MAURY REGIONAL HOSPITAL

Audited Combined Financial Statements
(and Required Supplementary Information)

Years Ended June 30, 2009 and 2008

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Years Ended June 30, 2009 and 2008

Pershing Yoakley & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Maury Regional Hospital:

We have audited the accompanying combined balance sheets of Maury Regional Hospital (the Hospital), a component unit of Maury County, Tennessee, as of June 30, 2009 and 2008 and the related combined statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Maury Regional Hospital as of June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note L to the combined financial statements, certain errors resulting in the understatement of retirement liabilities as of June 30, 2007, were discovered by management of the Hospital. Accordingly, the July 1, 2007 net assets have been restated to correct amounts previously reported. The correction of this error had no significant impact on revenue and expenses for the year ended June 30, 2008.

Maury Regional Hospital has not presented a Management Discussion and Analysis (MD&A) as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government Units*. The

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MD&A is required supplemental information but not a component of the audited combined financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2010 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements of the Hospital taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Tennessee Comptroller of the Treasury, respectively, and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic combined financial statements taken as a whole.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
May 24, 2010

MAURY REGIONAL HOSPITAL

Combined Balance Sheets

	June 30, 2009	June 30, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 21,860,535**	$ 14,061,732
Certificates of deposit	**850,551**	969,801
Patient accounts receivable, net of estimated allowance for doubtful accounts of approximately $13,300,000 in 2009 and $34,700,000 in 2008	**35,450,998**	48,781,712
Inventories	**4,331,860**	4,580,724
Prepaid expenses	**1,796,859**	2,274,485
Estimated amounts due from third party payors	**395,217**	-
Other receivables	**1,832,002**	2,283,164
TOTAL CURRENT ASSETS	**66,518,022**	72,951,618
PROPERTY, PLANT AND EQUIPMENT, net	**130,739,025**	139,419,500
OTHER ASSETS		
Debt issue costs, net of accumulated amortization of $171,444 in 2009 and $129,057 in 2008	**298,409**	340,796
Other	**905,198**	764,713
TOTAL OTHER ASSETS	**1,203,607**	1,105,509
TOTAL ASSETS	**$ 198,460,654**	$ 213,476,627

	June 30, 2009	June 30, 2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 6,698,008**	$ 6,868,038
Accounts payable and accrued expenses	**8,037,166**	9,588,080
Accrued salaries and wages	**4,146,546**	4,109,181
Accrued compensated absences	**3,995,173**	4,056,512
Accrued workers' compensation	**4,014,381**	3,030,304
Estimated amounts due to third party payors	**-**	142,079
Interest payable	**172,889**	207,415
TOTAL CURRENT LIABILITIES	**27,064,163**	28,001,609
OTHER LONG-TERM LIABILITIES	**1,950,000**	1,500,000
LONG-TERM DEBT		
Bonds payable	**34,133,729**	39,415,760
Other long-term debt	**3,510,818**	3,648,183
	37,644,547	43,063,943
Less current portion	**(6,698,008)**	(6,868,038)
TOTAL LONG-TERM DEBT	**30,946,539**	36,195,905
COMMITMENTS AND CONTINGENCIES - Note J		
NET ASSETS		
Invested in capital assets, net of related debt	**93,094,478**	96,355,557
Unrestricted	**45,405,474**	51,423,556
TOTAL NET ASSETS	**138,499,952**	147,779,113
TOTAL LIABILITIES AND NET ASSETS	**$ 198,460,654**	$ 213,476,627

