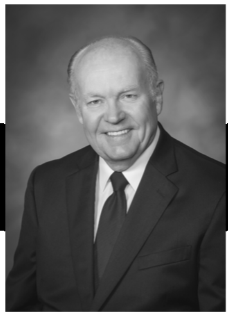
March 15, 2021

/s/ Tony D. Kasten
Chief Financial Officer
Secretary-Treasurer

The MONARCH Cement Company



To Our Shareholders



March 15, 2021

For many, 2020 will be remembered as the year of COVID-19. It has been a year filled with unique and unprecedented events – the pandemic, civil unrest, a tumultuous political landscape, and catastrophic loss of life, to name a few. Because our Company was deemed essential within the Federal Critical Infrastructure Sector, we were able to continue production with no lost time and provide our customers with the same quality products and services for which Monarch is known. Protecting our employees during this time was paramount; we adapted our existing processes and added new measures to ensure the safety of everyone. The resilience and commitment of our employees is commendable. Even though there was no possibility of escaping the effects of the pandemic, we are proud to report that during one of the most challenging times in our history, we continue to deliver strong financial results and create value for our shareholders.

In the spirit of value creation, the Company initiated a modified Dutch auction tender offer with a closing date of December 18, 2020. The offer resulted in the Company purchasing 62,920 shares (approximately 1.6% of the 3,860,789 total shares outstanding prior to the tender offer) at a price of $70.00 per share.

Despite the many challenges of 2020, we were able to ship 1,075,737 tons of cement which made for a record setting year. It seems a bit strange to celebrate given the year's unique circumstances, but it is a noteworthy milestone in our 113-year history. A few other highlights comparing our 2020 financial performance to 2019 include:

- 11.7% increase in tons shipped
- 1.2% decrease in cost of sales
- 7.6% increase in gross profit margin
- $5.8 million increase in subsidiaries' net income before taxes

We have not wavered in our commitment to invest in our people, processes, plants, and the communities that surround them. In 2020, we invested $23.5 million in property, plant and equipment. We made significant improvements to our kilns that allow us to burn fuel more efficiently, reduce costs and lessen our environmental impact. We made a substantial investment in the new Southwind Industrial Park on the north edge of Humboldt and played a significant role in bringing the John Deere Service Center to the community.

Also, it is with deep regret that we note the passing of our dear friend and long-time associate, Mr. Jack R. Callahan. Mr. Callahan began his career at Monarch in 1957 and served as President for 17 years (1980-1997). He also served on the Monarch Board of Directors for 40 years (1980-2020). We are very appreciative of the experience and exceptional insight Mr. Callahan provided to the Company throughout his 63-year association with the Company.

It is not easy to summarize the past twelve months, but as we emerge from 2020, we are confident we have grown stronger and are more passionate than ever about our future. With grateful appreciation for the continued support of our steadfast stockholders and the blessings and support of our Heavenly Father, we remain committed to preserving our long-standing tradition of excellence. We continue to strive to manufacture the highest quality products in order to remain the supplier of choice for our many loyal customers.

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

2020 Financial Results

in thousands, except per share data	2020	2019	2018	2017	2016
FOR THE YEAR					
Net sales	$ 188,825	$ 172,094	$ 173,895	$ 168,080	$ 165,232
Net income	33,875	33,114	16,035	21,703	21,160
PER SHARE INFORMATION					
Basic earnings per share	$ 8.78	$ 8.58	$ 4.15	$ 5.62	$ 5.48
Cash dividends declared per share	2.00	1.85	1.75	1.40	1.20
Stockholders' equity per share	55.98	51.16	45.60	44.53	39.08
YEAR END POSITION					
Total assets	$ 257,770	$ 235,973	$ 206,305	$ 204,282	$ 190,864
Long-term debt obligations	-	721	1,415	2,093	35

Consolidated net sales for the year ended December 31, 2020 were approximately $188.8 million, an increase of $16.7 million as compared to the year ended December 31, 2019. Sales in our Cement Business were higher by $14.3 million and sales in our Ready-Mixed Concrete Business were also higher by $2.4 million. Cement Business sales increased $12.0 million due to a 13.3% increase in volume sold and increased $2.3 million due to price increases. Ready-mixed concrete sales increased $0.3 million due to a 0.5% increase in cubic yards sold and increased $2.0 million due to price increases. Sales for brick, block, aggregates and other sundry items increased $0.1 million.

Consolidated cost of sales for 2020 were $1.6 million lower than cost of sales for 2019. Cost of sales in our Cement Business increased $0.2 million while cost of sales in our Ready-Mixed Concrete Business decreased $1.8 million. Cement Business cost of sales increased $7.6 million due to the 13.3% increase in volume sold, which was offset by a decrease of $7.4 million due to the reduction in production costs. Ready-Mixed Concrete Business cost of sales increased $0.3 million due to the 0.5% increase in cubic yards of ready-mixed concrete sold and decreased $1.8 million due to decreases in material, production and delivery costs. Cost of sales for brick, block, aggregates and other sundry items decreased $0.3 million.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2020 was 31.2% compared to 23.6% for the year ended December 31, 2019. The Cement Business gross profit rate increased from 36.8% for 2019 to 45.3% for 2020. The gross profit rate for Ready-Mixed Concrete Business increased from 8.9% for 2019 to 13.6% for 2020.

Selling, general and administrative expenses increased by $0.1 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019. These costs are normally considered fixed costs that do not vary significantly with changes in sales volume.

