

HUNT J B TRANSPORT SERVICES INC  
Form 11-K  
June 22, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

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

For the fiscal year ended December 31, 2017

**OR**

**( ) 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

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

J.B. HUNT TRANSPORT SERVICES, INC.

615 J.B. Hunt Corporate Drive

Lowell, Arkansas 72745

(479) 820-0000

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## REQUIRED INFORMATION

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

	<b>Page No.</b>
<b>Financial Statements and Schedules</b>	
Report of Independent Registered Public Accounting Firm	2
Statements of Net Assets Available for Benefits - December 31, 2017 and 2016	3
Statements of Changes in Net Assets Available for Benefits - Years Ended December 31, 2017 and 2016	4
Notes to Financial Statements	5
Schedule 1: Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year) - December 31, 2017	10
Signature	11
<b>Exhibits</b>	
Exhibit Index	12
23.1 Consent of Independent Registered Public Accounting Firm	13

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## **Report of Independent Registered Public Accounting Firm**

To the Plan Participants, Plan Administrator and Retirement Committee of J.B. Hunt Transport Services, Inc.  
Employee Retirement Plan

### **Opinion on the Financial Statements**

We have audited the accompanying statements of net assets available for benefits of J.B. Hunt Transport Services, Inc. Employee Retirement Plan as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2017 and 2016, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis

for our opinion.

### **Supplemental Schedule**

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

We have served as the Plan's auditor since 2010.

Rogers, Arkansas

June 22, 2018

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

**Statements of  
Net Assets  
Available for  
Benefits  
December 31,  
2017 and 2016**

	<b>2017</b>	<b>2016</b>
Cash	\$738,682	\$441,888
Investments, at fair value:		
Mutual funds	388,752,488	305,989,833
Common stock – J.B. Hunt Transport Services, Inc.	255,723,879	224,532,025
Common/collective trust	100,257,465	103,659,421
Total investments	744,733,832	634,181,279
Receivables:		
Notes receivable from participants	35,650,114	32,482,923
Contributions:		
Participants	2,141,944	1,848,786
Employer	709,801	595,430
Accrued investment income	239	2
Total receivables	38,502,098	34,927,141
Net assets available for benefits	\$783,974,612	\$669,550,308

See accompanying notes to financial statements.

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

**Statements of  
Changes in Net  
Assets Available  
for Benefits  
Years ended  
December 31,  
2017 and 2016**

	<b>2017</b>	<b>2016</b>
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$90,985,803	\$76,352,380
Interest and dividends	13,466,661	9,964,245
	104,452,464	86,316,625
Interest income on notes receivable from participants	1,474,334	1,310,653
Contributions:		
Employer, net of forfeitures	16,852,586	15,282,229
Participants	59,103,830	51,868,203
	75,956,416	67,150,432
Total additions	181,883,214	154,777,710
Deductions from net assets attributed to:		
Benefits paid to participants	66,192,641	66,019,769
Administrative expenses	1,266,269	1,408,910
Total deductions	67,458,910	67,428,679
Increase in net assets available for benefits	114,424,304	87,349,031
Net assets available for benefits:		
Beginning of year	669,550,308	582,201,277
End of year	\$783,974,612	\$669,550,308

See  
accompanying  
notes to

financial  
statements.

4

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

**EMPLOYEE RETIREMENT PLAN**

**Notes to Financial Statements**

**December 31, 2017 and 2016**

**1. Description of Plan**

The following 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.

**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 (IRC). All employees, other than employees covered by a collective bargaining agreement, non-resident aliens, leased 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 qualifying service is eligible to receive matching contributions. The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Contributions**

Each year, participants may defer from 1% up to 50% of pretax annual compensation, as defined in the Plan agreement (not to exceed limits determined under Sections 402(g) and 415(c) of the IRC). Participants who have attained age 50 before the end of the Plan year are eligible to make catch up contributions. The Company matches

50% of the first 6% of base compensation that a participant contributes to the Plan once meeting match eligibility requirements as defined in the plan document. Additional amounts may be contributed at the discretion of the Company's Board of Directors. No such additional amounts were contributed in 2017 or 2016.

