

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



REGISTER 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, 2018



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 Register of Deeds' Supplemental Pension Fund schedule of employer allocations and the schedule of pension amounts by employer for the year ended June 30, 2018, 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

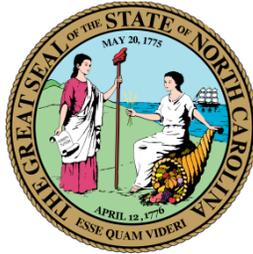


**Beth A. Wood, CPA
State Auditor**

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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

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20601 Mail Service Center
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INDEPENDENT AUDITOR'S REPORT

The Honorable Dale R. Folwell, State Treasurer
Management of the Department of State Treasurer
Raleigh, North Carolina

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Register of Deeds' Supplemental Pension Fund as of June 30, 2018, and the related notes. We have also audited the total for all entities of the columns titled net pension asset, 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 Register of Deeds' Supplemental Pension Fund as of and for the year ended June 30, 2018, 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 in the first paragraph present fairly, in all material respects, the employer allocations and net pension asset, and total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the Register of Deeds' Supplemental Pension Fund as of and for the year ended June 30, 2018, 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, 2018, and our report thereon, dated December 5, 2018, 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 8, 2019 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

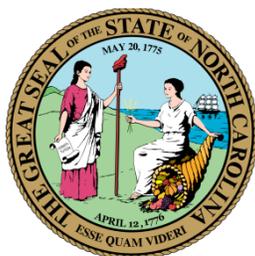
Our report is intended solely for the information and use of the Register of Deeds' Supplemental Pension Fund Management, the Register of Deeds' Supplemental Pension Fund employers, their auditors, and the North Carolina Office of the State Controller and is not intended to be and should not be used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



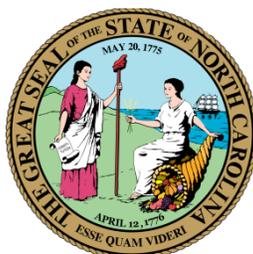
Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 8, 2019



SCHEDULES



SCHEDULE 1

SCHEDULE OF EMPLOYER ALLOCATIONS

**Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2018**

Schedule 1

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Alamance	\$ 13,483	1.57550%
Alexander	2,440	0.28513%
Alleghany	1,284	0.15004%
Anson	1,481	0.17306%
Ashe	2,971	0.34716%
Avery	3,546	0.41439%
Beaufort	3,928	0.45899%
Bertie	1,002	0.11714%
Bladen	2,108	0.24632%
Brunswick	21,498	2.51207%
Buncombe	27,204	3.17888%
Burke	11,141	1.30185%
Cabarrus	19,516	2.28045%
Caldwell	5,878	0.68684%
Camden	960	0.11213%
Carteret	9,125	1.06630%
Caswell	1,031	0.12042%
Catawba	13,849	1.61832%
Chatham	7,514	0.87805%
Cherokee	3,424	0.40014%
Chowan	1,361	0.15900%
Clay	1,422	0.16616%
Cleveland	6,897	0.80599%
Columbus	3,820	0.44640%
Craven	7,458	0.87150%
Cumberland	25,297	2.95601%
Currituck	3,443	0.40236%
Dare	7,282	0.85093%
Davidson	11,323	1.32316%
Davie	3,239	0.37849%
Duplin	3,265	0.38148%
Durham	26,373	3.08176%
Edgecombe	3,115	0.36396%
Forsyth	32,350	3.78015%
Franklin	5,341	0.62416%
Gaston	6,719	0.78517%
Gates	768	0.08974%
Graham	652	0.07620%
Granville	4,038	0.47184%
Greene	898	0.10494%
Guilford	36,353	4.24793%
Halifax	3,556	0.41554%
Harnett	10,269	1.19995%
Haywood	6,635	0.77531%
Henderson	11,871	1.38721%
Hertford	1,473	0.17215%
Hoke	4,448	0.51979%
Hyde	384	0.04486%
Iredell	17,376	2.03043%
Jackson	5,262	0.61492%
Johnston	18,730	2.18870%
Jones	696	0.08138%

**Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2018**

Schedule 1

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Lee	4,793	0.56004%
Lenoir	3,015	0.35228%
Lincoln	8,164	0.95402%
Macon	3,727	0.43554%
Madison	4,719	0.55142%
Martin	1,443	0.16862%
Mcdowell	3,136	0.36643%
Mecklenburg	65,847	7.69441%
Mitchell	1,323	0.15459%
Montgomery	2,165	0.25294%
Moore	11,104	1.29754%
Nash	7,291	0.85198%
New Hanover	22,503	2.62958%
Northampton	1,217	0.14217%
Onslow	19,320	2.25761%
Orange	9,645	1.12710%
Pamlico	1,156	0.13505%
Pasquotank	3,443	0.40230%
Pender	6,168	0.72079%
Perquimans	1,176	0.13741%
Person	2,993	0.34972%
Pitt	12,322	1.43987%
Polk	2,331	0.27234%
Randolph	10,064	1.17597%
Richmond	2,613	0.30539%
Robeson	6,873	0.80315%
Rockingham	7,221	0.84377%
Rowan	11,689	1.36587%
Rutherford	5,790	0.67662%
Sampson	4,050	0.47328%
Scotland	2,384	0.27860%
Stanly	5,349	0.62507%
Stokes	3,106	0.36289%
Surry	6,536	0.76376%
Swain	2,646	0.30925%
Transylvania	3,135	0.36639%
Tyrrell	273	0.03189%
Union	21,409	2.50168%
Vance	3,129	0.36558%
Wake	106,488	12.44343%
Warren	1,239	0.14475%
Washington	732	0.08555%
Watauga	5,273	0.61613%
Wayne	8,161	0.95361%
Wilkes	5,105	0.59653%
Wilson	3,807	0.44482%
Yadkin	2,568	0.30009%
Yancey	1,638	0.19143%
Total	\$ 855,776	100.00000%

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, 2018

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 and Proportional Share of Contributions	Total Deferred Outflows of Resources
Alamance	\$ (260,950)	\$ 2,300	\$ 41,593	\$ 12,273	\$ 2,856	\$ 59,022
Alexander	(47,226)	416	7,527	2,221	607	10,771
Alleghany	(24,851)	219	3,961	1,169	216	5,565
Anson	(28,664)	253	4,569	1,348	377	6,547
Ashe	(57,500)	507	9,165	2,704	963	13,339
Avery	(68,635)	605	10,940	3,228	-	14,773
Beaufort	(76,023)	670	12,117	3,576	-	16,363
Bertie	(19,402)	171	3,092	913	848	5,024
Bladen	(40,798)	360	6,503	1,919	1,067	9,849
Brunswick	(416,074)	3,668	66,319	19,569	4,273	93,829
Buncombe	(526,518)	4,641	83,922	24,763	48,455	161,781
Burke	(215,625)	1,901	34,369	10,141	-	46,411
Cabarrus	(377,711)	3,329	60,204	17,765	16,321	97,619
Caldwell	(113,761)	1,003	18,133	5,350	6,826	31,312
Camden	(18,572)	164	2,960	873	292	4,289
Carteret	(176,611)	1,557	28,150	8,306	31,108	69,121
Caswell	(19,945)	176	3,179	938	7,218	11,511
Catawba	(268,042)	2,363	42,724	12,607	7,091	64,785
Chatham	(145,431)	1,282	23,181	6,840	561	31,864
Cherokee	(66,275)	584	10,564	3,117	1,525	15,790
Chowan	(26,335)	232	4,198	1,239	466	6,135
Clay	(27,521)	243	4,387	1,294	264	6,188
Cleveland	(133,496)	1,177	21,278	6,279	309	29,043
Columbus	(73,937)	652	11,785	3,477	932	16,846
Craven	(144,347)	1,272	23,008	6,789	47,280	78,349
Cumberland	(489,604)	4,316	78,039	23,027	52,838	158,220
Currituck	(66,643)	587	10,622	3,134	1,652	15,995
Dare	(140,940)	1,242	22,465	6,629	10,793	41,129
Davidson	(219,155)	1,932	34,931	10,307	39,458	86,628
Davie	(62,689)	553	9,992	2,948	7,023	20,516
Duplin	(63,185)	557	10,071	2,972	4,094	17,694
Durham	(510,432)	4,499	81,358	24,007	7,601	117,465
Edgecombe	(60,283)	531	9,609	2,835	2,207	15,182
Forsyth	(626,106)	5,519	99,796	29,447	26,261	161,023
Franklin	(103,380)	911	16,478	4,862	731	22,982
Gaston	(130,048)	1,146	20,728	6,116	37,166	65,156
Gates	(14,864)	131	2,369	699	677	3,876
Graham	(12,621)	111	2,012	594	-	2,717
Granville	(78,151)	689	12,457	3,676	1,778	18,600
Greene	(17,381)	153	2,770	817	2,029	5,769
Guilford	(703,585)	6,202	112,145	33,091	21,120	172,558
Halifax	(68,826)	607	10,970	3,237	2,224	17,038
Harnett	(198,748)	1,752	31,679	9,348	8,012	50,791
Haywood	(128,415)	1,132	20,468	6,040	334	27,974
Henderson	(229,764)	2,025	36,622	10,806	4,906	54,359
Hertford	(28,513)	251	4,545	1,341	1,492	7,629
Hoke	(86,093)	759	13,722	4,049	4,350	22,880
Hyde	(7,430)	65	1,184	349	518	2,116
Iredell	(336,300)	2,964	53,603	15,817	2,384	74,768
Jackson	(101,849)	898	16,234	4,790	8,880	30,802
Johnston	(362,514)	3,196	57,782	17,050	-	78,028
Jones	(13,479)	119	2,148	634	876	3,777
Lee	(92,759)	818	14,785	4,363	1,343	21,309
Lenoir	(58,348)	514	9,300	2,744	1,237	13,795
Lincoln	(158,014)	1,393	25,186	7,432	-	34,011
Macon	(72,138)	636	11,498	3,393	295	15,822
Madison	(91,332)	805	14,557	4,296	-	19,658
Martin	(27,929)	246	4,452	1,314	1,815	7,827
Modowell	(60,692)	535	9,674	2,854	5,779	18,842
Mecklenburg	(1,274,425)	11,234	203,132	59,939	99,039	373,344
Mitchell	(25,605)	226	4,081	1,204	809	6,320
Montgomery	(41,894)	369	6,678	1,970	482	9,499
Moore	(214,912)	1,894	34,255	10,108	125,506	171,763
Nash	(141,113)	1,244	22,492	6,637	70	30,443
New Hanover	(435,537)	3,839	69,421	20,484	16,882	110,626
Northampton	(23,548)	208	3,753	1,108	3,939	9,008
Onslow	(373,928)	3,296	59,601	17,587	2,569	83,053
Orange	(186,682)	1,646	29,755	8,780	2,135	42,316
Pamlico	(22,368)	197	3,565	1,052	2,094	6,908
Pasquotank	(66,633)	587	10,621	3,134	1,688	16,030
Pender	(119,384)	1,052	19,029	5,615	3,449	29,145
Perquimans	(22,759)	201	3,628	1,070	1,115	6,014
Person	(57,924)	511	9,233	2,724	601	13,069
Pitt	(238,486)	2,102	38,013	11,217	2,805	54,137
Polk	(45,108)	398	7,190	2,122	370	10,080
Randolph	(194,776)	1,717	31,046	9,161	7,439	49,363
Richmond	(50,582)	446	8,062	2,379	1,328	12,215
Robeson	(133,026)	1,173	21,203	6,257	4,622	33,255

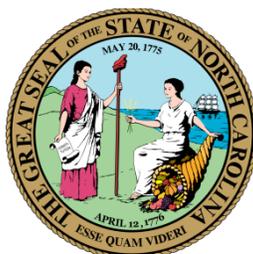
Deferred Inflows of Resources				Pension Expense				
Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions		Total Deferred Inflows of Resources	Proportional Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions		Total Employer Pension Expense
\$ 11,911	\$ -	\$ 3,862	\$ 15,773	\$ 49,187	\$ 28,909	\$ 78,096		
2,156	-	1,172	3,328	8,902	123	9,025		
1,134	-	471	1,605	4,684	158	4,842		
1,308	-	717	2,025	5,403	238	5,641		
2,625	-	666	3,291	10,838	135	10,973		
3,133	-	18,835	21,968	12,937	(10,625)	2,312		
3,470	-	1,642	5,112	14,330	(2,144)	12,186		
886	-	293	1,179	3,657	221	3,878		
1,862	-	51	1,913	7,690	889	8,579		
18,991	-	66,167	85,158	78,427	(31,370)	47,057		
24,032	-	3,942	27,974	99,245	15,604	114,849		
9,842	-	37,367	47,209	40,644	(34,637)	6,007		
17,240	-	3,500	20,740	71,196	(2,609)	68,587		
5,193	-	3,310	8,503	21,443	3,676	25,119		
848	-	1,202	2,050	3,501	(1,103)	2,398		
8,061	-	24,791	32,852	33,290	4,570	37,860		
910	-	125	1,035	3,760	3,547	7,307		
12,234	-	754	12,988	50,524	2,530	53,054		
6,638	-	4,747	11,385	27,413	(3,269)	24,144		
3,025	-	5,449	8,474	12,492	(1,684)	10,808		
1,202	-	947	2,149	4,964	223	5,187		
1,256	-	2,263	3,519	5,188	(312)	4,876		
6,093	-	18,258	24,351	25,163	(10,508)	14,655		
3,375	-	3,918	7,293	13,937	409	14,346		
6,589	-	2,772	9,361	27,208	17,599	44,807		
22,347	-	-	22,347	92,287	37,063	129,350		
3,042	-	1,283	4,325	12,562	1,646	14,208		
6,433	-	1,054	7,487	26,566	5,160	31,726		
10,003	-	36,970	46,973	41,309	(5,182)	36,127		
2,861	-	1,251	4,112	11,816	2,616	14,432		
2,884	-	246	3,130	11,910	2,674	14,584		
23,298	-	4,323	27,621	96,213	(6,613)	89,600		
2,752	-	6,541	9,293	11,363	(582)	10,781		
28,578	-	972	29,550	118,016	9,876	127,892		
4,719	-	5,784	10,503	19,486	(7,423)	12,063		
5,936	-	-	5,936	24,513	42,837	67,350		
678	-	420	1,098	2,802	460	3,262		
576	-	1,206	1,782	2,379	(889)	1,490		
3,567	-	3,248	6,815	14,731	(1,242)	13,489		
793	-	243	1,036	3,276	803	4,079		
32,114	-	828	32,942	132,620	7,704	140,324		
3,141	-	446	3,587	12,973	1,507	14,480		
9,072	-	2,759	11,831	37,462	2,709	40,171		
5,861	-	2,879	8,740	24,205	(2,226)	21,979		
10,487	-	1,495	11,982	43,309	(2,218)	41,091		
1,301	-	-	1,301	5,375	1,138	6,513		
3,930	-	11,419	15,349	16,228	(2,437)	13,791		
339	-	147	486	1,401	9	1,410		
15,350	-	2,920	18,270	63,390	(6,857)	56,533		
4,649	-	6,107	10,756	19,198	(10,161)	9,037		
16,547	-	20,386	36,933	68,331	(21,529)	46,802		
615	-	-	615	2,541	1,710	4,251		
4,234	-	380	4,614	17,484	50	17,534		
2,663	-	1,864	4,527	10,998	(33)	10,965		
7,212	-	7,628	14,840	29,785	(8,730)	21,055		
3,293	-	1,530	4,823	13,598	(1,325)	12,273		
4,169	-	4,285	8,454	17,215	(4,856)	12,359		
1,275	-	16	1,291	5,264	1,251	6,515		
2,770	-	1,005	3,775	11,440	1,012	12,452		
58,170	-	18,876	77,046	240,219	78,753	318,972		
1,169	-	1,031	2,200	4,826	380	5,206		
1,912	-	1,516	3,428	7,897	(312)	7,585		
9,809	-	113,369	123,178	40,509	10,269	50,778		
6,441	-	2,771	9,212	26,599	(1,146)	25,453		
19,880	-	3,897	23,777	82,095	(3,491)	78,604		
1,075	-	205	1,280	4,439	2,096	6,535		
17,068	-	6,895	23,963	70,483	1,816	72,299		
8,521	-	1,770	10,291	35,188	(2,766)	32,422		
1,021	-	454	1,475	4,216	546	4,762		
3,041	-	312	3,353	12,560	994	13,554		
5,449	-	2,018	7,467	22,503	(1,672)	20,831		
1,039	-	1,547	2,586	4,290	(74)	4,216		
2,644	-	729	3,373	10,918	650	11,568		
10,885	-	2,402	13,287	44,953	1,419	46,372		
2,059	-	6,117	8,176	8,502	(2,628)	5,874		
8,890	-	1,308	10,198	36,714	8,249	44,963		
2,309	-	4,039	6,348	9,534	(1,186)	8,348		
6,072	-	4,037	10,109	25,074	(1,061)	24,013		

Registers of Deeds' Supplemental Pension Fund
Schedule of Pension Amounts by Employer
June 30, 2018

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	(139,754)	1,232	22,276	6,573	455	30,536
Rowan	(226,229)	1,994	36,059	10,640	-	48,693
Rutherford	(112,069)	988	17,863	5,271	1,173	25,295
Sampson	(78,389)	691	12,495	3,687	2,872	19,745
Scotland	(46,145)	407	7,355	2,170	3,325	13,257
Stanly	(103,530)	913	16,502	4,869	1,435	23,719
Stokes	(60,105)	530	9,580	2,827	3,176	16,113
Surry	(126,502)	1,115	20,163	5,950	6,322	33,550
Swain	(51,221)	452	8,164	2,409	18	11,043
Transylvania	(60,685)	535	9,673	2,854	8,695	21,757
Tyrrell	(5,282)	47	842	248	512	1,649
Union	(414,353)	3,652	66,044	19,488	16,385	105,569
Vance	(60,551)	534	9,651	2,848	588	13,621
Wake	(2,061,005)	18,167	328,507	96,934	31,028	474,636
Warren	(23,975)	211	3,821	1,128	1,595	6,755
Washington	(14,170)	125	2,259	666	6,765	9,815
Watauga	(102,050)	900	16,266	4,800	6,284	28,250
Wayne	(157,946)	1,392	25,175	7,429	3,617	37,613
Wilkes	(98,803)	871	15,748	4,647	3,210	24,476
Wilson	(73,676)	649	11,743	3,465	3,352	19,209
Yadkin	(49,704)	438	7,922	2,338	2,323	13,021
Yancey	(31,707)	279	5,054	1,491	52	6,876
Total for All Employers	\$ (16,563,001)	\$ 146,001	\$ 2,639,999	\$ 778,996	\$ 819,852	\$ 4,384,848

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	
6,379	-	5,922	12,301	26,342	(2,211)	24,131	
10,326	-	9,253	19,579	42,642	(7,706)	34,936	
5,115	-	2,112	7,227	21,124	(1,980)	19,144	
3,578	-	399	3,977	14,776	1,049	15,825	
2,106	-	637	2,743	8,698	510	9,208	
4,726	-	1,988	6,714	19,515	(3,419)	16,096	
2,743	-	1,052	3,795	11,329	1,261	12,590	
5,774	-	18,673	24,447	23,845	(3,596)	20,249	
2,338	-	988	3,326	9,655	(1,956)	7,699	
2,770	-	641	3,411	11,439	3,303	14,742	
241	-	263	504	996	302	1,298	
18,913	-	469	19,382	78,102	6,762	84,864	
2,764	-	1,269	4,033	11,413	523	11,936	
94,072	-	258,822	352,894	388,484	(112,608)	275,876	
1,094	-	528	1,622	4,519	(9)	4,510	
647	-	923	1,570	2,671	2,282	4,953	
4,658	-	214	4,872	19,236	2,802	22,038	
7,209	-	644	7,853	29,772	302	30,074	
4,510	-	1,841	6,351	18,624	2,892	21,516	
3,363	-	-	3,363	13,887	2,626	16,513	
2,269	-	283	2,552	9,369	820	10,189	
1,447	-	2,789	4,236	5,976	(1,257)	4,719	
\$ 755,999	\$ -	\$ 819,859	\$ 1,575,858	\$ 3,122,002	\$ 20	\$ 3,122,022	



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, 2018, there were 100 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, 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) 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); for registers of deeds who began serving after September 10, 2009, this 75% limit is applied to the benefit after combining the benefit with the maximum retirement allowance upon retirement under the Local Governmental Employees' Retirement System or equivalent locally sponsored retirement plan; or
 - b. One thousand five hundred dollars (\$1,500).

Because of the statutory limits noted above, not all contributions available for benefits are distributed. The plan does not provide for automatic post-retirement benefit increases.

- 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 for fiscal years ending 2018 and 2019 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 schedule 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 measurement year ended June 30, 2018 and a schedule of pension amounts by employer for the measurement year ended June 30, 2018, 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, 2018, 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	\$ 31,068
Plan Fiduciary Net Position	(47,631)
Net Pension Asset	<u>\$ (16,563)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	153.31%

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, 2018 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 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 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 measurement year ended June 30, 2018 (dollars in thousands):

NOTES TO THE SCHEDULES

	<u>Year of Deferral</u>	<u>Amortization Period</u>	<u>Beginning of Year Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of Year Balance</u>
Deferred Outflows of Resources						
Difference Between Expected and Actual Experience	2017	3.00	\$ 293	0	147	146
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2014-2018	5.00	1,451	2,042	853	2,640
Change in Assumptions	2016	3.37	2,880		2,101	779
Total			<u>\$ 4,624</u>	<u>2,042</u>	<u>3,101</u>	<u>3,565</u>
Deferred Inflows of Resources						
Difference Between Expected and Actual Experience	2015	3.20	\$ 36	0	36	0
Difference Between Expected and Actual Experience	2016	3.37	19		13	6
Difference Between Expected and Actual Experience	2018	3.00		1,125	375	750
Total			<u>\$ 55</u>	<u>1,125</u>	<u>424</u>	<u>756</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:	
2019	\$ 1,422
2020	199
2021	778
2022	410
Total	<u>\$ 2,809</u>

NOTE 3 - ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability was determined by actuarial valuations as of December 31, 2017. The total pension liability was then rolled forward to June 30, 2018 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% which includes an inflation assumption and is net of pension plan investment expense.

Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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, 2017 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.

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. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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

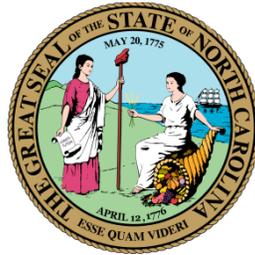
The components of collective pension expense for the measurement year ended June 30, 2018, to be recognized in 2019, are as follows (amounts in thousands):

Service Cost	\$	1,086
Interest		1,157
Projected Earnings on Plan Investments		(1,812)
Administrative Expense		14
Recognition of Deferred Inflows and Outflows of Resources:		
Difference Between Expected and Actual Experience		(277)
Difference Between Projected and Actual Earnings on Plan Investments		853
Changes in Assumptions		2,101
Collective Pension Expense	\$	<u>3,122</u>

NOTE 5 - ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

These financial schedules are designed to provide employers information for preparation of GASB Statement No. 68 reporting. 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, 2018. The additional financial and actuarial information is available at <https://www.osc.nc.gov/public-information/2018-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 Register of Deeds' Supplemental Pension Fund and the related notes. We have also audited the total for all entities of the columns titled net pension asset, 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, 2018, and the related notes (hereafter referred to as "the schedules") and have issued our report thereon dated April 8, 2019.

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

April 8, 2019

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



This audit required 210 hours at an approximate cost of \$21,579, plus actuarial costs of \$2,000.