SERVICE CORP INTERNATIONAL
Form 10-K/A
February 21, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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 1-6402-1
Service Corporation International
(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	74-1488375 (I.R.S. employer identification no.)
1929 Allen Parkway Houston, Texas (Address of principal executive offices)	77019 (Zip code)

Registrant's telephone number, including area code:
713-522-5141

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($1 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in the Securities Exchange Act of 1934 Rule 12b-2). Yes o   No þ

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming that the registrant's only affiliates are its executive officers and directors) was $5,043,314,251 based upon a closing market price of $27.04 on June 30, 2016 of a share of common stock as reported on the New York Stock Exchange.

The number of shares outstanding of the registrant's common stock as of February 13, 2017 was 188,227,807 (net of treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement in connection with its 2017 Annual Meeting of Stockholders (Part III).

SERVICE CORPORATION INTERNATIONAL
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Item 8 is being amended herein because the audit report included in the original filing lacked an electronic signature of our independent auditor due to a filing error. The signed audit report and financial statements are included with this amendment.

PART II

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS AND RELATED SCHEDULE

All other schedules have been omitted because the required information is not applicable or is not present in amounts sufficient to require submission or because the information required is included in the consolidated financial statements or the related notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Service Corporation International
In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Service Corporation International and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
February 15, 2017

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SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Revenue	$3,031,137	$2,986,041	$2,994,011
Costs and expenses	(2,354,703)	(2,311,452)	(2,318,326)
Gross profit	676,434	674,589	675,685
General and administrative expenses	(137,730)	(130,813)	(184,749)
(Losses) gains on divestitures and impairment charges, net	(26,819)	6,522	116,613
Operating income	511,885	550,298	607,549
Interest expense	(162,093)	(172,897)	(177,571)
Losses on early extinguishment of debt, net	(22,503)	(6,918)	(29,158)
Other (expense) income, net	(631)	(132)	1,780
Income from continuing operations before income taxes	326,658	370,351	402,600
Provision for income taxes	(149,353)	(135,027)	(225,980)
Income from continuing operations	177,305	235,324	176,620
Net (loss) income from discontinued operations, net of tax	—	(390)	2,186
Net income	177,305	234,934	178,806
Net income attributable to noncontrolling interests	(267)	(1,162)	(6,337)
Net income attributable to common stockholders	$177,038	$233,772	$172,469
Basic earnings per share:			
Net income attributable to common stockholders	$0.92	$1.17	$0.82
Basic weighted average number of shares	193,086	200,356	210,741
Diluted earnings per share:			
Net income attributable to common stockholders	$0.90	$1.14	$0.81
Diluted weighted average number of shares	196,042	204,450	214,200
Dividends declared per share	$0.51	$0.44	$0.34

(See notes to consolidated financial statements)

SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2016	2015	2014
	(In thousands)		
Net income	$177,305	$234,934	$178,806
Other comprehensive income:			
Foreign currency translation adjustments	10,331	(53,283)	(32,096)
Reclassification of foreign currency translation adjustments to discontinued operations	—	—	3,114
Total comprehensive income	187,636	181,651	149,824
Total comprehensive income attributable to noncontrolling interests	(270)	(1,129)	(6,382)
Total comprehensive income attributable to common stockholders	$187,366	$180,522	$143,442

(See notes to consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL

CONSOLIDATED BALANCE SHEET

	December 31, 2016	2015
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$194,986	$134,599
Receivables, net	98,455	90,462
Inventories	26,431	27,835
Other	34,524	47,155
Total current assets	354,396	300,051
Preneed funeral receivables, net and trust investments	1,817,445	1,760,297
Preneed cemetery receivables, net and trust investments	2,487,720	2,318,167
Cemetery property	1,776,935	1,753,015
Property and equipment, net	1,827,587	1,846,722
Goodwill	1,799,081	1,796,340
Deferred charges and other assets	567,520	582,378
Cemetery perpetual care trust investments	1,407,465	1,319,427
Total assets	$12,038,149	$11,676,397
LIABILITIES & EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$439,936	$422,816
Current maturities of long-term debt	89,974	86,823
Income taxes payable	7,960	1,373
Total current liabilities	537,870	511,012
Long-term debt	3,196,616	3,037,605
Deferred preneed funeral revenue	581,280	557,897
Deferred preneed cemetery revenue	1,150,137	1,120,001
Deferred tax liability	454,638	470,584
Other liabilities	510,322	496,947
Deferred preneed receipts held in trust	3,103,796	2,973,386
Care trusts' corpus	1,408,243	1,319,564
Commitments and contingencies (Note 11)		
Equity:		
Common stock, $1 per share par value, 500,000,000 shares authorized, 195,403,644 and 200,859,676 shares issued, respectively, and 189,405,244 and 195,772,876 shares outstanding, respectively	189,405	195,773
Capital in excess of par value	990,203	1,092,106
Accumulated deficit	(103,387)	(109,351)
Accumulated other comprehensive income	16,492	6,164
Total common stockholders' equity	1,092,713	1,184,692
Noncontrolling interests	2,534	4,709
Total equity	1,095,247	1,189,401
Total liabilities and equity	$12,038,149	$11,676,397

(See notes to consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Cash flows from operating activities:			
Net income	$177,305	$234,934	$178,806
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations, net of tax	—	390	(2,186)
Losses on early extinguishment of debt, net	22,503	6,918	29,158
Premiums paid on early extinguishment of debt	(20,524)	(6,549)	(24,804)
Depreciation and amortization	147,233	141,456	140,002
Amortization of intangible assets	30,956	31,459	36,640
Amortization of cemetery property	66,745	62,407	60,439
Amortization of loan costs	5,826	9,434	8,825
Provision for doubtful accounts	10,776	6,083	7,376
Provision for deferred income taxes	7,490	18,048	129,671
Losses (gains) on divestitures and impairment charges, net	26,819	(6,522)	(116,613)
Share-based compensation	14,056	13,843	13,127
Excess tax benefits from share-based awards	(12,685)	(18,123)	(30,123)
Change in assets and liabilities, net of effects from acquisitions and dispositions:			
(Increase) decrease in receivables	(14,198)	464	(18,644)
Decrease (increase) in other assets	17,855	2,457	(11,013)
Increase (decrease) in payables and other liabilities	47,888	20,567	(12,038)
Effect of preneed funeral production and maturities:			
Decrease in preneed funeral receivables, net and trust investments	17,506	24,918	30,357
Increase (decrease) in deferred preneed funeral revenue	9,329	6,199	(23,069)
Decrease in deferred preneed receipts held in trust	(41,607)	(52,946)	(52,869)
Effect of preneed cemetery production and maturities:			
Increase in preneed cemetery receivables, net and trust investments	(90,900)	(73,038)	(43,964)
Increase in deferred preneed cemetery revenue	25,446	60,960	54,049
Increase (decrease) in deferred preneed receipts held in trust	15,776	(11,173)	(34,664)
Other	—	—	(108)
Net cash provided by operating activities from continuing operations	463,595	472,186	318,355
Net cash used in operating activities from discontinued operations	—	—	(1,000)
Net cash provided by operating activities	463,595	472,186	317,355
Cash flows from investing activities:			
Capital expenditures	(193,446)	(150,986)	(144,499)
Acquisitions, net of cash acquired	(69,146)	(41,258)	(15,336)
Proceeds from divestitures and sales of property and equipment	41,310	16,772	424,383
Net withdrawals (deposits) of restricted funds and other	5,150	8,066	(12,225)
Net cash (used in) provided by investing activities from continuing operations	(216,132)	(167,406)	252,323
Net cash provided by investing activities from discontinued operations	—	987	4,963
Net cash (used in) provided by investing activities	(216,132)	(166,419)	257,286
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	1,060,000	446,250	755,000
Debt issuance costs	(5,232)	(6,025)	(10,500)
Payments of debt	(36,414)	(160,220)	(230,561)

Early extinguishment of debt	(875,110)	(197,377)	(762,764)
Principal payments on capital leases	(33,119)	(28,601)	(29,380)
Proceeds from exercise of stock options	17,662	31,809	32,376
Excess tax benefits from share-based awards	12,685	18,123	30,123
Purchase of Company common stock	(227,928)	(345,261)	(242,874)
Payments of dividends	(98,418)	(87,570)	(71,517)
Purchase of noncontrolling interest	(1,961)	(2,075)	(15,000)
Bank overdrafts and other	(1,095)	(7,531)	7,130
Net cash used in financing activities	(188,930)	(338,478)	(537,967)

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SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Net change in cash of discontinued operations	—	—	1,361
Effect of foreign currency	1,854	(10,025)	(2,284)
Net increase (decrease) in cash and cash equivalents	60,387	(42,736)	35,751
Cash and cash equivalents at beginning of period	134,599	177,335	141,584
Cash and cash equivalents at end of period	$194,986	$134,599	$177,335

(See notes to consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF EQUITY

	Common Stock	Treasury Stock, Par Value	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	(In thousands, except per share amounts)						
Balance at December 31, 2013	$212,327	$(10)	$1,259,348	$(90,026)	$ 88,441	$ 10,148	$1,480,228
Comprehensive income	—	—	—	172,469	(29,027)	6,382	149,824
Dividends declared on common stock ($.34 per share)	—	—	(71,517)	—	—	—	(71,517)
Stock option exercises	3,642	—	29,495	—	—	—	33,137
Restricted stock award, net of forfeitures and other	352	—	(352)	—	—	—	—
Employee share-based compensation earned	—	—	13,127	—	—	—	13,127
Purchase of Company common stock	—	(11,537)	(67,796)	(164,302)	—	—	(243,635)
Tax benefits of share-based awards	—	—	30,123	—	—	—	30,123
Purchase of noncontrolling interest	—	—	(7,441)	—	—	(7,559)	(15,000)
Noncontrolling interest payments	—	—	—	—	—	(319)	(319)
Retirement of treasury shares	(10,956)	10,956	—	—	—	—	—
Other	93	—	1,317	—	—	—	1,410
Balance at December 31, 2014	$205,458	$(591)	$1,186,304	$(81,859)	$ 59,414	$ 8,652	$1,377,378
Comprehensive income	—	—	—	233,772	(53,250)	1,129	181,651
Dividends declared on common stock ($.44 per share)	—	—	(87,570)	—	—	—	(87,570)
Stock option exercises	3,054	—	28,877	—	—	—	31,931
Restricted stock awards, net of forfeitures	254	(9)	(245)	—	—	—	—
Employee share-based compensation earned	—	—	13,843	—	—	—	13,843
Purchase of Company common stock	—	(12,455)	(71,664)	(261,264)	—	—	(345,383)
Tax benefits related to share-based awards	—	—	18,123	—	—	—	18,123
Purchase of noncontrolling interest	—	—	2,775	—	—	(4,850)	(2,075)
	—	—	—	—	—	(222)	(222)

Noncontrolling interest payments							
Retirement of treasury shares	(7,969)	7,969	—	—	—	—	—
Other	62	—	1,663	—	—	—	1,725
Balance at December 31, 2015	$200,859	$(5,086)	$1,092,106	$(109,351)	$ 6,164	$ 4,709	$1,189,401
Comprehensive income	—	—	—	177,038	10,328	270	187,636
Dividends declared on common stock ($.51 per share)	—	—	(98,418)	—	—	—	(98,418)
Stock option exercises	2,108	—	15,554	—	—	—	17,662
Restricted stock awards, net of forfeitures	241	(1)	(240)	—	—	—	—
Employee share-based compensation earned	—	—	14,056	—	—	—	14,056
Purchase of Company common stock	—	(8,812)	(48,042)	(171,074)	—	—	(227,928)
Tax benefits related to share-based awards	—	—	12,685	—	—	—	12,685
Purchase of noncontrolling interest	—	—	364	—	—	(2,325)	(1,961)
Noncontrolling interest payments	—	—	—	—	—	(120)	(120)
Retirement of treasury shares	(7,901)	7,901	—	—	—	—	—
Other	96	—	2,138	—	—	—	2,234
Balance at December 31, 2016	$195,403	$(5,998)	$990,203	$(103,387)	$ 16,492	$ 2,534	$1,095,247

(See notes to consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

We are North America’s largest provider of deathcare products and services, with a network of funeral service locations and cemeteries operating in the United States and Canada. Our funeral service and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and other related businesses, which enable us to serve a wide array of customer needs. We sell cemetery property and funeral and cemetery merchandise and services at the time of need and on a preneed basis.

Funeral service locations provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles, arranging and directing services, removal, preparation, embalming, cremations, memorialization, and catering. Funeral merchandise, including burial caskets and related accessories, urns and other cremation receptacles, outer burial containers, flowers, online and video tributes, stationery products, casket and cremation memorialization products, and other ancillary merchandise, is sold at funeral service locations.

Our cemeteries provide cemetery property interment rights, including developed lots, lawn crypts, mausoleum spaces, niches, and other cremation memorialization and interment options. Cemetery merchandise and services, including memorial markers and bases, outer burial containers, flowers and floral placement, other ancillary merchandise, graveside services, merchandise installation, travel protection, and burial openings and closings, are sold at our cemeteries.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include the accounts of Service Corporation International (SCI) and all subsidiaries in which we hold a controlling financial interest. Our financial statements also include the accounts of the funeral merchandise and service trusts, cemetery merchandise and service trusts, and cemetery perpetual care trusts in which we have a variable interest and are the primary beneficiary. Intercompany balances and transactions have been eliminated in consolidation.

