

The Monarch Cement Company  
Annual Report  
December 31, 2016

1) **Name of the issuer and its predecessors.**

The Monarch Cement Company

2) **Address of the issuer's principal executive offices**

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

3) **Security Information**

Trading Symbol: MCEM  
Exact title and class of securities outstanding: Capital Stock  
CUSIP: 609031307  
Par or Stated Value: \$2.50  
Total shares authorized: 10,000,000 as of: December 31, 2016  
Total shares outstanding: 2,611,430 as of: December 31, 2016

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, 2016  
Total shares outstanding: 1,249,359 as of: December 31, 2016

Transfer Agent

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

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

List any restrictions on the transfer of security:

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

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

None

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

None

**4) Issuance History**

Pursuant to the provisions of Monarch's Articles of Incorporation governing the conversion of its Class B Capital Stock into Capital Stock, a total of 3,725 shares of Monarch's Capital Stock were issued in the year ended 2016 upon conversion of an equal number of shares of Monarch's Class B Capital Stock, including the following share conversions as indicated below:

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

<u>Date</u>	<u>Number of Shares</u>
February 29, 2016	1,000
March 28, 2016	1,500
May 25, 2016	625
August 29, 2016	600
	<u>3,725</u>

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, 2016.

**5) Financial Statements**

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

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

A. Description of issuer's business operations:

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

Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") are engaged in the ready-mixed concrete, concrete products and sundry building materials business. Ready-mixed concrete is

manufactured by combining aggregates with portland cement, water and chemical admixtures in batch plants. It is then loaded into mixer trucks and mixed in transit to the construction site where it is delivered to the contractor. Concrete products primarily include pre-formed components produced by the Company that are ready for use in the construction of commercial buildings, institutional facilities and parking garages.

B. Date and State of Incorporation:

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

C. Issuer's primary and secondary SIC Codes:

3241 – Cement, Hydraulic

3273 – Ready-Mixed Concrete

D. Issuer's fiscal year end date:

December 31

E. Principal products or services, and their markets:

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

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

**7) Describe the Issuer's Facilities**

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

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 353 acres of this 400 acre tract have been quarried and the Company has

contracted with a third party to quarry and sell the remaining rock. This quarry operation does not have a material effect on the Company's overall operations.

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

There are no material encumbrances on our properties.

## 8) **Officers, Directors, and Control Persons**

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

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

\*Not actively involved in the daily affairs of the Company

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

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

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

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

None

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

None

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

None

H. Beneficial Shareholders.

Byron K. Radcliff Trust – 10.66%  
P.O. Box 100  
Dexter, Kansas 67038

9) **Third Party Providers**

Legal Counsel

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

Accountant or Auditor

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

Investor Relations Consultant

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

**10) Issuer Certification**

I, Walter H. Wulf, Jr., President and Chairman of the Board (Chief Executive Officer), certify that:

I have reviewed this Annual Report for the year ended December 31, 2016 of The Monarch Cement Company.

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

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

March 15, 2017

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

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

I have reviewed this Annual Report for the year ended December 31, 2016 of The Monarch Cement Company.

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

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

March 15, 2017

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





# The Monarch Cement Company

Annual Report 2016



## TO OUR SHAREHOLDERS



MARCH 15, 2017

A rise in construction activity in our market area and favorable weather conditions throughout 2016 resulted in a 14.1% increase in tons of cement sold and a 3.2% increase in cubic yards of ready-mixed concrete sold. This increase in sales created a demand for increased levels of production, which in turn lowered our per unit production costs resulting in an increase in our gross profit margin from 22.1% for the year 2015 to 27.3% for the year 2016. Moderate price increases also contributed to the improvement in gross profit. Operating income for the year 2016 was \$28.7 million compared to \$16.9 million for the year 2015. Other, net was slightly negative for the year 2016 primarily due to a loss on impairment of equity investments of \$1.1 million from an investment in the oil and gas refining and marketing industry. In contrast, Other, net in 2015 was a positive \$9.8 million primarily due to a realized gain on equity investments of \$8.3 million. Net income for the year 2016 was \$21.2 million compared to \$18.3 million for the year 2015.

During 2016, we continued with our commitment to reinvest in our cement facilities in order to maintain state-of-the art equipment; upgrade our fleet of ready-mixed concrete trucks, mixers and over-the-road tanker trucks; and complete the installation of our corporate ERP system. Of the \$13.1 million spent on capital expenditures, approximately \$7.1 million was spent in the cement business and \$6.0 million in the ready-mixed concrete business. We historically invest \$12.0 million to \$15.0 million per year on capital expenditures to keep our equipment and facilities in good operating condition. Looking forward to 2017, we anticipate spending approximately \$19.0 million on capital expenditures. Planned expenditures include our regularly scheduled major equipment maintenance, modifications to improve production and energy efficiency, enlarging our corporate offices, and ongoing replacements of our ready-mixed concrete and over-the-road truck fleets and mobile equipment.

With our winter maintenance projects drawing to a close, we are prepared to meet the challenges of the upcoming construction season and look forward to continuing to supply our many loyal customers with a quality product in a timely manner. We appreciate the efforts of our experienced and dedicated workforce as they strive to carry on the Monarch tradition of excellence. We welcome Robert K. Radcliff as the newest member of the Board of Directors, congratulate Robert M. Kissick on his election to Vice Chairman of the Board and fondly pay tribute to our former Vice Chairman of the Board, Byron K. "Kent" Radcliff, who died after 56 years of exemplary service to the Company. With grateful appreciation for the continued support of our steadfast stockholders and the blessings and support of our Heavenly Father, we optimistically look forward to success in the coming year.

WALTER H. WULF, JR.  
President and Chairman of the Board

# 2016 FINANCIAL RESULTS

<i>in thousands, except per share data</i>	2016	2015	2014	2013	2012
<b>FOR THE YEAR</b>					
Net sales	\$ 165,232	\$ 147,900	\$ 146,898	\$ 127,442	\$ 128,842
Net income	21,160	18,252	11,314	5,443	3,130
<b>PER SHARE INFORMATION</b>					
Basic earnings per share	\$ 5.48	\$ 4.72	\$ 2.86	\$ 1.36	\$ 0.78
Cash dividends declared per share	1.20	1.00	0.92	0.92	0.92
Stockholders' equity per share	39.08	32.22	30.10	28.85	25.64
<b>YEAR END POSITION</b>					
Total assets	\$ 190,864	\$ 182,014	\$ 179,867	\$ 174,106	\$ 181,832
Long-term debt obligations	35	4,342	5,861	12,061	9,684

Consolidated net sales for the year ended December 31, 2016 were approximately \$165.2 million, an increase of \$17.3 million as compared to the year ended December 31, 2015. Sales in our Cement Business were higher by \$12.3 million while sales in our Ready-Mixed Concrete Business were higher by \$5.0 million. Cement Business sales increased \$9.7 million due to a 14.1% increase in volume sold and \$2.6 million due to price increases. Ready-mixed concrete sales increased \$1.8 million due to a 3.2% increase in cubic yards sold and \$3.2 million due to price increases.

Consolidated cost of sales for 2016 were \$5.0 million higher than cost of sales for 2015. Cost of sales in our Cement Business increased \$4.3 million and cost of sales in our Ready-Mixed Concrete Business increased \$0.7 million. Cement Business cost of sales increased \$6.4 million due to the 14.1% increase in volume sold which was offset by a \$2.1 million decrease in production costs as a result of operating efficiencies made possible by higher production levels. Ready-Mixed Concrete Business cost of sales increased \$1.6 million due to the 3.2% increase in cubic yards of ready-mixed concrete sold and \$0.4 million due to increases in production costs. Cost of sales for brick, block, aggregates and other sundry items decreased \$1.3 million.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2016 was 27.3% compared to 22.1% for the year ended December 31, 2015. The Cement Business gross profit rate improved from 34.1% for 2015 to 38.8% for 2016. The gross profit rate for Ready-Mixed Concrete Business improved from 11.6% for 2015 to 16.1% for 2016.

Selling, general and administrative expenses increased by \$0.6 million or 3.9% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. These costs are normally considered fixed costs that do not vary significantly with changes in sales volume.

