

HUNT J B TRANSPORT SERVICES INC

Form 11-K

June 27, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

(X) ANNUAL REPORT PURSUANT TO SECTION 15d OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

( ) TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-11757

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**J.B. HUNT TRANSPORT SERVICES, INC. EMPLOYEE RETIREMENT PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**J.B. HUNT TRANSPORT SERVICES, INC.**

**615 J.B. Hunt Corporate Drive**

**Lowell, Arkansas 72745**

**(479) 820-0000**

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Schedule H, Line 4 - Schedule of Assets (Held at End of Year)

December 31, 2002

EX-23 Independent Auditors' Consent

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**REQUIRED INFORMATION**

The following financial statements prepared in accordance with the financial reporting requirements of ERISA and exhibits are filed for the J.B. Hunt Transport Services, Inc. Employee Retirement Plan:

**Financial Statements and Schedules**

Independent Auditors Report

Statements of Net Assets Available for Benefits, December 31, 2002, and 2001

Statements of Changes in Net Assets Available for Benefits, Years Ended December 31, 2002, and 2001

Notes to Financial Statements, December 31, 2002, and 2001

Schedule H line 4i; Schedule of Assets (Held at End of Year ), December 31, 2002

**Exhibit**

23 Independent Auditors Consent

99 Certification pursuant to 18 U.S.C. Section 1350

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

DATE: June 27, 2003

BY: /s/ Jerry W. Walton

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Jerry W. Walton

Executive Vice President Finance & Administration &  
Chief Financial Officer of J.B. Hunt Transport  
Services, Inc. & 2002 Chairman of the  
J.B. Hunt Transport Services, Inc. Employee  
Retirement Plan

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**J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

Financial Statements and Schedules

December 31, 2002 and 2001

(With Independent Auditors Report Thereon)

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EMPLOYEE RETIREMENT PLAN**

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**Independent Auditors Report**

The Board of Trustees  
J.B. Hunt Transport Services, Inc.  
Employee Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of J.B. Hunt Transport Services, Inc. Employee Retirement Plan ( Plan ) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of J.B. Hunt Transport Services, Inc. Employee Retirement Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Tulsa, Oklahoma

June 2, 2003

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**Table of Contents****J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

## Statements of Net Assets Available for Benefits

December 31, 2002 and 2001

Assets	2002	2001
Cash	\$ 468,939	182,666
Investments, at fair value:		
Mutual funds	82,277,644	93,017,458
Common/collective trust fund	76,085,591	73,872,809
Common stock J.B. Hunt Transport Services, Inc.	25,835,171	22,996,275
Participant notes receivable	21,814,512	22,864,367
Common stock Prudential Financial, Inc.	2,704,978	
	<u>208,717,896</u>	<u>212,750,909</u>
Receivables:		
Contributions:		
Employer	153,913	168,784
Employee	456,485	525,267
Accrued investment income	8,784	4,859
	<u>619,182</u>	<u>698,910</u>
Net assets available for benefits	<u>\$ 209,806,017</u>	<u>213,632,485</u>

See accompanying notes to financial statements.



**Table of Contents****J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

## Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Additions to net assets attributed to:		
Investment income (loss):		
Net depreciation in fair value of investments	\$ (13,063,094)	(624,566)
Interest and dividends	10,447,001	6,833,020
	<u>(2,616,093)</u>	<u>6,208,454</u>
Contributions:		
Employer, net of forfeitures	6,707,062	7,591,553
Participants	24,164,534	28,287,774
Transfers from other plans	1,437,584	1,437,584
	<u>30,871,596</u>	<u>37,316,911</u>
Total additions	<u>28,255,503</u>	<u>43,525,365</u>
Deductions from net assets attributed to:		
Benefits paid to participants	31,870,427	23,442,136
Administrative expenses	211,544	130,990
Transfers to other plans	5,603,370	5,603,370
Total deductions	<u>32,081,971</u>	<u>29,176,496</u>
Increase (decrease) in net assets available for benefits	(3,826,468)	14,348,869
Net assets available for benefits:		
Beginning of year	<u>213,632,485</u>	<u>199,283,616</u>
End of year	<u>\$ 209,806,017</u>	<u>213,632,485</u>

See accompanying notes to financial statements.

