GRANITE CONSTRUCTION INC
Form 10-Q
April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

OR

o 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: 1-12911

GRANITE CONSTRUCTION INCORPORATED

State of Incorporation:	I.R.S. Employer Identification Number:
Delaware	77-0239383

Address of principal executive offices:
585 W. Beach Street
Watsonville, California 95076
(831) 724-1011

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. xYes o 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). xYes o No

Indicate by check mark whether the 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.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 26, 2016.

Class	Outstanding
Common Stock, $0.01 par value	39,573,479

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands, except share and per share data)

	March 31, 2016	December 31, 2015	March 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents ($46,993, $46,210 and $52,884 related to consolidated construction joint ventures (“CCJVs”))	$198,298	$252,836	$239,403
Short-term marketable securities	43,001	25,043	19,282
Receivables, net ($51,431, $45,734 and $39,711 related to CCJVs)	307,483	340,822	271,328
Costs and estimated earnings in excess of billings	76,972	59,070	56,907
Inventories	59,444	55,553	64,636
Equity in construction joint ventures	240,480	224,689	197,570
Other current assets ($5,185, $4,863 and $2,510 related to CCJVs)	37,100	26,985	38,102
Total current assets	962,778	984,998	887,228
Property and equipment, net ($12,925, $5,378 and $9,729 related to CCJVs)	398,750	385,129	399,910
Long-term marketable securities	72,653	80,652	80,522
Investments in affiliates	34,619	33,182	32,031
Goodwill	53,799	53,799	53,799
Deferred income taxes, net	5,119	4,329	32,616
Other noncurrent assets	84,512	84,789	76,237
Total assets	$1,612,230	$1,626,878	$1,562,343
LIABILITIES AND EQUITY			
Current liabilities			
Current maturities of long-term debt	$14,795	$14,800	$22
Accounts payable ($16,309, $11,909 and $14,960 related to CCJVs)	139,215	157,571	121,013
Billings in excess of costs and estimated earnings ($23,538, $15,768 and $29,963 related to CCJVs)	89,188	92,515	95,328
Accrued expenses and other current liabilities ($1,442, $1,171 and $1,530 related to CCJVs)	226,276	200,935	231,690
Total current liabilities	469,474	465,821	448,053
Long-term debt	243,099	244,323	269,535
Other long-term liabilities	43,913	46,613	42,058
Commitments and contingencies			
Equity			
Preferred stock, $0.01 par value, authorized 3,000,000 shares, none outstanding	—	—	—
Common stock, $0.01 par value, authorized 150,000,000 shares; issued and outstanding: 39,563,620 shares as of March 31, 2016, 39,412,877 shares as of December 31, 2015 and 39,342,647 shares as of March 31, 2015	396	394	393
Additional paid-in capital	145,663	140,912	134,894
Accumulated other comprehensive loss	(1,569)	(1,500)	(932)
Retained earnings	683,037	699,431	645,931
Total Granite Construction Incorporated shareholders’ equity	827,527	839,237	780,286
Non-controlling interests	28,217	30,884	22,411

Total equity	855,744	870,121	802,697
Total liabilities and equity	$ 1,612,230	$ 1,626,878	$ 1,562,343

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - in thousands, except per share data)

