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MONARCH CEMENT CO
Form 10-Q
August 14, 2002

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002, or

Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number: 0-2757

THE MONARCH CEMENT COMPANY
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| KANSAS | 48-0340590 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| P.O. BOX 1000, HUMBOLDT, KANSAS | 66748-0900 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (620) 473-2222

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

YES NO

As of August 9, 2002, there were 2,331,324 shares of Capital Stock, par value
\$2.50 per share outstanding and 1,695,634 shares of Class B Capital Stock,
par value \$2.50 per share outstanding.

PART I - FINANCIAL INFORMATION

The condensed consolidated financial statements included in this report have
been prepared by our Company without audit. Certain information and footnote
disclosures normally included in financial statements prepared in accordance
with generally accepted accounting principles have been condensed or omitted.
Our Company believes that the disclosures are adequate to make the information
presented not misleading. The accompanying financial statements reflect all
adjustments that are, in the opinion of management, necessary for a fair
statement of the results of operations for the interim periods presented.
Those adjustments consist only of normal, recurring adjustments. The
condensed consolidated balance sheet of the Company as of December 31, 2001

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has been derived from the audited consolidated balance sheet of the Company as of that date. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Company's most recent annual report on Form 10-K for 2001 filed with the Securities & Exchange Commission. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Item 1. Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2002 and December 31, 2001

| ASSETS | 2 0 0 2 | 2 0 0 1 |
|--|---------------|---------------|
| | (Unaudited) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,286,751 | \$ 3,224,861 |
| Short-term investments, at cost which approximates market | 1,518 | 164,073 |
| Receivables, less allowances of \$523,000 in 2002 and \$493,000 in 2001 for doubtful accounts | 18,317,040 | 13,262,283 |
| Inventories, priced at cost which is not in excess of market- | | |
| Cost determined by last-in, first-out method- | | |
| Finished cement | \$ 4,214,575 | \$ 1,813,898 |
| Work in process | 1,209,539 | 2,629,984 |
| Building products | 1,345,194 | 1,159,676 |
| Cost determined by first-in, first-out method- | | |
| Fuel, gypsum, paper sacks and other | 4,503,915 | 4,119,068 |
| Cost determined by average method- | | |
| Operating and maintenance supplies | 7,979,817 | 7,867,711 |
| Total inventories | \$ 19,253,040 | \$ 17,590,337 |
| Refundable federal and state income taxes | - | 474,867 |
| Deferred income taxes | 505,000 | 505,000 |
| Prepaid expenses | 362,029 | 66,193 |
| Total current assets | \$ 40,725,378 | \$ 35,287,614 |
| | | |
| PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$97,214,906 in 2002 and \$92,458,417 in 2001 | 81,081,039 | 81,441,837 |
| DEFERRED INCOME TAXES | 2,255,000 | 2,305,000 |
| OTHER ASSETS | 8,282,396 | 7,603,212 |
| | \$132,343,813 | \$126,637,663 |
| | | |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 6,159,463 | \$ 6,636,841 |
| Bank loan payable | 5,000,000 | 5,000,000 |
| Current portion of advancing term loan | 2,000,000 | - |
| Accrued liabilities | 3,890,958 | 5,162,357 |
| Total current liabilities | \$ 17,050,421 | \$ 16,799,198 |
| | | |
| LONG-TERM DEBT | 25,119,564 | 19,899,655 |
| ACCRUED POSTRETIREMENT BENEFITS | 8,598,834 | 8,442,462 |
| MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES | 1,915,396 | 2,453,827 |

