NORFOLK SOUTHERN CORP
Form 10-Q
April 24, 2019

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended **MARCH 31, 2019**

( ) 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 1-8339

NORFOLK SOUTHERN CORPORATION	
(Exact name of registrant as specified in its charter)	
Virginia	**52-1188014**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)
Three Commercial Place **Norfolk, Virginia**	**23510-2191**
(Address of principal executive offices)	(Zip Code)
(757) 629-2680	
(Registrant's telephone number, including area code)	
No Change	
(Former name, former address and former fiscal year, if changed since last report)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

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

<u>Class</u>	<u>Outstanding at March 31, 2019</u>
Common Stock ($1.00 par value per share)	265,967,039 (excluding 20,320,777 shares held by the registrant's consolidated subsidiaries)

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NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	First Quarter	
	2019	**2018**
	($ in millions, except per share amounts)	
Railway operating revenues	$2,840	$2,717
Railway operating expenses:		
Compensation and benefits	727	737
Purchased services and rents	424	401
Fuel	250	266
Depreciation	283	272
Materials and other	190	206
Total railway operating expenses	1,874	1,882
Income from railway operations	966	835
Other income – net	44	8
Interest expense on debt	149	136
Income before income taxes	861	707
Income taxes	184	155
Net income	$677	$552
Earnings per share:		
Basic	$2.53	$1.94
Diluted	2.51	1.93

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	First Quarter	
	2019	**2018**
	($ in millions)	
Net income	$677	$552
Other comprehensive income (loss), before tax:		
Pension and other postretirement benefits (expense)	5	(7)
Other comprehensive income (loss) of equity investees	(1)	1
Other comprehensive income (loss), before tax	4	(6)
Income tax benefit (expense) related to items of other comprehensive income (loss)	(1)	2
Other comprehensive income (loss), net of tax	3	(4)
Total comprehensive income	$680	$548

See accompanying notes to consolidated financial statements.

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Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	December 31, 2018
	($ in millions)	
Assets		
Current assets:		
Cash and cash equivalents	$411	$ 358
Accounts receivable – net	1,048	1,009
Materials and supplies	228	207
Other current assets	235	288
Total current assets	1,922	1,862
Investments	3,198	3,109
Properties less accumulated depreciation of $12,374 at both periods	31,158	31,091
Other assets	784	177
Total assets	$37,062	$ 36,239
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$1,334	$ 1,505
Short-term debt	250	—
Income and other taxes	338	255
Other current liabilities	378	246
Current maturities of long-term debt	585	585
Total current liabilities	2,885	2,591
Long-term debt	10,569	10,560
Other liabilities	1,759	1,266
Deferred income taxes	6,518	6,460
Total liabilities	21,731	20,877
Stockholders' equity:		
Common stock $1.00 per share par value, 1,350,000,000 shares authorized; outstanding 265,967,039 and 268,098,472 shares, respectively, net of treasury shares	267	269
Additional paid-in capital	2,213	2,216
Accumulated other comprehensive loss	(560)	(563)
Retained income	13,411	13,440
Total stockholders' equity	15,331	15,362
Total liabilities and stockholders' equity	$37,062	$ 36,239

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	First Three Months	
	2019	**2018**
	($ in millions)	
Cash flows from operating activities:		
Net income	$677	$552
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	283	272
Deferred income taxes	57	45
Gains and losses on properties	(18)	(8)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(39)	(26)
Materials and supplies	(21)	(23)
Other current assets	12	13
Current liabilities other than debt	(27)	12
Other – net	(43)	(21)
Net cash provided by operating activities	881	816
Cash flows from investing activities:		
Property additions	(467)	(383)
Property sales and other transactions	152	13
Investment purchases	(2)	(2)
Investment sales and other transactions	(33)	1
Net cash used in investing activities	(350)	(371)
Cash flows from financing activities:		
Dividends	(230)	(205)
Common stock transactions	2	(1)
Purchase and retirement of common stock	(500)	(300)
Proceeds from borrowings – net of issuance costs	250	543
Debt repayments	—	(100)
Net cash used in financing activities	(478)	(63)
Net increase in cash, cash equivalents, and restricted cash	53	382
Cash, cash equivalents, and restricted cash:		
At beginning of year	446	690
At end of period	$499	$1,072

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest (net of amounts capitalized)	$112	$69
Income taxes (net of refunds)	9	7

