

# COLLECTIVE TRUST FUND “TX”

## ANNUAL REPORT

*2016*

BAKER



BOYER

FAMILY LEGACIES GROWN LOCALLY

*Walla. Walla. Tri-Cities Yakima.*



## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Unit Holders  
Baker Boyer National Bank Collective Trust Fund "TX"

### **Report on Financial Statements**

We have audited the accompanying financial statements of Baker Boyer National Bank Collective Trust Fund "TX", which comprise the statement of assets and liabilities as of August 31, 2016, and the related statement of operations and changes in net assets for the period from January 1, 2016 through August 31, 2016, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**REPORT OF INDEPENDENT AUDITORS  
(continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baker Boyer National Bank Collective Trust Fund "TX" as of August 31, 2016, and the results of its operations for the period from January 1, 2016 through August 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Unit Values and Earnings at Selected Dates, Investments Purchased, and Investments Sold or Redeemed are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Emphasis of Matter***

As described in Note 1 to the financial statements, the Trustees exercised their authority to terminate the Baker Boyer National Bank Collective Trust Fund "TX" effective August 31, 2016, and liquidation commenced in 2016. As a result, the Fund has changed its basis of accounting from the going concern basis to a liquidation basis.



Spokane, Washington  
December 23, 2016

*Baker Boyer National Bank Collective Trust Fund "TX"*  
**Statement of Assets and Liabilities**  
**August 31, 2016**

**ASSETS**

Investments in securities		
Cash equivalents - tax exempt (Cost \$0)	\$	-
Municipal bonds & notes (Cost \$0)		-
		<hr/>
		-
Cash		-
Accrued income receivable		-
		<hr/>
		-

**LIABILITIES**

Income distribution payable		<hr/>
		-
Net assets (equivalent to \$0 per unit based on no units outstanding)	\$	-
		<hr/> <hr/>

*Baker Boyer National Bank Collective Trust Fund "TX"*  
**Statement of Operations**  
**Period from January 1, 2016 through August 31, 2016**

Net investment income		
Interest	\$	255,621
Audit and miscellaneous expenses		<u>(23,274)</u>
Net investment income		<u>232,347</u>
Realized losses from security transactions		
Proceeds from sales		13,503,173
Cost of securities sold		(13,002,980)
Mutual funds capital gain distributions		<u>-</u>
Net realized gains		<u>500,193</u>
Unrealized depreciation of investments		
End of period		-
Beginning of period		<u>(338,392)</u>
Unrealized depreciation during the period		<u>(338,392)</u>
Net realized and unrealized gains on investments	\$	<u><u>394,148</u></u>

*Baker Boyer National Bank Collective Trust Fund "TX"*  
**Statement of Changes in Net Assets**  
**Period from January 1, 2016 through August 31, 2016**

From investment activities		
Net investment income for the period	\$	232,347
Income distributed to participants		(232,347)
Net realized gains from securities transactions		500,193
Unrealized depreciation during the period		<u>(338,392)</u>
Increase in net assets derived from investment activities		<u>161,801</u>
From unit transactions		
Net proceeds from issue of units (59,939 units)		645,382
Cost of units redeemed (1,207,682 units)		<u>(13,046,323)</u>
Decrease in net assets derived from unit transactions		<u>(12,400,941)</u>
Net decrease in net assets		(12,239,140)
Net assets, beginning of period		<u>12,239,140</u>
Net assets, end of period	\$	<u><u>-</u></u>

**Notes to Financial Statements**

**August 31, 2016**

**Note 1- Significant Accounting Policies and Other Information**

The following is a summary of significant accounting policies, which are in conformity with accounting principles generally accepted in the United States of America and the trust agreement.

Effective August 2016, the Trustees executed their authority to terminate Collective Trust Fund "TX" and liquidation commenced in 2016. Accordingly, the financial statements are prepared on the liquidation basis of accounting. The liquidation basis of accounting presents assets at amounts expected to be realized in liquidation and liabilities at the amounts expected to be paid; estimated values may be different from actual amounts. The basis of accounting is considered generally accepted accounting for entities in liquidation or for which liquidation appears imminent.

**Collective Trust Fund "TX"**

The Baker Boyer National Bank Collective Trust Fund "TX" (Fund) was a diversified portfolio of nontaxable fixed income securities of intermediate maturities. The Fund worked to maintain an average maturity of less than 12 years. The Fund had a minimum of 60% of its assets in investment grade AAA, AA, or Pre-refunded Municipal Bonds not subject to Alternative Minimum Tax (AMT), as rated by Moody's, Standard and Poors' and/or Fitch. 10% of the Fund could have been invested in nonrated notes and bonds, if financial information was available for the issuing entity. The Fund was fully closed during 2016.

The objectives of the Fund was to minimize net asset value volatility, generate income exempt from federal income tax, and be competitive with 7-10 year yields on investment grade

**Federal income taxes**

The Fund was exempt from federal income tax under Section 584 of the Internal Revenue Code. Unit holders were not required to pay federal income tax on any interest received from the trust that represents net interest on tax-exempt municipal bonds. However, any realized net short-term or long-term capital gains were taxable to unit holders. The Fund applied Financial Accounting Standards Board Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribed a recognition threshold and measurement process for accounting for uncertain tax positions and also provided guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Fund did not have any entity level uncertain tax positions for the 2013-2015 open tax years.