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STOCKHOLDERS' INVESTMENT:

| | | |
|--|---------------|---------------|
| Capital stock, par value \$2.50 per share- | | |
| Authorized 10,000,000 shares, Issued | | |
| 2,329,661 shares at 6/30/2002 and | | |
| 2,303,362 shares at 12/31/2001 | \$ 5,824,153 | \$ 5,758,405 |
| Class B capital stock, par value \$2.50 per share, | | |
| supervoting rights of ten votes per share, | | |
| restricted transferability, convertible at all | | |
| times into Capital Stock on a share-for-share | | |
| basis - Authorized 10,000,000 shares, Issued | | |
| 1,697,297 shares at 6/30/2002 and 1,723,596 | | |
| shares at 12/31/2001 | 4,243,242 | 4,308,990 |
| Retained earnings | 68,447,203 | 67,900,126 |
| Accumulated other comprehensive income | 1,145,000 | 1,075,000 |
| Total stockholders' investment | \$ 79,659,598 | \$ 79,042,521 |
| | \$132,343,813 | \$126,637,663 |

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Three Months and the Six Months Ended June 30, 2002 and 2001
(Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|-----------------------------------|----------------------------|--------------|--------------------------|--------------|
| | June 30, | June 30, | June 30, | June 30, |
| | 2002 | 2001 | 2002 | 2001 |
| NET SALES | \$35,409,167 | \$33,746,878 | \$58,280,820 | \$54,081,905 |
| COST OF SALES | 29,393,731 | 27,840,529 | 50,595,055 | 46,442,454 |
| Gross profit from operations | \$ 6,015,436 | \$ 5,906,349 | \$ 7,685,765 | \$ 7,639,451 |
| SELLING, GENERAL AND | | | | |
| ADMINISTRATIVE EXPENSES | 2,727,339 | 2,507,933 | 5,313,007 | 4,833,390 |
| Income from operations | 3,288,097 | \$ 3,398,416 | \$ 2,372,758 | \$ 2,806,061 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | \$ 85,599 | \$ 180,482 | \$ 126,693 | \$ 240,247 |
| Interest expense | (293,626) | (264,446) | (466,141) | (318,513) |
| Other, net | (6,993) | 28,740 | (95,841) | 379,748 |
| | \$ (215,020) | \$ (55,224) | \$ (435,289) | \$ 301,482 |
| Income before taxes on income | \$ 3,073,077 | \$ 3,343,192 | \$ 1,937,469 | \$ 3,107,543 |
| PROVISION FOR TAXES ON INCOME | 920,000 | 1,080,000 | 585,000 | 1,000,000 |
| NET INCOME | \$ 2,153,077 | \$ 2,263,192 | \$ 1,352,469 | \$ 2,107,543 |
| RETAINED EARNINGS, beg. of period | 67,099,518 | 63,316,527 | 67,900,126 | 64,117,194 |

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| | | | | |
|---|--------------|--------------|--------------|--------------|
| Less cash dividends | 805,392 | 802,466 | 805,392 | 802,466 |
| Less purchase and retirement of treasury stock | - | 117,949 | - | 762,967 |
| RETAINED EARNINGS, end of period | \$68,447,203 | \$64,659,304 | \$68,447,203 | \$64,659,304 |
| BASIC EARNINGS PER SHARE | \$.53 | \$.56 | \$.34 | \$.52 |
| CASH DIVIDENDS PER SHARE | \$.20 | \$.20 | \$.20 | \$.20 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months and the Six Months Ended June 30, 2002 and 2001 (Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|------------------|--------------------------|------------------|
| | June 30, 2002 | June 30, 2001 | June 30, 2002 | June 30, 2001 |
| NET INCOME | \$ 2,153,077 | \$ 2,263,192 | \$ 1,352,469 | \$ 2,107,543 |
| UNREALIZED APPRECIATION (DEPRECIATION) ON AVAILABLE FOR SALE SECURITIES (Net of deferred tax expense (benefit) of \$(145,000), \$155,000, \$50,000 and \$255,000, respectively) | (220,000) | 225,000 | 70,000 | 375,000 |
| COMPREHENSIVE INCOME | \$ 1,933,077 | \$ 2,488,192 | \$ 1,422,469 | \$ 2,482,543 |

