Vulcan Materials CO
Form 10-Q
August 03, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(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, 2016

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 001-33841

VULCAN MATERIALS COMPANY
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation)	20-8579133 (I.R.S. Employer Identification No.)
1200 Urban Center Drive, Birmingham, Alabama (Address of principal executive offices)	35242 (zip code)

(205) 298-3000 (Registrant's telephone number including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares outstanding at July 29, 2016
Common Stock, $1 Par Value	133,071,629

VULCAN MATERIALS COMPANY

FORM 10-Q

QUARTER ENDED JUNE 30, 2016

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Unless otherwise stated or the context otherwise requires, references in this report to "Vulcan," the "Company," "we," "our," or "us" refer to Vulcan Materials Company and its consolidated subsidiaries.

part I   financial information

ITEM 1

FINANCIAL STATEMENTS

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited, except for December 31 in thousands	June 30 2016	December 31 2015	June 30 2015
Assets			
Cash and cash equivalents	$ 91,902	$ 284,060	$ 74,736
Restricted cash	0	1,150	0
Accounts and notes receivable			
Accounts and notes receivable, gross	537,127	423,600	495,781
Less: Allowance for doubtful accounts	(4,332)	(5,576)	(5,370)
Accounts and notes receivable, net	532,795	418,024	490,411
Inventories			
Finished products	295,405	297,925	292,932
Raw materials	25,366	21,765	21,610
Products in process	2,223	1,008	1,461
Operating supplies and other	24,872	26,375	25,825
Inventories	347,866	347,073	341,828
Current deferred income taxes	0	0	39,562
Prepaid expenses	50,844	34,284	75,663
Total current assets	1,023,407	1,084,591	1,022,200
Investments and long-term receivables	38,924	40,558	41,603
Property, plant & equipment			
Property, plant & equipment, cost	7,052,051	6,891,287	6,752,916
Reserve for depreciation, depletion & amortization	(3,834,680)	(3,734,997)	(3,637,392)
Property, plant & equipment, net	3,217,371	3,156,290	3,115,524
Goodwill	3,094,824	3,094,824	3,094,824
Other intangible assets, net	754,341	766,579	767,995
Other noncurrent assets	161,246	158,790	153,737
Total assets	$ 8,290,113	$ 8,301,632	$ 8,195,883
Liabilities			
Current maturities of long-term debt	131	130	14,124

Short-term debt (line of credit)	0	0	138,500
Trade payables and accruals	176,476	175,729	190,904
Other current liabilities	156,071	177,620	163,112
Total current liabilities	332,678	353,479	506,640
Long-term debt	1,982,527	1,980,334	1,893,737
Noncurrent deferred income taxes	683,999	681,096	686,171
Deferred revenue	203,800	207,660	211,429
Other noncurrent liabilities	607,778	624,875	670,949
Total liabilities	$ 3,810,782	$ 3,847,444	$ 3,968,926
Other commitments and contingencies (Note 8)			
Equity			
Common stock, $1 par value, Authorized 480,000 shares,			
Outstanding 133,027, 133,172 and 132,984 shares, respectively	133,027	133,172	132,984
Capital in excess of par value	2,826,471	2,822,578	2,791,232
Retained earnings	1,639,267	1,618,507	1,453,752
Accumulated other comprehensive loss	(119,434)	(120,069)	(151,011)
Total equity	$ 4,479,331	$ 4,454,188	$ 4,226,957
Total liabilities and equity	$ 8,290,113	$ 8,301,632	$ 8,195,883

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
Unaudited		June 30		June 30
in thousands, except per share data	2016	2015	2016	2015
Total revenues	$ 956,825	$ 895,143	$ 1,711,552	$ 1,526,436
Cost of revenues	664,641	660,694	1,254,649	1,214,122
Gross profit	292,184	234,449	456,903	312,314
Selling, administrative and general expenses	82,681	69,197	159,149	135,960
Gain on sale of property, plant & equipment and businesses	356	249	911	6,624
Business interruption claims recovery	10,962	0	10,962	0
Impairment of long-lived assets	(860)	(5,190)	(10,506)	(5,190)
Restructuring charges	0	(1,280)	(320)	(4,098)
Other operating expense, net	(6,175)	(5,255)	(20,094)	(9,156)
Operating earnings	213,786	153,776	278,707	164,534
Other nonoperating income (expense), net	29	(439)	(666)	542
Interest expense, net	33,333	83,651	67,065	146,132
Earnings from continuing operations before income taxes	180,482	69,686	210,976	18,944
Provision for income taxes	54,200	19,867	63,964	5,791
Earnings from continuing operations	126,282	49,819	147,012	13,153
Loss on discontinued operations, net of tax	(2,532)	(1,657)	(4,338)	(4,669)
Net earnings	$ 123,750	$ 48,162	$ 142,674	$ 8,484
Other comprehensive income, net of tax				
Reclassification adjustment for cash flow hedges	301	3,077	595	5,325
Amortization of actuarial loss and prior service cost for benefit plans	20	2,697	40	5,378
Other comprehensive income	321	5,774	635	10,703
Comprehensive income	$ 124,071	$ 53,936	$ 143,309	$ 19,187
Basic earnings (loss) per share				
Continuing operations	$ 0.95	$ 0.37	$ 1.10	$ 0.10
Discontinued operations	(0.02)	(0.01)	(0.03)	(0.04)
Net earnings	$ 0.93	$ 0.36	$ 1.07	$ 0.06
Diluted earnings (loss) per share				
Continuing operations	$ 0.93	$ 0.37	$ 1.09	$ 0.10
Discontinued operations	(0.02)	(0.01)	(0.04)	(0.04)
Net earnings	$ 0.91	$ 0.36	$ 1.05	$ 0.06
Weighted-average common shares outstanding				

Basic	133,419	133,103	133,619	132,882
Assuming dilution	135,395	135,234	135,370	134,689
Cash dividends per share of common stock	$ 0.20	$ 0.10	$ 0.40	$ 0.20
Depreciation, depletion, accretion and amortization	$ 71,908	$ 68,384	$ 141,314	$ 135,108
Effective tax rate from continuing operations	30.0%	28.5%	30.3%	30.6%