The Company incurred a \$1.1 million loss on impairment of equity investments for the year ended December 31, 2016 compared to a gain on sale of equity investments of \$8.3 million for year ended December 31, 2015. Other, net contains miscellaneous non-operating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments and dividend income. Significant items in Other, net includes rental income of approximately \$360,000 in 2016, proceeds related to the settlement of a lawsuit of approximately \$640,000 in 2015 and rental income of approximately \$580,000 in 2014.

The effective tax rates for 2016 and 2015 were 28.2% and 33.1%, 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 2016 and 2015, percentage depletion decreased the effective tax rate by 4.1% and 2.8%, respectively. Current year tax credits decreased the effective tax rate by an additional 2.4% in 2016.

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

## 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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016 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 2016 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, 2017

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 12,117,812	\$ 6,612,180
Receivables, less allowances of \$468,000 in 2016 and \$524,000 in 2015 for doubtful accounts	15,662,897	14,377,672
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 4,715,192	\$ 5,827,904
Work in process	3,338,303	3,637,693
Building products	3,663,506	3,734,990
Fuel, gypsum, paper sacks and other	6,898,116	7,074,199
Operating and maintenance supplies	14,726,352	13,903,745
Total inventories	\$ 33,341,469	\$ 34,178,531
Refundable federal and state income taxes	1,146,981	-
Prepaid expenses	971,306	599,766
<b>Total current assets</b>	<b>\$ 63,240,465</b>	<b>\$ 55,768,149</b>
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$226,962,699 in 2016 and \$213,306,179 in 2015	81,351,103	83,456,790
DEFERRED INCOME TAXES	3,651,813	11,295,736
INVESTMENTS	33,105,362	22,446,008
INVESTMENTS IN AFFILIATES	6,787,591	6,238,697
OTHER ASSETS	2,727,793	2,808,971
	<b>\$ 190,864,127</b>	<b>\$ 182,014,351</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,655,288	\$ 5,481,096
Current portion of term loan	4,285,714	1,428,571
Accrued liabilities		
Dividends	1,158,237	965,197
Compensation and benefits	3,186,365	2,832,064
Federal and state income taxes	-	910
Miscellaneous taxes	699,355	657,508
Other	2,142,991	5,103,987
<b>Total current liabilities</b>	<b>\$ 17,127,950</b>	<b>\$ 16,469,333</b>
LONG-TERM DEBT	34,614	4,342,006
ACCRUED POSTRETIREMENT BENEFITS	20,714,778	23,609,837
ACCRUED PENSION EXPENSE	2,099,271	13,213,113
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,611,430 shares at 12/31/2016 and 2,607,705 shares at 12/31/2015	\$ 6,528,575	\$ 6,519,263
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 1,249,359 shares at 12/31/2016 and 1,253,084 shares at 12/31/2015	3,123,398	3,132,710
Additional paid-in capital	2,485,125	2,485,125
Retained earnings	134,210,386	117,683,646
Accumulated other comprehensive income (loss)	4,540,030	(5,440,682)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 150,887,514</b>	<b>\$ 124,380,062</b>
	<b>\$ 190,864,127</b>	<b>\$ 182,014,351</b>

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	2016	2015	2014
NET SALES	\$ 165,231,735	\$ 147,899,622	\$ 146,897,728
COST OF SALES	120,142,145	115,187,416	115,944,332
<b>Gross profit from operations</b>	<b>\$ 45,089,590</b>	<b>\$ 32,712,206</b>	<b>\$ 30,953,396</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16,397,383	15,780,087	16,351,345
<b>Income from operations</b>	<b>\$ 28,692,207</b>	<b>\$ 16,932,119</b>	<b>\$ 14,602,051</b>
OTHER INCOME (EXPENSE)			
Interest income	\$ 117,478	\$ 94,592	\$ 105,869
Interest expense	(119,776)	(230,388)	(253,941)
Loss on impairment of equity investments	(1,065,662)	-	-
Gain (loss) on sale of equity investments	9,721	8,343,407	(12,706)
Dividend income	515,019	558,323	753,895
Other, net	529,600	1,013,357	519,252
	<u>\$ (13,620)</u>	<u>\$ 9,779,291</u>	<u>\$ 1,112,369</u>
<b>Income before income taxes</b>	<b>\$ 28,678,587</b>	<b>\$ 26,711,410</b>	<b>\$ 15,714,420</b>
PROVISION FOR INCOME TAXES	8,100,000	8,845,000	4,545,000
Equity in affiliate earnings, net of tax	581,100	385,196	144,996
<b>NET INCOME</b>	<b><u>\$ 21,159,687</u></b>	<b><u>\$ 18,251,606</u></b>	<b><u>\$ 11,314,416</u></b>
<b>Basic earnings per share</b>	<b><u>\$ 5.48</u></b>	<b><u>\$ 4.72</u></b>	<b><u>\$ 2.86</u></b>

*See accompanying Notes to the Consolidated Financial Statements*



THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	2016	2015	2014
<b>NET INCOME</b>	<b>\$ 21,159,687</b>	<b>\$ 18,251,606</b>	<b>\$ 11,314,416</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax</b>			
UNREALIZED APPRECIATION ON AVAILABLE- FOR-SALE SECURITIES (Net of deferred tax expense of \$2,840,000, \$1,896,000 and \$364,000, for 2016, 2015 and 2014, respectively)	4,264,059	2,847,407	543,294
RECLASSIFICATION ADJUSTMENT FOR SALE OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax (benefit) expense of \$4,000, \$3,336,000 and \$(4,000), for 2016, 2015 and 2014, respectively)	(5,721)	(5,007,407)	8,706
RECLASSIFICATION ADJUSTMENT FOR WRITE-DOWN OF SECURITIES INCLUDED IN NET INCOME (Net of deferred tax benefit of \$(428,000), \$-0- and \$-0-, for 2016, 2015 and 2014, respectively)	637,662	-	-
PENSION AND POSTRETIREMENT, CURRENT YEAR ACTUARIAL GAIN (LOSS) (Net of deferred tax (benefit) expense of \$3,670,500, \$(4,456,500) and \$(1,825,000), for 2016, 2015 and 2014, respectively)	5,497,862	(6,683,361)	(2,728,768)
PENSION AND POSTRETIREMENT, CURRENT YEAR PRIOR SERVICE CREDIT (LOSS) (Net of deferred tax (benefit) expense of \$(2,000), \$1,974,000 and \$-0-, for 2016, 2015 and 2014, respectively)	(1,910)	2,961,193	-
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax expense of \$1,246,000, \$905,000 and \$919,000, for 2016, 2015 and 2014, respectively)	(1,869,231)	(1,357,404)	(1,378,933)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of \$(971,000), \$(689,000) and \$(538,000), for 2016, 2015 and 2014, respectively)	1,457,991	1,034,977	808,231
<b>OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax</b>	<b>\$ 9,980,712</b>	<b>\$ (6,204,595)</b>	<b>\$ (2,747,470)</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 31,140,399</b>	<b>\$ 12,047,011</b>	<b>\$ 8,566,946</b>

