

**SINGING RIVER HEALTH
SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**
Jackson County, Mississippi

Financial Statements
Year Ended September 30, 2013



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Singing River Health System Employees' Retirement Plan and Trust

Report on the Financial Statements

We have audited the accompanying financial statements of Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), which comprise the statement of net position available for benefits as of September 30, 2013 and the related statement of changes in net position available for benefits for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the Plan's records and procedures to assure the accuracy and completeness of participants' data on which eligibility and benefit payments are determined, and the Board of Trustees did not engage us to perform, and we did not perform, any other auditing procedures with respect to participants' data maintained by the Health System or individual participants.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the Plan net position available for benefits as of September 30, 2013 and the respective changes in net position available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As more fully described in Notes 3 and 8, on November 20, 2014, the Board of Trustees of the Plan sponsor, Singing River Health System (the "Health System"), adopted a resolution to, among other things, amend and terminate the Plan with no further contributions to the Plan from the Health System or its employees. Subsequently on March 12, 2015, the Board of Trustees of the Health System adopted an additional resolution to rescind the above November 20, 2014 resolution and to restate that resolution to include, among other things, that the Plan be amended such that no further contributions to the Plan shall be made, and no further benefits shall accrue after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014, and that the Board of Trustees of the Health System will continue an effort to develop and present a viable alternative to termination of the Plan. Currently there are a number of state and federal court actions pending against the Health System and the Plan seeking monetary relief in addition to injunctive relief which would prevent termination of the Plan. The ultimate resolution of the actions pending cannot be reasonably determined but could have a material adverse effect on the Plan's net position available for benefits and changes therein, as well as the Plan's long-term financial viability.

As discussed in Note 9 to the financial statements, in 2014 the Plan will be required to adopt the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 67, *Accounting and Financial Reporting for Pensions and Amendments of GASB Statement No. 27*. Management estimates this adoption will result in an incremental liability in excess of \$200 million. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the required schedules on pages 20 through 21 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board 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. Management has omitted the fiscal year 2012 financial information used for comparison purposes within the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the omitted information.

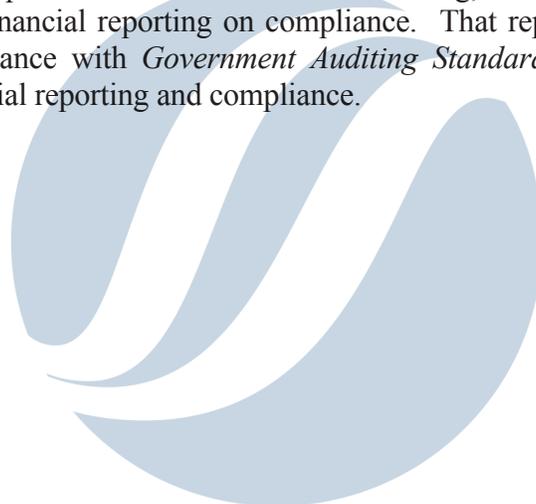
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2015, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 of the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Home LLP

Ridgeland, Mississippi
August 26, 2015



**SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2013**

This section presents management's discussion and analysis of the financial position and performance of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan") for the year ended September 30, 2013. This discussion is presented as an overview of the financial activities of the Plan and should be read in conjunction with the Plan's financial statements.

Overview of the Basic Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board ("GASB") pronouncements. The basic components of the financial package are described below:

- Statement of net position available for benefits provides a snapshot of account balances and net position for future benefit payments and any liabilities as of the Plan year end. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.
- Statement of changes in net position available for benefits shows the revenues (additions) and expenses (deductions) during the year, where additions less deductions equal net increase (decrease) in net position. The net increase (decrease) in net position reports the change in net position as reported in the combining statements of changes in pension plan of the prior year and the current year.
- Notes to the financial statements provide additional information that is essential to achieving a better understanding of the data provided in the basic financial statements.
- Required supplementary information provides schedules and related notes concerning actuarial information, funding progress and employer contributions.

**SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2013**

Financial Highlights

Net position increased by \$9,608,991 or 7 percent during fiscal year 2013 to \$144,897,703 at September 30, 2013. The change in net position was primarily due to the increase in the fair market value of the investments.

The actuarial funded ratio of the Plan for 2013 was 47.8 percent. The decrease in the funded ratio during 2013 was due to the lack of employer contributions, investment performance over the previous 5 years and changes in actuarial assumptions.

The Health System did not make any contributions to the Plan in 2013.

