

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2016 and 2015**

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

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## INDEPENDENT AUDITOR'S REPORT

To the Trustees  
Forrest County General Hospital  
Pension Plan  
Hattiesburg, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of Forrest County General Hospital Pension Plan, which comprise the statements of fiduciary net position as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net position 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.

### Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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To the Trustees  
Forrest County General Hospital  
Pension Plan

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

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 position of Forrest County General Hospital Pension Plan as of June 30, 2016 and 2015, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of changes in net pension liability and related ratios, employer contributions, and investment returns, which are the responsibility of management, are presented for purposes of additional analysis as required by Government Accounting Standards Board (GASB) 67, *Financial Reporting for Pension Plans* and are not a required part of the financial statements. The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Trustees  
Forrest County General Hospital  
Pension Plan

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of Forrest County General Hospital Pension Plan'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 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* in considering Forrest County General Hospital Pension Plan's internal control over financial reporting and compliance.

*Topp McWhorter Harvey, PCC*

Hattiesburg, Mississippi  
November 30, 2016

EXHIBIT A

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2016 AND 2015**

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<i>Investments, at fair value:</i>		
Money market funds	\$ 1,764,048	\$ 1,398,773
Brokered certificates of deposit	-	335,000
Fixed income securities	42,926,738	40,724,210
Equity securities	91,294,632	92,593,569
Total investments	<u>135,985,418</u>	<u>135,051,552</u>
<i>Accrued interest receivable</i>	<u>117,997</u>	<u>80,409</u>
<b>Total assets</b>	<u>136,103,415</u>	<u>135,131,961</u>
<b>LIABILITIES</b>		
<b>Total liabilities</b>	<u>-</u>	<u>-</u>
<b>Net position restricted for pensions</b>	<u>\$ 136,103,415</u>	<u>\$ 135,131,961</u>

See accompanying notes.

EXHIBIT B

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 10,063,476	\$ 9,782,490
Investment income:		
Net increase (decrease) in fair value of investments	(5,351,976)	3,448,496
Interest and dividends	2,762,899	2,616,478
Less investment expense	(195,022)	(247,088)
Net investment income (loss)	<u>(2,784,099)</u>	<u>5,817,886</u>
Total additions	<u>7,279,377</u>	<u>15,600,376</u>
<b>DEDUCTIONS</b>		
Benefit payments	6,207,933	5,589,011
Administrative expense	99,990	91,738
Total deductions	<u>6,307,923</u>	<u>5,680,749</u>
<b>NET INCREASE IN NET POSITION</b>	971,454	9,919,627
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of year	<u>135,131,961</u>	<u>125,212,334</u>
End of year	<u>\$ 136,103,415</u>	<u>\$ 135,131,961</u>

See accompanying notes.

***NOTES TO FINANCIAL STATEMENTS***



**FORREST COUNTY GENERAL HOSPITAL  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements of Forrest County General Hospital Pension Plan (the Plan) are prepared using the accrual basis of accounting.

**Investment Valuation and Income Recognition** - The Plan's 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 of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net increase in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

**Use of Estimates** - The preparation of financial statements in accordance 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, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

**Benefit Payments** - Benefit payments to participants are recorded upon distribution.

**Administrative Expenses** - The Plan's expenses are paid by the Plan. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statement of changes in fiduciary net position. In addition, certain investment related expenses are included in net investment income (loss) presented in the statements of changes in fiduciary net position.

**Reclassifications** - Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications had no effect on previously reported increase in net position.

**Subsequent Events** - Management of the Company has evaluated subsequent events as of November 30, 2016, which is the date the financial statements were available to be issued.

**FORREST COUNTY GENERAL HOSPITAL  
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**NOTES TO FINANCIAL STATEMENTS  
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YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

The following brief description of the Forrest County General Hospital Pension Plan is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

Management of the Plan is vested in the Human Resources Committee (the Committee), which is a sub-committee of the Board of Trustees (the Board) of Forrest County General Hospital (the Hospital). The Committee consists of four Board members appointed by the Board and four Hospital administrative staff members appointed by the Hospital Chief Executive Officer. The Committee has overall responsibility for the operation and administration of the Plan.

