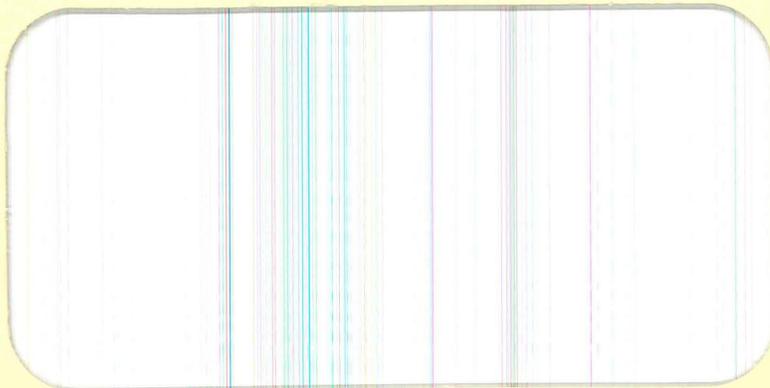


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EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
DULUTH, MINNESOTA

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Pursuant to Mn Stat 356.20

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

BASIC FUND
FIXED SHELTER FUND
VARIABLE FUND
MONEY MARKET FUND

-o0o-

ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 1983 AND 1982
TOGETHER WITH AUDITORS' REPORT

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

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JUNE 30, 1983 AND 1982

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FIXED SHELTER FUND

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VARIABLE FUND

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DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

BASIC FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1983 AND 1982
TOGETHER WITH AUDITORS' REPORT

-oOo-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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1898-1960
AVERY & SEASTEAD
1960-1969
AVERY, SEASTEAD & EIKILL
1969-1971
SEASTEAD, EIKILL & SCHILLING
1971-1973

September 16, 1983
except for Note 6 as
to which the date is
November 7, 1983

To the President, Board of Trustees,
and Members of the Duluth Teachers'
Retirement Fund Association
Duluth, Minnesota

We have examined the statements of assets, liabilities, and net assets available for plan benefits of the Duluth Teachers' Retirement Fund Association as of June 30, 1983 and 1982, and the related statements of changes in deposits and fund balances, statements of revenues and expenditures, and schedule of administrative expenses for the fiscal years then ended, prepared on a statutory basis. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in notes two and three, the Fund's financial statements are prepared on the accounting basis prescribed by Minnesota Statutes for state teachers' retirement funds, which differs from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to, and do not present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of Duluth Teachers' Retirement Fund Association as of June 30, 1983 and 1982, and the results of its operations and the changes in deposits and fund balances for the fiscal years then ended, on a statutory basis of accounting prescribed by the State of Minnesota, applied in a consistent manner.

Eikill & Schilling

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS AVAILABLE
FOR PLAN BENEFITS - STATUTORY BASIS
JUNE 30,

<u>ASSETS</u>	<u>1983</u>	<u>1982</u>
Cash	\$ 185,791	\$ 147,556
Accounts receivable		
State of Minnesota	314,197	383,033
City of Duluth	179,512	166,343
Federally funded programs	34,917	42,631
Other	21,898	
Dividends and interest earned	483,447	554,887
Prepayments	1,073	1,120
Investments (notes 2 & 3)		
Short-term securities (at cost)	5,390,846	10,516,486
Marketable common stocks (at cost)		
(market value \$26,660,523 and		
\$11,997,161, respectively)	19,903,198	12,173,893
Bonds and notes, par value	\$18,916,854	\$12,912,347
Unrealized discounts and		
premiums (net)	(4,248,769)	(1,162,274)
Net cost	<u>\$14,668,085</u>	<u>\$11,750,073</u>
Deferred yield adjustment		
account	<u>1,409,183</u>	<u>1,639,829</u>
Total bonds and notes		
(market value \$14,736,126		
\$10,121,507, respectively)	16,077,268	13,389,902
Mortgage loans secured by real		
estate		
FHA mortgage investments	\$ 1,210,984	\$ 1,294,806
First mortgages in Duluth	22,436	35,660
City mortgage package	<u>661,905</u>	<u>701,624</u>
	1,895,325	2,032,090
Land and building	\$ 49,873	\$ 49,873
Accumulated depreciation	<u>35,831</u>	<u>(34,810)</u>
	14,042	15,063
Office furniture and equipment	\$ 29,581	\$ 24,823
Accumulated depreciation	<u>(22,798)</u>	<u>(21,414)</u>
	6,783	3,409
Total assets	<u>\$44,508,297</u>	<u>\$39,426,413</u>

