due to higher average accounts payable and higher net sales, partially offset by higher average inventory.

The following table highlights several key measures of our working capital performance:

(Dollars in millions)				
Fiscal Years Ended October 31		**2018**		**2017**
Average cash and cash equivalents	$	237.6	$	266.3
Average receivables, net	$	214.7	$	208.4
Average inventories, net	$	404.5	$	367.0
Average accounts payable	$	259.3	$	228.7
Average days outstanding for receivables		29.9		30.4
Average inventory turnover (times)		4.2		4.3

The following factors impacted our working capital during fiscal 2018:

- Average net receivables increased by 3.0 percent in fiscal 2018 compared to fiscal 2017 due to increased sales in fiscal 2018. Our average days outstanding for receivables decreased to 29.9 days in fiscal 2018 compared to 30.4 days in fiscal 2017.
- Average inventories increased by 10.2 percent in fiscal 2018 compared to fiscal 2017. Inventory levels as of the end of fiscal 2018 compared to the end of fiscal 2017 were up by $29.3 million, or 8.9 percent, primarily due to higher Professional segment forecasted retail demand, increased work in process inventory due to supply challenges, and incremental inventory from the acquisition of L.T. Rich.
- Average accounts payable increased by 13.4 percent in fiscal 2018 compared to fiscal 2017, mainly due to initiatives to manage our payables, which included extending payment terms with suppliers.

Capital Expenditures and Other Long-Term Assets

Fiscal 2018 capital expenditures of $90.1 million were $31.8 million higher than fiscal 2017. This increase was mainly attributable to fiscal 2018 facilities renovations, replacement of production process equipment, investments in new technology, and expansion of capacity. Capital expenditures for fiscal 2019 are expected to be approximately $85.0 million as we plan to continue to invest in our facilities, new product tooling, new technology in production processes and equipment, replacement of production equipment, and expansion of capacity.

Long-term assets as of October 31, 2018 were $676.3 million compared to $633.9 million as of October 31, 2017, an increase of $42.4 million. This increase was driven mainly by purchases of property, plant, and equipment and the acquisition of L.T. Rich in the second quarter of fiscal 2018, partially offset by decreased deferred income taxes due to the remeasurement required under the Tax Act. Included in long-term assets as of October 31, 2018 was goodwill in the amount of $225.3 million. Based on our annual goodwill impairment analysis, we determined there was no impairment of goodwill during fiscal 2018 for any of our reporting units as the fair values of the reporting units exceeded their carrying values, including goodwill.

Cash Flow

Cash flows provided by/(used in) operating, investing, and financing activities during the past three fiscal years are shown in the following table:

(Dollars in millions)	Cash Provided by/(Used in)					
Fiscal Years Ended October 31		**2018**		**2017**		**2016**
Operating activities	$	364.8	$	360.7	$	384.3
Investing activities		(127.9)		(83.8)		(48.9)
Financing activities		(252.1)		(245.3)		(182.9)
Effect of exchange rates on cash		(5.9)		5.0		(5.2)
Net increase/(decrease) in cash and cash equivalents		(21.1)		36.7		147.3
Cash and cash equivalents as of fiscal year end	$	289.1	$	310.3	$	273.6

Cash Flows from Operating Activities

Our primary source of funds is cash generated from operations. In fiscal 2018, cash provided by operating activities increased by $4.1 million, or 1.1 percent, from fiscal 2017. This increase was mainly driven by higher net earnings, which include the unfavorable non-cash charge related to the remeasurement of deferred income taxes required under the Tax Act. The increase in net earnings was partially offset by increased net inventories due to higher Professional segment forecasted retail demand and increased work in process inventory due to supply challenges and a lower year-over-year benefit from extending accounts payable terms as a component of our working capital initiatives.

In fiscal 2017, cash provided by operating activities decreased by $23.5 million, or 6.1 percent, from fiscal 2016. This decrease was mainly due to higher net receivables as a result of higher sales, as well as increased net inventories due to higher amounts of inventory purchased to support higher Professional segment forecasted retail demand. This decrease was partially offset by higher net earnings, higher payables due to continued working capital initiatives, and a Red Iron exclusivity incentive payment.