Membership of the Plan consisted of the following at July 1, 2016 and 2015, respectively, representing the most recent actuarial valuation dates:

	<u>2016</u>	<u>2015</u>
Retirees and beneficiaries receiving benefits	472	424
Vested terminated plan members entitled to but not yet receiving benefits	1,089	1,032
Active plan members	<u>1,416</u>	<u>1,551</u>
<b>Total Participants</b>	<u><u>2,977</u></u>	<u><u>3,007</u></u>

**Plan Description** - The Plan is a single-employer defined benefit pension plan that covers full-time employees of the Hospital, who were employed on or before June 30, 2011. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Benefit provisions may be amended by the Plan sponsor.

**Contributions** - Plan members are not permitted to make contributions to the Plan. Contributions are determined annually based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the Hospital's average contribution rate was 12.47% of annual payroll.

**Participation** - Participation in the Plan has been soft frozen. All full-time employees, employed on or before June 30, 2011, who are not represented by a collective bargaining agreement may become a participant in the Plan after completing 3 years of service and attaining the age of 21.

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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Cont.)**

**Vesting** - Employees are 100% vested after completing 5 years of vesting service. Vesting service is defined as full, complete years of service as of employee’s anniversary date.

**Accrued Benefit** - Annual retirement income is based on the compensation and benefit service earned while the participant is employed. The accrued benefit equals the product of 1.5% of average monthly compensation (average compensation rate over 5 consecutive years preceding normal retirement age) and years of service. The normal form of payment for retirement, disability, and death benefits is life annuity with 5 year certain period. However, other available options can be elected.

**NOTE 3 - INVESTMENTS**

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Committee. The investment objectives of the Plan are to preserve, protect, and grow the Plan assets, as well as to maintain sufficient liquid reserves to meet Plan obligations. The Plan’s assets will be invested in a wide range of investment options that will span the risk/return spectrum. The following was the Board’s adopted asset allocation policy as June 30, 2016 and 2015:

<b>Asset Class</b>	<b>Target Allocations</b>			<b>Tactical Asset Allocation Portfolio</b>
	<b>Tier One Near Term Sub Portfolio</b>	<b>Tier Two Mid Term Sub Portfolio</b>	<b>Tier Three Long Term Sub Portfolio</b>	
Cash/Fixed Income	75%	30%	25%	57.45%
Domestic Equity	25%	70%	75%	42.55%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was (1.6%) and 4.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**NOTES TO FINANCIAL STATEMENTS  
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YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 3 - INVESTMENTS (Cont.)**

The Plan's assets are held in a bank-administered trust fund. The following table presents Plan investments. Investments that represent 5% or more of the Plan's fiduciary net position are separately identified.

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>INVESTMENTS AT FAIR VALUE</b>		
<i>Money market account</i>	\$ 1,764,048	\$ 1,398,773
<i>Brokered Certificates of Deposit</i>	-	335,000
<b>Fixed Income Securities:</b>		
Corporate bonds and notes	-	1,418,872
Fixed income mutual funds:		
Vanguard Bond Index #222	33,012,440	30,572,767
Other fixed income mutual funds	9,914,298	8,732,571
Total fixed income securities	<u>42,926,738</u>	<u>40,724,210</u>
<b>Equity Securities:</b>		
Equity mutual funds:		
Tweedy Browne Global Value	16,741,467	12,868,256
Vanguard Russell 1000 Index	49,080,385	47,865,629
Vanguard Russell 2000 Index	20,623,378	22,092,651
Common Stock	4,849,402	9,767,033
Total equity securities	<u>91,294,632</u>	<u>92,593,569</u>
<b>Total investments at fair value</b>	<u>\$ 135,985,418</u>	<u>\$ 135,051,552</u>

**FORREST COUNTY GENERAL HOSPITAL  
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**NOTES TO FINANCIAL STATEMENTS  
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YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 3 - INVESTMENTS (Cont.)**

During the plan years ended June 30, 2016 and 2015, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$(5,351,976) and \$3,448,496, respectively, as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Fixed Income Securities	\$ 1,233,056	\$ (411,943)
Equity Securities	(6,585,032)	3,860,439
	<u>\$ (5,351,976)</u>	<u>\$ 3,448,496</u>

**NOTE 4 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of this 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

- 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;
- 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.

**FORREST COUNTY GENERAL HOSPITAL  
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***NOTE 4 - FAIR VALUE MEASUREMENTS (Cont.)***

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

*Brokered Certificates of Deposit* - Brokered certificates of deposit are valued using quoted rates currently available for deposits with similar remaining maturities.