**Table of Contents****J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2002 and 2001

**(1) Description of Plan**

The following brief description of the J.B. Hunt Transport Services, Inc. (the Company or Employer ) Employee Retirement Plan (the Plan ) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions.

**(a) General**

The purpose of the Plan is to provide additional incentive and retirement security for eligible employees of the Company by permitting contributions to the Plan that are tax deferred under Section 401(k) of the Internal Revenue Code. All employees other than employees covered by a collective bargaining agreement, non-resident aliens, leave employees, and independent contractors are eligible to make salary reduction contributions immediately following their employment commencement date. Each employee that has completed one year of eligibility service is eligible to receive matching contributions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ). At December 31, 2002, the Plan had 16,134 eligible participants, of which 5,649 were active.

**(b) Contributions**

Each year, participants may defer up to 50% of pretax annual compensation, as defined in the Plan agreement (not to exceed limits determined under Section 415(c) of the Internal Revenue Code). Employer matching contributions are as follows:

<b>Participants' Salary Reduction Contribution</b>	<b>Employer Matching</b>
1%	0.5%
2%	1.0%
3%	1.5%
4%	2.0%
5%	2.5%
6 - 50%	3.0%

Additional amounts may be contributed at the option of the Company s Board of Directors. No such additional amounts were contributed in 2002 or 2001.

**(c) Participant s Accounts**

Each participant s account is credited with the participant s contribution and allocations of (a) the Company s contribution and (b) Plan earnings. Forfeited balances of terminated participants nonvested accounts are used to reduce future Company contributions. Forfeitures for the years ended December 31, 2002 and 2001 amounted to approximately \$975,000 and \$823,000, respectively.

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**J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2002 and 2001

**(d) Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's matching and discretionary contribution portion of their accounts plus actual earnings thereon is based on years of service. Upon a participant's normal retirement, disability or death, he or she becomes fully vested in the Plan. If a participant terminates employment for any other reason on or after being credited with at least six years of vesting service, he or she becomes fully vested in the Plan. Prior to the completion of six years of vesting service, the vesting percentages are as follows: 0-1 year 0%; 2 years 20%; 3 years 40%; 4 years 60%; 5 years 80%; 6 years 100%.

**(e) Investment Options**

Upon enrollment in the Plan, a participant may direct employee contributions in any of the following investment options:

Common/Collective Trust Fund:

*Merrill Lynch Retirement Preservation Trust* which seeks to provide preservation of participants' investments, liquidity and current income that is typically higher than money market funds.

Mutual Funds:

*Merrill Lynch U. S. Government Mortgage Fund (Class I)* seeks a current return through investments in obligations of the U. S. government and government agencies, including Government National Mortgage Association (GNMA) mortgage-backed certificates and other mortgage-backed government securities. The Fund may seek to enhance its return through the use of certain portfolio strategies involving options, and to hedge its portfolio through the use of options and futures transactions.

*Merrill Lynch Fundamental Growth Fund, Inc. (Class I)* seeks long-term growth of capital by investing in a diversified portfolio of equity securities, placing particular emphasis on companies that have exhibited above-average growth rates in earnings resulting from a variety of factors including, but not limited to, above-average growth rates in sales, profit-margin improvement, proprietary or niche products or services, leading market shares and underlying strong industry growth. The Fund may invest in the securities of foreign issuers, including American Depositary Receipts (ADRs), European Depositary Receipts (EDRs) or others that can be converted to foreign-issued securities.