Unrealized gain (loss) on equity investments decreased $18.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. Other, net contains miscellaneous non-operating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments (in 2020 and 2018), pension and postretirement benefit income, unrealized gains (losses) on equity investments and dividend income.

The effective tax rates for 2020 and 2019 were 19.2% and 18.9%, 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 2020 and 2019, percentage depletion decreased the effective tax rate by 2.7% and 2.5%, respectively.

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The 2020 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, 2021

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,624,449	$ 24,145,075
Receivables, less allowances of $536,000 in 2020 and $553,000 in 2019 for doubtful accounts	19,488,380	18,936,456
Inventories, priced at cost which is not in excess of market-		
Finished cement	$ 5,254,600	$ 5,695,174
Work in process	6,849,123	5,547,238
Building products	2,586,956	3,302,796
Fuel, gypsum, paper sacks and other	6,695,701	7,807,792
Operating and maintenance supplies	19,358,550	18,457,749
Total inventories	$ 40,744,930	$ 40,810,749
Derivative financial instruments	1,215,546	-
Prepaid expenses	747,053	1,572,406
Total current assets	**$ 92,820,358**	**$ 85,464,686**
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of $270,152,181 in 2020 and $261,831,399 in 2019	95,567,662	88,032,868
DEFERRED INCOME TAXES	4,461,801	1,612,206
INVESTMENTS	49,211,744	46,249,126
INVESTMENTS IN AFFILIATES	10,755,752	9,532,763
OTHER ASSETS	4,952,591	5,080,852
	$ 257,769,908	**$ 235,972,501**

LIABILITIES AND STOCKHOLDERS' EQUITY	2020	2019
CURRENT LIABILITIES:		
Accounts payable	$ 7,220,921	$ 5,691,918
Current portion of other long-term debt	750,000	750,000
Accrued liabilities		
Dividends	1,930,395	1,930,845
Compensation and benefits	3,207,719	2,990,988
Federal and state income taxes	1,031,227	3,589,518
Miscellaneous taxes	797,066	757,538
Other	785,620	1,101,845
Total current liabilities	**$ 15,722,948**	**$ 16,812,652**
LONG-TERM DEBT	-	721,154
ACCRUED POSTRETIREMENT BENEFITS	17,086,660	15,289,436
ACCRUED PENSION EXPENSE	12,399,146	5,640,823
STOCKHOLDERS' EQUITY		
Capital stock, par value $2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,609,104 shares at 12/31/2020 and 2,646,859 shares at 12/31/2019	$ 6,522,760	$ 6,617,148
Class B capital stock, par value $2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,187,725 shares at 12/31/2020 and 1,213,930 shares at 12/31/2019	2,969,313	3,034,825
Additional paid-in capital	2,485,125	2,485,125
Retained earnings	226,760,207	204,924,373
Accumulated other comprehensive loss	(26,176,251)	(19,553,035)
TOTAL STOCKHOLDERS' EQUITY	**$ 212,561,154**	**$ 197,508,436**
	$ 257,769,908	**$ 235,972,501**

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
NET SALES	$ 188,825,253	$ 172,093,557	$ 173,895,344
COST OF SALES	129,882,625	131,476,545	128,232,590
Gross profit from operations	**$ 58,942,628**	**$ 40,617,012**	**$ 45,662,754**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,852,970	18,712,781	20,165,055
Income from operations	**$ 40,089,658**	**$ 21,904,231**	**$ 25,497,699**
OTHER INCOME (EXPENSE)			
Interest income	$ 174,957	$ 377,920	$ 250,640
Interest expense	(1,292)	(251)	(9,646)
Gain on sale of equity investments	715,296	-	3,979,574
Unrealized gain (loss) on equity investments	(3,550,000)	15,130,000	(15,490,000)
Dividend income	429,219	668,691	655,788
Pension and Postretirement benefits	1,248,803	841,535	2,754,490
Other, net	1,191,654	762,910	593,401
	$ 208,637	$ 17,780,805	$ (7,265,753)
Income before income taxes	**$ 40,298,295**	**$ 39,685,036**	**$ 18,231,946**
PROVISION FOR INCOME TAXES	7,720,000	7,505,000	3,210,000
Equity in affiliate earnings, net of tax	1,296,417	933,892	1,012,799
NET INCOME	**$ 33,874,712**	**$ 33,113,928**	**$ 16,034,745**
Basic earnings per share	**$ 8.78**	**$ 8.58**	**$ 4.15**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
NET INCOME	**$ 33,874,712**	**$ 33,113,928**	**$ 16,034,745**
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax			
PENSION AND POSTRETIREMENT, CURRENT YEAR ACTUARIAL LOSS (Net of deferred tax benefit of $(2,340,000), $(1,566,000) and $(1,492,000), for 2020, 2019 and 2018, respectively)	(6,660,520)	(4,457,062)	(4,241,691)
PENSION AND POSTRETIREMENT, CURRENT YEAR PRIOR SERVICE CREDIT (LOSS) (Net of deferred tax (benefit) expense of $-0-, $(3,000) and $-0-, for 2020, 2019 and 2018, respectively)	-	(8,860)	-
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax expense of $610,000, $615,000 and $795,000, for 2020, 2019 and 2018, respectively)	(1,757,113)	(1,745,303)	(2,269,377)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of $(620,000), $(595,000) and $(488,000), for 2020, 2019 and 2018, respectively)	1,794,417	1,695,621	1,379,891
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax	**$ (6,623,216)**	**$ (4,515,604)**	**$ (5,131,177)**
COMPREHENSIVE INCOME	**$ 27,251,496**	**$ 28,598,324**	**$ 10,903,568**