Plan Net Position

The following table provides a summary statement of the Plan's total assets, total liabilities, and net position for fiscal year 2013:

	2013
Investments	\$ 144,563,579
Receivables	573,460
Total assets	145,137,039
Total liabilities	239,336
Net position	\$ 144,897,703

Changes in Plan Net Position

The condensed statement of changes in Plan net position reflects the changes in the resources available to pay benefits to members. A summary of the combining statement of changes in Plan net position available for benefits is as follows:

	2013
Additions:	
Employee contributions	\$ 3,309,941
Investment income, net	18,411,743
Total additions	21,721,684
Deductions:	
Benefits paid	10,575,312
Refunds on contributions	1,107,200
Administrative and other expenses	430,181
Total deductions	12,112,693
Net increase in net position available for benefits	\$ 9,608,991

**SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2013**

Additions to Plan Net Position

Total additions were \$21,721,684. There were no employer contributions and employee contributions were \$3,309,941 for the year ended September 30, 2013. Prior to the November 20, 2014 resolution by the Health System Board of Trustees to cease employee contributions, employees contributed 3 percent of covered wages.

Net investment income totaled \$18,411,743 for the year ended September 30, 2013. Investment earnings fluctuate primarily from the overall performance of the financial markets from year to year.

Deductions to Plan Net Position

Total deductions increased 3 percent to \$12,112,693 for the year ended September 30, 2013, primarily due to an increase in benefit payments and refunds of contributions. Benefit payments, refunds of contributions and administrative expenses were \$10,575,312, \$1,107,200 and \$430,181, respectively, for the year ended September 30, 2013.

Funding Status

The actuarial assets, liabilities and funding status for the Plan are provided below:

	2013
Actuarial assets	\$ 136,288,663
Actuarial liabilities	285,017,971
Unfunded actuarial liabilities	\$ 148,729,308
Funded ratio	47.8%

Actuarial assets increased to \$136,288,663 in 2013 from \$134,236,418 in 2012. The increase in actuarial assets resulted from the net investment gains and participant contributions.

Actuarial liabilities increased to \$285,017,971 in 2013 due to increased benefits accrued by Plan participants and increase in actuarial liabilities is due to changes in actuarial assumptions.

The funded ratio is one indicator of the financial strength of the Plan, measuring the ratio of net position available to meet the actuarially determined future liabilities of the Plan. The funded ratio decreased to 47.8 percent at September 30, 2013 due to changes in the actuarial assets and actuarial liabilities as explained in the previous paragraphs.

**SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2013**

On November 20, 2014, the Board of Trustees of the Plan sponsor, Singing River Health System (the "Health System"), adopted a resolution to, among other things, amend and terminate the Plan with no further contributions to the Plan from the Health System or its employees. Subsequently, on March 12, 2015, the Board of Trustees of the Health System, adopted an additional resolution to rescind the above November 20, 2014 resolution and to restate that resolution to include, among other things, that the Plan be amended such that no further contributions to the Plan shall be made, and no further benefits shall accrue after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014, and that the Board of Trustees of the Health System will continue an effort to develop and present a viable alternative to termination of the Plan. Currently there are a number of state and federal court actions pending against the Health System and the Plan seeking monetary relief in addition to injunctive relief, which would prevent termination of the Plan. The ultimate resolution of the actions pending cannot be reasonably determined but could have a material adverse effect on the Plan's net position available for benefits and changes therein as well as the Plan's long-term financial viability.

Contact Information

This financial report is designed to provide the employer, Plan participants and others with a general overview of the Plan's finances and show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

Singing River Health System Employees' Retirement Plan and Trust
Attn: Chief Human Resources Officer
2101 Highway 90
Gautier, MS 39553

SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Statement of Plan Net Position Available for Benefits
September 30, 2013

ASSETS

Investments, at fair value		
Cash and cash equivalents	\$	3,904,727
Corporate notes and bonds		6,942,967
Common stocks		47,918,469
Mutual funds		35,359,637
Other investments		50,437,779
		<hr/>
Total investments		144,563,579
		<hr/>
Contribution receivable		241,535
Accrued interest and dividends		177,160
Due from brokers for securities sold		154,765
		<hr/>
Total assets		145,137,039
		<hr/>

LIABILITIES

Due to brokers for assets purchased		239,336
		<hr/>
Net position restricted for pension benefits	\$	144,897,703
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See accompanying notes.

SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
Statement of Changes in Plan Net Position Available for Benefits
For the Year Ended September 30, 2013

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Additions	
Employee contribution	\$ 3,309,941
Investment gain	
Net appreciation in fair value of investments	16,819,906
Interest and dividend income	2,418,048
Total investment gain	19,237,954
Investment expenses	826,211
Net investment income	18,411,743
Total additions, net	21,721,684
Deductions	
Benefits paid	10,575,312
Refunds of contributions	1,107,200
Administrative and other expenses	430,181
Total deductions	12,112,693
Net increase	9,608,991
Net position for pension benefits:	
Beginning of year	135,288,712
End of year	\$ 144,897,703



See accompanying notes.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Plan

The following description of Singing River Health System Employees' Retirement Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

General

The Plan is a single-employer defined benefit pension plan sponsored and administered by Singing River Health System (the "Health System"), which covers certain full-time employees of the Health System. The Plan was established by the Health System's Board of Trustees (the "Trustees") by resolution dated June 19, 1985. The Trustees have the sole responsibility and authority for amending and terminating the Plan.