LIABILITIES AND NET ASSETS AVAILABLE
FOR PLAN BENEFITS

	<u>1983</u>	<u>1982</u>
Liabilities		
Due to Fixed Shelter Fund (note 2)		\$ 8,382
Accounts payable	\$ 1,930	
Accounts payable - security dealers	1,596,282	
Accumulated contributions - members	998	998
Mortgagees' tax escrow deposits	120	117
Accrued real estate taxes	<u>878</u>	<u>840</u>
Total liabilities	\$ 1,600,208	\$ 10,337
Members' deposits (held until retirement		
or termination)	11,830,669	10,767,398
Net assets available for plan benefits	31,077,420	28,648,678
(Actuaries' information on required		
support level, unfunded liabilities		
and other information included in		
note 6)		
Total liabilities and net assets	<u>\$44,508,297</u>	<u>\$39,426,413</u>
available for plan benefits		

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

STATEMENTS OF CHANGES IN DEPOSITS AND
FUND BALANCES - STATUTORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30,

	1983			1982
	Active Members' Deposits	Net Assets Available	Total	Total
Beginning balances	\$10,767,398	\$28,648,678	\$39,416,076	\$35,620,116
Additions				
State of Minnesota		979,771	979,771	1,480,922
Members' contributions	1,449,787		1,449,787	1,224,310
Federally funded		34,917	34,917	42,631
Investment income - interest		2,570,730	2,570,730	2,115,646
- dividends		1,029,606	1,029,606	983,332
Rents		1,200	1,200	1,200
Gain (loss) on sale of stock		(168,068)	(168,068)	272,838
Miscellaneous		4,736	4,736	4,625
Transfers - interest earned	423,770		423,770	393,947
- retirements (member reserves)		647,664	647,664	585,105
Totals	<u>\$12,640,955</u>	<u>\$33,749,234</u>	<u>\$46,390,189</u>	<u>\$42,724,672</u>
Deductions				
Benefit expenditures		\$ 2,039,564	\$ 2,039,564	\$ 1,834,451
Contribution refunds				
Resignation	\$ 162,622		162,622	254,394
Death		12,827	12,827	74,717
Administrative expense		195,653	195,653	165,982
Transfers				
Interest on members' deposits		423,770	423,770	393,947
Retired members' reserve	647,664		647,664	585,105
Totals	<u>\$ 810,286</u>	<u>\$ 2,671,814</u>	<u>\$ 3,482,100</u>	<u>\$ 3,308,596</u>
Ending balances	<u>\$11,830,669</u>	<u>\$31,077,420</u>	<u>\$42,908,089</u>	<u>\$39,416,076</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

STATEMENTS OF REVENUES AND EXPENDITURES - STATUTORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1983</u>	<u>1982</u>
Revenues		
State of Minnesota	\$ 979,771	\$1,480,922
Federally funded	34,917	42,631
Members' contributions	1,411,306	1,222,718
Return of prior years' refunds	38,481	1,664
Interest on investments, plus discounts earned, less amortized premiums and deferred yield adjustment	2,570,730	2,115,646
Dividends	1,029,606	983,332
Net gain (loss) on sales of common stocks	(168,068)	272,838
Rents	<u>1,200</u>	<u>1,200</u>
Total revenues	<u>\$5,897,943</u>	<u>\$6,120,951</u>
Expenditures		
Benefits		
Annuitites paid members	\$1,969,301	\$1,770,034
Contingent beneficiaries	50,394	56,209
Disability	19,869	8,208
Contribution refunds		
Resignation	162,622	254,394
Death	12,827	74,717
Administrative expenses (schedule 1)	<u>190,917</u>	<u>161,357</u>
Total expenditures	<u>\$2,405,930</u>	<u>\$2,324,919</u>
Excess of revenues over expenditures	<u>\$3,492,013</u>	<u>\$3,796,032</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1983</u>	<u>1982</u>
Personnel		
Salaries	\$ 66,914	\$ 59,938
Payroll taxes	4,442	3,893
Group insurance	4,375	2,086
General expenses		
Bank charges	2,597	3,711
Depreciation	2,404	2,256
Dues and periodicals	1,522	1,067
Insurance	1,188	1,557
Meetings and conventions	13,549	8,549
Postage and office supplies	7,434	7,710
Real estate taxes	1,759	1,677
Repairs and service contracts	290	354
Supplies - building	1,416	1,127
Utilities	6,431	5,636
Professional fees		
Actuarial	14,480	14,626
Auditing and accounting	12,675	9,360
Investment advisors	50,403	41,082
Legal	<u>3,774</u>	<u>1,353</u>
Subtotals	\$195,653	\$165,982
Less fees received from tax sheltered annuities (note 2)	<u>4,736</u>	<u>4,625</u>
Totals	<u>\$190,917</u>	<u>\$161,357</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982