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2002 and 2001 (Unaudited)

| | 2002 | 2001 |
|--|--------------|----------------|
| OPERATING ACTIVITIES: | | |
| Net income | \$ 1,352,469 | \$ 2,107,543 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and depletion | 5,286,726 | 3,580,372 |
| Gain on disposal of assets | (57,273) | (131,378) |
| Change in assets and liabilities, net of acquisitions: | | |
| Receivables, net | (5,054,757) | (8,287,637) |
| Inventories | (1,662,703) | (516,659) |
| Refundable federal and state income taxes | 474,867 | - |
| Prepaid expenses | (295,836) | (218,949) |
| Other assets | 7,231 | 7,666 |
| Accounts payable and accrued liabilities | (137,994) | 2,525,974 |
| Accrued postretirement benefits | 156,372 | 146,592 |
| Accrued pension expense | (79,903) | (80,682) |
| Minority interest in earnings (losses) of subsidiaries | 6,042 | (212,419) |
| Net cash used for operating activities | \$ (4,759) | \$ (1,079,577) |

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INVESTING ACTIVITIES:

| | | |
|--|--------------------|---------------------|
| Acquisition of property, plant and equipment | \$ (4,952,117) | \$ (27,922,201) |
| Proceeds from disposals of property, plant and equipment | 83,462 | 188,276 |
| Payment for purchases of equity investments | (486,512) | (918,841) |
| Decrease in short-term investments, net | 162,555 | 2,544,836 |
| Net purchases of subsidiaries' stock | (529,731) | (1,040,400) |
| Net cash used for investing activities | \$ (5,722,343) | \$ (27,148,330) |

FINANCING ACTIVITIES:

| | | |
|---|--------------|---------------|
| Proceeds from bank loans | \$ 7,219,909 | \$ 25,147,391 |
| Cash dividends paid | (2,416,175) | (2,442,824) |
| Subsidiaries' dividends paid to minority interest | (14,742) | (11,057) |
| Purchase of treasury stock | - | (889,136) |

Net cash provided by financing activities

| | | |
|--|--------------|---------------|
| | \$ 4,788,992 | \$ 21,804,374 |
|--|--------------|---------------|

Net decrease in cash and cash equivalents

| | | |
|--|--------------|----------------|
| | \$ (938,110) | \$ (6,423,533) |
|--|--------------|----------------|

CASH AND CASH EQUIVALENTS, beginning of year

| | | |
|--|-----------|-----------|
| | 3,224,861 | 9,451,281 |
|--|-----------|-----------|

CASH AND CASH EQUIVALENTS, end of period

| | | |
|--|--------------|--------------|
| | \$ 2,286,751 | \$ 3,027,748 |
|--|--------------|--------------|

| | | |
|----------------------------------|------------|-----------|
| Cash interest paid | \$474,113 | \$316,376 |
| Cash income tax refunds received | \$331,407) | \$ 11,000 |

See notes to condensed consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 and 2001 (Unaudited), and December 31, 2001

1. For a summary of accounting policies, the reader should refer to Note 1 of the consolidated financial statements included in our Company's most recent annual report on Form 10-K.

2. Basic earnings per share of capital stock has been calculated based on the weighted average shares outstanding during each of the reporting periods. The weighted average number of shares outstanding was 4,026,958 and 4,052,830 in the second quarter of 2002 and 2001, respectively, and 4,026,958 and 4,062,151 in the first six months of 2002 and 2001, respectively. The Company has no common stock equivalents and therefore, does not report diluted earnings per share.

3. Our Company groups its operations into two business segments - Industry Segment A (cement manufacturing) and Industry Segment B (ready-mixed concrete and sundry building materials). Following is condensed information for each segment for the periods ended June 30, 2002 and 2001 and December 31, 2001 (in thousands):

| | | |
|--|--------------------|------------------|
| | Three Months Ended | Six Months Ended |
| | 6/30/02 | 6/30/01 |
| | 6/30/02 | 6/30/01 |