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, 2020, 2019 AND 2018

	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, 2018	**$ 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**
Net income	-	-	-	33,113,928	-	-	33,113,928
Dividends declared ($1.85 per share)	-	-	-	(7,142,460)	-	-	(7,142,460)
Transfer of shares	6,750	(6,750)	-	-	-	-	-
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(4,457,062)	(4,457,062)
Pension and Postretirement current year prior service loss	-	-	-	-	-	(8,860)	(8,860)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,745,303)	(1,745,303)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,695,621	1,695,621
BALANCE DECEMBER 31, 2019	**$ 6,617,148**	**$ 3,034,825**	**$ 2,485,125**	**$ 204,924,373**	**$ -**	**$ (19,553,035)**	**$ 197,508,436**
Net income	-	-	-	33,874,712	-	-	33,874,712
Dividends declared ($2.00 per share)	-	-	-	(7,721,578)	-	-	(7,721,578)
Transfer of shares	59,680	(59,680)	-	-	-	-	-
Repurchase of capital stock	-	-	-	-	(72,800)	-	(72,800)
Repurchase of capital stock due							-
to modified Dutch tender offer	-	-	-	-	(4,404,400)	-	(4,404,400)
Retirement of capital stock	(154,068)	(5,832)	-	(4,317,300)	4,477,200	-	-
Pension and Postretirement current							-
year actuarial loss	-	-	-	-	-	(6,660,520)	(6,660,520)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,757,113)	(1,757,113)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,794,417	1,794,417
BALANCE DECEMBER 31, 2020	**$ 6,522,760**	**$ 2,969,313**	**$ 2,485,125**	**$ 226,760,207**	**$ -**	**$ (26,176,251)**	**$ 212,561,154**

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
OPERATING ACTIVITIES:			
Net income	$ 33,874,712	$ 33,113,928	$ 16,034,745
Adjustments to reconcile net income to			
net cash provided by operating activities:			
Depreciation, depletion and amortization	15,660,518	16,767,803	16,748,567
Income from derivative financial instruments	(378,583)	-	-
Income from equity method investments, net of dividends	(1,222,989)	(872,797)	(960,464)
(Increase) decrease in long-term notes receivable	23,640	50,518	(117,184)
Deferred income taxes	(519,595)	3,209,391	(1,813,552)
Gain on disposal of assets	(1,192,655)	(177,496)	(79,892)
Realized gain on sale of equity investments	(715,296)	-	(3,979,574)
Unrealized holding (gain) loss on equity investments	3,550,000	(15,130,000)	15,490,000
Postretirement benefits and pension expense	(376,668)	(606,722)	(6,183,210)
Change in assets and liabilities:			
Receivables, net	(551,924)	(599,800)	(2,599,877)
Inventories	65,819	(3,765,911)	(3,126,353)
Income taxes refundable/payable	(2,558,291)	4,855,265	195,238
Prepaid expenses	825,353	(962,522)	(152,182)
Other assets	104,621	14,524	(236,116)
Accounts payable and accrued liabilities	1,482,949	(472,378)	(2,623,693)
Net cash provided by operating activities	$ 48,071,611	$ 35,423,803	$ 26,596,453
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	$ (23,540,849)	$ (16,500,321)	$ (17,730,701)
Proceeds from disposals of property, plant and equipment	1,514,529	249,312	228,990
Payment for acquisition of business, net of cash acquired	-	-	(3,550,214)
Payment for purchases of equity investments	(7,728,449)	(1,589,692)	(6,628,799)
Proceeds from disposals of equity investments	1,931,127	-	6,937,312
Payment for acquisition of equity method investments	-	(12,160)	(89,680)
Payment for purchases of derivative financial instruments	(836,963)	-	-
Net cash used for investing activities	$ (28,660,605)	$ (17,852,861)	$ (20,833,092)
FINANCING ACTIVITIES:			
Payments on other long-term debt	$ (721,154)	$ (693,417)	$ (678,574)
Cash dividends paid	(7,722,028)	(6,755,931)	(6,563,341)
Purchase of capital stock	(4,488,450)	(67,980)	(243,660)
Net cash used for financing activities	$ (12,931,632)	$ (7,517,328)	$ (7,485,575)
Net increase (decrease) in cash and cash equivalents	**$ 6,479,374**	**$ 10,053,614**	**$ (1,722,214)**
Cash and Cash Equivalents, beginning of year	**24,145,075**	**14,091,461**	**15,813,675**
Cash and Cash Equivalents, end of year	**$ 30,624,449**	**$ 24,145,075**	**$ 14,091,461**
Supplemental disclosures:			
Interest paid, net of amount capitalized	$ (451)	$ 252	$ 9,646
Income taxes paid	10,826,020	1,425,000	4,825,000
Income tax refund	29,984	1,983,980	-
Capital equipment additions included in accounts payable and accrued liabilities	252,088	275,751	304,519
Capital stock repurchases included in accrued liabilities	4,650	15,900	83,880
Dividends payable included in accrued liabilities	1,930,395	1,930,845	1,544,316

See accompanying Notes to the Consolidated Financial Statements

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

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

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

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

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

d) **Cash Equivalents**--The Company considers all liquid investments with original maturities of three months or less which we do not intend to roll over beyond three months to be cash equivalents. At December 31, 2020 and 2019, 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, 2020, the Company had $12.9 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 $20.6 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.

e) **Investments**--Equity securities for which the Company has no immediate plan to sell but that may be sold in the future are classified as available for sale. 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.