Cash Flows from Investing Activities

Capital expenditures and acquisitions are a significant use of our capital resources. These investments are intended to enable sales growth in new and expanding markets, help us to meet product demand, and increase our manufacturing efficiencies and capacity. Cash used in investing activities in fiscal 2018 increased by $44.2 million from fiscal 2017 mainly due to higher purchases of property, plant, and equipment, cash utilized for the acquisition of L.T. Rich in the second quarter of fiscal 2018, and minority investments in unconsolidated entities.

Cash used in investing activities in fiscal 2017 increased by $34.8 million from fiscal 2016 mainly due to cash utilized for

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THE ABC COMPANY AND SUBSIDIARIES
Consolidated Statements of Earnings
(Dollars and shares in thousands, except per share data)

Fiscal Years Ended October 31	2018	2017	2016
Net sales	$ 2,618,650	$ 2,505,176	$ 2,392,175
Cost of sales	1,677,639	1,584,339	1,517,580
Gross profit	941,011	920,837	874,595
Selling, general and administrative expense	567,926	565,727	540,199
Operating earnings	373,085	355,110	334,396
Interest expense	(19,096)	(19,113)	(19,336)
Other income, net	18,408	17,187	15,400
Earnings before income taxes	372,397	353,184	330,460
Provision for income taxes	100,458	85,467	99,466
Net earnings	$ 271,939	$ 267,717	$ 230,994
Basic net earnings per share of common stock	$ 2.56	$ 2.47	$ 2.10
Diluted net earnings per share of common stock	$ 2.50	$ 2.41	$ 2.06
Weighted-average number of shares of common stock outstanding – Basic	106,369	108,312	109,834
Weighted-average number of shares of common stock outstanding – Diluted	108,657	111,252	111,987

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE ABC COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Dollars in thousands)

Fiscal Years Ended October 31	2018	2017	2016
Net earnings	$ 271,939	$ 267,717	$ 230,994
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax of $(222), $0, and $(161), respectively	(8,408)	10,127	(7,102)
Pension and retiree medical benefits, net of tax of $254, $2,536, and $(1,294), respectively	1,035	4,347	(973)
Derivative instruments, net of tax of $2,899, $(1,123), and $(605), respectively	7,415	(158)	(518)
Other comprehensive income (loss), net of tax	42	14,316	(8,593)
Comprehensive income	$ 271,981	$ 282,033	$ 222,401

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

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THE ABC COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in thousands, except per share data)

October 31	2018	2017
ASSETS		
Cash and cash equivalents	$ 289,124	$ 310,256
Receivables, net:		
Customers, net of allowances (2018 - $2,228; 2017 - $2,147)	185,128	176,008
Other	8,050	7,065
Total receivables, net	193,178	183,073
Inventories, net	358,259	328,992
Prepaid expenses and other current assets	54,076	37,565
Total current assets	894,637	859,886
Property, plant and equipment, net	271,459	235,230
Deferred income taxes	38,252	64,083
Goodwill	225,290	205,029
Other intangible assets, net	105,649	103,743
Other assets	35,697	25,816
Total assets	$ 1,570,984	$ 1,493,787
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	$ —	$ 26,258
Accounts payable	256,575	211,752
Accrued liabilities:		
Warranty	76,214	74,155
Advertising and marketing programs	89,450	85,934
Compensation and benefit costs	50,850	58,576
Insurance	7,909	6,887
Interest	7,249	7,542
Other	44,388	50,692
Total current liabilities	532,635	521,796
Long-term debt, less current portion	312,549	305,629
Deferred revenue	24,909	24,761
Deferred income taxes	1,397	1,726
Other long-term liabilities	30,578	22,783
Stockholders' equity:		
Preferred stock, par value $1.00 per share, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	—	—
Common stock, par value $1.00 per share, authorized 175,000,000 shares; issued and outstanding 105,600,652 shares as of October 31, 2018 and 106,882,972 shares as of October 31, 2017	105,601	106,883
Retained earnings	587,252	534,329
Accumulated other comprehensive loss	(23,937)	(24,120)
Total stockholders' equity	668,916	617,092
Total liabilities and stockholders' equity	$ 1,570,984	$ 1,493,787