Reclassifications to Prior Period Financial Statements and Adjustments

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation with no effect on our previously reported results of operations, consolidated financial position, or cash flows. For the year 2016, we recorded in General and administrative expenses an out-of-period expense of $5.5 million for previously improperly capitalized acquisition costs. Such amounts are immaterial to both current and prior period financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results could differ from these estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amounts of our cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Accounts Receivable and Allowance for Doubtful Accounts

Our trade receivables primarily consist of amounts due for funeral services already performed. We provide various allowances and cancellation reserves for our funeral and cemetery preneed and atneed receivables as well as for our preneed funeral and preneed cemetery deferred revenue. These allowances are based on an analysis of historical trends of collection and cancellation activity. Atneed funeral and cemetery receivables are considered past due after 30 days. Collections are generally managed by the locations or third party agencies acting on behalf of the locations, until a receivable is 180 days delinquent at which time it is fully reserved and sent to a collection agency. These estimates are impacted by a number of factors, including changes in the economy, relocation, and demographic or competitive

changes in our areas of operation.
Inventories and Cemetery Property
Funeral and cemetery merchandise are stated at the lower of average cost or market. Cemetery property is recorded at cost. Inventory costs and cemetery property are relieved using specific identification in performance of a contract. Amortization expense for cemetery property was $66.7 million, $62.4 million, and $60.4 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Property and Equipment, Net
Property and equipment are recorded at cost. Maintenance and repairs are charged to expense whereas renewals and major replacements that extend the assets useful lives are capitalized. Depreciation is recognized ratably over the estimated useful lives of the various classes of assets. Buildings are depreciated over a period ranging from seven to forty years, equipment is depreciated over a period from three to eight years, and leasehold improvements are depreciated over the shorter of the lease term or ten years. Depreciation and amortization expense related to property and equipment was $147.2 million, $141.5 million, and $140.0 million for the years ended December 31, 2016, 2015, and 2014, respectively. When property is sold or retired, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheet; resulting gains and losses are included in the Consolidated Statement of Operations in the period of sale or disposal.
Leases
We have lease arrangements related to funeral service locations and transportation equipment that were primarily classified as capital leases at December 31, 2016. Lease terms related to funeral service locations generally range from one to 40 years with options to renew at varying terms. Lease terms related to transportation equipment generally range from one to five years with options to renew at varying terms. We calculate operating lease expense ratably over the lease term. We consider reasonably assured renewal options and fixed escalation provisions in our calculation. For more information related to leases, see Note 11.
Goodwill
The excess of purchase price over the fair value of identifiable net assets acquired in business combinations is recorded as goodwill. Goodwill is tested annually during the fourth quarter for impairment by assessing the fair value of each of our reporting units.
Our goodwill impairment test involves estimates and management judgment. In the first step of our goodwill impairment test, we compare the fair value of a reporting unit to its carrying amount, including goodwill. We determine fair value of each reporting unit using both a market and income approach. Our methodology considers discounted cash flows and multiples of EBITDA (earnings before interest, taxes, depreciation, and amortization). The discounted cash flow valuation uses projections of future cash flows and includes assumptions concerning future operating performance and economic conditions that may differ from actual future cash flows. We do not record an impairment of goodwill in instances where the fair value of a reporting unit exceeds its carrying amount. If the aggregate fair value is less than the related carrying amount for a reporting unit, we compare the implied fair value of goodwill to the carrying amount of goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.
For our most recent annual impairment test performed in the fourth quarter, we used a 6.5% discount rate, growth rates ranging from 1.2% to 5.7% over a five-year period, plus a terminal value determined using the constant growth method in projecting our future cash flows. Fair value was calculated as the sum of the projected discounted cash flows of our reporting units over the next five years plus terminal value at the end of those five years. Our terminal value was calculated using a long-term growth rate of 2.5% and 2.9% for our funeral and cemetery reporting units, respectively.
In addition to our annual review, we assess the impairment of goodwill whenever certain events or changes in circumstances indicate that the carrying value may be greater than fair value. Factors that could trigger an interim impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant negative industry or economic trends. No interim goodwill impairment reviews were required in 2016 or 2015. For more information related to goodwill, see Note 7.
Other Intangible Assets
Our intangible assets include customer relationships, trademarks and tradenames, and other intangible assets primarily resulting from acquisitions. Our trademark and tradenames and certain other intangible assets are considered to have an indefinite life and are not subject to amortization. We test for impairment of intangible assets annually during the fourth quarter.
Our intangible assets impairment tests involve estimates and management judgment. For trademark and tradenames, our test uses the relief from royalty method whereby we determine the fair value of the assets by discounting the cash flows that represent a savings over having to pay a royalty fee for use of the trademark and tradenames. The

discounted cash flow valuation uses projections of future cash flows and includes assumptions concerning future operating performance and economic conditions that may differ from actual future cash flows. For our most recent annual impairment test performed in the fourth quarter, we estimated that the pre-tax savings would range from 1.0% to 4.0% of the revenue associated with the trademark and tradenames, based primarily on our research of intellectual property valuation and licensing databases. We also assumed a terminal growth rate of 2.5% and 2.9% for our funeral and cemetery segments, respectively, and discounted the cash flows at a 6.7% discount rate based on the relative risk of these assets to our overall business.

In addition to our annual review, we assess the impairment of intangible assets whenever certain events or changes in circumstances indicate that the carrying value may be greater than the fair value. Factors that could trigger an interim impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results and significant negative industry or economic trends. No interim intangible impairment reviews were required in 2016 or 2015.

Certain of our intangible assets associated with prior acquisitions are relieved using specific identification in performance of a contract. We amortize all other finite-lived intangible assets on a straight-line basis over their estimated useful lives which range from two to forty years. For more information related to intangible assets, see Note 7.

Fair Value Measurements

We measure the available-for-sale securities held by our funeral merchandise and service, cemetery merchandise and service, and cemetery perpetual care trusts at fair value on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Certain available-for-sale securities held by our funeral merchandise and service, cemetery merchandise and service, and cemetery perpetual care trusts have been classified in Level 3 of the hierarchy due to the significant management judgment required as a result of the absence of quoted market prices, inherent lack of liquidity, or the long-term nature of the securities. For additional disclosures for all of our available-for-sale securities, see Notes 3, 4, and 5.

Treasury Stock

We make treasury stock purchases in the open market or through privately negotiated transactions subject to market conditions and normal trading restrictions. We account for the repurchase of our common stock under the par value method. In 2016, we canceled 7.9 million shares of common stock held in our treasury. We canceled 8.0 million and 11.0 million shares of common stock held in our treasury in 2015 and 2014, respectively. These retired treasury shares were changed to authorized but unissued status.

Foreign Currency Translation

All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars at exchange rates in effect as of the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the reporting period. The resulting translation adjustments are included in Equity as a component of Accumulated other comprehensive income in the Consolidated Statement of Equity and Consolidated Balance Sheet.

The functional currency of SCI and its subsidiaries is the respective local currency. The transactional currency gains and losses that arise from transactions denominated in currencies other than the functional currencies of our operations are recorded in Other (expense) income , net in the Consolidated Statement of Operations. We do not have an investment in foreign operations considered to be in highly inflationary economies.

Funeral Operations

Revenue is recognized when funeral merchandise is delivered or funeral services are performed. We sell price-guaranteed preneed funeral contracts through various programs providing for future funeral services at prices prevailing when the agreements are signed. Revenue associated with sales of preneed funeral contracts is deferred until funeral merchandise is delivered or the funeral services are performed, generally at the time of need. Travel protection and certain memorialization merchandise sold on a preneed basis is delivered to the customer at the time of sale and is recognized at the time delivery has occurred. While these items are sold as part of preneed funeral arrangements they are also offered on a stand-alone basis. The total consideration received for these arrangements is allocated to each item based on relative selling price determined using either vendor specific objective evidence of the selling price or third-party evidence of selling price. Vendor specific objective evidence of the selling price is determined based on the price we sell the items for on a stand-alone basis. Third-party evidence of selling price is based on the price of our largely interchangeable products that are sold in stand-alone sales to similarly situated customers. There is no general right of return for delivered items.

Pursuant to state or provincial law, all or a portion of the proceeds from funeral merchandise or services sold on a preneed basis may be required to be paid into trust funds. We defer investment earnings related to these merchandise and service trusts until the associated merchandise is delivered or services are performed. Costs related to sales of merchandise and services are charged to expense when merchandise is delivered or services are performed. Sales taxes collected are recognized on a net basis in our consolidated financial statements. See Note 3 for more information regarding preneed funeral activities.

Cemetery Operations

Revenue associated with sales of cemetery merchandise and services is recognized when merchandise is delivered or the service is performed. Revenue associated with sales of preneed cemetery property interment rights is deferred until the property is constructed and a minimum of 10% of the sales price is collected. For non-personalized merchandise (such as vaults) and services, we defer the revenue until the merchandise is delivered or the services are performed. For personalized marker merchandise, with the customer's direction generally obtained at the time of sale, we can choose to order, store, and transfer title to the customer. In situations in which we have no further obligation or involvement related to the merchandise, we recognize revenue and record the cost of sales upon the earlier of vendor storage of these items or delivery in our cemetery. The total consideration received for these arrangements is allocated to each item based on relative selling price determined using vendor specific objective evidence of the selling price. Vendor specific objective evidence of the selling price is determined based on the price we sell the items for on a stand-alone basis. There is no general right of return for delivered items.

Pursuant to state or provincial law, all or a portion of the proceeds from cemetery merchandise or services sold on a preneed basis may be required to be paid into trust funds. We defer investment earnings related to these merchandise and services trusts until the associated merchandise is delivered or services are performed.

A portion of the proceeds from the sale of cemetery property interment rights is required by state or provincial law to be paid into perpetual care trust funds. Investment earnings from these trusts are distributed to us regularly, are recognized in current cemetery revenue, and are intended to defray cemetery maintenance costs, which are expensed as incurred. The principal of such perpetual care trust funds generally cannot be withdrawn.

Costs related to the sale of property interment rights include the property and construction costs specifically identified by project. Property and construction costs are charged to expense when the revenue is recognized by specific identification in the performance of a contract. Costs related to sales of merchandise and services are charged to expense when merchandise is delivered or when services are performed. Sales taxes collected are recognized on a net basis in our consolidated financial statements. See Notes 4 and 5 for more information regarding preneed cemetery and perpetual care activities.

Preneed Funeral and Cemetery Receivables

We sell preneed contracts whereby the customer enters into arrangements for future merchandise and services prior to the time of need. As these contracts are entered into prior to the delivery of the related merchandise and services, the preneed funeral and cemetery receivables are offset by a comparable deferred revenue amount. These receivables have an interest component for which interest income is recorded when the interest amount is considered collectible and realizable, which typically coincides with cash payment. We do not accrue interest on financing receivables that are not paid in accordance with the contractual payment date given the nature of our merchandise and services, the nature of our contracts with customers, and the timing of the delivery of our services. We do not consider receivables to be past due until the merchandise or services are required to be delivered at which time the preneed receivable is paid or reclassified as a trade receivable with payment terms of less than 30 days. As the preneed funeral and cemetery receivables are offset by comparable deferred revenue amounts, we have no risk of loss related to these receivables.

If a preneed contract is canceled prior to delivery, state or provincial law determines the amount of the refund owed to the customer, if any, including the amount of the attributed investment earnings. Upon cancellation, we receive the amount of principal deposited to the trust and previously undistributed net investment earnings and, where required, issue a refund to the customer. We retain excess funds, if any, and recognize the attributed investment earnings (net of any investment earnings payable to the customer) as revenue in the Consolidated Statement of Operations. In certain jurisdictions, we may be obligated to fund any shortfall if the amount deposited by the customer exceeds the funds in trust. Based on our historical experience, we have provided an allowance for cancellation of these receivables, which is recorded as a reduction in receivables with a corresponding offset to deferred revenue.

Income Taxes

We compute income taxes using the liability method. Our ability to realize the benefit of our deferred tax assets requires us to achieve certain future earnings levels. We have established a valuation allowance against a portion of our deferred tax assets and we could be required to further adjust that valuation allowance in the near term if market conditions change materially and future earnings are, or are projected to be, significantly different than our current estimates. An increase in the valuation allowance would result in additional income tax expense in such period. All deferred tax assets and liabilities, along with any related valuation allowances are classified as non-current on our Consolidated Balance Sheet.

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the FASB issued"Revenue from Contracts with Customers,"which replaces most existing revenue recognition guidance. During 2016, the FASB made several amendments to the new standard that clarified guidance on several matters, including principal vs. agent considerations, identifying performance obligations, sales taxes, and licensing.

The new standard, as amended, requires that we recognize revenue in the amount to which we expect to be entitled for delivery of promised goods and services to our customers. The new standard will also result in enhanced revenue related disclosures, including any significant judgments and changes in judgments. Additionally, the new standard requires the deferral of incremental selling costs to the period in which the underlying revenue is recognized.

The new standard will be effective for us beginning January 1, 2018 and we intend to implement the standard with the modified retrospective approach, which recognizes the cumulative effect of application recognized on that date. We have not fully determined the impact on the new standard on our consolidated results of operations, consolidated financial position, and cash flows. However, we believe the standard primarily impacts the manner in which we recognize certain nonrefundable up-front fees and incremental costs to acquire new preneed funeral trust contracts and preneed and atneed cemetery contracts (i.e., selling costs). The nonrefundable fees will be deferred and recognized as revenue when the underlying goods and services are delivered to the customer. The incremental selling costs will be deferred and amortized by specific identification to the delivery of the underlying goods and services.

We will continue to expense costs to acquire new preneed funeral insurance contracts in the period incurred. The insurance contracts are not and will not be reflected in our Consolidated Balance Sheet because they do not represent assets or liabilities as we have no claim to the insurance proceeds until the contract is fulfilled and no obligation under the contract until the benefits are assigned to us after the time of need.

Inventory

In July 2015, the FASB amended "Inventory" to state that an entity using an inventory method other than last-in, first out ("LIFO") or the retail inventory method should measure inventory at the lower of cost or net realizable value. The new guidance clarifies that net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance was effective for us on January 1, 2017 and adoption did not materially impact our consolidated results of operations, consolidated financial position, and cash flows.

Financial Instruments

In January 2016, the FASB amended "Financial Instruments" to provide additional guidance on the recognition and measurement of financial assets and liabilities. The amendment requires investments in equity instruments to be measured at fair value with changes in fair value reflected in net income. The new guidance is effective for us on January 1, 2018, and we are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

In June 2016, the FASB amended "Financial Instruments" to provide financial statement users with more decision-useful information about the expected credit losses on debt instruments and other commitments to extend credit held by a reporting entity at each reporting date. This amendment replaces the incurred loss impairment methodology in the current standard with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for us on January 1, 2020, and we are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

Leases

In February 2016, the FASB amended "Leases" to increase transparency and comparability among organizations. Under the new standard, an entity will be required to recognize lease assets and liabilities on its balance sheet and disclose key information about leasing arrangements. In addition, the new standard offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This new standard will be effective for us on January 1, 2019. We are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

Stock Compensation

In March 2016, the FASB amended "Stock Compensation" to simplify certain aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for us on January 1, 2017. If we had adopted this amendment for the year ended December 31, 2016, Net cash provided by operating activities and Net cash used in financing activities would have both increased by $12.7 million and our Provision for income taxes would have decreased by $12.7 million.

Cash Flow

In August and November 2016, the FASB amended "Statement of Cash Flows" to clarify guidance on the classification of certain cash receipts and cash payments. Additionally, the guidance requires that the statement of cash flows reflect changes in restricted cash in addition to cash and cash equivalents. Amended guidance includes clarification on debt prepayment and extinguishment costs, contingent consideration in business combinations, proceeds from insurance claims, and premium payments on company-owned life insurance. The new guidance is effective for us on January 1, 2018, and we are still evaluating the impact of adoption on our consolidated statement of cash flows.

Goodwill

In January 2017, the FASB amended "Goodwill" to simplify the subsequent measurement of goodwill. Amended guidance eliminates Step 2 from the goodwill impairment test. Instead, impairment is defined as the amount by which the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill. The new guidance is effective for us on January 1, 2020, and we are evaluating the impact on our consolidated results of operations, consolidated financial position, and cash flows.

3. Preneed Funeral Activities

Preneed funeral receivables, net and trust investments

Preneed funeral receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, related to unperformed, price-guaranteed preneed funeral contracts. Our funeral merchandise and service trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed funeral revenue into Deferred preneed receipts held in trust. Amounts are withdrawn from the trusts after the contract obligations are performed. Cash flows from preneed funeral contracts are presented as operating cash flows in our Consolidated Statement of Cash Flows.

Preneed funeral receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed funeral revenue until the merchandise is delivered or the service is performed.

The table below sets forth certain investment-related activities associated with our preneed funeral merchandise and service trusts for the years ended December 31:

	2016	2015	2014
		(In thousands)	
Deposits	$121,668	$ 121,109	$102,553
Withdrawals	$157,549	$ 160,135	$131,352
Purchases of available-for-sale securities(1)	$377,813	$ 453,092	$1,238,257
Sales of available-for-sale securities(1)	$387,959	$ 458,236	$1,318,512

(1) The higher level of activity in 2014 was the result of changing the legal structure of the trust investments.