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

At December 31, 2020 and December 31, 2019, the Company had no customers that comprised more than ten percent (10%) of total outstanding accounts receivable.

g) **Inventories**--Inventories of finished cement and work in process are recorded at the lower of cost or market on a last-in, first-out (LIFO) basis. Total inventories reported under LIFO amounted to $12.1 million and $11.2 million as of December 31, 2020 and 2019, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been $3.6 million, $2.3 million and $1.5 million higher than those reported at December 31, 2020, 2019 and 2018, respectively. The cost of manufactured items includes all material, labor, factory overhead and production-related administrative overhead required in their production.

We incurred a permanent reduction in the LIFO layers of work in process resulting in liquidation gains of $0.3 million for 2019. The liquidation gains were recognized as reductions of cost of sales. We did not incur any material liquidation gains in the LIFO layers for 2020 or 2018.

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

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

h) **Property, Plant and Equipment**--Property, plant and equipment are stated at cost of acquisition or construction. The Company capitalizes the cost of interest on borrowed funds used to finance the construction of property, plant and equipment. The Company did not capitalize any interest in 2020, 2019 or 2018.

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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Cost of Sales	$ 14,600,000	$ 15,300,000	$ 14,400,000
Selling, General and Administrative Expenses	900,000	1,300,000	1,900,000
Other, net	200,000	200,000	400,000
Total	$ 15,700,000	$ 16,800,000	$ 16,700,000

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, 2020, 2019 and 2018.

i) **Leases**--On January 1, 2019, the Company adopted ASU 2016-02, *Leases* (Topic 842), electing the package of practical expedients permitted within the new standard. After evaluating each of its lease arrangements the Company has determined the standard will not materially impact our results of operations or liquidity.

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

k) **Revenue Recognition**--The Company records revenue from the sale of cement, ready-mixed concrete, concrete products and sundry building materials following delivery of the products to customers, 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 12 "Lines of Business" for the Company's revenue disaggregated by segment for 2020, 2019 and 2018.

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

m) **Selling, General and Administrative Expenses**--Selling, general and administrative expenses consist of sales personnel salaries and expenses, promotional costs, accounting 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.

n) **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 and dividend income.

o) **Earnings per Share**--Basic earnings per share is based on the weighted average common shares outstanding during each year. Diluted earnings per share are based on the weighted average common and common equivalent shares outstanding each year. Monarch has no common stock equivalents and therefore does not report diluted earnings per share. The weighted average number of shares outstanding was 3,858,342 in 2020, and 3,860,789 in 2019 and 2018.

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

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

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

s) **Intangibles - Goodwill and Other**--Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but is tested for impairment on an annual basis. The Company performed a qualitative assessment of its goodwill during the fourth quarter of 2020 and determined that its goodwill is not impaired and therefore no impairment was required.

Goodwill is approximately $4.9 million at December 31, 2020 and 2019, 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. The Company applies mark-to-market accounting to derivative instruments that are not accounted for as hedges.

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) DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into derivative transactions to hedge its exposures to commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

The Company enters into energy commodity-based derivatives in order to protect cash flows from fluctuations caused by volatility in the commodity prices in order to protect gross margins from potentially adverse effects of market and price volatility on diesel fuel. These hedges are not designated as effective hedges for accounting purposes. For derivative instruments that are not accounted for as hedges, the Company applies mark-to-market accounting with the change in fair value that is recorded through earnings in the period of change. Derivative fair market gains and losses are included in the results of operations and are included in cost of sales.

As part of the hedging activity, the Company is required to maintain certain levels of cash (margin deposits) with the clearing broker. The net of the margin deposits and equity value of the open positions must be a positive balance or additional cash is required. At times, this balance will be negative, thus requiring additional cash deposits within a specified time period. If the balance is negative as of the date of the balance sheets, this is reported as a current liability on the balance sheets. The corresponding market value of the open positions is reported as a current asset (or liability) on the consolidated balance sheets.

The following table provides the fair value (see Note 2) of the Company's derivative financial instruments not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	2020	2019
Futures Contracts (Level 2)	Derivative financial instruments	$ 1,215,546	$ -

The net effect of derivatives not designated as hedges on the Statements of Income for the years ended December 31, 2020, 2019 and 2018:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	2020	2019	2018
Futures Contracts (Level 2)	Cost of Sales	$ (378,583)	$ -	$ -

(4) 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:

	2020	2019	2018
Cement industry	$ 1,465,000	$ 6,325,000	$ (6,800,000)
General building materials industry	(1,275,000)	7,430,000	(6,120,000)
Oil & gas refining and marketing industry	(4,540,000)	700,000	(2,380,000)
Residential construction industry	800,000	675,000	(190,000)
Total	$ (3,550,000)	$ 15,130,000	$ (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:

	2020	2019
Cement industry	$ 19,569,886	$ 17,654,275
General building materials industry	17,478,816	18,517,571
Oil & gas refining and marketing industry	8,967,850	7,823,000
Residential construction industry	3,195,192	2,254,280
Total	$ 49,211,744	$ 46,249,126

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:

	2020	2019	2018
Carrying value	$ 10,755,752	$ 9,532,763	$ 8,647,806
Ownership percentage	32.46%	32.46%	32.41%
Cash dividends received	$ 73,429	$ 61,095	$ 52,335
Undistributed earnings	6,044,263	4,747,845	3,813,953
Difference between carrying amount and the underlying equity in net assets*	(166,953)	(93,524)	(44,589)
Equity in earnings	1,296,417	933,892	1,012,799

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

During 2020, 2019 and 2018, the Company purchased $1.0 million, $0.9 million and $0.8 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, 2020 and 2019.