NOTE 1 DESCRIPTION OF PLAN

The following brief description of the Association's plan is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

- A. General - The plan is a defined benefit pension plan covering substantially all educators employed by the Board of Education of the City of Duluth.
- B. Pension Benefits - Effective June 30, 1981, all new members of the Association were placed into a new coordinated plan. In addition, all members hired prior to June 30, 1982, and covered by the old plan, have the right to elect into the new coordinated plan. Members under the old plan with ten or more years of service are entitled to annual pension benefits beginning at normal retirement age (60) equal to 1.25 per cent of a member's high five-year average salary multiplied by the number of years of credited service.

Members under the new coordinated plan with ten or more years of service are entitled to annual pension benefits beginning at normal retirement age (65) equal to 1.0 per cent of the first ten years and 1.5 per cent of the eleventh and higher years credited service multiplied by the high five successive average salary. Early retirement options are available under both plans. Members may elect to receive their pension benefits in the form of a joint or survivor annuity. If members terminate employment with the Board of Education prior to ten years of service, a refund is made to them. If terminating employees have over ten years of service, they have the option of receiving benefits at retirement age.

- C. Death and Disability Benefits - If active members die prior to the receipt of their first retirement allowance payment, two times the amount of their accumulated regular contributions shall be payable to their designated beneficiaries.

Active members who have not reached normal retirement age and have at least five years of credited service shall receive a disability benefit upon becoming permanently disabled.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS

Basis of Accounting - The accompanying financial statements were prepared on the basis of accounting prescribed by Minnesota Statutes, which vary from generally accepted accounting principles. The variance relates to timing differences in recognizing losses on the disposition of bonds. The statutes provide for deferral of losses, net of gains, on the sale or disposition of bonds (see note 3). Generally accepted accounting principles would recognize losses on bond transactions in the year of disposition.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS (continued)

Investments - Short-term securities and marketable common stocks are stated at cost. Bond and note investments are stated at par value with premiums or discounts stated separately. The premiums or discounts are brought into income over the life of the bonds. No investments have been reduced because of market value declines, since it is the opinion of management the declines are temporary in nature.

Maximum Investments Allowable - Under the Articles of Incorporation and Amendments thereto, the Fund is limited to percentages of total assets in the several classes of investments owned, which were as follows at June 30, 1983:

	Actual Amounts	Percentage of Total Assets	Maximum Permitted
1. Obligation of U.S. government	\$ 4,989,211	11.21%	None
2. Bonds guaranteed and bonds of agencies of U.S. government	\$ 4,305,558	9.67%	None
3. a. Legal investments for savings, banks (corporate bonds)			
Any one bond	\$ 600,000	1.35%	6% of total assets
All bonds	\$6,605,317	14.84%	65% of total assets
b. Preferred or common stock			
Any one stock	\$ 1,185,140	2.66%	6% of total assets
All stocks	\$19,903,198	44.72%	65% of total assets
4. First mortgages on properties in the City of Duluth	\$ 684,341	1.52%	None

Related Funds - The Duluth educators also have three other voluntary supplemental retirement plans available. They are the Duluth Teachers' Fixed Shelter Fund, Variable Fund and Money Market Fund. All of these funds are reported separately. The Association provides office space and all administrative services to these related funds. The Association is reimbursed for these services based on two per cent of member contributions, net of rollovers from other funds. During the current fiscal year, the Fund purchased approximately \$455,000 of common stock investments from the Fixed Shelter Fund at prevailing market prices as of the date of the sale.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS (continued)

Members of the Board of Trustees at June 30, 1983, were:

<u>Elected by the Membership</u>	<u>Term Began</u>	<u>Current Term Expires</u>
Walter Garvue, President	11/15/58	6/30/83
Robert Childs, Vice President	11/15/81	11/15/84
Curtis Miller	11/15/74	11/15/83
George Beck	11/15/71	11/15/83
Agnes Hansen	11/15/79	11/15/85
Roy Meyer	11/15/81	11/15/84
Maxine Stromme	11/15/77	11/15/85

<u>School Board Members</u>	<u>Term Began</u>
Richard Braun	January 1980
Mary Ryland, Treasurer	October 1973
David Kruell	January 1982

Ex-officio - Superintendent of Schools

Richard Pearson

Executive Secretary

Edward K. Blanck, Jr.