The components of Preneed funeral receivables, net and trust investments in our Consolidated Balance Sheet at December 31 were as follows:

	2016	2015
	(In thousands)	
Trust investments, at market	$1,152,752	$1,109,394
Cash and cash equivalents	122,517	134,642
Assets associated with businesses held for sale	—	(39)
Insurance-backed fixed income securities	271,248	271,116
Trust investments	1,546,517	1,515,113
Receivables from customers	312,556	290,689
Unearned finance charge	(12,562)	(11,235)
	1,846,511	1,794,567
Allowance for cancellation	(29,066)	(34,270)
Preneed funeral receivables, net and trust investments	$1,817,445	$1,760,297

The activity in Preneed funeral receivables, net and trust investments for the years ended December 31 was as follows:

	2016	2015	2014
		(In thousands)	
Beginning balance — Preneed funeral receivables and trust investments	$1,760,297	$1,843,023	$1,870,243
Net preneed contract sales	296,896	283,927	247,994
Cash receipts from customers, net of refunds	(246,436)	(234,413)	(211,830)
Deposits to trust	121,668	121,109	102,553
Acquisitions (divestitures) of businesses, net	3,560	1,400	(19,203)
Net undistributed investment earnings (losses) (1)	65,954	(38,510)	22,480
Maturities and distributed earnings	(193,604)	(200,635)	(162,059)
Change in cancellation allowance	5,295	2,787	7,644
Effect of foreign currency and other	3,815	(18,391)	(14,799)
Ending balance — Preneed funeral receivables and trust investments	$1,817,445	$1,760,297	$1,843,023

(1) Includes both realized and unrealized investment earnings.

The cost and market values associated with our funeral merchandise and service trust investments recorded at fair value at December 31, 2016 and 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Fair value represents the value of the underlying securities held by the trusts.

		December 31, 2016			
	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	$75,245	$317	$(557)	$75,005
Canadian government	2	55,752	272	(42)	55,982
Corporate	2	12,702	177	(92)	12,787
Residential mortgage-backed	2	29	1	—	30
Asset-backed	2	58	—	(3)	55
Equity securities:					
Preferred stock	2	1,428	81	(39)	1,470
Common stock:					
United States	1	334,854	49,785	(11,525)	373,114
Canada	1	11,853	2,592	(263)	14,182
Other international	1	25,761	1,824	(3,167)	24,418
Mutual funds:					
Equity	1	313,132	7,780	(26,842)	294,070
Fixed income	1	92,760	1,344	(7,368)	86,736
Other	3	4,079	1,214	(17)	5,276
Trust investments, at fair value		927,653	65,387	(49,915)	943,125
Fixed income commingled funds		168,959	3,177	(1,167)	170,969
Private equity		40,892	2,956	(5,190)	38,658
Trust investments, at net asset value		209,851	6,133	(6,357)	209,627
Trust investments, at market		$1,137,504	$71,520	$(56,272)	$1,152,752

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	December 31, 2015				
	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	$64,140	$89	$(1,270)	$62,959
Canadian government	2	56,975	323	(55)	57,243
Corporate	2	18,983	235	(284)	18,934
Residential mortgage-backed	2	1,299	29	(22)	1,306
Asset-backed	2	5	—	—	5
Equity securities:					
Preferred stock	2	1,951	41	(158)	1,834
Common stock:					
United States	1	344,544	30,885	(19,149)	356,280
Canada	1	11,882	2,651	(1,077)	13,456
Other international	1	32,193	2,636	(3,907)	30,922
Mutual funds:					
Equity	1	324,231	1,263	(43,975)	281,519
Fixed income	1	155,893	154	(13,092)	142,955
Other	3	3,687	1,069	—	4,756
Trust investments, at fair value		1,015,783	39,375	(82,989)	972,169
Fixed income commingled funds		102,063	228	(1,103)	101,188
Private equity		38,724	3,780	(6,467)	36,037
Trust investments, at net asset value		140,787	4,008	(7,570)	137,225
Trust investments, at market		$1,156,570	$43,383	$(90,559)	$1,109,394

Valuation policies and procedures are determined by our Trust Services department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed quarterly by the Investment Committee of the Board of Directors.

Where quoted prices are available in an active market, securities are classified as Level 1 investments pursuant to the fair value measurements hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status. These securities are classified as Level 2 investments pursuant to the fair value measurements hierarchy.

The valuation of other investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. These securities are classified as Level 3 investments pursuant to the fair value measurements hierarchy.

Fixed income commingled funds and private equity investments are measured at net asset value. Fixed income commingled funds are redeemable for net asset value with two weeks' notice. Our private equity investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years. As of December 31, 2016, our unfunded commitment for our private equity and other investments was $31.8 million which, if called, would be funded by the assets of the trusts.

The change in our market-based funeral merchandise and service trust investments with significant unobservable inputs (Level 3) is as follows for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Fair value, beginning balance at January 1	$4,756	$4,891	$801
Net unrealized gains (losses) included in Accumulated other comprehensive income[1]	478	(167)	876
Purchases	89	32	3,214
Sales	(47)	—	—
Fair value, ending balance at December 31	$5,276	$4,756	$4,891

(1) All unrealized gains recognized in Accumulated other comprehensive income for our funeral merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Accumulated other comprehensive income to Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

Maturity dates of our fixed income securities range from 2017 to 2041. Maturities of fixed income securities at December 31, 2016 are estimated as follows:

	Fair Value (In thousands)
Due in one year or less	$ 76,744
Due in one to five years	27,298
Due in five to ten years	31,374
Thereafter	8,443
	$ 143,859

Earnings from all our funeral merchandise and service trust investments are recognized in funeral revenue when merchandise is delivered or a service is performed. Fees charged by our wholly-owned registered investment advisor are also included in current revenue in the period in which they are earned. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenue. Recognized earnings (realized and unrealized) related to our funeral merchandise and service trust investments were $49.9 million, $52.9 million, and $62.8 million for the years ended December 31, 2016, 2015, and 2014, respectively.

We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other income (expense), net and a decrease to Preneed funeral receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other (expense) income, net, which reduces Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

We have determined that the remaining unrealized losses in our funeral merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our funeral merchandise and service trust investment unrealized losses, their associated fair values, and the duration of unrealized losses for the years ended December 31, 2016 and 2015, are shown in the following tables.

	December 31, 2016					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
U.S. Treasury	$25,996	$(557)	$—	$—	$25,996	$(557)
Canadian government	2,847	(30)	191	(12)	3,038	(42)
Corporate	1,710	(15)	3,560	(77)	5,270	(92)
Asset-backed	—	—	55	(3)	55	(3)
Equity securities:						
Preferred stock	125	(17)	98	(22)	223	(39)
Common stock:						
United States	87,059	(8,149)	14,939	(3,376)	101,998	(11,525)
Canada	2,832	(254)	482	(9)	3,314	(263)
Other international	5,390	(1,301)	7,368	(1,866)	12,758	(3,167)
Mutual funds:						
Equity	108,109	(5,080)	127,273	(21,762)	235,382	(26,842)
Fixed income	34,120	(817)	31,654	(6,551)	65,774	(7,368)
Other	26	(2)	1,160	(15)	1,186	(17)
Trust investments, at fair value	268,214	(16,222)	186,780	(33,693)	454,994	(49,915)
Fixed income commingled funds	75,041	(687)	17,656	(480)	92,697	(1,167)
Private equity	693	(481)	22,812	(4,709)	23,505	(5,190)
Trust investments, at net asset value	75,734	(1,168)	40,468	(5,189)	116,202	(6,357)
Total temporarily impaired securities	$343,948	$(17,390)	$227,248	$(38,882)	$571,196	$(56,272)

	December 31, 2015					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
U.S. Treasury	$36,113	$(1,268)	$141	$(2)	$36,254	$(1,270)
Canadian government	209	(7)	971	(48)	1,180	(55)
Corporate	4,618	(156)	3,880	(128)	8,498	(284)
Residential mortgage-backed	378	(6)	132	(16)	510	(22)
Equity securities:						
Preferred stock	449	(60)	42	(98)	491	(158)
Common stock:						
United States	128,925	(16,448)	14,537	(2,701)	143,462	(19,149)
Canada	1,941	(355)	1,051	(722)	2,992	(1,077)
Other international	9,473	(1,638)	6,154	(2,269)	15,627	(3,907)
Mutual funds:						
Equity	186,016	(23,385)	79,892	(20,590)	265,908	(43,975)
Fixed income	109,154	(5,052)	27,061	(8,040)	136,215	(13,092)

Trust investments, at fair value	477,276	(48,375)	133,861	(34,614)	611,137	(82,989)
Fixed income commingled funds	70,964	(457)	15,243	(646)	86,207	(1,103)
Private equity	—	—	18,714	(6,467)	18,714	(6,467)
Trust investments, at net asset value	70,964	(457)	33,957	(7,113)	104,921	(7,570)
Total temporarily impaired securities	$548,240	$(48,832)	$167,818	$(41,727)	$716,058	$(90,559)

Deferred preneed funeral revenue

At December 31, 2016 and 2015, Deferred preneed funeral revenue, net of allowance for cancellation, represents future funeral revenue, including distributed trust investment earnings associated with unperformed trust-funded preneed funeral contracts that are not held in trust accounts. Deferred preneed funeral revenue is recognized in current funeral revenue when merchandise is delivered or the service is performed. Future funeral revenue and net trust investment earnings that are held in trust accounts are included in Deferred preneed receipts held in trust.

The following table summarizes the activity in Deferred preneed funeral revenue for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Beginning balance — Deferred preneed funeral revenue	$557,897	$540,164	$551,948
Net preneed contract sales	251,134	232,628	198,195
Acquisitions (divestitures) of businesses, net	2,170	(2,895)	(21,639)
Net investment earnings (losses) [(1)]	66,656	(37,208)	24,256
Recognized deferred preneed revenue	(277,248)	(276,359)	(258,534)
Change in cancellation allowance	8,411	11,675	21,272
Change in deferred preneed receipts held in trust	(28,506)	90,351	26,131
Effect of foreign currency and other	766	(459)	(1,465)
Ending balance — Deferred preneed funeral revenue	$581,280	$557,897	$540,164

(1) Includes both realized and unrealized investment earnings.

Insurance-funded preneed contracts

Not included in our Consolidated Balance Sheet are insurance-funded preneed contracts that will be funded by life insurance or annuity contracts issued by third party insurers. Where permitted by state or provincial law, customers may arrange their preneed contract by purchasing a life insurance or annuity policy from third-party insurance companies, for which we earn a commission as general sales agent for the insurance company. These general agency commissions (GA revenue) are based on a percentage per contract sold and are recognized as funeral revenue when the insurance purchase transaction between the customer and third-party insurance provider is completed. GA revenue recognized in 2016, 2015, and 2014 was $135.8 million, $137.0 million, and $123.0 million, respectively. Direct selling costs incurred pursuant to the sale of insurance-funded preneed contracts are expensed as incurred. The policy amount of the insurance contract between the customer and the third-party insurance company generally equals the amount of the preneed contract. We do not reflect the unfulfilled insurance-funded preneed contract amounts in our Consolidated Balance Sheet. The proceeds of the life insurance policies or annuity contracts will be reflected in funeral revenue as we perform these funerals.

4. Preneed Cemetery Activities

Preneed cemetery receivables, net and trust investments

Preneed cemetery receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, for contracts sold in advance of when the property interment rights, merchandise, or services are needed. Our cemetery merchandise and service trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed cemetery revenue into Deferred preneed receipts held in trust. Amounts are withdrawn from the trusts when the contract obligations are performed. Cash flows from preneed cemetery contracts are presented as operating cash flows in our Consolidated Statement of Cash Flows.

Preneed cemetery receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed cemetery revenue until the merchandise is delivered or the service is performed.

The table below sets forth certain investment-related activities associated with our preneed cemetery merchandise and service trusts for the years ended December 31:

	2016	2015	2014
		(In thousands)	
Deposits	$158,114	$ 153,252	$129,581
Withdrawals	$144,308	$ 163,732	$150,064
Purchases of available-for-sale securities(1)	$656,452	$ 625,648	$1,786,800
Sales of available-for-sale securities(1)	$631,440	$ 628,484	$1,842,417

(1) The higher level of activity in 2014 was the result of changing the legal structure of the trust investments.

The components of Preneed cemetery receivables, net and trust investments in the Consolidated Balance Sheet at December 31 were as follows:

	2016	2015
	(In thousands)	
Trust investments, at market	$1,435,083	$1,343,916
Cash and cash equivalents	123,146	118,583
Trust investments	1,558,229	1,462,499
Receivables from customers	1,038,592	958,503
Unearned finance charges	(33,427)	(31,332)
	2,563,394	2,389,670
Allowance for cancellation	(75,674)	(71,503)
Preneed cemetery receivables, net and trust investments	$2,487,720	$2,318,167

The activity in Preneed cemetery receivables, net and trust investments for the years ended December 31 was as follows:

	2016	2015	2014
		(In thousands)	
Beginning balance — Preneed cemetery receivables and trust investments	$2,318,167	$2,306,669	$2,292,348
Net preneed contract sales	862,298	799,497	688,336
Cash receipts from customers, net of refunds	(784,267)	(716,686)	(615,489)
Deposits to trust	158,114	153,252	129,581
(Divestitures) acquisitions of businesses, net	(2,083)	4,404	(10,898)
Net undistributed investment earnings (losses) (1)	79,557	(42,189)	(18,038)
Maturities, deliveries, and associated earnings	(144,308)	(163,732)	(150,064)
Change in cancellation allowance	(1,966)	(2,046)	843
Effect of foreign currency and other	2,208	(21,002)	(9,950)
Ending balance — Preneed cemetery receivables and trust investments	$2,487,720	$2,318,167	$2,306,669

(1) Includes both realized and unrealized investment earnings.

The cost and market values associated with our cemetery merchandise and service trust investments recorded at fair value at December 31, 2016 and 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Fair value represents the value of the underlying securities held by the trusts.

		December 31, 2016			
	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	$70,070	$567	$(281)	$70,356
Canadian government	2	9,109	49	(66)	9,092
Corporate	2	1,596	18	(34)	1,580
Asset-backed	2	170	13	—	183
Equity securities:					
Common stock:					
United States	1	539,445	72,682	(21,680)	590,447
Canada	1	9,027	4,807	(84)	13,750
Other international	1	42,870	3,023	(5,229)	40,664
Mutual funds:					
Equity	1	356,079	7,812	(29,603)	334,288
Fixed income	1	94,383	1,535	(9,854)	86,064
Trust investments, at fair value		1,122,749	90,506	(66,831)	1,146,424
Fixed income commingled funds		245,813	5,347	(1,681)	249,479
Private equity		37,881	4,616	(3,317)	39,180
Trust investments, at net asset value		283,694	9,963	(4,998)	288,659
Trust investments, at market		$1,406,443	$100,469	$(71,829)	$1,435,083

	Fair Value Hierarchy Level	December 31, 2015 Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	$69,727	$25	$(1,437)	$68,315
Canadian government	2	9,725	183	(99)	9,809
Corporate	2	5,115	26	(118)	5,023
Residential mortgage-backed	2	129	3	(3)	129
Asset-backed	2	170	15	—	185
Equity securities:					
Common stock:					
United States	1	531,885	44,181	(32,037)	544,029
Canada	1	8,992	3,858	(891)	11,959
Other international	1	50,041	4,207	(5,799)	48,449
Mutual funds:					
Equity	1	356,712	1,620	(49,642)	308,690
Fixed income	1	203,932	92	(18,527)	185,497
Other	3	1,382	122	—	1,504
Trust investments, at fair value		1,237,810	54,332	(108,553)	1,183,589
Fixed income commingled funds		124,103	—	(639)	123,464
Private equity		35,411	5,954	(4,502)	36,863
Trust investments, at net asset value		159,514	5,954	(5,141)	160,327
Trust investments, at market		$1,397,324	$60,286	$(113,694)	$1,343,916

Valuation policies and procedures are determined by our Trust Services department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed quarterly by the Investment Committee of the Board of Directors.

Where quoted prices are available in an active market, securities held by the trusts are classified as Level 1 investments pursuant to the fair value measurements hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, ratings, and tax-exempt status. These securities are classified as Level 2 investments pursuant to the fair value measurements hierarchy.