**Security transactions**

Purchases and sales were accounted for on the trade date. Dividend income was recorded on the ex-dividend date. Interest income was reported as earned. Cost of securities sold was determined by the identified certificate method. Realized and unrealized gains and/or losses on investments were included in the statement of operations in the period in which they arose.

**Unit issues and redemptions**

In accordance with the terms of the plan of trust, the net asset value of the Fund was determined as of the end of each month. Units were issued and redeemed only at that time.

**Expenses**

In accordance with the plan of trust, the trustee may have charged the Fund for audit and other expenses incurred. Certain trust expenses may have been borne by the trustee. Management fees were charged and collected at the individual customer account level.

**Notes to Financial Statements (cont.)**

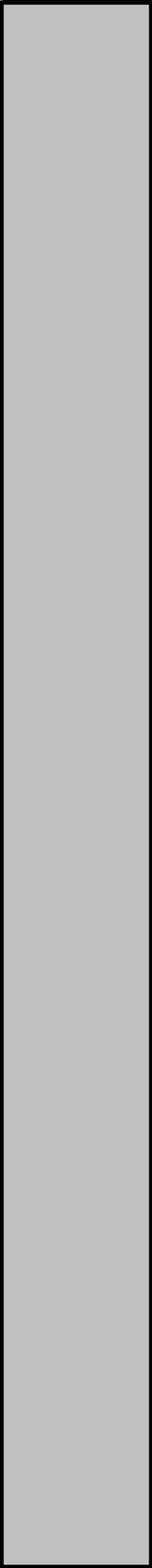
August 31, 2016

**Note 3 - Financial Highlights**

The financial highlights consist of net investment income and operation expenses ratios, based on average net assets.

Per unit operating performance for the period ended August 31, 2016 is as follows:

Net asset value, beginning of period	\$	10.66
Income from investment operations		
Investment income		0.21
Income distributed to participants		(0.21)
Net realized and unrealized gain on investment transactions		<u>0.35</u>
Total from investment operations		0.35
Net redemptions from unit transactions		(11.02)
Net asset value, end of period	\$	<u>(0.00)</u>
Total return		(100.00%)
Ratio to average net assets		
Expenses		0.00380%
Net Investment income		0.03797%



**SUPPLEMENTARY**

**INFORMATION**

*Baker Boyer National Bank Collective Trust Fund "TX"*

**Supplementary Information  
Unit Values and Earnings at Selected Dates**

Month Ended	Units Outstanding <sup>2</sup>	Unit Value	Income Per Unit	Net Investment Income <sup>1</sup>
1/31/16	1,153,999	10.785002	\$0.030436	\$ 35,122
2/29/16	1,186,173	10.739948	0.018467	21,905
3/31/16	1,171,700	10.772072	0.021697	25,423
4/30/16	1,174,870	10.789777	0.037028	43,503
5/31/16	1,093,612	10.781833	0.032656	35,713
6/30/16	1,074,588	10.966763	0.027408	29,452
7/31/16	1,074,244	10.912149	0.028906	31,052
8/31/16	1,074,244	10.805467	0.009473	10,177
Totals for 2016			<u>\$0.206071</u>	<u>\$ 232,347</u>

Period Ended	Units Outstanding <sup>2</sup>	Unit Value	Income Per Unit	Net Investment Income <sup>1</sup>
1/1/16 - 8/31/16	-	-	\$0.206071	\$ 232,347
1/1/15 - 12/31/15	1,147,744	10.663652	0.343792	442,555
1/1/14 - 12/31/14	1,373,497	10.684891	0.333876	506,135
1/1/13 - 12/31/13	1,855,194	10.436519	0.298920	557,651
1/1/12 - 12/31/12	1,922,049	11.140658	0.395472	757,403
1/1/11 - 12/31/11	1,893,498	10.901271	0.437840	894,285
1/1/10 - 12/31/10	2,194,809	10.219079	0.461152	1,007,729
1/1/09 - 12/31/09	2,436,269	10.492350	0.453683	1,076,054
1/1/08 - 12/31/08	2,359,663	9.976418	0.469255	1,127,154
1/1/07 - 12/31/07	2,453,376	10.464708	0.481007	1,228,479

1 Represents dividends and interest less audit and miscellaneous expenses. Does not include realized gains (losses) from security transactions or unrealized appreciation (depreciation) of Investments in Securities.

2 Units outstanding have been rounded to whole units.

*Baker Boyer National Bank Collective Trust Fund "TX"*  
**Supplementary Information, Investments Purchased**  
**Period from January 1, 2016 through August 31, 2016**

Description	Cost
MUNICIPAL BONDS & NOTES	\$ 1,881,002
<b>TOTAL PURCHASES</b>	<b><u>\$ 1,881,002</u></b>

*Baker Boyer National Bank Collective Trust Fund "TX"*  
**Supplementary Information, Investments Sold or Redeemed**  
**Period from January 1, 2016 through August 31, 2016**

Description	Proceeds <sup>1</sup>	Cost	Gain/(Loss)
MUNICIPAL BONDS & NOTES	\$ 13,503,173	\$ 13,002,980	\$ 500,193
<b>TOTAL SALES OR REDEMPTIONS</b>	<b><u>\$ 13,503,173</u></b>	<b><u>\$ 13,002,980</u></b>	<b>\$ 500,193</b>
<b>NET REALIZED GAINS</b>			<b><u>\$ 500,193</u></b>

<sup>1</sup> Includes investments sold, called, matured or put.