

GREENWOOD LEFLORE HOSPITAL
PENSION PLAN

GREENWOOD, MISSISSIPPI

FINANCIAL REPORT

SEPTEMBER 30, 2015

HARPER, RAINS, KNIGHT & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
RIDGELAND, MISSISSIPPI

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Harper, Rains, Knight & Company

The Board of Hospital Commissioners
Greenwood Leflore Hospital Pension Plan
Greenwood, Mississippi

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Greenwood Leflore Hospital Pension Plan (the "Plan"), which comprise the statements of net assets available for benefits as of September 30, 2015 and 2014, and the related statements of changes in net assets available for benefits for the years then ended and the statements of accumulated plan benefits as of September 30, 2015 and 2014, and the related statements of changes in accumulated plan benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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The Board of Hospital Commissioners
Greenwood Leflore Hospital Pension Plan - Continued

Auditors' Responsibility - continued

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 financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of September 30, 2015 and 2014, and changes in its financial status for the years ended September 30, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated July 27, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Harper, Raina, Knight & Company, P.A.

July 27, 2016

GREENWOOD LEFLORE HOSPITAL PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Investments at fair value:		
Equity securities		
Mutual funds	\$ 9,244,295	\$ 12,274,712
Common stocks	3,017,236	3,152,434
Fixed income securities		
Bond funds	<u>15,136,942</u>	<u>12,879,531</u>
Total investments	<u>27,398,473</u>	<u>28,306,677</u>
Cash and cash equivalents	1,717,750	231,759
Accrued income receivable	<u>23,076</u>	<u>29,757</u>
Total other assets	<u>1,740,826</u>	<u>261,516</u>
Total assets	<u>29,139,299</u>	<u>28,568,193</u>
Net assets available for benefits	<u>\$ 29,139,299</u>	<u>\$ 28,568,193</u>

The Notes to Financial Statements are an integral part of these statements.

GREENWOOD LEFLORE HOSPITAL PENSION PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Additions to net assets attributable to:		
Investment income:		
Dividends and interest	\$ 1,173,881	\$ 801,387
Net appreciation (depreciation) in fair value of assets	(1,067,690)	1,324,561
Employer contributions	<u>2,518,920</u>	<u>1,044,189</u>
Total additions	<u>2,625,111</u>	<u>3,170,137</u>
 Deductions from net assets attributed to:		
Benefits paid	1,965,617	1,832,511
Administrative expenses	<u>88,388</u>	<u>96,384</u>
Total deductions	<u>2,054,005</u>	<u>1,928,895</u>
 Net increase in net assets	571,106	1,241,242
 Net assets available for benefits		
Beginning of year	<u>28,568,193</u>	<u>27,326,951</u>
 End of year	<u>\$ 29,139,299</u>	<u>\$ 28,568,193</u>

The Notes to Financial Statements are an integral part of these statements.

GREENWOOD LEFLORE HOSPITAL PENSION PLAN
 STATEMENTS OF ACCUMULATED PLAN BENEFITS
 September 30, 2015 and 2014

	2015	2014
Actuarial present value of accumulated plan benefits:		
Vested benefits		
Participants currently receiving payments	\$ 17,863,067	\$ 18,034,403
Other participants	27,225,601	26,562,585
	45,088,668	44,596,988
Non-vested benefits	396,079	509,938
 Total actuarial present value of accumulated plan benefits	 \$ 45,484,747	 \$ 45,106,926

The Notes to Financial Statements are an integral part of these statements.

