



January 23, 2017

Members of the Teachers Retirement Association Board of Trustees:

We are providing this letter in connection with our audit of the financial statements of the Teachers Retirement Association (TRA) for the year ended June 30, 2016. Generally accepted auditing standards require us to communicate certain matters to you that may assist you in overseeing the financial reporting process for which management is responsible.

Audit Objectives and Scope

The purpose of our audit was to express an opinion as to whether TRA's financial statements, including note disclosures, present fairly, in all material respects, the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Other Information Contained in the Teachers Retirement Association's Comprehensive Annual Financial Report

The Teachers Retirement Association's comprehensive annual financial report contains other documents and information that are not a required part of the financial statements. Our responsibility is to express an opinion on the basic financial statements, notes to the financial statements, and supporting schedules within the financial section of TRA's 2016 comprehensive annual financial report. Management's Discussion and Analysis and other supplementary information are required by generally accepted accounting principles. We have applied certain limited procedures to the supplementary information. However, we did not audit the information and express no opinion on it.

The Introductory and Statistical sections of the comprehensive annual financial report present various demographic and historical information about TRA. This supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. We did not audit this information and, accordingly, we express no opinion on it.

Auditor's Responsibilities Under Generally Accepted Auditing Standards

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.

The auditing standards require that we conduct the audit to provide reasonable, but not absolute, assurance about the fair presentation of TRA's financial statements. We are also responsible for planning our audit to provide reasonable, rather than absolute, assurance of detecting fraudulent financial reporting or misappropriation of assets that would be considered material to TRA's financial statements.

Audit Reports and Conclusions

We issued an unqualified audit opinion on TRA's financial statements for the year ended June 30, 2016. An unqualified audit opinion means the financial statements were fairly presented, in all material respects, in accordance with generally accepted accounting principles. Our audit opinion on the financial statements, dated December 20, 2016, was included in TRA's 2016 comprehensive annual financial report.

We have enclosed with this letter a copy of our document on internal controls over financial reporting and compliance for the year ended June 30, 2016. Government Auditing Standards require that we issue a document that describes our consideration of TRA's internal controls over financial reporting and on our tests of certain provisions of laws, regulations, and contracts. The document does not contain any findings related to internal controls and compliance. We emphasize that our responsibilities for internal controls and compliance do not constitute the same level of assurance as an audit opinion.

Significant Accounting Policies, Management Judgments, and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events.

Difficulties Encountered in Performing the Audit

We received the full cooperation of the Teachers Retirement Association's management and staff in performing this audit. We had no disagreements with management over the application of accounting principles, the scope of the audit, disclosures to be included in the Teachers Retirement Association's financial statements, or the wording of the auditor's report. We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Sincerely,



Tracy Gebhard, CPA
Audit Director

Enclosure

Cc: Laurie Hacking, Executive Director
J. Michael Stoffel, Deputy Executive Director
John Wicklund, Assistant Executive Director



Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Representative Sondra Erickson, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Teachers Retirement Association Board of Trustees

Ms. Laurie Hacking, Executive Director
Teachers Retirement Association

We have audited the basic financial statements of the Teachers Retirement Association (TRA), as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016.¹ TRA's basic financial statements consist of its statements of fiduciary net position and changes in fiduciary net position, and the related notes to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered TRA's internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances to express our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TRA's internal controls. Accordingly, we do not express an opinion on the effectiveness of TRA's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies.² Given these limitations, we did not identify any deficiencies in internal controls that we consider material weaknesses. However, unidentified material weaknesses may exist.

¹ Our audit opinion on the financial statements was included in TRA's annual financial report. Access to the report is available at the following website: <https://www.minnesotatra.org/FORMSPUB/ee pubs.html>.

² A material weakness is a deficiency, or combination of internal control deficiencies, resulting in a reasonable possibility that internal controls will not prevent or detect and timely correct a material misstatement of TRA's financial statements. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements.

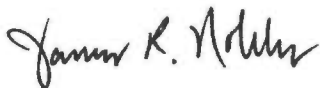
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Members of the Legislative Audit Commission
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Ms. Laurie Hacking, Executive Director
Page 2

Compliance and Other Matters

As part of reasonably assuring whether TRA's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements because noncompliance with these provisions could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

The sole purpose of this letter is to describe the scope of our internal controls and compliance testing and our testing results. We do not provide an opinion on the effectiveness of TRA's internal controls over financial reporting or on compliance. This letter is an integral part of an audit performed under *Government Auditing Standards* in considering TRA's internal controls over financial reporting and compliance as part of our financial statement audit. Accordingly, this letter is not suitable for any other purpose.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 20, 2016
Saint Paul, Minnesota