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| | | | | | |
|----------------------------------|-----------|----------|----------|---------------|----------|
| Sales to Unaffiliated Customers- | | | | | |
| Industry: | Segment A | \$14,661 | \$14,159 | \$21,840 | \$20,454 |
| | Segment B | 20,748 | 19,588 | 36,441 | 33,628 |
| Intersegment Sales- | | | | | |
| Industry: | Segment A | 2,892 | 2,989 | 5,172 | 4,725 |
| | Segment B | 36 | 6 | 36 | 10 |
| Operating Profit- | | | | | |
| Industry: | Segment A | 2,187 | 2,924 | 2,068 | 4,038 |
| | Segment B | 1,101 | 474 | 305 | (1,232) |
| Capital Expenditures- | | | | | |
| Industry: | Segment A | 677 | 15,038 | 1,476 | 24,470 |
| | Segment B | 2,086 | 2,081 | 3,476 | 3,452 |
| | | | | Balance as of | |
| | | | | 6/30/02 | 12/31/01 |
| Identifiable Assets- | | | | | |
| Industry: | Segment A | | | \$81,519 | \$79,454 |
| | Segment B | | | 37,494 | 32,906 |
| Corporate Assets- | | | | 13,331 | 14,278 |

4. Revenue is earned and recorded when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. Accordingly, the Company records revenue from the sale of cement, ready-mixed concrete and sundry building materials when the products are delivered to the customer. Long-term construction contract revenues are recognized on the percentage-of-completion method based on the costs incurred relative to total estimated costs. Full provision is made for any anticipated losses. Billings for long-term construction contracts are rendered monthly, including the amount of retainage withheld by the customer until contract completion. Retainages are included in accounts receivable and are generally receivable within one year.

5. Property, plant and equipment increased by approximately \$4,952,000 during the first six months of 2002 due to the modernization and expansion program currently in process at the cement manufacturing facility and the upgrade of equipment in the ready-mixed concrete and sundry building materials segment. This includes approximately \$62,000 of capitalized interest expense.

6. In January 2001, Monarch entered into an unsecured credit commitment with a bank. This commitment consists of a \$30,000,000 advancing term loan maturing December 31, 2005 and a \$5,000,000 line of credit maturing December 31, 2002. These loans each bear floating interest rates based on Chase Manhattan Bank prime rate less 1.25%. The loan agreement contains a financial covenant related to net worth with which the Company was in compliance at the end of the second quarter of 2002. As of June 30, 2002, Monarch had borrowed \$27,119,564 on the advancing term loan and \$5,000,000 on the line of credit leaving a balance available on the advancing term loan of \$2,880,436. The average daily interest rate paid by Monarch during the second quarter and the first six months of 2002 was 3.5%.

7. Certain reclassifications have been made to the June 30, 2001 consolidated income statements to conform to the June 30, 2002 consolidated income statement presentation. These reclassifications had no effect on net earnings.

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

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Certain statements under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Form 10-Q report filed with the Securities and Exchange Commission, 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", "expect", "anticipate", "believe", "intend", "may", "hope", "forecast" or similar words. In particular, statements with respect to variations in future demand for our products in our market area, the timing, scope, cost and benefits of our proposed and recently completed capital improvements and expansion plans, including the resulting increase in production capacity, the adequacy for 2002 of our kiln capacity, our forecasted cement sales, the source of funding for the repayment of our bank financing, the proposed increase in our bank financing, the proposed use of loan proceeds and the impact of new FASB accounting rules 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; and
- ? demand for our Company's products.

LIQUIDITY

We are able to meet our cash needs primarily from a combination of operations and bank loans. Cash and short-term investments decreased during the first six months of 2002 primarily due to the purchase of equipment, the increase in inventories and the payment of dividends.

In January 2001, we entered into an unsecured credit commitment with a bank. This commitment consists of a \$30,000,000 advancing term loan maturing December 31, 2005 and a \$5,000,000 line of credit maturing December 31, 2002. These loans each bear floating interest rates based on Chase Manhattan Bank prime rate less 1.25%. The loan agreement contains a financial covenant related to net worth with which the Company was in compliance at the end of the second quarter of 2002. As of June 30, 2002, we had borrowed \$27,119,564 on the advancing term loan and \$5,000,000 on the line of credit leaving a balance available on the advancing term loan of \$2,880,436. We have used these loans to help finance the expansion project at our cement manufacturing facility. We anticipate that the line of credit maturing December 31, 2002 will be paid using funds from operations or additional bank financing. Our board of directors has given management the authority to borrow an additional \$15,000,000 for a maximum of \$50,000,000. At this time we do not anticipate borrowing the additional \$15,000,000; although an increase in financing may be required on a short-term basis.