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE ABC COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollars in thousands)

Fiscal Years Ended October 31	2018	2017	2016
Cash flows from operating activities:			
Net earnings	$ 271,939	$ 267,717	$ 230,994
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash income from finance affiliate	(11,143)	(9,960)	(9,588)
Distributions from finance affiliate, net	9,228	8,050	9,848
Provision for depreciation and amortization	61,277	64,986	64,097
Stock-based compensation expense	12,161	13,517	10,637
Deferred income taxes	25,255	(6,887)	10,075
Other	507	202	(464)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Receivables, net	(10,365)	(17,701)	15,785
Inventories, net	(29,770)	(15,611)	23,192
Prepaid expenses and other assets	(11,744)	(3,424)	(905)
Accounts payable, accrued liabilities, deferred revenue and other long-term liabilities	47,460	59,859	30,614
Net cash provided by operating activities	364,805	360,748	384,285
Cash flows from investing activities:			
Purchases of property, plant and equipment	(90,124)	(58,276)	(50,723)
Proceeds from asset disposals	151	199	310
Proceeds from sale of a business	—	—	1,500
Investments in unconsolidated entities	(6,750)	(1,500)	—
Acquisitions, net of cash acquired	(31,202)	(24,181)	—
Net cash used in investing activities	(127,925)	(83,758)	(48,913)
Cash flows from financing activities:			
Short-term debt repayments, net	—	—	(1,161)
Payments on long-term debt	(19,757)	(19,136)	(24,107)
Proceeds from exercise of stock options	17,243	10,274	20,226
Payments of withholding taxes for stock awards	(4,095)	(1,294)	(2,013)
Purchases of ABC common stock	(160,435)	(159,354)	(109,986)
Dividends paid on ABC common stock	(85,031)	(75,758)	(65,890)
Net cash used in financing activities	(252,075)	(245,268)	(182,931)
Effect of exchange rates on cash and cash equivalents	(5,937)	4,979	(5,161)
Net (decrease) increase in cash and cash equivalents	(21,132)	36,701	147,280
Cash and cash equivalents as of the beginning of the fiscal period	310,256	273,555	126,275
Cash and cash equivalents as of the end of the fiscal period	$ 289,124	$ 310,256	$ 273,555
Supplemental disclosures of cash flow information:			
Cash paid during the fiscal year for:			
Interest	$ 19,979	$ 19,457	$ 19,883
Income taxes	$ 75,805	$ 97,057	$ 82,225

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

Property and Depreciation

Property, plant and equipment are carried at cost. The company provides for depreciation of property, plant and equipment utilizing the straight-line method over the estimated useful lives of the assets. Buildings, including leasehold improvements, are generally depreciated over 10 to 40 years. Machinery and equipment are generally depreciated over two to 15 years and tooling costs are generally depreciated over three to five years. Software and web site development costs are generally amortized over two to five years. Expenditures for major renewals and improvements, which substantially increase the useful lives of existing assets, are capitalized, and expenditures for general maintenance and repairs are charged to operating expenses as incurred. Interest is capitalized during the construction period for significant capital projects. During the fiscal years ended October 31, 2018, 2017, and 2016, the company capitalized $0.9 million, $0.3 million, and $0.5 million of interest, respectively.

Property, plant and equipment was as follows (in thousands):

October 31	**2018**	**2017**
Land and land improvements	$ 39,607	$ 38,060
Buildings and leasehold improvements	209,686	194,995
Machinery and equipment	349,550	349,976
Tooling	211,756	197,299
Computer hardware and software	83,338	88,152
Construction in process	35,044	17,132
Subtotal	928,981	885,614
Less: accumulated depreciation	657,522	650,384
Total property, plant, and equipment, net	$ 271,459	$ 235,230

During fiscal years 2018, 2017, and 2016, the company recorded depreciation expense of $53.5 million, $54.7 million, and $53.4 million, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the cost of acquisitions in excess of the fair values assigned to identifiable net assets acquired. Goodwill is assigned to reporting units based upon the expected benefit of the synergies of the acquisition. Goodwill and certain trade names, which are considered to have indefinite lives, are not amortized; however, the company reviews them for impairment annually during the fourth quarter of each fiscal year or more frequently if changes in circumstances or the occurrence of events indicate that the fair value may not be recoverable.