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, 2016, 2015 AND 2014

	Company Stockholders						Total
	Capital Stock	Class B Capital Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	
<b>BALANCE</b>							
<b>JANUARY 1, 2014</b>	<b>\$ 6,498,830</b>	<b>\$ 3,418,497</b>	<b>\$ 2,485,125</b>	<b>\$ 98,518,546</b>	<b>\$ -</b>	<b>\$ 3,511,383</b>	<b>\$ 114,432,381</b>
Net income	-	-	-	11,314,416	-	-	11,314,416
Dividends declared (\$0.92 per share)	-	-	-	(3,625,306)	-	-	(3,625,306)
Transfer of shares	21,508	(21,508)	-	-	-	-	-
Purchase of capital stock	-	-	-	-	(137,406)	-	(137,406)
Repurchases of capital stock due to reverse stock split	-	-	-	-	(2,836,230)	-	(2,836,230)
Retirement of capital stock	(150,495)	(98,022)	-	(2,725,119)	2,973,636	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	543,294	543,294
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	8,706	8,706
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(2,728,768)	(2,728,768)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,378,933)	(1,378,933)
Amortization of Pension and Postretirement loss	-	-	-	-	-	808,231	808,231
<b>BALANCE</b>							
<b>DECEMBER 31, 2014</b>	<b>\$ 6,369,843</b>	<b>\$ 3,298,967</b>	<b>\$ 2,485,125</b>	<b>\$ 103,482,537</b>	<b>\$ -</b>	<b>\$ 763,913</b>	<b>\$ 116,400,385</b>
Net income	-	-	-	18,251,606	-	-	18,251,606
Dividends declared (\$1.00 per share)	-	-	-	(3,863,060)	-	-	(3,863,060)
Transfer of shares	166,257	(166,257)	-	-	-	-	-
Purchase of capital stock	-	-	-	-	(204,274)	-	(204,274)
Retirement of capital stock	(16,837)	-	-	(187,437)	204,274	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	2,847,407	2,847,407
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	(5,007,407)	(5,007,407)
Pension and Postretirement current year prior service credit	-	-	-	-	-	2,961,193	2,961,193
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(6,683,361)	(6,683,361)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,357,404)	(1,357,404)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,034,977	1,034,977
<b>BALANCE</b>							
<b>DECEMBER 31, 2015</b>	<b>\$ 6,519,263</b>	<b>\$ 3,132,710</b>	<b>\$ 2,485,125</b>	<b>\$ 117,683,646</b>	<b>\$ -</b>	<b>\$ (5,440,682)</b>	<b>\$ 124,380,062</b>
Net income	-	-	-	21,159,687	-	-	21,159,687
Dividends declared (\$1.20 per share)	-	-	-	(4,632,947)	-	-	(4,632,947)
Transfer of shares	9,312	(9,312)	-	-	-	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	4,264,059	4,264,059
Reclassification adjustment for sale of securities in net income	-	-	-	-	-	(5,721)	(5,721)
Reclassification adjustment for write- down of securities in net income	-	-	-	-	-	637,662	637,662
Pension and Postretirement current year prior service loss	-	-	-	-	-	(1,910)	(1,910)
Pension and Postretirement current year actuarial gain	-	-	-	-	-	5,497,862	5,497,862
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,869,231)	(1,869,231)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,457,991	1,457,991
<b>BALANCE</b>							
<b>DECEMBER 31, 2016</b>	<b>\$ 6,528,575</b>	<b>\$ 3,123,398</b>	<b>\$ 2,485,125</b>	<b>\$ 134,210,386</b>	<b>\$ -</b>	<b>\$ 4,540,030</b>	<b>\$ 150,887,514</b>

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	2016	2015	2014
<b>OPERATING ACTIVITIES:</b>			
Net income	\$ 21,159,687	\$ 18,251,606	\$ 11,314,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	14,713,760	14,686,217	13,363,263
Income from equity method investments, net of dividends	(548,894)	(376,613)	(137,706)
Deferred income taxes	986,423	2,054,391	1,185,040
Gain on disposal of assets	(311,221)	(528,472)	(556,900)
Realized (gain) loss on sale of equity investments	(9,721)	(8,343,407)	12,706
Realized loss on impairment of equity investments	1,065,662	-	-
Postretirement benefits and pension expense	(5,645,689)	(5,362,790)	(3,459,331)
Change in assets and liabilities:			
Receivables, net	(1,285,225)	(2,137,915)	(73,091)
Inventories	837,062	(2,638,808)	(116,231)
Income taxes refundable/payable	(1,147,891)	391,939	(391,029)
Prepaid expenses	(371,540)	969,757	(527,490)
Other assets	(8,729)	9,862	1,001
Accounts payable and accrued liabilities	(1,957,250)	1,426,477	848,624
Net cash provided by operating activities	<u>\$ 27,476,434</u>	<u>\$ 18,402,244</u>	<u>\$ 21,463,272</u>
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment	\$ (13,306,356)	\$ (14,108,388)	\$ (12,606,217)
Proceeds from disposals of property, plant and equipment	913,186	668,115	808,092
Payment for acquisition of business, net of cash acquired	-	-	(2,494,500)
Payment for purchases of available-for-sale equity investments	(3,936,419)	(2,977,360)	(36,630)
Proceeds from disposals of available-for-sale equity investments	381,123	11,381,520	129,797
Payment for acquisition of equity method investments	-	(1,767,280)	(528,465)
Net cash used for investing activities	<u>\$ (15,948,466)</u>	<u>\$ (6,803,393)</u>	<u>\$ (14,727,923)</u>
<b>FINANCING ACTIVITIES:</b>			
Payments on bank loans	\$ (1,428,571)	\$ (5,901,521)	\$ (1,428,572)
Payments on other long-term debt	(21,678)	(264,988)	(405,058)
Cash dividends paid	(4,439,907)	(3,787,393)	(3,648,170)
Purchase of capital stock	(132,180)	(2,295,124)	(392,946)
Net cash used for financing activities	<u>\$ (6,022,336)</u>	<u>\$ (12,249,026)</u>	<u>\$ (5,874,746)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 5,505,632</b>	<b>\$ (650,175)</b>	<b>\$ 860,603</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>6,612,180</b>	<b>7,262,355</b>	<b>6,401,752</b>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 12,117,812</u></b>	<b><u>\$ 6,612,180</u></b>	<b><u>\$ 7,262,355</u></b>
<b>Supplemental disclosures:</b>			
Interest paid, net of amount capitalized	\$ 119,776	\$ 230,388	\$ 253,941
Income taxes paid	8,260,000	7,088,045	4,300,000
Income tax refund	-	688,325	46,947
Capital equipment additions included in accounts payable and accrued liabilities	165,317	351,542	809,081
Capital stock repurchases included in accrued liabilities	357,660	489,840	2,580,690

See accompanying Notes to the Consolidated Financial Statements

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

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

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

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

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

d) **Reclassifications**--Certain reclassifications have been made to the 2014 and 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on net earnings.

e) **Cash Equivalents**--The Company considers all liquid investments with original maturities of three months or less which we do not intend to roll over beyond three months to be cash equivalents. At December 31, 2016 and 2015, 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, 2016, the Company had \$7.4 million in sweep arrangement accounts (including a money market mutual fund – Level 1) that were not covered by FDIC's general deposit insurance in addition to \$5.1 million in general deposits that exceeded FDIC limits. The sweep accounts assets are normally 80% invested in U.S. Treasury securities and repurchase agreements for those securities. We have not experienced any losses in our accounts due to exceeding FDIC insurance limits or lack of FDIC coverage.

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

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

h) **Inventories**--Inventories of finished cement and work in process are recorded at the lower of cost or market on a last-in, first-out (LIFO) basis. Total inventories reported under LIFO amounted to \$8.1 million and \$9.5 million as of December 31, 2016 and 2015, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been \$2.6 million, \$2.8 million and \$2.9 million higher than those reported at December 31, 2016, 2015 and 2014, 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 and cement inventories resulting in a liquidation gain of \$0.1 million for the year 2014. The liquidation gain was recognized as a reduction of cost of sales. We did not incur any material liquidation gains in the LIFO layers for 2015 or 2016.

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

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

i) **Property, Plant and Equipment**--Property, plant and equipment are stated at cost of acquisition or construction. The Company capitalizes the cost of interest on borrowed funds used to finance the construction of property, plant and equipment. During 2016, 2015 and 2014, the Company capitalized approximately \$40,900, \$74,500 and \$80,100, respectively, of interest expense related to current construction projects.