MAURY REGIONAL HOSPITAL

Combined Statements of Revenue, Expenses and Changes in Net Assets

	Year Ended June 30, 2009	2008
OPERATING REVENUE		
Net patient service revenue, net of estimated provision for bad debts of approximately $31,600,000 in 2009 and $30,800,000 in 2008	**$ 243,557,071**	$ 243,273,735
Other operating revenue	**5,867,449**	6,344,038
TOTAL OPERATING REVENUE	**249,424,520**	249,617,773
OPERATING EXPENSES		
Salaries, employee benefits and contract labor	**151,160,386**	146,489,241
Supplies	**44,935,553**	44,095,003
Purchased services and professional fees	**16,549,135**	17,148,633
Service contracts	**7,322,243**	7,660,646
Utilities	**5,576,622**	4,904,071
Leases	**3,584,918**	3,417,845
Insurance	**2,022,364**	3,042,576
Other expenses	**9,790,368**	10,245,351
Depreciation and amortization	**17,508,496**	16,825,757
TOTAL OPERATING EXPENSES	**258,450,085**	253,829,123
LOSS FROM OPERATIONS	**(9,025,565)**	(4,211,350)
NONOPERATING REVENUE (EXPENSES)		
Contributions and grants	**628,987**	569,933
Interest income	**184,625**	241,100
Interest expense	**(1,717,789)**	(1,783,133)
Other	**380,771**	815,526
TOTAL NONOPERATING REVENUE (EXPENSES)	**(523,406)**	(156,574)
NET LOSS	**(9,548,971)**	(4,367,924)
Minority interest in losses of subsidiaries	**269,810**	438,466
CHANGE IN NET ASSETS	**(9,279,161)**	(3,929,458)
NET ASSETS, BEGINNING OF YEAR - Note L	**147,779,113**	151,708,571
NET ASSETS, END OF YEAR	**$ 138,499,952**	$ 147,779,113

See notes to combined financial statements.

MAURY REGIONAL HOSPITAL

Combined Statements of Cash Flows

	Year Ended June 30,	
	2009	***2008***
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from patients and insurance programs	**$ 256,745,706**	$ 246,002,863
Payments to vendors for supplies and other	**(90,605,627)**	(87,616,330)
Payments to employees	**(149,750,283)**	(145,883,703)
Other receipts	**6,220,139**	5,986,748
NET CASH PROVIDED BY OPERATING ACTIVITIES	**22,609,935**	18,489,578
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:		
Contributions and grants	**628,987**	569,933
NET CASH PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	**628,987**	569,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property, plant and equipment	**(7,948,763)**	(13,443,232)
Proceeds from sale of equipment	**176,730**	939,265
Proceeds from issuance of long-term debt	**50,000**	-
Payments on long-term debt	**(6,514,646)**	(5,917,659)
Interest paid on long-term debt	**(1,752,315)**	(1,816,263)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(15,988,994)**	(20,237,889)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received on cash and investments	**184,625**	241,100
Proceeds from sale of certificates of deposit	**1,820,352**	4,643,134
Purchase of certificates of deposit	**(1,701,102)**	(1,804,602)
Purchase of minority shares in joint venture	**-**	(137,748)
Contribution from minority shareholder	**245,000**	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	**548,875**	2,941,884

	Year Ended June 30, 2009	2008
INCREASE IN CASH AND CASH EQUIVALENTS	**7,798,803**	1,763,506
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**14,061,732**	12,298,226
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 21,860,535**	$ 14,061,732
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Loss from operations	**$ (9,025,565)**	$ (4,211,350)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	**17,508,496**	16,825,757
Estimated provision for uncollectible accounts	**31,587,472**	30,799,024
Changes in:		
Patient accounts receivable	**(18,256,758)**	(30,174,429)
Inventories	**248,864**	192,417
Prepaid expenses	**477,626**	(481,774)
Estimated amounts due to/from third party payors	**(537,296)**	2,104,533
Other assets	**747,907**	(357,290)
Accounts payable and accrued expenses	**(1,550,914)**	3,187,152
Accrued salaries and wages	**37,365**	700,362
Accrued compensated absences	**(61,339)**	90,990
Accrued workers' compensation	**984,077**	(185,814)
Other long-term liabilities	**450,000**	-
TOTAL ADJUSTMENTS	**31,635,500**	22,700,928
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 22,609,935**	$ 18,489,578

NON-CASH TRANSACTIONS:

During 2009, the Hospital entered into capital lease obligations totaling $1,212,281 for new equipment.