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited in thousands	Six Months Ended 2016	June 30 2015
Operating Activities		
Net earnings	$ 142,674	$ 8,484
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	141,314	135,108
Net gain on sale of property, plant & equipment and businesses	(911)	(6,624)
Contributions to pension plans	(4,737)	(2,822)
Share-based compensation	10,832	9,679
Excess tax benefits from share-based compensation	(23,749)	(11,457)
Deferred tax provision (benefit)	2,592	(11,656)
Cost of debt purchase	0	67,075
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	(135,024)	(109,790)
Other, net	(30,458)	(13,360)
Net cash provided by operating activities	$ 102,533	$ 64,637
Investing Activities		
Purchases of property, plant & equipment	(199,764)	(148,721)
Proceeds from sale of property, plant & equipment	2,427	3,419
Payment for businesses acquired, net of acquired cash	(1,611)	(21,387)
Decrease in restricted cash	1,150	0
Other, net	1,862	(334)
Net cash used for investing activities	$ (195,936)	$ (167,023)
Financing Activities		
Proceeds from line of credit	3,000	284,000
Payment of line of credit	(3,000)	(145,500)
Payment of current maturities and long-term debt	(9)	(530,945)
Proceeds from issuance of long-term debt	0	400,000
Debt and line of credit issuance costs	0	(7,382)
Purchases of common stock	(69,156)	0
Dividends paid	(53,338)	(26,549)
Proceeds from exercise of stock options	0	50,769
Excess tax benefits from share-based compensation	23,749	11,457
Other, net	(1)	(1)
Net cash provided by (used for) financing activities	$ (98,755)	$ 35,849
Net decrease in cash and cash equivalents	(192,158)	(66,537)
Cash and cash equivalents at beginning of year	284,060	141,273
Cash and cash equivalents at end of period	$ 91,902	$ 74,736

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the statements.

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notes to condensed consolidated financial statements

Note 1: summary of significant accounting policies

NATURE OF OPERATIONS

Vulcan Materials Company (the “Company,” “Vulcan,” “we,” “our”), a New Jersey corporation, is the nation's largest producer of construction aggregates (primarily crushed stone, sand and gravel) and a major producer of asphalt mix and ready-mixed concrete.

We operate primarily in the United States and our principal product — aggregates — is used in virtually all types of public and private construction projects and in the production of asphalt mix and ready-mixed concrete. We serve markets in twenty states, Washington D.C., and the local markets surrounding our operations in Mexico and the Bahamas. Our primary focus is serving states in metropolitan markets in the United States that are expected to experience the most significant growth in population, households and employment. These three demographic factors are significant drivers of demand for aggregates. While aggregates is our focus and primary business, we produce and sell asphalt mix and/or ready-mixed concrete in our mid-Atlantic, Georgia, Southwestern and Western markets.

BASIS OF PRESENTATION

Our accompanying unaudited condensed consolidated financial statements were prepared in compliance with the instructions to Form 10-Q and Article 10 of Regulation S-X and thus do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Our Condensed Consolidated Balance Sheet as of December 31, 2015 was derived from the audited financial statement, but it does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of our management, the statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the results of the reported interim periods. Operating results for the three and six month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the consolidated financial statements and footnotes included in our most recent Annual Report on Form 10-K.

Due to the 2005 sale of our Chemicals business as described in Note 2, the results of the Chemicals business are presented as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income.

RECLASSIFICATIONS

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 2016 presentation.

RESTRUCTURING CHARGES

In 2014, we announced changes to our executive management team, and a new divisional organization structure that was effective January 1, 2015. During the six months ended June 30, 2016 and June 30, 2015, we incurred $320,000 and $4,098,000, respectively, of costs related to these initiatives. Future related charges for these initiatives are estimated to be immaterial.

EARNINGS PER SHARE (EPS)

Earnings per share are computed by dividing net earnings by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS), as set forth below:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Weighted-average common shares outstanding	133,419	133,103	133,619	132,882
Dilutive effect of				
Stock options/SOSARs 1	1,007	991	940	996
Other stock compensation plans	969	1,140	811	811
Weighted-average common shares outstanding, assuming dilution	135,395	135,234	135,370	134,689

1 Stock-Only Stock Appreciation Rights (SOSARs)

All dilutive common stock equivalents are reflected in our earnings per share calculations. Antidilutive common stock equivalents are not included in our earnings per share calculations. In periods of loss, shares that otherwise would have been included in our diluted weighted-average common shares outstanding computation are excluded. There were no excluded shares for the periods presented.

The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Antidilutive common stock equivalents	97	556	327	556

Note 2: Discontinued Operations

In 2005, we sold substantially all the assets of our Chemicals business to Basic Chemicals, a subsidiary of Occidental Chemical Corporation. The financial results of the Chemicals business are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income for all periods presented. There were no revenues from discontinued operations for the periods presented. Results from discontinued operations are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Discontinued Operations				
Pretax loss	$ (4,197)	$ (2,671)	$ (7,177)	$ (7,653)
Income tax benefit	1,665	1,014	2,839	2,984
Loss on discontinued operations, net of tax	$ (2,532)	$ (1,657)	$ (4,338)	$ (4,669)

The losses from discontinued operations noted above include charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business.

Note 3: Income Taxes

Our estimated annual effective tax rate (EAETR) is based on full-year expectations of pretax earnings, statutory tax rates, permanent differences between book and tax accounting such as percentage depletion, and tax planning alternatives available in the various jurisdictions in which we operate. For interim financial reporting, we calculate our quarterly income tax provision in accordance with the EAETR. Each quarter, we update our EAETR based on our revised full-year expectation of pretax earnings and calculate the income tax provision so that the year-to-date income tax provision reflects the EAETR. Significant judgment is required in determining our EAETR.

In the second quarter of 2016, we recorded income tax expense from continuing operations of $54,200,000 compared to $19,867,000 in the second quarter of 2015. The increase in our income tax expense resulted largely from applying the statutory rate to the increase in our pretax earnings.

For the first six months of 2016, we recorded income tax expense from continuing operations of $63,964,000 compared to $5,791,000 for the first six months of 2015. The increase in our income tax expense resulted largely from applying the statutory rate to the increase in our pretax earnings.

We recognize deferred tax assets and liabilities (which reflect our best assessment of the future taxes we will pay) based on the differences between the financial statement's carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns while deferred tax liabilities represent items that will result in additional tax in future tax returns. With our adoption of Accounting Standards Update 2015-17, "Balance Sheet Classification of Deferred Taxes" as of December 31, 2015, all deferred tax assets and liabilities are presented as noncurrent. We adopted this standard prospectively and as a result, we did not restate periods prior to adoption.

Each quarter we analyze the likelihood that our deferred tax assets will be realized. Realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not (a likelihood of more than 50%) that some portion, or all, of a deferred tax asset will not be realized.