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Common Stock	Additional Paid-in Capital	Accum. Other Comprehensive Loss	Retained Income	Total
	($ in millions, except per share amounts)				
Balance at December 31, 2018	$269	$ 2,216	$ (563)	$13,440	$15,362
Comprehensive income:					
Net income				677	677
Other comprehensive income			3		3
Total comprehensive income					680
Dividends on common stock, $0.86 per share				(230)	(230)
Share repurchases	(3)	(22)		(475)	(500)
Stock-based compensation	1	19		(1)	19
Balance at March 31, 2019	$267	$ 2,213	$ (560)	$13,411	$15,331

	Common Stock	Additional Paid-in Capital	Accum. Other Comprehensive Loss	Retained Income	Total
	($ in millions, except per share amounts)				
Balance at December 31, 2017	$285	$ 2,254	$ (356)	$14,176	$16,359
Comprehensive income:					
Net income				552	552
Other comprehensive loss			(4)		(4)
Total comprehensive income					548
Dividends on common stock, $0.72 per share				(205)	(205)
Share repurchases	(2)	(16)		(282)	(300)
Stock-based compensation	1	17		(2)	16
Reclassification of stranded tax effects			(88)	88	—
Balance at March 31, 2018	$284	$ 2,255	$ (448)	$14,327	$16,418

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Norfolk Southern Corporation (Norfolk Southern) and subsidiaries' (collectively, NS, we, us, and our) financial position at March 31, 2019, and December 31, 2018, our results of operations, comprehensive income and changes in stockholders' equity for the first quarters of 2019 and 2018, and our cash flows for the first three months of 2019 and 2018 in conformity with U.S. generally accepted accounting principles (GAAP).

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our latest Annual Report on Form 10-K.

1. Railway Operating Revenues

The following table disaggregates our revenues by major commodity group:

	First Quarter	
	2019	**2018**
Merchandise:	*($ in millions)*	
Chemicals	$452	$454
Agriculture products	385	357
Metals and construction	385	356
Automotive	251	243
Forest and consumer	213	195
Merchandise	1,686	1,605
Intermodal	719	678
Coal	435	434
Total	$2,840	$2,717

At the beginning of 2019, we recategorized certain commodities within Merchandise major commodity groups to better align with how we internally manage these commodities. Prior period amounts have been reclassified to conform to the current presentation with no net impact to overall Merchandise revenue or total railway operating revenues. Specifically, certain commodities were shifted between Chemicals, Agriculture products, Metals and construction, and Forest and consumer.

We recognize the amount of revenue we expect to be entitled to for the transfer of promised goods or services to customers. A performance obligation is created when a customer under a transportation contract or public tariff submits a bill of lading to NS for the transport of goods. These performance obligations are satisfied as the shipments move from origin to destination. As such, transportation revenue is recognized proportionally as a shipment moves, and related expenses are recognized as incurred. These performance obligations are generally short-term in nature with transit days averaging approximately one week or less for each commodity group. The customer has an unconditional obligation to pay for the service once the service has been completed. Estimated revenue associated with in-process shipments at period-end is recorded based on the estimated percentage of service completed to total transit days. We had no material remaining performance obligations as of March 31, 2019 or December 31, 2018.

Under the typical payment terms of our freight contracts, payment for services is due within fifteen days of billing the customer, thus there are no significant financing components. “Accounts receivable – net” on the Consolidated Balance Sheets includes both customer and non-customer receivables as follows:

	March 31, 2019	**December 31, 2018**
	($ in millions)	
Customer	$ 793	$ 740
Non-customer	255	269
Accounts receivable – net	$ 1,048	$ 1,009

Non-customer receivables include non-revenue-related amounts due from other railroads, governmental entities, and others. “Other assets” on the Consolidated Balance Sheets includes non-current customer receivables of $55 million at both March 31, 2019 and December 31, 2018. We do not have any material contract assets or liabilities.

Certain ancillary services may be provided to customers under their transportation contracts such as switching, demurrage and other incidental service revenues. These are distinct performance obligations that are recognized at a point in time when the services are performed or as contractual obligations are met. This revenue is included within each of the commodity groups and represents approximately 5% and 4% of total “Railway operating revenues” on the Consolidated Statements of Income for the quarters ended March 31, 2019 and 2018, respectively.