NOTE A--ORGANIZATION

Maury Regional Hospital (the Hospital) is operated and maintained by Maury County, Tennessee, under authority of and in compliance with the provisions of Chapter 125 of the Tennessee Private Acts of 1996. The federal, state, and local governments participated in the cost of constructing and equipping the Hospital under the Hill-Burton Act. For financial reporting purposes, the Hospital is considered an enterprise fund of Maury County, Tennessee (the County).

The Hospital's primary mission is to provide healthcare services to the residents of southern and middle Tennessee, including Giles, Hickman, Lawrence, Lewis, Marshall, Maury, Perry, Wayne, and Williamson counties.

The combined financial statements include the accounts of the following operating entities:

> *Maury Regional Medical Center*, located in Columbia, Tennessee, has been in operation since 1953 and presently has a 275-bed capacity with 20 beds designated for skilled nursing care, and also includes five medical office buildings in its service area.
>
> *Marshall Medical Center* is an acute care hospital, located in Lewisburg, Tennessee, which was acquired by the Hospital in 1995 and, effective January 1, 2005, was designated a Critical Access Hospital with a new licensed bed complement of 25 beds.
>
> *Wayne Medical Center* is an acute care hospital with an 80-bed capacity located in Waynesboro, Tennessee, and has been leased by the Hospital since 1995 (see Note I).

Additionally, the combined financial statements include the following blended component units that provide healthcare services that support the Hospital's mission:

> *Family Health Group (FHG)* is a nonprofit corporation which acquires, owns, operates, and manages physician practices in the Hospital's service area. FHG is 80% owned by the Hospital.
>
> *South Central Heart Group, Inc., Thoratic and Cardiovascular Associates of Tennessee, Inc., and Pulmonary and Critical Care Associates, Inc.* are taxable nonprofit corporations that operate physician practices in the Hospital's service area. The Hospital is the sole member of each practice.
>
> *Maury Regional Ambulatory Care Center, Inc. (the Ambulatory Care Center)* is a nonprofit corporation that provides medical care to non-emergent patients in the Hospital's service area. The Hospital is the sole member of the Ambulatory Care Center.

NOTE A--ORGANIZATION - Continued

Maury Regional Surgery Center, LLC (the Surgery Center) operates an ambulatory surgery center in Columbia, Tennessee.

Spring Hill Imaging Center, LLC (the Imaging Center) owns and operates an outpatient center that provides diagnostic and radiology services to patients in the Hospital's service area. The Imaging Center is owned 51% by the Hospital and a minority interest in the cumulative losses has been recognized as a receivable which represents the interests of physician and other investors.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Hospital utilizes the enterprise fund method of accounting. Revenue and expenses are recorded on the accrual basis. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital applies all applicable pronouncements of the Financial Accounting Standards Board (FASB), including pronouncements issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Recently Issued Accounting Pronouncements: In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*. This Statement provides guidance with respect to evaluating the obligations related to the participation in pollution remediation activities, such as site cleanup, related to existing pollution. The scope of the Statement excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset. Adoption of this Statement during 2009 did not have a material impact on the combined financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements that are already required, or permitted, by other accounting standards. The Hospital adopted the applicable portions of SFAS No. 157 during 2009. There was no impact on the combined financial statements from adopting this standard.

The Hospital adopted the provisions of SFAS No. 165, *Subsequent Events* (SFAS No. 165), during the fiscal year ended June 30, 2009. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Hospital evaluated all events or transactions that occurred after June 30, 2009, through May 24, 2009, the date the combined financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the accompanying June 30, 2009 combined financial statements.

Estimates: The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include investments with a maturity of three months or less when purchased.

Inventories: Inventories are reported at the lower of cost or market, with cost determined by the average cost method.

Patient Accounts Receivable: Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement for Medicare, TennCare and other third party payor programs. Current operations are charged with a provision for bad debts estimated based upon the age of the account, prior experience and any unusual circumstances which affect the collectibility. The Hospital's policy does not require collateral or other security for patient accounts receivable and the Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Property, Plant and Equipment: Property, plant and equipment is reported at cost or fair value at date of gift, if donated. Depreciation is calculated by the straight-line method to allocate the cost of the assets (other than land) over their estimated useful lives which ranges from 3 to 20 years for equipment and 10 to 40 years for buildings and land improvements. Equipment held under capital lease obligations is amortized using the straight-line method over the shorter of the useful life or the lease term. This amortization is included with depreciation expense and as part of accumulated depreciation in the combined financial statements.