Based on our second quarter 2016 analysis, we believe it is more likely than not that we will realize the benefit of all our deferred tax assets with the exception of certain state net operating loss carryforwards. For 2016, we project deferred tax assets related to state net operating loss carryforwards of $60,131,000, of which $57,841,000 relates to Alabama. The Alabama net operating loss carryforward, if not utilized, would expire in years 2022 – 2029. Prior to 2015, we carried a full valuation allowance against this Alabama deferred tax asset as we did not expect to utilize any portion of it. During 2015, we restructured our legal entities which, among other benefits, resulted in a partial release of the valuation allowance in the amount of $4,655,000 during the third quarter of 2015. Our analyses over the last three quarters have confirmed our third quarter 2015 conclusion but resulted in no further reductions of the valuation allowance. We expect to further reduce, or possibly eliminate, this valuation allowance once we have returned to sustained profitability (as defined in our most recent Annual Report on Form 10-K), which we project could occur in the fourth quarter of 2016.

We recognize a tax benefit associated with a tax position when, in our judgment, it is more likely than not that the position will be sustained based upon the technical merits of the position. For a tax position that meets the more likely than not recognition threshold, we measure the income tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized. A liability is established for the unrecognized portion of any tax benefit. Our liability for unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation.

A summary of our deferred tax assets is included in Note 9 “Income Taxes” in our Annual Report on Form 10-K for the year ended December 31, 2015.

Note 4: deferred revenue

In 2013 and 2012, we sold a percentage interest in future production structured as volumetric production payments (VPPs).

The VPPs:

- § relate to eight quarries in Georgia and South Carolina
- § provide the purchaser solely with a nonoperating percentage interest in the subject quarries' future production from aggregates reserves
- § are both time and volume limited
- § contain no minimum annual or cumulative guarantees for production or sales volume, nor minimum sales price

Our consolidated total revenues exclude the sales of aggregates owned by the VPP purchaser.

We received net cash proceeds from the sale of the VPPs of $153,282,000 and $73,644,000 for the 2013 and 2012 transactions, respectively. These proceeds were recorded as deferred revenue on the balance sheet and are amortized to revenue on a unit-of-sales basis over the terms of the VPPs (expected to be approximately 25 years, limited by volume rather than time).

Reconciliation of the deferred revenue balances (current and noncurrent) is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Deferred Revenue				
Balance at beginning of period	$ 212,292	$ 218,987	$ 214,060	$ 219,968
Amortization of deferred revenue	(2,092)	(1,558)	(3,860)	(2,539)
Balance at end of period	$ 210,200	$ 217,429	$ 210,200	$ 217,429

Based on expected sales from the specified quarries, we expect to recognize approximately $6,400,000 of deferred revenue as income during the 12-month period ending June 30, 2017 (reflected in other current liabilities in our 2016 Condensed Consolidated Balance Sheet).

Note 5: Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs that are derived principally from or corroborated by observable market data

Level 3: Inputs that are unobservable and significant to the overall fair value measurement

Assets subject to fair value measurement on a recurring basis are summarized below:

	Level 1 Fair Value		
in thousands	June 30 2016	December 31 2015	June 30 2015
Fair Value			
Rabbi Trust			
Mutual funds	$ 6,389	$ 11,472	$ 14,488
Equities	7,702	8,992	12,274
Total	$ 14,091	$ 20,464	$ 26,762

	Level 2 Fair Value		
in thousands	June 30 2016	December 31 2015	June 30 2015
Fair Value			
Rabbi Trust			
Money market mutual fund	$ 2,134	$ 2,124	$ 1,355
Total	$ 2,134	$ 2,124	$ 1,355

We have established two Rabbi Trusts for the purpose of providing a level of security for the employee nonqualified retirement and deferred compensation plans and for the directors' nonqualified deferred compensation plans. The fair values of these investments are estimated using a market approach. The Level 1 investments include mutual funds and equity securities for which quoted prices in active markets are available. Level 2 investments are stated at estimated fair value based on the underlying investments in the fund (short-term, highly liquid assets in commercial paper, short-term bonds and certificates of deposit).

Net gains of the Rabbi Trust investments were $535,000 and $184,000 for the six months ended June 30, 2016 and 2015, respectively. The portions of the net gains (losses) related to investments still held by the Rabbi Trusts at June 30, 2016 and 2015 were $(571,000) and $22,000, respectively.

The year-to-date decrease of $6,363,000 in total Rabbi Trust asset fair values at June 30, 2016 is primarily attributable to the elections by several retired executives to receive their distributions from the nonqualified retirement and deferred compensation plans.

The carrying values of our cash equivalents, restricted cash, accounts and notes receivable, short-term debt, trade payables and accruals, and other current liabilities approximate their fair values because of the short-term nature of these instruments. Additional disclosures for derivative instruments and interest-bearing debt are presented in Notes 6 and 7, respectively.

Assets that were subject to fair value measurement on a nonrecurring basis are summarized below:

	Period ending June 30, 2016		Period ending June 30, 2015	
in thousands	Level 2	Impairment Charges	Level 2	Impairment Charges
Fair Value Nonrecurring				
Property, plant & equipment, net	$ 0	$ 1,359	$ 0	$ 2,176
Other intangible assets, net	0	8,180	0	2,858
Other assets	0	967	0	156
Total	$ 0	$ 10,506	$ 0	$ 5,190

We recorded $10,506,000 and $5,190,000 of losses on impairment of long-lived assets for the six months ended June 30, 2016 and 2015, respectively, reducing the carrying value of these Aggregates segment assets to their estimated fair values of $0 and $0. Fair value was estimated using a market approach (observed transactions involving comparable assets in similar locations).

Note 6: Derivative Instruments

During the normal course of operations, we are exposed to market risks including interest rates, foreign currency exchange rates and commodity prices. From time to time, and consistent with our risk management policies, we use derivative instruments to balance the cost and risk of such expenses. We do not utilize derivative instruments for trading or other speculative purposes.

The accounting for gains and losses that result from changes in the fair value of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationship. The interest rate swap agreements described below were designated as either cash flow hedges or fair value hedges. The changes in fair value of our interest rate swap cash flow hedges are recorded in accumulated other comprehensive income (AOCI) and are reclassified into interest expense in the same period the hedged items affect earnings. The changes in fair value of our interest rate swap fair value hedges are recorded as interest expense consistent with the change in the fair value of the hedged items attributable to the risk being hedged.

CASH FLOW HEDGES

During 2007, we entered into fifteen forward starting interest rate locks on $1,500,000,000 of future debt issuances in order to hedge the risk of higher interest rates. Upon the 2007 and 2008 issuances of the related fixed-rate debt, underlying interest rates were lower than the rate locks and we terminated and settled these forward starting locks for cash payments of $89,777,000. This amount was booked to AOCI and is being amortized to interest expense over the term of the related debt.