The Company records depreciation, depletion and amortization related to manufacturing operations in Cost of Sales; those related to general operations are recorded in Selling, General and Administrative Expenses; and those related to non-operational activities are in Other, net on the Consolidated Statements of Income. The approximate amounts included in each line item as of December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Cost of Sales	\$ 13,100,000	\$ 13,500,000	\$ 12,400,000
Selling, General and Administrative Expenses	1,400,000	900,000	600,000
Other, net	200,000	300,000	300,000
Total	<u>\$ 14,700,000</u>	<u>\$ 14,700,000</u>	<u>\$ 13,300,000</u>

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, 2016, 2015 and 2014.

j) **Other Current Liabilities**--Accrued liabilities-Other contains approximately \$0.8 million and \$3.4 million related to prepayments held on account in 2016 and 2015, respectively.

k) **Income Taxes**--Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

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

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

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

o) **Other, net**--Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments, realized loss on impairment of equity investments and dividend income. Significant items in Other, net for 2016 include rental income of approximately \$360,000. Significant items in Other, net include proceeds related to the settlement of a lawsuit of approximately \$640,000 in 2015 and rental income of approximately \$580,000 in 2014.

p) **Earnings per Share**--Basic earnings per share is based on the weighted average common shares outstanding during each year. Diluted earnings per share are based on the weighted average common and common equivalent shares outstanding each year. Monarch has no common stock equivalents and therefore does not report diluted earnings per share. The weighted average number of shares outstanding was 3,860,789 in 2016, 3,864,518 in 2015 and 3,961,871 in 2014.

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

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

s) **Disclosure about Fair Value of Financial Instruments**--Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. Investment fair values equal quoted market prices, if available. If quoted

market prices are not available, fair value is estimated based on quoted market prices of similar securities. If it is not practicable to estimate the fair value of an investment, the investment is recorded at cost and evaluated quarterly for events that may adversely impact its fair value.

t) **Intangibles - Goodwill and Other**--Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but is tested for impairment on an annual basis. The Company performed a qualitative assessment of its goodwill during the fourth quarter of 2016 and determined that its goodwill is not impaired and therefore no impairment was required.

## (2) DEREGISTRATION

In August 2014, the Board of Directors voted to pursue a “going private” transaction in order to deregister our stock from the Securities and Exchange Commission (SEC). Our primary purpose was to reduce our ongoing accounting, legal and other costs associated with being a publicly traded company. In December 2014, the Company effected a 1-for-600 reverse stock split of our Capital Stock and Class B Capital Stock. Each stockholder of record owning fewer than 600 shares of either class of stock before the reverse stock split had their shares of such class cancelled and converted into the right to receive \$30.00 for each share of such class held of record prior to the reverse stock split in lieu of receiving a fractional post-reverse stock split share of such class. Immediately following the reverse stock split, the Company effected a 600-for-1 forward stock split of each one issued and outstanding share of its Capital Stock and Class B Capital Stock (and including each fractional share of such class in excess of one share). As a result of the reverse stock split, our total record holders of Capital Stock and Class B Capital Stock dropped below 300 in each class, as required to deregister with the SEC. In December 2014, the Company cancelled 55,332 shares of Capital Stock and 39,209 shares of Class B Capital Stock at a cost of \$30.00 per share. As of December 31, 2016 and December 31, 2015, accrued liabilities included \$0.4 million and \$0.5 million, respectively, for the purchase of shares which had not yet been presented to the Company for exchange.

## (3) ACQUISITIONS

On July 1, 2014, the Company purchased all of the common stock of Russell Block Company, Inc. (Russell Block), which is included in our Ready-Mixed Concrete Business, primarily to obtain additional markets and to improve manufacturing efficiencies. The consideration for acquiring Russell Block’s stock totaled \$2.5 million. Russell Block was then liquidated and its assets were distributed to the Company.

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. 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		\$ 2,499,500
Fair Value of assets acquired and liabilities assumed:		
Assets		
Current assets (including cash of \$5,250)	\$	192,044
Property, plant and equipment		747,500
Other assets		1,959,956
Liabilities		
Current liabilities		(400,000)
Total:	\$	<u>2,499,500</u>

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016, 2015 AND 2014

**(4) FAIR VALUE**

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

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

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

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

The aggregate amount of equity securities carried at cost for which the Company has not elected the fair value option, was \$0.9 million at December 31, 2016. The remaining \$32.2 million in equity security investments are stated at fair value. As of December 31, 2015, the aggregate amount of equity securities carried at cost was \$0.9 million and the remaining \$21.6 million in equity security investments were stated at fair value. The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet at December 31, 2016 and 2015:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2016</b>				
Assets:				
Available-for-sale equity securities				
Cement industry	\$ 15,822,611	\$ 15,822,611	\$ -	\$ -
General building materials industry	10,491,782	10,491,782	-	-
Oil & gas refining and marketing industry	4,953,589	4,953,589	-	-
Residential construction industry	964,950	964,950	-	-
Total assets measured at fair value	<u>\$ 32,232,932</u>	<u>\$ 32,232,932</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2015</b>				
Assets:				
Available-for-sale equity securities				
Cement industry	\$ 9,337,662	\$ 9,337,662	\$ -	\$ -
General building materials industry	6,533,795	6,533,795	-	-
Oil & gas refining and marketing industry	4,781,025	4,781,025	-	-
Residential construction industry	940,896	940,896	-	-
Total assets measured at fair value	<u>\$ 21,593,378</u>	<u>\$ 21,593,378</u>	<u>\$ -</u>	<u>\$ -</u>

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

There were no transfers between levels and there were no significant changes in the valuation techniques during the period ended December 31, 2016. The Company has no liabilities at either date requiring remeasurement to

fair value on a recurring basis in the balance sheet. The Company has no additional assets or liabilities at either date requiring remeasurement to fair value on a non-recurring basis in the balance sheet.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual trade lots of securities have been in a continuous unrealized loss position at December 31, 2016 and 2015:

Available-for-sale equity securities	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2016</b>						
General building materials industry	\$ -	\$ -	\$ 124,627	\$ 8,493	\$ 124,627	\$ 8,493
Residential construction industry	468,690	26,277	-	-	468,690	26,277
<b>Total</b>	<b>\$ 468,690</b>	<b>\$ 26,277</b>	<b>\$ 124,627</b>	<b>\$ 8,493</b>	<b>\$ 593,317</b>	<b>\$ 34,770</b>
<b>December 31, 2015</b>						
Cement industry	\$ 534,091	\$ 73,816	\$ -	\$ -	\$ 534,091	\$ 73,816
General building materials industry	821,760	96,202	-	-	821,760	96,202
Oil & gas refining and marketing industry	566,640	38,698	-	-	566,640	38,698
Residential construction industry	602,316	69,520	-	-	602,316	69,520
<b>Total</b>	<b>\$2,524,807</b>	<b>\$ 278,237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$2,524,807</b>	<b>\$ 278,237</b>

## (5) INVESTMENTS

### Cost Method Investments

The Company owns stock in a privately-owned company in the ethanol production industry. The investment, for which fair value approximates carrying value, was evaluated at December 31, 2016 and 2015 for impairment. The evaluations of the investment for each period's impairment analysis were based on the specific identification of shares held and quoted prices in markets that are not active (Level 2) and no impairments were identified. As a result of the evaluations, the Company does not consider the cost method investment to be impaired at December 31, 2016 or 2015.

### Fair Value Investments

#### Impairment Analysis

**December 31, 2016**--The Company's investments in available-for sale securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company identified a \$1.1 million other-than-temporary impairment for the third quarter in its oil & gas refining and marketing industry investments resulting in a recognized loss on equity investments. The fair value of those investments then became the new cost basis. The Company did identify some specific investments in available-for-sale equity securities that were not other-than-temporarily impaired resulting in the recognition of unrealized losses (see table above in Note 4 "Fair Value"). These unrealized losses were immaterial.

**December 31, 2015**--The Company's investments in available-for sale securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company did not identify any other-than-temporary impairments in investments which would have resulted in a recognized loss in earnings of equity investments. The Company did identify some specific investments in available-for-sale equity securities that were not other-than-temporarily impaired resulting in the recognition of unrealized losses (see table above in Note 4 "Fair Value"). These unrealized losses were immaterial.

