

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, 2019



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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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, 2019, 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".

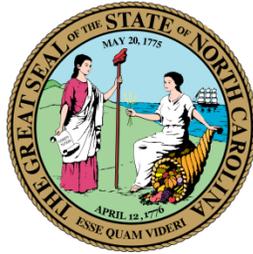
Beth A. Wood, CPA
State Auditor

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

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INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019, 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 of State Treasurer's (Department) 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 as of June 30, 2019, net pension asset, 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, 2019, 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, 2019, and our report thereon, dated December 5, 2019, 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 May 18, 2020 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

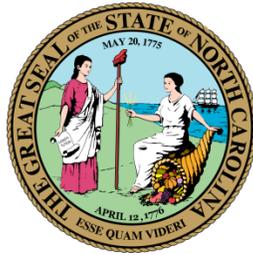
Our report is intended solely for the information and use of the Register of Deeds' Supplemental Pension Fund Management, the Register of Deeds' Supplemental Pension Fund employers, their auditors, and the North Carolina Office of the State Controller and is not intended to be and should not be used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



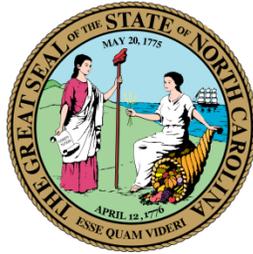
Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 18, 2020



SCHEDULES



SCHEDULE 1

SCHEDULE OF

EMPLOYER

ALLOCATIONS

**Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2019**

Schedule 1

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Alamance	\$ 13,532	1.42370%
Alexander	2,452	0.25802%
Alleghany	1,361	0.14320%
Anson	1,442	0.15167%
Ashe	2,833	0.29806%
Avery	2,733	0.28750%
Beaufort	3,849	0.40493%
Bertie	916	0.09634%
Bladen	1,869	0.19661%
Brunswick	18,436	1.93967%
Buncombe	27,497	2.89296%
Burke	8,118	0.85412%
Cabarrus	19,690	2.07159%
Caldwell	5,821	0.61246%
Camden	962	0.10122%
Carteret	8,627	0.90764%
Caswell	1,388	0.14601%
Catawba	13,551	1.42572%
Chatham	6,899	0.72585%
Cherokee	3,237	0.34057%
Chowan	1,351	0.14211%
Clay	1,406	0.14793%
Cleveland	7,759	0.81638%
Columbus	3,734	0.39288%
Craven	9,287	0.97711%
Cumberland	26,875	2.82750%
Currituck	3,450	0.36297%
Dare	6,795	0.71492%
Davidson	11,391	1.19841%
Davie	3,469	0.36493%
Duplin	3,244	0.34133%
Durham	35,914	3.77859%
Edgecombe	3,088	0.32490%
Forsyth	32,699	3.44032%
Franklin	5,376	0.56563%
Gaston	112,317	11.81697%
Gates	709	0.07464%
Graham	912	0.09600%
Granville	3,823	0.40224%
Greene	1,043	0.10975%
Guilford	39,160	4.12011%
Halifax	3,274	0.34441%
Harnett	10,046	1.05699%
Haywood	6,542	0.68831%
Henderson	11,532	1.21325%
Hertford	1,460	0.15357%
Hoke	3,905	0.41085%
Hyde	366	0.03848%
Iredell	17,272	1.81718%
Jackson	5,369	0.56488%
Johnston	19,644	2.06674%
Jones	673	0.07076%
Lee	4,780	0.50293%
Lenoir	2,929	0.30813%