During the fourth quarter of fiscal 2018, the company performed its annual goodwill impairment test. In performing the annual goodwill impairment test, the company first reviewed its reporting units and determined that it has nine reporting units, which are the same as its nine operating segments. Six reporting units contain goodwill on their respective balance sheets. Next, the company elected to bypass the qualitative assessment, due to the duration of time since the most recent quantitative goodwill impairment test, and move directly to the quantitative goodwill impairment analysis. In performing the quantitative goodwill impairment analysis, the company compared the carrying value of each reporting unit, including goodwill, to its fair value. The carrying value of each reporting unit was determined based on the amount of equity required for the reporting unit's activities, considering the specific assets and liabilities of the reporting unit. The company did not assign corporate assets and liabilities that do not relate to the operations of the reporting unit, or are not considered in determining the fair value of the reporting unit, to the reporting units. The company's estimate of the respective fair values of its reporting units was determined under the income approach, which utilized various inputs and assumptions, including projected operating results and growth rates from the company's forecasting process, applicable tax rates, and a weighted-average cost of capital rate. Where available, and as appropriate, comparable market multiples and the company's market capitalization were also utilized to corroborate the results of the discounted cash flow models under the income approach. Based on the quantitative goodwill impairment analysis, the company determined there was no impairment of goodwill during fiscal 2018 for any of its reporting units as the fair values of the reporting units exceeded their carrying values, including goodwill. Further, no impairment of goodwill was recorded during fiscal years 2017 and 2016.

During the fourth quarter of fiscal 2018, the company also performed a quantitative impairment analysis for its indefinite-lived intangible assets, which consist of certain trade names. The company's estimate of the fair values of its trade names are based on a discounted cash flow model, which utilized various inputs and assumptions, including: projected revenues from the company's forecasting process; assumed royalty rates that could be payable if the company did not own the trade name; and a discount rate. Based on this quantitative impairment analysis, which was also performed in prior fiscal years, the company concluded its indefinite-lived intangible assets were not impaired during fiscal 2018, 2017, or 2016.

Other Long-Lived Assets

Other long-lived assets consist of property, plant, and equipment; capitalized implementation costs for hosted cloud-computing arrangements; and definite-lived intangible assets. The company's definite-lived intangible assets are identifiable assets that arose from acquisitions consisting primarily of patents, non-compete agreements, customer relationships, trade names, and developed technology and are amortized on a straight-line basis over periods ranging from one to 20 years.

The company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Asset groups have identifiable cash flows and are largely independent of other asset groups. An impairment loss is recognized when estimated undiscounted future cash flows from the operation or disposition of the asset group are less than the carrying amount of the asset group. Measurement of an impairment loss is based on the excess of the carrying amount of the asset group over its fair value. Fair value is measured using a discounted cash flow model or independent appraisals,

October 31, 2017	Weighted-Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
Patents	9.9	$ 15,162	$ (11,599)	$ 3,563
Non-compete agreements	5.5	6,896	(6,775)	121
Customer-related	18.8	87,461	(18,940)	68,521
Developed technology	7.6	30,212	(26,939)	3,273
Trade names	5.0	2,330	(1,637)	693
Other	1.0	800	(800)	—
Total amortizable	14.5	142,861	(66,690)	76,171
Non-amortizable - trade names		27,572	—	27,572
Total other intangible assets, net		$ 170,433	$ (66,690)	$ 103,743

Amortization expense for definite-lived intangible assets for the fiscal years ended October 31, 2018, 2017, and 2016 was $7.3 million, $9.9 million, and $9.6 million, respectively. Estimated amortization expense for the succeeding fiscal years is as follows: 2019, $6.7 million; 2020, $6.1 million; 2021, $5.7 million; 2022, $5.6 million; 2023, $5.2 million; and after 2023, $45.8 million.