This amortization was reflected in the accompanying Condensed Consolidated Statements of Comprehensive Income as follows:

in thousands	Location on Statement	Three Months Ended June 30 2016	Three Months Ended June 30 2015	Six Months Ended June 30 2016	Six Months Ended June 30 2015
Cash Flow Hedges					
Loss reclassified from AOCI (effective portion)	Interest expense	$ (497)	$ (5,094)	$ (983)	$ (8,815)

The loss reclassified from AOCI for the six months ended June 30, 2015 includes the acceleration of a proportional amount of the deferred loss in the amount of $7,208,000, referable to the debt purchases as described in Note 7.

For the 12-month period ending June 30, 2017, we estimate that $2,092,000 of the pretax loss in AOCI will be reclassified to earnings.

FAIR VALUE HEDGES

In June 2011, we issued $500,000,000 of 6.50% fixed-rate notes due in 2016 to refinance near term floating-rate debt. Concurrently, we entered into interest rate swap agreements in the stated amount of $500,000,000 to reestablish the pre-refinancing mix of fixed- and floating-rate debt. Under these agreements, we paid 6-month London Interbank Offered Rate (LIBOR) plus a spread of 4.05% and received a fixed interest rate of 6.50%. Additionally, in June 2011, we entered into interest rate swap agreements on our $150,000,000 of 10.125% fixed-rate notes due in 2015. Under these agreements, we paid 6-month LIBOR plus a spread of 8.03% and received a fixed interest rate of 10.125%. In August 2011, we terminated and settled these interest rate swap agreements for $25,382,000 of cash proceeds. The $23,387,000 gain component of the settlement (cash proceeds less $1,995,000 of accrued interest) was added to the carrying value of the related debt and was amortized as a reduction to interest expense over the terms of the related debt using the effective interest method.

This deferred gain amortization was reflected in the accompanying Condensed Consolidated Statements of Comprehensive Income as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Deferred Gain on Settlement Amortized to earnings as a reduction to interest expense	$ 0	$ 2,000	$ 0	$ 2,513

The deferred gain was fully amortized in December 2015, concurrent with the retirement of the 10.125% notes due 2015. The amortized deferred gain for the six months ended June 30, 2015 includes the acceleration of a proportional amount of the deferred gain in the amount of $1,642,000 referable to the debt purchases as described in Note 7.

Note 7: Debt

Debt is detailed as follows:

in thousands	Effective Interest Rates	June 30 2016	December 31 2015	June 30 2015
Short-term Debt				
Bank line of credit expires 2020 1, 2, 3	n/a	$ 0	$ 0	$ 138,500
Total short-term debt		$ 0	$ 0	$ 138,500
Long-term Debt				
Bank line of credit expires 2020 1, 2, 3	1.25%	$ 235,000	$ 235,000	$ 0
10.125% notes due 2015	n/a	0	0	150,000
6.50% notes due 2016	n/a	0	0	0
6.40% notes due 2017	n/a	0	0	0
7.00% notes due 2018	7.87%	272,512	272,512	272,512
10.375% notes due 2018	10.63%	250,000	250,000	250,000
7.50% notes due 2021	7.75%	600,000	600,000	600,000
8.85% notes due 2021	8.88%	6,000	6,000	6,000
Industrial revenue bond due 2022	n/a	0	0	14,000

4.50% notes due 2025	4.65%	400,000	400,000	400,000
7.15% notes due 2037	8.05%	240,188	240,188	240,188
Other notes 3	6.24%	489	498	613
Unamortized discounts and debt issuance costs	n/a	(21,531)	(23,734)	(25,975)
Unamortized deferred interest rate swap gain 4	n/a	0	0	523
Total long-term debt including current maturities		$ 1,982,658	$ 1,980,464	$ 1,907,861
Less current maturities		131	130	14,124
Total long-term debt		$ 1,982,527	$ 1,980,334	$ 1,893,737
Total debt 5		$ 1,982,658	$ 1,980,464	$ 2,046,361
Estimated fair value of long-term debt		$ 2,272,149	$ 2,204,816	$ 2,140,942

1 Borrowings on the bank line of credit are classified as short-term debt if we intend to repay within twelve months and as long-term debt otherwise.
2 The effective interest rate is the spread over LIBOR as of the most recent balance sheet date.
3 Non-publicly traded debt.
4 The unamortized deferred gain was realized upon the August 2011 settlement of interest rate swaps as described in Note 6.
5 Face value of our debt is equal to total debt less unamortized discounts and debt issuance costs, and unamortized deferred interest rate swap gain, as follows: June 30, 2016 — $2,004,189 thousand, December 31, 2015 — $2,004,198 thousand and June 30, 2015 — $2,071,813 thousand.

Our total debt is presented in the table above net of unamortized discounts from par, unamortized deferred debt issuance costs and unamortized deferred interest rate swap settlement gain. Discounts and debt issuance costs are amortized using the effective interest method over the terms of the respective notes resulting in $2,203,000 of net interest expense for these items for the six months ended June 30, 2016.

The estimated fair value of our debt presented in the table above was determined by: (1) averaging several asking price quotes for the publicly traded notes and (2) assuming par value for the remainder of the debt. The fair value estimates for the publicly traded notes were based on Level 2 information (as defined in Note 5) as of their respective balance sheet dates.

LINE OF CREDIT

In June 2015, we cancelled our secured $500,000,000 line of credit and entered into an unsecured $750,000,000 line of credit (incurring $2,589,000 of transaction fees).

The line of credit agreement expires in June 2020 and contains affirmative, negative and financial covenants customary for an unsecured facility. The primary negative covenant limits our ability to incur secured debt. The financial covenants are: (1) a maximum ratio of debt to EBITDA of 3.5:1, and (2) a minimum ratio of EBITDA to net cash interest expense of 3.0:1. As of June 30, 2016, we were in compliance with the line of credit covenants.

Borrowings on our line of credit are classified as short-term debt if we intend to repay within twelve months and as long-term debt if we have the intent and ability to extend repayment beyond twelve months. Borrowings bear interest, at our option, at either LIBOR plus a credit margin ranging from 1.00% to 2.00%, or SunTrust Bank's base rate (generally, its prime rate) plus a credit margin ranging from 0.00% to 1.00%. The credit margin for both LIBOR and base rate borrowings is determined by either our ratio of debt to EBITDA or our credit ratings, based on the metric that produces the lower credit spread. Standby letters of credit, which are issued under the line of credit and reduce availability, are charged a fee equal to the credit margin for LIBOR borrowings plus 0.175%. We also pay a commitment fee on the daily average unused amount of the line of credit that ranges from 0.10% to 0.35% determined by either our ratio of debt to EBITDA or our credit ratings, based on the metric that produces the lower fee. As of June 30, 2016, the credit margin for LIBOR borrowings was 1.25%, the credit margin for base rate borrowings was 0.25%, and the commitment fee for the unused amount was 0.15%.