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**Investment Results**

The investment results for the years ended December 31, 2016 and 2015 are as follows for available-for-sale equity securities carried at fair value:

December 31, 2016	Amortized Cost	Gross Unrealized Holding		Fair Value
		Gains	Losses	
Available-for-sale equity securities				
Cement industry	\$ 2,690,000	\$ 13,130,000	\$ -	\$ 15,820,000
General building materials industry	4,620,000	5,870,000	-	10,490,000
Oil & gas refining and marketing industry	1,650,000	3,305,000	-	4,955,000
Residential construction industry	930,000	35,000	-	965,000
Total available-for-sale equity securities	<u>\$ 9,890,000</u>	<u>\$ 22,340,000</u>	<u>\$ -</u>	<u>\$ 32,230,000</u>
Total gross unrealized gains, net of losses		\$ 22,340,000		
Less: Deferred taxes on unrealized holding gains		8,936,000		
Unrealized gains recorded in equity, net of deferred tax		<u>\$ 13,404,000</u>		
December 31, 2015				
Available-for-sale equity securities				
Cement industry	\$ 2,340,000	\$ 7,000,000	\$ -	\$ 9,340,000
General building materials industry	2,950,000	3,580,000	-	6,530,000
Oil & gas refining and marketing industry	1,150,000	3,630,000	-	4,780,000
Residential construction industry	970,000	-	30,000	940,000
Total available-for-sale equity securities	<u>\$ 7,410,000</u>	<u>\$ 14,210,000</u>	<u>\$ 30,000</u>	<u>\$ 21,590,000</u>
Total gross unrealized gains, net of losses		\$ 14,180,000		
Less: Deferred taxes on unrealized holding gains		5,672,000		
Unrealized gains recorded in equity, net of deferred tax		<u>\$ 8,508,000</u>		

**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:

	2016	2015	2014
Carrying value	\$ 6,787,591	\$ 6,238,697	\$ 4,094,804
Ownership percentage	32.04%	32.04%	22.77%
Cash dividends received	\$ 32,206	\$ 8,583	\$ 7,290
Undistributed earnings	1,948,811	1,367,711	982,515
Difference between carrying amount and the underlying equity in net assets*	(39,663)	(39,663)	94,450
Equity in earnings	581,100	385,196	144,996

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

During 2016, 2015 and 2014, the Company purchased \$1.4 million, \$1.2 million and \$0.9 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, 2016 and 2015.



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

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

For an equity investment with impairment indicators, the Company measures fair value on the basis of discounted cash flows or other appropriate valuation methods (Level 3). If it is probable that the Company will not recover the carrying amount of its investment, the impairment is considered other-than-temporary and recorded in earnings, and the equity investment balance is reduced to its fair value accordingly. After review, the Company does not consider its equity method investment, for which fair value approximates carrying value, to be impaired at December 31, 2016 or 2015.

## (6) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and their estimated useful lives at December 31, 2016 and 2015 consisted of:

	<u>Lives (Years)</u>	<u>2016</u>	<u>2015</u>
Quarry land		\$ 2,004,549	\$ 2,004,549
Other land		7,789,358	7,766,002
Buildings and improvements	15 – 39	31,958,611	32,129,782
Cement manufacturing equipment	15 – 25	153,611,285	149,367,023
Ancillary equipment	5 – 10	15,194,096	14,203,144
Ready-mix and concrete production machinery and equipment	5 – 15	36,892,925	36,180,544
Transportation and mobile equipment	3 – 7	50,478,780	45,931,655
Office machinery, equipment, furniture and fixtures	3 – 10	7,214,383	5,869,410
Construction in process		3,169,815	3,310,860
		<u>\$ 308,313,802</u>	<u>\$ 296,762,969</u>
Less: Accumulated depreciation and depletion		226,962,699	213,306,179
		<u>\$ 81,351,103</u>	<u>\$ 83,456,790</u>

## (7) REVOLVING LOAN AND LONG-TERM DEBT

On December 31, 2015, the Company entered into a new credit agreement with its current lender, BOKF, NA dba Bank of Oklahoma (Bank of Oklahoma), which amended and restated its revolving loan. The Company's current agreements provide for a secured credit commitment consisting of a \$10.0 million term loan maturing December 31, 2017 and a \$15.0 million revolving loan maturing on December 31, 2018. The previous agreement included a \$10.0 million advancing term loan that matured on December 31, 2015. Interest rates on the Company's revolving loan are variable and based on the rate of interest regularly published by the Wall Street Journal and designated as the U.S. Prime Rate (hereto referred to as the WSJ prime rate) less 1.50% with a 1.50% interest rate minimum or floor. Interest rates on the Company's term loan are variable and based on the WSJ prime rate less 1.25% with a 1.75% interest rate minimum or floor. The agreements require the Company to pledge its investment account, receivable accounts and inventory to Bank of Oklahoma as collateral for the term loan and revolving loan. The Company is obligated to maintain at least \$12.0 million in its pledged investment account. The carrying value of receivables, inventory and the investment account pledged as collateral was \$15.7 million, \$33.3 million and \$31.2 million, respectively as of December 31, 2016. The agreements also contain 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.

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As of December 31, 2016 and 2015, there was \$0.0 and \$0.0, respectively, borrowed against the revolving loan. The interest rate was 2.25% and 2.00% on December 31, 2016 and 2015, respectively, and is payable quarterly. As of December 31, 2016 and 2015, there was approximately \$4.3 million and \$5.7 million, respectively, borrowed on the term loan. The interest rate was 2.50% and 2.25% on December 31, 2016 and 2015, respectively, and is payable quarterly.

At December 31, 2016 the Note payable, bank in the table below is comprised of a \$4.3 million term loan and Other long-term debt that is related to noncompete payment obligations. At December 31, 2015 the Note payable, bank in the table below is comprised of a \$5.7 million term loan. The \$0.1 million in Other long-term debt is related to noncompete payment obligations.

	2016	2015
Note payable, bank <sup>(a)</sup>	\$ 4,285,714	\$ 5,714,285
Other	34,614	56,292
	<u>\$ 4,320,328</u>	<u>\$ 5,770,577</u>
Less current maturity of bank note payable	4,285,714	1,428,571
Total long-term debt	<u>\$ 34,614</u>	<u>\$ 4,342,006</u>

<sup>(a)</sup> Term loan due December 31, 2017; payable \$357,143 quarterly plus interest. Revolving loan due December 31, 2018; quarterly payments of interest with outstanding principal and accrued interest due at maturity.

Aggregate annual maturities of long-term debt as of December 31, 2016 are:

2017	\$ 4,285,714
2018	22,787
2019	11,827
	<u>\$ 4,320,328</u>

## (8) INCOME TAXES

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

	2016	2015	2014
Taxes currently payable	\$ 7,114,000	\$ 6,791,000	\$ 3,360,000
Deferred income taxes	986,000	2,054,000	1,185,000
Provision for income taxes	<u>\$ 8,100,000</u>	<u>\$ 8,845,000</u>	<u>\$ 4,545,000</u>

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

	2016	2015	2014
Computed at statutory rate (34%; over \$10 million-35%)	\$ 9,937,000	\$ 9,250,000	\$ 5,400,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit	405,000	545,000	275,000
Percentage depletion	(1,168,000)	(741,000)	(834,000)
Domestic production activities deduction	(320,000)	(193,000)	(48,000)
Current year tax credits	(700,000)	-	-
Dividends received deduction	(119,000)	(88,000)	(154,000)
Other	65,000	72,000	(94,000)
Provision for income taxes	<u>\$ 8,100,000</u>	<u>\$ 8,845,000</u>	<u>\$ 4,545,000</u>

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

	2016	2015
Allowance for doubtful accounts	\$ 187,000	\$ 209,000
Accrued vacation	500,000	503,000
Depreciation	(505,000)	(630,000)
Postretirement benefits	8,174,000	9,295,000
Pension liability	973,000	5,416,000
Unrealized holding gains	(8,936,000)	(5,672,000)
Tax carryforwards	1,684,000	1,025,000
Impairment on investments	771,000	345,000
Other, net	803,813	804,736
Net long-term deferred tax assets*	<u>\$ 3,651,813</u>	<u>\$ 11,295,736</u>

\*Net of valuation allowance of \$2,052,000 for 2016 and 2015.