Interest costs incurred on applicable borrowings outstanding during the construction period of capital assets is capitalized as part of the cost of acquiring the asset and is amortized on the same basis as the related capital asset.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Costs of maintenance and repairs are charged to expense when incurred.

Debt Issue Costs: Debt issue costs are capitalized and amortized using the straight-line method over the life of the related obligation.

Compensated Absences: The Hospital's employees earn paid time off at varying rates depending on years of service. An accrual for paid time off is recorded in the period in which the employee earns the right to the compensation. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire after the age of sixty may convert accumulated sick leave to termination payments. The estimated amount of sick leave payable as termination payments is reported as a noncurrent liability in the combined financial statements. Due to uncertainties in this estimate, it is at least reasonably possible that management's estimate could change in 2010.

Net Assets: Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt.

Net Patient Service Revenue: Net patient service revenue is reported as services are rendered at estimated net realizable amounts, including estimated retroactive revenue adjustments under reimbursement agreements with third party payors. Estimated settlements under third party reimbursement agreements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. An estimated provision for bad debts is included in net patient service revenue.

Charity Care: The Hospital provides care without charge to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Operating Activities: The Hospital defines operating activities as reported on the Combined Statements of Revenue, Expenses and Changes in Net Assets as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including contributions and grants, as well as interest income and interest expense, are considered non-operating revenue and expenses.

Contributions and Grants: Revenues from contributions and grants are recognized when all eligibility requirements, including time requirements are met. Contributions and grants may be restricted for either specific operating purposes or for capital purposes. Amounts that are

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Income Taxes: The Hospital is a not-for-profit entity in accordance with Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital meets the Internal Revenue Service definition of a governmental unit and is exempt from filing a Form 990 based on Internal Revenue Procedure 95-48. Certain combined entities are taxable for federal purposes and account for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes.* Due to current year and prior year operating losses, no tax expense or benefit has been recognized in the accompanying combined financial statements.

Reclassifications: Certain reclassifications have been made to the 2008 combined financial statement balances to conform with the 2009 presentation.

NOTE C--PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE

The Hospital has agreements with various third party payors that provide for payments to the Hospital at amounts different from established rates. The difference between the rates charged and the estimated payments from third party payors is recorded as a reduction of gross patient service charges. Revenue for patient service charges have been adjusted to the amounts estimated to be receivable under third party payor arrangements. Amounts recorded under these contractual arrangements are subject to review and final determination by various program intermediaries. Management believes that adequate provision has been made for any adjustments which may result from such reviews. However, due to uncertainties in the estimates, it is at least reasonably possible that management's estimates will change in 2010.

A summary of the payment arrangements with significant third party payors follows:

Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid primarily on a prospective basis. These rates vary according to a patient classification system that is based on clinical diagnosis, procedures utilized and other factors. The Medicare program continues to reimburse certain other services based on a per diem or on a percentage of cost up to predetermined limits. The Hospital also receives additional payments from the Medicare program for providing services to a disproportionate share of Medicaid (TennCare) and other low income patients. Approximately $9,200,000 of net patient accounts receivable are due from the Medicare program at both June 30, 2009 and 2008.

NOTE C--PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE - Continued

TennCare: The State of Tennessee's Medicaid waiver program (TennCare) provides coverage through several managed care organizations. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts. Approximately $2,400,000 and $2,500,000 of net patient accounts receivable are from the TennCare program at June 30, 2009 and 2008, respectively.