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The following is a summary of the company's indebtedness (in thousands):

October 31	2018	2017
Revolving credit facility	$ 91,000	$ —
7.800% Debentures	100,000	100,000
6.625% Senior Notes	123,854	123,792
Term loan	—	100,750
4% Unsecured Note	—	10,008
Less: unamortized discounts, debt issuance costs and deferred charges	(2,305)	(2,663)
Total long-term debt	312,549	331,887
Less: current portion of long-term debt	—	26,258
Long-term debt, less current portion	$ 312,549	$ 305,629

Principal payments required on indebtedness in each of the next five fiscal years ending October 31 are as follows: 2019, $0.0 million; 2020, $0.0 million; 2021, $0.0 million; 2022, $0.0 million; 2023, $91.0 million; and after 2023, $225.0 million.

Revolving Credit Facility

In June 2018, the company replaced its prior revolving credit facility and term loan, which were scheduled to mature in October 2019, with an unsecured senior five-year revolving credit facility that, among other things, increases the company's borrowing capacity to $600 million, from $150 million, and expires in June 2023. Included in the company's $600 million revolving credit facility is a $10 million sublimit for standby letters of credit and a $30 million sublimit for swingline loans. At the company's election, and with the approval of the named borrowers on the revolving credit facility and the election of the lenders to fund such increase, the aggregate maximum principal amount available under the facility may be increased by an amount up to $300 million. Funds are available under the revolving credit facility for working capital, capital expenditures, and other lawful corporate purposes, including, but not limited to, acquisitions and common stock repurchases, subject in each case to compliance with certain financial covenants described below.

Interest expense on outstanding loans under the revolving credit facility, other than swingline loans, bear interest at a variable rate generally based on LIBOR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on LIBOR, in each case subject to an additional basis point spread as defined in the credit agreement. Swingline loans under the revolving credit facility bear interest at a rate determined by the swingline lender or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on LIBOR, in each case subject to an additional basis point spread as defined in the credit agreement. Interest is payable quarterly in arrears.

The company's revolving credit facility contains standard covenants, including, without limitation, financial covenants, such as the maintenance of minimum interest coverage and maximum leverage ratios; and negative covenants, which among other things, limit disposition of assets, consolidations and mergers, restricted payments, liens, and other matters customarily restricted in such agreements. Most of these restrictions are subject to certain minimum thresholds and exceptions. The company was in compliance with all covenants related to the credit agreement for the company's revolving credit facility as of October 31, 2018. As of October 31, 2017, the company was in compliance with all covenants related to the credit agreement for the revolving credit facility that was in place at that time.

As of October 31, 2018, the company had $91.0 million outstanding under the revolving credit facility, $1.5 million outstanding under the sublimit for standby letters of credit, and $507.5 million of unutilized availability under the revolving credit facility. As of October 31, 2017, the company had no borrowings under the revolving credit facility that was in place at that time. In connection with the entry into the new revolving credit facility in June 2018, the company incurred approximately $1.9 million of debt issuance costs, which are being amortized over the life of the revolving credit facility under the straight-line method. The company classifies the debt issuance costs related to its revolving credit facility within other assets on the Consolidated Balance Sheets, regardless of whether the company has any outstanding borrowings on the revolving credit facility.