Three Months Ended March 31,	2016	2015
Revenue		
Construction	$209,487	$188,520
Large Project Construction	195,449	190,305
Construction Materials	34,516	41,424
Total revenue	439,452	420,249
Cost of revenue		
Construction	182,554	167,925
Large Project Construction	181,944	172,769
Construction Materials	35,709	40,626
Total cost of revenue	400,207	381,320
Gross profit	39,245	38,929
Selling, general and administrative expenses	56,133	51,023
Gain on sales of property and equipment	(600)	(811)
Operating loss	(16,288)	(11,283)
Other (income) expense		
Interest income	(836)	(442)
Interest expense	3,049	3,496
Equity in (income) loss of affiliates	(1,442)	63
Other income, net	(1,372)	(1,284)
Total other (income) expense	(601)	1,833
Loss before benefit from income taxes	(15,687)	(13,116)
Benefit from income taxes	(5,177)	(4,506)
Net loss	(10,510)	(8,610)
Amount attributable to non-controlling interests	(678)	50
Net loss attributable to Granite Construction Incorporated	$(11,188)	$(8,560)
Net loss per share attributable to common shareholders (see Note 11)		
Basic	$(0.28)	$(0.22)
Diluted	$(0.28)	$(0.22)
Weighted average shares of common stock		
Basic	39,433	39,215
Diluted	39,433	39,215
Dividends per common share	$0.13	$0.13

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - in thousands)

Three Months Ended March 31,	2016	2015
Net loss	$(10,510)	$(8,610)
Other comprehensive income (loss), net of tax:		
Net unrealized loss on derivatives	(891)	—
Foreign currency translation adjustments	822	(529)
Other comprehensive loss	(69)	(529)
Comprehensive loss	(10,579)	(9,139)
Non-controlling interests in comprehensive loss	(678)	50
Comprehensive loss attributable to Granite	$(11,257)	$(9,089)

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - in thousands)

Three Months Ended March 31,	2016	2015
Operating activities		
Net loss	$(10,510)	$(8,610)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	13,736	15,627
Gain on sales of property and equipment	(600)	(811)
Stock-based compensation	5,985	3,163
Equity in net income from unconsolidated joint ventures	(8,538)	(11,271)
Changes in assets and liabilities:		
Receivables	33,358	36,662
Costs and estimated earnings in excess of billings, net	(21,793)	(29,366)
Inventories	(3,891)	4,284
Contributions to unconsolidated construction joint ventures	(2,715)	(20,000)
Distributions from unconsolidated construction joint ventures	4,512	21,170
Other assets	(12,448)	(3,319)
Accounts payable	(22,081)	(28,609)
Accrued expenses and other current liabilities	14,551	14,162
Net cash used in operating activities	(10,434)	(6,918)
Investing activities		
Purchases of marketable securities	(19,948)	(9,988)
Maturities of marketable securities	5,000	10,000
Proceeds from called marketable securities	5,000	5,000
Purchases of property and equipment	(24,565)	(7,607)
Proceeds from sales of property and equipment	772	1,089
Other investing activities, net	(274)	383
Net cash used in investing activities	(34,015)	(1,123)
Financing activities		
Long-term debt principal repayments	(1,250)	(306)
Cash dividends paid	(5,124)	(5,094)
Repurchases of common stock	(4,459)	(3,191)
Other financing activities, net	744	74
Net cash used in financing activities	(10,089)	(8,517)
Decrease in cash and cash equivalents	(54,538)	(16,558)
Cash and cash equivalents at beginning of period	252,836	255,961
Cash and cash equivalents at end of period	$198,298	$239,403

Supplementary Information		
Cash paid during the period for:		
Interest	$588	$612
Income taxes	6,138	202
Other non-cash operating activities:		
Performance guarantees	$11,870	$4,736
Non-cash investing and financing activities:		
Restricted stock units issued, net of forfeitures	$20,164	$5,281
Accrued cash dividends	5,143	5,115
Accrued equipment purchases	(3,725)	2,313

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Granite Construction Incorporated ("we," "us," "our," "the Company" or "Granite") and are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to state fairly our financial position at March 31, 2016 and 2015 and the results of our operations and cash flows for the periods presented. The December 31, 2015 condensed consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP.

Our operations are typically affected more by weather conditions during the first and fourth quarters of our fiscal year which may alter our construction schedules and can create variability in our revenues and profitability. Therefore, the results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year.

