

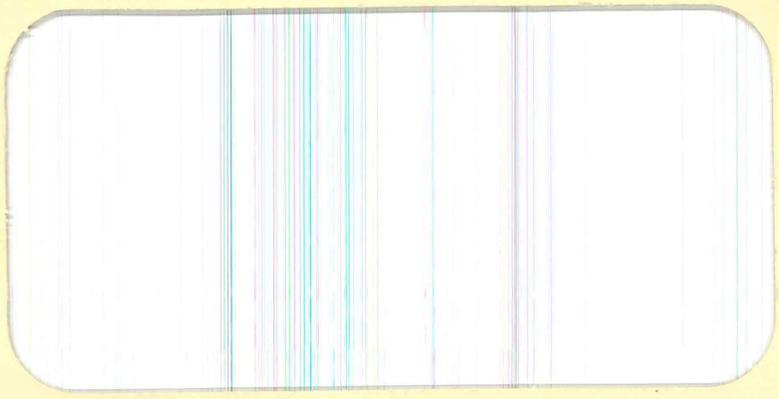
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Duluth Teachers - Annual financial statements as of



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

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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, 1984 AND 1983
TOGETHER WITH AUDITORS' REPORT

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

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FIXED SHELTER FUND

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VARIABLE FUND

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MONEY MARKET FUND

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DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

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BASIC FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1984 AND 1983
TOGETHER WITH AUDITORS' REPORT

-o0o-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA
JOHN F. SCHILLING CPA
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THOMAS L. SYKES CPA
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THOMAS A. ANDERSEN CPA
WILLIAM H. WHITSITT III CPA
WILLIAM L. OLSON CPA

September 5, 1984

except for Note 6 as
to which the date is
January 8, 1985

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

To the President, Board of Directors and Members
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, 1984 and 1983, 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, all 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 an 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, 1984 and 1983, 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>1984</u>	<u>1983</u>
Cash	\$ 204,600	\$ 185,791
Accounts receivable		
State of Minnesota	375,789	314,197
Duluth Board of Education	187,842	179,512
Federally funded programs	37,474	34,917
Other		21,898
Dividends and interest receivable	476,455	483,447
Prepayments	1,200	1,073
Investments (notes 2, 3 and 4)		
Short-term securities (at cost)	964,171	5,390,846
Marketable common stocks (at cost) (market value \$30,014,178 and \$26,660,523, respectively)	25,628,465	19,903,198
Bonds and notes, par value	\$19,991,041	\$18,916,854
Unrealized discounts and premiums (net)	(3,702,535)	(4,248,769)
Net cost	<u>\$16,288,506</u>	<u>\$14,668,085</u>
Deferred yield adjustment account	1,173,357	1,409,183
Total bonds and notes (market value \$14,269,348 and \$14,736,126, respectively)	17,461,863	16,077,268
Mortgage loans secured by real estate		
FHA mortgage investments	\$ 1,137,139	\$ 1,210,984
First mortgages in Duluth	15,414	22,436
City mortgage package	<u>564,048</u>	<u>661,905</u>
	1,716,601	1,895,325
Land and building	\$ 49,873	\$ 49,873
Accumulated depreciation	<u>35,834</u>	<u>35,831</u>
	14,039	14,042
Office furniture and equipment	\$ 29,581	\$ 29,581
Accumulated depreciation	<u>24,684</u>	<u>22,798</u>
	4,897	6,783
 Total assets	 <u>\$47,073,396</u>	 <u>\$44,508,297</u>

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

	<u>1984</u>	<u>1983</u>
<u>LIABILITIES AND NET ASSETS AVAILABLE</u>		
<u>FOR PLAN BENEFITS</u>		
Liabilities		
Accounts payable	\$ 915	\$ 1,930
Accounts payable - security dealers		1,596,282
Accumulated contributions - members	998	998
Mortgagees' tax escrow deposits	120	120
Accrued real estate taxes	800	878
	<hr/>	<hr/>
Total liabilities	\$ 2,833	\$ 1,600,208
Members' deposits (held until retirement or termination)	12,569,235	11,840,415
Net assets available for plan benefits (Actuaries' information on required support level, unfunded liabilities and other information included in note 6)	34,501,328	31,067,674
	<hr/>	<hr/>
Total liabilities and net assets available for plan benefits	<u>\$47,073,396</u>	<u>\$44,508,297</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

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

	1984			1983
	Active Members' Deposits	Net Assets Available	Total	Total
Beginning balances	\$11,840,415	\$31,067,674	\$42,908,089	\$39,416,076
Additions				
State of Minnesota		1,646,974	1,646,974	979,771
Members' contributions	1,230,755		1,230,755	1,449,787
Federally funded		37,474	37,474	34,917
Investment income - interest		2,172,800	2,172,800	2,570,730
- dividends		1,311,217	1,311,217	1,029,606
Rents		1,200	1,200	1,200
Gain (loss) on sale of stock		294,568	294,568	(168,068)
Transfers - interest earned	2,728		2,728	423,770
- retirements (member reserves)		380,457	380,457	647,664
Totals	\$13,073,898	\$36,912,364	\$49,986,262	\$46,385,453
Deductions				
Benefit expenditures		\$ 2,180,007	\$ 2,180,007	\$ 2,039,564
Contribution refunds				
Resignation	\$ 124,206		124,206	162,622
Death		19,200	19,200	12,827
Administrative expense		209,101	209,101	190,917
Transfers				
Interest on members' deposits		2,728	2,728	423,770
Retired members' reserve	380,457		380,457	647,664
Totals	\$ 504,663	\$ 2,411,036	\$ 2,915,699	\$ 3,477,364
Ending balance	\$12,569,235	\$34,501,328	\$47,070,563	\$42,908,089

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>1984</u>	<u>1983</u>
Revenues		
State of Minnesota	\$1,646,974	\$ 979,771
Federally funded	37,474	34,917
Members' contributions	1,215,904	1,411,306
Return of prior years' refunds	14,851	38,481
Interest on investments, plus discounts earned, less amortized premiums and deferred yield adjustment	2,172,800	2,570,730
Dividends	1,311,217	1,029,606
Net gain (loss) on sales of common stocks	294,568	(168,068)
Rents	<u>1,200</u>	<u>1,200</u>
Total revenues	<u>\$6,694,988</u>	<u>\$5,897,943</u>
Expenditures		
Benefits		
Annuities paid members	\$2,098,719	\$1,969,301
Contingent beneficiaries	54,413	50,394
Disability	26,875	19,869
Contribution refunds		
Resignation	124,206	162,622
Death	19,200	12,827
Administrative expenses (schedule 1)	<u>209,101</u>	<u>190,917</u>
Total expenditures	<u>\$2,532,514</u>	<u>\$2,405,930</u>
Excess of revenues over expenditures	<u>\$4,162,474</u>	<u>\$3,492,013</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>1984</u>	<u>1983</u>
Personnel		
Salaries	\$ 71,054	\$ 66,914
Payroll taxes	5,094	4,442
Group insurance	5,795	4,375
General expenses		
Bank charges	3,027	2,597
Depreciation	1,890	2,404
Dues and periodicals	1,116	1,522
Insurance	1,661	1,188
Meetings and conventions	11,845	13,549
Postage and office supplies	7,845	7,434
Real estate taxes	1,598	1,759
Repairs and service contracts	416	290
Supplies - building	1,165	1,416
Utilities	6,648	6,431
Professional fees		
Actuarial	18,376	14,480
Auditing and accounting	10,500	12,675
Investment advisors	63,933	50,403
Legal	<u>2,087</u>	<u>3,774</u>
Subtotals	\$214,050	\$195,653
Less fees received from tax sheltered annuities (note 2)	<u>(4,949)</u>	<u>(4,736)</u>
Totals	<u>\$209,101</u>	<u>\$190,917</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, 1984 AND 1983

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.

General - The plan is a defined benefit pension plan covering substantially all educators employed by the Board of Education of the City of Duluth.

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.

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 are prepared on the basis of accounting prescribed by Minnesota Statutes, which varies 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, 1984 AND 1983
(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 amortized 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, 1984:

	<u>Actual Amounts</u>	<u>Percentage of Total Assets</u>	<u>Maximum Permitted</u>
1. Obligation of U.S. government	\$ 4,874,578	10.36%	None
2. Bonds guaranteed and bonds of agencies of U.S. government	\$ 5,176,974	11.00%	None
3. a. Legal investments for savings, banks (corporate bonds)			
Any one bond	\$ 701,596	1.49%	6% of total assets
All bonds	\$ 6,737,954	14.31%	65% of total assets
b. Preferred or common stock			
Any one stock	\$ 1,290,755	2.74%	6% of total assets
All stocks	\$25,628,465	54.44%	65% of total assets
4. First mortgages on properties in the City of Duluth	\$ 579,462	1.23%	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 sold \$100,000 of bond investments to the Fixed Shelter Fund at prevailing market prices as of the date of the sale.

Income Taxes - The Association is exempt from income taxes.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1984 AND 1983
(Continued)

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS (continued)

Members of the Board of Trustees at June 30, 1984, were:

<u>Elected by the Membership</u>	<u>Term Began</u>	<u>Current Term Expires</u>
Robert Childs, President	11/15/81	11/15/84
George Beck	11/15/83	11/15/85
Agnes Hansen	11/15/79	11/15/85
Roy Meyer, Treasurer	11/15/81	11/15/84
George Kovich	11/15/83	11/15/85
Margaret Morrison	11/15/83	11/15/86
 <u>School Board Members</u>		<u>Term Began</u>
Richard Braun		January 1980
David Kruell		January 1982
 <u>Ex-officio - Superintendent of Schools</u>		
Richard Pearson		
 <u>Executive Secretary</u>		
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:

	<u>1984</u>	<u>1983</u>
Deferred yield adjustment		
Beginning balance	\$1,409,183	\$1,639,829
Current transactions	10,142	13,069
Less amount amortized	<u>(245,968)</u>	<u>(243,715)</u>
Ending balance	<u>\$1,173,357</u>	<u>\$1,409,183</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1984 AND 1983
(Continued)

NOTE 3 BOND INVESTMENTS (continued)

A summary of the net bond discount is as follows:

	<u>1984</u>	<u>1983</u>
Beginning balance	\$4,248,769	\$1,162,274
Add net discounts on bonds purchased	69,856	3,750,005
Less:		
Net discounts on bonds sold	(57,767)	(138,653)
Amortization to income	<u>(558,315)</u>	<u>(524,857)</u>
Ending balance	<u>\$3,702,535</u>	<u>\$4,248,769</u>

NOTE 4 MARKET VALUES

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

	<u>June 30,</u>		Increase	Net Market
	<u>1984</u>	<u>1983</u>	(Decrease)	Value Decrease
Corporate bonds and U.S. treasury notes				
Par value	\$19,991,041	\$18,916,854		
Net cost	\$16,288,506	\$14,668,085	\$ 1,620,421	
Market	\$14,269,348	\$14,736,126	<u>(466,778)</u>	
				<u>\$(2,087,199)</u>
Common stocks				
Cost	\$25,628,465	\$19,903,198	\$ 5,725,267	
Market	\$30,014,178	\$26,660,523	<u>3,353,655</u>	
				<u>\$(2,371,612)</u>

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. Percentage contributions were as follows:

	<u>Educators'</u> <u>Contribution</u> <u>% of Salary</u>	<u>State of</u> <u>Minnesota</u> <u>% 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%

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1984 AND 1983
(Continued)

NOTE 6 ACTUARIAL INFORMATION

Financial Accounting Standards Board statement number 35 (FASB #35) was originally issued to provide guidance on reporting of the annual financial statements and actuarial information of pension plans. Subsequently, governmental plans were excluded from the reporting guidelines of FASB #35. The following information is from the fund actuary, Hewitt Associates of Lincolnshire, Illinois. As mandated by state law, different actuarial assumptions were used in 1984 as compared to the assumptions for 1983. The Hewitt Associates reports as of June 30, 1984 and 1983, disclose the following information for the fund:

	<u>1984</u>	<u>1983</u>
State and employee support level -		
July to December	10.29%	10.29%
January to June	10.29%	8.29%
Normal cost as percentage of compensation	8.05%	7.87%
Contribution as a percentage of compensation plus amortization by 2009	13.26%	13.82%

The 1984 contribution as a percentage of compensation plus amortization by 2009 consists of the following:

	<u>Employee</u>	<u>State of Minnesota</u>	<u>Total</u>
Normal costs	4.50%	3.87%	8.37%
Payment on unfunded accrued liability by 2009		4.35	4.35
Expenses		<u>.54</u>	<u>.54</u>
	<u>4.50%</u>	<u>8.76%</u>	<u>13.26%</u>

The unfunded accrued liability consists of the following:

	<u>1984</u>	<u>1983</u>
Present value of projected benefits		
benefits	\$98,949,181	
Present value of future normal cost	<u>(25,774,666)</u>	
Accrued liability		\$63,630,916
Asset costs	\$47,073,396	
Liabilities	(2,833)	
1/3 of appreciation of assets	<u>788,852</u>	
Actuarial value of assets		<u>42,901,016</u>
Unfunded accrued liability	<u>\$25,315,100</u>	<u>\$20,729,900</u>

If the 1984 unfunded accrued liability was computed on the same actuarial assumption as 1983, it would be \$20,770,650 rather than \$25,315,100.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1984 AND 1983
(Continued)

NOTE 6 ACTUARIAL INFORMATION (continued)

<u>Actuarial Method</u>	1984 & 1983	Entry Age Normal actuarial cost method with cost determined as a level percentage of current and future compensation.
<u>Investment Return</u>	1984	Pre-retirement eight percent compounded annually. Post-retirement five percent compounded annually.
	1983	Five per cent compounded annually.
<u>Salary Increase</u>	1984	Six and one-half percent per year until retirement.
	1983	Three and one-half percent per year until retirement.
<u>Retirement Age</u>	1984	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. Members eligible for Rule of 85 - 50% retire on June 30, 1985, and the rest retire on June 30, 1986, rather than the ages shown above for the Old and New Programs.
	1983	As above except no provision for members eligible for Rule of 85.
<u>Mortality</u>	1984	Nondisabled lives - 1971 Group Annuity Table, female rates. Disabled lives - 1977 Railroad Retirement Board Mortality Table.
	1983	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>Percent Married</u>	1984 & 1983	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.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1984 AND 1983
(Continued)

NOTE 6 ACTUARIAL INFORMATION (continued)

<u>Special</u> <u>Consideration</u>	1984 & 1983	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>	1984 & 1983	Actual expenses for previous year (excluding investment management fees) as a percent 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

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FIXED SHELTER FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1984 AND 1983
TOGETHER WITH AUDITORS' REPORT

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA
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WILLIAM L. OLSON CPA

September 5, 1984

JAMES S. MATTESON & CO.
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To the President, Board of Directors 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 schedule of bonds and notes as of June 30, 1984 and 1983, 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, 1984 and 1983, 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.

Eikill & Schilling

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1984</u>	<u>1983</u>
Cash	\$ 2,651	\$ 41,152
Interest and dividends receivable	56,224	42,641
Investments		
Short-term securities, at market	137,000	107,000
Bonds and notes, at market (cost \$2,188,481 and \$1,960,318, respectively) (schedule 1)	<u>1,882,828</u>	<u>1,926,858</u>
Total assets	\$2,078,703	\$2,117,651
Liabilities		
Estimated additional premium due Canada Life	<u>5,000</u>	<u>5,000</u>
Net assets	<u>\$2,073,703</u>	<u>\$2,112,651</u>
Units outstanding	1,454,838.1641	1,489,720.3363
Asset value per unit	\$ 1.4254	\$ 1.4182

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

	<u>1984</u>	<u>1983</u>
Units - beginning of fiscal year	1,489,720.3363	1,635,892.9290
Units issued during year	157,643.0903	195,507.0911
Refunds	<u>(192,525.2625)</u>	<u>(341,679.6838)</u>
Units - end of fiscal year	<u>1,454,838.1641</u>	<u>1,489,720.3363</u>

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

Schedule 1

1984		1983	
<u>Par Value</u>	<u>Market Value</u>	<u>Par Value</u>	<u>Market Value</u>
\$ 124,000	\$ 97,340	\$ 134,000	\$ 115,910
114,000	99,180	131,000	122,812
100,000	66,125	100,000	78,125
73,886	72,685	89,493	88,024
90,024	77,880	93,077	84,170
100,000	61,625	100,000	74,380
200,000	75,888	200,000	95,006
114,000	94,335	131,000	120,022
200,000	204,000	200,000	226,500
100,000	56,625	100,000	54,625
200,000	54,250	200,000	57,000
551,250	205,241	551,250	217,815
106,875	57,633	106,875	57,282
100,000	93,000	100,000	98,500
100,000	90,125		
100,000	88,500		
102,119	86,471		
200,000	209,000		
100,000	92,925		
		100,000	100,000
		100,000	105,312
		100,000	113,125
		100,000	118,250
<u>\$2,776,154</u>	<u>\$1,882,828</u>	<u>\$2,636,695</u>	<u>\$1,926,858</u>

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>1984</u>	<u>1983</u>
Revenues		
Members' deposits	\$ 228,458	\$ 250,263
Interest earned	304,418	285,757
Net gain (loss) on sales	(17,709)	2,991
Totals	<u>\$ 515,167</u>	<u>\$ 539,011</u>
Expenditures		
Members' refunds	\$ 277,762	\$ 400,928
Administrative	4,336	3,584
Totals	<u>\$ 282,098</u>	<u>\$ 404,512</u>
Excess of revenues over expenditures	\$ 233,069	\$ 134,499
Refund single premium annuities - Canada Life (note 2)	Ø	33,752
Market value adjustment	(272,017)	146,345
Net assets		
Beginning of period	<u>2,112,651</u>	<u>1,798,055</u>
Net assets, ending	<u>\$2,073,703</u>	<u>\$2,112,651</u>

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, 1984 AND 1983

NOTE 1 DESCRIPTION OF PLAN

The Fund is a segment 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 is 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 CANADA LIFE ANNUITIES PURCHASED

During the fiscal year ended June 30, 1982, 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. During the fiscal year ended June 30, 1983, a reduction of the estimated liability for additional premiums due to Canada Life was realized in the amount of \$33,752.

NOTE 3 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 purchased \$100,000 of bond investments from 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, 1984 AND 1983
TOGETHER WITH AUDITORS' REPORT

-o0o-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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September 5, 1984

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

To the President, Board of Directors 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, 1984 and 1983, 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, 1984 and 1983, 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>1984</u>	<u>1983</u>
Cash and receivables		\$ 14,380	\$ 31,422
Investments - short-term securities (at market value)		63,000	67,885
Investments - corporate stock	<u>Cost</u>	<u>Market Value</u>	
Allied Corp.	\$ 23,133	\$ 21,000	
Boeing Corp.	20,151	21,875	
Borg Warner	20,000	19,725	
Bristol Myers	27,322	47,000	
Capital Holding	18,654	33,000	
Commonwealth Edison	30,250	34,125	
Deere & Co.	19,256	13,687	
Exxon	23,178	28,525	
General Electric	19,959	42,000	
Hospital Corp.	32,855	31,900	
Houston Ind. Inc.	19,808	18,500	
Huntington Research Ctr.	19,444	12,750	
IC Industries	15,601	18,250	
IBM	63,942	84,600	
Intel Corp.	38,919	30,250	
Interco	10,746	13,100	
J. C. Penney	28,564	30,450	
Jeffries & Co.	24,625	25,000	
Josten's, Inc.	22,955	25,125	
McDonalds	33,188	34,312	
Norfolk & Southern	34,846	30,600	
Proctor & Gamble	22,444	26,187	
Ranier Bancorporation	14,313	18,312	
Schering Plough	23,254	19,375	
Schlumberger	18,305	22,625	
Southern Co.	25,600	29,750	
Southwest Airlines	25,278	25,500	
Southwestern Public Service	14,170	22,350	
State Street Bank	20,325	20,400	
Syntex Corp.	20,005	21,500	
Temple Inland	27,849	21,100	
Walgreens	23,664	24,237	
Totals	<u>\$782,603</u>		
		<u>867,110</u>	<u>755,134</u>
Net assets		<u>\$ 944,490</u>	<u>\$ 854,441</u>
Units outstanding		945,468.2792	767,202.5189
Asset values per unit		\$.9990	1.1137

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>1983</u>			
Units at July 1, 1982	543,259.3671	163,866.3692	707,125.7363
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>	(19,690.9524)	(19,690.9524)
Balance, June 30, 1983	614,505.4413	152,697.0776	767,202.5189
 <u>1984</u>			
Units issued during the year	216,082.6831	7,907.3070	223,989.9901
Refunds	(26,033.2774)		(26,033.2774)
Annuities paid	<u> </u>	(19,690.9524)	(19,690.9524)
Balance, June 30, 1984	<u>804,554.8470</u>	<u>140,913.4322</u>	<u>945,468.2792</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>1984</u>	<u>1983</u>
Net assets, beginning of period	\$854,441	\$555,470
Revenue		
Members' deposits	\$192,869	\$ 95,569
Interest	8,153	11,371
Dividends	33,729	28,788
Totals	<u>\$234,751</u>	<u>\$135,728</u>
Expenses		
Annuities	\$ 21,335	\$ 17,998
Members' withdrawals	28,125	49,949
Administrative	2,255	1,153
Totals	<u>\$ 51,715</u>	<u>\$ 69,100</u>
Excess of revenue over expenses	\$183,036	\$ 66,628
Net market value adjustment		
Sales during year	\$117,572	\$233,404
Cost (on identified basis)	<u>85,255</u>	<u>239,250</u>
Net gain (loss)	32,317	(5,846)
Unrealized gain or (loss)		
Market value gain (loss)		
End of year	\$ 84,506	\$209,810
Beginning of year	<u>209,810</u>	<u>(28,379)</u>
Increase (decrease)	<u>(125,304)</u>	<u>238,189</u>
Net assets, end of period	<u>\$944,490</u>	<u>\$854,441</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, 1984 AND 1983

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 provides 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.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

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MONEY MARKET FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 1984 AND 1983
TOGETHER WITH AUDITORS' REPORT

-o0o-

EIKILL & SCHILLING, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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1971-1973

To the President, Board of Directors 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, 1984 and 1983, and the related statements of changes in units and statements of operations 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 Money Market Fund as of June 30, 1984 and 1983, and the results of its operations 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

MONEY MARKET FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1984</u>	<u>1983</u>
Cash - checking	\$ 98	\$ 97
- Merrill Lynch Ready Asset Trust	<u>343,466</u>	<u>277,286</u>
Total assets	<u>\$343,564</u>	<u>\$277,383</u>
Units outstanding	343,564	277,383
Asset value per unit	\$1	\$1

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

Units at beginning of year	277,383	259,059
Units issued during period	84,462	144,233
Units refunded during period	<u>(18,281)</u>	<u>(125,909)</u>
Balance at end of year	<u>343,564</u>	<u>277,383</u>

STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

Revenue		
Members' contributions	\$ 57,303	\$121,263
Interest earned	<u>27,191</u>	<u>23,406</u>
Total income	\$ 84,494	\$144,669
Expense		
Members' withdrawals	18,280	126,322
Bank charges	<u>33</u>	<u>23</u>
Excess of revenue over expenses	\$ 66,181	\$ 18,324
Net assets - beginning of year	<u>277,383</u>	<u>259,059</u>
Net assets - end of year	<u>\$343,564</u>	<u>\$277,383</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, 1984 AND 1983

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.

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.