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, 2016:

<u>Expiration Date</u>	<u>Tax Carryforwards</u>
2023	\$ 128,000
2024	263,000
2025	214,000
2026	129,000
2029	81,000
2032	869,000
	<u>\$ 1,684,000</u>

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

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

## **(9) PENSION AND OTHER POSTRETIREMENT BENEFITS**

### **Postretirement Benefits**

Monarch provides certain postretirement health care 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 2017 cash expenditures for this plan to be approximately \$1,040,000 which is equal to the net expected benefit payments for the year. In 2015, we negotiated a change in our postretirement health benefits for our Des Moines union employees from a defined benefit to a defined contribution structure.

Monarch uses a December 31 measurement date for the plans. At December 31, 2016 and 2015, the current portion of the accrued benefit cost of approximately \$1,040,000 and \$1,155,000, respectively, is recorded in compensation and benefits. Information about the plans' funded status and postretirement cost follows:

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	2016	2015
Change in benefit obligation:		
Beginning of year	\$ 24,764,837	\$ 27,344,091
Service cost	468,648	568,845
Interest cost	865,504	1,101,504
Actuarial (gain)/loss	(3,532,669)	1,760,952
Benefits paid*	(811,542)	(1,057,879)
Plan amendments	-	(4,952,676)
Benefit obligation at end of year	\$ 21,754,778	\$ 24,764,837
Change in fair value of plan assets:		
Beginning of year	\$ -	\$ -
Employer contributions*	811,542	1,057,879
Benefits paid*	(811,542)	(1,057,879)
Fair value of plan asset at end of year	\$ -	\$ -
Weighted Average Assumptions used to determine benefit obligations:		
Discount rate	4.00%	4.00%
Trend rate	7.0% for fiscal 2016 decreasing 0.5%/yr to 5.0%	7.5% for fiscal 2015 decreasing 0.5%/yr to 5.0%
Funded status, end of year:		
Fair value of plan assets	\$ -	\$ -
Benefit obligations	(21,754,778)	(24,764,837)
Funded status = year-end benefit liability	\$ (21,754,778)	\$ (24,764,837)

\*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:

	2016	2015
A. Accrued postretirement benefits at beginning of year	\$ (24,730,859)	\$ (25,855,072)
B. Net periodic postretirement benefit income	(1,390,255)	(66,334)
C. Employer contributions	833,054	1,118,907
D. Retiree drug subsidy	21,512	61,028
E. Accrued postretirement benefits at end of year	\$ (22,529,062)	\$ (24,730,859)
(A) - (B) + (C) - (D)		

Following are the components of net periodic benefit cost:

	2016	2015	2014
Components of net periodic benefit cost:			
Service cost	\$ 468,648	\$ 568,845	\$ 495,549
Interest cost	865,504	1,101,504	1,132,234
Amortization of prior service cost	(3,215,800)	(2,362,132)	(2,397,661)
Recognized net actuarial loss	491,393	625,449	528,043
Net periodic benefit income	\$ (1,390,255)	\$ (66,334)	\$ (241,835)

Weighted Average Assumptions used to determine net periodic postretirement benefit cost:

Discount rate	4.00%	4.00%	4.50%
Trend rate	7.0% for fiscal 2016 decreasing 0.5%/yr to 5.0%	7.5% for fiscal 2015 decreasing 0.5%/yr to 5.0%	8.0% for fiscal 2014 decreasing 0.5%/yr to 5.0%

Amounts recognized in the balance sheets consist of:

	2016	2015
Current liability	\$ (1,040,000)	\$ (1,155,000)
Noncurrent liability	(20,714,778)	(23,609,837)
Net amount recognized	<u>\$ (21,754,778)</u>	<u>\$ (24,764,837)</u>

Amounts recognized in accumulated other comprehensive income consist of:

	2016	2015
Net actuarial loss	\$ 6,360,484	\$ 10,384,546
Prior service credit	(7,134,768)	(10,350,568)
	<u>\$ (774,284)</u>	<u>\$ 33,978</u>

Other changes in benefit obligations recognized in other comprehensive income:

	2016	2015	2014
Current year actuarial (gain)/loss	\$ (3,532,669)	\$ 1,760,952	\$ 447,776
Amortization of actuarial loss	(491,393)	(625,449)	(528,043)
Current year prior service credit	-	(4,952,676)	-
Amortization of prior service credit	3,215,800	2,362,132	2,397,661
Total recognized in other comprehensive income	<u>\$ (808,262)</u>	<u>\$ (1,455,041)</u>	<u>\$ 2,317,394</u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost in 2017:

Actuarial loss	\$ 401,768
Prior service credit	(3,215,800)
Total	<u>\$ (2,814,032)</u>

The amortization schedule for prior service costs is as follows:

Description	Date Established	Initial Amount	Initial Period	12/31/2016 Outstanding Balance	Annual Amortization
Change in Benefit Structure	12/31/2013	\$ (10,091,710)	4.30 years	\$ (3,050,983)	\$ (2,346,909)
Change in Benefit Structure	12/31/2015	(4,952,676)	5.70 years	(4,083,785)	(868,891)
				<u>\$ (7,134,768)</u>	<u>\$ (3,215,800)</u>

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

	1% Increase	1% Decrease
Interest cost and service cost for 2016		
Amount prior to change	\$ 1,334,152	\$ 1,334,152
Amount after 1 percentage point change	1,638,548	1,160,216
Increase (decrease)	304,396	(173,936)
Accumulated postretirement benefit obligation at December 31, 2016		
Amount prior to change	\$ 21,754,778	\$ 21,754,778
Amount after 1 percentage point change	25,279,689	18,922,497
Increase (decrease)	3,524,911	(2,832,281)

On December 8, 2003, the Medicare Prescription Drug Improvement Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has concluded that the benefits provided under our retiree group health plan are actuarially equivalent to Medicare Part D under the Act.

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The accumulated postretirement benefit obligation as of December 31, 2016 is shown below:

Assuming Medicare Part D Subsidy receipts	\$ 21,754,778
Assuming no Medicare Part D Subsidy receipts	22,475,085

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

December 31, 2017	\$ 1,040,145
December 31, 2018	1,063,901
December 31, 2019	1,093,725
December 31, 2020	1,119,802
December 31, 2021	1,132,064
Five fiscal years ending December 31, 2026	5,623,937

### 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 2017, there are no minimum expected contributions to the plans.

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

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 51,051,530	\$ 47,768,966
Service cost	960,105	930,560
Interest cost	2,016,977	1,904,787
Actuarial (gain)/loss	(547,382)	2,729,538
Plan amendment	3,910	17,483
Benefits paid	(2,395,841)	(2,299,804)
Benefit obligation at end of year	<u>\$ 51,089,299</u>	<u>\$ 51,051,530</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 37,838,417	\$ 38,515,412
Actual return on plan assets	7,879,452	(3,591,191)
Employer contributions	5,668,000	5,214,000
Benefits paid	(2,395,841)	(2,299,804)
Fair value of plan assets at end of year	<u>\$ 48,990,028</u>	<u>\$ 37,838,417</u>
Funded status, end of year:		
Fair value of plan assets	\$ 48,990,028	\$ 37,838,417
Benefit obligation	51,089,299	51,051,530
Funded status = pension liability, end of year	<u>\$ (2,099,271)</u>	<u>\$ (13,213,113)</u>

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:

	2016	2015
Accumulated benefit obligation, end of year	<u>\$ 49,062,350</u>	<u>\$ 49,213,132</u>

Amounts recognized in the balance sheets consist of:

	2016	2015
Noncurrent liability	<u>\$ (2,099,271)</u>	<u>\$ (13,213,113)</u>
Net amount recognized	<u>\$ (2,099,271)</u>	<u>\$ (13,213,113)</u>

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

	2016	2015
Net actuarial loss	<u>\$ 16,341,675</u>	<u>\$ 23,914,966</u>
Prior service cost	351,579	448,238
	<u>\$ 16,693,254</u>	<u>\$ 24,363,204</u>
Less: Deferred tax	6,680,000	9,750,000
Additional pension liability, net of deferred tax	<u>\$ 10,013,254</u>	<u>\$ 14,613,204</u>