The valuation of other investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. These securities are classified as Level 3 investments pursuant to the fair value measurements hierarchy.

Fixed income commingled funds and private equity investments are measured at net asset value. Fixed income commingled funds are redeemable for net asset value with two weeks' notice. Our private equity investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years. As of December 31, 2016, our unfunded commitment for our private equity and other investments was $32.7 million which, if called, would be funded by the assets of the trusts.

The change in our market-based cemetery merchandise and service trust investments with significant unobservable inputs (Level 3) is as follows for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Fair value, beginning balance at January 1	$1,504	$203	$—
Net unrealized (losses) gains included in Accumulated other comprehensive income[1]	—	(27)	7
Net realized losses included in Other (expense) income, net[2]	(212)	—	—
Purchases	—	1,328	196
Sales	(1,292)	—	—
Fair value, ending balance at December 31	$—	$1,504	$203

(1) All unrealized gains recognized in Accumulated other comprehensive income for our cemetery merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Accumulated other comprehensive income to Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

(2) All losses recognized in Other (expense) income, net for our cemetery merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Other (expense) income, net to Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

Maturity dates of our fixed income securities range from 2017 to 2041. Maturities of fixed income securities (excluding mutual funds) at December 31, 2016 are estimated as follows:

	Fair Value (In thousands)
Due in one year or less	$ 7,154
Due in one to five years	26,237
Due in five to ten years	34,244
Thereafter	13,576
	$ 81,211

Earnings from all our cemetery merchandise and service trust investments are recognized in cemetery revenue when merchandise is delivered or a service is performed. Fees charged by our wholly-owned registered investment advisor are also included in current revenue in the period in which they are earned. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenue. Recognized earnings (realized and unrealized) related to our cemetery merchandise and service trust investments were $44.5 million, $45.5 million, and $48.2 million for the years ended December 31, 2016, 2015, and 2014, respectively.

We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other (expense) income, net and a decrease to Preneed cemetery receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other (expense) income, net, which reduces Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

We have determined that the remaining unrealized losses in our cemetery merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our cemetery merchandise and service trust investment unrealized losses, their associated fair values, and the duration of unrealized losses for the years ended December 31, 2016 and 2015, are shown in the following tables:

	December 31, 2016					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
U.S. Treasury	$15,413	$(281)	$—	$—	$15,413	$(281)
Canadian government	—	—	1,192	(66)	1,192	(66)
Corporate	—	—	736	(34)	736	(34)
Equity securities:						
Common stock:						
United States	149,530	(13,680)	23,010	(8,000)	172,540	(21,680)
Canada	408	(82)	38	(2)	446	(84)
Other international	9,707	(2,330)	11,442	(2,899)	21,149	(5,229)
Mutual funds:						
Equity	125,728	(4,728)	146,332	(24,875)	272,060	(29,603)
Fixed income	26,566	(446)	45,337	(9,408)	71,903	(9,854)
Trust investments, at fair value	327,352	(21,547)	228,087	(45,284)	555,439	(66,831)
Fixed income commingled funds	133,164	(1,681)	—	—	133,164	(1,681)
Private equity	558	(1)	16,769	(3,316)	17,327	(3,317)
Trust investments, at net asset value	133,722	(1,682)	16,769	(3,316)	150,491	(4,998)
Total temporarily impaired securities	$461,074	$(23,229)	$244,856	$(48,600)	$705,930	$(71,829)

	December 31, 2015					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
U.S. Treasury	$52,509	$(1,435)	$21	$(2)	$52,530	$(1,437)
Canadian government	1,190	(34)	841	(65)	2,031	(99)
Corporate	1,764	(22)	2,347	(96)	4,111	(118)
Residential mortgage-backed	42	(1)	18	(2)	60	(3)
Equity securities:						
Common stock:						
United States	198,755	(26,038)	21,355	(5,999)	220,110	(32,037)
Canada	473	(6)	1,430	(885)	1,903	(891)
Other international	15,560	(2,507)	9,412	(3,292)	24,972	(5,799)
Mutual funds:						
Equity	207,253	(25,991)	86,720	(23,651)	293,973	(49,642)
Fixed income	139,684	(6,323)	44,550	(12,204)	184,234	(18,527)
Trust investments, at fair value	617,230	(62,357)	166,694	(46,196)	783,924	(108,553)
Fixed income commingled funds	123,464	(639)	—	—	123,464	(639)
Private equity	—	—	9,526	(4,502)	9,526	(4,502)
Trust investments, at net asset value	123,464	(639)	9,526	(4,502)	132,990	(5,141)
Total temporarily impaired securities	$740,694	$(62,996)	$176,220	$(50,698)	$916,914	$(113,694)

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Deferred preneed cemetery revenue

At December 31, 2016 and 2015, Deferred preneed cemetery revenue, net of allowance for cancellation, represents future cemetery revenue, including distributed trust investment earnings associated with unperformed trust-funded preneed cemetery contracts that are not held in trust accounts. Deferred preneed cemetery revenue is recognized in current cemetery revenue when merchandise is delivered or the service is performed. Future cemetery revenue and net trust investment earnings that are held in trust accounts are included in Deferred preneed receipts held in trust.

The following table summarizes the activity in Deferred preneed cemetery revenue for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Beginning balance — Deferred preneed cemetery revenue	$1,120,001	$1,062,381	$1,016,275
Net preneed and atneed deferred sales	596,714	561,899	531,768
(Divestitures) acquisitions of businesses, net	(1,977)	2,357	(25,071)
Net investment earnings (losses) [1]	79,447	(42,806)	(22,378)
Recognized deferred preneed and atneed revenue	(546,071)	(504,064)	(493,739)
Change in cancellation allowance	(3,015)	(8,048)	3,833
Change in deferred preneed receipts held in trust	(96,417)	52,050	55,636
Effect of foreign currency and other	1,455	(3,768)	(3,943)
Ending balance — Deferred preneed cemetery revenue	$1,150,137	$1,120,001	$1,062,381

(1) Includes both realized and unrealized investment earnings (losses).

5. Cemetery Perpetual Care Trusts

We are required by state and provincial law to pay into cemetery perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. Our cemetery perpetual care trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. We consolidate our cemetery perpetual care trust investments with a corresponding amount recorded as Care trusts' corpus. Cash flows from cemetery perpetual care contracts are presented as operating cash flows in our Consolidated Statement of Cash Flows.

The table below sets forth certain investment-related activities associated with our cemetery perpetual care trusts for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Deposits	$41,450	$38,883	$42,220
Withdrawals	$48,522	$40,447	$46,981
Purchases of available-for-sale securities[1]	$428,635	$247,658	$1,306,314
Sales of available-for-sale securities[1]	$374,329	$175,057	$1,396,669

(1) The higher level of activity in 2014 was the result of changing the legal structure of the trust investments.

The components of Cemetery perpetual care trust investments in our Consolidated Balance Sheet at December 31 were as follows:

	2016	2015
	(In thousands)	
Trust investments, at market	$1,349,073	$1,232,592
Cash and cash equivalents	58,392	86,835
Cemetery perpetual care trust investments	$1,407,465	$1,319,427

The cost and market values associated with our cemetery perpetual care trust investments recorded at fair value at December 31, 2016 and 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Fair value represents the value of the underlying securities or cash held by the trusts.

		December 31, 2016			
	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
Canadian government	2	$14,280	$88	$(114)	$14,254
Corporate	2	4,636	100	(101)	4,635
Residential mortgage-backed	2	304	—	(1)	303
Asset-backed	2	220	3	(28)	195
Equity securities:					
Preferred stock	2	1,479	2	(117)	1,364
Common stock:					
United States	1	233,643	28,679	(2,337)	259,985
Canada	1	4,828	2,631	(108)	7,351
Other international	1	14,607	148	(2,236)	12,519
Mutual funds:					
Equity	1	18,909	4,370	(412)	22,867
Fixed income	1	688,472	3,324	(28,997)	662,799
Other	3	633	1,254	—	1,887
Trust investments, at fair value		982,011	40,599	(34,451)	988,159
Fixed income commingled funds		277,662	—	(9,386)	268,276
Private equity		97,108	2,240	(6,710)	92,638
Trust investments, at net asset value		374,770	2,240	(16,096)	360,914
Trust investments, at market		$1,356,781	$42,839	$(50,547)	$1,349,073

	Fair Value Hierarchy Level	December 31, 2015 Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	$650	$20	$(7)	$663
Canadian government	2	15,412	321	(162)	15,571
Corporate	2	12,490	149	(284)	12,355
Residential mortgage-backed	2	934	13	(9)	938
Asset-backed	2	660	5	(31)	634
Equity securities:					
Preferred stock	2	5,850	55	(159)	5,746
Common stock:					
United States	1	230,854	15,224	(10,898)	235,180
Canada	1	5,460	2,112	(606)	6,966
Other international	1	14,793	160	(2,390)	12,563
Mutual funds:					
Equity	1	21,783	3,138	(1,850)	23,071
Fixed income	1	890,025	530	(63,913)	826,642
Other	3	645	1,257	—	1,902
Trust investments, at fair value		1,199,556	22,984	(80,309)	1,142,231
Fixed income commingled funds		20,616	—	(178)	20,438
Private equity		75,613	2,406	(8,096)	69,923
Trust investments, at net asset value		96,229	2,406	(8,274)	90,361
Trust investments, at market		$1,295,785	$25,390	$(88,583)	$1,232,592

Valuation policies and procedures are determined by our Trust Services department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed quarterly by the Investment Committee of the Board of Directors.

Where quoted prices are available in an active market, securities held by the trusts are classified as Level 1 investments pursuant to the fair value measurements hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, ratings, and tax-exempt status. These securities are classified as Level 2 investments pursuant to the fair value measurements hierarchy.

The valuation of other investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. These securities are classified as Level 3 investments pursuant to the fair value measurements hierarchy.

Fixed income commingled funds and private equity investments are measured at net asset value. Fixed income commingled funds are redeemable for net asset value with two weeks' notice. Our private equity investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years. As of December 31, 2016, our unfunded commitment for our private equity and other investments was $31.0 million which, if called, would be funded by the assets of the trusts.

The change in our market-based cemetery perpetual care trust investments with significant unobservable inputs (Level 3) is as follows for the years ended December 31 :

	2016	2015	2014
	(In thousands)		
Fair value, beginning balance at January 1	$1,902	$1,556	$1,599
Net unrealized (losses) gains included in Accumulated other comprehensive income(1)	(15)	346	(26)
Sales	—	—	(17)
Fair value, ending balance at December 31	$1,887	$1,902	$1,556

(1) All unrealized (losses) gains recognized in Accumulated other comprehensive income for our cemetery perpetual care trust investments are offset by a corresponding reclassification in Accumulated other comprehensive income to Care trusts' corpus. See Note 6 for further information related to our Care trusts' corpus.

Maturity dates of our fixed income securities range from 2017 to 2040. Maturities of fixed income securities at December 31, 2016 are estimated as follows:

	Fair Value (In thousands)
Due in one year or less	$ 1,834
Due in one to five years	17,283
Due in five to ten years	69
Thereafter	201
	$ 19,387

Distributable earnings from these cemetery perpetual care trust investments are recognized in current cemetery revenue to the extent we incur qualifying cemetery maintenance costs. Fees charged by our wholly-owned registered investment advisor are also included in current revenue in the period in which they are earned. Recognized earnings related to these cemetery perpetual care trust investments were $67.6 million, $59.6 million, and $72.4 million for the years ended December 31, 2016, 2015, and 2014, respectively.

We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other (expense) income, net and a decrease to Cemetery perpetual care trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other (expense) income, net, which reduces Care trusts' corpus. See Note 6 for further information related to our Care trusts' corpus.

We have determined that the remaining unrealized losses in our cemetery perpetual care trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings, and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our cemetery perpetual care trust investment unrealized losses, their associated fair values, and the duration of unrealized losses for the years ended December 31, 2016 and 2015, are shown in the following table:

	December 31, 2016					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
Canadian government	$66	$(1)	$1,961	$(113)	$2,027	$(114)
Corporate	397	(7)	1,866	(94)	2,263	(101)
Residential mortgage-backed	303	(1)	—	—	303	(1)
Asset-backed	28	(22)	101	(6)	129	(28)
Equity securities:						
Preferred stock	846	(36)	417	(81)	1,263	(117)
Common stock:						
United States	34,844	(1,339)	12,974	(998)	47,818	(2,337)
Canada	78	(47)	558	(61)	636	(108)
Other international	4,177	(508)	5,715	(1,728)	9,892	(2,236)
Mutual funds:						
Equity	877	(17)	2,899	(395)	3,776	(412)
Fixed income	263,231	(4,678)	348,623	(24,319)	611,854	(28,997)
Trust investments, at fair value	304,847	(6,656)	375,114	(27,795)	679,961	(34,451)
Fixed income commingled funds	265,345	(9,346)	2,931	(40)	268,276	(9,386)
Private equity	21,426	(268)	33,519	(6,442)	54,945	(6,710)
Trust investments, at net asset value	286,771	(9,614)	36,450	(6,482)	323,221	(16,096)
Total temporarily impaired securities	$591,618	$(16,270)	$411,564	$(34,277)	$1,003,182	$(50,547)

	December 31, 2015					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
			(In thousands)			
Fixed income securities:						
U.S. Treasury	$364	$(6)	$35	$(1)	$399	$(7)
Canadian government	1,569	(60)	1,371	(102)	2,940	(162)
Corporate	4,693	(134)	4,147	(150)	8,840	(284)
Residential mortgage-backed	303	(3)	117	(6)	420	(9)
Asset-backed	146	(12)	360	(19)	506	(31)
Equity securities:						
Preferred stock	4,029	(159)	—	—	4,029	(159)
Common stock:						
United States	81,564	(7,793)	14,900	(3,105)	96,464	(10,898)
Canada	622	(31)	1,026	(575)	1,648	(606)
Other international	8,735	(941)	2,347	(1,449)	11,082	(2,390)
Mutual funds:						
Equity	4,580	(606)	1,258	(1,244)	5,838	(1,850)
Fixed income	519,993	(18,205)	294,309	(45,708)	814,302	(63,913)
Trust investments, at fair value	626,598	(27,950)	319,870	(52,359)	946,468	(80,309)
Fixed income commingled funds	20,438	(178)	—	—	20,438	(178)
Private equity	13,139	(75)	30,438	(8,021)	43,577	(8,096)
Trust investments, at net asset value	33,577	(253)	30,438	(8,021)	64,015	(8,274)
Total temporarily impaired securities	$660,175	$(28,203)	$350,308	$(60,380)	$1,010,483	$(88,583)

6. Deferred Preneed Receipts Held in Trust and Care Trusts' Corpus

Deferred preneed receipts held in trust

We consolidate the merchandise and service trusts associated with our preneed funeral and cemetery activities as we are the primary beneficiary of the trusts. Although we consolidate the merchandise and service trusts, it does not change the legal relationships among the trusts, us, or our customers. The customers are the legal beneficiaries of these merchandise and service trusts; therefore, their interests in these trusts represent a liability to us.

The components of Deferred preneed receipts held in trust in our Consolidated Balance Sheet at December 31, 2016 and 2015 are detailed below.

	December 31, 2016			December 31, 2015		
	Preneed Funeral	Preneed Cemetery	Total	Preneed Funeral	Preneed Cemetery	Total
		(In thousands)			(In thousands)	
Trust investments	$1,546,517	$1,558,229	$3,104,746	$1,515,113	$1,462,499	$2,977,612
Accrued trust operating payables and other	(589)	(361)	(950)	(1,381)	(2,845)	(4,226)
Deferred preneed receipts held in trust	$1,545,928	$1,557,868	$3,103,796	$1,513,732	$1,459,654	$2,973,386

Care trusts' corpus

The Care trusts' corpus reflected in our Consolidated Balance Sheet represents the cemetery perpetual care trusts, including the related accrued expenses.