GREENWOOD LEFLORE HOSPITAL PENSION PLAN

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Actuarial present value of accumulated plan benefits, beginning	<u>\$ 45,106,926</u>	<u>\$ 39,107,777</u>
Changes during the year attributable to:		
Increase for interest due to the decrease in the discount period	3,221,061	2,959,843
Change in actuarial assumptions	(673,560)	4,609,222
Benefits paid	(1,965,617)	(1,832,511)
Other	<u>(204,063)</u>	<u>262,595</u>
	<u>377,821</u>	<u>5,999,149</u>
Actuarial present value of accumulated plan benefits, ending	<u>\$ 45,484,747</u>	<u>\$ 45,106,926</u>

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

(1) DESCRIPTION OF THE PLAN

The following description of the Greenwood Leflore Hospital Pension Plan (hereafter referred to as the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a single-employer, non-contributory, defined benefit pension plan that covers substantially all current and former employees of Greenwood Leflore Hospital (hereafter referred to as the "Hospital") who were hired prior to March 31, 2012. However, no employee can commence or recommence participation after March 31, 2012.

The purpose of the Plan is to provide qualified employees and their beneficiaries certain benefits in the event of retirement, death or disability. The Hospital's Board of Hospital Commissioners (hereafter referred to as the "Board") and the Plan Administrator control and manage the operation and administration of the Plan. Regions serves as the trustee of the Plan. The Department of Labor has ruled that the Plan is not subject to the requirements of the Employee Retirement Income Security Act Title I (Department of Labor reporting and disclosure information) or Title IV (Pension Benefit Guaranty Corporation insurance coverage).

Plan Membership

At September 30, 2015 and 2014, the Plan's membership consisted of:

	<u>2015</u>	<u>2014</u>
Active employees	447	468
Retirees and beneficiaries currently receiving benefits	286	279
Terminated employees entitled to but not yet receiving benefits	<u>547</u>	<u>549</u>
Total plan participants	<u><u>1,280</u></u>	<u><u>1,296</u></u>

Funding Policy

The Plan is funded entirely by cash contributions as determined by the Board after consultation with the Plan's actuary. Currently, the Plan is being funded based on the unit credit funding method with initial unfunded liability amortized over 30 years. Policy requires all contributions to the Plan be approved by the Board. Contributions are recognized in the Plan's statements of changes in net assets available for benefits upon determination by the Board.

(1) DESCRIPTION OF THE PLAN - Continued

Funding Policy - continued

Employer contributions of \$2,518,920 and \$1,044,189 were made in 2015 and 2014, respectively to meet minimum funding requirements.

Eligibility and Vesting

In 2008, the Plan was restated to provide that no employee may commence or recommence participation in the Plan on or after March 31, 2012. Employees were eligible to participate in the Plan on the first day of the month coincident with or next following the later of (1) the date the employee attains age twenty or (2) the date the employee completes one year of service and become fully vested after five years of service.

Retirement Benefits

The Plan provides for the payment of retirement benefits based on the participant's compensation and years of service. Benefits are paid on attainment of early (age 55) with ten year vesting service, normal (age 65), or postponed retirement dates under various payment options as chosen by the participants.

Plan Termination

Although it has not expressed intent to do so, the Hospital has the right under the Plan to discontinue contributions at any time and to terminate the Plan, subject to the provisions set forth by the Plan. If the Plan should be terminated or employer's contributions discontinued, the Hospital will allocate the Trust Fund, after payment of any applicable taxes and administrative expenses, among participants, retired participants and beneficiaries in the following order:

1. Priority class A – for any benefits of a participant, retired participant or beneficiary, which as attributable to any voluntary contributions to the Plan.
2. Priority class B – for those participants or beneficiaries in pay status at the beginning of the three year period ending on the termination date of the Plan.
3. Priority class C – All other nonforfeitable benefits under the Plan.
4. Priority class D – all other benefits under the Plan.

Expenses of the Plan

The Plan's administrative expenses are paid by the Plan as provided by the Plan document.

(2) SIGNIFICANT ACCOUNTING POLICIES

The Plan's financial statements, to be in conformity with accounting principles generally accepted in the United States of America, are prepared using the accrual basis of accounting, with the exception of the payment of benefits, which is recognized as a reduction in the net assets of the Plan as they are disbursed to participants.

(2) SIGNIFICANT ACCOUNTING POLICIES - Continued

Valuation of Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion on fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from investment transactions are computed using the first-in, first-out method. Interest and dividend income is recorded on the accrual basis. Net appreciation/depreciation includes gains and losses on investments bought and sold as well as held during the year.