We prepared the accompanying condensed consolidated financial statements on the same basis as our annual consolidated financial statements, except for the addition of the condensed consolidated statements of comprehensive loss. In addition, we adopted Accounting Standards Update ("ASU") No. 2015-02, Consolidation (Topic 810), ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) and ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements none of which had a material impact on our condensed consolidated financial statements.

Reclassifications: Certain reclassifications have been made to prior periods to conform to current year presentation.

2. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides guidance for revenue recognition and allows for both retrospective and prospective methods of adoption. This ASU's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers, which deferred the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date. In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) which requires an entity to determine whether the nature of its promise is to provide a good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). In April, 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in ASU 2014-09. These ASUs will be effective commencing with our quarter ending March 31, 2018. We are currently assessing the potential impact of these ASUs on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which, among other things, eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This ASU will be effective commencing with our quarter ending March 31, 2017. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The ASU will be effective commencing with our quarter ending March 31, 2019. We are currently assessing the potential impact of this ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships, which clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This ASU will be effective commencing with our quarter ending March 31, 2017. We do not expect any changes in the counterparty to our cash flow hedge and therefore do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This ASU will be effective commencing with our quarter ending March 31, 2017. We are currently assessing the potential impact of this ASU on our consolidated financial statements.

3. Revisions in Estimates

Our profit recognition related to construction contracts is based on estimates of costs to complete each project. These estimates can vary significantly in the normal course of business as projects progress, circumstances develop and evolve, and uncertainties are resolved. When we experience significant changes in our estimates of costs to complete, we undergo a process that includes reviewing the nature of the changes to ensure that there are no material amounts that should have been recorded in a prior period rather than as revisions in estimates for the current period. In our review of these changes for the three months ended March 31, 2016 and 2015, we did not identify any material amounts that should have been recorded in a prior period. We use the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. Under this method, revisions in estimates are accounted for in their entirety in the period of change. There can be no assurance that we will not experience further changes in circumstances or otherwise be required to further revise our cost estimates.

Revenue in an amount equal to cost incurred is recognized if there is not sufficient information to determine the estimated profit on the project with a reasonable level of certainty. The gross profit impact from projects that reached initial profit recognition is not considered to be a change in estimate for purposes of the tables below, and is therefore excluded. During the three months ended March 31, 2016 and 2015, the gross profit impact from projects reaching initial profit recognition was $4.5 million and $7.6 million, respectively. Included within the revisions in estimates for the three months ended March 31, 2016 and 2015, is an increase in revenue and gross profit of $2.8 million and $9.7 million, respectively, related to the estimated recovery of affirmative claims.

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Construction

The changes in project profitability from revisions in estimates that individually had an impact of $1.0 million or more on gross profit were net increases of $1.7 million and $4.8 million for the three months ended March 31, 2016 and 2015, respectively. There were no decreases in project profitability from revisions in estimates that individually had an impact of $1.0 million or more on gross profit for the three months ended March 31, 2016 and 2015. The projects are summarized as follows:

Increases

	Three Months Ended March 31,	
(dollars in millions)	2016	2015
Number of projects with upward estimate changes	1	3
Range of increase in gross profit from each project, net	$1.7	$1.0 - 2.2
Increase on project profitability	$1.7	$4.8

The increase during the three months ended March 31, 2016 was due to the settlement of an outstanding claim. The increases during the three months ended March 31, 2015 were due to estimated cost recovery from claims.

Large Project Construction

The net changes in project profitability from revisions in estimates, both increases and decreases, that individually had an impact of $1.0 million or more on gross profit were net decreases of $2.8 million and $0.8 million for the three months ended March 31, 2016 and 2015, respectively. There were no amounts attributable to non-controlling interests for the three months ended March 31, 2016 and the amounts attributable to non-controlling interests were $0.5 million of the net decrease for three months ended March 31, 2015. The projects are summarized as follows:

Increases

	Three Months Ended March 31,	
(dollars in millions)	2016	2015
Number of projects with upward estimate changes	2	2
Range of increase in gross profit from each project, net	$1.0 - 1.4	$1.1 - 1.9
Increase on project profitability	$2.4	$3.0

The increases during the three months ended March 31, 2016 were due to owner-directed scope changes. The increases during the three months ended March 31, 2015 were due to estimated cost recovery from claims.