2. Stock-Based Compensation

	First Quarter	
	2019	**2018**
	($ in millions)	
Stock-based compensation expense	$ 16	$ 16
Total tax benefit	23	14

During th 2019, a committee of nonemployee members of our Board of Directors (and the Chief Executive Officer under delegated authority by such committee) granted stock options, restricted stock units (RSUs) and performance share units (PSUs) pursuant to the Long-Term Incentive Plan (LTIP), as follows:

	First Quarter	
	Granted	**Weighted-Average Grant-Date Fair Value**
Stock options	42,380	$ 45.61
RSUs	208,320	163.33
PSUs	93,710	97.75

Stock Options

	First Quarter 2019	2018
	($ in millions)	
Stock options exercised	406,375	214,982
Cash received upon exercise	$ 28	$ 17
Related tax benefit realized	9	4

Restricted Stock Units

Beginning in 2018, RSUs granted primarily have a four-year ratable restriction period and will be settled through the issuance of shares of Norfolk Southern common stock (Common Stock). RSUs granted in previous years have a five-year restriction period and will also be settled through the issuance of shares of Common Stock. Certain RSU grants include cash dividend equivalent payments during the restriction period in an amount equal to the regular quarterly dividends paid on Common Stock.

	First Quarter 2019	2018
	($ in millions)	
RSUs vested	165,540	160,200
Common Stock issued net of tax withholding	118,889	91,968
Related tax benefit realized	$ 2	$ 3

Performance Share Units

PSUs provide for awards based on the achievement of certain predetermined corporate performance goals at the end of a three-year cycle and are settled through the issuance of shares of Common Stock. All PSUs will earn out based on the achievement of performance conditions and some will also earn out based on a market condition. The market condition fair value was measured on the date of grant using a Monte Carlo simulation model.

	First Quarter 2019	2018
	($ in millions)	
PSUs earned	331,095	194,189
Common Stock issued net of tax withholding	221,294	41,399
Related tax benefit realized	$ 9	$ 3

3. Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share:

	Basic		Diluted	
	First Quarter			
	2019	2018	2019	2018
	($ in millions, except per share amounts, shares in millions)			
Net income	$677	$552	$677	$552
Dividend equivalent payments	(1)	(1)	—	(1)
Income available to common stockholders	$676	$551	$677	$551
Weighted-average shares outstanding	267.1	283.5	267.1	283.5
Dilutive effect of outstanding options and share-settled awards			2.3	2.4
Adjusted weighted-average shares outstanding			269.4	285.9
Earnings per share	$2.53	$1.94	$2.51	$1.93

During the first quarter of 2019 and 2018, dividend equivalent payments were made to certain holders of stock options and RSUs. For purposes of computing basic earnings per share, dividend equivalent payments made to holders of stock options and RSUs were deducted from net income to determine income available to common stockholders. For purposes of computing diluted earnings per share, we evaluate on a grant-by-grant basis those stock options and RSUs receiving dividend equivalent payments under the two-class and treasury stock methods to determine which method is more dilutive for each grant. For those grants for which the two-class method was more dilutive, net income was reduced by dividend equivalent payments to determine income available to common stockholders. The dilution calculations exclude options having exercise prices exceeding the average market price of Common Stock of zero for the quarters ended March 31, 2019 and 2018.

4. Accumulated Other Comprehensive Loss

The changes in the cumulative balances of "Accumulated other comprehensive loss" reported in the Consolidated Balance Sheets consisted of the following:

	Balance at Beginning of Year	Net Income (Loss)	Reclassification of Stranded Tax Effects	Reclassification Adjustments	Balance at End of Period
	($ in millions)				
Three Months Ended March 31, 2019					
Pensions and other postretirement liabilities	$ (497)	$ —	$ —	$ 4	$ (493)
Other comprehensive loss of equity investees	(66)	(1)	—	—	(67)
Accumulated other comprehensive loss	$ (563)	$ (1)	$ —	$ 4	$ (560)
Three Months Ended March 31, 2018					
Pensions and other postretirement liabilities	$ (300)	$ (11)	$ (86)	$ 6	$ (391)
Other comprehensive income (loss) of equity investees	(56)	1	(2)	—	(57)
Accumulated other comprehensive loss	$ (356)	$ (10)	$ (88)	$ 6	$ (448)

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, "*Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.*" We adopted the provisions of ASU 2018-02 in the first quarter of 2018 resulting in an increase to "Accumulated other comprehensive loss" of $88 million and a corresponding increase to "Retained income," with no impact on "Total stockholders' equity."

