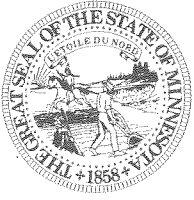


**TEACHERS RETIREMENT ASSOCIATION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 1986**

**DECEMBER 1986**

Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Randolph W. Peterson, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

and

Mr. Elton Erdahl, Executive Director  
Teachers Retirement Association

Audit Scope

We have completed a financial and compliance audit of the Teachers Retirement Association for the year ended June 30, 1986. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Our audit field work was completed on December 5, 1986.

The objectives of the audit were to:

- express an opinion on the financial statements of the Teachers Retirement Association (TRA) including the College Supplemental Retirement Fund for the year ended June 30, 1986;
- study and evaluate major TRA internal control systems, including a review of annuity payments and other withdrawals, receipts, contributions, payroll, administrative disbursements, and fixed assets; and
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minnesota Statute Chapters 354 and 356, and other finance-related laws and regulations.

Management Responsibilities

The management of TRA is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Senator Randolph W. Peterson  
Members of the Legislative Audit Commission  
and  
Mr. Elton Erdahl, Executive Director  
Page 2

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of TRA is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by TRA. The purpose of our testing of transactions was to obtain reasonable assurance that TRA had, in all material respects, administered their programs in compliance with applicable laws and regulations.

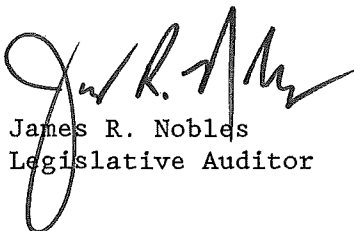
#### Conclusions

We have issued an unqualified opinion on the TRA financial statements for the year ended June 30, 1986. Our audit opinion, dated December 5, 1986, is included within the 1986 TRA Comprehensive Annual Report.


In our opinion, the TRA system of internal accounting control in effect on June 30, 1986, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

In our opinion, for the year ended June 30, 1986, TRA administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

We would like to thank the Teachers Retirement Association staff for the cooperation extended to us during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

December 5, 1986