**Registers of Deeds' Supplemental Pension Fund
Schedule of Employer Allocations
June 30, 2019**

Schedule 1

Employer	Fiscal Year Contributions	Fiscal Year Contributions Allocation
Lincoln	7,779	0.81840%
Macon	3,202	0.33693%
Madison	4,774	0.50230%
Martin	1,477	0.15535%
Mcdowell	3,322	0.34951%
Mecklenburg	63,587	6.69002%
Mitchell	1,292	0.13597%
Montgomery	2,031	0.21370%
Moore	10,795	1.13580%
Nash	7,305	0.76852%
New Hanover	21,861	2.30003%
Northampton	1,285	0.13519%
Onslow	19,343	2.03508%
Orange	9,620	1.01215%
Pamlico	1,189	0.12507%
Pasquotank	3,304	0.34764%
Pender	5,908	0.62163%
Perquimans	1,122	0.11808%
Person	2,878	0.30278%
Pitt	12,407	1.30533%
Polk	2,080	0.21887%
Randolph	9,841	1.03541%
Richmond	2,320	0.24407%
Robeson	6,837	0.71928%
Rockingham	7,297	0.76770%
Rowan	11,796	1.24107%
Rutherford	5,750	0.60494%
Sampson	3,924	0.41282%
Scotland	2,564	0.26971%
Stanly	5,425	0.57082%
Stokes	2,997	0.31526%
Surry	5,995	0.63070%
Swain	2,814	0.29603%
Transylvania	3,780	0.39774%
Tyrrell	286	0.03008%
Union	22,118	2.32701%
Vance	2,627	0.27642%
Wake	92,330	9.71422%
Warren	1,335	0.14050%
Washington	699	0.07354%
Watauga	5,357	0.56359%
Wayne	7,865	0.82744%
Wilkes	4,994	0.52542%
Wilson	3,998	0.42066%
Yadkin	2,610	0.27458%
Yancey	1,546	0.16270%
Total	\$ 950,473	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, 2019**

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	\$ (281,067)	\$ -	\$ 2,876	\$ -	\$ 22,054	\$ 24,930
Alexander	(50,938)	-	521	-	3,938	4,459
Alleghany	(28,271)	-	289	-	994	1,283
Anson	(29,943)	-	306	-	3,109	3,415
Ashe	(58,843)	-	602	-	7,132	7,734
Avery	(56,758)	-	581	-	18,436	19,017
Beaufort	(79,941)	-	818	-	7,854	8,672
Bertie	(19,019)	-	195	-	3,435	3,630
Bladen	(38,815)	-	397	-	7,663	8,060
Brunswick	(382,930)	-	3,918	-	83,164	87,082
Buncombe	(571,128)	-	5,844	-	65,769	71,613
Burke	(168,620)	-	1,725	-	65,050	66,775
Cabarrus	(408,973)	-	4,185	-	38,057	42,242
Caldwell	(120,912)	-	1,237	-	10,806	12,043
Camden	(19,983)	-	204	-	1,585	1,789
Carteret	(179,186)	-	1,833	-	23,052	24,885
Caswell	(28,825)	-	295	-	3,347	3,642
Catawba	(281,466)	-	2,880	-	29,880	32,760
Chatham	(143,297)	-	1,466	-	22,112	23,578
Cherokee	(67,235)	-	688	-	8,655	9,343
Chowan	(28,055)	-	287	-	2,454	2,741
Clay	(29,204)	-	299	-	2,648	2,947
Cleveland	(161,170)	-	1,649	-	-	1,649
Columbus	(77,562)	-	794	-	7,775	8,569
Craven	(192,901)	-	1,974	-	22,135	24,109
Cumberland	(558,205)	-	5,712	-	41,390	47,102
Currituck	(71,658)	-	733	-	5,722	6,455
Dare	(141,140)	-	1,444	-	22,943	24,387
Davidson	(236,590)	-	2,421	-	35,164	37,585
Davie	(72,044)	-	737	-	5,336	6,073
Duplin	(67,385)	-	689	-	6,574	7,263
Durham	(745,969)	-	7,633	-	3,800	11,433
Edgecombe	(64,142)	-	656	-	5,674	6,330
Forsyth	(679,188)	-	6,949	-	62,504	69,453
Franklin	(111,667)	-	1,143	-	8,869	10,012
Gaston	(2,332,906)	-	23,870	-	4,841	28,711
Gates	(14,735)	-	151	-	2,194	2,345
Graham	(18,952)	-	194	-	-	194
Granville	(79,410)	-	813	-	10,746	11,559
Greene	(21,667)	-	222	-	648	870
Guilford	(813,392)	-	8,323	-	28,875	37,198
Halifax	(67,993)	-	696	-	11,223	11,919
Harnett	(208,671)	-	2,135	-	24,353	26,488
Haywood	(135,886)	-	1,390	-	12,641	14,031
Henderson	(239,520)	-	2,451	-	27,698	30,149
Hertford	(30,318)	-	310	-	3,158	3,468
Hoke	(81,110)	-	830	-	15,827	16,657
Hyde	(7,597)	-	78	-	1,185	1,263
Iredell	(358,748)	-	3,671	-	31,254	34,925
Jackson	(111,519)	-	1,141	-	11,710	12,851
Johnston	(408,016)	-	4,175	-	17,720	21,895
Jones	(13,969)	-	143	-	1,644	1,787
Lee	(99,288)	-	1,016	-	8,526	9,542
Lenoir	(60,831)	-	622	-	6,413	7,035
Lincoln	(161,569)	-	1,653	-	19,704	21,357
Macon	(66,517)	-	681	-	14,326	15,007
Madison	(99,164)	-	1,015	-	7,136	8,151
Martin	(30,669)	-	314	-	2,496	2,810
Mcdowell	(69,000)	-	706	-	5,347	6,053
Mecklenburg	(1,320,744)	-	13,514	-	184,146	197,660
Mitchell	(26,843)	-	275	-	2,705	2,980
Montgomery	(42,189)	-	432	-	5,701	6,133
Moore	(224,230)	-	2,294	-	23,500	25,794
Nash	(151,721)	-	1,552	-	12,125	13,677
New Hanover	(454,072)	-	4,646	-	56,256	60,902
Northampton	(26,689)	-	273	-	2,237	2,510
Onslow	(401,765)	-	4,111	-	32,331	36,442
Orange	(199,819)	-	2,045	-	16,702	18,747
Pamlico	(24,691)	-	253	-	1,892	2,145
Pasquotank	(68,631)	-	702	-	7,949	8,651
Pender	(122,722)	-	1,256	-	16,132	17,388
Perquimans	(23,311)	-	239	-	2,808	3,047
Person	(59,775)	-	612	-	6,820	7,432
Pitt	(257,698)	-	2,637	-	20,464	23,101
Polk	(43,209)	-	442	-	7,770	8,212
Randolph	(204,411)	-	2,092	-	22,356	24,448
Richmond	(48,184)	-	493	-	8,909	9,402
Robeson	(142,000)	-	1,453	-	12,187	13,640