7.8% Debentures

In June 1997, the company issued $175 million of debt securities consisting of $75 million of 7.125 percent coupon 10-year notes and $100 million of 7.8 percent coupon 30-year

Accumulated Other Comprehensive Loss

Components of AOCL, net of tax, within the Consolidated Statements of Stockholders' Equity are as follows (in thousands):

As of October 31	2018	2017	2016
Foreign currency translation adjustments	$ 29,711	$ 21,303	$ 31,430
Pension and post-retirement benefits	561	2,012	6,359
Cash flow derivative instruments	(6,335)	805	647
Total accumulated other comprehensive loss	$ 23,937	$ 24,120	$ 38,436

The components and activity of AOCL are as follows (in thousands):

	Foreign Currency Translation Adjustments	Pension and Post-Retirement Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2017	$ 21,303	$ 2,012	$ 805	$ 24,120
Other comprehensive (income) loss before reclassifications	8,408	(1,035)	(5,489)	1,884
Amounts reclassified from AOCL	—	—	(1,926)	(1,926)
Net current period other comprehensive (income) loss	8,408	(1,035)	(7,415)	(42)
Reclassification due to the adoption of ASU 2018-02	—	(416)	275	(141)
Balance as of October 31, 2018	$ 29,711	$ 561	$ (6,335)	$ 23,937

	Foreign Currency Translation Adjustments	Pension and Post-Retirement Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2016	$ 31,430	$ 6,359	$ 647	$ 38,436
Other comprehensive income before reclassifications	(10,127)	(4,347)	(233)	(14,707)
Amounts reclassified from AOCL	—	—	391	391
Net current period other comprehensive (income) loss	(10,127)	(4,347)	158	(14,316)
Balance as of October 31, 2017	$ 21,303	$ 2,012	$ 805	$ 24,120

For additional information on the components of AOCL associated with pension and post-retirement benefits refer to Note 10. For additional information on the components reclassified from AOCL to the respective line items in net earnings for derivative instruments refer to Note 13.

8 INCOME TAXES

Earnings before income taxes were as follows (in thousands):

Fiscal Years Ended October 31	2018	2017	2016
Earnings before income taxes:			
U.S.	$ 333,136	$ 307,136	$ 292,184
Foreign	39,261	46,048	38,276
Total earnings before income taxes	$ 372,397	$ 353,184	$ 330,460

A reconciliation of the statutory federal income tax rate to the company's consolidated effective tax rate is summarized as follows:

Fiscal Years Ended October 31	2018	2017	2016
Statutory federal income tax rate	23.3 %	35.0 %	35.0 %
Excess deduction for stock compensation	(3.5)	(5.3)	—
Domestic manufacturer's deduction	(0.9)	(1.2)	(0.8)
State and local income taxes, net of federal benefit	1.3	0.5	1.5
Foreign taxes	(0.5)	(2.3)	(1.8)
Federal research tax credit	(1.2)	(1.5)	(1.5)
Remeasurement of deferred tax assets and liabilities - Tax Act	5.2	—	—
Deemed repatriation tax - Tax Act	3.6	—	—
Other, net	(0.3)	(1.0)	(2.3)
Consolidated effective tax rate	27.0 %	24.2 %	30.1 %

On December 22, 2017, the U.S. enacted Public Law No. 115-97 ("Tax Act"), originally introduced as the Tax Cuts and Jobs Act, which significantly modified the Internal Revenue Code. The Tax Act reduced the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent, created a territorial-type tax system with an exemption for foreign dividends, and imposed a one-time deemed repatriation tax on a U.S. company's historical undistributed earnings and profits of foreign affiliates. The tax rate change was effective January 1, 2018, which resulted in a blended statutory tax rate of 23.3 percent for the fiscal year ended October 31, 2018. Among other provisions, the Tax Act also increased expensing for certain business assets, created new taxes on certain foreign sourced earnings, adopted limitations on business interest expense deductions, repealed deductions for income attributable to domestic production activities, and added other anti-base erosion rules. The effective dates for the provisions set forth in the Tax Act vary as to when the provisions will apply to the company.

In response to the Tax Act, the U.S. Securities and Exchange Commission ("SEC") provided guidance by issuing Staff Accounting Bulletin No. 118 ("SAB 118"), which has since been codified by the release of ASU No. 2018-05, *Income Taxes*

(Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 . ASU 2018-05 allows companies to record provisional amounts during a measurement period with respect to the impacts of the Tax Act for which the accounting requirements under ASC Topic 740 are not complete, but a reasonable estimate has been determined. The measurement period under ASU 2018-05 ends when a company has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740, but cannot exceed one year.

