

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

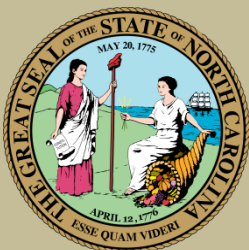
BETH A. WOOD, CPA



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, 2017



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
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, 2017, 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 black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

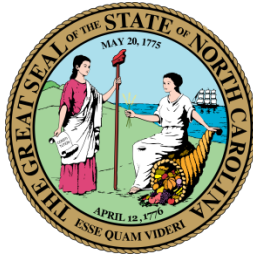


Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
ELEMENT OF THE FINANCIAL STATEMENTS	
EMPLOYER ALLOCATION SCHEDULES	
SCHEDULE 1 SCHEDULE OF EMPLOYER ALLOCATIONS	3
SCHEDULE 2 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER	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 GOVERNMENT AUDITING STANDARDS.....	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 and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

The Honorable Dale R. Folwell, State Treasurer
Management of the 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 June 30, 2017, 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, 2017, and the related notes (hereafter referred to as "the schedules").

Management's Responsibility for the Financial Statements

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 Department'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 Department'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, and 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, 2017, 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, 2017, and our report thereon, dated December 1, 2017, 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 March 29, 2018 on our consideration of the Department'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 Department's internal control over financial reporting and compliance.

Restriction on Use

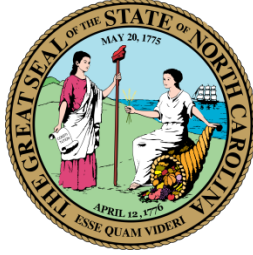
Our report is intended solely for the information and use of the Registers of Deeds' Supplemental Pension Fund Management, the Registers of Deeds' Supplemental Pension Fund employers, their auditors, and the North Carolina Office of the State Controller and is not intended to be and should not be used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



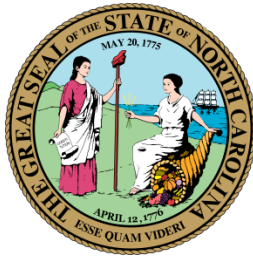
Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 29, 2018



SCHEDULES



SCHEDULE 1

SCHEDULE OF EMPLOYER ALLOCATIONS

***Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2017***

Schedule 1

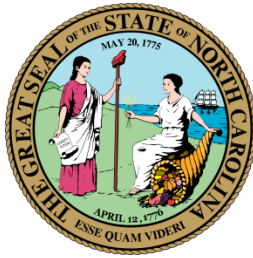
Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Alamance	\$ 13,481	1.55155%
Alexander	2,407	0.27700%
Alleghany	1,275	0.14677%
Anson	1,460	0.16809%
Ashe	2,984	0.34341%
Avery	2,544	0.29280%
Beaufort	3,955	0.45522%
Bertie	1,068	0.12288%
Bladen	2,193	0.25242%
Brunswick	19,024	2.18960%
Buncombe	30,538	3.51478%
Burke	9,598	1.10468%
Cabarrus	20,743	2.38737%
Caldwell	5,827	0.67060%
Camden	926	0.10657%
Carteret	8,162	0.93938%
Caswell	1,449	0.16683%
Catawba	14,289	1.64463%
Chatham	7,612	0.87611%
Cherokee	3,153	0.36287%
Chowan	1,324	0.15244%
Clay	1,307	0.15048%
Cleveland	6,118	0.70412%
Columbus	3,672	0.42264%
Craven	10,238	1.17838%
Cumberland	28,420	3.27097%
Currituck	3,419	0.39346%
Dare	7,777	0.89503%
Davidson	13,549	1.55941%
Davie	3,694	0.42516%
Duplin	3,404	0.39174%
Durham	27,234	3.13446%
Edgecombe	2,768	0.31862%
Forsyth	34,426	3.96220%
Franklin	5,467	0.62922%
Gaston	7,405	0.85230%
Gates	757	0.08709%
Graham	603	0.06939%
Granville	4,176	0.48060%
Greene	990	0.11392%
Guilford	38,150	4.39079%
Halifax	3,717	0.42784%
Harnett	10,857	1.24961%
Haywood	6,681	0.76894%
Henderson	12,345	1.42083%
Hertford	1,551	0.17851%
Hoke	3,869	0.44527%
Hyde	421	0.04845%
Iredell	17,674	2.03420%
Jackson	5,878	0.67648%
Johnston	18,736	2.15638%
Jones	719	0.08277%
Lee	4,893	0.56319%
Lenoir	2,969	0.34169%

***Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2017***

Schedule 1

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Lincoln	8,072	0.92902%
Macon	3,701	0.42597%
Madison	4,679	0.53856%
Martin	1,534	0.17651%
Mcdowell	3,532	0.40650%
Mecklenburg	71,457	8.22431%
Mitchell	1,281	0.14749%
Montgomery	2,106	0.24243%
Moore	6,033	0.69440%
Nash	7,240	0.83329%
New Hanover	23,856	2.74573%
Northampton	1,383	0.15913%
Onslow	19,200	2.20981%
Orange	9,782	1.12581%
Pamlico	1,227	0.14119%
Pasquotank	3,496	0.40241%
Pender	6,470	0.74470%
Perquimans	1,114	0.12819%
Person	2,995	0.34467%
Pitt	12,621	1.45257%
Polk	2,033	0.23396%
Randolph	10,450	1.20278%
Richmond	2,420	0.27854%
Robeson	6,841	0.78741%
Rockingham	7,017	0.80757%
Rowan	11,510	1.32477%
Rutherford	5,949	0.68475%
Sampson	4,207	0.48418%
Scotland	2,550	0.29344%
Stanly	5,517	0.63501%
Stokes	3,316	0.38162%
Surry	5,527	0.63611%
Swain	2,688	0.30938%
Transylvania	3,707	0.42666%
Tyrrell	267	0.03070%
Union	22,706	2.61335%
Vance	3,100	0.35678%
Wake	99,521	11.45418%
Warren	1,302	0.14982%
Washington	1,146	0.13189%
Watauga	5,653	0.65062%
Wayne	8,486	0.97663%
Wilkes	5,072	0.58377%
Wilson	3,978	0.45783%
Yadkin	2,706	0.31147%
Yancey	1,511	0.17395%
Total	<u>\$ 868,855</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

Registers of Deeds' Supplemental Pension Fund
Schedule of Pension Amounts by Employer
June 30, 2017

Deferred Outflows of Resources									
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			
\$	4,546	\$	22,513	\$	44,685	\$	34,599	\$	106,343
	812		4,019		7,978		1,313		14,122
	430		2,130		4,227		616		7,403
	493		2,439		4,841		973		8,746
	1,006		4,983		9,890		1,924		17,803
	858		4,249		8,433		370		13,910
	1,334		6,605		13,110		387		21,436
	360		1,783		3,539		124		5,806
	740		3,663		7,270		686		12,359
	6,416		31,771		63,060		15,822		117,069
	10,298		50,999		101,226		-		162,523
	3,237		16,029		31,815		-		51,081
	6,995		34,641		68,756		1,796		112,188
	1,965		9,730		19,313		14,284		45,292
	312		1,546		3,069		667		5,594
	2,752		13,630		27,054		62,351		105,787
	489		2,421		4,805		1,062		8,777
	4,819		23,864		47,365		6,590		82,638
	2,567		12,712		25,232		2,077		42,588
	1,063		5,265		10,451		3,050		19,829
	447		2,212		4,390		1,162		8,211
	441		2,183		4,334		1,082		8,040
	2,063		10,217		20,279		1,148		33,707
	1,238		6,133		12,172		3,548		23,091
	3,453		17,098		33,937		6,021		60,509
	9,584		47,462		94,204		21,750		173,000
	1,153		5,709		11,332		3,941		22,135
	2,622		12,987		25,777		9,256		50,642
	4,569		22,627		44,911		20,126		92,233
	1,246		6,169		12,245		1,078		20,738
	1,148		5,684		11,282		5,228		23,342
	9,184		45,481		90,272		-		144,937
	934		4,623		9,176		4,993		19,726
	11,609		57,492		114,111		-		183,212
	1,844		9,130		18,122		-		29,096
	2,497		12,367		24,546		65,478		104,888
	255		1,264		2,508		1,431		5,458
	203		1,007		1,998		59		3,267
	1,408		6,974		13,841		1,904		24,127
	334		1,653		3,281		1,543		6,811
	12,865		63,710		126,455		1,024		204,054
	1,254		6,208		12,322		1,664		21,448
	3,661		18,132		35,989		3,139		60,921
	2,253		11,157		22,145		1,241		36,796
	4,163		20,616		40,920		113		65,812
	523		2,590		5,141		1,254		9,508
	1,305		6,461		12,824		9,101		29,691
	142		703		1,395		-		2,240
	5,960		29,516		58,585		3,681		97,742
	1,982		9,816		19,483		-		31,281
	6,318		31,289		62,104		411		100,122
	243		1,201		2,384		2,412		6,240
	1,650		8,172		16,220		1,777		27,819
	1,001		4,958		9,841		2,882		18,682
	2,722		13,480		26,756		-		42,958
	1,248		6,181		12,268		589		20,286
	1,578		7,815		15,511		-		24,904
	517		2,561		5,083		1,401		9,562
	1,191		5,898		11,707		66		18,862
	24,097		119,335		236,860		83,686		463,978
	432		2,140		4,248		1,718		8,538
	710		3,518		6,982		986		12,196
	2,035		10,076		19,999		251,013		283,123
	2,442		12,091		23,999		351		38,883
	8,045		39,841		79,077		255		127,218
	466		2,309		4,583		2,988		10,346
	6,475		32,064		63,643		7,907		110,089
	3,299		16,336		32,423		4,268		56,326
	414		2,049		4,066		2,539		9,068
	1,179		5,839		11,589		3,504		22,111
	2,182		10,806		21,447		-		34,435
	376		1,860		3,692		2,291		8,219
	1,010		5,001		9,926		1,615		17,552
	4,256		21,077		41,834		3,878		71,045
	686		3,395		6,738		1,369		12,188
	3,524		17,452		34,640		13,221		68,837
	816		4,042		8,022		2,657		15,537
	2,307		11,425		22,677		9,470		45,879

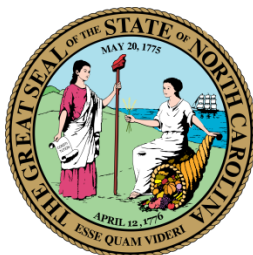
Deferred Inflows of Resources				Pension Expense			
Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Inflows of Resources	Proportional Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Employer Pension Expense	
\$ 853	\$ -	\$ 1,515	\$ 2,368	\$ 42,171	\$ 137,513	\$ 179,684	
152	-	-	152	7,529	706	8,235	
81	-	5	86	3,989	302	4,291	
92	-	-	92	4,569	611	5,180	
189	-	681	870	9,334	(516)	8,818	
161	-	3,522	3,683	7,958	(442)	7,516	
250	-	3,357	3,607	12,373	(221)	12,152	
68	-	587	655	3,340	(84)	3,256	
139	-	103	242	6,861	12	6,873	
1,204	-	39,311	40,515	59,513	(9,506)	50,007	
1,933	-	12,566	14,499	95,532	(27,587)	67,945	
608	-	29,340	29,948	30,025	(25,231)	4,794	
1,313	-	14,720	16,033	64,889	(17,071)	47,818	
369	-	3,579	3,948	18,227	6,251	24,478	
59	-	1,475	1,534	2,897	(208)	2,689	
517	-	24,001	24,518	25,532	14,633	40,165	
92	-	465	557	4,534	(8)	4,526	
905	-	3,417	4,322	44,701	(2,176)	42,525	
482	-	9,111	9,593	23,813	(4,210)	19,603	
200	-	592	792	9,863	(255)	9,608	
84	-	-	84	4,143	806	4,949	
83	-	-	83	4,090	1,607	5,697	
387	-	7,562	7,949	19,138	(5,309)	13,829	
232	-	983	1,215	11,487	787	12,274	
648	-	10,319	10,967	32,028	(4,544)	27,484	
1,799	-	-	1,799	88,905	17,502	106,407	
216	-	-	216	10,694	2,925	13,619	
492	-	3,901	4,393	24,327	3,833	28,160	
858	-	73,940	74,798	42,385	(16,020)	26,365	
234	-	2,789	3,023	11,556	(2,039)	9,517	
215	-	925	1,140	10,647	1,502	12,149	
1,724	-	14,736	16,460	85,195	(18,707)	66,488	
175	-	100	275	8,660	2,101	10,761	
2,179	-	4,228	6,407	107,693	(7,577)	100,116	
346	-	13,572	13,918	17,102	(8,319)	8,783	
469	-	-	469	23,166	42,235	65,401	
48	-	141	189	2,367	902	3,269	
38	-	680	718	1,886	(168)	1,718	
264	-	6,513	6,777	13,063	(2,352)	10,711	
63	-	898	961	3,096	166	3,262	
2,415	-	3,942	6,357	119,342	(6,233)	113,109	
235	-	1,041	1,276	11,629	(337)	11,292	
687	-	5,924	6,611	33,964	(1,686)	32,278	
423	-	4,630	5,053	20,900	(4,511)	16,389	
781	-	6,195	6,976	38,618	(8,142)	30,476	
98	-	-	98	4,852	909	5,761	
245	-	2,484	2,729	12,102	4,677	16,779	
27	-	396	423	1,317	(577)	740	
1,119	-	11,891	13,010	55,290	(11,122)	44,168	
372	-	20,707	21,079	18,387	(15,524)	2,863	
1,186	-	35,333	36,519	58,610	(18,828)	39,782	
46	-	127	173	2,250	965	3,215	
310	-	1,447	1,757	15,308	(655)	14,653	
188	-	1,251	1,439	9,287	1,868	11,155	
511	-	10,948	11,459	25,251	(8,950)	16,301	
234	-	1,081	1,315	11,578	(2,058)	9,520	
296	-	6,357	6,653	14,638	(6,022)	8,616	
97	-	58	155	4,798	617	5,415	
224	-	2,950	3,174	11,049	(1,749)	9,300	
4,523	-	39,429	43,952	223,537	44,691	268,228	
81	-	23	104	4,009	1,352	5,361	
133	-	58	191	6,589	37	6,626	
382	-	98,102	98,484	18,874	51,643	70,517	
458	-	153	611	22,649	764	23,413	
1,510	-	15,894	17,404	74,629	(16,499)	58,130	
88	-	825	913	4,325	504	4,829	
1,215	-	74	1,289	60,063	7,318	67,381	
619	-	6,394	7,013	30,600	(4,049)	26,551	
78	-	1,680	1,758	3,838	420	4,258	
221	-	1,159	1,380	10,938	1,603	12,541	
410	-	5,415	5,825	20,241	(5,496)	14,745	
71	-	802	873	3,484	869	4,353	
190	-	-	190	9,368	1,805	11,173	
799	-	4,805	5,604	39,481	884	40,365	
129	-	1,440	1,569	6,359	(1,157)	5,202	
662	-	4,644	5,306	32,692	(2,435)	30,257	
153	-	744	897	7,571	(35)	7,536	
433	-	6,538	6,971	21,402	94	21,496	

Registers of Deeds' Supplemental Pension Fund
Schedule of Pension Amounts by Employer
June 30, 2017

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	(137,844)	2,366	11,718	23,258	1,689	39,031
Rowan	(226,125)	3,882	19,222	38,153	54	61,311
Rutherford	(116,880)	2,006	9,936	19,721	-	31,663
Sampson	(82,645)	1,419	7,025	13,944	2,638	25,026
Scotland	(50,087)	860	4,258	8,451	2,369	15,938
Stanly	(108,390)	1,861	9,214	18,288	-	29,363
Stokes	(65,139)	1,118	5,537	10,991	1,750	19,396
Surry	(108,578)	1,864	9,230	18,320	12,644	42,058
Swain	(52,808)	906	4,489	8,910	-	14,305
Transylvania	(72,827)	1,250	6,191	12,288	-	19,729
Tyrrell	(5,240)	90	445	884	1,144	2,563
Union	(446,073)	7,657	37,920	75,264	1,022	121,863
Vance	(60,899)	1,045	5,177	10,275	1,746	18,243
Wake	(1,955,114)	33,561	166,200	329,880	114,883	644,524
Warren	(25,573)	439	2,174	4,315	1,917	8,845
Washington	(22,512)	386	1,914	3,798	309	6,407
Watauga	(111,054)	1,906	9,440	18,738	2,618	32,702
Wayne	(166,701)	2,862	14,171	28,127	679	45,839
Wilkes	(99,644)	1,710	8,471	16,813	7,141	34,135
Wilson	(78,147)	1,341	6,643	13,186	3,163	24,333
Yadkin	(53,165)	913	4,519	8,970	1,443	15,845
Yancey	(29,692)	510	2,524	5,010	325	8,369
Total for All Employers	\$ (17,069,002)	\$ 293,003	\$ 1,451,002	\$ 2,879,999	\$ 880,444	\$ 5,504,448

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	
444	-	1,532	1,976	21,950	(689)	21,261	
729	-	8,121	8,850	36,007	(5,303)	30,704	
377	-	4,677	5,054	18,612	(3,978)	14,634	
266	-	1,476	1,742	13,160	8	13,168	
161	-	2,384	2,545	7,976	(856)	7,120	
349	-	6,126	6,475	17,260	(6,275)	10,985	
210	-	2,418	2,628	10,372	(1,477)	8,895	
350	-	969	1,319	17,289	5,121	22,410	
170	-	2,953	3,123	8,409	443	8,852	
235	-	1,685	1,920	11,597	(1,481)	10,116	
17	-	334	351	834	788	1,622	
1,437	-	2,506	3,943	71,031	(6,599)	64,432	
196	-	-	196	9,697	1,347	11,044	
6,300	-	241,231	247,531	311,325	(68,284)	243,041	
82	-	1,959	2,041	4,072	459	4,531	
73	-	2,208	2,281	3,585	(2,814)	771	
358	-	1,207	1,565	17,684	(952)	16,732	
537	-	2,384	2,921	26,545	(1,507)	25,038	
321	-	120	441	15,867	2,730	18,597	
252	-	-	252	12,444	2,214	14,658	
171	-	1,044	1,215	8,466	33	8,499	
96	-	537	633	4,728	267	4,995	
\$ 55,001	\$ -	\$ 880,446	\$ 935,447	\$ 2,718,007	\$ (6)	\$ 2,718,001	



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, 2017, there were 101 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 *North Carolina General Statute* 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, 2017, and a schedule of pension amounts by employer for the fiscal year ended June 30, 2017, 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, 2017, 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	\$	31,743
Plan Fiduciary Net Position		<u>(48,812)</u>
Net Pension Asset	\$	<u>(17,069)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		153.77%

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 register 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, 2017 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 three years. The remaining unamortized balance is included in either deferred outflows of resources or in deferred inflows of resources as indicated.

- E. Deferred Outflows of Resources and Deferred Inflows of Resources** The recognition period for amortizing the deferred outflows and deferred inflows of resources is set forth by GASB Statement No. 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 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, 2017 (dollars in thousands):

NOTES TO THE SCHEDULES

	Year of Deferral	Amortization Period	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Deferred Outflows of Resources						
Difference Between Expected and Actual Experience	2014	3.20	\$ 20	\$ 0	\$ 20	\$ 0
Difference Between Expected and Actual Experience	2017	3.00		440	147	293
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2014-2017	5.00	32	1,862	443	1,451
Change in Assumptions	2016	3.37	4,981		2,101	2,880
Total			<u>\$ 5,033</u>	<u>\$ 2,302</u>	<u>\$ 2,711</u>	<u>\$ 4,624</u>
Deferred Inflows of Resources						
Difference Between Expected and Actual Experience	2015	3.20	\$ 210	\$ 0	\$ 174	\$ 36
Difference Between Expected and Actual Experience	2016	3.37	32		13	19
Total			<u>\$ 242</u>	<u>\$ 0</u>	<u>\$ 187</u>	<u>\$ 55</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 are shown in the following table (dollars in thousands):

Year Ended June 30:

2018	\$ 2,644
2019	1,389
2020	166
2021	370
Total	<u>\$ 4,569</u>

NOTE 3 - ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability was determined by actuarial valuations as of December 31, 2016. The total pension liability was then rolled forward to June 30, 2017, 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 from 3.50% to 7.75%, which includes a 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%, which includes an inflation assumption and is net of pension plan investment expense.

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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 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%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension asset is a present value calculation of the future net pension payments. The projection of cash flows used to determine the discount rate assumed that the plan contributions will continue to follow the current funding policy. 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 or asset.

NOTE 4 - COLLECTIVE PENSION EXPENSE

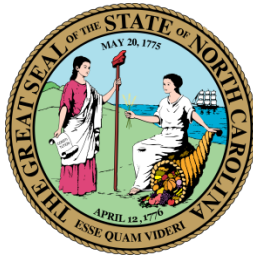
The components of collective pension expense for the year ended June 30, 2017, are as follows (dollars in thousands):

Service Cost	\$	860
Interest		1,164
Projected Earnings on Plan Investments		(1,849)
Administrative Expense		19
Recognition of Deferred Inflows and Outflows of Resources:		
Difference Between Expected and Actual Experience		(20)
Difference Between Projected and Actual Earnings on Plan Investments		443
Changes in Assumptions		2,101
Collective Pension Expense	\$	<u>2,718</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, 2017. The additional financial and actuarial information is available at <https://www.osc.nc.gov/public-information/2017-cafr> or by contacting RODSPF at:

RODSPF
3200 Atlantic Avenue
Raleigh, NC 27604
<https://www.nctreasurer.com/ret/Pages/Valuation-Reports.aspx>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

**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**

The Honorable Dale R. Folwell, State Treasurer
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 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 the total pension expense included in the accompanying schedule of pension amounts by employer as of and for the year ended June 30, 2017, and the related notes (hereafter referred to as "the schedules") and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the schedules, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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.

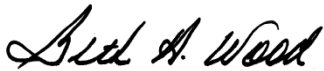
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 29, 2018

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500
Facsimile: 919-807-7647
Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the
Office of the State Auditor Fraud Hotline: **1-800-730-8477**
or download our free app.



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This audit required 140 hours at an approximate cost of \$14,420, plus actuarial costs of \$5,364.