*Corporate Bonds* - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

*Mutual Funds* - Valued at the daily closing prices 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 (SEC). 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.

*Common Stock* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Closely Held Stock* - Closely held stock is reported at fair value utilizing an income approach to valuation. The investment in American Farmland Company is generally equal to the net asset value per share based upon appraised value of properties owned. Appraisals are obtained at least once a year to determine the fair market value of the underlying real estate assets and performed by firms which are independent of the management of the American Farmland Company and its Sub Advisor.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective 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.

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**NOTE 4 - FAIR VALUE MEASUREMENTS (Cont.)**

The following tables set forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016 and 2015:

	<b>Assets at Fair Value as of June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Money market account</i>	\$ 1,764,048	\$ -	\$ -	\$ 1,764,048
<i>Fixed Income Securities</i>				
Fixed income mutual funds	42,926,738	-	-	42,926,738
<i>Equity Securities</i>				
Equity mutual funds	86,445,230	-	-	86,445,230
Common stock	4,849,402	-	-	4,849,402
<b>Total assets at fair value</b>	<b>\$ 135,985,418</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 135,985,418</b>

	<b>Assets at Fair Value as of June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Money market account</i>	\$ 1,398,773	\$ -	\$ -	\$ 1,398,773
<i>Brokered certificates of deposit</i>	335,000	-	-	335,000
<i>Fixed Income Securities</i>				
Corporate bonds and notes	-	1,418,872	-	1,418,872
Fixed income mutual funds	39,305,338	-	-	39,305,338
<i>Equity Securities</i>				
Equity mutual funds	82,826,536	-	-	82,826,536
Closely held stock	9,767,033	-	-	9,767,033
<b>Total assets at fair value</b>	<b>\$ 133,632,680</b>	<b>\$ 1,418,872</b>	<b>\$ -</b>	<b>\$ 135,051,552</b>

**FORREST COUNTY GENERAL HOSPITAL  
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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**NOTE 6 - NET PENSION LIABILITY**

The components of the net pension liability of the Plan at June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 194,351,662	\$ 182,575,415
Plan fiduciary net position	<u>(136,103,415)</u>	<u>(135,131,961)</u>
Net pension liability	<u>\$ 58,248,247</u>	<u>\$ 47,443,454</u>
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%



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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - NET PENSION LIABILITY (Cont.)**

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 01, 2016
Actuarial cost method	Entry age
Actuarial valuation method	Entry Age Normal Funding Method
Amortization method	Level dollar amount, closed method
Remaining amortization period for 7/1/2016 unfunded actuarial liability	18 Years
Asset valuation method	3-year smoothing method
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	2.0% to 4.5% based on age, including inflation
Retirement age	The earlier of the normal retirement age (65 years) and the age when eligible for unreduced special retirement

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Mortality rates were based on the IRS Static Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined based upon the assumed asset allocation of the pension plan's portfolio, the long-term expected real rate of return for each major asset class and an underlying rate of inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income Securities	2.00%
Equity Securities	7.00% - 8.00%

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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - NET PENSION LIABILITY (Cont.)**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 the total pension liability.

The following presents the net pension liability of the Hospital, calculated using the discount rate of 7.25%, as well as what the Hospital's net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net pension liability	\$ 87,127,687	\$ 58,248,247	\$ 34,480,514

**NOTE 7 - TAX STATUS**

The plan obtained its latest determination letter on October 14, 2014, in which the Internal Revenue Service states that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

**NOTE 8 - PLAN TERMINATION**

Although it has not expressed any intent to do so, the plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. Upon termination of the Plan, the Committee will allocate the Trust Fund, after payment of any applicable taxes and administrative fees, among participants, retired participants and beneficiaries in the following order:

Priority Class A: For any benefits of a participant, retired participant or beneficiary which are attributable to any voluntary contributions to the Plan, as now or hereafter permitted.

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***NOTE 8 - PLAN TERMINATION (Cont.)***

Priority Class B: For benefits of a retired participant or beneficiary which were in pay status as of the beginning of the three year period ending on the termination date.

Priority Class C: All other nonforfeitable benefits under the Plan.

Priority Class D: All other benefits under the Plan.