Effective October 1, 2011, the Plan was amended so that no employees hired or rehired on or after October 1, 2011 were eligible to participate in the Plan and establish a maximum benefit of 50 percent of final earnings for employees with less than 20 years of credited service as of October 1, 2011.

Contributions and Funding

The Health System has agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay retirement benefits to Plan participants. The Health System is a governmental entity as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore the Plan is exempt from the requirements set forth therein. There were no employer contributions made to the Plan for the year ended September 30, 2013.

Participant contributions are set by the Plan at 3 percent of compensation. Plan records detailed accumulated participant contributions with interest at September 30, 2013 of \$35,887,695.

Payment of Benefits

The normal monthly retirement benefit is generally equal to 1.625 percent of the final 5-year average monthly earnings multiplied by years of credited service up to a maximum of 20 years, plus 1.75 percent of the final 5-year average monthly earnings multiplied by years of credited service over 20 years up to a maximum of 10 years, plus 2 percent of the final 5-year average monthly earnings multiplied by years of credited service over 30 years. Cost-of-living adjustments are provided to participants and beneficiaries equal to one half of the percentage increase in the consumer price index (as defined), not to exceed 2.5 percent, multiplied by the annual retirement income (as defined) times the number of Plan years (as defined) since retirement.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Early retirement benefits are available at age 60 with 10 years of credited service. The early retirement benefit is equal to the benefit at age 60 less 3 percent for each year the early retirement date precedes the participant's normal retirement date, which is 65. The Plan also provides for postponement of retirement dates, and for death and disability benefits.

Vesting

A participant is fully vested in the Plan upon completion of 10 years of credited service. Participants are fully vested at all times in their individual contributions and credited earnings thereon. Participants who cease employment before the completion of 10 years of credited service may receive their accumulated contributions in the form of a lump-sum refund of contributions.

Note 2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting.

Use of 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, liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The Plan's investments include funds that invest in various types of investment securities and in various companies within various markets. Investment securities are exposed to several 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 Plan's financial statements.

Investment Valuation and Income Recognition

The Plan's investments consist primarily of publicly-traded fixed income and equity securities, private equity funds, and other investments. Other investments include hedge funds through fund-of-funds structure generally organized as limited partnerships or limited liability companies and other types of private investments with underlying investment holdings.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Investments are reported at fair value. The fair value of publicly-traded fixed income and equity securities investments are based on quoted market prices. Securities traded on a national exchange are valued at the latest reported sales price. The Plan believes that the carrying amount of its private equity funds and other investments is a reasonable estimate of fair value as of September 30, 2013. Because other investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. The net appreciation in the fair value of investments of the Plan includes realized gains and losses on investment sales and unrealized gains and losses due to market value fluctuations.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Contributions and Funding

Plan member contributions are recognized in the period in which the contributions are due. The Health System's contributions to the Plan are recognized when due and the Health System has made a formal commitment to provide the contributions. There were no employer contributions in 2013.

Payment of Benefits

Benefit payments and refunds to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses incurred by the Plan are paid out of Plan assets.

New Accounting Standards Adopted

In 2013, the Plan adopted the following accounting standards:

Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). The financial reporting impact resulting from implementation of this standard was to rename the statement of net assets to statement of net position. The adoption of the standard did not have a material impact on the Plan's financial statements.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Established accounting and financial standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of the standard did not have a material impact on the Plan's financial statements.

Note 3. Resolution to Terminate Plan

On November 20, 2014, the Health System Board of Trustees resolved (the "November Resolution") to amend the Plan to, among other things, freeze the Plan so that no further contributions shall be made by the Health System or employees and that no further benefits shall accrue. The Resolution also directed that the Plan be terminated and that assets of the Plan be allocated and benefits funded in accordance with applicable provisions of the Plan. Additionally, the Resolution directed that a new plan be established with modified benefits. Subsequently, on March 12, 2015, the Board of Trustees of the Health System, adopted an additional resolution (the "March Resolution") to rescind the November Resolution and to restate that resolution to include, among other things, that the Plan be amended such that no further contributions to the Plan shall be made, and no further benefits shall accrue after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014 and that the board of trustees of the Health System will continue an effort to develop and present a viable alternative to termination of the Plan. Currently, there are multiple federal and state court actions pending against the Plan and the Health System, including an injunction to prevent implementation of the November Resolution. Management believes the Health System will likely be unable to fund the Plan in its current state into the foreseeable future. The ultimate resolution to the uncertainties surrounding the Plan cannot be reasonably determined.

