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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

**Teachers Retirement Association of
Minnesota**

Year Ended June 30, 2005



January 26, 2006

06-02

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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All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

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

Teachers Retirement Association of Minnesota

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Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Susan Kachelmeyer, CPA	Auditor-in-Charge
Tesfaye Negash	Auditor

Report Summary

Audit Conclusions

- We issued an unqualified opinion on the financial statements of the Teachers Retirement Association of Minnesota as of and for the year ended June 30, 2005.
- We issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. We did not report any material weaknesses involving the internal control over financial reporting and its operation or noncompliance that would be required to be reported under *Government Auditing Standards*.

Background Information

The Teachers Retirement Association of Minnesota (TRA) serves as the administrator of a multi-employer, cost sharing defined benefit fund. TRA administers a Basic Plan (without social security coverage) and a Coordinated Plan (with social security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. Its members include teachers employed in Minnesota's public elementary and secondary schools, charter schools, the Minnesota State Colleges and Universities (MnSCU) system, and all other state educational institutions, with the exception of teachers employed by the cities of Minneapolis, St. Paul, and Duluth and the University of Minnesota. In fiscal year 2005, TRA provided retirement coverage for 74,552 active members, 38,957 retired members, and 9,880 deferred members (members who no longer contribute but are eligible for future annual benefits).

At June 30, 2005, the Teachers Retirement Association of Minnesota's total net assets held in trust for pension benefits were approximately \$15.9 billion. For the year ended June 30, 2005, TRA received contributions of about \$318.7 million and paid benefits and refunds of about \$1.052 billion.



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Senator Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Teachers Retirement Association of Minnesota Board of Trustees

Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota

We have audited the financial statements of the Teachers Retirement Association of Minnesota as of and for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Teachers Retirement Association of Minnesota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Teachers Retirement Association of Minnesota

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Teachers Retirement Association of Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 9, 2005

Report Signed On: January 23, 2006

Teachers Retirement Association of Minnesota

Status of Prior Audit Issues As of December 9, 2005

Most Recent Audit

January 21, 2005, Legislative Audit Report 05-01 covered the fiscal year ended June 30, 2005. The audit scope included employer and employee contributions, annuity benefits, and refunds. We audit the Teachers Retirement Association of Minnesota on an annual basis. There were no reportable issues in that report.

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.