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

	2016	2015	2014
Current year actuarial (gain)/loss	<u>\$ (5,635,693)</u>	<u>\$ 9,378,909</u>	<u>\$ 4,105,992</u>
Amortization of actuarial loss	(1,937,598)	(1,098,528)	(818,188)
Current year prior service loss	3,910	17,483	-
Amortization of prior service cost	<u>(100,569)</u>	<u>(99,728)</u>	<u>(99,728)</u>
	<u>\$ (7,669,950)</u>	<u>\$ 8,198,136</u>	<u>\$ 3,188,076</u>
Less: Deferred tax	(3,070,000)	3,280,000	1,280,000
Minimum pension (asset) liability, net of deferred tax	<u>\$ (4,599,950)</u>	<u>\$ 4,918,136</u>	<u>\$ 1,908,076</u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2017:

Actuarial loss	\$ 1,080,000
Prior service cost	92,000
Total to be amortized	<u>\$ 1,172,000</u>

The amortization schedule for prior service costs is as follows:

Description	Established Dec. 31 of:	Initial Amount	Initial Period	12/31/2016 Outstanding Balance	2016 Amortization Amount
Unrecognized Prior Service Cost	1999	\$ 37,715	16.53 years	\$ -	\$ 1,203
	2001	409,804	15.74 years	19,384	26,028
	2003	22,267	13.23 years	388	1,683
	2007	876,119	13.41 years	288,122	65,333
	2009	55,026	12.50 years	24,212	4,402
	2015*	21,393	11.14 years	19,473	1,920
				<u>\$ 351,579</u>	<u>\$ 100,569</u>

\*Includes additional \$3,910 based on remeasurement in 2016 using actual 12/31/2015 year-end data.

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

	2016	2015
A. Cumulative balance at beginning of year	<u>\$ 11,150,091</u>	<u>\$ 6,911,514</u>
B. Net periodic pension cost	2,224,108	975,423
C. Contributions	5,668,000	5,214,000
D. Cumulative balance at end of year	<u>\$ 14,593,983</u>	<u>\$ 11,150,091</u>
(A) - (B) + (C)		

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The weighted average assumptions used to determine net pension cost and benefit obligations as of December 31, 2016, 2015 and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Benefit obligation:			
Discount rate	4.00%	4.00%	4.00%
Expected return on plan assets	7.50%	7.50%	8.00%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%
Pension cost:			
Discount rate	4.00%	4.00%	4.50%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase (Staff plan only)	3.50%	3.50%	3.50%

The following table presents the components of net periodic pension cost as of December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 960,105	\$ 930,560	\$ 859,880
Interest cost	2,016,977	1,904,787	1,984,365
Expected return on plan assets	(2,791,141)	(3,058,180)	(2,887,594)
Amortization of prior service cost	100,569	99,728	99,728
Recognized net actuarial loss	1,937,598	1,098,528	818,188
Net periodic pension expense	<u>\$ 2,224,108</u>	<u>\$ 975,423</u>	<u>\$ 874,567</u>

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 2016 and 2015 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, 2016 and 2015, plan assets by category were as follows:

	<u>2016</u>	<u>2015</u>
Equities	61%	61%
Debt Securities	34%	36%
Other	5%	3%

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, 2016 and 2015 are as follows:

	2016	Total	Fair Value Measurements Using:		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$	2,330,731	\$ 2,330,731	\$ -	\$ -
Equity securities:					
Consumer discretion		1,518,156	1,518,156	-	-
Consumer staples		1,590,751	1,590,751	-	-
Energy		4,972,054	4,972,054	-	-
Financials		3,317,196	3,317,196	-	-
Healthcare		1,295,447	1,295,447	-	-
Industrials		3,222,337	3,222,337	-	-
Information technology		2,908,948	2,908,948	-	-
Materials		5,936,565	5,936,565	-	-
Miscellaneous		706,064	706,064	-	-
Real Estate		1,120,027	1,120,027	-	-
Telecommunication		1,341,707	1,341,707	-	-
Utilities		1,807,050	1,807,050	-	-
Fixed income securities:					
Intermediate Duration Fund		16,704,124	16,704,124	-	-
Strategic Income Fund		218,871	218,871	-	-
Total	\$	<u>48,990,028</u>	<u>\$ 48,990,028</u>	<u>\$ -</u>	<u>\$ -</u>
	2015				
Cash and cash equivalents	\$	1,051,369	\$ 1,051,369	\$ -	\$ -
Equity securities:					
Consumer discretion		1,527,409	1,527,409	-	-
Consumer staples		924,286	924,286	-	-
Energy		2,303,053	2,303,053	-	-
Financials		3,636,241	3,636,241	-	-
Healthcare		1,143,849	1,143,849	-	-
Industrials		3,283,133	3,283,133	-	-
Information technology		2,367,647	2,367,647	-	-
Materials		3,696,957	3,696,957	-	-
Miscellaneous		472,584	472,584	-	-
Real Estate		847,158	847,158	-	-
Telecommunication		1,286,407	1,286,407	-	-
Utilities		1,341,047	1,341,047	-	-
Fixed income securities:					
Intermediate Duration Fund		13,957,277	13,957,277	-	-
Total	\$	<u>37,838,417</u>	<u>\$ 37,838,417</u>	<u>\$ -</u>	<u>\$ -</u>

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The plans' expected benefit payments as of December 31, 2016, shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period, are presented below:

2017	\$	2,844,558
2018		2,868,460
2019		2,956,819
2020		3,092,441
2021		3,083,789
Five fiscal years ending December 31, 2026		15,666,924

The Company has defined contribution plans covering substantially all permanent employees of the Ready-Mixed Concrete Business. These plans allow the Company, at its discretion, to match the employee's contributions. For the 2016, 2015 and 2014 plan years, the Company matched 25% of the first 6% of the employee's compensation up to a maximum match of \$2,500. The Company contributed \$58,407, \$60,252 and \$66,354 to these plans for the years 2016, 2015 and 2014, respectively. The Company expects to contribute approximately \$59,000 to these plans in 2017.

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, 2016, 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 2016 and 2015 is for the plan's year-end at December 31, 2015 and 2014, 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 2016, 2015 and 2014 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions by Company			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015	2014		
Central States, Southeast & Southwest Areas Pension Plan	36-6044243/001	Red	Red	Yes	\$344,012	\$301,893	\$298,382	Yes	4/30/2017 & 3/31/2019 <sup>(a)</sup>
Other Funds					49,014	44,031	39,933		
					<u>\$393,026</u>	<u>\$345,924</u>	<u>\$338,315</u>		

<sup>(a)</sup> The Company is party to two collective bargaining agreements that require contributions to Central States, Southeast & Southwest Areas Pension Plan. In 2016, 65% of the Company's contributions were required by a collective bargaining agreement that expires 4/30/2017 and 35% were required by an agreement that expires 3/31/2019.

The Company was not listed in any of its multiemployer plans' Forms 5500 as providing more than 5% of the total contributions. Forms 5500 were not available for the plan year ending in 2016.

#### (10) 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	2016	2015	2014
Net periodic pension and postretirement costs in:			
Cost of Sales	\$ 183,786	\$ (123,308)	\$ (409,395)
Tax benefit (expense)	(74,000)	49,467	163,895
Net of tax	<u>\$ 109,786</u>	<u>\$ (73,841)</u>	<u>\$ (245,500)</u>
Selling, General & Administrative Expenses	\$ 502,454	\$ 661,735	\$ 1,361,097
Tax expense	(201,000)	(265,467)	(544,895)
Net of tax	<u>\$ 301,454</u>	<u>\$ 396,268</u>	<u>\$ 816,202</u>
Unrealized net gains on available-for-sale securities in:			
Gain (loss) on sale of equity investments	\$ 9,721	\$ 8,343,407	\$ (12,706)
Tax benefit (expense)	(4,000)	(3,336,000)	4,000
Net of tax	<u>\$ 5,721</u>	<u>\$ 5,007,407</u>	<u>\$ (8,706)</u>
Loss on impairment of equity investments	\$ (1,065,662)	\$ -	\$ -
Tax benefit	428,000	-	-
Net of tax	<u>\$ (637,662)</u>	<u>\$ -</u>	<u>\$ -</u>
Reclassifications, net of tax	<u>\$ (220,701)</u>	<u>\$ 5,329,834</u>	<u>\$ 561,996</u>

See Note 9, "Pension and Other Postretirement Benefits", for discussion of pension and postretirement amounts yet to be reclassified in accumulated other comprehensive income.