As of October 31, 2018, the company has completed the accounting for the effects of the Tax Act. The company has estimated the impacts of the Tax Act on its annual effective tax rate and has recorded tax expense of $19.3 million for the remeasurement of deferred tax assets and liabilities and tax expense of $13.4 million for the deemed repatriation tax. While the company has recorded amounts in fiscal 2018 for the items expected to most significantly impact its Consolidated Financial Statements, many of the provisions of the Tax Act are not effective for the company until the fiscal year ending October 31, 2019. Accordingly, the company has not yet reached a final conclusion on the overall impacts of the Tax Act.

The company expects to have future U.S. inclusions in taxable income related to the new Global Intangible Low-Taxed Income ("GILTI") tax created by the Tax Act. Under U.S. GAAP, the company is allowed to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the “period cost method”) or (2) factoring such amounts into the company’s measurement of its deferred taxes (the “deferred method”). The company has elected the period cost method and therefore, has not made any adjustments related to potential GILTI tax within its fiscal 2018 Consolidated Financial Statements.

Components of the provision for income taxes were as follows (in thousands):

Fiscal Years Ended October 31	**2018**	**2017**	**2016**
Current provision:			
Federal	$ 64,375	$ 83,091	$ 77,685
State	6,192	3,036	6,929
Foreign	7,087	8,166	6,295
Total current provision	$ 77,654	$ 94,293	$ 90,909
Deferred provision (benefit):			
Federal	$ 22,074	$ (8,774)	$ 7,283
State	308	(101)	297
Foreign	422	49	977
Total deferred provision (benefit)	22,804	(8,826)	8,557
Total provision for income taxes	$ 100,458	$ 85,467	$ 99,466

The tax effects of temporary differences that give rise to deferred income tax assets, net, are presented below (in thousands):

October 31	**2018**	**2017**
Deferred income tax assets:		
Compensation and benefits	$ 24,315	$ 38,753
Warranty and insurance	19,037	23,993
Other	7,789	12,234
Total deferred income tax assets	$ 57,613	$ 83,457
Deferred income tax liabilities:		
Depreciation	$ (12,381)	$ (13,259)
Amortization	(8,377)	(7,841)
Total deferred income tax liabilities	(20,758)	(21,100)
Deferred income tax assets, net	$ 36,855	$ 62,357

The valuation allowance as of October 31, 2018 and 2017 principally applies to capital loss carryforwards, foreign net operating loss carryforwards that are expected to expire prior to utilization, and state credit carryforwards. As of October 31, 2018, the company had net operating loss carryforwards of approximately $6.0 million in foreign jurisdictions, which are comprised of $4.9 million that do not expire and $1.1 million that expire between fiscal 2019 and fiscal 2027.

As a result of the Tax Act, the company has provided for U.S. income taxes on deemed repatriated earnings related to non-U.S. subsidiaries as of October 31, 2018. Notwithstanding the deemed repatriation under the Tax Act and other previously taxed income, the company considers that $42.5 million of undistributed earnings of its foreign operations are intended to be indefinitely reinvested. Should these earnings be distributed in the future in the form of dividends or otherwise, the company may be subject to foreign withholding taxes, state income taxes, and/or additional federal taxes for currency fluctuations. As of October 31, 2018, the unrecognized deferred tax liabilities for temporary differences related to the company’s investment in non-U.S. subsidiaries, and any withholding, state, or additional federal taxes upon any future repatriation, are not material and have not been recorded.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Unrecognized tax benefits as of October 31, 2017	$ 3,113
Increase as a result of tax positions taken during a prior period	332
Increase as a result of tax positions taken during the current period	965
Decrease relating to settlements with taxing authorities	(1,557)
Reductions as a result of statute of limitations lapses	(508)
Unrecognized tax benefits as of October 31, 2018	$ 2,345

The company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. In addition to the liability of $2.3 million for unrecognized tax benefits as of October 31, 2018, the company renovation equipment, rental and specialty construction equipment, and other maintenance equipment. Snow and ice management equipment

products include snowplows, salt and sand spreaders, and related parts and accessories for light and medium duty trucks, utility task vehicles, skid steers, and front-end loaders. Irrigation products consist of sprinkler heads, electric and hydraulic valves, controllers, computer irrigation central control systems, coupling systems, and ag-irrigation drip tape and hose products, as well as professionally installed lighting products offered through distributors and landscape contractors that also purchase irrigation products. Professional business segment products are sold mainly through a network of distributors and dealers to professional users engaged in maintaining golf courses, sports fields, municipal properties, agricultural fields, residential and commercial landscapes, and removing snow and ice, as well as directly to government customers, rental companies, and large retailers.