***REQUIRED SUPPLEMENTARY INFORMATION***

SCHEDULE 1

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST THREE YEARS**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> <u>As restated</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 3,530,410	\$ 3,740,713	\$ 3,832,463
Interest	13,267,635	12,440,681	11,696,789
Differences between expected and actual experience	1,186,135	1,333,643	(187,704)
Benefit payments	<u>(6,207,933)</u>	<u>(5,589,011)</u>	<u>(4,389,427)</u>
Net change in total pension liability	11,776,247	11,926,026	10,952,121
Total pension liability - beginning	<u>182,575,415</u>	<u>170,649,389</u>	<u>159,697,268</u>
<b>Total pension liability - ending</b>	<u><u>\$ 194,351,662</u></u>	<u><u>\$ 182,575,415</u></u>	<u><u>\$ 170,649,389</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 10,063,476	\$ 9,782,490	\$ 10,496,075
Net investment income	(2,784,099)	5,817,886	14,301,250
Benefit payments	(6,207,933)	(5,589,011)	(4,389,427)
Administrative expenses	<u>(99,990)</u>	<u>(91,738)</u>	<u>(102,327)</u>
Net change in plan fiduciary net position	971,454	9,919,627	20,305,571
Plan fiduciary net position - beginning	<u>135,131,961</u>	<u>125,212,334</u>	<u>104,906,763</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 136,103,415</u></u>	<u><u>\$ 135,131,961</u></u>	<u><u>\$ 125,212,334</u></u>
<b>NET PENSION LIABILITY</b>	<u><u>\$ 58,248,247</u></u>	<u><u>\$ 47,443,454</u></u>	<u><u>\$ 45,437,055</u></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>70%</u>	<u>74%</u>	<u>73%</u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u><u>\$ 80,727,008</u></u>	<u><u>\$ 84,626,337</u></u>	<u><u>\$ 86,263,018</u></u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	<u>72%</u>	<u>56%</u>	<u>53%</u>

**Notes to Schedule:**

*Changes of assumptions:* In 2014, the Actuarial Valuation Method changed from the Aggregate Frozen Initial Liability funding method (based on an Entry Age Accrued Liability) to the Individual Entry Age Normal funding method.

SCHEDULE 2

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN YEARS**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Actuarially determined contribution	\$ 8,562,658	\$ 8,939,534	\$ 10,496,078	\$ 8,397,780
Contributions in relation to the actuarially determined contribution	<u>10,063,476</u>	<u>9,782,490</u>	<u>10,496,075</u>	<u>8,397,780</u>
<b>Contribution deficiency (excess)</b>	<u>\$ (1,500,818)</u>	<u>\$ (842,956)</u>	<u>\$ 3</u>	<u>\$ -</u>
Covered-employee payroll	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018	\$ 87,791,483
Contributions as a percentage of covered-employee payroll	12.47%	11.56%	12.17%	9.57%

**Notes to Schedule:**

See Note 6 for actuarial assumptions.

<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2007</u>
\$ 9,840,252	\$ 9,520,080	\$ 8,363,455	\$ 6,595,329	\$ 7,510,378	\$ 6,717,936
<u>9,840,252</u>	<u>9,520,080</u>	<u>8,363,455</u>	<u>6,595,329</u>	<u>7,551,630</u>	<u>6,654,628</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,252)</u>	<u>\$ 63,308</u>
\$ 89,088,709	\$ 89,288,274	\$ 85,774,467	\$ 75,256,639	\$ 75,108,861	\$ 68,784,933
11.05%	10.66%	9.75%	8.76%	10.05%	9.67%

SCHEDULE 3

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**SCHEDULE OF INVESTMENT RETURNS  
LAST FOUR YEARS**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Annual money-weighted rate of return, net of investment expense	-1.6%	4.3%	13.5%	7.4%



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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**

To The Board of Trustees  
Forrest County General Hospital  
Pension Plan  
Hattiesburg, Mississippi

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 financial statements of Forrest County General Hospital Pension Plan as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Forrest County General Hospital Pension Plan'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Forrest County General Hospital Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Forrest County General Hospital Pension Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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.

To The Board of Trustees  
Forrest County General Hospital  
Pension Plan

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 Forrest County General Hospital Pension Plan's financial statements 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Hattiesburg, Mississippi  
November 30, 2016