Decreases

	Three Months Ended March 31,	
(dollars in millions)	2016	2015
Number of projects with downward estimate changes	2	3
Range of reduction in gross profit from each project, net	$2.1 - 3.1	$1.1 - 1.4
Decrease on project profitability	$5.2	$3.8

The decreases during the three months ended March 31, 2016 and 2015 were due to additional costs and lower productivity than originally anticipated.

4. Marketable Securities

All marketable securities were classified as held-to-maturity as of the dates presented and the carrying amounts of held-to-maturity securities were as follows:

(in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
U.S. Government and agency obligations	$23,024	$ 15,051	$ 9,290
Commercial paper	19,977	9,992	9,992
Total short-term marketable securities	43,001	25,043	19,282
U.S. Government and agency obligations	72,653	80,652	80,522
Total long-term marketable securities	72,653	80,652	80,522
Total marketable securities	$115,654	$ 105,695	$ 99,804

Scheduled maturities of held-to-maturity investments were as follows:

(in thousands)	March 31, 2016
Due within one year	$43,001
Due in one to five years	72,653
Total	$115,654

5. Fair Value Measurement

We measure our cash equivalents and interest rate and commodity swap derivative contracts at fair value in the condensed consolidated balance sheets on a recurring basis. The carrying values of receivables, other current assets, and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these instruments. During the three months ended March 31, 2016 and 2015, we did not record any fair value adjustments related to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Cash and Cash Equivalents

The following tables summarize our cash equivalents by significant investment categories (in thousands):

	Fair Value Measurement at Reporting Date Using			
March 31, 2016	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$46,094	$ —	$ —	$46,094
Total assets	$46,094	$ —	$ —	$46,094

	Fair Value Measurement at Reporting Date Using			
December 31, 2015	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$62,024	$ —	$ —	$62,024
Total assets	$62,024	$ —	$ —	$62,024

	Fair Value Measurement at Reporting Date Using			
March 31, 2015	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$54,709	$ —	$ —	$54,709

Total assets	$54,709	$ —	$ —	$54,709

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A reconciliation of cash equivalents to consolidated cash and cash equivalents is as follows:

(in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Cash equivalents	$46,094	$ 62,024	$54,709
Cash	152,204	190,812	184,694
Total cash and cash equivalents	$198,298	$ 252,836	$239,403

Derivatives

We recognize derivative instruments as either assets or liabilities in the condensed consolidated balance sheets at fair value using Level 2 inputs.

Interest Rate Swaps

In January 2016, we entered into an interest rate swap designated as a cash flow hedge with an effective date of April 29, 2016 and an initial notional amount of $98.8 million. This interest rate swap matures in October 2020. The interest rate swap is designed to convert the interest rate on the term loan described in Note 10 from a variable rate of interest of LIBOR plus an applicable margin to a fixed rate of 1.47% plus the same applicable margin. As of March 31, 2016, the fair value of the cash flow hedge was $1.5 million and was included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. During the three months ended March 31, 2016, the loss, net of taxes, on the effective portion was $0.9 million that was reported as a component of accumulated other comprehensive income (loss) and there was no ineffective portion. As of March 31, 2016, there was no interest expense associated with the swap and we estimate $0.7 million to be reclassified from accumulated other comprehensive income into pre-tax earnings within the next twelve months.

