

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

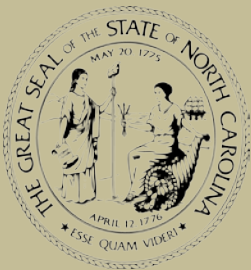


## REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND

RALEIGH, NORTH CAROLINA

FINANCIAL AUDIT OF THE SCHEDULE OF EMPLOYER ALLOCATIONS AND  
THE SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED JUNE 30, 2016



**NC**  **OSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
Members of the General Assembly of North Carolina  
The Honorable Dale R. Folwell, State Treasurer  
Department of State Treasurer

We have completed a financial audit of the Registers of Deeds' Supplemental Pension Fund Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer for the year ended June 30, 2016, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

## TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
ELEMENT OF THE FINANCIAL STATEMENTS	
EMPLOYER ALLOCATION SCHEDULES	
SCHEDULE 1 SCHEDULE OF EMPLOYER ALLOCATIONS, JUNE 30, 2016 .....	3
SCHEDULE 2 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER JUNE 30, 2016 .....	5
NOTES TO THE EMPLOYER ALLOCATION SCHEDULES .....	9
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	14
ORDERING INFORMATION .....	16

Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.

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## **INDEPENDENT AUDITOR'S REPORT**

---

The Honorable Roy Cooper, Governor  
Members of the General Assembly of North Carolina  
The Honorable Dale R. Folwell, State Treasurer  
Department of State Treasurer

### Report on the Schedules

We have audited the accompanying Schedule of Employer Allocations of the Registers of Deeds' Supplemental Pension Fund as of and for the year ended June 30, 2016, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying Schedule of Pension Amounts by Employer of the Registers of Deeds' Supplemental Pension Fund as of and for the year ended June 30, 2016, and the related notes (hereafter referred to as "the Schedules").

### Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Schedules based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the Registers of Deeds' Supplemental Pension Fund as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the pension plans included in the State's *Comprehensive Annual Financial Report* (CAFR) as of and for the year ended June 30, 2016, and our report thereon, dated December 2, 2016, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2017 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of the Registers of Deeds' Supplemental Pension Fund Management, the Registers of Deeds' Supplemental Pension Fund employers, their auditors and the North Carolina Office of the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

April 11, 2017



# SCHEDULES

# **SCHEDULE 1**

## **SCHEDULE OF EMPLOYER ALLOCATIONS**

**Registers of Deeds' Supplemental Pension Fund  
Schedule of Employer Allocations  
June 30, 2016**

**Schedule 1**

<b>Employer</b>	<b>Fiscal Year Contributions</b>	<b>Fiscal Year Contributions Allocation</b>
Alamance	\$ 12,973	1.58804%
Alexander	2,326	0.28472%
Alleghany	1,210	0.14815%
Anson	1,401	0.17148%
Ashe	2,906	0.35570%
Avery	2,314	0.28322%
Beaufort	3,675	0.44989%
Bertie	973	0.11913%
Bladen	2,057	0.25177%
Brunswick	15,837	1.93860%
Buncombe	28,316	3.46618%
Burke	8,738	1.06965%
Cabarrus	19,597	2.39884%
Caldwell	6,191	0.75778%
Camden	901	0.11030%
Carteret	10,920	1.33673%
Caswell	1,418	0.17352%
Catawba	13,779	1.68672%
Chatham	6,691	0.81906%
Cherokee	3,124	0.38235%
Chowan	1,284	0.15716%
Clay	1,236	0.15135%
Cleveland	5,381	0.65862%
Columbus	3,401	0.41636%
Craven	9,941	1.21683%
Cumberland	27,120	3.31973%
Currituck	3,352	0.41034%
Dare	7,774	0.95162%
Davidson	8,882	1.08719%
Davie	3,343	0.40919%
Duplin	3,473	0.42513%
Durham	25,427	3.11250%
Edgecombe	2,798	0.34244%
Forsyth	32,356	3.96059%
Franklin	4,656	0.56989%
Gaston	9,256	1.13299%
Gates	782	0.09573%
Graham	558	0.06835%
Granville	3,587	0.43912%
Greene	1,007	0.12329%
Guilford	35,923	4.39733%
Halifax	3,449	0.42215%
Harnett	9,921	1.21436%
Haywood	6,077	0.74391%
Henderson	11,613	1.42155%
Hertford	1,517	0.18568%
Hoke	4,092	0.50084%
Hyde	381	0.04665%
Iredell	16,810	2.05771%
Jackson	5,396	0.66058%
Johnston	16,213	1.98465%
Jones	682	0.08348%
Lee	4,694	0.57454%
Lenoir	2,921	0.35750%



**Registers of Deeds' Supplemental Pension Fund  
Schedule of Employer Allocations  
June 30, 2016**

**Schedule 1**

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Lincoln	7,319	0.89590%
Macon	3,511	0.42973%
Madison	4,225	0.51720%
Martin	1,513	0.18517%
Mcdowell	3,274	0.40070%
Mecklenburg	65,218	7.98320%
Mitchell	1,289	0.15783%
Montgomery	2,029	0.24842%
Moore	18,769	2.29750%
Nash	6,799	0.83231%
New Hanover	22,444	2.74736%
Northampton	1,456	0.17821%
Onslow	18,151	2.22189%
Orange	9,420	1.15307%
Pamlico	1,280	0.15664%
Pasquotank	3,462	0.42377%
Pender	5,928	0.72559%
Perquimans	1,164	0.14243%
Person	2,870	0.35129%
Pitt	11,616	1.42188%
Polk	1,851	0.22654%
Randolph	9,690	1.18608%
Richmond	2,414	0.29551%
Robeson	6,915	0.84644%
Rockingham	6,524	0.79863%
Rowan	10,566	1.29337%
Rutherford	5,382	0.65884%
Sampson	4,091	0.50078%
Scotland	2,521	0.30857%
Stanly	5,083	0.62223%
Stokes	3,008	0.36819%
Surry	5,856	0.71686%
Swain	2,484	0.30403%
Transylvania	3,437	0.42072%
Tyrrell	304	0.03724%
Union	21,300	2.60736%
Vance	2,951	0.36117%
Wake	81,457	9.97099%
Warren	1,314	0.16083%
Washington	981	0.12009%
Watauga	5,452	0.66734%
Wayne	8,009	0.98042%
Wilkes	5,059	0.61932%
Wilson	3,893	0.47649%
Yadkin	2,616	0.32017%
Yancey	1,393	0.17052%
Total	<u>\$ 816,938</u>	<u>100.00000%</u>

The accompanying notes to the schedules are an integral part of this schedule.

# **SCHEDULE 2**

## **SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

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Registers of Deeds' Supplemental Pension Fund  
Schedule of Pension Amounts by Employer  
June 30, 2016

Deferred Outflows of Resources							
Employer	Net Pension Asset	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Outflows of Resources	
Alamance	\$ (296,900)	\$ 318	\$ 508	\$ 79,100	\$ 173,311	\$ 253,237	
Alexander	(53,231)	57	91	14,182	618	14,948	
Alleghany	(27,698)	30	47	7,379	692	8,148	
Anson	(32,060)	34	55	8,541	905	9,535	
Ashe	(66,502)	71	113	17,717	-	17,901	
Avery	(52,951)	57	91	14,107	2,219	16,474	
Beaufort	(84,111)	90	143	22,409	2,424	25,066	
Bertie	(22,273)	24	38	5,934	387	6,383	
Bladen	(47,071)	50	81	12,541	1,187	13,859	
Brunswick	(362,441)	388	621	96,562	27,371	124,942	
Buncombe	(648,037)	693	1,109	172,650	-	174,452	
Burke	(199,982)	214	342	53,279	-	53,835	
Cabarrus	(448,487)	480	767	119,486	276	121,009	
Caldwell	(141,675)	152	243	37,745	3,800	41,940	
Camden	(20,622)	22	36	5,494	660	6,212	
Carteret	(249,915)	267	428	66,583	1,177	68,455	
Caswell	(32,441)	35	56	8,643	89	8,823	
Catawba	(315,349)	337	540	84,016	-	84,893	
Chatham	(153,131)	164	262	40,797	3,593	44,816	
Cherokee	(71,484)	76	122	19,045	62	19,305	
Chowan	(29,383)	31	50	7,828	987	8,896	
Clay	(28,296)	30	48	7,539	2,566	10,183	
Cleveland	(123,136)	132	211	32,806	1,986	35,135	
Columbus	(77,843)	83	133	20,739	6,561	27,516	
Craven	(227,499)	243	389	60,610	193	61,435	
Cumberland	(620,657)	664	1,062	165,356	27,988	195,070	
Currituck	(76,717)	82	131	20,439	2,902	23,554	
Dare	(177,915)	190	305	47,400	2,644	50,539	
Davidson	(203,261)	217	348	54,153	41,077	95,795	
Davie	(76,502)	82	131	20,382	1,864	22,459	
Duplin	(79,482)	85	136	21,176	-	21,397	
Durham	(581,913)	623	996	155,034	-	156,653	
Edgecombe	(64,023)	68	109	17,057	2,185	19,419	
Forsyth	(740,472)	792	1,268	197,277	-	199,337	
Franklin	(106,547)	114	182	28,386	-	28,682	
Gaston	(211,824)	227	362	56,434	42,086	99,109	
Gates	(17,898)	19	30	4,768	468	5,285	
Graham	(12,779)	14	22	3,405	355	3,796	
Granville	(82,098)	88	140	21,873	3,293	25,394	
Greene	(23,050)	25	39	6,141	457	6,662	
Guilford	(822,125)	879	1,407	219,031	-	221,317	
Halifax	(78,925)	84	135	21,027	2,879	24,125	
Harnett	(227,037)	243	388	60,487	6,235	67,353	
Haywood	(139,081)	149	238	37,054	2,245	39,686	
Henderson	(265,773)	284	455	70,807	-	71,546	
Hertford	(34,715)	37	59	9,249	594	9,939	
Hoke	(93,637)	100	160	24,947	2,539	27,746	
Hyde	(8,722)	9	15	2,324	52	2,400	
Iredell	(384,709)	412	658	102,495	329	103,894	
Jackson	(123,502)	132	212	32,903	-	33,247	
Johnston	(371,050)	397	635	98,855	2,465	102,352	
Jones	(15,607)	17	27	4,158	3,980	8,182	
Lee	(107,416)	115	183	28,618	-	28,916	
Lenoir	(66,838)	72	114	17,807	2,436	20,429	
Lincoln	(167,497)	179	287	44,625	-	45,091	
Macon	(80,342)	86	137	21,405	679	22,307	
Madison	(96,696)	103	166	25,762	-	26,031	
Martin	(34,619)	37	59	9,223	270	9,589	
Mcdowell	(74,915)	80	129	19,959	395	20,563	
Mecklenburg	(1,492,539)	1,597	2,555	397,643	155,634	557,429	
Mitchell	(29,508)	32	50	7,862	659	8,603	
Montgomery	(46,445)	50	80	12,374	83	12,587	
Moore	(429,541)	460	735	114,438	-	115,633	
Nash	(155,609)	166	266	41,457	1,192	43,081	
New Hanover	(513,646)	549	879	136,846	1,251	139,525	
Northampton	(33,318)	36	57	8,877	-	8,970	
Onslow	(415,405)	444	711	110,672	12,760	124,587	
Orange	(215,578)	231	369	57,434	710	58,744	
Pamlico	(29,285)	31	50	7,802	718	8,601	
Pasquotank	(79,228)	85	136	21,108	956	22,285	
Pender	(135,656)	145	232	36,142	-	36,519	
Perquimans	(26,629)	28	45	7,094	401	7,568	
Person	(65,677)	70	112	17,498	2,153	19,833	
Pitt	(265,835)	284	455	70,824	7,900	79,463	
Polk	(42,354)	45	73	11,284	2,368	13,770	
Randolph	(221,750)	237	380	59,079	22,872	82,568	
Richmond	(55,249)	59	94	14,719	-	14,872	
Robeson	(158,250)	169	270	42,161	1,363	43,963	

Deferred Inflows of Resources				Pension Expense			
Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Inflows of Resources	Proportional Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Employer Pension Expense	
\$ 3,843	\$ -	\$ 11,285	\$ 15,128	\$ 21,963	\$ 99,998	\$ 121,961	
689	-	412	1,101	3,938	(1,546)	2,392	
359	-	102	461	2,049	(106)	1,943	
415	-	117	532	2,372	(123)	2,249	
861	-	2,159	3,020	4,919	(1,632)	3,287	
685	-	3,563	4,248	3,917	49	3,966	
1,089	-	4,364	5,453	6,222	615	6,837	
288	-	54	342	1,648	(7)	1,641	
609	-	439	1,048	3,482	(1,669)	1,813	
4,691	-	1,414	6,105	26,811	4,716	31,527	
8,388	-	28,739	37,127	47,937	(28,499)	19,438	
2,589	-	46,343	48,932	14,793	(26,324)	(11,531)	
5,805	-	32,965	38,770	33,176	(16,866)	16,310	
1,834	-	7,320	9,154	10,480	(5,091)	5,389	
267	-	2,551	2,818	1,525	142	1,667	
3,235	-	41,519	44,754	18,487	(14,988)	3,499	
420	-	1,071	1,491	2,400	(1,594)	806	
4,082	-	8,888	12,970	23,327	(6,758)	16,569	
1,982	-	1,438	3,420	11,328	(1,211)	10,117	
925	-	2,434	3,359	5,288	(1,532)	3,756	
380	-	128	508	2,174	(76)	2,098	
366	-	81	447	2,093	1,215	3,308	
1,594	-	3,022	4,616	9,109	(3,336)	5,773	
1,008	-	1,735	2,743	5,758	(5,660)	98	
2,945	-	18,066	21,011	16,829	(6,784)	10,045	
8,034	-	189	8,223	45,912	12,930	58,842	
993	-	-	993	5,675	3,084	8,759	
2,303	-	6,748	9,051	13,161	505	13,666	
2,631	-	-	2,631	15,036	42,387	57,423	
990	-	1,863	2,853	5,659	(1,331)	4,328	
1,029	-	2,037	3,066	5,880	(2,587)	3,293	
7,532	-	28,285	35,817	43,046	(23,644)	19,402	
829	-	785	1,614	4,736	(517)	4,219	
9,585	-	11,427	21,012	54,775	(11,290)	43,485	
1,379	-	7,956	9,335	7,882	(4,779)	3,103	
2,742	-	299	3,041	15,669	19,065	34,734	
232	-	305	537	1,324	(20)	1,304	
165	-	899	1,064	945	(104)	841	
1,063	-	513	1,576	6,073	(725)	5,348	
298	-	1,846	2,144	1,705	(1,740)	(35)	
10,642	-	10,687	21,329	60,815	(7,278)	53,537	
1,022	-	1,256	2,278	5,838	(1,320)	4,518	
2,939	-	2,427	5,366	16,795	4,293	21,088	
1,800	-	4,267	6,067	10,288	(2,157)	8,131	
3,440	-	14,393	17,833	19,660	(11,680)	7,980	
449	-	115	564	2,568	(112)	2,456	
1,212	-	4,297	5,509	6,927	881	7,808	
113	-	602	715	645	(228)	417	
4,980	-	25,182	30,162	28,458	(11,646)	16,812	
1,599	-	32,496	34,095	9,136	(14,443)	(5,307)	
4,803	-	15,881	20,684	27,448	(10,480)	16,968	
202	-	897	1,099	1,155	370	1,525	
1,390	-	2,991	4,381	7,946	(2,889)	5,057	
865	-	2,650	3,515	4,944	(1,315)	3,629	
2,168	-	12,119	14,287	12,390	(6,850)	5,540	
1,040	-	4,113	5,153	5,943	364	6,307	
1,252	-	7,363	8,615	7,153	(9,331)	(2,178)	
448	-	344	792	2,561	(1,039)	1,522	
970	-	3,665	4,635	5,542	(1,828)	3,714	
19,319	-	10,056	29,375	110,408	107,020	217,428	
382	-	41	423	2,183	805	2,988	
601	-	524	1,125	3,436	(1,144)	2,292	
5,560	-	171,966	177,526	31,774	(74,669)	(42,895)	
2,014	-	-	2,014	11,511	1,699	13,210	
6,649	-	33,771	40,420	37,996	(11,623)	26,373	
431	-	1,815	2,246	2,465	(1,401)	1,064	
5,377	-	446	5,823	30,729	15,786	46,515	
2,790	-	13,287	16,077	15,947	(3,345)	12,602	
379	-	3,068	3,447	2,166	(1,436)	730	
1,026	-	2,025	3,051	5,861	(153)	5,708	
1,756	-	6,422	8,178	10,035	(4,648)	5,387	
345	-	1,387	1,732	1,970	(110)	1,860	
850	-	288	1,138	4,858	137	4,995	
3,441	-	736	4,177	19,665	342	20,007	
548	-	1,853	2,401	3,133	(1,312)	1,821	
2,870	-	12,807	15,677	16,403	(3,659)	12,744	
715	-	2,107	2,822	4,087	(2,369)	1,718	
2,048	-	12,201	14,249	11,706	(8,091)	3,615	

Registers of Deeds' Supplemental Pension Fund  
Schedule of Pension Amounts by Employer  
June 30, 2016

Deferred Outflows of Resources							
Employer	Net Pension Asset	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Outflows of Resources	
Rockingham	(149,312)	160	255	39,780	2,921	43,116	
Rowan	(241,808)	259	413	64,423	326	65,421	
Rutherford	(123,177)	132	211	32,817	-	33,160	
Sampson	(93,626)	100	160	24,944	232	25,436	
Scotland	(57,690)	62	99	15,370	-	15,531	
Stanly	(116,332)	124	200	30,993	-	31,317	
Stokes	(68,837)	74	117	18,340	3,028	21,559	
Surry	(134,024)	143	230	35,707	-	36,080	
Swain	(56,841)	61	97	15,144	2,419	17,721	
Transylvania	(78,658)	84	134	20,956	-	21,174	
Tyrrell	(6,962)	7	12	1,855	719	2,593	
Union	(487,472)	521	834	129,873	2,731	133,959	
Vance	(67,524)	72	115	17,990	2,470	20,647	
Wake	(1,864,176)	1,994	3,190	496,655	207,682	709,521	
Warren	(30,069)	32	51	8,011	1,219	9,313	
Washington	(22,452)	24	39	5,982	535	6,580	
Watauga	(124,766)	133	214	33,240	415	34,002	
Wayne	(183,299)	196	314	48,835	514	49,859	
Wilkes	(115,788)	124	198	30,848	2,723	33,893	
Wilson	(89,085)	95	153	23,734	1,206	25,188	
Yadkin	(59,859)	64	102	15,948	484	16,598	
Yancey	(31,880)	34	54	8,494	1,134	9,716	
<b>Total for all Employers</b>	<b>\$ (18,696,001)</b>	<b>\$ 19,996</b>	<b>\$ 31,990</b>	<b>\$ 4,981,002</b>	<b>\$ 823,259</b>	<b>\$ 5,856,247</b>	

The accompanying notes to the schedules are an integral part of this schedule.

Deferred Inflows of Resources				Pension Expense				
Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Inflows of Resources	Proportional Share of Pension Expense	Net Amortization of Deferred Amounts From Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Employer Pension Expense		
1,933	-	1,354	3,287	11,045	(2,223)	8,822		
3,130	-	6,321	9,451	17,887	(5,955)	11,932		
1,594	-	2,570	4,164	9,112	(2,529)	6,583		
1,212	-	2,961	4,173	6,926	(2,925)	4,001		
747	-	4,425	5,172	4,268	(2,836)	1,432		
1,506	-	9,399	10,905	8,605	(6,381)	2,224		
891	-	2,019	2,910	5,092	(930)	4,162		
1,735	-	2,170	3,905	9,914	(3,015)	6,899		
736	-	3,673	4,409	4,205	10,538	14,743		
1,018	-	1,770	2,788	5,819	(1,123)	4,696		
90	-	658	748	515	(40)	475		
6,310	-	9,407	15,717	36,060	(2,277)	33,783		
874	-	408	1,282	4,995	(629)	4,366		
24,130	-	53,956	78,086	137,899	83,603	221,502		
389	-	3,388	3,777	2,224	(157)	2,067		
291	-	2,476	2,767	1,661	(3,145)	(1,484)		
1,615	-	3,883	5,498	9,229	(600)	8,629		
2,373	-	4,616	6,989	13,559	(3,771)	9,788		
1,499	-	1,322	2,821	8,565	(2,466)	6,099		
1,153	-	212	1,365	6,590	(94)	6,496		
775	-	2,095	2,870	4,428	(1,803)	2,625		
413	-	274	687	2,358	(559)	1,799		
<b>\$ 242,003</b>	<b>\$ -</b>	<b>\$ 823,263</b>	<b>\$ 1,065,266</b>	<b>\$ 1,383,004</b>	<b>\$ (9)</b>	<b>\$ 1,382,995</b>		



# NOTES TO THE SCHEDULES



## NOTE 1 - PLAN DESCRIPTION

- A. Plan Administration** - The State of North Carolina administers the Registers of Deeds' Supplemental Pension Fund (RODSPF or Plan) which is a cost-sharing, multiple-employer, defined benefit pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county registers of deeds. Membership is comprised of registers of deeds who are retired from the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan and have met the statutory eligibility requirements. At June 30, 2016, there were 97 individuals receiving benefits in the Plan with 100 counties participating. Benefit provisions are established by *North Carolina General Statute* 161-50 and may be amended only by the North Carolina General Assembly. The State's only cost in the Plan is administration.

Management of the Plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members.

- B. Benefits Provided** - An individual's eligibility to receive benefits under the RODSPF is based on at least 10 years of service as a register of deeds. An individual's benefit amount in a given year is limited to the lesser of the following:
- 1) the member's years of service multiplied by the value of one share of accumulated contributions available for benefits for that year, as specified in G.S. 161-50.3; and
  - 2) when the benefit amount is combined with the individual's maximum retirement allowance upon retirement under the Local Governmental Employees' Retirement System or equivalent locally sponsored retirement plan, the benefit amount is limited to the lesser of the following:
    - a. Seventy-five percent (75%) of a member's annual compensation, computed on the latest monthly rate (including any and all supplements); or
    - b. One thousand five hundred dollars (\$1,500).

Because of the statutory limits noted above, not all contributions available for benefits are distributed.

- C. Contributions** - Contribution provisions are established by *North Carolina General Statute* 161-50 and may be amended only by the North Carolina General Assembly. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and in the foreseeable future is zero. Registers of Deeds do not contribute.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

- A. Basis of Accounting** - Employers participating in RODSPF are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68). The Schedule of Employer Allocations and Schedules of Pension Amounts by Employer provide employers with the required information for financial reporting.

There are two schedules (a Schedule of Employer Allocations for the fiscal year ended June 30, 2016 and a Schedule of Pension Amounts by Employer for the fiscal year ended June 30, 2016, collectively the “pension schedules”) for use by the employers in the RODSPF. The underlying financial information used to prepare the pension schedules is based on RODSPF’s financial statements. The financial statements of this Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. RODSPF financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

- B. Components of Net Pension Asset Calculation** - The components of the calculation of the net pension asset of the defined benefit cost-sharing plan for participating employers as of June 30, 2016, calculated in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, are shown in the following table (dollars in thousands).

Total Pension Liability	\$ 31,072
Plan Fiduciary Net Position	<u>(49,768)</u>
Net Pension Asset	<u>\$ (18,696)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	160.17%

The total pension liability is calculated by RODSPF’s actuary. The Plan’s fiduciary net position is reported in the State of North Carolina’s *Comprehensive Annual Financial Report’s* (CAFR) financial statements. In addition, the net pension asset is disclosed in the State of North Carolina’s notes to the financial statements.

- C. Schedule of Employer Allocations** - The Schedule of Employer Allocations provides information used to allocate the net pension asset between each of the employers in the Plan. While GASB Statement No. 68 encourages the use of the employer’s projected long-term contribution effort to the retirement Plan that is actuarially based, it allows the employer’s proportionate share of the collective pension amounts to be based on historical employer contributions. The basis for the

employer's proportion should be consistent with the manner in which contributions to the pension Plan are determined. Because contributions to the plan are based on a percentage of monthly fees collected by the registers of deeds, the plan's liabilities have been allocated based on actual contribution amounts for the measurement period. Since each employer was active for the entire year, no adjustments for inactive employers or employers that joined the Plan during the year were necessary.

Employer contributions received by July 31 with pay dates that fall within RODSPF's fiscal year ending June 30, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations.

- D. Schedule of Pension Amounts by Employer** - The Schedule of Pension Amounts by Employer provides the amount of net pension asset as well as deferred inflows and outflows and pension expense to be reported in the financial statements of each employer participant in the Plan. Amounts reported on the Schedule of Pension Amounts by Employer may not precisely agree with the percentages in the Schedule of Employer Allocations due to the number of decimal places used in allocating the collective pension amounts.

The Proportional Share of Pension Expense includes the amortization of the difference between expected and actual experience with regard to economic and demographic factors as well as any changes of assumptions, if applicable, which are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. This period is 3.37 years. The remaining unamortized balance is included in either deferred outflow of resources or in deferred inflow of resources as indicated.

- E. Deferred Outflows of Resources and Deferred Inflows of Resources** The recognition period for amortizing the deferred outflow and deferred inflow of resources is set forth by GASB 68, paragraph 71. Depending on the specific deferral, the period is defined as either a fixed five year period or the Average Expected Remaining Service Life (AERSL) of all members in the plan. The following table presents a summary of changes in the deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016 (dollars in thousands).

## NOTES TO THE SCHEDULES

	Year of Deferral	Amortization Period	Beginning of Year Balance	Additions	Deductions	End of Year Balance
<b>Deferred Outflows of Resources</b>						
Difference between expected and actual experience	2014	3.20	\$ 114	\$ 0	\$ 94	\$ 20
Net Difference between projected and actual earnings on pension plan investments	2014-2016	5.00	1,149	(1,047)	70	32
Change in Assumptions	2016	3.37		7,082	2,101	4,981
Total			<u>\$ 1,263</u>	<u>\$ 6,035</u>	<u>\$ 2,265</u>	<u>\$ 5,033</u>
<b>Deferred Inflows of Resources</b>						
Difference between expected and actual experience	2015	3.20	\$ 384	\$ 0	\$ 174	\$ 210
Difference between expected and actual experience	2016	3.37		45	13	32
Total			<u>\$ 384</u>	<u>\$ 45</u>	<u>\$ 187</u>	<u>\$ 242</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense and are shown in the following table (dollars in thousands).

Year Ended June 30:	
2017	\$ 2,004
2018	2,124
2019	870
2020	<u>(207)</u>
Total	<u>\$ 4,791</u>

### NOTE 3 - ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability was determined by actuarial valuations as of December 31, 2015. The total pension liability was then rolled forward to June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The entry age normal actuarial cost method was utilized. Inflation is assumed to be 3% and salary increases range 3.50% to 7.75% which includes 3.5% inflation and productivity factor. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 3.75% and is net of pension plan investment expense, including inflation.

RODSPF currently uses mortality tables that vary by age, gender and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2010 through December 31, 2014. This actuarial experience review is reflected in the Schedule of Pension Amounts by Employer as a deferred outflow of resources in the column titled Changes of Assumptions. Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

**NOTE 4 - COLLECTIVE PENSION EXPENSE**

The components of collective pension expense for the year ended June 30, 2016 are as follows (amounts in thousands):

Service cost	\$ 579
Interest	1,354
Projected earnings on plan investments	(2,675)
Administrative expense	47
Recognition of deferred inflows and outflows of resources:	
Difference between expected and actual experience	(93)
Difference between projected and actual earnings on plan investments	70
Changes in assumptions	<u>2,101</u>
Collective pension expense	<u>\$ 1,383</u>

**NOTE 5 - ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

These financial schedules are designed to provide employers information for implementation of GASB Statement No. 68. Additional financial information for RODSPF (including the disclosure of the net pension asset) is located in the State of North Carolina's *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2016. The additional financial and actuarial information is available at <http://osc.nc.gov/public-information/2016-cafr> or by contacting RODSPF at:

RODSPF  
 3200 Atlantic Avenue  
 Raleigh, NC 27604  
[https://www.nctreasurer.com/ret/Retirement%20Reports/RODActuarialValuationDecember31\\_2015.pdf](https://www.nctreasurer.com/ret/Retirement%20Reports/RODActuarialValuationDecember31_2015.pdf)

STATE OF NORTH CAROLINA  
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**INDEPENDENT AUDITOR'S 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**

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The Honorable Dale R. Folwell, State Treasurer  
and Management of the Department of State Treasurer

We have audited, in accordance with the 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 accompanying Schedule of Employer Allocations of the Registers of Deeds' Supplemental Pension Fund, the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and the total pension expense included in the accompanying Schedule of Pension Amounts by Employer as of and for the years ended June 30, 2016, and the related notes (hereafter referred to as "the Schedules") and have issued our report thereon dated April 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedules, we considered the entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's Schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entity's Schedules are free from 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 amounts in the Schedules. 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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

April 11, 2017

# ORDERING INFORMATION

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**919-807-7513**