Other: The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates, discounts from established charges, and prospectively determined per diem amounts.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue is as follows:

	Year Ended June 30	
	2009	***2008***
Patient service charges	$ 605,626,458	$ 568,550,086
Estimated contractual adjustments	(318,093,517)	(284,651,562)
Estimated provision for bad debts	(31,587,472)	(30,799,024)
Charity care	(12,388,398)	(9,825,765)
	$ 243,557,071	$ 243,273,735

NOTE D--CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

The Hospital has a policy of investing only in banks participating in the State of Tennessee Collateral Pool or in banks that provide collateral for all deposits. Additionally, the Hospital's deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2009, the Hospital's cash, cash equivalents and certificates of deposit reported in the combined balance sheet amounted to $22,711,086. Bank balances for such accounts totaled $24,271,700, a majority of which was insured by the Federal Deposit Insurance Corporation (FDIC)

NOTE D--CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT - Continued

or by the bank's participation in the State of Tennessee's collateral pool. Deposits totaling $1,468,798 are collateralized by securities held by the financial institution in the Hospital's name.

The Hospital holds no investments other than certificates of deposit as of June 30, 2009, which are summarized below:

Interest Rate	*Maturity*	*Amount*
2.50%	July 2009	$ 300,866
2.02%	September 2009	250,000
2.50%	December 2009	113,880
2.50%	December 2009	113,880
2.50%	December 2009	71,925
		$ 850,551

NOTE E--PROPERTY, PLANT AND EQUIPMENT

A summary of changes in properties and related accumulated depreciation for the years ended June 30, 2009 and 2008 is as follows:

	Balance July 1, 2008	*Additions/ Transfers*	*Retirements*	*Balance June 30, 2009*
Capital assets being depreciated				
Land improvements	$ 5,421,136	$ -	$ -	$ 5,421,136
Buildings	158,917,834	5,005,938	-	163,923,772
Equipment	124,240,848	8,564,992	(1,961,151)	130,844,689
Total capital assets being depreciated	288,579,818	13,570,930	(1,961,151)	300,189,597
Less accumulated depreciation for:				
Land improvements	3,179,219	181,745	-	3,360,964
Buildings	65,209,763	6,944,467	-	72,154,230
Equipment	91,526,864	10,657,057	(1,902,901)	100,281,020
Total accumulated depreciation	159,915,846	17,783,269	(1,902,901)	175,796,214
Total capital assets being depreciated, net	128,663,972	(4,212,339)	(58,250)	124,393,383
Capital assets not being depreciated				
Land	5,042,873	55,505	-	5,098,378
Construction in progress	5,712,655	(4,465,391)	-	1,247,264
Total capital assets not being depreciated	10,755,528	(4,409,886)	-	6,345,642
Total capital assets, net	$ 139,419,500	$ (8,622,225)	$ (58,250)	$ 130,739,025

NOTE E--PROPERTY, PLANT AND EQUIPMENT - Continued

	Balance July 1, 2007	Additions/ Transfers	Retirements	Balance June 30, 2008
Capital assets being depreciated				
Land improvements	$ 5,348,072	$ 73,064	$ -	$ 5,421,136
Buildings	154,857,860	4,140,152	(80,178)	158,917,834
Equipment	112,042,812	14,482,917	(2,284,881)	124,240,848
Total capital assets being depreciated	272,248,744	18,696,133	(2,365,059)	288,579,818
Less accumulated depreciation for:				
Land improvements	2,960,499	219,441	(721)	3,179,219
Buildings	58,467,274	6,780,350	(37,861)	65,209,763
Equipment	84,266,805	9,530,614	(2,270,555)	91,526,864
Total accumulated depreciation	145,694,578	16,530,405	(2,309,137)	159,915,846
Total capital assets being depreciated, net	126,554,166	2,165,728	(55,922)	128,663,972
Capital assets not being depreciated				
Land	5,603,125	(560,252)	-	5,042,873
Construction in progress	10,405,304	(4,692,649)	-	5,712,655
Total capital assets not being depreciated	16,008,429	(5,252,901)	-	10,755,528
Total capital assets, net	$ 142,562,595	$ (3,087,173)	$ (55,922)	$ 139,419,500

During 2009 and 2008, the Hospital capitalized interest expense on construction projects totaling approximately $75,000 and $225,000, respectively. Construction in progress at June 30, 2009 consists primarily of facility renovations. Total estimated costs required to complete construction projects in progress as of June 30, 2009 amounted to approximately $75,000.