The components of Care trusts' corpus in our Consolidated Balance Sheet are detailed below.

	December 31, 2016	December 31, 2015
	(In thousands)	
Cemetery perpetual care trust investments	$1,407,465	$ 1,319,427
Accrued trust operating payables and other	778	137
Care trusts' corpus	$1,408,243	$ 1,319,564

Other (expense) income, net

The components of Other (expense) income, net in our Consolidated Statement of Operations for the years ended December 31, 2016, 2015, and 2014 are detailed below. See Notes 3, 4, and 5 for further discussion of the amounts related to our funeral, cemetery, and cemetery perpetual care trusts.

	Year Ended December 31, 2016				
	Funeral Trusts	Cemetery Trusts	Cemetery Perpetual Care Trusts	Other, Net	Total
			(In thousands)		
Realized gains	$38,704	$53,253	$ 8,327	$—	$100,284
Realized losses	(46,432)	(60,795)	(6,579)	—	(113,806)
Impairment charges	(4,625)	(5,872)	(1,360)	—	(11,857)
Interest, dividend, and other ordinary income	20,299	17,428	56,594	—	94,321
Trust expenses and income taxes	(20,190)	(22,137)	(22,801)	—	(65,128)
Net trust investment (losses) income	(12,244)	(18,123)	34,181	—	3,814
Reclassification to deferred preneed receipts held in trust and care trusts' corpus	12,244	18,123	(34,181)	—	(3,814)
Other expense, net	—	—	—	(631)	(631)
Total other expense, net	$—	$—	$ —	$(631)	$(631)

	Year Ended December 31, 2015				
	Funeral Trusts	Cemetery Trusts	Cemetery Perpetual Care Trusts	Other, Net	Total
	(In thousands)				
Realized gains	$42,034	$51,510	$ 6,933	$—	$100,477
Realized losses	(31,403)	(40,092)	(7,708)	—	(79,203)
Impairment charges	(3,519)	(4,345)	(1,812)	—	(9,676)
Interest, dividend, and other ordinary income	25,952	27,089	56,253	—	109,294
Trust expenses and income taxes	(21,852)	(31,472)	(32,643)	—	(85,967)
Net trust investment income	11,212	2,690	21,023	—	34,925
Reclassification to deferred preneed receipts held in trust and care trusts' corpus	(11,212)	(2,690)	(21,023)	—	(34,925)
Other expense, net	—	—	—	(132)	(132)
Total other expense, net	$—	$—	$ —	$(132)	$(132)

	Year Ended December 31, 2014				
	Funeral Trusts	Cemetery Trusts	Cemetery Perpetual Care Trusts	Other, Net	Total
			(In thousands)		
Realized gains	$168,567	$271,507	$134,259	$—	$574,333
Realized losses	(113,748)	(138,473)	(51,093)	—	(303,314)
Impairment charges	(41,846)	(60,040)	(8,072)	—	(109,958)
Interest, dividend, and other ordinary income	22,668	17,597	52,126	—	92,391
Trust expenses and income taxes	(19,590)	(20,833)	(34,243)	—	(74,666)
Net trust investment income	16,051	69,758	92,977	—	178,786
Reclassification to deferred preneed receipts held in trust and care trusts' corpus	(16,051)	(69,758)	(92,977)	—	(178,786)
Other income, net	—	—	—	1,780	1,780
Total other income, net	$—	$—	$—	$1,780	$1,780

7. Goodwill and Intangible Assets

The changes in the carrying amounts of goodwill for our funeral and cemetery reporting units are as follows: (in thousands):

	2016			2015		
	Funeral	Cemetery	Total	Funeral	Cemetery	Total
	(In thousands)					
Balance as of January 1	$1,490,502	$305,838	$1,796,340	$1,510,879	$299,974	$1,810,853
Increase (decrease) in goodwill related to acquisitions	26,809	(151)	26,658	6,460	6,201	12,661
Reduction of goodwill related to divestitures	(26,554)	(270)	(26,824)	(8,908)	(262)	(9,170)
Effect of foreign currency	2,898	9	2,907	(17,929)	(75)	(18,004)
Activity	3,153	(412)	2,741	(20,377)	5,864	(14,513)
Balance as of December 31	$1,493,655	$305,426	$1,799,081	$1,490,502	$305,838	$1,796,340

The components of intangible assets at December 31 were as follows:

	Useful Life			
	Minimum	Maximum	2016	2015
	(Years)		(In thousands)	
Amortizing intangibles:				
Covenants-not-to-compete	2	-20	$211,549	$206,822
Customer relationships	10	-20	146,876	154,364
Tradenames	5	-5	9,150	12,750
Other	5	-40	11,927	11,927
			379,502	385,863
Less: Accumulated amortization			268,061	257,157
Amortizing intangibles, net			111,441	128,706
Non-amortizing intangibles:				
Tradenames		Indefinite	245,984	230,659
Other		Indefinite	10,640	10,640
Non-amortizing intangibles			256,624	241,299
Intangible assets, net			$368,065	$370,005

As part of our annual recoverability-testing process during 2016, we recognized $1.2 million of impairment on four tradenames. Amortization expense for intangible assets was $31.0 million, $31.5 million, and $36.6 million for the years ended December 31, 2016, 2015, and 2014, respectively. The following is estimated amortization expense, excluding certain intangibles for which we are unable to provide an estimate because they are amortized based on specific identification in the performance of a preneed contract, for the five years subsequent to December 31, 2016 (in thousands):

2017	$11,718
2018	$10,961
2019	$7,711
2020	$6,613
2021	$6,504

8. Income Taxes

The provision or benefit for income taxes includes U.S. federal income taxes (determined on a consolidated return basis), foreign income taxes, and state income taxes.

Income from continuing operations before income taxes for the years ended December 31 was composed of the following components:

	2016	2015	2014
	(In thousands)		
United States	$287,946	$331,622	$360,800
Foreign	38,712	38,729	41,800
	$326,658	$370,351	$402,600

Income tax provision (benefit) for the years ended December 31 consisted of the following:

	2016	2015	2014
	(In thousands)		
Current:			
United States	$113,629	$94,502	$67,511
Foreign	12,084	9,270	10,859
State	16,150	13,207	17,939
Total current income taxes	141,863	116,979	96,309
Deferred:			
United States	$(19,496)	$15,918	$108,514
Foreign	22,708	(878)	(653)
State	4,278	3,008	21,810
Total deferred income taxes	7,490	18,048	129,671
Total income taxes	$149,353	$135,027	$225,980

We made income tax payments of $115.0 million, $105.4 million, and $106.3 million in 2016, 2015, and 2014, respectively, and received refunds of $2.4 million, $1.9 million, and $0.6 million, respectively.

The differences between the U.S. federal statutory income tax rate and our effective tax rate for the years ended December 31 were as follows:

	2016	2015	2014
	(In thousands)		
Computed tax provision at the applicable federal statutory income tax rate	$114,331	$129,623	$140,910
State and local taxes, net of federal income tax benefits	13,279	10,542	25,736
Foreign jurisdiction differences	(2,557)	(5,183)	(4,424)
Permanent differences associated with divestitures	9,267	2,909	61,892
Changes in uncertain tax positions	5,669	4,046	4,624
Foreign valuation allowance, net of federal income tax benefits	15,850	—	—
Other	(6,486)	(6,910)	(2,758)
Provision for income taxes	$149,353	$135,027	$225,980
Total consolidated effective tax rate	45.7 %	36.5 %	56.1 %

The higher effective tax rate for the twelve months ended December 31, 2016 was a result of a valuation allowance recorded against foreign net deferred tax assets for which a future net benefit may not be realized, and non-deductible goodwill resulting from gains on divestitures. The higher effective tax rate for the twelve month ended December 31, 2014 was due primarily to the non-deductible goodwill resulting from gains on required divestitures associated with the Stewart acquisition.

Deferred taxes are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities as of December 31 consisted of the following:

	2016	2015
	(In thousands)	
Inventories and cemetery property	$(335,795)	$(338,143)
Property and equipment	(149,450)	(168,265)
Intangibles	(294,251)	(302,217)
Other	(6,980)	(12,047)
Deferred tax liabilities	(786,476)	(820,672)
Loss and tax credit carryforwards	157,795	171,725
Deferred revenue on preneed funeral and cemetery contracts	223,174	226,483
Accrued liabilities	84,230	102,351
Deferred tax assets	465,199	500,559
Less: Valuation allowance	(132,500)	(126,654)
Net deferred income tax liability	$(453,777)	$(446,767)

Deferred tax assets and deferred income tax liabilities are recognized in our Consolidated Balance Sheet at December 31 as follows:

	2016	2015
	(In thousands)	
Non-current deferred tax assets	$861	$23,817
Non-current deferred tax liabilities	(454,638)	(470,584)
Net deferred income tax liability	$(453,777)	$(446,767)

In addition to the loss and tax credit carryforward amounts reflected as deferred tax assets in the table above, we have taken certain tax deductions related to the exercised employee stock options and vested restricted shares that are in excess of the share-based compensation amounts recorded in our consolidated financial statements ("windfall tax benefits"). Such windfall tax benefits are not recognized in our consolidated financial statements unless they reduce income taxes payable. For the year ended December 31, 2016, restricted share vesting and stock option exercises resulted in windfall tax benefits where the tax deduction exceeded the previously disallowed book expense in the amount of $34.0 million or $12.7 million, net of tax.

At December 31, 2016 and 2015, U.S. income taxes had not been provided on $308.6 million and $259.8 million, respectively, of the remaining undistributed earnings of our Canadian subsidiaries. We intend to permanently reinvest these undistributed foreign earnings in those businesses outside the United States. It is not practicable to determine the amount of federal income taxes, if any, that might become due if such earnings are repatriated.

The following table summarizes the activity related to our gross unrecognized tax benefits from January 1, 2014 to December 31, 2016 (in thousands):

	Federal, State and Foreign Tax
	(In thousands)
Balance at December 31, 2013	$ 177,830
Additions to tax positions related to the current year	8,721
Additions to tax positions related to prior years	10,085
Reductions to tax positions related to the current year	(1,075)
Reductions to tax positions related to prior years	(2,325)
Reductions to tax positions related to the acquisition of Stewart, offset to goodwill	(1,556)
Balance at December 31, 2014	$ 191,680
Additions to tax positions related to the current year	3,235
Reduction to tax positions related to prior years	(12,370)
Balance at December 31, 2015	$ 182,545
Reductions to tax positions related to prior years	(4,219)
Balance at December 31, 2016	$ 178,326

Our total unrecognized tax benefits that, if recognized, would affect our effective tax rates were $161.8 million, $157.2 million, and $154.8 million as of December 31, 2016, 2015, and 2014, respectively.

We include potential accrued interest and penalties related to unrecognized tax benefits within our income tax provision account. We have accrued $57.3 million, $51.6 million, and $47.6 million for the payment of interest, net of tax benefits, and penalties as of December 31, 2016, 2015, and 2014, respectively. We recognized an increase of interest and penalties of $5.7 million, $4.0 million, and $3.1 million for the years ended December 31, 2016, 2015, and 2014, respectively. To the extent interest and penalties are not assessed with respect to uncertain tax positions or the uncertainty of deductions in the future, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We file income tax returns, including tax returns for our subsidiaries, with federal, state, local and foreign jurisdictions. We consider the United States to be our most significant jurisdiction; however, all tax returns are subject to routine compliance review by the taxing authorities in the jurisdictions in which we file tax returns in the ordinary course of business.

We have reached an agreement in principle with the IRS to resolve the issues under audit with respect to tax years 1999 through 2005 which cleared the Joint Committee on Taxation without change on February 7, 2017. Final resolution with the IRS is subject to, among other things, the execution of certain agreements and the closing of the case. There can be no assurance that the resolution will be finalized on the terms currently contemplated, or at all. Additionally, SCI and Subsidiaries received a letter of no change to its federal tax liability for the tax years 2008-2010, and its tax years 2006-2007 remain under audit as a result of carryback claims. Our Canadian affiliate, Service Corporation International Canada ULC, concluded the audit of its Canadian income tax returns during 2016 for the years 2010-2012 with no material impact. Furthermore, we are under audit by various state jurisdictions for years 2000 through 2015.

It is reasonably possible that the amount of unrecognized tax benefits could significantly decrease over the next 12 months as a result of the agreement in principle reached with the IRS on the audit with respect to tax years 1999 through 2005. However, due to the uncertainty regarding the timing and amount of the final resolution on this specific audit and possible outcomes on the other outstanding audits, a current estimate of the range of decrease that may occur within the next 12 months cannot be made.

Various subsidiaries have state and foreign loss carryforwards in the aggregate of $3.8 billion with expiration dates through 2032. Such loss carryforwards will expire as follows:

	Federal	State	Foreign	Total
	(In thousands)			
2017	$—	$241,619	$—	$241,619
2018	—	111,084	—	111,084
2019	—	143,491	—	143,491
2020	200	183,071	—	183,271
Thereafter	1,900	3,111,526	6,632	3,120,058
Total	$2,100	$3,790,791	$6,632	$3,799,523

In addition to the above loss carryforwards, we have $52.0 million of foreign losses that have an indefinite expiration. In assessing the usefulness of deferred tax assets, management considers whether it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The ultimate realization of net deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Upon reviewing the 2016 foreign operational results as of the fourth quarter, management concluded a foreign valuation allowance was necessary as it was not more likely than not that certain foreign net deferred tax assets would be realized based on all available evidence as of December 31, 2016. During 2016, an additional $15.9 million foreign valuation allowance has been recorded which was partially offset by changes in the existing foreign valuation allowances due to fluctuations in the currency exchange rate. Also, in 2016, the state valuation allowance decreased by $9.6 million due to state net operating loss expirations. These valuation allowances can be affected in future periods by changes in tax laws, changes to statutory tax rates and changes in estimates of future taxable income.

At December 31, 2016, our loss and tax credit carryforward deferred tax assets and related valuation allowances by jurisdiction are as follows (presented net of federal benefit):

	Federal	State	Foreign	Total
		(In thousands)		
Loss and tax credit carryforwards	$ 914	$136,462	$20,419	$157,795
Valuation allowance	$ —	$101,417	$31,083	$132,500

9. Debt

Debt as of December 31 was as follows:

	2016	2015
	(In thousands)	
7.0% Senior Notes due June 2017	$—	$295,000
7.625% Senior Notes due October 2018	250,000	250,000
4.5% Senior Notes due November 2020	200,000	200,000
8.0% Senior Notes due November 2021	150,000	150,000
5.375% Senior Notes due January 2022	425,000	425,000
5.375% Senior Notes due May 2024	850,000	850,000
7.5% Senior Notes due April 2027	200,000	200,000
Term Loan due July 2018	—	310,000
Bank Credit Facility due July 2018	—	270,000
Term Loan due March 2021	673,750	—
Bank Credit Facility due March 2021	350,000	—
Obligations under capital leases	208,758	204,246
Mortgage notes and other debt, maturities through 2050	3,753	4,037
Unamortized premiums (discounts) and other, net	8,313	8,636
Unamortized debt issuance costs	(32,984)	(42,491)
Total debt	3,286,590	3,124,428
Less: Current maturities of long-term debt	(89,974)	(86,823)
Total long-term debt	$3,196,616	$3,037,605

Current maturities of debt at December 31, 2016 include amounts due under our Term Loan, mortgage notes and other debt, and capital leases within the next year.