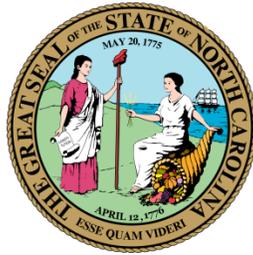
Deferred Inflows of Resources				Pension Expense			
Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Deferred Inflows of Resources	Proportional Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportional Share of Contributions	Total Employer Pension Expense	
\$ 13,554	\$ -	\$ 1,727	\$ 15,281	\$ 18,935	\$ 8,073	\$ 27,008	
2,456	-	586	3,042	3,432	1,334	4,766	
1,363	-	235	1,598	1,905	312	2,217	
1,444	-	359	1,803	2,017	1,055	3,072	
2,838	-	270	3,108	3,964	2,945	6,909	
2,737	-	8,770	11,507	3,824	(3,920)	(96)	
3,855	-	272	4,127	5,386	1,248	6,634	
917	-	-	917	1,281	1,148	2,429	
1,872	-	-	1,872	2,615	2,983	5,598	
18,466	-	23,259	41,725	25,798	(10,913)	14,885	
27,541	-	-	27,541	38,476	34,132	72,608	
8,131	-	14,222	22,353	11,360	(1,461)	9,899	
19,722	-	-	19,722	27,552	15,225	42,777	
5,831	-	1,172	7,003	8,146	8,290	16,436	
964	-	402	1,366	1,346	20	1,366	
8,641	-	9,155	17,796	12,072	23,156	35,228	
1,390	-	3,718	5,108	1,942	2,507	4,449	
13,573	-	-	13,573	18,962	13,768	32,730	
6,910	-	140	7,050	9,654	3,325	12,979	
3,242	-	2,689	5,931	4,530	1,650	6,180	
1,353	-	474	1,827	1,890	811	2,701	
1,408	-	1,132	2,540	1,967	16	1,983	
7,772	-	8,857	16,629	10,858	(11,104)	(246)	
3,740	-	1,713	5,453	5,225	1,319	6,544	
9,302	-	15,344	24,646	12,996	17,258	30,254	
26,918	-	-	26,918	37,606	36,344	73,950	
3,455	-	641	4,096	4,828	2,917	7,745	
6,806	-	-	6,806	9,508	13,145	22,653	
11,409	-	-	11,409	15,939	(8,510)	7,429	
3,474	-	-	3,474	4,854	3,063	7,917	
3,249	-	-	3,249	4,540	5,053	9,593	
35,972	-	101,243	137,215	50,255	(34,270)	15,985	
3,093	-	3,271	6,364	4,321	829	5,150	
32,752	-	-	32,752	45,756	28,617	74,373	
5,385	-	-	5,385	7,523	(2,584)	4,939	
112,498	-	1,602,811	1,715,309	157,166	(501,946)	(344,780)	
711	-	191	902	993	1,179	2,172	
914	-	3,367	4,281	1,277	(1,673)	(396)	
3,829	-	-	3,829	5,350	1,268	6,618	
1,045	-	700	1,745	1,460	905	2,365	
39,223	-	-	39,223	54,797	16,178	70,975	
3,279	-	-	3,279	4,581	4,335	8,916	
10,063	-	-	10,063	14,058	8,595	22,653	
6,553	-	460	7,013	9,155	2,129	11,284	
11,550	-	-	11,550	16,136	9,412	25,548	
1,462	-	-	1,462	2,042	1,933	3,975	
3,911	-	5,374	9,285	5,464	3,581	9,045	
366	-	-	366	512	421	933	
17,300	-	-	17,300	24,168	9,520	33,688	
5,378	-	-	5,378	7,513	756	8,269	
19,675	-	2,330	22,005	27,488	(12,149)	15,339	
674	-	-	674	941	1,289	2,230	
4,788	-	-	4,788	6,689	3,501	10,190	
2,933	-	763	3,696	4,098	2,274	6,372	
7,791	-	1,804	9,595	10,885	744	11,629	
3,208	-	689	3,897	4,481	4,229	8,710	
4,782	-	928	5,710	6,681	(978)	5,703	
1,479	-	-	1,479	2,066	1,874	3,940	
3,327	-	-	3,327	4,648	2,705	7,353	
63,689	-	-	63,689	88,977	90,587	179,564	
1,294	-	512	1,806	1,808	1,192	3,000	
2,034	-	758	2,792	2,842	1,625	4,467	
10,813	-	43,502	54,315	15,106	63,472	78,578	
7,316	-	1,347	8,663	10,221	2,688	12,909	
21,896	-	-	21,896	30,590	20,568	51,158	
1,287	-	-	1,287	1,798	2,849	4,647	
19,374	-	3,448	22,822	27,067	9,899	36,966	
9,636	-	92	9,728	13,462	6,024	19,486	
1,191	-	-	1,191	1,663	1,681	3,344	
3,310	-	-	3,310	4,624	4,016	8,640	
5,918	-	-	5,918	8,268	4,508	12,776	
1,124	-	665	1,789	1,570	1,169	2,739	
2,882	-	364	3,246	4,027	2,510	6,537	
12,427	-	-	12,427	17,361	6,003	23,364	
2,084	-	2,768	4,852	2,911	(389)	2,522	
9,857	-	-	9,857	13,771	11,006	24,777	
2,324	-	1,937	4,261	3,246	2,196	5,442	
6,848	-	1,135	7,983	9,566	5,782	15,348	