Cash and Cash Equivalents

Cash and cash equivalents include cash in demand accounts and highly liquid marketable securities with original maturities of three months or less at date of purchase, or remaining maturities of three months or less at date of purchase. As of September 30, 2015 and 2014, cash and cash equivalents includes \$1,717,750 and \$231,759 of cash equivalents, respectively. Cash equivalents are invested in a money market fund (Regions Trust Cash Sweep in 2015 and 2014). At times, such amounts may be in excess of federally insured limits.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump sum distributions, which are attributable under the Plan's provisions to the service that employees have rendered. Accumulated benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, and (b) beneficiaries of employees who have died. Benefits under the Plan are based on employees' compensation for the three consecutive years of employment that produces the highest average.

The actuarial present value of the accumulated plan benefits was determined by the Plan's consulting actuary, Bryan, Pendleton, Swats & McAllister, LLC, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money through discounts for interest and probability of payment (by means of decrements such as for death, disability, withdrawals or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of September 30, 2015 and 2014, were (a) life expectancy of participants (RP2014 Blue Collar Adjusted to 2006, Separate Pre- and Post-Commencement, with Separate Male and Female tables, fully Generational using projections Scale MP2015 for 2015 and RP2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational Using Projection Scale MP2014 for 2014), (b) retirement age assumptions are based on all participants will retire upon attainment of normal retirement date, and (c) investment return (7.30 percent in 2015 and 2014, compounded annually). During 2015 and 2014, the Plan changed certain assumptions related to mortality rates. The effect of the change in

(2) SIGNIFICANT ACCOUNTING POLICIES - Continued

Actuarial Present Value of Accumulated Plan Benefits - continued

mortality rates, in 2015 and 2014 was a decrease of \$673,560 and an increase of \$4,609,222, respectively, in the actuarial present value of accumulated plan benefits. These changes are classified as a change in actuarial assumptions on the accompanying statements of changes in accumulated plan benefits. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Based on the present value of benefit obligations as determined by the actuary for the Plan, the net assets of the Plan at September 30, 2015 are less than accumulated obligations by approximately \$16 million.

Concentration

The Plan assets include a significant amount of equity mutual funds, which invest primarily in marketable equity securities, and common stock. In addition, the Plan assets also include bond funds which invest predominately in fixed income securities. Accordingly, the performance of the investments is dependent on the equity and fixed income markets which involve significant price volatility.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in determining the estimation of the annual plan contribution required to adequately fund the Plan, determining the fair market value of assets, and estimated accumulated plan benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Subsequent Events

Subsequent events were evaluated by the Plan through July 27, 2016, which is the date the financial statements were available to be issued.

(3) INVESTMENTS

The Plan has adopted certain investment policies, objectives, rules and guidelines that are intended to protect and preserve the Plan's assets while providing an appropriate return. The targeted overall mix of plan investments to meet these objectives is outlined below:

(3) INVESTMENTS - Continued

<u>Investment Class</u>	<u>Target</u>
Equity securities	55%
Fixed income securities	45%
Cash equivalents	0%

During 2015 and 2014, the Plan's investments at fair value (including gains and losses on investments bought and sold, as well as held, during the year) appreciated (depreciated) in value as follows:

	<u>2015</u>	<u>2014</u>
Common stocks	\$ (93,394)	\$ 473,051
Mutual funds	(257,968)	656,289
International mutual funds	(326,625)	44,118
Bond funds	<u>(389,703)</u>	<u>151,103</u>
Total appreciation (depreciation)	<u>\$ (1,067,690)</u>	<u>\$ 1,324,561</u>

(4) FAIR VALUE MEASUREMENTS

The Fair Value Measurement Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 - Inputs to the valuation methodology include the following: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable input that is significant to the fair value measurement and minimize the use of unobservable inputs.

(4) FAIR VALUE MEASUREMENTS - Continued

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at September 30, 2015 and 2014.

Common stock: Valued at fair value, determined by multiplying the number of shares by the price as of close of trading on the New York Stock Exchange or NASDAQ (generally 4 p.m., Eastern Time) on the valuation date (level 1).

Mutual and bond funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded (level 1).

The preceding methods may produce a fair value calculation that may not be indicative of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets (including individual assets which are in excess of 5 percent of net assets at year end) at fair value as of September 30, 2015 and 2014.

Description	Total Fair Value as of			
	09/30/2015*	Level 1	Level 2	Level 3
Equity securities				
Mutual funds				
Vanguard Mid-Cap Index	\$ 1,501,345	\$ 1,501,345	\$ -	\$ -
Vanguard Small Cap Index	1,473,882	1,473,882	-	-
Other mutual funds	3,726,778	3,726,778	-	-
International mutual funds	2,542,290	2,542,290	-	-
Common stocks	3,017,236	3,017,236	-	-
Fixed income securities				
Bond funds				
Dodge & Cox Income Fund	2,588,462	2,588,462	-	-
Fidelity Invst Grade Bond	1,893,015	1,893,015	-	-
Metropolitan West Total	1,500,931	1,500,931	-	-
JP Morgan Core Bond Fund	1,915,050	1,915,050	-	-
Pioneer Bond Fund Class	3,267,069	3,267,069	-	-
Other bond funds	3,972,415	3,972,415	-	-
	<u>\$ 27,398,473</u>	<u>\$ 27,398,473</u>	<u>\$ -</u>	<u>\$ -</u>

(4) FAIR VALUE MEASUREMENTS - Continued

<u>Description</u>	<u>Total Fair Value as of</u>			
	<u>09/30/2014*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities				
Mutual funds				
Artisan Small Cap Value	\$ 1,048,986	\$ 1,048,986	\$ -	\$ -
Buffalo Small Cap Fund	1,946,775	1,946,775	-	-
MFS Value Fund	1,778,513	1,778,513	-	-
Other mutual funds	4,597,264	4,597,264	-	-
International mutual funds	2,903,174	2,903,174	-	-
Common stocks	3,152,434	3,152,434	-	-
Fixed income securities				
Bond funds				
Dodge & Cox Income Fund	2,584,365	2,584,365	-	-
Metropolitan West Total	1,466,808	1,466,808	-	-
PIMCO Total Return	2,105,599	2,105,599	-	-
Pioneer Bond Fund Class	3,220,536	3,220,536	-	-
Other bond funds	<u>3,502,223</u>	<u>3,502,223</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,306,677</u>	<u>\$ 28,306,677</u>	<u>\$ -</u>	<u>\$ -</u>

* Asset values include current year net appreciation/depreciation included on the statements of changes in net assets available for benefits.

The cost and estimated fair values of the Plan's financial instruments (investments) at September 30, 2015 and 2014 are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Cost</u>	<u>Estimated</u>	<u>Cost</u>	<u>Estimated</u>
	<u>Value</u>	<u>Fair Value</u>	<u>Value</u>	<u>Fair Value</u>
Mutual funds	\$ 5,220,546	\$ 6,702,005	\$ 6,078,734	\$ 9,371,538
International mutual funds	2,664,838	2,542,290	2,689,498	2,903,174
Common stock	2,576,124	3,017,236	2,348,106	3,152,434
Bond funds	<u>15,118,856</u>	<u>15,136,942</u>	<u>12,504,097</u>	<u>12,879,531</u>
	<u>\$ 25,580,364</u>	<u>\$ 27,398,473</u>	<u>\$ 23,620,435</u>	<u>\$ 28,306,677</u>

(5) INCOME TAX STATUS

The Plan obtained its latest determination letter in September 2014, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

There were no uncertain tax positions identified related to the current year and the Plan has no unrecognized tax benefits at September 30, 2015 and 2014 for which liabilities have been established. The Plan recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2011 and forward.