Our consolidated debt had a weighted average interest rate of 4.68% and 5.18% at December 31, 2016 and 2015, respectively. Approximately 63% and 76% of our total debt had a fixed interest rate at December 31, 2016 and 2015, respectively.

The following table summarizes the aggregate maturities of our debt for the five years subsequent to December 31, 2016 and thereafter, excluding unamortized premiums (discounts) and debt issuance costs (in thousands):

2017	$94,725
2018	350,609
2019	74,169
2020	295,231
2021	647,792
2022 and thereafter	1,848,735
	$3,311,261

Bank Credit Facility

In March 2016, we entered into a new $1.4 billion bank credit agreement due March 2021 with a syndicate of banks. As of December 31, 2016, we have $350.0 million of outstanding borrowings under our Bank Credit Facility and have issued $32.7 million of letters of credit. The Bank Credit Facility provides us with flexibility for labor, if needed, and is guaranteed by a majority of our domestic subsidiaries. The subsidiary guaranty is a guaranty of payment of the outstanding amount of the total lending commitment, including letters of credit. The Bank Credit Facility contains certain financial covenants, including a minimum interest coverage ratio, a maximum leverage ratio, and certain dividend and share repurchase restrictions. As of December 31, 2016, we are in compliance with all covenants. We pay a quarterly fee on the unused commitment, which was 0.30% at December 31, 2016. As of December 31, 2016, we have $317.3 million in borrowing capacity under the facility.

As of December 31, 2015, we had a $500.0 million Bank Credit Facility due July 2018 with a syndicate of financial institutions, including a sublimit of $175.0 million for letters of credit. In March 2016, the new $1.4 billion credit agreement replaced the existing $500.0 million Bank Credit Facility due July 2018 and $600.0 million Term Loan due July 2018 providing for a new $700.0 million Bank Credit Facility and a $700.0 million Term Loan, both maturing in March 2021, including a sublimit of $100.0 million for letters of credit.

Debt Issuances and Additions

During the year ended December 31, 2016, we borrowed $360.0 million on our Bank Credit Facilities and $700.0 million on our Term Loan due March 2021 to make the 2016 debt payments described below, to fund acquisition activity, and for general corporate purposes. These transactions resulted in an additional $5.2 million of debt issue costs. During the year ended December 31, 2015, we borrowed $135.0 million on our Bank Credit Facility and issued an additional $300.0 million of our existing unsecured 5.375% Senior Notes due May 2024 to make the 2015 debt payments described below and for general corporate purposes. The addition to our 5.375% Senior Notes due May 2024 generated a premium of $11.3 million.

Debt Extinguishments and Reductions

During the year ended December 31, 2016, we made debt payments of $911.5 million for scheduled and early extinguishment payments including:

- $310.0 million in aggregate principal of our Term Loan due to July 2018;
- $295.0 million in aggregate principal of our 7.0% Senior Notes due 2017;
- $280.0 million in aggregate principal of our Bank Credit Facility due July 2018; and
- $26.3 million in aggregate principal of our Term Loan due March 2021.
- $0.2 million in other debt.

Certain of the above transactions resulted in the recognition of a loss of $22.5 million recorded in Losses on early extinguishment of debt in our Consolidated Statement of Operations.

During the year ended December 31, 2015, we made debt payments of $357.6 million for scheduled and early extinguishment payments including:

- $197.4 million in aggregate principal of our 6.75% Senior Notes due April 2016;
- $100.0 million in aggregate principal of our Bank Credit Facility;
- $60.0 million in aggregate principal of our Term Loan due July 2018; and
- $0.2 million in other debt.

Certain of the above transactions resulted in the recognition of a loss of $6.9 million recorded in Losses on early extinguishment of debt in our Consolidated Statement of Operations.

Additional Debt Disclosures

At December 31, 2016 and 2015, we had deposits of $4.7 million and $7.0 million, respectively, in restricted, interest-bearing accounts that were pledged as collateral for various credit instruments and commercial commitments. These deposits are included in Deferred charges and other assets in our Consolidated Balance Sheet.

We had assets of approximately $1.4 million and $1.5 million pledged as collateral for the mortgage notes and other debt at December 31, 2016 and 2015, respectively.

Cash interest payments for the three years ended December 31 were as follows (in thousands):

Payments in 2016	$156,950
Payments in 2015	$164,748
Payments in 2014	$175,327

Expected cash interest payments for the five years subsequent to December 31, 2016 and thereafter are as follows (in thousands):

Payments in 2017	$152,682
Payments in 2018	$147,342
Payments in 2019	$132,269
Payments in 2020	$130,745
Payments in 2021	$99,515
Payments in 2022 and thereafter	$197,077

10. Credit Risk and Fair Value of Financial Instruments

Fair Value Estimates

The fair value estimates of the following financial instruments have been determined using available market information and appropriate valuation methodologies. The carrying values of cash and cash equivalents, trade receivables, and trade payables approximate the fair values of those instruments due to the short-term nature of the instruments. The carrying values of receivables on preneed funeral and cemetery contracts approximate fair value due to the diverse number of individual contracts with varying terms.

The fair value of our debt instruments at December 31 was as follows:

	2016	2015
	(In thousands)	
7.0% Senior Notes due June 2017	$—	$314,618
7.625% Senior Notes due October 2018	272,353	279,375
4.5% Senior Notes due November 2020	205,000	201,500
8.0% Senior Notes due November 2021	175,500	176,438
5.375% Senior Notes due January 2022	444,614	445,188
5.375% Senior Notes due May 2024	884,000	884,094
7.5% Senior Notes due April 2027	231,590	216,500
Term Loan due July 2018	—	310,000
Bank Credit Facility due July 2018	—	270,000
Term Loan due March 2021	673,750	—
Bank Credit Facility due March 2021	350,000	—
Mortgage notes and other debt, maturities through 2050	3,753	4,047
Total fair value of debt instruments	$3,240,560	$3,101,760

The fair values of our long-term, fixed rate loans were estimated using market prices for those loans, and therefore they are classified within Level 2 of the fair value measurements hierarchy. The Term Loan, Bank Credit Facility agreement and the mortgage and other debt are classified within Level 3 of the fair value measurements hierarchy. The fair values of these instruments have been estimated using discounted cash flow analysis based on our incremental borrowing rate for similar borrowing arrangements. An increase (decrease) in the inputs results in a directionally opposite change in the fair value of the instruments.

Credit Risk Exposure

Our cash deposits, some of which exceed insured limits, are distributed among various market and national banks in the jurisdictions in which we operate. In addition, we regularly invest excess cash in financial instruments that are not insured, such as commercial paper that is offered by corporations with quality credit ratings and money market funds and Eurodollar time deposits that are offered by a variety of reputable financial institutions. We believe that the credit risk associated with such instruments is minimal.

We grant credit to customers in the normal course of business. The credit risk associated with our funeral, cemetery, and preneed funeral and preneed cemetery receivables due from customers is generally considered minimal because of the diversification of the customers served. Furthermore, bad debts have not been significant relative to the volume of deferred revenue. Customer payments on preneed funeral or preneed cemetery contracts that are either placed into state-regulated trusts

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or used to pay premiums on life insurance contracts generally do not subject us to collection risk. Insurance-funded contracts are subject to supervision by state insurance departments and are protected in the majority of states by insurance guaranty acts.

11. Commitments and Contingencies

Leases

Our leases principally relate to funeral home facilities and transportation equipment. The majority of our lease arrangements contain options to (i) purchase the property at fair value on the exercise date, (ii) purchase the property for a value determined at the inception of the lease, or (iii) renew the lease for the fair rental value at the end of the primary lease term. Rental expense for operating leases was $31.9 million, $33.3 million, and $37.2 million for the years ended December 31, 2016, 2015, and 2014, respectively. As of December 31, 2016, future minimum lease payments for non-cancelable operating and capital leases exceeding one year were as follows:

	Operating	Capital
	(In thousands)	
2017	$14,201	$59,598
2018	12,122	52,353
2019	10,028	21,533
2020	8,542	29,528
2021	7,564	24,829
2022 and thereafter	67,655	20,917
Total	$120,112	$208,758
Less: Interest on capital leases		(16,417)
Total principal payable on capital leases		$192,341

Employment and Management, Consulting, and Non-Competition Agreements

We have entered into employment and management, consulting, and non-competition agreements, generally for five to ten years, with certain officers and employees and former owners of businesses that we acquired. At December 31, 2016, the maximum estimated future cash commitments under agreements with remaining commitment terms, and with original terms of more than one year, were as follows:

	Employment and Management	Consulting	Non-Competition	Total
	(In thousands)			
2017	$1,692	$ 185	$ 4,641	$6,518
2018	1,035	138	4,436	5,609
2019	818	115	4,203	5,136
2020	375	45	3,017	3,437
2021	107	—	2,022	2,129
2022 and thereafter	—	—	4,315	4,315
Total	$4,027	$ 483	$ 22,634	$27,144

Insurance Loss Reserves

We purchase comprehensive general liability, morticians and cemetery professional liability, automobile liability, and workers' compensation insurance coverage structured with high deductibles. The high-deductible insurance program means we are primarily self-insured for claims and associated costs and losses covered by these policies. As of December 31, 2016 and 2015, we have self-insurance reserves of $78.0 million and $76.6 million, respectively.

Litigation

We are a party to various litigation matters, investigations, and proceedings. Some of the more frequent routine litigations incidental to our business are based on burial practices claims and employment related matters, including discrimination, harassment, and wage and hour laws and regulations. For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, and the likelihood of an unfavorable outcome. We intend to vigorously defend ourselves in the lawsuits described herein; however, if we determine that an unfavorable outcome is

probable and can be reasonably estimated, we establish the necessary accruals. We hold certain insurance policies that may reduce cash outflows with respect to an adverse outcome of certain of these litigation matters. We accrue such insurance recoveries when they become probable of being paid and can be reasonably estimated.
Wage and Hour Claims. We are named a defendant in various lawsuits alleging violations of federal and state laws regulating wage and hour pay, including but not limited to the Samborsky and Vasquez lawsuits described below.
Charles Samborsky, et al, individually and on behalf of those persons similarly situated, v. SCI California Funeral Services, Inc., et al ; Case No. BC544180; in the Superior Court of the State of California for the County of Los Angeles, Central District-Central Civil West Courthouse. This lawsuit was filed in April 2014 against an SCI subsidiary and purports to have been brought on behalf of employees who worked as family service counselors in California since April 2010. The plaintiffs allege causes of action for various violations of state laws regulating wage and hour pay. The plaintiffs seek unpaid wages, compensatory and punitive damages, attorneys' fees and costs, interest, and injunctive relief. The claims have been sent to arbitration. We cannot quantify our ultimate liability, if any, in this lawsuit.
Adrian Mercedes Vasquez, an individual and on behalf of others similarly situated, v. California Cemetery and Funeral Services, LLC, et al; Case No. BC58837; in the Superior Court of the State of California for the County of Los Angeles. This lawsuit was filed in July 2015 against SCI subsidiaries and purports to be brought on behalf of current and former non-exempt California employees of defendants during the four years preceding the filing of the complaint. The plaintiff alleges numerous causes of action for alleged wage and hour pay violations. The plaintiff seeks unpaid wages, compensatory and punitive damages, attorneys' fees and costs, interest, and injunctive relief. The claims have been ordered to arbitration, with the arbitrator to determine whether the claims will proceed as a class or individual claims. In addition, the plaintiff filed an unfair labor practice charge against defendants with the National Labor Relations Board alleging that by enforcing a mandatory arbitration provision, defendants allegedly violated the National Labor Relations Act. We cannot quantify our ultimate liability, if any, in this lawsuit.
Claims Regarding Acquisition of Stewart Enterprises. We are involved in the following lawsuits.
Karen Moulton, Individually and on behalf of all others similarly situated v. Stewart Enterprises, Inc., Service Corporation International and others ; Case No. 2013-5636; in the Civil District Court Parish of New Orleans. This case was filed as a class action in June 2013 against SCI and our subsidiary in connection with SCI's proposed acquisition of Stewart Enterprises, Inc. The plaintiffs allege that SCI aided and abetted breaches of fiduciary duties by Stewart Enterprises and its board of directors in negotiating the combination of Stewart Enterprises with a subsidiary of SCI. The plaintiffs seek damages concerning the combination. We filed exceptions to the plaintiffs' complaint that were granted in June 2014. Thus, subject to appeals, SCI will no longer be party to the suit. The case has continued against our subsidiary Stewart Enterprises and its former individual directors. However, in October 2016, the court entered a judgment dismissing all of plaintiffs' claims. Plaintiffs have filed documents indicating that they are appealing the dismissal. We cannot quantify our ultimate liability, if any, for the payment of damages.
S.E. Funeral Homes of California, Inc. v. The Roman Catholic Archbishop of Los Angeles, et al.; Case No. BC559142; in the Superior Court of the State of California for the County of Los Angeles. The plaintiff is a company indirectly owned by Stewart Enterprises, Inc. The plaintiff filed this action in September 2014 to prevent The Roman Catholic Archbishop of Los Angeles (the "Archdiocese") from terminating six ground leases. In reliance on the leases having 40 year terms beginning at the earliest in 1997, the plaintiff had previously made material investments since 1997 in constructing and operating funeral homes, chapels, mausoleums, and other improvements on the leased premises. In addition, the plaintiff has created a material backlog of deferred preneed revenue that plaintiff expects to receive in the coming years. In September 2014, the Archdiocese delivered notices purporting to terminate the leases and alleging that the leases were breached because the plaintiff did not obtain the Archdiocese's consent before Stewart Enterprises, Inc. entered into a reverse merger with an affiliate of SCI. The plaintiff disputes this contention and seeks, among other things, a declaratory judgment declaring that the Archdiocese's purported termination notices are invalid, requiring specific performance of the leases, or, in the alternative, awarding the plaintiff compensatory damages. The Archdiocese filed a counterclaim and a separate action for unlawful detainer in October 2014, and all claims and actions of the respective parties have been consolidated into one case for all purposes. In February 2016, the Court entered a ruling on the parties' cross motions for summary adjudication based on the parties' opposing interpretations of the relevant lease provisions and adopted the Archdiocese's interpretation of its right to terminate the leases.

On July 27, 2016, the parties executed an agreement to settle the consolidated case. Under the settlement agreement, the Company agreed to sell to the Archdiocese substantially all of the assets used in the operations of the six mortuaries located on cemeteries of the Archdiocese and to terminate its rights under the related ground leases. The closing of the sale occurred on November 30, 2016. As a result of the settlement, the consolidated case between the parties has been dismissed.

Operational Claims. We are subject to the following lawsuit.

Linda Allard, on behalf of herself and all others similarly situated v. SCI Direct, Inc., Case No 16-1033; In the United

States District Court, Middle District of Tennessee. This case was filed in June 2016 as a class action under the Telephone Consumer Protection Act (the "Act"). Plaintiff alleges she received telemarketing telephone calls that were made with a prerecorded voice or made by an automatic telephone dialing system in violation of the Act. Plaintiff seeks actual and statutory damages, as well as attorney's fees and costs. We cannot quantify our ultimate liability, if any, in this lawsuit.

The ultimate outcome of the matters described above cannot be determined at this time. We intend to vigorously defend all of the above lawsuits; however, an adverse decision in one or more of such matters could have a material effect on us, our financial condition, results of operations, and cash flows.

12. Equity

(All shares reported in whole numbers)

Share Authorization

We are authorized to issue 1,000,000 shares of preferred stock, $1 per share par value. No preferred shares were issued as of December 31, 2016 or 2015. At December 31, 2016 and 2015, 500,000,000 common shares of $1 par value were authorized. We had 195,403,644 and 200,859,676 shares issued and 189,405,244 and 195,772,876 outstanding at par at December 31, 2016 and 2015, respectively.