Excluding the potential impact of the above resolutions, the Plan document at September 30, 2013 requires that in the event the Plan terminates, the net assets of the Plan will be allocated to provide the following benefits or pay the following costs in the order indicated:

- (a) Costs and charges for the liquidation and distribution of the assets;
- (b) Each individual's accrued benefit derived from his or her contributions;
- (c) Benefits to all retired participants, participants' surviving spouses, contingent annuitants and beneficiaries who have been receiving benefits for at least 3 years at the date of the Plan termination based on Plan provisions in effect 5 years prior to the date of such termination;
- (d) Benefits to all participants who could have been receiving benefits for at least 3 years by reason of eligibility for retirement, based on Plan provisions in effect 5 years prior to the date of such Plan termination;
- (e) All other nonforfeitable benefits under the Plan; and
- (f) All other benefits under the Plan.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 4. Funded Status and Funding Progress

As of October 1, 2013, the actuarial valuation date, the pension benefits of the Plan was 47.8 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$285,017,971 and the actuarial value of assets was \$136,288,663 resulting in an unfunded actuarial accrued liability ("UAAL") of \$148,729,308. The covered payroll (annual payroll of the active employees covered by the Plan) was \$102,294,056 and the ratio of the UAAL to the covered payroll was 145.4 percent.

The Schedule of Funding Progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2013
Actuarial cost method	Project unit credit
Amortization method	Level payments
Remaining amortization period	28.2 years
Asset valuation method	5-year smoothed market value (with phase-in)
Actuarial Assumptions:	
Investment rate of return	6.5%
Projected salary increase	2.8%
Cost-of-living adjustments	1.25%

Note 5. Investments

The composition of cash and cash equivalents at September 30, 2013 as follows:

	2013
Cash	\$ 148,076
Money market funds	<u>3,756,651</u>
	<u>\$ 3,904,727</u>

At September 30, 2013, \$3,756,651 of the Plan's money market funds are considered to be exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, an organization's deposit may not be returned. The Plan does not have a deposit policy for custodial credit risk.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

The composition of investments at September 30, 2013 follows:

Cash and cash equivalents	\$ 3,904,727
Corporate notes and bonds-domestic	6,106,274
Corporate notes and bonds-international	836,693
Common stocks-domestic	42,892,230
Common stocks-international	5,026,239
Mutual funds	35,359,637
Other investments	50,437,779
Total investments	\$ 144,563,579

Other investments include hedge funds and other types of private investments with underlying investment holdings.

The following is a summary of the Plan's individual investments representing 5 percent or more of the Plan's net assets at September 30, 2013:

Aetos Capital Long/Short Strategies Cayman Fund	\$ 12,096,289
Metropolitan West T/R Bond-M	\$ 11,837,696
Pointer Offshore Ltd/SRHS	\$ 11,527,107
Barrow Hanley Mewhinney and Strauss Large Cap Fund	\$ 8,662,881
First Eagle Overseas Fund	\$ 7,889,442
Vanguard FTSE All World EX US	\$ 7,736,473

At September 30, 2013, the Plan had investments in corporate notes and bonds with the following maturities:

	Fair Value	Less than 1	1-5	6-10	More than 10
Domestic	\$ 6,106,274	\$ -	\$ 947,349	\$ 4,890,031	\$ 268,894
International	\$ 836,693	-	\$ 167,298	\$ 646,520	\$ 22,875

At September 30, 2013, the corporate notes and bonds portfolio had the following price sensitivity to immediate rate changes

Price Change	Market Value	Dollar Change	Percent Change
Market value of portfolio with 0 change in rate	\$ 6,942,967	\$ -	-
Market value of portfolio with +300 bps change	\$ 5,928,127	\$ (1,014,840)	15%
Market value of portfolio with +300 bps change	\$ 7,589,099	\$ 646,132	9%

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

At September 30, 2013, the Plan's investments, collectively, had the following credit ratings:

Investment Type	AAA	Baa>AA	B>Ba	C>CCC	Not Rated
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 3,904,727
Notes and bonds-domestic	-	86,757	5,840,417	179,100	-
Notes and bonds-international	-	-	771,293	65,400	-
Common stocks	262,213	16,015,403	10,877,261	-	20,763,592
Mutual funds	11,837,696	23,521,941	-	-	-
Other	-	-	-	-	50,437,779
Total	\$ 12,099,909	\$ 39,624,101	\$ 17,488,971	\$ 244,500	\$ 75,106,098

Investments of the Plan are managed under the terms of investment management agreements with Trustmark National Bank; Janus Capital Corporation; Westfield Capital Management; Barrow, Hanley, Mewhinney & Strauss, Inc.; Disciplined Growth Investors, Inc.; WEDGE Capital Management, LLP; Private Advisors, LLC; State Street Global Advisors; Aetos Alternatives Management, LLC; Bradford & Marzec LLC; Invesco Ltd.; Schroder Investment Management; Gramercy Investments; Pointer Management, LLC; TCW Group, Inc.; and Vanguard FTSE All-World ex-US Index (the Asset Managers). The Asset Managers have been granted discretionary authority concerning purchases and sales of investments.

The Plan's investment policy as of September 30, 2013, which is established by the Board of Trustees, states that Plan investments in notes and bonds must be rated as investment grade. As outlined above, 96 percent of notes and bonds of the Plan's investments were rated outside of this policy.

As of September 30, 2013, the Plan's investment strategy for unallocated cash is to provide a sufficient reserve to pay benefits due within a reasonable and foreseeable future period and to provide cash earmarked for strategic investment needs.

The portfolio objectives of the Plan are as follows:

- (1) To reduce the Health System's cost of funding the Plan's benefits;
- (2) To provide a funding resource for possible future enhancement or augmentation of the Plan's benefits; and
- (3) To insulate the Plan's assets against the deterioration of purchasing power caused by inflation.

The authorized investments are as follows:

- (1) Domestic, Medium and Large Capitalization Common Stocks;
- (2) Domestic and Small Capitalization Common Stocks;
- (3) International (Non US) Stocks;
- (4) Domestic, Corporate and Government Bonds;

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

- (5) Future Index;
- (6) Cash Equivalents;
- (7) Real Estate Investment Trusts.

The Plan's Trustees expect to measure investment performance quarterly. The Plan Trustees expect to meet with each of their investment managers at least annually to review assets allocation, investment selection, portfolio performance and overall adherence to the investment policy guidelines.

As of September 30, 2013, the Plan utilized 16 investment managers. These managers are required to make investments in adherence to the Plan's current investment policy and objectives.

In order to meet its long-term needs, the investment strategy of the Plan will be aimed at matching the emerging long-term needs of the Plan with the proven, long-term performance patterns of the various investment markets.

Guidelines for investments and cash equivalents for the Plan follow:

- (1) The Plan's assets may be invested only in investment grade bonds rated Baa (or equivalent) or better as determined by Moody's Investor Service, excluding portfolios that are specifically committed to invest in high yield bonds. The corporate notes and bonds held by the Plan at September 30, 2011 and 2010 are held in a high yield portfolio.
- (2) The overall market-weighted quality rate of the bond portfolio shall be no lower than A.
- (3) The market-weighted maturity of the base portfolio shall be no longer than 7 – 10 years.
- (4) Quality of the equities should be primarily determined based on 3 to 5 year profitability and at least 5 years of earnings.

Note 6. Plan Membership

Membership of the Plan consisted of the following at October 1, 2013, the date of the actuarial valuation:

Retirees and beneficiaries receiving benefits	575
Terminated plan members entitled to but not yet receiving benefits	134
Terminated plan members not entitled to benefits with employee contributions	932
Active plan members	<u>1,680</u>
Total	<u><u>3,321</u></u>

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 7. Income Tax Status

In a determination letter dated August 05, 2014, the Internal Revenue Service held that the Plan, as amended effective May 29, 2013, is exempt from federal income taxes, and income taxes on employer contributions and earnings are deferred until such amounts are received by the participant or a beneficiary. The Plan administrator and the Plan's qualified tax adviser believe that the Plan and its underlying trust have operated within the terms of the Plan and in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan remains qualified and tax exempt.

Note 8. Risk and Uncertainties

Investments

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 participants' account balances and the amounts reported in the statements of net assets available for benefits.

Other Uncertainties

Currently, there are 9 state court actions pending in the chancery court and three federal court actions pending pertaining to the Health System and the Plan. Six of the cases aim to prevent the Health System from terminating the Plan via a permanent injunction while the other six court actions allege violations of the Mississippi Uniform Trust Act, among other allegations. In addition, 2 punitive class action lawsuits have been filed against the Health System and the Plan alleging breach of contract, among other allegations, and seek monetary relief in addition to injunctive relief which would prevent termination of the Plan. The parties agreed to a 90-day stay in one of the federal court actions from December 14, 2014, with the agreement that for 90 days the Health System would continue to pay all retirees as set forth in the Plan, thereby preventing any further action by the Health System to terminate the Plan during this period. On May 12, 2015, the judge in the 8 state court actions entered a stay as to the Plan and directed that the Plan could not be dissolved, amended, or terminated without further order of the state court. On May 13, 2015, the court ordered parties to each case to complete discovery that would allow the court to conduct an accounting of the Plan assets. This discovery period will end on November 15, 2015. The outcome of these proceedings cannot be reasonably determined. Other claims and actions may also develop during this period.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**

Year Ended December 31, 2013

NOTES TO FINANCIAL STATEMENTS

Note 9. Recent Reporting and Disclosure Developments

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 67 ("GASB 67")

The Plan will adopt GASB 67, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, in fiscal year 2014. This statement replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalents. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The statement increases note disclosures and required supplementary information requirements. Management estimates this adoption will result in an incremental liability in excess of \$200 million to be reflected on the Plan's statement of net position available for benefit and is evaluating other potential impacts of adopting this statement.

Governmental Accounting Standards Board Statement No. 72 ("GASB 72")

The Plan will adopt GASB 72, *Fair Value Measurement and Application*, in fiscal year 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Management has not yet evaluated the impact of adopting this standard.

Note 10. Subsequent Events

The Plan has evaluated subsequent events through August 26, 2015, the date of the financial statements were issued.

SINGING RIVER HEALTH SYSTEM
EMPLOYEES' RETIREMENT PLAN AND TRUST
 Required Supplemental Schedules
 September 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
October 1, 2008	\$ 150,999,902	\$ 170,361,232	\$ 19,361,330	88.6 %	\$ 97,042,780	20.0 %
October 1, 2009	146,588,332	169,112,456	22,524,124	86.7	112,085,995	20.1
October 1, 2010	145,900,190	189,363,614	43,463,424	77.0	120,759,213	36.0
October 1, 2011	141,398,027	200,328,271	58,930,244	70.6	120,697,220	48.8
October 1, 2012	134,236,418	212,324,494	78,088,076	63.2	117,403,165	66.5
October 1, 2013	136,288,663	285,017,971	148,729,308	47.8	102,294,056	145.4

Schedule of Employer Contributions

Fiscal Year Ended	Normal Cost	Unfunded AAL as of Beginning of Year	Annual Required Contribution	Employer Contributions	Percentage Contributed
September 30, 2008	\$ 4,355,822	\$ 5,290,565	\$ 2,650,513	\$ 2,600,000	98.1 %
September 30, 2009	5,188,999	19,361,330	4,522,625	2,000,000	44.2
September 30, 2010	5,233,561	22,524,124	4,409,160	-	-
September 30, 2011	6,157,555	43,463,424	7,283,090	-	-
September 30, 2012	6,351,047	58,930,244	8,964,565	-	-
September 30, 2013	6,846,694	78,088,076	11,434,823	-	-

See notes to required supplementary information.

**SINGING RIVER HEALTH SYSTEM EMPLOYEES' RETIREMENT
PLAN AND TRUST**
Year Ended December 31, 2013

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Note 1. Actuarial Valuation information

The information presented in the schedules of funding progress and employer contributions was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2013
Actuarial cost method	Project unit credit
Amortization method	Level payments
Remaining amortization period	28.2 years
Asset valuation method	5-year smoothed market value (with phase-in)
Actuarial Assumptions:	
Investment rate of return	6.5%
Projected salary increase	2.8%
Cost-of-living adjustments	1.25%

Note 2. Actuarial Method and Assumption Changes

The following actuarial method and assumption changes included in the 2013 actuarial valuation affect the identification of trends in the change in the amounts reported in the schedules of funding progress employer contributions from 2012 to 2013. The static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 were used for the 2013 valuation year. This updated mortality resulted in an increase in the actuarial accrued liability of \$0.3 million. The updated discount rate from 8.5 percent to 6.5 percent resulted in an increase in the actuarial accrued liability of \$58.2 million. The updated consumer price index from 2.0 percent to 2.5 percent (changing the assumed cost-of-living adjustments from 1.0 percent to 1.25 percent) resulted in an increase in the actuarial accrued liability of \$7.6 million. The updated employee contribution rate from 4.0 percent to 2.0 percent resulted in a decrease in the actuarial accrued liability of \$0.1 million. The expected administrative expenses to be paid by the Plan in the upcoming year went from \$390,000 to \$340,000, which decreased the normal cost by \$50,000.

**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**

Board of Trustees
Singing River Health System
Gautier, 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 the business-type activities of Singing River Health System (the "Health System") Employees' Retirement Plan and Trust (the "Plan"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated August 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified the following deficiencies in internal control that we consider to be material weaknesses.

Finding 2013-001 – Census Data

The Plan does not have adequate controls to ensure the completeness and accuracy of participant census data. In a sample of 74 participants tested, census data for 14 participants listed the incorrect dates of hire and/or dates of participation in the Plan, based upon the supporting documentation provided to us by management of the Plan. We noted all 14 participants had multiple dates of hire and/or changes between full and part-time employment. In a separate sample of 24 participants, the supporting information provided to us by management of the Plan indicated that one participant was eligible and participating in the Plan during 2013, however was improperly omitted from the 2013 census data. In a third sample of 3 participants, the information provided indicated that contributions by 2 participants were not included in their accumulated contribution balance. Lack of adequate controls over participant data could impact the accuracy and completeness of the participant's data on which eligibility and benefit payments are determined.

Recommendation

We recommend that management of the Plan perform a detailed comparison of census data to appropriate supporting documentation to ensure that the data underlying the Plan's actuarial calculations is complete and accurate. The Plan should design and implement controls over changes to the census data to ensure information is communicated to the administrator and census data is updated timely.

Finding 2013-002 - Unreconciled Participant Contributions

The Plan has inadequate controls over certain contribution data. Variances of approximately \$10,000 were identified between the 2013 participant payroll deferrals provided by the Health System and the 2013 participant contribution balances provided by the Plan's third-party administrator (the "TPA"). We noted total participant payroll deferrals were not reconciled to the participant detail prior to submission to the TPA. Participant contribution details are submitted to the TPA on a bi-weekly basis; however, participant deferrals withheld on certain non-routine payroll runs may be excluded from participant detail as these runs occur between normal pay periods. Lack of adequate controls over certain contribution data and unreconciled differences between participant deferrals and participant detail could impact the accuracy and completeness of the participant's data on which benefit payments are determined.

Recommendation

We recommend the Plan implement preventative controls to include a reconciliation of participant contributions to the participant detail prior to submission to the TPA. This will ensure complete and accurate participant contributions are reported to the TPA.

Finding 2013-003 – Investment Policy

The Plan maintains an investment policy (the "Investment Policy"), which was most recently updated March 26, 2008, as of September 30, 2013. At September 30, 2013, the Investment

Policy places certain restrictions on the nature of investments held; however, it does not clearly define how certain of these restrictions are to be measured. This lack of clarity could impact the Health System's ability to monitor and comply with the Investment Policy. For example, the Investment Policy requires all fixed income securities be investment-grade unless a portfolio is specifically committed to invest in high yield bonds with allocation of 25 to 75 percent of the fixed income portfolio allocated to high yield bonds. If evaluated based on the Plan's ownership of an investment fund, then 96.17 percent of all fixed income securities are below investment grade, rated BB+ or lower. However, if evaluated based on the underlying investments, it is possible the Plan could be considered in compliance with the Investment Policy.

Recommendation

We recommend that the Investment Policy be clarified as to the intent of the measurement of the restrictions on investment holdings and that controls be developed and implemented to monitor the Plan's ongoing compliance with the Investment Policy and to formally document any decisions to modify or deviate from the Investment Policy.

Other Matters

We communicated certain other deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses to management of the Plan a separate written communication dated August 26, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 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.



Ridgeland, Mississippi
August 26, 2015



CPAs & Business Advisors

To Management and Board of Trustees of Singing River Health System and the Plan
Administrator of Singing River Health System Employees' Retirement Plan and Trust

In connection with our audit of the financial statements of Singing River Health System Employees' Retirement Plan and Trust (the "Plan") as of and for the year ended September 30, 2013, we identified deficiencies in internal control over financial reporting (control deficiencies).

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Plan'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.

We communicated material weaknesses identified during our audit in a separate communication dated August 26, 2015. Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Participant Documentation

We noted that 4 participants were removed from a prior year census as a result of death; however, neither the Plan nor the Plan's third-party administrator was able to provide a death certificate or obituary to support the census change. Additionally, during distribution testing, 21 of our sample of 25 distributions were annuity payments established with the Plan's previous third-party administrator. The 2013 third-party administrator did not have original

documentation to support these arrangements and, as such, we were unable to obtain documentation to support the calculation of the amount of the distribution other than the distribution history.

Recommendation

HORNE recommends the Plan design and implement controls to ensure adequate documentation is obtained to support all census changes and distributions and maintain the documentation in employee personnel or other appropriate file. This will help ensure census changes and participant distributions are accurately recorded, appropriately documented, and annuity payments are conducted properly.

Timing of Deposits of Participant Deferrals

One of the bi-weekly payroll deferrals was deposited into Plan assets 37 business days after being withheld from participant payroll disbursements. Participant deferrals should be submitted to the Plan as soon as administratively feasible. HORNE noted, on average, participant deferrals were deposited into Plan assets within 2 business days of the payroll disbursement.

Recommendation

We recommend the Plan implement controls to ensure all participant deferrals are deposited with Plan assets as soon as administratively feasible, but in no event longer than the 15th day of the month following the deferral.

Segregation of Duties

One employee was responsible for the receipt, deposit and reconciliation of cash related to Hancock Bank accounts associated with the Plan. No one individual should have responsibility for more than one related function. HORNE notes, effective January 2015, appropriate steps were taken to correct this weakness. The receipt, deposit, and reconciliation functions were assigned to three separate individuals in the accounting department.

Recommendation

We recommend monitoring and periodic examination of controls in place to ensure proper segregation of duties exists surrounding all areas of Plan financial reporting.

Additionally, the following items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the Plan's practices and procedures.

Plan Document

While comparing the Plan document to the Summary of Plan Provisions in the actuarial valuation report, we noted the report states that "Effective October 1, 2011, those with more than 20 years of credited service will be limited to 70% of average monthly compensation," but we could not find this information in the restated Plan document. After our analysis of sample life

information and discussions with management, it was determined that participants with more than 20 years of credited service are limited to 100 percent of average monthly compensation as required by the Plan.

We recommend that the third-party administrator correct Section X of future actuarial valuation reports and exclude the limit of 70 percent of average monthly compensation for participants with more than 20 years of credit service or the Plan document be amended to reflect any intended revisions.

Actuarial Assumptions

The selection of actuarial assumptions should be guided by Actuarial Standard of Practice No. 6 ("ASOP 6"), Measuring Retiree Group Benefit Obligations. The assumptions should be based on the actual experience of the covered group, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. ASOP 6 references ASOP 27, which requires that each actuarial assumption should be reasonable individually and in conjunction with other assumptions.

ASOP 27 has been revised to remove the reference to the "best-estimate range." The revised standard emphasizes that a reasonable assumption is one which "reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data or a combination thereof." The revised ASOP 27 is effective for any actuarial work product with a measurement date on or after September 30, 2014. Future reports will need to disclose the rationale used in selecting (non-prescribed) economic assumptions (or changes to these assumptions).

We recommend that management of the Plan evaluate the changes required by the new standard to ensure that the new requirements are appropriately incorporated into its actuarial assumptions for the year ended September 30, 2014.

Adoption of New Accounting Pronouncement

The Plan will adopt Government Accounting Standards Board ("GASB") Statement No. 67, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, in fiscal year 2014 ("GASB 67"). GASB 67 replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalents. GASB 67 establishes new standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The statement increases note disclosures and required supplementary information requirements.

We recommend that management timely evaluate the impact of adopting this standard both on the financial statements of the Plan as well as the impact on the financial statements of the Plan's sponsor, Singing River Health System (the "Health System"), through its adoption of GASB 68, *Accounting and Financial Reporting for Pensions*.

Financial Viability of the Plan

On November 20, 2014, the Board of Trustees of the Health System adopted a resolution to, among other things, amend and terminate the Plan with no further contributions to the Plan from the Health System or its employees. Currently there are a number of state and federal court actions pending against the Health System and the Plan seeking monetary relief in addition to injunctive relief which would prevent termination of the Plan. Management disclosed in the Plan's 2013 audited financial statements that the ultimate resolution of the actions pending cannot be reasonably determined but could have a material adverse effect on the Plan's net position available for benefits and changes therein as well as the Plan's long-term financial viability.

Additionally, at September 30, 2013, the Plan's funded ratio was 47.8 percent based on actuarial assets of \$136,288,663 and actuarial liabilities of \$285,017,971. The funded ratio is one indicator of the financial strength of the Plan, measuring the ratio of net position available to meet the actuarially determined future liabilities of the Plan. The Health System has not made employer contributions to the Plan since the Plan year ended September 30, 2009.

We recommend that management and those charged with governance of the Plan continue to work diligently to resolve the above uncertainties and to evaluate the appropriateness of the funding level of the Plan.

This communication is intended solely for the information and use of management, Retirement Trustee Committee and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.



Home LLP

Ridgeland, Mississippi
August 26, 2015

Singing River Health System 2013 Pension Plan Audit

Corrective Action Plan

Current Management concurs with all of the findings in the audit report and has taken steps to rectify these historical issues. This summary of the corrective action plan is intended to emphasize auditee willingness to correct the deficient conditions noted in the 2013 audit findings. Below highlights some of the action taken to address the internal control deficiencies that were material weaknesses.

Internal Control Deficiencies that were Material Weaknesses

Finding 2013-001 (Census vs. Data Validation)

Human Resources has undertaken the task of going back and manually validating all dates submitted for every participant who has had a change in employment status. While this relates to Census data from prior to 2013 when Transamerica was not the TPA, prior to future census files being submitted to Transamerica for upload, there is now a two-step validation process.

Finding 2013-002 (Reconciliation of Participation and Contributions)

In early 2015, a process was developed to prevent this from recurring. Human Resources completes the upload file and prior to submitting the file to the Transamerica site, the file totals are now independently verified against the combined payroll records by the Finance Department.

Finding 2013-003 (Investment Policy)

The Trustees have asked Fiduciary Vest to clarify the investment policy to define how restrictions are measured, and to evaluate the overall policy itself.

Singing River Health System 2013 Pension Plan Audit

Corrective Action Plan

Current Management concurs with all of the findings in the audit report and has taken steps to rectify these historical issues. This summary of the corrective action plan is intended to emphasize auditee willingness to correct the deficient conditions noted in the 2013 audit findings. Below highlights some of the action taken to address the other internal control deficiencies as identified in a separate letter from Horne dated August 26, 2015.

Other Internal Control Deficiencies

Participation Documentation

Human Resources implemented new internal controls to support all census changes being permanently documented in the personnel files, including hard copies of death certificates when applicable.

Timing of Deposits of Participant Deferrals

In early 2015, a bi-weekly payroll checklist was developed and includes an internal control to check the totals of all deferrals that are sent via ACH to Transamerica against the payroll reports so as to ensure timely deposit. In addition, the Finance department now independently verifies the total payroll deferral amount from Human Resources prior to the upload of the file.

Segregation of Duties

In early 2015, a process was put in place whereby the deposit and reconciliation of the pension accounts is now completed by two different people, with all reconciliation done independently within the Finance Department instead of the Human Resources department.

Plan Document

The Trustees have asked Transamerica to correct the document.

Actuarial Assumptions

Management is in complete agreement and has advised the actuary accordingly.

Adoption of New Accounting Pronouncement

These standards have been reviewed and will be adopted accordingly.

Financial Viability of the Plan

Management is working diligently with respect to resolving the noted uncertainties.