Registers of Deeds' Supplemental Pension Fund
Schedule of Pension Amounts by Employer
June 30, 2019

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	(151,559)	-	1,551	-	11,053	12,604
Rowan	(245,012)	-	2,507	-	18,132	20,639
Rutherford	(119,427)	-	1,222	-	11,002	12,224
Sampson	(81,499)	-	834	-	9,572	10,406
Scotland	(53,246)	-	545	-	2,362	2,907
Stanly	(112,691)	-	1,153	-	8,599	9,752
Stokes	(62,239)	-	637	-	8,270	8,907
Surry	(124,513)	-	1,274	-	19,333	20,607
Swain	(58,442)	-	598	-	1,930	2,528
Transylvania	(78,522)	-	803	-	4,348	5,151
Tyrrell	(5,938)	-	61	-	263	324
Union	(459,398)	-	4,701	-	33,431	38,132
Vance	(54,571)	-	558	-	12,955	13,513
Wake	(1,917,781)	-	19,623	-	396,527	416,150
Warren	(27,738)	-	284	-	984	1,268
Washington	(14,518)	-	149	-	5,086	5,235
Watauga	(111,264)	-	1,138	-	10,123	11,261
Wayne	(163,353)	-	1,671	-	19,992	21,663
Wilkes	(103,728)	-	1,061	-	10,331	11,392
Wilson	(83,047)	-	850	-	4,447	5,297
Yadkin	(54,208)	-	555	-	4,527	5,082
Yancey	(32,120)	-	329	-	4,174	4,503
Total for All Employers	\$ (19,741,995)	\$ -	\$ 202,005	\$ -	\$ 1,969,176	\$ 2,171,181