As of June 30, 2016, our available borrowing capacity was $475,160,000. Utilization of the borrowing capacity was as follows:

§ $235,000,000 was borrowed
§ $39,840,000 was used to provide support for outstanding standby letters of credit

TERM DEBT

All of our term debt is unsecured. All such debt, other than the $489,000 of other notes, is governed by two essentially identical indentures that contain customary investment-grade type covenants. The primary covenant in both indentures limits the amount of secured debt we may incur without ratably securing such debt. As of June 30, 2016, we were in compliance with all of the term debt covenants.

In December 2015, we repaid our $150,000,000 10.125% notes due 2015 via borrowing on our line of credit. In August 2015, we repaid our $14,000,000 industrial revenue bond due 2022 via borrowing on our line of credit. These repayments did not incur any prepayment penalties.

In March 2015, we issued $400,000,000 of 4.50% senior notes due 2025. Proceeds (net of underwriter fees and other transaction costs) of $395,207,000 were partially used to fund the March 30, 2015 purchase, via tender offer, of $127,303,000 principal amount (32%) of the 7.00% notes due 2018. The March 2015 debt purchase cost $145,899,000, including an $18,140,000 premium above the principal amount of the notes and transaction costs of $456,000. The premium primarily reflects the trading price of the notes relative to par prior to the tender offer commencement. Additionally, we recognized $3,138,000 of net noncash expense associated with the acceleration of a proportional amount of unamortized discounts, deferred debt issuance costs, and deferred interest rate derivative settlement gains and losses. The combined first quarter 2015 charge of $21,734,000 is presented in the accompanying Condensed Consolidated Statement of Comprehensive Income as a component of interest expense for the six month period ended June 30, 2015.

The remaining net proceeds from the March 2015 debt issuance, together with cash on hand and borrowings under our line of credit, funded: (1) the April 2015 redemption of $218,633,000 principal amount (100%) of the 6.40% notes due 2017, (2) the April 2015 redemption of $125,001,000 principal amount (100%) of the 6.50% notes due 2016 and (3) the April 2015 purchase, via the tender offer commenced in March 2015 of $185,000 principal amount (less than 1%) of the 7.00% notes due 2018. The April 2015 debt purchases cost $385,024,000, including a $41,153,000 premium above the principal amount of the notes and transaction costs of $52,000. The premium primarily reflects the make-whole value of the 2016 notes and the 2017 notes. Additionally, we recognized $4,136,000 of net noncash expense associated with the acceleration of unamortized discounts, deferred debt issuance costs, and deferred interest rate derivative settlement gains and losses. The combined second quarter 2015 charge of $45,341,000 was a component of interest expense for the three and six month periods ended June 30, 2015.

STANDBY LETTERS OF CREDIT

We provide, in the normal course of business, certain third-party beneficiaries with standby letters of credit to support our obligations to pay or perform according to the requirements of an underlying agreement. Such letters of credit typically have an initial term of one year, typically renew automatically, and can only be modified or cancelled with the approval of the beneficiary. All of our standby letters of credit are issued by banks that participate in our $750,000,000 line of credit, and reduce the borrowing capacity thereunder. Our standby letters of credit as of June 30, 2016 are summarized by purpose in the table below:

in thousands		
Standby Letters of Credit		
Risk management insurance	$	34,111
Reclamation/restoration requirements	5,729	
Total	$	39,840

Note 8: Commitments and Contingencies

As summarized by purpose directly above in Note 7, our standby letters of credit totaled $39,840,000 as of June 30, 2016.

LITIGATION AND ENVIRONMENTAL MATTERS

We have received notices from the United States Environmental Protection Agency (EPA) or similar state or local agencies that we are considered a potentially responsible party (PRP) at a limited number of sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) or similar state and local environmental laws. Generally, we share the cost of remediation at these sites with other PRPs or alleged PRPs in accordance with negotiated or prescribed allocations. There is inherent uncertainty in determining the potential cost of remediating a given site and in determining any individual party's share in that cost. As a result, estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, remediation methods, other PRPs and their probable level of involvement, and actions by or against governmental agencies or private parties.

We have reviewed the nature and extent of our involvement at each Superfund site, as well as potential obligations arising under other federal, state and local environmental laws. While ultimate resolution and financial liability is uncertain at a number of the sites, in our opinion based on information currently available, the ultimate resolution of claims and assessments related to these sites will not have a material effect on our consolidated results of operations, financial position or cash flows, although amounts recorded in a given period could be material to our results of operations or cash flows for that period.

We are a defendant in various lawsuits in the ordinary course of business. It is not possible to determine with precision the outcome, or the amount of liability, if any, under these lawsuits, especially where the cases involve possible jury trials with as yet undetermined jury panels.

In addition to these lawsuits in which we are involved in the ordinary course of business, other material legal proceedings are more specifically described below.

§ Lower Passaic River Study Area (Superfund Site) — The Lower Passaic River Study Area is part of the Diamond Shamrock Superfund Site in New Jersey. Vulcan and approximately 70 other companies are parties (collectively the Cooperating Parties Group) to a May 2007 Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) to perform a Remedial Investigation/Feasibility Study (draft RI/FS) of the lower 17 miles of the Passaic River (River). However, before the draft RI/FS was issued in final form, the EPA issued a record of decision (ROD) in March 2016 that calls for a bank-to-bank dredging remedy for the lower 8 miles of the River. The EPA estimates that the cost of implementing this proposal is $1.38 billion. The Cooperating Parties Group draft RI/FS estimates the preferred remedial action presented therein to cost in the range of $475 million to $725 million.

Efforts to remediate the River have been underway for many years and have involved hundreds of entities that have had operations on or near the River at some point during the past several decades. Vulcan formerly owned a chemicals operation near the mouth of the River, which was sold in 1974. The major risk drivers in the River have been identified as dioxins, PCBs, DDx and mercury. Vulcan did not manufacture any of these risk drivers and has no evidence that any of these were discharged into the River by Vulcan.

The AOC does not obligate us to fund or perform the remedial action contemplated by either the draft RI/FS or the ROD. Furthermore, the parties who will participate in funding the remediation and their respective allocations, have not been determined. Vulcan does not agree that a bank-to-bank remedy is warranted, and Vulcan is not obligated to fund any of the remedial action at this time; nevertheless, we previously estimated the cost to be incurred by us for a bank-to-bank dredging remedy and recorded an immaterial loss for this matter in 2015.