5. Stock Repurchase Program

We repurchased and retired 2.9 million shares and 2.1 million shares of Common Stock under our stock repurchase program in the first three months of 2019 and 2018, respectively, at a cost of $500 million and $300 million, respectively.

Since the beginning of 2006, we have repurchased and retired 188.5 million shares at a total cost of $14.6 billion.

6. Investments

Investment in Conrail

Through a limited liability company, we and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC). We have a 58% economic and 50% voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. Our investment in Conrail was $1.3 billion at both March 31, 2019, and December 31, 2018.

CRC owns and operates certain properties (the Shared Assets Areas) for the joint and exclusive benefit of Norfolk Southern Railway Company (NSR) and CSX Transportation, Inc. (CSXT). The costs of operating the Shared Assets Areas are borne by NSR and CSXT based on usage. In addition, NSR and CSXT pay CRC a fee for access to the Shared Assets Areas. "Purchased services and rents" and "Fuel" include amounts payable to CRC for the operation of the Shared Assets Areas totaling $37 million and $38 million for the first quarters of 2019 and 2018, respectively. Our equity in the earnings of Conrail, net of amortization, included in "Purchased services and rents" was $8 million and $16 million for the first quarters of 2019 and 2018, respectively.

"Other liabilities" includes $280 million at both March 31, 2019, and December 31, 2018, for long-term advances from Conrail, maturing 2044, that bear interest at an average rate of 2.9%.

Investment in TTX

NS and eight other North American railroads jointly own TTX Company (TTX). NS has a 19.65% ownership interest in TTX, a railcar pooling company that provides its owner-railroads with standardized fleets of intermodal, automotive, and general use railcars at stated rates.

Amounts paid to TTX for use of equipment are included in "Purchased services and rents" and amounted to $62 million and $66 million of expense for the first quarters of 2019 and 2018, respectively. Our equity in the earnings of TTX, also included in "Purchased services and rents," totaled $13 million and $16 million for the first quarters of 2019 and 2018, respectively.

7. Debt

We have a $400 million accounts receivable securitization program expiring in May 2019. We had $250 million outstanding under this program at March 31, 2019, reflected as "Short-term debt" on the Consolidated Balance Sheets, and no amounts outstanding at December 31, 2018.

The "Cash, cash equivalents, and restricted cash" line item in the Consolidated Statements of Cash Flows includes restricted cash of $88 million at March 31, 2019 and December 31, 2018 reflecting deposits held by a third-party bond agent as collateral for certain debt obligations maturing in 2019. The restricted cash balance is included as part of "Other current assets" on the Consolidated Balance Sheets in both periods.

8. Leases

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*," and subsequent amendments, which replaced existing lease guidance in GAAP and requires lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for leases greater than twelve months and disclose key information about leasing arrangements. We adopted the standard on January 1, 2019 using the modified retrospective method and used the effective date as our date of initial application. Financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. There were no adjustments to "Retained income" on adoption.

The new standard provides a number of optional practical expedients for transition. We elected the package of practical expedients under the transition guidance which permitted us not to reassess under the new standard our prior conclusions for lease identification and lease classification on expired or existing contracts and whether initial direct costs previously capitalized would qualify for capitalization under FASB Accounting Standards Codification (ASC) 842. We also elected the practical expedient related to land easements, which allowed us to not reassess our current accounting treatment for existing agreements on land easements, which are not accounted for as leases. We did not elect the hindsight practical expedient to determine the reasonably certain lease term for existing leases.

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The new standard also provides practical expedients and recognition exemptions for an entity's ongoing accounting policy elections. We elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we do not recognize ROU assets or lease liabilities.
We are committed under long-term lease agreements for equipment, lines of road, and other property. Some of these agreements contain variable payment provisions that depend on an index or rate, initially measured using the index or rate at the lease commencement date, and are therefore not included in our future minimum lease payments. These variable lease agreements include usage-based payments for equipment under service contracts, lines of road, and other property. Our long-term lease agreements do not contain any material restrictive covenants.
Our equipment leases have remaining terms of less than 1 year to 9 years and our lines of road and property leases have remaining terms of less than 1 year to 138 years. Some of these leases may include options to extend the leases for up to 99 years, and some may include options to terminate the leases within 30 days. Because we are not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and associated payments are excluded from future minimum lease payments.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. We recognize lease expense for these leases on a straight-line basis over the lease term. We do not separate lease and non-lease components.

