



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Teachers Retirement Association of Minnesota

Year Ended June 30, 2007



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Financial Audit Division Report

Teachers Retirement Association of Minnesota

Year Ended June 30, 2007

February 22, 2008

08-06

FINANCIAL AUDIT DIVISION

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Teachers Retirement Association of Minnesota

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Cecile Ferkul, CPA, CISA	Deputy Legislative Auditor
Thomas Donahue, CPA	Audit Manager
Sonya Johnson, CPA	Auditor-in-Charge
Steve Johnson, CPA	Auditor
Sara Becker	Auditor

Report Summary

Audit Conclusions

- We issued an unqualified opinion on the financial statements of the Teachers Retirement Association of Minnesota (TRA) as of and for the year ended June 30, 2007.
- We did not identify any significant deficiencies involving TRA's internal control over financial reporting or noncompliance with significant legal provisions that are required to be reported under *Government Auditing Standards*.

Background Information

TRA is the administrator of a multi-employer, cost sharing, defined benefit fund. Its members include teachers employed in Minnesota's public elementary and secondary schools, charter schools, the Minnesota State Colleges and Universities system, and all other state educational institutions, with the exception of teachers employed by the cities of Saint Paul and Duluth and the University of Minnesota.

TRA provided retirement coverage for 77,694 active members, 46,538 retired members, and 12,636 members who no longer contribute but are eligible for future annual benefits.

At June 30, 2007, TRA's total net assets held in trust for pension benefits were approximately \$19.9 billion. For the year ended June 30, 2007, TRA received contributions and direct aid of about \$409 million and paid benefits and refunds of about \$1.3 billion.



Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Board of Trustees
Teachers Retirement Association of Minnesota

Ms. Laurie Hacking, Executive Director
Teachers Retirement Association of Minnesota

In auditing the Teachers Retirement Association of Minnesota's (TRA) basic financial statements for the year ended June 30, 2007, we considered its internal controls over financial reporting. We also tested TRA's compliance with significant legal provisions impacting the basic financial statements. Given the limited nature of our audit work, we do not express an overall opinion on the effectiveness of TRA's internal controls over financial reporting or its compliance with legal provisions. In addition, our work may not have identified all significant control deficiencies or instances of noncompliance with legal provisions.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. According to auditing standards, a control deficiency is significant if there is more than a remote likelihood that a consequential misstatement to the financial statements could occur and not be prevented or detected by TRA's internal control. A significant control deficiency elevates to a material weakness if there is more than a remote likelihood that a material misstatement would not be detected. In addition, the results of our tests of legal provisions disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Teachers Retirement Association of Minnesota

This report is intended solely for the information and use of the Legislative Audit Commission and the Teachers Retirement Association of Minnesota's management and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 22, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

End of Fieldwork: December 14, 2007

Report Signed On: February 19, 2008

Teachers Retirement Association of Minnesota

Status of Prior Audit Issues As of December 14, 2007

Most Recent Audit

May 24, 2007, Legislative Audit Report 07-11 covered the fiscal year ended June 30, 2006. The audit scope included employer and employee contributions, annuity benefits, and refunds. We audit TRA on an annual basis. We had one issue in the report that disclosed that RSI (required supplementary information), as reported in TRA's comprehensive annual financial report, did not fully comply with generally accepted accounting principles. That issue has been resolved.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.