As of the end of 2001, we had completed the installation of a precalciner and clinker cooler on one of our kilns. We had also started preliminary work on a precalciner and clinker cooler for our second preheater kiln and the design of a new coal firing system to fuel the precalciners on both kilns. We have decided to postpone the completion of these projects until at least 2003. Market projections indicate that our current kiln capacity should be adequate to fulfill our cement needs for the year 2002. We will continue to evaluate market conditions, proposed capital expenditures and the Company's cash resources as we finalize the timing of expansion projects and loan requirements.

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Results of Operations

Cement, ready-mixed concrete and sundry building materials are used in residential, commercial and governmental construction. Although overall demand for our products by each of these segments remains strong, it varies within our market area. In some areas of our market, residential construction is down while commercial and governmental needs are up. In other areas, residential demand is up and commercial and governmental use is down. For the balance of this year, we continue to see variations in demand within our market area. Low interest rates have helped to prevent sizeable drops in construction activities. Major construction projects, including schools and detention facilities are currently underway in our market area. These projects, which use sizeable amounts of cement, ready-mixed concrete and concrete products, contribute to the overall strong demand for our products.

Consolidated net sales for the quarter ended June 30, 2002, increased by \$1,662,289 when compared to the quarter ended June 30, 2001. Sales of cement were higher by \$501,351, and sales of ready-mixed concrete and sundry building materials were higher by \$1,160,938. Cement and ready-mixed concrete sales continue to benefit from the strong demand for these products in our market area.

The gross profit rate for the three months ended June 30, 2002 was 17.0% versus 17.5% for the three months ended June 30, 2001.

Selling, general, and administrative expenses increased by 8.7% during the second quarter of 2002 compared to the second quarter of 2001. Overall increases in payroll and health care costs primarily in the ready-mixed concrete and sundry building material segment contributed to this increase, although no single factor increased materially.

Interest income decreased \$94,883 during the second quarter of 2002 as compared to the second quarter of 2001 primarily due to the reduction in short-term investments as the Company utilized these funds for capital improvements.

Interest expense increased \$29,180 during the second quarter of 2002 as compared to the second quarter of 2001 primarily due to the increase in loans outstanding. The Company utilized these loans for capital improvements.

Consolidated net sales for the six months ended June 30, 2002 were \$58,280,820, an increase of \$4,198,915 as compared to the six months ended June 30, 2001. Sales of cement were higher by \$1,385,782 and sales of ready-mixed concrete and sundry building materials were higher by \$2,813,133. Mild, dry weather in the Company's market area during the first half of 2002 allowed construction projects to proceed. In contrast, during the first half of 2001, wet weather slowed construction projects, decreasing sales of both cement and ready-mixed concrete.

The gross profit rate for the first six months of 2002 was 13.2% versus 14.1% for the first six months of 2001. Additional depreciation expense of approximately \$1,710,000, largely associated with the plant expansion projects completed in the latter part of 2001, is the primary reason for the decrease in gross profit rate.

Selling, general, and administrative expenses increased 9.9% for the first six months of 2002 compared to the first six months of 2001. Overall increases in insurance, payroll costs and legal and professional expenses contributed to this increase, although no single factor increased materially.

Interest income decreased \$113,554 for the first six months of 2002 as

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compared to the first six months of 2001 primarily due to the reduction in short-term investments as the Company utilized these funds for capital improvements.

Interest expense increased \$147,628 for the first half of 2002 as compared to the first half of 2001 primarily due to the increase in bank loans outstanding. The Company utilized these loans for capital improvements.

Other, net decreased \$475,589 during the first six months of 2002 as compared to the first six months of 2001 primarily due to a reduction in subsidiary losses allocated to minority interest and a reduction in the gains on the sales of equipment.