Operating lease amounts included in the Consolidated Balance Sheet are as follows:

Assets	**Classification**	**March 31, 2019** *($ in millions)*
ROU assets	Other assets	$ 593
Liabilities		
Current lease liabilities	Other current liabilities	$ 93
Non-current lease liabilities	Other liabilities	500
Total lease liabilities		$ 593

The components of operating lease expense, primarily included in "Purchased services and rents," were as follows:

	First Quarter 2019 *($ in millions)*
Operating lease expense	$ 27
Variable lease expense	12
Short-term lease expense	2
Total lease expense	$ 41

At March 31, 2019, we do not have any material finance lease assets or liabilities, nor do we have any material subleases.

During March 2019, we entered into a non-cancellable lease for an office building with an estimated construction cost of $550 million. The lease will commence upon completion of the construction (for which we are a construction agent) of the office building which is expected to be in 2021. The initial term of the lease is five years, with options to renew, purchase, or sell the office building at the end of the lease term. Upon lease commencement, the ROU asset and lease liability will be determined and recorded. The lease also contains a residual value guarantee of up to ninety percent of the total construction cost.

Other information related to operating leases was as follows:

	First Quarter 2019 *($ in millions)*
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 27
Right-of-use assets obtained in exchange for new operating lease liabilities	29
Weighted-average remaining lease term (years) on operating leases	8.68
Weighted-average discount rates on operating leases	3.52 %

During the first quarter, cash proceeds from a sale and leaseback transaction were $82 million and the gain on the transaction was $15 million.

Future minimum lease payments under non-cancellable operating leases were as follows:

	March 31, 2019 *($ in millions)*
2019 - 9 months	$ 84
2020	105
2021	99
2022	76
2023	68
2024 and subsequent years	266
Total lease payments	$ 698
Less: Interest	105
Present value of lease liabilities	$ 593

Undiscounted future minimum lease payments under non-cancellable operating leases accounted for under ASC 840 "*Leases*" were as follows:

	December 31, 2018
	($ in millions)
2019	$ 101
2020	95
2021	88
2022	75
2023	69
2024 and subsequent years	267
Total	$ 695

9. Pensions and Other Postretirement Benefits

We have both funded and unfunded defined benefit pension plans covering principally salaried employees. We also provide specified health care and life insurance benefits to eligible retired employees; these plans can be amended or terminated at our option. Under our self-insured retiree health care plan, for those participants who are not Medicare-eligible, a defined percentage of health care expenses is covered for retired employees and their dependents, reduced by any deductibles, coinsurance, and, in some cases, coverage provided under other group insurance policies. Those participants who are Medicare-eligible are not covered under the self-insured retiree health care plan, but instead are provided with an employer-funded health reimbursement account which can be used for reimbursement of health insurance premiums or eligible out-of-pocket medical expenses.

Pension and postretirement benefit cost components for the first quarter are as follows:

	Pension Benefits		**Other Postretirement Benefits**	
	First Quarter			
	2019	**2018**	**2019**	**2018**
	($ in millions)			
Service cost	$9	$10	$ 2	$ 2
Interest cost	23	20	4	4
Expected return on plan assets	(45)	(44)	(4)	(4)
Amortization of net losses	11	14	—	—
Amortization of prior service benefit	—	—	(6)	(6)
Net benefit	$(2)	$—	$ (4)	$ (4)

The service cost component of defined benefit pension cost and postretirement benefit cost are reported within "Compensation and benefits" and all other components of net benefit cost are presented in "Other income – net" on the Consolidated Statements of Income.

10. Fair Values of Financial Instruments

The fair values of “Cash and cash equivalents,” “Accounts receivable – net,” “Accounts payable,” and “Short-term debt” approximate carrying values because of the short maturity of these financial instruments. The carrying value of corporate-owned life insurance is recorded at cash surrender value and, accordingly, approximates fair value. There are no other assets or liabilities measured at fair value on a recurring basis at March 31, 2019 or December 31, 2018. The carrying amounts and estimated fair values, based on Level 1 inputs, of long-term debt consisted of the following:

March 31, 2019		December 31, 2018	
Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair**