

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY SCHEDULES**

**Years Ended June 30, 2019 and 2018**

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**CONTENTS**

	<b>PAGE</b>
<b><i>INDEPENDENT AUDITOR'S REPORT</i></b>	1
<b><i>FINANCIAL STATEMENTS</i></b>	
Exhibit A - Statements of Fiduciary Net Position	4
Exhibit B - Statements of Changes in Fiduciary Net Position	5
<b><i>NOTES TO FINANCIAL STATEMENTS</i></b>	6
<b><i>REQUIRED SUPPLEMENTARY SCHEDULES</i></b>	
Schedule 1 - Schedule of Changes in Net Pension Liability and Related Ratios	16
Schedule 2 - Schedule of Employer Contributions	18
Schedule 3 - Schedule of Investment Returns	19
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	20



## INDEPENDENT AUDITOR'S REPORT

To the Board of 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, 2019 and 2018, 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 from material misstatement.



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To the Board of 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Forrest County General Hospital Pension Plan as of June 30, 2019 and 2018, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Schedules*

Accounting principles generally accepted in the United States of America require that the supplemental schedules of changes in net pension liability and related ratios, employer contributions, and investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board (GASB) 67, *Financial Reporting for Pension*

To the Board of Trustees  
Forrest County General Hospital  
Pension Plan

*Plans*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, 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 solely 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 effectiveness of 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.

  
Hattiesburg, Mississippi  
October 29, 2019

EXHIBIT A

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2019 AND 2018**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Investments at fair value	\$ 204,311,702	\$ 191,207,526
Investment at contract value	3,414,227	3,325,967
Total investments	<u>207,725,929</u>	<u>194,533,493</u>
Accrued interest and dividend receivable	<u>194,888</u>	<u>151,426</u>
Total assets	<u>207,920,817</u>	<u>194,684,919</u>
<b>LIABILITIES</b>		
Total liabilities	<u>-</u>	<u>-</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 207,920,817</u>	<u>\$ 194,684,919</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<b>ADDITIONS</b>		
Employer contributions	<u>\$ 10,063,476</u>	<u>\$ 10,063,476</u>
Investment income		
Net appreciation in fair value of investments	7,026,646	11,349,881
Interest and dividends	4,094,096	3,372,691
Less: investment expenses	<u>(249,475)</u>	<u>(242,241)</u>
Net investment income	<u>10,871,267</u>	<u>14,480,331</u>
Total additions	<u>20,934,743</u>	<u>24,543,807</u>
<b>DEDUCTIONS</b>		
Benefit payments	7,584,135	7,624,734
Administrative expense	114,710	110,324
Total deductions	<u>7,698,845</u>	<u>7,735,058</u>
<b>NET INCREASE IN NET POSITION</b>	13,235,898	16,808,749
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of year	<u>194,684,919</u>	<u>177,876,170</u>
End of year	<u>\$ 207,920,817</u>	<u>\$ 194,684,919</u>

The accompanying notes are an integral part of these financial statements.

***NOTES TO FINANCIAL STATEMENTS***



**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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

The summary of significant accounting policies of Forrest County General Hospital Pension Plan (the Plan) is presented to assist in understanding the Plan's financial statements. The financial statements and notes are representations of the Plan's management, who is responsible for their integrity and objectivity. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Basis of Accounting*** - The accompanying financial statements of the Pension Plan are prepared using the accrual basis of accounting.

***Investment Valuation and Income Recognition*** - The Plan's investments are reported at fair value, except for the fully benefit-responsive contract which is reported at contract 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. 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), determines the Plan's valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. 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.

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**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TWO  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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 statements of changes in fiduciary net position. In addition, certain investment related expenses are included in net investment appreciation (depreciation) presented in the statements of changes in fiduciary net position.

**Subsequent Events** - Plan management has evaluated subsequent events through October 29, 2019, which is the date the financial statements were available to be issued, and concluded that no events or transactions occurred during that period which require recognition or disclosure.

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

The following brief description of the 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 Committee, which 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, 2019 and 2018, respectively, representing the most recent actuarial valuation dates:

	<u>2019</u>	<u>2018</u>
Retirees and beneficiaries receiving benefits	\$ 578	\$ 516
Vested terminated plan members entitled to but not yet receiving benefits	1,173	1,174
Active plan members	<u>1,132</u>	<u>1,215</u>
<b>Total Participants</b>	<u>\$ 2,883</u>	<u>\$ 2,905</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.

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE THREE  
YEARS ENDED JUNE 30, 2019 AND 2018**

***NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Cont.)***

***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 years ended June 30, 2019 and 2018, the Hospital's average contribution rates were 15.05% and 13.89% of annual payroll.

***Participation*** - Participation in the Plan has been soft frozen. All full-time employees, employed on or before June 30, 2011, who were not represented by a collective bargaining agreement are eligible to participate in the Plan after completing three years of service and attaining the age of 21. Any full-time employee hired on or before June 30, 2011 and then subsequently terminated is eligible to participate upon re-hire as a full-time employee if one of the following conditions are met: 1) the employee is entitled to a deferred vested benefit; or 2) the employee is re-hired within five years of termination.

***Vesting*** - Employees are 100% vested after completing five 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 five 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 five 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, 2019 and 2018:

(See Table on Next Page)

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE FOUR  
YEARS ENDED JUNE 30, 2019 AND 2018**

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

<u>Asset Class</u>	<u>Target Allocations</u>			<u>Tactical Asset Allocation Portfolio</u>
	<u>Tier One Near Term Sub Portfolio</u>	<u>Tier Two Mid Term Sub Portfolio</u>	<u>Tier Three Long Term Sub Portfolio</u>	
Cash/Fixed Income	60%	40%	20%	57.45%
Domestic Equity	40%	60%	80%	42.55%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 5.7% and 8.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**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 under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* 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.

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE FIVE  
YEARS ENDED JUNE 30, 2019 AND 2018**

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

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 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, 2019 and 2018.

*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.

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.

The following tables set forth by level, within the fair value hierarchy, the plan's assets at fair value:

	<b>Assets at Fair Value as of June 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Money market account</i>	\$ 1,241,822	\$ -	\$ -	\$ 1,241,822
<i>Fixed income securities</i>				
Fixed income mutual funds	82,794,557	-	-	82,794,557
<i>Equity securities</i>				
Equity mutual funds	120,275,323	-	-	120,275,323
<b><i>Investments at fair value</i></b>	<b>\$ 204,311,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 204,311,702</b>

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE SIX  
YEARS ENDED JUNE 30, 2019 AND 2018**

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

	<b>Assets at Fair Value as of June 30, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Money market account</i>	\$ 2,816,970	\$ -	\$ -	\$ 2,816,970
<i>Fixed income securities</i>				
Fixed income mutual funds	71,131,203	-	-	71,131,203
<i>Equity securities</i>				
Equity mutual funds	<u>117,259,353</u>	<u>-</u>	<u>-</u>	<u>117,259,353</u>
<b><i>Investments at fair value</i></b>	<b><u>\$ 191,207,526</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 191,207,526</u></b>

**NOTE 5 - GROUP ANNUITY CONTRACT WITH STANDARD INSURANCE COMPANY**

At June 30, 2019 and 2018, the Plan had an investment in a traditional fully benefit-responsive guaranteed investment contract, The Standard Stable Asset fund, with the Standard Insurance Company (Standard) totaling \$3,414,227 and \$3,325,967, respectively. Standard maintains the contributions in a general account, and there are no particular segregated or identifiable assets ascribed to the Plan's investment. The account is credited with earnings on the underlying investments and charged for withdrawals and administrative expenses. Contract value is guaranteed by the full faith and credit of Standard; there are no wrap contracts supporting the liquidity of the fund. The crediting rate is based on a formula established by Standard but may not be less than one percent. The crediting rate is declared in advance and is reset quarterly.

This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by the Plan if it were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Standard, represents contributions made, less withdrawals and administrative expenses, plus interest credited. The Plan may ordinarily direct the withdrawal or transfer of all or a portion of its investment at contract value. Daily liquidity is available for contributions and withdrawals at contract value regardless of market conditions.