The Residential business segment consists of walk power mowers, riding mowers, snow throwers, replacement parts, and home solutions products, including trimmers, blowers, blower-vacuums, and underground and hose-

end retail irrigation products sold in Australia. Residential business segment products are sold to homeowners through a network of distributors and dealers, and through a broad array of home centers, hardware retailers, and mass retailers, as well as online.

The company's remaining activities are presented as "Other" due to their insignificance. These Other activities consist of the company's wholly- owned domestic distribution company, the company's corporate activities, and the elimination of intersegment revenues and expenses. Corporate activities include general corporate expenditures (finance, human resources, legal, information services, public relations, and similar activities) and other unallocated corporate assets and liabilities, such as corporate facilities and deferred tax assets and liabilities.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. The company

evaluates the performance of its Professional and Residential business segment results based on earnings from operations plus other income, net. The business segment's operating profits or losses include direct costs incurred at the segment's operating level plus allocated expenses, such as profit sharing and manufacturing expenses. The allocated expenses represent costs that these operations would have incurred otherwise, but do not include general corporate expenses, interest expense, and income taxes. Operating loss for the company's Other activities includes earnings (loss) from the company's domestic wholly-owned distribution company, corporate activities, other income, and interest expense. The company accounts for intersegment gross sales at current market prices.

The following tables present summarized financial information concerning the company's reportable segments and Other activities (in thousands):

Fiscal Year Ended October 31, 2018	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 1,946,999	$ 654,413	$ 17,238	$ 2,618, 650
Intersegment gross sales	29,798	312	(30,110)	—
Earnings (loss) before income taxes	399,806	64,807	(92,216)	372,397
Total assets	916,106	199,273	455,605	1,570,984
Capital expenditures	58,109	16,014	16,001	90,124
Depreciation and amortization	$ 38,585	$ 9,999	$ 12,693	$ 61,277

Fiscal Year Ended October 31, 2017	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 1,811,705	$ 673,247	$ 20,224	$ 2,505,176
Intersegment gross sales	27,893	332	(28,225)	—
Earnings (loss) before income taxes	379,496	74,704	(101,016)	353,184
Total assets	836,600	189,578	467,609	1,493,787
Capital expenditures	29,786	10,605	17,885	58,276
Depreciation and amortization	$ 41,313	$ 10,308	$ 13,365	$ 64,986

Fiscal Year Ended October 31, 2016	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 1,705,312	$ 669,131	$ 17,732	$ 2,392,175
Intersegment gross sales	28,138	354	(28,492)	—
Earnings (loss) before income taxes	352,060	73,691	(95,291)	330,460
Total assets	774,762	188,920	420,890	1,384,572
Capital expenditures	27,296	13,794	9,633	50,723
Depreciation and amortization	$ 40,715	$ 10,406	$ 12,976	$ 64,097

During fiscal 2018, no customer accounted for 10 percent or more of total consolidated gross sales. Sales to one customer in the Residential segment accounted for 10 percent and 11 percent of total consolidated gross sales in fiscal 2017 and 2016, respectively.

The following table presents the details of operating loss before income taxes for the company's Other activities (in thousands):

Fiscal Years Ended October 31	**2018**	**2017**	**2016**
Corporate expenses	$ (92,541)	$ (100,928)	$ (95,288)
Interest expense	(19,096)	(19,113)	(19,336)
Other income	19,421	19,025	19,333
~~Total operating loss~~	$ (92,216)	$ (101,016)	$ (95,291)