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, 2020 or 2019.

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and their estimated useful lives at December 31, 2020 and 2019 consisted of:

	Lives (Years)	2020	2019
Quarry land		$ 2,004,549	$ 2,004,549
Other land		9,904,633	9,904,633
Buildings and improvements	15 – 39	38,119,350	33,838,648
Cement manufacturing equipment	15 – 25	165,386,994	159,691,727
Ancillary equipment	5 – 10	14,376,557	14,564,001
Ready-mix and concrete production machinery and equipment	5 – 15	41,645,955	41,259,672
Transportation and mobile equipment	3 – 7	57,824,450	60,266,627
Office machinery, equipment, furniture and fixtures	3 – 10	8,170,772	8,145,454
Construction in process		28,286,583	20,188,956
		$ 365,719,843	$ 349,864,267
Less: Accumulated depreciation and depletion		270,152,181	261,831,399
		$ 95,567,662	$ 88,032,868

(6) 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. 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. 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 $19.5 million, $40.7 million and $29.8 million, respectively as of December 31, 2020. 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, 2020 and 2019, there was nothing borrowed against the revolving loan.

At December 31, 2020 and 2019, other long-term debt in the table below is comprised of $0.8 million and $1.5 million, respectively, related to the settlement of the Pensmore lawsuit.

	2020	2019
Other	$ 750,000	$ 1,471,154
Less current maturity of long-term debt	750,000	750,000
Total long-term debt	$ -	$ 721,154

Aggregate annual maturities of long-term debt as of December 31, 2020 are:

2021	750,000

(7) INCOME TAXES

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

	2020	2019	2018
Taxes currently payable	$ 8,240,000	$ 4,296,000	$ 5,024,000
Deferred income taxes	(520,000)	3,209,000	(1,814,000)
Provision for income taxes	$ 7,720,000	$ 7,505,000	$ 3,210,000

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

	2020	2019	2018
Computed at statutory rate (21%)	$ 8,463,000	$ 8,334,000	$ 3,829,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit	454,000	1,086,000	632,000
Percentage depletion	(978,000)	(716,000)	(970,000)
Valuation allowance	-	(215,000)	-
Current year tax credits	70,000	(995,000)	(40,000)
Dividends received deduction	(55,000)	(79,000)	(76,000)
Other	(234,000)	90,000	(165,000)
Provision for income taxes	$ 7,720,000	$ 7,505,000	$ 3,210,000

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

	2020	2019
Allowance for doubtful accounts	$ 139,000	$ 144,000
Accrued vacation	391,000	362,000
Depreciation	(50,000)	(161,000)
Postretirement benefits	4,514,000	3,944,000
Pension liability	3,382,000	1,630,000
Unrealized holding gains	(6,427,000)	(7,350,000)
Tax carryforwards	2,029,000	2,286,000
Settlement of lawsuit	195,000	382,000
Impairment on investments	215,000	215,000
Other, net	73,801	160,206
Net deferred tax assets*	$ 4,461,801	$ 1,612,206

*Net of valuation allowance of $1,247,000 and $1,315,000 for 2020 and 2019, 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, 2020:

Expiration Date	Tax Carryforwards
2025	$ 104,000
2029	40,000
2032	278,000
2033	571,000
2034	38,000
2035	998,000
	$ 2,029,000

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 2017. 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, 2020, 2019 and 2018.

(8) PENSION AND OTHER POSTRETIREMENT BENEFITS

On August 28, 2018, the FASB issued ASU 2018-14, which amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU's changes related to disclosures are part of the FASB's disclosure framework project, which the Board launched in 2014 to improve the effectiveness of disclosures in notes to financial statements. In accordance with this latest update, employers are required to describe the significant gains and losses affecting the benefit obligation for the period.

Gains or losses affecting the Benefit obligation can be the result of the difference between expected and actual return on plan assets or from changes in actuarial assumptions. The mortality projection improvement scale was updated from MP-2019 to MP-2020 and the assumed discount rate was updated from 3.00% to 2.25%.

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 2021 cash expenditures for this plan to be approximately $989,000 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, 2020 and 2019, the current portion of the accrued benefit cost of approximately $989,000 and $968,000, respectively, is recorded in compensation and benefits. Information about the plans' funded status and postretirement cost follows:

	2020	2019
Change in benefit obligation:		
Beginning of year	$ 16,257,435	$ 14,722,649
Service cost	301,089	218,113
Interest cost	495,198	580,690
Actuarial loss	1,815,721	1,534,530
Benefits paid*	(793,783)	(798,546)
Benefit obligation at end of year	$ 18,075,660	$ 16,257,436
Change in fair value of plan assets:		
Beginning of year	$ -	$ -
Employer contributions*	793,783	798,546
Benefits paid*	(793,783)	(798,546)
Fair value of plan asset at end of year	$ -	$ -
Weighted Average Assumptions used to determine benefit obligations:		
Discount rate	2.25%	3.00%
Trend rate	N/A	N/A
Funded status, end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligations	(18,075,660)	(16,257,436)
Funded status = year-end benefit liability	$ (18,075,660)	$ (16,257,436)

*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:

	2020	2019
A. Accrued postretirement benefits at beginning of year	$ (15,645,754)	$ (17,679,506)
B. Net periodic postretirement benefit income	(1,118,469)	(1,235,205)
C. Employer contributions	793,783	798,546
D. Retiree drug subsidy	-	-
E. Accrued postretirement benefits at end of year (A) - (B) + (C) - (D)	$ (13,733,502)	$ (15,645,755)

Following are the components of net periodic benefit cost:

		2020		2019		2018
Components of net periodic benefit cost:						
Service cost	$	301,089	$	218,113	$	235,568
Interest cost		495,198		580,690		545,879
Amortization of prior service cost		(2,431,958)		(2,431,958)		(3,136,032)
Recognized net actuarial loss		517,202		397,950		548,582
Net periodic benefit income	$	(1,118,469)	$	(1,235,205)	$	(1,806,003)

	2020	2019	2018
Weighted Average Assumptions used to determine net periodic postretirement benefit cost:			
Discount rate	3.00%	4.00%	3.50%
Trend rate	N/A	N/A	N/A

Amounts recognized in the balance sheets consist of:

		2020		2019
Current liability	$	(989,000)	$	(968,000)
Noncurrent liability		(17,086,660)		(15,289,436)
Net amount recognized	$	(18,075,660)	$	(16,257,436)

Amounts recognized in accumulated other comprehensive income consist of:

		2020		2019
Net actuarial loss	$	8,389,127	$	7,090,608
Prior service credit		(4,046,969)		(6,478,927)
	$	4,342,158	$	611,681

Other changes in benefit obligations recognized in other comprehensive income:

		2020		2019		2018
Current year actuarial (gain)/loss	$	1,815,721	$	1,534,530	$	(971,954)
Amortization of actuarial loss		(517,202)		(397,950)		(548,582)
Current year prior service credit		-		-		-
Amortization of prior service credit		2,431,958		2,431,958		3,136,032
Total recognized in other comprehensive income	$	3,730,477	$	3,568,538	$	1,615,496

The amortization schedule for prior service costs is as follows:

Description	Date Established		Initial Amount	Initial Period		12/31/2020 Outstanding Balance		Annual Amortization
Change in Benefit Structure	12/31/2015	$	(4,952,676)	5.70 years	$	(608,221)	$	(608,221)
	12/31/2017		(8,127,949)	5.20 years		(3,438,748)		(1,563,067)
					$	(4,046,969)	$	(2,171,288)

The accumulated postretirement benefit obligation as of December 31, 2020 is shown below:

HRA Plan Provisions	$	18,075,660

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, 2021	$	989,134
December 31, 2022		977,591
December 31, 2023		958,998
December 31, 2024		946,328
December 31, 2025		968,942
Five fiscal years ending December 31, 2030		4,748,323

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 2021, there are no minimum expected contributions to the plans. In 2019, we initiated a soft freeze in our defined benefit pension for our Cement Business staff and production employees closing them to new entrants. The change was effective January 1, 2020. In addition to the soft freeze, all Cement business staff and production employees hired after December 31, 2019 will have the option to participate in a new defined contribution plan. These plans allow the Company, at its discretion, to match the employee's contributions based on certain formulas dictated in the respective Plan Documents.

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

	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 60,784,022	$ 52,847,698
Service cost	1,364,829	1,098,246
Interest cost	1,821,192	2,131,247
Actuarial loss	6,253,338	7,371,698
Plan amendment	-	11,860
Benefits paid	(2,735,166)	(2,676,727)
Benefit obligation at end of year	$ 67,488,215	$ 60,784,022

	2020	2019
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 55,143,199	$ 51,169,970
Actual return on plan assets	2,681,036	6,366,956
Employer contributions	-	283,000
Benefits paid	(2,735,166)	(2,676,727)
Fair value of plan assets at end of year	$ 55,089,069	$ 55,143,199
Funded status, end of year:		
Fair value of plan assets	$ 55,089,069	$ 55,143,199
Benefit obligation	67,488,215	60,784,022
Funded status = pension liability, end of year	$ (12,399,146)	$ (5,640,823)

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:

	2020	2019
Accumulated benefit obligation, end of year	$ 63,942,396	$ 57,864,442

Amounts recognized in the balance sheets consist of:

	2020	2019
Noncurrent asset	$ -	$ -
Noncurrent liability	(12,399,146)	(5,640,823)
Net amount recognized	$ (12,399,146)	$ (5,640,823)

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

	2020	2019
Net actuarial loss	$ 31,894,236	$ 26,606,652
Prior service cost	63,857	128,702
	$ 31,958,093	$ 26,735,354
Less: Deferred tax	8,310,000	6,950,000
Additional pension liability, net of deferred tax	$ 23,648,093	$ 19,785,354

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

	2020	2019	2018
Current year actuarial loss	$ 7,184,799	$ 4,488,532	$ 6,705,645
Amortization of actuarial loss	(1,897,215)	(1,892,671)	(1,319,309)
Current year prior service loss	-	11,860	-
Amortization of prior service cost	(64,845)	(71,655)	(71,655)
	$ 5,222,739	$ 2,536,066	$ 5,314,681
Less: Deferred tax	1,360,000	660,000	1,380,000
Minimum pension liability, net of deferred tax	$ 3,862,739	$ 1,876,066	$ 3,934,681

The amortization schedule for prior service costs is as follows:

Description	Established Dec. 31 of:	Initial Amount	Initial Period	12/31/2020 Outstanding Balance	2020 Amortization Amount
Unrecognized Prior Service Cost	2007*	$ 876,119	13.41 years	$ 22,869	$ 55,772
	2009	55,026	12.50 years	6,604	4,402
	2015	21,393	11.14 years	11,793	1,920
	2019	25,342	9.21 years	22,591	2,751
				$ 63,857	$ 64,845

* The negative plan amendment impact in 2019 partially offset the existing prior service cost bases.