NOTE F--LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2009	2008
Bonds Payable:		
Series 2006B, Maury County General Obligation Bonds issued on behalf of the Hospital, with interest rates from 4.00% to 4.25%, maturing over a 7-year period, with the final payment due June 1, 2014.	$ 6,050,000	$ 7,120,000

NOTE F--LONG-TERM DEBT - Continued

	2009	*2008*
Series 2006, Maury County General Obligation Bonds issued on behalf of the Hospital, with interest rates from 4.00% to 5.00%, maturing over a 15-year period, with the final payment due June 1, 2021.	15,620,000	15,720,000
Series 2005, Maury County General Obligation Bonds issued on behalf of the Hospital, with interest rates from 3.00% to 4.00%, maturing over a 15-year period, with the final payment due June 1, 2020.	4,975,000	6,790,000
Series 2004B, Maury County General Obligation Refunding Bonds issued on behalf of the Hospital, with an interest rate of 5.00%, maturing over a 10-year period, with the final payment due April 1, 2014.	6,475,000	8,605,000
Total bonds payable	33,120,000	38,235,000
Unamortized loss on refunding	(185,856)	(225,682)
Unamortized premiums	1,199,585	1,406,442
Total bonds payable, net of unamortized loss and premiums	34,133,729	39,415,760
Other Long-term Debt:		
Notes payable with interest rates ranging from 5.8% to 8.94% maturing through August, 2014 and secured by equipment and property with a net book value of $963,448 at June 30, 2009.	817,218	972,535
Lines of credit with interest rates of 4.75% and 5.99%, due in 2009 and 2011, maximum available of $775,000 and $170,000, respectively	745,353	783,543
Capital lease obligations - see Note H	1,948,247	1,892,105
Total other long-term debt	3,510,818	3,648,183
	37,644,547	43,063,943
Less: current portion	6,698,008	6,868,038
	$ 30,946,539	$ 36,195,905

NOTE F--LONG-TERM DEBT - Continued

The Hospital's bonds payable are general obligation bonds of Maury County, Tennessee. The bonds were issued for the purpose of acquiring property and equipment or for the retirement of previously outstanding bonds and notes and are secured by unlimited ad valorem taxes on all taxable property within the County.

The Series 2006 Bonds maturing on or after June 1, 2017 are subject to redemption prior to maturity at the option of the County on June 1, 2016 or thereafter, at a redemption price of par plus accrued interest. The Series 2004B Refunding Bonds maturing on or after April 1, 2013 are subject to redemption prior to maturity at the option of the County on April 1, 2012 at 102% of par or on April 1, 2013 at 101% of par.

The Hospital's scheduled principal maturities on all long-term debt as of June 30, 2009 (including the capital lease obligations and excluding unamortized premiums and loss on refunding) follows:

Year Ending June 30	*Principal*	*Interest*
2010	$ 6,698,008	$ 1,665,174
2011	4,813,423	1,319,676
2012	5,066,805	1,107,498
2013	4,045,897	891,315
2014	4,166,685	712,800
2015-2019	8,725,000	1,807,150
2020-2021	3,115,000	193,684
	$ 36,630,818	$ 7,697,297

A schedule of changes in long-term debt for the years ended June 30, 2009 and 2008 is as follows:

	Balance July 1, 2008	*Additions/ Amortization*	*Payments/ Maturities*	*Balance June 30, 2009*	*Amounts Due Within One Year*
Bonds payable	$ 38,235,000	$ -	$ (5,115,000)	$ 33,120,000	$ 5,330,000
Unamortized loss on refunding	(225,682)	39,826	-	(185,856)	-
Unamortized premiums	1,406,442	(206,857)	-	1,199,585	-
Other long-term debt	3,648,183	1,262,281	(1,399,646)	3,510,818	1,368,008
	$ 43,063,943	$ 1,095,250	$ (6,514,646)	$ 37,644,547	$ 6,698,008