In March 2014, we entered into an interest rate swap with a notional amount of $100.0 million which matures in June 2018 designed to convert the interest rate of our 2019 Notes (defined in Note 10) from a fixed rate of 6.11% to a variable rate of 4.15% plus six-month LIBOR. As of March 31, 2016, December 31, 2015 and March 31, 2015, the fair value of the interest rate swap was $1.9 million, $0.6 million and $1.7 million and was included in other current assets on the condensed consolidated balance sheets. During the three months ended March 31, 2016 and 2015, net gains were $1.3 million and $1.3 million and were included in other income, net on our condensed consolidated statements of operations.

Other Derivatives

In March 2014, we entered into two diesel commodity swaps covering the periods from May 2014 to October 2014 and from May 2015 to October 2015 which represented roughly 25% of our forecasted purchases for diesel during these periods. In May 2014, we entered into two natural gas commodity swaps covering the periods from June 2014 to October 2014 and from May 2015 to October 2015 representing roughly 25% of our forecasted purchases of natural gas during these periods. As of March 31, 2015, the fair value of the commodity swap was $1.9 million and was included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. During the three months ended March 31, 2015, we recorded net losses of $0.2 million that were included in other (income) expense, net in our condensed consolidated statements of operations.

Other Assets and Liabilities

The carrying values and estimated fair values of our financial instruments that are not required to be recorded at fair value in the condensed consolidated balance sheets are as follows:

(in thousands)	Fair Value Hierarchy	March 31, 2016 Carrying Value	March 31, 2016 Fair Value	December 31, 2015 Carrying Value	December 31, 2015 Fair Value	March 31, 2015 Carrying Value	March 31, 2015 Fair Value
Assets:							
Held-to-maturity marketable securities	Level 1	$115,654	$115,692	$105,695	$105,336	$99,804	$99,811
Liabilities (including current maturities):							
2019 Notes[1]	Level 3	$160,000	$169,744	$160,000	$165,731	$200,000	$222,973
Credit Agreement loan[1]	Level 3	98,750	99,316	100,000	99,375	70,000	70,391

[1]The fair values of the 2019 Notes and Credit Agreement (defined in Note 10) loan are based on borrowing rates available to us for long-term loans with similar terms, average maturities, and credit risk.

6. Receivables, net

(in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Construction contracts:			
Completed and in progress	$178,974	$ 206,756	$163,671
Retentions	93,495	91,670	74,718
Total construction contracts	272,469	298,426	238,389
Construction Material sales	23,392	28,727	26,776
Other	11,940	14,033	6,504
Total gross receivables	307,801	341,186	271,669
Less: allowance for doubtful accounts	318	364	341
Total net receivables	$307,483	$ 340,822	$271,328

Receivables include amounts billed and billable to clients for services provided as of the end of the applicable period and, except for escrow receivables, do not bear interest. To the extent costs have not been billed or are not contractually billable, such as claim recovery estimates, the contract balance is included in costs and estimated earnings in excess of billings, billings in excess of costs and estimated earnings or in equity in construction joint ventures on the condensed consolidated balance sheets. As of March 31, 2016, December 31, 2015 and March 31, 2015, claim recovery estimates were included in these balances and combined were approximately $56.1 million, $48.5 million and $9.7 million, respectively. Ultimate settlement with the customer is dependent on the claims resolution process and could extend beyond one year or the project operating cycle. Included in other receivables at March 31, 2016, December 31, 2015 and March 31, 2015 were items such as back charges, notes receivable, fuel tax refunds, receivables from vendors and income tax refunds. No such receivables individually exceeded 10% of total net receivables at any of these dates.

Certain construction contracts include retainage provisions and the associated retention receivables are considered financing receivables. The balances billed but not paid by customers pursuant to these provisions generally become due upon completion and acceptance of the project work or products by the owners. No retention receivable individually exceeded 10% of total net receivables at any of the presented dates. As of March 31, 2016, the majority of the retentions receivable are expected to be collected within one year.

We segregate our retention receivables into two categories: escrow and non-escrow. The balances in each category were as follows:

(in thousands)	March 31, 2016	December 31, 2015