



Board of Trustees
Supplemental Retirement Plans of North Carolina
Raleigh, North Carolina

We have audited the financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Employee Deferred Compensation Plan (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans), for the year ended December 31, 2018, and have issued our report thereon dated July 26, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plans are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year.

We noted no transactions entered into by the Plans during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The estimates related to the valuation of certain investments within the North Carolina Stable Value Fund, which includes investments in insurance company separate accounts and synthetic guaranteed investment contracts, are particularly sensitive and require substantial judgments by management. With the exception of the Government Money Market Fund, which is valued at amortized cost, the investments in the Stable Value Fund are valued at contract value which approximates fair value and are guaranteed through related contracts with separate providers. The crediting interest rates are reset periodically according to terms set forth in the contracts and are actuarially determined.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

There were no misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated July 26, 2019.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plans' financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Plans' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether

the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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This information is intended solely for the use of the Board of Trustees and management of the Plans and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
July 26, 2019



Dale R. Folwell, CPA

July 26, 2019

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of the Supplemental Retirement Income Plan of North Carolina (NC 401(k)) and the North Carolina Employee Deferred Compensation Plan (NC 457(b)), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans). The financial statements consist of the financial position of the Plans as of December 31, 2018, and the changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of July 26, 2019, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 27, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. All significant plan amendments, adopted during the period or subsequent to the date of the financial statements, and their effects on benefits and financial status have been disclosed in the financial statements.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.



Dale R. Folwell, CPA

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
9. We have not identified or been notified of any uncorrected financial statement misstatements.
10. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning such litigation, claims, or assessments.
11. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
12. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
14. We believe the plans and trusts established under the plans are qualified or eligible under the appropriate sections of the Internal Revenue Code, and we intend to continue them as qualified plans and trusts.
15. We are not aware of any present legislative intentions to terminate the plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Plans from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 - f. All communications from regulatory agencies concerning noncompliance with the provisions of laws, regulations and contracts.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.



Dale R. Folwell, CPA

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the Plans and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Plans' financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts, or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning such litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the Plans' related parties and all the related party relationships and transactions of which we are aware.
10. The Plans have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to the Plans, and we have identified and disclosed to you all laws, regulations, and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
14. There are no violations or possible violations of laws and regulations or provisions of contracts whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
15. The Plans have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



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16. Investments and derivative instruments are properly valued.
17. Provisions for uncollectible receivables have been properly identified and recorded.
18. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
19. We have obtained the service auditor's report from our service organizations. We have reviewed such reports, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended December 31, 2018.

Signature: _____

Dale R. Folwell, CPA
Dale R. Folwell, CPA, Chair
Supplemental Retirement Board of Trustees

Signature: _____

Fran Lawrence
Fran Lawrence, Deputy State Treasurer
North Carolina Department of State Treasurer
Financial Operations Division

Signature: _____

Mary Buonfiglio
Mary Buonfiglio, Deputy Director of Supplemental Retirement Plans
North Carolina Department of State Treasurer
Retirement Systems Division