§ TEXAS BRINE MATTER — During the operation of its former Chemicals Division, Vulcan was the lessee to a salt lease from 1976 – 2005 in an underground salt dome formation in Assumption Parish, Louisiana. The Texas Brine Company (Texas Brine) operated this salt mine for the account of Vulcan. Vulcan sold its Chemicals Division in 2005 and assigned the lease to the purchaser, and Vulcan has had no association with the leased premises or Texas Brine since that time. In August 2012, a sinkhole developed near the salt dome and numerous lawsuits were filed in state court in Assumption Parish, Louisiana. Other lawsuits, including class action litigation, were also filed in August 2012 in federal court in the Eastern District of Louisiana in New Orleans.

There are numerous defendants to the litigation in state and federal court. Vulcan was first brought into the litigation as a third-party defendant in August 2013 by Texas Brine. Vulcan has since been added as a direct and third-party defendant by other parties, including a direct claim by the state of Louisiana. The damages alleged in the litigation range from individual plaintiffs' claims for property damage, to the state of Louisiana's claim for response costs, to claims for physical damages to oil pipelines, to business interruption claims. In addition to the plaintiffs' claims, Vulcan has also been sued for contractual indemnity and comparative fault by both Texas Brine and Occidental Chemical Co. (Occidental). The total amount of damages claimed is in excess of $500 million. It is alleged that the sinkhole was caused, in whole or in part, by Vulcan's negligent actions or failure to act. It is also alleged that Vulcan breached the salt lease, as well as an operating agreement and a drilling agreement with Texas Brine; that Vulcan is strictly liable for certain property damages in its capacity as a former assignee of the salt lease; and that Vulcan violated certain covenants and conditions in the agreement under which it sold its Chemicals Division in 2005. Vulcan has made claims for contractual indemnity, comparative fault, and breach of contract against Texas Brine, as well as claims for contractual indemnity and comparative fault against Occidental. Discovery is ongoing and the first trial date in any of these cases has been set for March 2017. At this time, we cannot reasonably estimate a range of liability pertaining to this matter.

§ HEWITT LANDFILL MATTER — In September 2015, the Los Angeles Regional Water Quality Control Board (RWQCB) issued a Cleanup and Abatement Order (CAO) directing Vulcan to assess, monitor, cleanup and abate wastes that have been discharged to soil, soil vapor, and/or groundwater at the former Hewitt Landfill in Los Angeles. The CAO follows a 2014 Investigative Order from the RWQCB that sought data and a technical evaluation regarding the Hewitt Landfill, and a subsequent amendment to the Investigative Order requiring Vulcan to provide groundwater monitoring results to the RWQCB and to create and implement a work plan for further investigation of the Hewitt Landfill. In April 2016, Vulcan submitted an interim remedial action plan (IRAP) to the RWQCB, proposing a pilot test of a pump and treat system; testing and implementation of a leachate recovery system; and storm water capture and conveyance improvements. Until this pilot testing and additional investigative work is complete, we are unable to estimate the cost of remedial action.

Vulcan is also engaged in an ongoing dialogue with the EPA, the Los Angeles Department of Water and Power, and other stakeholders regarding the potential contribution of the Hewitt Landfill to groundwater contamination in the North Hollywood Operable Unit (NHOU) of the San Fernando Valley Superfund Site. We are gathering and analyzing data and developing technical information to determine the extent of possible contribution by the Hewitt Landfill to the groundwater contamination in the area. This work is also intended to assist in identification of other PRPs that may have contributed to groundwater contamination in the area. In July 2016, the EPA sent a letter to Vulcan requesting that we enter into an AOC for remedial design work at the NHOU including, but not limited to, the design of two groundwater extraction wells south of the Hewitt Landfill. We expect to have further discussions with the EPA regarding their request. At this time, we cannot reasonably estimate a range of liability pertaining to this matter.

It is not possible to predict with certainty the ultimate outcome of these and other legal proceedings in which we are involved, and a number of factors, including developments in ongoing discovery or adverse rulings, or the verdict of a particular jury, could cause actual losses to differ materially from accrued costs. No liability was recorded for claims and litigation for which a loss was determined to be only reasonably possible or for which a loss could not be reasonably estimated. Legal costs incurred in defense of lawsuits are expensed as incurred. In addition, losses on certain claims and litigation described above may be subject to limitations on a per occurrence basis by excess insurance, as described in our most recent Annual Report on Form 10-K.

Note 9: Asset Retirement Obligations

Asset retirement obligations (AROs) are legal obligations associated with the retirement of long-lived assets resulting from the acquisition, construction, development and/or normal use of the underlying assets.

Recognition of a liability for an ARO is required in the period in which it is incurred at its estimated fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. The liability is accreted through charges to operating expenses. If the ARO is settled for something other than the carrying amount of the liability, we recognize a gain or loss on settlement.

We record all AROs for which we have legal obligations for land reclamation at estimated fair value. Essentially all these AROs relate to our underlying land parcels, including both owned properties and mineral leases. For the three and six month periods ended June 30, we recognized ARO operating costs related to accretion of the liabilities and depreciation of the assets as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
ARO Operating Costs				
Accretion	$ 2,716	$ 2,936	$ 5,472	$ 5,787
Depreciation	1,621	1,568	3,314	3,001
Total	$ 4,337	$ 4,504	$ 8,786	$ 8,788

ARO operating costs are reported in cost of revenues. AROs are reported within other noncurrent liabilities in our accompanying Condensed Consolidated Balance Sheets.

Reconciliations of the carrying amounts of our AROs are as follows:

	Three Months Ended June 30	Six Months Ended June 30

in thousands	2016	2015	2016	2015
Asset Retirement Obligations				
Balance at beginning of period	$ 220,581	$ 238,689	$ 226,594	$ 226,565
Liabilities incurred	505	4,339	505	6,159
Liabilities settled	(5,450)	(1,270)	(10,320)	(8,000)
Accretion expense	2,716	2,936	5,472	5,787
Revisions, net	(1,309)	(9,775)	(5,208)	4,408
Balance at end of period	$ 217,043	$ 234,919	$ 217,043	$ 234,919

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Note 10: Benefit Plans

We sponsor three funded, noncontributory defined benefit pension plans. These plans cover substantially all employees hired prior to July 2007, other than those covered by union-administered plans. Normal retirement age is 65, but the plans contain provisions for earlier retirement. Benefits for the Salaried Plan and the Chemicals Hourly Plan are generally based on salaries or wages and years of service; the Construction Materials Hourly Plan provides benefits equal to a flat dollar amount for each year of service. In addition to these qualified plans, we sponsor three unfunded, nonqualified pension plans.