NOTE F--LONG-TERM DEBT - Continued

	Balance July 1, 2007	Additions/ Amortization	Payments/ Maturities	Balance June 30, 2008	Amounts Due Within One Year
Bonds payable	$ 43,180,000	$ -	$ (4,945,000)	$ 38,235,000	$ 5,115,000
Unamortized loss on refunding	(265,509)	39,827	-	(225,682)	-
Unamortized premiums	1,613,299	(206,857)	-	1,406,442	-
Other long-term debt	4,620,842	-	(972,659)	3,648,183	1,753,038
	$ 49,148,632	$ (167,030)	$ (5,917,659)	$ 43,063,943	$ 6,868,038

NOTE G--EMPLOYEE BENEFIT PLANS

Defined Benefit Plan: Prior to May 1, 1997, all employees of the Hospital were eligible to participate in the Maury Regional Hospital Retirement Plan (the Plan), a single-employer public retirement system (PERS), accounted for as a separate entity from the Hospital. The purpose of the Plan is to provide retirement, death, and certain other benefits to employees as specified in the Plan. The actuarial method generally employed to determine contributions to the Plan is the entry age normal actuarial cost method. Although it has not expressed any intention to do so, the Hospital has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. The Plan issues separate financial statements which may be obtained from the Hospital.

The Plan was amended effective May 1, 1997 to stop accrual of benefit service on April 30, 1997 for participants who made an irrevocable election to participate in the Maury Regional Healthcare System 403(b) Plan on May 1, 1997. As of May 1, 2009, 149 participants are earning future service accruals. Employees hired after May 1, 1997, are not eligible to participate in the Plan.

Defined Benefit Plan Funding Policy: Voluntary contributions may not be made by participants. The Hospital's contributions are based on an actuarially determined rate.

The Hospital's annual pension cost and net pension obligation to the Plan for 2009 and 2008 was zero. The annual required contribution for the current year was determined as part of the May 1, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions used included the following:

- 8.00% investment rate of return
- projected salary increases ranging from 4.0% to 7.5% per year
- amortization method - level dollar amount

NOTE G--EMPLOYEE BENEFIT PLANS - Continued

Three-Year Trend Information

Fiscal Year	*Annual Required Contribution*	*Percentage Contributed*	*Pension Obligation*
April 30, 2007	$ -	100.00%	$ -
April 30, 2008	-	100.00%	-
April 30, 2009	-	100.00%	-

A schedule of funding progress for the Plan follows:

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (UAAL) (b-a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as a % of Covered Payroll (b-a)/c*
May 1, 2007*	$ 42,314,713	$ 39,373,681	$ (2,941,032)	107.5%	$ 6,877,594	-42.8%
May 1, 2008*	43,136,990	41,325,850	(1,811,140)	104.4%	6,645,042	-27.3%
May 1, 2009*	38,788,798	42,379,105	3,590,307	91.5%	6,225,197	57.7%

*Entry age normal actuarial method utilized for determining the unfunded actuarial liability.

The unfunded actuarial accrued liability as of May 1, 2009 will be amortized as a level percentage of covered payroll over 30 years beginning in fiscal 2010.

Defined Contribution Plan: Effective May 1, 1997, the Hospital implemented a defined contribution plan which includes a 403(b) feature and an employer matching provision and covers substantially all hourly and salaried employees. Voluntary contributions may be made by the participants as a percentage of annual compensation not to exceed Internal Revenue Service limits. The Hospital's contribution consists of a base contribution of 3% of annual covered compensation and a matching contribution equal to 50% of the employees' first 5% of annual compensation contributed. The Hospital's total contributions for the years ended June 30, 2009 and 2008 amounted to approximately $3,520,000 and $3,480,000, respectively.