NOTE 3 BOND INVESTMENTS

The Minnesota Statutes provide in part for the transfer of cost basis when bonds are exchanged for similar investments. Exchanges are desirable to improve marketability, rate of return, maturity date, or to provide cash for the fund. The statutes provide for the net difference between the carrying cost of the bonds exchanged and the market value at the time of the transaction to be deferred. The period over which deferred differences are amortized is proportional to the reciprocal of the average remaining life of all the bonds exchanged during the year. Under the statutes this amount remains as an asset after the related bonds have been sold. A summary of the account at June 30 is as follows:

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 3 BOND INVESTMENTS (continued)

	<u>1983</u>	<u>1982</u>
Deferred yield adjustment		
Beginning balance	\$1,639,829	\$1,651,933
Current transactions	13,069	229,127
Less amount amortized	<u>(243,715)</u>	<u>(241,231)</u>
Ending balance	<u>\$1,409,183</u>	<u>\$1,639,829</u>

A summary of the bond discount is as follows:

	<u>1983</u>	<u>1982</u>
Beginning balance	\$1,162,274	\$ 540,824
Net discounts on bonds and notes	<u>3,750,005</u>	<u>752,030</u>
Totals	\$4,912,279	\$1,292,854
Less:		
Discounts on bonds sold	(138,653)	
Amortization to income	<u>(524,857)</u>	<u>(130,580)</u>
Ending balance	<u>\$4,248,769</u>	<u>\$1,162,274</u>

NOTE 4 MARKET VALUES

A summary of the market value effect on the portfolio of investments is shown below:

	June 30,		<u>Increase</u>	<u>Net Market Value Increase</u>
	<u>1983</u>	<u>1982</u>		
Corporate bonds and				
U.S. treasury notes				
Par value	\$18,916,854	\$12,912,347		
Net cost	\$14,668,085	\$11,750,073	\$ 2,918,012	
Market	\$14,736,126	\$10,121,507	\$ 4,614,619	
Net market value increase				<u>\$ 1,969,607</u>
Common stocks				
Cost	\$19,903,199	\$12,173,893	\$ 7,729,306	
Market	\$26,660,523	\$11,997,161	\$14,663,362	
Net market value increase				<u>\$ 6,934,056</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 5 FUNDING POLICY

Educators employed by the Board of Education of the City of Duluth are required to contribute a specific portion of their salaries to the Association. Employer contributions are a specific portion of the educators' salaries and are received from the State of Minnesota. Current year percentage contributions were as follows:

	<u>Educators' Contribution % of Salary</u>	<u>State of Minnesota % of Salary</u>
July 1982 - December 1982	4.50%	5.79%
January 1983 - June 1983	6.50%	1.79%
Beginning July 1983	4.50%	5.79%

NOTE 6 ACTUARIAL INFORMATION

The fund actuaries are Hewitt Associates of Lincolnshire, Illinois. Their reports of June 30, 1983 and 1982, disclose the following information for the fund:

	<u>1983</u>	<u>1982</u>
Required level of support to maintain the present level of funding	12.30%	12.13%
State and employee support level -		
July to December	10.29%	10.29%
January to June	8.29%	10.29%
Unfunded liability increased by actuarial losses (resulting principally from average compensation increase of 4.40% and 11.75%, respectively, when the assumed rate is 3.50%)	\$ 422,000	\$ 2,247,000
Effect of amendments to plan	Ø	6,501,269
Contribution shortage	<u>743,795</u>	<u>14,264</u>
Net increase in unfunded liability	<u>\$ 1,165,795</u>	<u>\$ 8,762,533</u>
Estimate of future active member benefit	\$67,916,779	\$64,986,668
Estimate of current value of present retiree benefits (using a 5% interest assumption)	<u>18,837,214</u>	<u>16,974,708</u>
Total estimated liabilities	<u>\$86,753,993</u>	<u>\$81,961,376</u>
Assets and future contributions	<u>66,024,093</u>	<u>62,397,271</u>
Net unfunded liability	<u>\$20,729,900</u>	<u>\$19,564,105</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 6 ACTUARIAL INFORMATION (continued)

<u>Actuarial Method</u>	Entry Age Normal actuarial cost method with normal cost determined as a level percentage of current and future compensation
<u>Investment Return</u>	Five per cent compounded annually
<u>Salary Increase</u>	Three and one-half per cent per year until retirement
<u>Retirement Age</u>	Old Coordinated Program - Age 63 (at present age if greater than age 63) New Coordinated Program - Age 63 with 30 years of service, otherwise age 65
<u>Mortality</u>	Nondisabled Lives: UP-1984 Mortality Table set back two years Disabled Lives: The 1956 Disability Mortality Table
<u>Withdrawal and Disability Rates</u>	Per actuarial tables
<u>Per Cent Married</u>	80% of all active members are assumed to be married at the time of death before retirement. The husband is assumed to be three years older than his spouse
<u>Special Consideration</u>	Members in the old coordinated program who were hired before age 33 are assumed to receive their retirement benefits from the new coordinated program
<u>Expenses</u>	Actual expenses for previous year (excluding investment management fees) as a per cent of valuation payroll

Other actuarial information regarding the provisions of the fund, actuarial assumptions, personnel data and actuarial balance sheet are included in their report and are not reproduced here.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

FIXED SHELTER FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1983 AND 1982
TOGETHER WITH AUDITORS' REPORT

-oOo-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS A. ANDERSEN CPA

September 16, 1983

JAMES S. MATTESON & CO.
1898-1960
AVERY & SEASTEAD
1960-1969
AVERY, SEASTEAD & EIKILL
1969-1971
SEASTEAD, EIKILL & SCHILLING
1971-1973

Board of Trustees and Members
Duluth Teachers' Retirement Fund Association
Fixed Shelter Fund
Duluth, Minnesota

We have examined the statements of net assets of the Duluth Teachers' Retirement Fund Association Fixed Shelter Fund and schedules of corporate stocks and bonds as of June 30, 1983 and 1982, and the related statements of changes in units and statements of operations and changes in net assets for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Fixed Shelter Fund as of June 30, 1983 and 1982, and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles, applied in a consistent manner, except for the change, with which we concur, in the method of valuing investments as described in note 2 to the financial statements.

Eikill & Schilling

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1983</u>	<u>1982</u>
Cash (less accounts payable of \$58,144 in 1982)	\$ 41,152	\$ 147,063
Interest and dividends receivable	42,641	42,879
Receivable from related funds		33,686
Investments (notes 1 and 2)		
Short-term securities, at market	107,000	317,364
Corporate stocks, at market (schedule 1)		476,483
Bonds, at market (schedule 1)	<u>1,926,858</u>	<u>880,580</u>
Total assets	\$2,117,651	\$1,898,055
Liabilities		
Estimated additional premium due Canada Life (note 3)	<u>5,000</u>	<u>100,000</u>
Net assets	<u>\$2,112,651</u>	<u>\$1,798,055</u>
Units outstanding	1,489,720.3363	1,635,892.9290
Asset value per unit	\$ 1.4182	\$ 1.0991

STATEMENTS OF CHANGES IN UNITS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1983</u>	<u>1982</u>
Units - beginning of fiscal year	1,635,892.9290	1,834,872.4300
Units issued during year	195,507.0911	206,175.3318
Refunds	<u>(341,679.6838)</u>	<u>(405,154.8328)</u>
Units - end of fiscal year	<u>1,489,720.3363</u>	<u>1,635,892.9290</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETI
DULUTH,

FIXED SF

SCHEDULE OF CORPOR
JUN

12

Bonds	Interest	Du Dat	Par Value	Cost	Market Value
Chrysler Corp.	11.4%	7/19	\$ 100,000	\$ 100,000	\$ 85,000
Federal Home Loan Mortgage Assoc.	8.85%	3/15	146,000	128,593	105,485
Federal Home Loan Mortgage Assoc.	10.25%	3/15	149,000	134,438	120,131
General Motors Acceptance Corporation	8-7/8%	6/01	100,000	99,922	84,250
Government National Mortgage	13.75%	6/15	96,143	94,734	86,769
Trailer Train	11-7/8%	7/15	91,132	91,132	91,132
Union Carbide	8-1/2%	1/15	100,000	100,000	57,375
U.S. Treasury notes	12-3/8%	1/15	100,000	100,000	98,688
Bell Telephone PA.	15-1/8%	4/15	100,000	98,684	92,250
Continental Illinois Co.	0%	11/01			
Federal Home Loan Mortgage Assoc.	9.4%	9/15			
Michigan Bell Telephone	15.75%	5/01			
Pacific Gas	15.375%	9/01			
Texas Federal Savings	0%	7/22			
Texas Federal Savings	0%	3/21	000	\$ 36,708	\$ 59,250
U.S. Treasury notes	0%	11/15	430	6,991	6,020
U.S. Treasury notes	0%	2/15	000	16,259	17,000
United Telecommunications	10.75%	4/15	000	36,745	42,750
			000	37,130	23,125
			000	40,675	25,000
Totals			400	31,985	38,850
			600	28,127	38,175
			600	35,149	36,375
			500	53,731	42,750
			000	30,893	26,500
			500	65,839	48,438
			000	47,260	54,500
			200	23,818	27,750
				<u>\$ 491,300</u>	<u>\$ 476,483</u>

The accompanying notes are an integ

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1983</u>	<u>1982</u>
Revenues		
Members' deposits	\$ 250,263	\$ 209,386
Interest earned	285,757	222,445
Dividends earned		62,850
Net gain on sales	2,991	2,672
Totals	<u>\$ 539,011</u>	<u>\$ 497,353</u>
Expenditures		
Benefits paid - monthly annuities	\$ 0	[1] \$ 96,860
Members' refunds	400,928	417,018
Administrative	3,584	3,373
Totals	<u>\$ 404,512</u>	<u>\$ 517,251</u>
Excess (deficit) of revenues over expenditures	\$ 134,499	\$ (19,898)
Refund (purchase) single premium annuities -		
Canada Life (note 3)	33,752	(1,348,766)
Market value adjustment (note 2)		
Prior to 7/1/81		(351,919)
During fiscal year	146,345	15,966
Net assets		
Beginning of period	<u>1,798,055</u>	<u>3,502,672</u>
Net assets, ending	<u>\$2,112,651</u>	<u>\$1,798,055</u>

[1] Six months only, see note 3

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982

NOTE 1 DESCRIPTION OF PLAN

The Fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of that organization. It is maintained as a separate tax sheltered plan for educators of the Duluth school system. In theory the plan is similar to a mutual fund and will be primarily invested in bonds. Assets are carried at market value, and adjusted each quarter when new share values are determined.

Benefits Provided - The Fund provides a plan whereby members may reduce their current compensation by electing to have amounts withheld from their salaries within limits prescribed by the Internal Revenue Code. After retirement, when amounts are paid, they are fully taxable to the member. Benefits are determined based on the dollar value of the member units at time of withdrawal. The Fund is considered a defined contribution plan for accounting purposes.

Administrative expenses are paid to the Duluth Teachers' Retirement Fund Association Basic Fund quarterly, based on two per cent of the members' contributions, net of rollovers from other funds. Duluth Teachers' Retirement Basic Fund provides office space and all administration services to the Fund.

NOTE 2 MARKET VALUATION

Investments are reflected at market values at fiscal year end. Prior to July 1, 1981, investments were valued at cost. The change in valuation was due to a change in the Fund's bylaws. The effect of this change resulted in the recognition of costs in excess of market values as of July 1, 1981, of \$351,919.

NOTE 3 CANADA LIFE ANNUITIES PURCHASED

During the previous fiscal year the Fund purchased annuities for members retired as of December 1981 from Canada Life Assurance Company. These retirees are now receiving their retirement annuities directly from Canada Life rather than the Association. The transaction was favorable to the retirees and Association since Canada Life was able to assume greater return factors. During the current fiscal year a reduction of the estimated liability for additional premiums due to Canada Life was realized in the amount of \$33,752.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982
(Continued)

NOTE 4 RELATED FUNDS

The Fixed Shelter Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system. During the current fiscal year, the Fund sold approximately \$455,000 of common stock investments to the Basic Fund at prevailing market prices as of the date of sale.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

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VARIABLE FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1983 AND 1982
TOGETHER WITH AUDITORS' REPORT

-o0o-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA
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AVERY & SEASTEAD
1960-1969

AVERY, SEASTEAD & EIKILL
1969-1971

SEASTEAD, EIKILL & SCHILLING
1971-1973

September 16, 1983

Board of Trustees and Members
Duluth Teachers' Retirement Fund Association
Variable Fund
Duluth, Minnesota

We have examined the statements of net assets of the Duluth Teachers' Retirement Fund Association Variable Fund as of June 30, 1983 and 1982, and the related statements of changes in units and statements of operations and changes in net assets for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Variable Fund as of June 30, 1983 and 1982, and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles, applied on a consistent basis.

Eikill & Schilling

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>		<u>1983</u>	<u>1982</u>
Cash and receivables (less liabilities of \$25,304 in 1982)		\$ 31,422	\$ 17,284
Investments - short-term securities (at market value)		67,885	157,889
	<u>Cost</u>	<u>Market Value</u>	
Investments - corporate stock			
Allied Corp.	\$ 18,072	\$ 21,550	
Archer Daniels	16,396	20,200	
Bolt Beranek & Newman	16,058	36,500	
Borg Warner	20,000	26,450	
Bristol Myers	10,244	24,525	
Capital Holding	18,654	34,875	
Central Louisiana Electric	7,170	12,066	
Chesebrough Ponds	13,481	15,550	
Commonwealth Edison	18,375	25,250	
Deere & Co.	19,256	17,125	
Exxon	23,178	23,625	
General Electric	19,959	44,000	
Goodyear	13,320	18,544	
Houston Ind. Inc.	19,808	20,875	
Huntington Research Ctr.	15,000	14,750	
IC Industries	15,601	17,850	
IBM	30,488	60,125	
Interco	10,746	16,700	
J. C. Penney	13,065	17,850	
Josten's Inc.	22,955	28,875	
Norfolk & Southern	16,902	17,250	
Proctor & Gamble	22,444	27,563	
Ranier Bancorporation	14,313	16,375	
Schering Plough	23,254	22,311	
Schlumberger	18,305	27,000	
Southern Co.	25,600	31,250	
Southwest Airlines	20,450	31,800	
Southwestern Public Service	14,170	21,450	
State Street Bank	20,325	28,050	
Subaru	13,475	12,300	
Syntex Corp.	14,259	22,500	
Totals	<u>\$545,323</u>		
		<u>755,134</u>	<u>380,297</u>
Net assets		<u>\$ 854,441</u>	<u>\$ 555,470</u>
Units outstanding		767,202.5189	707,125.7363
Asset values per unit		\$ 1.1137	\$.7855

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF CHANGES IN UNITS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>Active</u>	<u>Inactive</u>	<u>Totals</u>
<u>1982</u>			
Units at July 1, 1981	594,990.0876	208,996.2276	803,986.3152
Correction for mortality adjustment		5,366.8113	5,366.8113
Units issued during the year	107,195.7856	10,102.6708	117,298.4564
Refunds	(158,926.5061)		(158,926.5061)
Annuities paid	<u> </u>	<u>(60,599.3405)</u>	<u>(60,599.3405)</u>
Balance, June 30, 1982	543,259.3671	163,866.3692	707,125.7363
 <u>1983</u>			
Units issued during the year	129,644.6400	8,521.6608	138,166.3008
Refunds	(58,398.5658)		(58,398.5658)
Annuities paid	<u> </u>	<u>(19,690.9524)</u>	<u>(19,690.9524)</u>
Balance, June 30, 1983	<u>614,505.4413</u>	<u>152,697.0776</u>	<u>767,202.5189</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1983</u>	<u>1982</u>
Net assets, beginning of period	<u>\$555,470</u>	<u>\$688,931</u>
Revenue		
Members' deposits	\$ 95,569	\$ 62,793
Interest	11,371	26,005
Dividends	28,788	29,523
Totals	<u>\$135,728</u>	<u>\$118,321</u>
Expenses		
Annuities - monthly	\$ 17,998	\$ 18,406
Members' withdrawals	49,949	131,016
Administrative	1,153	1,251
Totals	<u>\$ 69,100</u>	<u>\$150,673</u>
Excess of revenue over expenses or (expenses over revenue)	\$ 66,628	\$(32,352)
Purchase single premium annuities Canada Life (note 2)		(25,304)
Net market value adjustment		
Sales during year	\$233,404	\$172,521
Cost (on identified basis)	<u>239,250</u>	<u>169,092</u>
Net gain (loss)	(5,846)	3,429
Unrealized gain or (loss)		
Market value gain (loss)		
End of year	\$209,810	\$(28,379)
Beginning of year	<u>(28,379)</u>	<u>50,855</u>
Increase (decrease)	<u>238,189</u>	<u>(79,234)</u>
Net assets, end of period	<u>\$854,441</u>	<u>\$555,470</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982

NOTE 1 DESCRIPTION OF PLAN

The Fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of that organization. It is maintained as a separate tax sheltered variable annuity plan for educators of the Duluth school system. In theory the variable plan is similar to a mutual fund. Assets are carried at market value, adjusted each quarter when new share values are determined. Additional shares are issued each quarter based on an assumed earnings rate of 5-1/2%.

Benefits Provided - Members may, at their election, have amounts withheld from their current compensation to be deferred until retirement. Amounts are limited by the Internal Revenue Code and are fully taxable when paid to the members. Monthly retirement benefits are variable, based on the market value of assets of the Fund. The Fund is considered a defined contribution plan for accounting purposes.

Administrative expenses are paid to the Duluth Teachers' Retirement Fund Association Basic Fund quarterly, based on two per cent of the members' contributions, net of rollovers from other funds. Duluth Teachers' Retirement Basic Fund provide office space and all administrative services to the Fund.

Related Funds - The Variable Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system.

NOTE 2 CANADA LIFE ANNUITIES PURCHASED

During the previous fiscal year the Fund purchased annuities for electing retired members from Canada Life Assurance Company. These retirees are now receiving their retirement annuities directly from Canada Life rather than the Association.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

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MONEY MARKET FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1983 AND 1982
TOGETHER WITH AUDITORS' REPORT

-oOo-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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September 16, 1983

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SEASTEAD, EIKILL & SCHILLING
1971-1973

Board of Trustees and Members
Duluth Teachers' Retirement Fund Association
Money Market Fund
Duluth, Minnesota

We have examined the statements of net assets of the Duluth Teachers' Retirement Fund Association Money Market Fund as of June 30, 1983 and 1982, and the related statements of changes in units and statements of operations for the twelve and six months then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Money Market Fund as of June 30, 1983 and 1982, and the results of its operations for the twelve and six months then ended in conformity with generally accepted accounting principles applied in a consistent manner.

Eikill & Schilling

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

MONEY MARKET FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1983</u>	<u>1982</u>
Cash - checking	\$ 97	\$ 95
- Merrill Lynch Ready Asset Trust	<u>277,286</u>	<u>258,964</u>
Total assets	\$277,383	\$259,059
 <u>LIABILITIES</u>	 <u>Ø</u>	 <u>Ø</u>
Net assets	\$277,383	\$259,059
Units outstanding	277,383	259,059
Asset value per unit	\$ 1	\$ 1

STATEMENTS OF CHANGES IN UNITS
FOR THE TWELVE AND SIX MONTHS ENDED JUNE 30,

Units at beginning of year	259,059	Ø
Units issued during period	144,233	259,059
Units refunded during period	<u>(125,909)</u>	<u> </u>
Balance at end of year	<u>277,383</u>	<u>259,059</u>

STATEMENTS OF OPERATIONS
FOR THE TWELVE AND SIX MONTHS ENDED JUNE 30,

Revenue		
Members' contributions	\$121,263	\$253,500
Interest earned	23,406	5,564
Total income	<u>\$144,669</u>	<u>\$259,064</u>
Expense		
Members' withdrawals	126,322	
Bank charges	<u>23</u>	<u>5</u>
Excess of revenue over expenses	\$ 18,324	\$259,059
Net assets - beginning of year	<u>259,059</u>	<u>Ø</u>
Net assets - end of year	<u>\$277,383</u>	<u>\$259,059</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

MONEY MARKET FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982

NOTE 1 DESCRIPTION OF PLAN

The Fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of the organization. It is maintained as a separate tax sheltered annuity plan for educators of the Duluth school system. In theory the plan is similar to a mutual fund. Additional shares are issued each month based on the net income of the Fund.

Benefits Provided - Members may, at their election, have amounts withheld from their current compensation to be deferred until retirement. Amounts are limited by the Internal Revenue Code and are fully taxable when paid to the members. Benefits are determined based on the dollar value of the members units at time of withdrawal.

Related Funds - The Money Market Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system.