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	
7,309	-	2,611	9,920	10,210	828	11,038	
11,815	-	2,964	14,779	16,506	(245)	16,261	
5,759	-	-	5,759	8,046	1,946	9,992	
3,930	-	-	3,930	5,491	4,614	10,105	
2,568	-	-	2,568	3,587	2,049	5,636	
5,434	-	-	5,434	7,592	1,356	8,948	
3,001	-	-	3,001	4,193	3,080	7,273	
6,004	-	9,206	15,210	8,388	3,299	11,687	
2,818	-	-	2,818	3,937	(338)	3,599	
3,786	-	4,555	8,341	5,290	2,188	7,478	
286	-	86	372	400	423	823	
22,153	-	-	22,153	30,949	16,320	47,269	
2,632	-	634	3,266	3,676	4,271	7,947	
92,479	-	71,352	163,831	129,199	(24,266)	104,933	
1,338	-	-	1,338	1,869	906	2,775	
700	-	-	700	978	3,083	4,061	
5,365	-	-	5,365	7,496	6,127	13,623	
7,877	-	-	7,877	11,005	7,422	18,427	
5,002	-	921	5,923	6,988	5,734	12,722	
4,005	-	-	4,005	5,595	3,584	9,179	
2,614	-	-	2,614	3,652	2,454	6,106	
1,549	-	1,260	2,809	2,164	(85)	2,079	
\$ 952,002	\$ -	\$ 1,969,185	\$ 2,921,187	\$ 1,330,001	\$ (1)	\$ 1,330,000	



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, 2019, there were 96 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) 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 the fiscal year ending 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 fiscal year ended June 30, 2019 and a schedule of pension amounts by employer for the fiscal year ended June 30, 2019, 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, 2019, 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	\$ 30,794
Plan Fiduciary Net Position	<u>(50,536)</u>
Net Pension Asset	<u>\$ (19,742)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	164.11%

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, 2019 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 four years for the year ended June 30, 2019, 3 years for the years ended June 30, 2018 and 2017, and 3.37 for the year ended June 30, 2016. 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, 2019 (dollars in thousands):

	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	2017	3.00	\$ 146	\$ 0	\$ 146	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2014-2019	5.00	2,640	-	2,438	202
Change in Assumptions	2016	3.37	779	-	779	-
Total			<u>\$ 3,565</u>	<u>\$ 0</u>	<u>\$ 3,363</u>	<u>\$ 202</u>
Deferred Inflows of Resources						
Difference Between Expected and Actual Experience	2016	3.37	\$ 6	\$ 0	\$ 6	\$ 0
Difference Between Expected and Actual Experience	2018	3.00	750	-	375	375
Difference Between Expected and Actual Experience	2019	4.00	-	770	193	577
Total			<u>\$ 756</u>	<u>\$ 770</u>	<u>\$ 574</u>	<u>\$ 952</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:

2020	\$ (384)
2021	195
2022	(171)
2023	(390)
2024	-
Total	<u>\$ (750)</u>

NOTE 3 - ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability was determined by actuarial valuations as of December 31, 2018. The total pension liability was then rolled forward to June 30, 2019 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, 2018 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 (but now fully amortized) in the schedule of pension amounts by employer.

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 the 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 year ended June 30, 2019, to be recognized in 2020, are as follows (dollars in thousands):

Service Cost	\$	1,117
Interest Cost on Total Pension Liability		1,133
Projected Earnings on Plan Investments		(1,771)
Administrative Expense		12
Recognition of Deferred Inflows and Outflows of Resources:		
Difference Between Expected and Actual Experience		(428)
Difference Between Projected and Actual Earnings on Plan Investments		488
Changes in Assumptions		779
Collective Pension Expense	\$	<u>1,330</u>

NOTE 5 - ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

These financial schedules are designed to provide employers information for preparation of disclosures in accordance with 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, 2019. The additional financial and actuarial information is available at <https://www.osc.nc.gov/public-information/2019-cafr> or by contacting RODSPF at:

RODSPF
 3200 Atlantic Avenue
 Raleigh, NC 27604
<https://www.myncretirement.com/governance/valuations-and-cafrs>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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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**

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, 2019, and the related notes (hereafter referred to as "the schedules") and have issued our report thereon dated May 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the schedules, we considered the Department of State Treasurer's (Department) 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

May 18, 2020

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For additional information, contact the North Carolina Office of the State Auditor at 919-807-7666



This audit required 180 hours at an approximate cost of \$18,720, plus actuarial costs of \$2,100.