The Plan's ability to receive amounts due is dependent on Standard's ability to meet its financial obligations. Standard's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE SEVEN  
YEARS ENDED JUNE 30, 2019 AND 2018**

***NOTE 5 - GROUP ANNUITY CONTRACT WITH STANDARD INSURANCE COMPANY (Cont.)***

Certain events might limit the ability of the Plan to transact at contract value with Standard. Such events include termination of the contract, spin-offs, divestitures, layoffs, corporate relocation, partial or total Plan termination, retirement incentive programs, and the liberalization of Plan withdrawal or transfer rules. Upon occurrence of any of these events, a market value adjustment or other withdrawal restrictions may apply.

In addition, Standard may terminate the contract with 30 days advance written notice to the contract owner for reasonable cause, which includes the contract owner's failure to abide by state or federal law, failure to render performance necessary to comply with the terms of the contract, failure to maintain assets of at least \$25,000, Plan disqualification, and failure to adopt the Plan in a reasonable period of time. Upon termination by Standard, a market value adjustment or other withdrawal restrictions may apply.

***NOTE 6 - 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.

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**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE EIGHT  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 7 - NET PENSION LIABILITY**

The components of the net pension liability of the Plan at June 30, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Total pension liability	\$ 227,132,183	\$ 214,890,884
Plan fiduciary net position	(207,920,817)	(194,684,919)
<b>Net pension liability</b>	<b>\$ 19,211,366</b>	<b>\$ 20,205,965</b>
 Plan fiduciary net position as a percentage of the total pension liability	92%	91%

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 01, 2019
Actuarial cost method	Entry age
Actuarial valuation method	Entry Age Normal Funding Method
Amortization method	Level dollar amount, closed method
Remaining amortization period for 7/1/2018 unfunded actuarial liability	15 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 RP-2000 Mortality Table (previously referred to as the IRS Static Mortality Table), with adjustments for mortality improvements based on Scale AA.



**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE NINE  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 7 - NET PENSION LIABILITY (Cont.)**

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, 2019 (see the discussion of the Plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income Securities	1.80%
Equity Securities	7.00% - 8.00%

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	\$ 50,125,577	\$ 19,211,366	\$ (6,446,726)

**NOTE 8 - 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 administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TEN  
YEARS ENDED JUNE 30, 2019 AND 2018**

***NOTE 9 - 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.

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.

***NOTE 10 - CONCENTRATIONS***

Included in investments at June 30, 2019 are shares in the Vanguard Russell 1000 Index and the Vanguard Bond Index #222 amounting to \$52,587,659 and \$62,199,730, respectively. These investments represent 25% and 30%, respectively, of total investments at June 30, 2019. Included in investments at June 30, 2018 are shares in the Vanguard Russell 1000 Index and the Vanguard Bond Index #222 amounting to \$58,919,650 and \$51,770,689, respectively. These investments represent 30% and 27%, respectively, of total investments at June 30, 2018. A significant decline in the market value of these investments would significantly affect the net position restricted for pensions.

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***REQUIRED SUPPLEMENTARY SCHEDULES***

SCHEDULE 1

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

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

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 2,802,670	\$ 3,091,562	\$ 3,302,712
Interest	15,507,856	14,823,878	14,098,001
Differences between expected and actual experience	1,514,956	(587,916)	(165,919)
Benefit payments	<u>(7,584,183)</u>	<u>(7,624,734)</u>	<u>(6,398,362)</u>
Net change in total pension liability	12,241,299	9,702,790	10,836,432
Total pension liability - beginning	<u>214,890,884</u>	<u>205,188,094</u>	<u>194,351,662</u>
<b>Total pension liability - ending</b>	<u><u>\$ 227,132,183</u></u>	<u><u>\$ 214,890,884</u></u>	<u><u>\$ 205,188,094</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 10,063,476	\$ 10,063,476	\$ 30,063,476
Net investment income	10,871,267	14,480,331	18,202,675
Benefit payments	(7,584,135)	(7,624,734)	(6,398,362)
Administrative expenses	<u>(114,710)</u>	<u>(110,324)</u>	<u>(95,034)</u>
Net change in plan fiduciary net position	13,235,898	16,808,749	41,772,755
Plan fiduciary net position - beginning	<u>194,684,919</u>	<u>177,876,170</u>	<u>136,103,415</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 207,920,817</u></u>	<u><u>\$ 194,684,919</u></u>	<u><u>\$ 177,876,170</u></u>
<b>NET PENSION LIABILITY</b>	<u><u>\$ 19,211,366</u></u>	<u><u>\$ 20,205,965</u></u>	<u><u>\$ 27,311,924</u></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u><u>92%</u></u>	<u><u>91%</u></u>	<u><u>87%</u></u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u><u>\$ 66,860,831</u></u>	<u><u>\$ 72,436,009</u></u>	<u><u>\$ 76,926,859</u></u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	<u><u>29%</u></u>	<u><u>28%</u></u>	<u><u>36%</u></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.