## **Participant Accounts**

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's matching contributions and any discretionary contributions and (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## **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 retirement, permanent 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%. A year of vesting service is credited to participants that complete 1,000 hours of service within a plan year. Hours of service are defined in the plan document and accumulated for employees irrespective of participation in the Plan. Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions, restore a participant's account for claims of benefits, or pay Plan expenses. Forfeitures for the years ended December 31, 2017 and 2016 amounted to approximately \$1,521,000 and \$1,558,000, respectively. The Company used approximately \$1,510,000 and \$1,610,000 to reduce Company contributions to the Plan in 2017 and 2016, respectively. Forfeitures remaining in the Plan at December 31, 2017 and 2016 were approximately \$52,000 and \$42,000, respectively.

## **Participant Loans**

Notes receivable from participants represent participant loans. 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% of their vested account balance. Loan terms range from 1 - 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 fixed interest at the prime rate on the first day of the calendar month in which the loan is made, plus one percent (ranging from 4.25% to 10.50% for loans outstanding at December 31, 2017). Principal and interest are paid ratably through payroll deductions. A participant may only have two loans outstanding at any time.

## **Payment of Benefits**

On termination of service due to retirement, disability or death, a participant or his/her beneficiary may receive either a lump-sum amount or approximately equal monthly, quarterly or semi-monthly installments in cash equal to the value of the participant's vested interest in his or her account. For termination of service, other than retirement, disability or death, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

The Plan also allows for hardship distributions if a participant meets the Plan's requirements for such distributions.

The Plan will distribute and rollover certain net assets to other plans in connection with participants who have terminated employment and begun participating in other employer plans. Such transactions are recorded in benefits paid to participants at the fair value of the assets on the date of rollover. Similarly, the Plan allows new participants to rollover or transfer-in assets held in other qualified plans. Such transactions are recorded in participant contributions at fair value.

## **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 2017 and 2016.

## **2. Summary of Significant Accounting Policies**

**Basis of Accounting**

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

6

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### **Notes Receivable from Participants**

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 or 2016. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

### **Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value on December 31, 2017 and 2016. See Note 3, Fair Value Measurements, for additional information on investment valuation. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net appreciation or depreciation in fair value of investments represents increases or decreases in value resulting from realized and unrealized gains and losses. The cost of securities sold is determined by the weighted average cost method. Shares of mutual funds are valued at published market prices. Shares of common stock are valued at quoted market prices. Investments in the common/collective trust are valued at the net asset value per unit, as determined by the issuer of the respective trust.

The T. Rowe Price Stable Value Common Trust Fund (Stable Value Fund), a common/collective trust, is designed to deliver safety and stability by preserving principal and accumulating earnings. This Stable Value Fund is primarily invested in guaranteed investment contracts, bank investment contracts, and synthetic investment contracts. The Plan may withdraw from the Stable Value Fund with 12 month written advance notice to the trustee. The notice period may be shortened or waived by the trustee in its sole discretion. There are no restrictions on participant-directed redemptions.

### **Payment of Benefits**

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

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### **Risk and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

### **3. Fair Value Measurements**

The FASB's guidance on fair value measurements establishes a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and 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.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following are assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

**December 31, 2017**

<b>Description</b>	<b>Level 1</b>	<b>Total</b>
Mutual Funds	\$388,752,488	\$388,752,488
Common Stock	255,723,879	255,723,879
Common/collective trusts measured at net asset value		100,257,465
Total investments		\$744,733,832

**December 31, 2016**

<b>Description</b>	<b>Level 1</b>	<b>Total</b>
Mutual Funds	\$305,989,833	\$305,989,833
Common Stock	224,532,025	224,532,025
Common/collective trusts measured at net asset value		103,659,421
Total investments		\$634,181,279

**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% vested in their employer contributions.

**5. Related Party and Parties-in-Interest Transactions**

At December 31, 2017 and 2016, the Plan held 2.2 million and 2.3 million shares, respectively, of common stock of the Company, with a fair value of approximately \$255.7 million and \$224.5 million, respectively. During the years ended December 31, 2017 and 2016, the Plan recorded dividend income on the common stock of the Company of approximately \$2.1 million and \$2.4 million, respectively.

## **6. Tax Status**

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated November 17, 2017, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan has been amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The Company believes the Plan is being operated in compliance with the applicable requirements of the Code and therefore, believes the Plan, as amended, is qualified and the related trust is tax-exempt.



Accounting principles generally accepted in the United States require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.