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

	2020	2019
A. Cumulative balance at beginning of year	$ 21,094,531	$ 22,521,560
B. Net periodic pension cost	1,535,584	1,710,029
C. Contributions	-	283,000
D. Cumulative balance at end of year (A) - (B) + (C)	$ 19,558,947	$ 21,094,531

The weighted average assumptions used to determine net pension cost and benefit obligations as of December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Benefit obligation:			
Discount rate	2.25%	3.00%	4.00%
Expected return on plan assets	6.50%	6.75%	7.00%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%
Pension cost:			
Discount rate	3.00%	4.00%	3.50%
Expected return on plan assets	6.75%	7.00%	7.50%
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, 2020, 2019 and 2018:

	2020	2019	2018
Service cost	$ 1,364,829	$ 1,098,246	$ 1,174,186
Interest cost	1,821,192	2,131,247	1,937,797
Expected return on plan assets	(3,612,497)	(3,483,790)	(4,041,680)
Amortization of prior service cost	64,845	71,655	71,655
Recognized net actuarial loss	1,897,215	1,892,671	1,319,309
Net periodic pension expense	$ 1,535,584	$ 1,710,029	$ 461,267

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 2020 and 2019 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, 2020 and 2019, plan assets by category were as follows:

	2020	2019
Equities	62%	56%
Debt Securities	35%	37%
Other	3%	7%

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, 2020 and 2019 are as follows:

		Fair Value Measurements Using:		
2020	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	$ 1,781,704	$ 1,781,704	$ -	$ -
Equity securities:				
Consumer discretion	4,610,527	4,610,527	-	-
Consumer staples	2,969,057	2,969,057	-	-
Energy	3,136,606	3,136,606	-	-
Financials	4,310,108	4,310,108	-	-
Healthcare	1,929,291	1,929,291	-	-
Industrials	3,480,302	3,480,302	-	-
Information technology	2,590,177	2,590,177	-	-
Materials	3,619,552	3,619,552	-	-
Miscellaneous	827,314	827,314	-	-
Real Estate	2,782,078	2,782,078	-	-
Telecommunication	2,939,439	2,939,439	-	-
Utilities	1,651,920	1,651,920	-	-
Fixed income securities:				
Intermediate Duration Fund	18,460,994	18,460,994	-	-
Total	$ 55,089,069	$ 55,089,069	$ -	$ -
2019				
Cash and cash equivalents	$ 3,936,771	$ 3,936,771	$ -	$ -
Equity securities:				
Consumer discretion	3,424,605	3,424,605	-	-
Consumer staples	3,167,667	3,167,667	-	-
Energy	4,062,728	4,062,728	-	-
Financials	4,297,279	4,297,279	-	-
Healthcare	1,836,061	1,836,061	-	-
Industrials	2,210,474	2,210,474	-	-
Information technology	2,580,942	2,580,942	-	-
Materials	2,779,050	2,779,050	-	-
Miscellaneous	653,743	653,743	-	-
Real Estate	1,968,863	1,968,863	-	-
Telecommunication	2,570,833	2,570,833	-	-
Utilities	1,870,426	1,870,426	-	-
Fixed income securities:				
Intermediate Duration Fund	19,756,433	19,756,433	-	-
Strategic Income Fund	27,324	27,324	-	-
Total	$ 55,143,199	$ 55,143,199	$ -	$ -

The plans' expected benefit payments as of December 31, 2020, shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period, are presented below:

2021	$ 3,267,422
2022	3,301,590
2023	3,325,430
2024	3,308,373
2025	3,409,455
Five fiscal years ending December 31, 2030	17,131,837

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. The Company contributed $245,593, $177,869 and $109,894 to these plans for the years 2020, 2019 and 2018, respectively. The Company expects to contribute approximately $246,000 to these plans in 2021.

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, 2020, 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 2020 and 2019 is for the plan's year-end at December 31, 2019 and 2018, 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 2020, 2019 and 2018 contributions.

		Pension Protection Act Zone Status			Contributions by Company				
Pension Fund	EIN/Pension Plan Number	2020	2019	FIP/RP Status Pending/ Implemented	2020	2019	2018	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Central States, Southeast & Southwest Areas Pension Plan	36-6044243/001	Red	Red	Yes	$367,229	$383,281	$375,918	Yes	3/31/2022 & 4/30/2022 [a]
Other Funds					115,298	122,049	117,585		
					$482,527	$505,330	$493,503		

[a] The Company is party to two collective bargaining agreements that require contributions to Central States, Southeast & Southwest Areas Pension Plan. In 2020, 30% of the Company's contributions were required by a collective bargaining agreement that expires 3/31/2022 and 70% were required by an agreement that expires 04/30/2022.

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 2020.

(9) 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	2020	2019	2018
Net periodic pension and postretirement costs in:			
Other, net	$ (47,304)	$ 69,682	$ 1,196,486
Tax benefit (expense)	10,000	(20,000)	(307,000)
Net of tax	$ (37,304)	$ 49,682	$ 889,486

See Note 8, "Pension and Other Postretirement Benefits", for discussion of pension and postretirement amounts yet to be reclassed in accumulated other comprehensive income.