Accumulated Other Comprehensive Income

Our components of Accumulated other comprehensive income are as follows:

	Foreign Currency Translation Adjustment	Unrealized Gains and Losses	Accumulated Other Comprehensive (Loss) Income
	(In thousands)		
Balance at December 31, 2013	$88,441	$ —	$ 88,441
Activity in 2014	(32,141)	—	(32,141)
Reclassification of foreign currency translation adjustments to Net income from discontinued operations	3,114	—	3,114
Net unrealized losses associated with available-for- sale securities of the trusts, net of taxes	—	(166,570)	(166,570)
Reclassification of net unrealized losses activity attributable to the Deferred preneed receipts held in trust and Care trusts' corpus, net of taxes	—	166,570	166,570
Balance at December 31, 2014	$59,414	$ —	$ 59,414
Activity in 2015	(53,250)	—	(53,250)
Net unrealized losses associated with available-for- sale securities of the trusts, net of taxes	—	(85,140)	(85,140)
Reclassification of net unrealized losses activity attributable to the Deferred preneed receipts held in trust and Care trusts' corpus, net of taxes	—	85,140	85,140
Balance at December 31, 2015	$6,164	$ —	$ 6,164
Activity in 2016	10,328	—	10,328
Net unrealized gains associated with available-for-sale securities of the trusts, net of taxes	—	120,573	120,573
Reclassification of net unrealized gains activity attributable to the Deferred preneed receipts held in trust and Care trusts' corpus, net of taxes	—	(120,573)	(120,573)
Balance at December 31, 2016	$16,492	$ —	$ 16,492

The assets and liabilities of foreign operations are translated into U.S. dollars using the current exchange rate. The U.S. dollar amount that arises from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the cumulative currency translation adjustments in Accumulated other comprehensive income.

Share Repurchase Program

Subject to market conditions, normal trading restrictions, and limitations in our debt covenants, we may make purchases in the open market or through privately negotiated transactions under our share repurchase program. Under our share repurchase program, during 2016, we repurchased 8,811,847 shares of common stock at an aggregate cost of $227.9 million, which is an average cost per share of $25.87. During 2015, we repurchased 12,455,281 shares of common stock at an aggregate cost of $345.3 million, which is an average cost per share of $27.72 under the program. On November 8, 2016, our Board of Directors increased our share repurchase authorization to $400.0 million. After these repurchases and increase in authorization, the remaining dollar value of shares authorized to be purchased under the share repurchase program was $366.6 million at December 31, 2016.

Subsequent to December 31, 2016, we repurchased 1,969,289 shares for $57.1 million at an average cost per share of $29.00.

Cash Dividends

On February 8, 2017 our Board of Directors approved a cash dividend of $0.13 per common share payable on March 31, 2017 to stockholders of record as of March 15, 2017.

Noncontrolling Interest

During 2016, we purchased an additional 11% of the common stock of our consolidated subsidiary, Wilson Financial Group, Inc. for $1.9 million.

13. Share-Based Compensation

Stock Benefit Plans

We maintain benefit plans whereby shares of our common stock may be issued pursuant to the exercise of stock options or restricted stock granted to officers and key employees. Our Amended and Restated Incentive Plan reserves 44,000,000 shares of common stock for outstanding and future awards of stock options, restricted stock, and other stock based awards to officers and key employees. In May 2016, our shareholders approved the 2016 Equity Incentive Plan that reserves 13,000,000 shares of common stock for outstanding and future awards of stock options, restricted stock, and other awards to officers and key employees.

Our benefit plans allow for options to be granted as either non-qualified or incentive stock options. The options historically have been granted annually, or upon hire, as approved by the Compensation Committee of the Board of Directors. The options are granted with an exercise price equal to the market price of our common stock on the date of the grant, as approved by the Compensation Committee of the Board of Directors. The options are generally exercisable at a rate of $33^1/3$% each year unless alternative vesting methods are approved by the Compensation Committee of the Board of Directors. Restricted stock awards are generally expensed ratably over the period during which the restrictions lapse. At December 31, 2016 and 2015, 12,171,075 and 1,531,410 shares, respectively, were reserved for future option and restricted stock grants under our stock benefit plans.

We utilize the Black-Scholes option valuation model for estimating the fair value of our stock options. This model allows the use of a range of assumptions related to volatility, risk-free interest rate, expected holding period, and dividend yield. The expected volatility utilized in the valuation model is based on the historical volatility of our stock price. The dividend yield and expected holding period are based on historical experience and management’s estimate of future events. The risk-free interest rate is derived from the U.S. Treasury yield curve based on the expected life of the option in effect at the time of grant. The fair values of our stock options are calculated using the following weighted average assumptions, based on the methods described above for the years ended December 31:

Assumptions	2016	2015	2014
Dividend yield	2.0 %	1.8 %	1.8 %
Expected volatility	19.7%	23.3%	27.1%
Risk-free interest rate	1.0 %	1.3 %	1.1 %
Expected holding period (years)	4.0	4.0	4.0

The following table summarizes certain information with respect to stock option and restricted share compensation as included in our Consolidated Statement of Operations for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Total pretax employee share-based compensation expense included in net income	$14,056	$13,843	$13,127
Income tax benefit related to share-based compensation included in net income	$6,427	$5,068	$7,368

We realized windfall tax deductions of $34.0 million, $43.5 million, and $31.6 million in excess of previously recorded tax benefits, based on the option and restricted share value at the time of grant for the years ended December 31, 2016, 2015, and 2014, respectively. The additional tax benefit associated with the windfall is not recognized until the deduction reduces taxes payable.

Stock Options

The following table sets forth stock option activity for the year ended December 31, 2016:

(Shares reported in whole numbers)

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2015	11,047,920	$ 13.98
Granted	1,863,700	$ 22.28
Exercised	(2,108,212)	$ 8.38
Canceled	(28,272)	$ 20.98
Outstanding at December 31, 2016	10,775,136	$ 16.49
Exercisable at December 31, 2016	6,938,591	$ 13.69

The aggregate intrinsic value for stock options outstanding and exercisable was $128.3 million and $102.1 million, respectively, at December 31, 2016.

Set forth below is certain information related to stock options outstanding and exercisable at December 31, 2016:

(Shares reported in whole numbers)

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2016	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable at December 31, 2016	Weighted-Average Exercise Price
$ 5.00 — 10.00	2,032,763	1.7	$ 8.42	2,032,763	$ 8.42
$10.01 — 15.00	1,361,450	3.1	$ 11.18	1,361,450	$ 11.18
$15.01 — 20.00	3,548,915	4.7	$ 16.50	2,801,293	$ 16.26
$20.01 — 25.00	3,832,008	6.6	$ 22.65	743,085	$ 22.97
$ 5.00 — 25.00	10,775,136	4.6	$ 16.49	6,938,591	$ 13.69

Other information pertaining to stock option activity during the years ended December 31 is as follows:

	2016	2015	2014
Weighted average grant-date fair value of stock options granted	$4.01	$3.79	$3.34
Total fair value of stock options vested (in thousands)	$7,690	$7,973	$6,814
Total intrinsic value of stock options exercised (in thousands)	$37,284	$52,513	$42,048

For the years ended December 31, 2016, 2015, and 2014, cash received from the exercise of stock options was $17.7 million, $31.8 million, and $32.4 million, respectively. We recognized compensation expense of $7.6 million, $7.9 million, and $7.5 million related to stock options for the years ended December 31, 2016, 2015, and 2014, respectively. As of December 31, 2016, the unrecognized compensation expense related to stock options of $8.1 million is expected to be recognized over a weighted average period of 1.3 years.

Restricted Shares

Restricted share award activity was as follows:

(Shares reported in whole numbers)

	Restricted Share Awards	Weighted-Average Grant-Date Fair Value
Nonvested restricted share awards at December 31, 2015	573,739	$ 19.32
Granted	241,510	$ 22.28
Vested	(313,247)	$ 18.14
Forfeited and other	(1,258)	$ 20.85
Nonvested restricted share awards at December 31, 2016	500,744	$ 21.48

The fair value of our restricted share units, as determined on the grant date, is being amortized and charged to income (with an offsetting credit to Capital in excess of par value) generally over the average period during which the restrictions lapse. At December 31, 2016, unrecognized compensation expense of $5.8 million related to restricted share awards, which is recorded in Capital in excess of par value on our Consolidated Balance Sheet, is expected to be recognized over a weighted average period of 1.7 years. We recognized compensation expense of $5.6 million, $5.9 million, and $5.7 million during the years ended December 31, 2016, 2015, and 2014, respectively, related to our restricted share awards.

Restricted share units activity was as follows:

(Shares reported in whole numbers)

	Restricted Share Units	Weighted-Average Grant-Date Fair Value
Nonvested restricted share units at December 31, 2015	—	$ —
Granted	130,660	$ 25.72
Vested	(1,950)	$ 25.72
Forfeited and other	(5,200)	$ 25.72
Nonvested restricted share units at December 31, 2016	123,510	$ 25.72

At December 31, 2016 the unrecognized compensation expense related to restricted share units of $2.4 million is expected to be recognized over a weighted average period of 2.1 years. We recognized compensation expense of $0.8 million for the year ended December 31, 2016 related to our restricted share units.

14. Retirement Plans

We currently have a supplemental retirement plan for certain current and former key employees (SERP), a supplemental retirement plan for officers and certain key employees (Senior SERP), a retirement plan for certain non-employee directors (Directors' Plan), a Retirement Plan for Rose Hills® Trustees, a Rose Hills® Supplemental Retirement Plan, and a Stewart Supplemental Retirement Plan (collectively, the "Plans"). We also provide a 401(k) employee savings plan. All of our Plans have a measurement date of December 31.

The Plans are frozen; therefore, the participants do not earn incremental benefits from additional years of service, and we do not incur any additional service cost.

Retirement benefits under the SERP are based on years of service and average monthly compensation, reduced by benefits under Social Security. The Senior SERP provides retirement benefits based on years of service and position. The Directors' Plan provides for an annual benefit to directors following retirement, based on a vesting schedule.

We recognize pension related gains and losses in our consolidated statement of operations in the year such gains and losses are incurred. The components of the Plans' net periodic benefit cost for the years ended December 31 were as follows:

	2016	2015	2014
	(In thousands)		
Interest cost on projected benefit obligation	$1,179	$1,198	$1,293
Recognized net actuarial losses (gains)	259	(1,327)	2,401
Total net periodic benefit cost	$1,438	$(129)	$3,694

The Plans' funded status at December 31 was as follows:

	2016	2015
	(In thousands)	
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$32,305	$36,920
Interest cost	1,179	1,198
Actuarial gain (loss)	259	(1,327)
Benefits paid	(3,665)	(4,486)
Benefit obligation at end of year	$30,078	$32,305
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$—	$—
Employer contributions	3,665	4,486
Benefits paid, including expenses	(3,665)	(4,486)
Fair value of plan assets at end of year	$—	$—
Funded status of plan	$(30,078)	$(32,305)
Funding Summary:		
Projected benefit obligations	$30,078	$32,305
Accumulated benefit obligation	$30,078	$32,305
Amounts Recognized in the Consolidated Balance Sheet:		
Accounts payable and accrued liabilities	$(3,448)	$(3,723)
Accrued pension - included in Other liabilities	(26,630)	(28,582)
Total accrued benefit liability	$(30,078)	$(32,305)

The retirement benefits under the Plans are unfunded obligations of the Company. We have purchased various life insurance policies on the participants in the Plans with the intent to use the proceeds or any cash value buildup from these policies to assist in meeting, at least to the extent of such assets, the Plans' funding requirements. The face value of these insurance policies at December 31, 2016 and 2015 was $47.5 million and $48.9 million, respectively, and the cash surrender value was $37.0 million and $37.7 million, respectively. The outstanding loans against the policies are minimal and there are no restrictions in the policies regarding loans.

The Plans' weighted-average assumptions used to determine the benefit obligation and net benefit cost are as follows:

	2016	2015	2014
Weighted-average discount rate used to determine obligations	3.76%	3.86%	3.42%
Weighted-average discount rate used to determine net periodic pension cost	3.96%	2.47%	3.69%

We base our discount rate used to compute future benefit obligations using an analysis of expected future benefit payments. The reasonableness of our discount rate is verified by comparing the rate to the rate earned on high-quality fixed income investments, such as the Moody's Aa index, plus 50 basis points. The assumed rate of return on plan assets was not applicable as we pay plan benefits as they come due. As all Plans are curtailed, the assumed rate of compensation increase is zero.

The following benefit payments are expected to be paid in future years related to our Plans (in thousands):

2017	$3,448
2018	$3,237
2019	$3,166
2020	$2,739
2021	$2,428
Years 2022 through 2026	$9,959

We have an employee savings plan that qualifies under section 401(k) of the Internal Revenue Code for the exclusive benefit of our United States employees. Under the plan, participating employees may contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines up to a maximum of 50%.

During 2016, 2015, and 2014, we matched a percentage of the employee contributions through contributions of cash. For these years, our matching contribution was based upon the following:

Years of Vesting Service	Percentage of Deferred Compensation
0 — 5 years	75% of the first 6% of deferred compensation
6 — 10 years	100% of the first 6% of deferred compensation
11 or more years	125% of the first 6% of deferred compensation

The amount of our matched contributions in 2016, 2015, and 2014 was $32.5 million, $30.8 million, and $26.8 million, respectively.

15. Segment Reporting

Our operations are both product based and geographically based, and the reportable operating segments presented below include our funeral and cemetery operations. Our geographic areas include United States and Canada. We conduct both funeral and cemetery operations in the United States and Canada.