Effective July 2007, we amended our defined benefit pension plans to no longer accept new participants. In December 2013, we amended our defined benefit pension plans so that future service accruals for salaried pension participants ceased effective December 31, 2013. This change included a special transition provision which allowed covered compensation through December 31, 2015 to be considered in the participants' benefit calculations.

The following table sets forth the components of net periodic pension benefit cost:

PENSION BENEFITS	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Components of Net Periodic Benefit Cost				
Service cost	$ 1,336	$ 1,212	$ 2,672	$ 2,425
Interest cost	9,126	11,036	18,252	22,073
Expected return on plan assets	(12,890)	(13,684)	(25,781)	(27,368)
Amortization of prior service cost (credit)	(10)	12	(21)	24
Amortization of actuarial loss	1,541	5,455	3,082	10,909
Net periodic pension benefit cost (credit)	$ (897)	$ 4,031	$ (1,796)	$ 8,063
Pretax reclassifications from AOCI included in net periodic pension benefit cost	$ 1,531	$ 5,467	$ 3,061	$ 10,933

We do not expect to be required to make any contributions to the qualified plans through 2017.

In addition to pension benefits, we provide certain healthcare and life insurance benefits for some retired employees. In 2012, we amended our postretirement healthcare plan to cap our portion of the medical coverage cost at the 2015 level. Substantially all of our salaried employees and, where applicable, certain of our hourly employees may become eligible for these benefits if they reach a qualifying age and meet certain service requirements. Generally, Company-provided healthcare benefits terminate when covered individuals become eligible for Medicare benefits, become eligible for other group insurance coverage or reach age 65, whichever occurs first.

The following table sets forth the components of net periodic postretirement benefit cost:

OTHER POSTRETIREMENT BENEFITS	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Components of Net Periodic Benefit Cost				
Service cost	$ 280	$ 474	$ 561	$ 947
Interest cost	303	626	605	1,243
Amortization of prior service credit	(1,059)	(1,058)	(2,118)	(2,116)
Amortization of actuarial (gain) loss	(437)	23	(875)	19
Net periodic postretirement benefit cost (credit)	$ (913)	$ 65	$ (1,827)	$ 93
Pretax reclassifications from AOCI included in net periodic postretirement benefit credit	$ (1,496)	$ (1,035)	$ (2,993)	$ (2,097)

Note 11: other Comprehensive Income

Comprehensive income comprises two subsets: net earnings and other comprehensive income (OCI). The components of other comprehensive income are presented in the accompanying Condensed Consolidated Statements of Comprehensive Income, net of applicable taxes.

Amounts in accumulated other comprehensive income (AOCI), net of tax, are as follows:

in thousands	June 30 2016	December 31 2015	June 30 2015
AOCI			
Cash flow hedges	$ (13,899)	$ (14,494)	$ (14,997)
Pension and postretirement plans	(105,535)	(105,575)	(136,014)
Total	$ (119,434)	$ (120,069)	$ (151,011)

Changes in AOCI, net of tax, for the six months ended June 30, 2016 are as follows:

in thousands	Cash Flow Hedges	Pension and Postretirement Benefit Plans	Total
AOCI			
Balance as of December 31, 2015	$ (14,494)	$ (105,575)	$ (120,069)
Amounts reclassified from AOCI	595	40	635
Net current period OCI	595	40	635

changes			
Balance as of June 30, 2016	$ (13,899)	$ (105,535)	$ (119,434)

Amounts reclassified from AOCI to earnings, are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Reclassification Adjustment for Cash Flow Hedge Losses				
Interest expense	$ 497	$ 5,094	$ 983	$ 8,815
Benefit from income taxes	(196)	(2,017)	(388)	(3,490)
Total	$ 301	$ 3,077	$ 595	$ 5,325
Amortization of Pension and Postretirement Plan Actuarial Loss and Prior Service Cost				
Cost of revenues	$ 27	$ 3,643	$ 55	$ 7,175
Selling, administrative and general expenses	6	788	12	1,660
Benefit from income taxes	(13)	(1,734)	(27)	(3,457)
Total	$ 20	$ 2,697	$ 40	$ 5,378
Total reclassifications from AOCI to earnings	$ 321	$ 5,774	$ 635	$ 10,703

Note 12: Equity

Our capital stock consists solely of common stock, par value $1.00 per share. Holders of our common stock are entitled to one vote per share. Our Certificate of Incorporation also authorizes preferred stock of which no shares have been issued. The terms and provisions of such shares will be determined by our Board of Directors upon any issuance of preferred shares in accordance with our Certificate of Incorporation.

Changes in total equity are summarized below:

	Six Months Ended June 30	
in thousands	2016	2015
Total Equity		
Balance at beginning of year	$ 4,454,188	$ 4,176,699
Net earnings	142,674	8,484
Common stock issued		
Share-based compensation, net of shares withheld for taxes	(30,253)	36,485
Purchase and retirement of common stock	(69,156)	0
Share-based compensation expense	10,832	9,679
Excess tax benefits from share-based compensation	23,749	11,457
Cash dividends on common stock ($0.40/$0.20 per share)	(53,338)	(26,549)
Other comprehensive	635	10,703

income		
Other	0	(1)
Balance at end of period	$ 4,479,331	$ 4,226,957

There were no shares held in treasury as of June 30, 2016, December 31, 2015 and June 30, 2015. Stock purchases were as follows:

§ six months ended June 30, 2016 – purchased and retired 636,659 shares for a cost of $69,156,000
§ twelve months ended December 31, 2015 – purchased and retired 228,000 shares for a cost of $21,475,000
§ six months ended June 30, 2015 – no shares were purchased

As of June 30, 2016, 2,546,757 shares may be purchased under the current purchase authorization of our Board of Directors.

Note 13: Segment Reporting

We have four operating (and reportable) segments organized around our principal product lines: Aggregates, Asphalt Mix, Concrete and Calcium. The vast majority of our activities are domestic. We sell a relatively small amount of construction aggregates outside the United States. Intersegment sales are made at local market prices for the particular grade and quality of product utilized in the production of asphalt mix and ready-mixed concrete. Management reviews earnings from the product line reporting segments principally at the gross profit level.