<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> <u>As restated</u>
\$ 3,530,410	\$ 3,740,713	\$ 3,832,463
13,267,635	12,440,681	11,696,789
1,186,135	1,333,643	(187,704)
(6,207,933)	(5,589,011)	(4,389,427)
<u>11,776,247</u>	<u>11,926,026</u>	<u>10,952,121</u>
<u>182,575,415</u>	<u>170,649,389</u>	<u>159,697,268</u>
<u>\$ 194,351,662</u>	<u>\$ 182,575,415</u>	<u>\$ 170,649,389</u>
\$ 10,063,476	\$ 9,782,490	\$ 10,496,075
(2,784,099)	5,817,886	14,301,250
(6,207,933)	(5,589,011)	(4,389,427)
(99,990)	(91,738)	(102,327)
<u>971,454</u>	<u>9,919,627</u>	<u>20,305,571</u>
<u>135,131,961</u>	<u>125,212,334</u>	<u>104,906,763</u>
<u>\$ 136,103,415</u>	<u>\$ 135,131,961</u>	<u>\$ 125,212,334</u>
<u>\$ 58,248,247</u>	<u>\$ 47,443,454</u>	<u>\$ 45,437,055</u>
<u>70%</u>	<u>74%</u>	<u>73%</u>
<u>\$ 80,727,008</u>	<u>\$ 84,626,337</u>	<u>\$ 86,263,018</u>
<u>72%</u>	<u>56%</u>	<u>53%</u>

SCHEDULE 2

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN YEARS**

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Actuarially determined contribution	\$ 5,758,919	\$ 6,397,344	\$ 8,516,539	\$ 8,562,658	\$ 8,939,534	\$ 10,496,078	\$ 8,397,780	\$ 9,840,252	\$ 9,520,080	\$ 8,363,455
Contributions in relation to the actuarially determined contribution	<u>10,063,476</u>	<u>10,063,476</u>	<u>30,063,476</u>	<u>10,063,476</u>	<u>9,782,490</u>	<u>10,496,075</u>	<u>8,397,780</u>	<u>9,840,252</u>	<u>9,520,080</u>	<u>8,363,455</u>
<b>Contribution deficiency (excess)</b>	<u>\$ (4,304,557)</u>	<u>\$ (3,666,132)</u>	<u>\$ (21,546,937)</u>	<u>\$ (1,500,818)</u>	<u>\$ (842,956)</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018	\$ 87,791,483	\$ 89,088,709	\$ 89,288,274	\$ 85,774,467
Contributions as a percentage of covered-employee payroll	15.05%	13.89%	39.08%	12.47%	11.56%	12.17%	9.57%	11.05%	10.66%	9.75%

**Notes to Schedule:**

See Note 7 for actuarial assumptions.

SCHEDULE 3

**FORREST COUNTY GENERAL HOSPITAL  
PENSION PLAN**

**SCHEDULE OF INVESTMENT RETURNS  
LAST SEVEN YEARS**

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<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	5.7%	8.3%	12.7%	-1.6%	4.3%	13.5%	7.4%

The accompanying notes are an integral part of this schedule.



**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 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, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2019.

**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 opinions 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.

- 20 -



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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  
October 29, 2019