(10) SIGNIFICANT ESTIMATES AND CERTAIN CONCENTRATIONS

Thirty eight percent (38%) of the Company's employees are covered by various collective bargaining agreements. One of the union contracts expire in 2021. 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 in the accompanying balance sheet includes $0.8 million, 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.

(11) 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.

(12) LINES OF BUSINESS

The Company groups its operations into two lines of business - Cement Business and Ready-Mixed Concrete Business. The Company's business lines are separate business units that offer different products. The accounting policies for each line are the same as those described in the summary of significant accounting policies. Corporate assets include cash and cash equivalents, investments, deferred income taxes and other assets for 2020, 2019 and 2018. Corporate assets also include refundable federal and state income taxes in 2018.

Following is information for each line for the years ended December 31, 2020, 2019 and 2018:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 2020				
Sales to unaffiliated customers	$ 104,880,779	$ 83,944,474	$ -	$ 188,825,253
Intersegment sales	17,069,802	312,437	(17,382,239)	-
Total net sales	$ 121,950,581	$ 84,256,911	$ (17,382,239)	$ 188,825,253
Income from operations	$ 37,112,037	$ 2,977,621		$ 40,089,658
Other income, net				208,637
Income before income taxes				$ 40,298,295
Identifiable assets at December 31, 2020	$ 117,397,798	$ 39,150,227		$ 156,548,025
Corporate assets				101,221,883
Total assets at December 31, 2020				$ 257,769,908
For the Year Ended December 31, 2019				
Sales to unaffiliated customers	$ 90,518,219	$ 81,575,338	$ -	$ 172,093,557
Intersegment sales	16,759,568	464,746	(17,224,314)	-
Total net sales	$ 107,277,787	$ 82,040,084	$ (17,224,314)	$ 172,093,557
Income (loss) from operations	$ 23,007,171	$ (1,102,940)		$ 21,904,231
Other income, net				17,780,805
Income before income taxes				$ 39,685,036
Identifiable assets at December 31, 2019	$ 105,735,516	$ 43,616,963		$ 149,352,479
Corporate assets				86,620,022
Total assets at December 31, 2019				$ 235,972,501
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

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

Income from operations is total net sales less operating expenses. In computing income from operations, none of the following items have been added or deducted: general corporate income and expenses; interest expense; and income taxes. Depreciation and depletion for the Cement Business and Ready-Mixed Concrete Business, respectively, was approximately: $8.5 million and $7.2 million in 2020; $8.6 million and $8.1 million in 2019; and $9.3 million and $7.4 million in 2018. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: $17.9 million and $5.6 million in 2020; $8.6 million and $7.9 million in 2019; and $9.0 million and $9.6 million in 2018. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

During 2020, 2019 and 2018, there were no sales to any one customer in excess of 10% of consolidated net sales.

(13) Other Comprehensive Income (Loss)

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

	2019	Change	2020
Pension liability adjustment	$ (19,785,354)	$ (3,862,739)	$ (23,648,093)
Postretirement liability adjustment	232,319	(2,760,477)	(2,528,158)
	$ (19,553,035)	$ (6,623,216)	$ (26,176,251)

	2018	Change	2019
Pension liability adjustment	$ (17,909,288)	$ (1,876,066)	$ (19,785,354)
Postretirement liability adjustment	2,871,857	(2,639,538)	232,319
	$ (15,037,431)	$ (4,515,604)	$ (19,553,035)

(14) 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.

(15) SHARE REPURCHASES

On November 16, 2020, the Company commenced a modified Dutch auction tender offer for up to $5.0 million in shares of either our Capital or Class B shares at a price within the range of $60.00 to $70.00 per share. The tender offer expired on December 18, 2020. Through the tender offer, we accepted 62,920 shares at a price of $70.00 per share, for a total cost of $4.4 million. The shares purchased through the tender offer were immediately retired.

In addition to the equity tender offer described above, during the fourth quarter of 2020, we executed a repurchase for 1,040 shares of our Capital shares totaling $72,800. These repurchased shares were immediately retired.

Corporate Information

DIRECTORS

Mark A. Callaway

David L. Deffner

Robert M. Kissick

Gayle C. McMillen

Byron J. Radcliff

Robert K. Radcliff

Steve W. Sloan

Michael R. Wachter

Kent A. Webber

Walter H. Wulf, Jr.

Walter H. Wulf, III

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

Tony D. Kasten
Chief Financial Officer and
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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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 Tony D. Kasten, 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 Family

THE MONARCH CEMENT COMPANY

BEAVER LAKE CONCRETE, INC.

CAPITOL CONCRETE PRODUCTS CO., INC.

CITY WIDE CONSTRUCTION PRODUCTS CO.

CONCRETE ENTERPRISES, INC.

CONCRETE ENTERPRISES SOUTH, A DIV. OF CEI

CONCRETE MATERIALS, INC.

DODGE CITY CONCRETE, INC.

CONCRETE INDUSTRIES, A DIV. OF DCC

HAYS READY-MIX, INC.

JOPLIN CONCRETE COMPANY, INC.

KAY CONCRETE MATERIALS CO.

KANSAS SAND AND CONCRETE, INC.

MONARCH CEMENT OF IOWA, INC.

SALINA CONCRETE PRODUCTS, INC.

KANSAS BUILDING PRODUCTS, A DIV. OF SCP

SPRINGFIELD READY MIX CO.

TULSA DYNASPAN, INC.

P.O. Box 1000 | Humboldt, Kansas 66748-0900