segment financial disclosure

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	2016	2015	2016	2015
Total Revenues				
Aggregates 1	$ 791,497	$ 733,379	$ 1,426,365	$ 1,236,888
Asphalt Mix	142,055	128,998	231,154	232,069
Concrete	81,246	78,598	151,643	138,387
Calcium	2,448	2,396	4,358	4,251
Segment sales	$ 1,017,246	$ 943,371	$ 1,813,520	$ 1,611,595
Aggregates intersegment sales	(60,421)	(48,228)	(101,968)	(85,159)
Total revenues	$ 956,825	$ 895,143	$ 1,711,552	$ 1,526,436
Gross Profit				
Aggregates	$ 254,008	$ 207,285	$ 402,392	$ 274,950
Asphalt Mix	30,925	21,135	43,139	29,953
Concrete	6,146	4,892	9,623	5,702
Calcium	1,105	1,137	1,749	1,709
Total	$ 292,184	$ 234,449	$ 456,903	$ 312,314
Depreciation, Depletion, Accretion and Amortization (DDA&A)				
Aggregates	$ 59,414	$ 57,003	$ 116,925	$ 112,519
Asphalt Mix	4,136	4,098	8,368	8,007
Concrete	3,088	2,774	6,069	5,502

Calcium	196	164	379	326
Other	5,074	4,345	9,573	8,754
Total	$ 71,908	$ 68,384	$ 141,314	$ 135,108
Identifiable Assets 2				
Aggregates			$ 7,742,618	$ 7,497,240
Asphalt Mix			237,546	319,284
Concrete			189,355	185,473
Calcium			5,565	5,520
Total identifiable assets			$ 8,175,084	$ 8,007,517
General corporate assets			23,127	113,630
Cash and cash equivalents			91,902	74,736
Total			$ 8,290,113	$ 8,195,883

1 Includes crushed stone, sand and gravel, sand, other aggregates, as well as freight, delivery and transportation revenues, and other revenues related to services.

2 Certain temporarily idled assets are included within a segment's Identifiable Assets but the associated DDA&A is shown within Other in the DDA&A section above as the related DDA&A is excluded from segment gross profit.

Note 14: Supplemental Cash Flow Information

Supplemental information referable to our Condensed Consolidated Statements of Cash Flows is summarized below:

	Six Months Ended June 30	
in thousands	2016	2015
Cash Payments		
Interest (exclusive of amount capitalized)	$ 67,679	$ 134,215
Income taxes	64,556	31,755
Noncash Investing and Financing Activities		
Accrued liabilities for purchases of property, plant & equipment	$ 20,850	$ 13,651
Amounts referable to business acquisitions		
Liabilities assumed	0	2,426
Fair value of noncash assets and liabilities exchanged	0	20,000

Note 15: Goodwill

Goodwill is recognized when the consideration paid for a business exceeds the fair value of the tangible and identifiable intangible assets acquired. Goodwill is allocated to reporting units for purposes of testing goodwill for impairment. There were no charges for goodwill impairment in the six month periods ended June 30, 2016 and 2015.

We have four reportable segments organized around our principal product lines: Aggregates, Asphalt Mix, Concrete and Calcium. Changes in the carrying amount of goodwill by reportable segment from December 31, 2015 to June 30, 2016 are summarized below:

GOODWILL

in thousands	Aggregates	Asphalt Mix	Concrete	Calcium	Total

Goodwill Total as of December 31, 2015	$ 3,003,191	$ 91,633	$ 0	$ 0	$ 3,094,824
Goodwill of acquired businesses	0	0	0	0	0
Goodwill of divested businesses	0	0	0	0	0
Total as of June 30, 2016	$ 3,003,191	$ 91,633	$ 0	$ 0	$ 3,094,824

We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. A decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, noncash write-down of goodwill.

Note 16: Acquisitions and Divestitures

ACQUISITIONS

Through the six months ended June 30, 2016, we purchased the assets of a trucking business to complement our aggregates logistics and distribution activities for $1,611,000 of cash consideration.

For the full year 2015, we purchased the following for total consideration of $47,198,000 ($27,198,000 cash and $20,000,000 exchanges of real property and businesses (twelve California ready-mixed concrete operations)):

§ one aggregates facility in Tennessee
§ three aggregates facilities and seven ready-mixed concrete operations in Arizona and New Mexico
§ thirteen asphalt mix operations, primarily in Arizona

DIVESTITURES AND PENDING DIVESTITURES

As noted above, in 2015 (first quarter), we exchanged twelve ready-mixed concrete operations in California (representing all of our California concrete operations) for thirteen asphalt mix plants (primarily in Arizona) resulting in a pretax gain of $5,886,000.

No assets met the criteria for held for sale at June 30, 2016, December 31, 2015 or June 30, 2015.

Note 17: New Accounting Standards

ACCOUNTING STANDARDS RECENTLY ADOPTED

NET ASSET VALUE PER SHARE INVESTMENTS During the first quarter of 2016, we adopted Accounting Standards Update (ASU) 2015-07, “Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).” This ASU removed the requirement to categorize investments within the fair value hierarchy when their fair value is measured using the net asset value per share practical expedient. This ASU also removed the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The impact of this standard is limited to our annual pension plan fair value disclosures.

ACCOUNTING STANDARDS PENDING ADOPTION

CREDIT LOSSES In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments,” which amends guidance on the impairment of financial instruments. The new guidance estimates credit losses based on expected losses, modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those annual reporting periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. We are currently evaluating the impact that the adoption of this standard will have on our consolidated financial statements.

SHARE-BASED PAYMENTS In March 2016, the FASB issued ASU 2016-09, “Improvement to Employee Share-Based Payment Accounting,” which amends several aspects of the accounting for employee share-based payment transactions. Entities will be required to recognize the income tax effects of awards in the income statement when the awards vest or are settled (i.e., the use of APIC pools will be eliminated). Additionally, the guidance changes the employers’ accounting for an employee’s use of shares to satisfy the employer’s statutory income tax withholding obligation. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim reporting periods within those annual reporting periods. Early adoption is permitted. We are currently evaluating the impact that the adoption of this standard will have on our consolidated financial statements.

LEASE ACCOUNTING In February 2016, the FASB issued ASU 2016-02, “Leases,” which amends existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement and presentation of cash flow in the statement of cash flows. This ASU is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within those annual reporting periods. Early adoption is permitted and modified retrospective application is required. We are currently evaluating the impact that the adoption of this standard will have on our consolidated financial statements and related disclosures.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS In January 2016, the FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” which amends certain aspects of current guidance on the recognition, measurement and disclosure of financial instruments. Among other changes, this ASU requires most equity investments be measured at fair value. Additionally, the ASU eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value for instruments not recognized at fair value in our financial statements. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual reporting periods. Early adoption is permitted. We will adopt this standard as of and for the interim period ending March 31, 2018. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

INVENTORY MEASUREMENT In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory,” which changes the measurement principle for inventory from the lower of cost or market principle to the lower of cost and net realizable value principle. The guidance applies to inventories that are measured using the first-in, first-out (FIFO) or average cost method, but does not apply to inventories that are measured using the last-in, first-out (LIFO) or retail inventory method. We use the LIFO method for approximately 67