Our reportable segment information is as follows:

	Reportable Segments			
	Funeral	Cemetery	Corporate	Consolidated
	(In thousands)			
2016				
Revenue from external customers	$1,868,883	$1,162,254	$—	$3,031,137
Interest expense	$3,910	$101	$158,082	$162,093
Depreciation and amortization	$106,251	$31,432	$9,550	$147,233
Amortization of intangible assets	$20,442	$10,440	$74	$30,956
Gross profit	$364,237	$312,197	$—	$676,434
Amortization of cemetery property	$—	$66,745	$—	$66,745
Capital expenditures	$68,434	$113,395	$11,617	$193,446
Total assets	$5,156,144	$6,484,317	$397,688	$12,038,149
2015				
Revenue from external customers	$1,888,828	$1,097,213	$—	$2,986,041
Interest expense	$4,230	$450	$168,217	$172,897
Depreciation and amortization	$102,937	$29,783	$8,736	$141,456
Amortization of intangible assets	$22,636	$8,748	$75	$31,459
Gross profit	$393,156	$281,433	$—	$674,589
Amortization of cemetery property	$—	$62,407	$—	$62,407
Capital expenditures	$52,880	$84,345	$13,761	$150,986
Total assets	$5,141,544	$6,181,877	$352,976	$11,676,397
2014				
Revenue from external customers	$1,920,475	$1,073,536	$—	$2,994,011
Interest expense	$4,714	$510	$172,347	$177,571
Depreciation and amortization	$101,801	$28,745	$9,456	$140,002
Amortization of intangible assets	$24,841	$11,700	$99	$36,640
Gross profit	$409,701	$265,984	$—	$675,685
Amortization of cemetery property	$—	$60,439	$—	$60,439
Capital expenditures	$52,610	$78,588	$13,301	$144,499

The following table reconciles gross profit from reportable segments shown above to our consolidated income from continuing operations before income taxes:

	2016	2015	2014
	(In thousands)		
Gross profit from reportable segments	$676,434	$674,589	$675,685
General and administrative expenses	(137,730)	(130,813)	(184,749)
(Losses) gains on divestitures and impairment charges, net	(26,819)	6,522	116,613
Operating income	511,885	550,298	607,549
Interest expense	(162,093)	(172,897)	(177,571)
Losses on early extinguishment of debt, net	(22,503)	(6,918)	(29,158)
Other (expense) income, net	(631)	(132)	1,780
Income from continuing operations before income taxes	$326,658	$370,351	$402,600

Our geographic area information was as follows:

	United States	Canada	Total
	(In thousands)		
2016			
Revenue from external customers	$2,848,876	$182,261	$3,031,137
Interest expense (income)	$162,341	$(248)	$162,093
Depreciation and amortization	$138,560	$8,673	$147,233
Amortization of intangible assets	$30,427	$529	$30,956
Amortization of cemetery property	$61,449	$5,296	$66,745
Operating income	$460,387	$51,498	$511,885
(Losses) gains on divestitures and impairment charges, net	$(27,658)	$839	$(26,819)
Long-lived assets	$5,705,070	$266,053	$5,971,123
2015			
Revenue from external customers	$2,805,407	$180,634	$2,986,041
Interest expense	$172,697	$200	$172,897
Depreciation and amortization	$132,393	$9,063	$141,456
Amortization of intangible assets	$30,856	$603	$31,459
Amortization of cemetery property	$58,429	$3,978	$62,407
Operating income	$498,634	$51,664	$550,298
Gains on divestitures and impairment charges, net	$1,778	$4,744	$6,522
Long-lived assets	$5,729,721	$248,734	$5,978,455
2014			
Revenue from external customers	$2,792,009	$202,002	$2,994,011
Interest expense	$177,245	$326	$177,571
Depreciation and amortization	$129,510	$10,492	$140,002
Amortization of intangible assets	$35,895	$745	$36,640
Amortization of cemetery property	$55,679	$4,760	$60,439
Operating income	$557,608	$49,941	$607,549
Gains on divestitures and impairment charges, net	$116,046	$567	$116,613

16. Supplementary Information

The detail of certain balance sheet accounts is as follows:

	December 31,	
	2016	2015
	(In thousands)	
Cash and cash equivalents:		
Cash	$146,684	$106,831
Commercial paper and temporary investments	48,302	27,768
	$194,986	$134,599
Receivables, net:		
Notes receivable	$1,259	$2,056
Atneed funeral receivables, net of allowances of $1,881 and $3,343, respectively	46,917	52,184
Atneed cemetery receivables, net of allowances of $1,514 and $2,153, respectively	17,765	13,585
Other	32,514	22,637
	$98,455	$90,462
Other current assets:		
Income tax receivable	$3,609	$15,662
Prepaid insurance	4,437	5,398
Restricted cash	11,978	12,587
Other	14,500	13,508
	$34,524	$47,155
Cemetery property:		
Undeveloped land	$1,184,710	$1,186,861
Developed lots, lawn crypts, mausoleum spaces, cremation niches, and cremation memorialization property	592,225	566,154
	$1,776,935	$1,753,015
Property and equipment:		
Land	$595,096	$591,407
Buildings and improvements	1,879,553	1,834,403
Operating equipment	549,879	530,195
Leasehold improvements	33,900	52,121
Capital leases	234,411	220,784
	3,292,839	3,228,910
Less: Accumulated depreciation	(1,328,262)	(1,253,867)
Less: Accumulated amortization of capital leases	(136,990)	(128,321)
	$1,827,587	$1,846,722
Deferred charges and other assets:		
Intangible assets, net	$368,065	$370,005
Restricted cash	4,542	3,907
Deferred tax assets	861	23,817
Notes receivable, net of allowances of $11,334	9,598	10,229
Cash surrender value of insurance policies	119,819	108,726
Other	64,635	65,694
	$567,520	$582,378

	December 31,	
	2016	2015
	(In thousands)	
Accounts payable and accrued liabilities:		
Accounts payable	$155,802	$140,019
Accrued benefits	88,392	86,908
Accrued interest	27,991	28,673
Accrued property taxes	12,883	11,594
Self-insurance reserves	77,993	76,611
Bank overdraft	20,927	21,808
Other accrued liabilities	55,948	57,203
	$439,936	$422,816
Other liabilities:		
Accrued pension	$26,630	$28,582
Deferred compensation	105,013	92,199
Customer refund obligation reserve	52,068	55,153
Tax liability	235,625	234,176
Payable to perpetual care fund	77,148	71,133
Other	13,838	15,704
	$510,322	$496,947

Revenue and Costs and Expenses

The detail of certain income statement accounts is as follows for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Property and merchandise revenue:			
Funeral	$611,441	$608,335	$616,992
Cemetery	912,788	849,255	816,980
Total property and merchandise revenue	1,524,229	1,457,590	1,433,972
Services revenue:			
Funeral	1,126,474	1,146,124	1,167,385
Cemetery	219,044	217,462	222,834
Total services revenue	1,345,518	1,363,586	1,390,219
Other revenue	161,390	164,865	169,820
Total revenue	$3,031,137	$2,986,041	$2,994,011
Property and merchandise costs and expenses:			
Funeral	$287,272	$290,574	$292,031
Cemetery	489,326	458,023	485,291
Total cost of property and merchandise	776,598	748,597	777,322
Services costs and expenses:			
Funeral	627,099	624,294	630,357
Cemetery	104,570	103,197	70,439
Total cost of services	731,669	727,491	700,796
Overhead and other expenses	846,436	835,364	840,208
Total cost and expenses	$2,354,703	$2,311,452	$2,318,326

Certain Non-Cash Investing and Financing Transactions

	Years Ended December 31,		
	2016	2015	2014
	(In thousands)		
Net change in capital expenditure accrual	$(1,435)	$5,571	$1,022
Options exercised by attestation	$—	$122	$761
Shares repurchased	$—	$(122)	$(761)
Non-cash acquisition of capital leases	$41,609	$55,941	$35,422

17. Earnings Per Share

Basic earnings per common share (EPS) excludes dilution and is computed by dividing Net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in our earnings.

A reconciliation of the numerators and denominators of basic and diluted EPS for the three years ended December 31 is presented below:

	2016	2015	2014
	(In thousands, except per share amounts)		
Amounts attributable to common stockholders:			
Income from continuing operations — basic	$177,038	$234,162	$170,283
After tax interest on convertible debt	43	50	51
Income from continuing operations — diluted	$177,081	$234,212	$170,334
(Loss) income from discontinued operations, net of tax	$—	$(390)	$2,186
Net income — basic	$177,038	$233,772	$172,469
After tax interest on convertible debt	43	50	51
Net income — diluted	$177,081	$233,822	$172,520
Weighted average shares:			
Weighted average shares — basic	193,086	200,356	210,741
Stock options	2,823	3,973	3,338
Restricted share units	12	—	—
Convertible debt	121	121	121
Weighted average shares — diluted	196,042	204,450	214,200
Amounts attributable to common stockholders:			
Income from continuing operations per share:			
Basic	$0.92	$1.17	$0.81
Diluted	$0.90	$1.14	$0.80
Income from discontinued operations per share:			
Basic	$—	$—	$0.01
Diluted	$—	$—	$0.01
Net income per share:			
Basic	$0.92	$1.17	$0.82
Diluted	$0.90	$1.14	$0.81

The computation of diluted earnings per share excludes outstanding stock options in certain periods in which the inclusion of such options would be antidilutive to the periods presented. Total options not currently included in the computation of dilutive EPS are as follows (in shares):

	2016	2015	2014
	(In thousands)		
Antidilutive options	982	3	1,491

18. Acquisitions

We spent $72.9 million, $68.9 million, and $25.7 million for several smaller, tuck-in acquisitions for the three years ended December 31, 2016, 2015, and 2014, respectively. These amounts include the use of $3.7 million, $27.7 million, and $10.4 million in 1031 exchange funds for each year, respectively.

SCI Direct

During 2014, we acquired the remaining 10% of the outstanding shares of The Neptune Society Inc. (Neptune) increasing our ownership from 90% to 100%.

19. Divestiture-Related Activities

As divestitures occur in the normal course of business, gains or losses on the sale of such locations are recognized in the income statement line item (Losses) gains on divestitures and impairment charges, net, which consist of the following for the years ended December 31:

	2016	2015	2014
	(In thousands)		
Gains on divestitures, net	$7,829	$13,363	$122,535
Impairment losses	(34,648)	(6,841)	(5,922)
(Losses) gains on divestitures and impairment charges, net	$(26,819)	$6,522	$116,613

20. Quarterly Financial Data (Unaudited)

Quarterly financial data for 2016 and 2015 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
2016				
Revenue	$749,219	$751,398	$721,467	$809,053
Costs and expenses	$(586,296)	$(589,409)	$(580,722)	$(598,276)
Gross profit	$162,923	$161,989	$140,745	$210,777
Operating income	$123,672	$94,498	$114,386	$179,329
Income from continuing operations before income taxes(1)	$79,767	$32,639	$74,963	$139,289
Provision for income taxes	$(32,313)	$(16,746)	$(27,422)	$(72,872)
Net income	$47,454	$15,893	$47,541	$66,417
Net (income) loss attributable to noncontrolling interests	$(9)	$(273)	$186	$(171)
Net income attributable to common stockholders	$47,445	$15,620	$47,727	$66,246
Net income attributable to common stockholders per share(2):				
Basic — EPS	$0.24	$0.08	$0.25	$0.35
Diluted — EPS	$0.24	$0.08	$0.24	$0.34
2015				
Revenue	$748,089	$754,219	$714,453	$769,280
Costs and expenses	$(569,748)	$(587,452)	$(572,774)	$(581,478)
Gross profit	$178,341	$166,767	$141,679	$187,802
Operating income	$141,115	$127,580	$124,548	$157,055
Income from continuing operations before income taxes(1)	$98,118	$84,489	$74,045	$113,699
Provision for income taxes	$(36,653)	$(31,007)	$(26,118)	$(41,249)
Net income from continuing operations	$61,465	$53,482	$47,927	$72,450
Net loss from discontinued operations, net of tax	$—	$(390)	$—	$—
Net income	$61,465	$53,092	$47,927	$72,450
Net income attributable to noncontrolling interests	$(90)	$(497)	$(479)	$(96)
Net income attributable to common stockholders	$61,375	$52,595	$47,448	$72,354
Net income attributable to common stockholders per share(2):				
Basic — EPS	$0.30	$0.26	$0.24	$0.37
Diluted — EPS	$0.30	$0.25	$0.23	$0.36

(1) Includes (Losses) gains on divestitures and impairment charges, net, as described in Note 19.

(2) Net income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarters' net income per share may not equal the total computed for the year.

SERVICE CORPORATION INTERNATIONAL
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2016

Description	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Charged (Credited) to Other Accounts(1)	Write-Offs(2)	Balance at End of Period
	(In thousands)				
Current provision:					
Allowance for doubtful accounts:					
Year Ended December 31, 2016	$5,496	$10,776	$ 66,808	$ (79,685)	$3,395
Year Ended December 31, 2015	$8,546	$6,083	$ 63,964	$ (73,097)	$5,496
Year Ended December 31, 2014	$11,637	$7,376	$ 55,573	$ (66,040)	$8,546
Due After One Year:					
Allowance for doubtful accounts:					
Year Ended December 31, 2016	$11,334	$—	$ —	$ —	$11,334
Year Ended December 31, 2015	$11,259	$—	$ 75	$ —	$11,334
Year Ended December 31, 2014	$10,986	$—	$ 273	$ —	$11,259
Preneed Funeral and Preneed Cemetery					
Asset allowance for cancellation:					
Year Ended December 31, 2016	$105,773	$1,411	$ 6,216	$ (8,660)	$104,740
Year Ended December 31, 2015	$107,040	$5,016	$ (6,283)	$ —	$105,773
Year Ended December 31, 2014	$106,793	$2,950	$ (2,703)	$ —	$107,040
Deferred Preneed Funeral and Cemetery					
Revenue allowance for cancellation:					
Year Ended December 31, 2016	$(121,548)	$—	$ 4,635	$ —	$(116,913)
Year Ended December 31, 2015	$(125,030)	$—	$ 3,482	$ —	$(121,548)
Year Ended December 31, 2014	$(149,288)	$—	$ 24,258	$ —	$(125,030)
Deferred tax valuation allowance:					
Year Ended December 31, 2016	$126,654	$6,336	$ (490)	$ —	$132,500
Year Ended December 31, 2015	$134,201	$(5,988)	$ (1,559)	$ —	$126,654
Year Ended December 31, 2014	$114,719	$21,285	$ (1,803)	$ —	$134,201

(1) Primarily relates to acquisitions and dispositions of operations.
(2) Uncollected receivables written off, net of recoveries.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a)(1)-(2) Financial Statements and Schedule:

The financial statements and schedule are listed in the accompanying Index to Financial Statements and Related Schedule on page 3 of this report.

(3) Exhibits:

The exhibits listed on the accompanying Exhibit Index on page 61 are filed as part of this report.

(b) Included in (a) above.

(c) Included in (a) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, Service Corporation International, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SERVICE CORPORATION INTERNATIONAL

By: /s/ GREGORY T. SANGALIS
(Gregory T. Sangalis,
Senior Vice President, General
Counsel, and Secretary)

Dated: February 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ THOMAS L. RYAN* (Thomas L. Ryan)	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 21, 2017
/s/ ERIC D. TANZBERGER* (Eric D. Tanzberger)	Senior Vice President, Chief Financial Officer(Principal Financial Officer)	February 21, 2017
/s/ TAMMY R. MOORE* (Tammy R. Moore)	Vice President and Corporate Controller (Principal Accounting Officer)	February 21, 2017
/s/ R. L. WALTRIP* (R. L. Waltrip)	Founder and Chairman Emeritus, Director	February 21, 2017
/s/ ANTHONY L. COELHO* (Anthony L. Coelho)	Lead Director	February 21, 2017
/s/ ALAN R. BUCKWALTER, III* (Alan R. Buckwalter, III)	Director	February 21, 2017
/s/ VICTOR L. LUND* (Victor L. Lund)	Director	February 21, 2017
/s/ JOHN W. MECOM, JR.*	Director	February 21, 2017

(John W. Mecom, Jr.)		
/s/ CLIFTON H. MORRIS, JR.* (Clifton H. Morris, Jr.)	Director	February 21, 2017
/s/ ELLEN OCHOA* (Ellen Ochoa)	Director	February 21, 2017
/s/ W. BLAIR WALTRIP* (W. Blair Waltrip)	Director	February 21, 2017
/s/ MARCUS A. WATTS* (Marcus A. Watts)	Director	February 21, 2017
/s/ EDWARD E. WILLIAMS* (Edward E. Williams)	Director	February 21, 2017
*By /s/ GREGORY T. SANGALIS (Gregory T. Sangalis, as Attorney-In-Fact for each of the Persons indicated)		February 21, 2017

EXHIBIT INDEX
PURSUANT TO ITEM 601 OF REG. S-K

Exhibit Number	Description
23.1	— Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).
24.1	— Powers of Attorney. (Incorporated by reference to Exhibit 24.1 to Form 10-K for the fiscal year ended December 31, 2016.)
31.1	— Certification of Thomas L. Ryan as Principal Executive Officer in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	— Certification of Eric D. Tanzberger as Principal Financial Officer in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	— Certification of Periodic Financial Reports by Thomas L. Ryan as Principal Executive Officer in satisfaction of Section 906 of the Sarbanes- Oxley Act of 2002.
32.2	— Certification of Periodic Financial Reports by Eric D. Tanzberger as Principal Financial Officer in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002.
101	— Interactive data file.

Pursuant to Item 601(b)(4) of Regulation S-K, there are not filed as exhibits to this report certain instruments with respect to long-term debt under which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish a copy of any such instrument to the Commission upon request.