*Van Kampen Growth and Income Fund (Class A)* seeks income and long-term growth of capital by investing principally in income-producing equity securities, including common stocks, convertible securities, preferred stocks and debt securities rated at the time of purchase investment grade.

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**J.B. HUNT TRANSPORT SERVICES, INC.  
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Notes to Financial Statements

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*ING Pilgrim International Value Fund (Class A)* seeks long-term capital appreciation by investing at least 65% of its assets in equity securities of companies located in at least three foreign countries. The Fund may invest up to 25% of its assets in foreign small-capitalization companies, and up to 25% of its assets in issuers located in emerging-market countries. The advisor selects stocks that it judges to be selling at prices below the company's intrinsic value.

*Merrill Lynch S&P 500 Index Fund (Class I)* seeks to provide investment results that, before expenses, replicate the total return of the Standard & Poor's 500 Composite Stock Price Index. The Index is composed of the common stocks of 500 large-capitalization companies within various industrial sectors, most of which are listed on the New York Stock Exchange.

*Franklin Balance Sheet Investment Fund (Class A)* seeks high total return, of which capital appreciation and income are components by investing primarily in equity and debt securities which, in the opinion of Fund management, are undervalued in the marketplace and are trading at low price to book value.

*ING Pilgrim Small Cap Opportunities Fund (Class A)* seeks to provide long-term capital appreciation by investing in equity securities of primarily smaller, lesser known U. S. companies that the Fund manager feels have above-average prospects for growth.

*PIMCO Total Return Fund (Class A)* seeks to maximize total return, consistent with preservation of capital and prudent investment management.

Common Stock:

*J. B. Hunt Transport Services, Inc.* Contributions are invested exclusively in Company common stock.

*Prudential Financial, Inc.* These shares resulted from the demutualization of Prudential during 2002. These shares were distributed on a pro-rata basis to participating employees. Employees can not purchase additional shares, but they can retain the existing shares.

**(f) Participant Notes Receivable**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan terms range from 1 to 5 years or up to 20 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime rate, as shown in the Wall Street Journal, plus one percent, (5.25% at December 31, 2002). Principal and interest is paid ratably through monthly payroll deductions.

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**J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2002 and 2001

**(g) *Transfers to and from Other Plans***

During the years ended December 31, 2002 and 2001, respectively, the Plan transferred certain net assets to other plans in connection with participants who have terminated employment and began participating in other employer plans. Such transfers are recorded at the fair value of the assets on the date transferred. Similarly, the Plan allows new employees to rollover or transfer-in assets held in other qualified plans. Such transfers are also recorded at fair value.

**(h) *Payment of Benefits***

On termination of service due to normal retirement, disability or death, a participant will receive a lump-sum amount in cash equal to the value of the participant's vested interest in his or her account.

At December 31, 2002 and 2001, approximately \$32,100,000 and \$32,200,000, respectively, of the net assets available for benefits as shown on the statements of net assets available for benefits are allocated to accounts of terminated employees who are no longer actively participating in the Plan.

**(i) *Administrative Expenses***

The Company may elect to pay all administrative expenses of the Plan. Administrative expenses not paid by the Company are paid from Plan assets. All administrative expenses were paid by the Plan in 2002 and 2001.

**(2) *Summary of Significant Accounting Policies***

**(a) *Basis of Presentation***

The accompanying financial statements of the Plan are prepared utilizing the accrual method of accounting.

**(b) *Investment Valuation***

The Plan's investments are valued at fair value on December 31, 2002 and 2001. Purchases and sales of securities are recorded on a trade-date basis. Shares of mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Shares of Company common stock are valued at quoted market prices. Net appreciation (depreciation) in fair value of investments represents increases or decreases in value resulting from realized and unrealized gains and losses. Participant notes receivable are carried at the unpaid principal balance which approximates fair value. The cost of securities sold is determined by the weighted average cost method.