#### (11) SIGNIFICANT ESTIMATES AND CERTAIN CONCENTRATIONS

Forty percent (40%) of the Company's employees are covered by various collective bargaining agreements. Approximately 19% of those union employees (8% of our total employees) are covered by a contract that expires in 2017. 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 postretirement health care 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. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company. One of the Company's subsidiaries, City Wide Construction Products Co., Inc. ("City Wide"), supplied concrete for the construction of a 72,000 square foot mansion near Highlandville, Missouri. The Steven T. Huff Family LLC and Pensmore LLC (collectively, "Huff") filed a lawsuit against City Wide and Monarch in the United States District Court for the Western District of Missouri seeking \$63 million in actual damages and also seeking punitive damages, alleging that defendants (City Wide and Monarch) "shorted" the amount of steel micro-fiber that was to be added to the concrete supplied to Huff. Huff has asserted the following causes of action in this lawsuit: breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, conversion, unjust enrichment and promissory estoppel. The claims against City Wide are based on direct liability and the claims against Monarch are based on direct liability and an alter ego/respondent superior liability. Monarch did not sell cement to Huff but did sell cement to City Wide used in the concrete supplied to Huff. No claims have been made concerning the quality of the cement used. Based upon information presently available, and in light of legal and other factual defenses available to Monarch and City Wide, management does not believe that there is a legal or factual justification for the damages alleged. Monarch and City Wide intend to vigorously defend the lawsuit; however, because litigation is inherently unpredictable, the outcome of this case cannot presently be determined and no assurances can be given as to whether Monarch or City Wide will achieve a positive result in this case.

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.

## **(12) 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.

## **(13) 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, deferred income taxes, investments and other assets for 2016, 2015 and 2014. Corporate assets also include refundable federal and state income taxes for 2016 and 2014.

Following is information for each line for the years ended December 31, 2016, 2015 and 2014:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Year Ended December 31, 2016</b>				
Sales to unaffiliated customers	\$ 81,493,110	\$ 83,738,625	\$ -	\$ 165,231,735
Intersegment sales	16,819,366	42,406	(16,861,772)	-
Total net sales	<u>\$ 98,312,476</u>	<u>\$ 83,781,031</u>	<u>\$ (16,861,772)</u>	<u>\$ 165,231,735</u>
Income from operations	<u>\$ 22,856,608</u>	<u>\$ 5,835,599</u>		\$ 28,692,207
Other expense, net				(13,620)
Income before income taxes				<u>\$ 28,678,587</u>
Identifiable assets at December 31, 2016	<u>\$ 92,754,156</u>	<u>\$ 38,572,619</u>		\$ 131,326,775
Corporate assets				59,537,352
Total assets at December 31, 2016				<u>\$ 190,864,127</u>
<b>For the Year Ended December 31, 2015</b>				
Sales to unaffiliated customers	\$ 69,132,427	\$ 78,767,195	\$ -	\$ 147,899,622
Intersegment sales	16,072,919	35,320	(16,108,239)	-
Total net sales	<u>\$ 85,205,346</u>	<u>\$ 78,802,515</u>	<u>\$ (16,108,239)</u>	<u>\$ 147,899,622</u>
Income from operations	<u>\$ 15,709,948</u>	<u>\$ 1,222,171</u>		\$ 16,932,119
Other income, net				9,779,291
Income before income taxes				<u>\$ 26,711,410</u>
Identifiable assets at December 31, 2015	<u>\$ 93,655,658</u>	<u>\$ 38,957,101</u>		\$ 132,612,759
Corporate assets				49,401,592
Total assets at December 31, 2015				<u>\$ 182,014,351</u>
<b>For the Year Ended December 31, 2014</b>				
Sales to unaffiliated customers	\$ 65,458,122	\$ 81,439,606	\$ -	\$ 146,897,728
Intersegment sales	17,160,386	19,999	(17,180,385)	-
Total net sales	<u>\$ 82,618,508</u>	<u>\$ 81,459,605</u>	<u>\$ (17,180,385)</u>	<u>\$ 146,897,728</u>
Income (loss) from operations	<u>\$ 14,755,705</u>	<u>\$ (153,654)</u>		\$ 14,602,051
Other income, net				1,112,369
Income before income taxes				<u>\$ 15,714,420</u>
Identifiable assets at December 31, 2014	<u>\$ 91,614,058</u>	<u>\$ 38,146,055</u>		\$ 129,760,113
Corporate assets				50,107,011
Total assets at December 31, 2014				<u>\$ 179,867,124</u>

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

Income from operations is total net sales less operating expenses. In computing income from operations, none of the following items have been added or deducted: general corporate income and expenses; interest expense; and income taxes. Depreciation and depletion for the Cement Business and Ready-Mixed Concrete Business, respectively, was approximately: \$9.0 million and \$5.6 million in 2016; \$9.1 million and \$5.4 million in 2015; and \$8.3 million and \$4.8 million in 2014. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: \$7.1 million and \$6.0 million in 2016; \$8.8 million and \$4.9 million in 2015; and \$7.0 million and \$5.7 million in 2014. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

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During 2016, 2015 and 2014, there were no sales to any one customer in excess of 10% of consolidated net sales.

**(14) OTHER COMPREHENSIVE INCOME**

The following table summarizes the changes in each component of accumulated other comprehensive income, net of 40% estimated tax:

	2015	Change	2016
Unrealized appreciation on available-for-sale securities*	\$ 8,508,000	\$ 4,896,000	\$ 13,404,000
Pension liability adjustment	(14,613,204)	4,599,950	(10,013,254)
Postretirement liability adjustment	664,522	484,762	1,149,284
	<u>\$ (5,440,682)</u>	<u>\$ 9,980,712</u>	<u>\$ 4,540,030</u>
	2014	Change	2015
Unrealized appreciation on available-for-sale securities	\$ 10,668,000	\$ (2,160,000)	\$ 8,508,000
Pension liability adjustment	(9,695,068)	(4,918,136)	(14,613,204)
Postretirement liability adjustment	(209,019)	873,541	664,522
	<u>\$ 763,913</u>	<u>\$ (6,204,595)</u>	<u>\$ (5,440,682)</u>

\* Total other-than-temporary impairment, net of tax, recognized in accumulated other comprehensive income was \$1.2 million and \$0.5 million at December 31, 2016 and 2015, respectively.

**(15) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

# CORPORATE INFORMATION

## DIRECTORS

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**Jack R. Callahan**  
**Ronald E. Callaway**  
**David L. Deffner**  
**Robert M. Kissick**  
**Gayle C. McMillen**  
**Byron J. Radcliff**  
**Robert K. Radcliff**  
**Steve W. Sloan**  
**Michael R. Wachter**  
**Walter H. Wulf, Jr.**  
**Walter H. Wulf, III**

## OFFICERS

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**Walter H. Wulf, Jr.**  
President and Chairman of the Board  
**\*Robert M. Kissick**  
Vice Chairman of the Board and Vice President  
**Kent A. Webber**  
Executive Vice President  
**Debra P. Roe**  
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

## CORPORATE OFFICE

449 1200 Street  
P.O. Box 1000  
Humboldt, KS 66748  
Phone: (620) 473-2222  
Fax: (620) 473-2447

## AUDITORS

BKD, LLP  
Kansas City, Missouri

## ANNUAL MEETING

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

## TRANSFER AGENT AND REGISTRAR

The Monarch Cement Company  
P.O. Box 1000  
Humboldt, KS 66748-0900  
[shareholder.relations@monarchcement.com](mailto:shareholder.relations@monarchcement.com)

## STOCK TRADING INFORMATION

Trading Symbol: MCEM  
Over-the-Counter (OTC) Market

## INVESTOR RELATIONS

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

## FINANCIAL INFORMATION

The Company's financial statements are available on the Company's website, <http://www.monarchcement.com> and on the OTC Market's website, <https://www.otcm Markets.com>.

The Monarch Cement Company

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