The Financial Accounting Standards Board (FASB) recently issued four new accounting rules. Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," effective July 1, 2001, SFAS No. 142, "Goodwill and Other Intangible Assets," effective for the 2002 calendar year, and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective for the 2002 calendar year, are not expected to have a material effect on the Company's financial position or results of operations. The Company has not yet assessed the impact, if any, of adopting SFAS No. 143, "Accounting for Asset Retirement Obligations," effective for the 2003 calendar year. In April 2002 the FASB issued SFAS No. 145, "Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" which is not expected to have a material effect on the Company's financial position or results of operations.

MARKET RISK

Market risks relating to the Company's operations result primarily from changes in demand for our products. A significant increase in interest rates could lead to a reduction in construction activities in both the residential and commercial markets. Budget shortfalls during economic slowdowns could cause money to be diverted away from highway projects, schools, detention facilities and other governmental construction projects. Reduction in construction activity lowers the demand for cement, ready-mixed concrete and sundry building materials. As demand decreases, competition to retain sales volume could create downward pressure on sales prices. The manufacture of cement requires a significant investment in property, plant and equipment and a trained workforce to operate and maintain this equipment. These costs do not materially vary with the level of production. As a result, by operating at or near capacity, regardless of demand, companies can reduce per unit production costs. The continual need to control production costs encourages overproduction during periods of reduced demand.

Interest rates on the Company's bank loans are variable and are based on the Chase Manhattan Bank prime rate less 1.25%.

SEASONALITY

Our Company's highest revenue and earnings historically occur in its second and third fiscal quarters, April through September.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of the stockholders of The Monarch Cement Company

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held on April 10, 2002, the stockholders elected three Class I Directors, namely, David L. Deffner, Gayle C. McMillen, and Richard N. Nixon to serve terms expiring at the annual meeting of stockholders in 2005. Class II Directors, namely, Byron J. Radcliff, Michael R. Wachter, Walter H. Wulf, Jr., and Walter H. Wulf, III, and Class III Directors, namely, Jack R. Callahan, Ronald E. Callaway, Robert M. Kissick and Byron K. Radcliff, continue to serve terms expiring at the annual meetings of stockholders in 2003 and 2004, respectively.

The following is a summary of votes cast.

| | For | Withhold Authority/ Against | Abstentions/ Broker Non-votes |
|-------------------|------------|-----------------------------------|-------------------------------------|
| David L. Deffner | 16,196,422 | 117,808 | N/A |
| Gayle C. McMillen | 16,185,737 | 128,493 | N/A |
| Richard N. Nixon | 16,032,297 | 281,933 | N/A |

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

99.1 Certificate of the Chief Executive Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certificate of the Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K. There was one report required to be filed on Form 8-K during the quarter for which this report is being filed (April 1, 2002 to June 30, 2002, inclusive).

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE MONARCH CEMENT COMPANY
(Registrant)

Date August 14, 2002

/s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President and
Chairman of the Board

Date August 14, 2002

/s/ Lyndell G. Mosley

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Lyndell G. Mosley, CPA
Chief Financial Officer and
Assistant Secretary-Treasurer

Exhibit 99.1

Certification of Chief Executive Officer

I, Walter H. Wulf, Jr., President and Chairman of the Board of The Monarch Cement Company (the "Company"), do hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (a) The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (b) The information contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this certification accompanies, fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: August 14, 2002.

/s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President and
Chairman of the Board

Exhibit 99.2

Certification of Chief Financial Officer

I, Lyndell G. Mosley, Chief Financial Officer and Assistant Secretary-Treasurer of The Monarch Cement Company (the "Company"), do hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (a) The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (b) The information contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this

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certification accompanies, fairly presents, in all material aspects,
the financial condition and results of operations of the Company.

Dated: August 14, 2002.

/s/ Lyndell G. Mosley
Lyndell G. Mosley, CPA
Chief Financial Officer and
Assistant Secretary-Treasurer