**(c) *Payment of Benefits***

Benefits are recorded when paid. Defaults on participant notes receivable are recorded as benefits paid.

**Table of Contents****J.B. HUNT TRANSPORT SERVICES, INC.  
EMPLOYEE RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2002 and 2001

**(d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(e) Concentration of Credit Risk**

Financial instruments which potentially subject the Plan to concentrations of credit risk consist of cash, participant loans, corporate bonds, commercial paper, government bonds and fixed income securities. Such credit risk is considered by management to be limited due to the diversity of investments and the financial stability of the institutions. Generally, the Plan does not require collateral with respect to its investments.

**(3) Investments**

The following table presents the fair value of investments. Investments representing 5% or more of the Plan's net assets are separately identified:

	December 31			
	2002		2001	
	Number of Shares or Units	Fair Value	Number of Shares or Units	Fair Value
Mutual funds:				
VanKampen Growth & Income	1,482,765	\$ 21,188,711	1,555,272	\$ 26,455,181
ING Pilgrim International Value	888,880	9,146,579	837,298	10,767,652
US Government Mortgage	1,038,340	10,746,819	883,629	8,765,597
Fundamental Growth	1,861,890	24,037,004	1,845,353	33,419,330
Other		17,158,531		13,609,698
Common/Collective Trust - Retirement Preservation Trust	76,085,591	76,085,591	73,872,809	73,872,809
Common stock - J.B. Hunt Transport Services, Inc.	881,746	25,835,171	991,219	22,996,275
Common stock - Prudential Financial Inc.	85,223	2,704,978		
Participant notes receivable		21,814,512		22,864,367
<b>Total</b>		<b>\$208,717,896</b>		<b>\$212,750,909</b>

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EMPLOYEE RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2002 and 2001

During 2002 and 2001, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

	December 31	
	2002	2001
Mutual funds	\$(19,163,415)	(10,838,956)
Common stock	6,100,321	10,214,390
	<u>\$(13,063,094)</u>	<u>(624,566)</u>

**(4) Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

**(5) Related Party Transactions**

At December 31, 2002, certain plan investments are a common/collective trust fund and shares of mutual funds managed by Merrill Lynch affiliates, Merrill Lynch Bank USA, Fund Asset Management, L.P., and Merrill Lynch Investment Managers, L.P. Merrill Lynch Retirement Services Group performs record keeping responsibilities for the Plan and Merrill Lynch Trust Company is the Plan trustee.

**(6) Federal Income Taxes**

The Internal Revenue Service has determined and informed the Company by letter dated January 3, 2003, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ( IRC ). The Plan administrator believes that the Plan is currently being operated in compliance with the applicable requirements of the IRC.

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EMPLOYEE RETIREMENT PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

Column (a)	Column (b)	Column (c)	Column (d)	Column (e)
<b>Party-in-Interest Identification</b>	<b>Identity of Issue, Borrower, Lessor, or Similar Party</b>	<b>Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value</b>	<b>Cost</b>	<b>Current Value</b>
*	Merrill Lynch:			
	Retirement Preservation Trust	Common/Collective Trust	\$76,085,591	\$76,085,591
	S&P 500 Index Fund Class I	Mutual Fund	10,252,902	8,293,308
	U.S. Government Mortgage Class I	Mutual Fund	10,408,464	10,746,819
	Fundamental Growth Fund Class I	Mutual Fund	31,927,932	24,037,004
	PIMCO Total Return Fund Class A	Mutual Fund	4,128,704	4,131,596
	ING Pilgrim:			
	International Value Fund Class A	Mutual Fund	11,110,367	9,146,579
	Small Cap Opportunities Class A	Mutual Fund	1,581,452	1,191,292
	Van Kampen Growth and Income Fund Class A	Mutual Fund	24,714,276	21,188,711
	Franklin Balance Sheet Class A	Mutual Fund	3,817,232	3,542,335

See accompanying independent auditors' report and notes to the financial statements.