NOTE H-- LEASES

Capital Leases: The Hospital leases medical equipment under various capital lease agreements with interest rates ranging from 4.70% to 7.88%. A summary of the leased equipment, which is included in property, plant and equipment, at June 30 is as follows:

NOTE H--LEASES - Continued

	2009	2008
Equipment acquired under capital leases	$ 4,170,995	$ 2,738,423
Less accumulated amortization	(2,422,971)	(1,192,624)
	$ 1,748,024	$ 1,545,799

The following is a schedule of the future minimum lease payments required under capital leases as of June 30, 2009:

Year Ending June 30,	
2010	$ 886,255
2011	817,568
2012	398,695
Total minimum lease payments	2,102,518
Amount representing interest	(154,271)
Present value of minimum lease payments	$ 1,948,247

Operating Leases: The Hospital also rents office space and equipment under various non-cancelable operating lease agreements with varying terms. Rent expense under operating lease agreements totaled approximately $3,580,000 and $3,420,000 for the years ended June 30, 2009 and 2008, respectively. Future minimum lease commitments for all significant non-cancelable operating leases are as follows:

Year Ending June 30,	
2010	$ 1,769,822
2011	1,560,139
2012	1,251,473
2013	1,379,127
2014	208,543
	$ 6,169,104

Leases with Physicians: The Hospital leases office space in its medical office buildings to physicians under non-cancelable operating leases with varying terms.

NOTE H--LEASES - Continued

Rental income under these lease agreements totaled approximately $1,370,000 and $1,400,000 for the years ended June 30, 2009 and 2008, respectively. Future minimum lease commitments to the Hospital for all significant non-cancelable operating leases are as follows:

Year Ending June 30,	
2010	$ 785,602

NOTE I--LEASED HEALTHCARE FACILITIES

Effective July 1, 2005, the Hospital entered into the first of two 5-year renewal options provided under a lease arrangement with the Board of Trustees of Wayne County General Hospital for the operation of several Wayne County healthcare facilities, including the county hospital, nursing home, ambulance service and medical office buildings. The lease also extends to all equipment, improvements, fixtures and related personal property. The annual lease expense under the first renewal consists of a base rent of $175,000 and an annual capital improvement commitment of $175,000. The annual lease expense under the second renewal will increase to an annual base rent of $200,000 and an annual capital improvement commitment of $200,000 beginning July 1, 2010. The Hospital may terminate the lease at any time upon 180 days notice and the payment of $500,000.

NOTE J--COMMITMENTS AND CONTINGENCIES

General Liability Claims: The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Hospital.

Malpractice Liability Claims: The Hospital is subject to claims and suits arising in the ordinary course of business from services provided to patients. Losses against the Hospital are limited by the Tennessee Governmental Tort Liability Act to $350,000 for injury or death per person and $700,000 in the aggregate per occurrence. However, claims against healthcare practitioners are not subject to these limits. The Hospital maintains professional liability insurance on a claims made basis with limits of $1,000,000 per occurrence and $3,000,000 in the aggregate with a retention of $250,000 per claim. The Hospital has estimated and recorded a liability for reported claims totaling approximately $1,300,000 and $1,210,000 at June 30, 2009 and 2008, respectively. In management's opinion, the Hospital is currently not a party to any proceeding, the ultimate resolution of which will have a material adverse effect on the Hospital's results of operations or financial condition. The Hospital has not estimated any liability for incurred but not reported claims.

NOTE J--COMMITMENTS AND CONTINGENCIES - Continued

Workers' Compensation Claims: The Hospital is covered for workers' compensation claims through an insurance policy with a deductible of $500,000 per claim. Management has recorded an accrual for the estimated liability related to claims reported as of June 30, 2009 and 2008. The Hospital has not estimated any liability for incurred but not reported claims.

Healthcare Benefits: The Hospital maintains a partially self-insured healthcare plan to provide reimbursement for covered expenses incurred as a result of illness or injury to covered employees and dependants. Stop-loss insurance is purchased for annual claims per individual exceeding $175,000 in 2009 and $150,000 in 2008 with a life time maximum per individual totaling $850,000. The Hospital has estimated and recorded a liability for healthcare claims incurred but not yet reported totaling approximately $1,610,000 and $1,270,000 at June 30, 2009 and 2008. Employees that retire after attaining age sixty and completing twenty years of service will received continued coverage under the Hospital's health benefit program until they attain age sixty-five or become eligible for Medicare benefits. The estimated amount of retirement benefits payable totaled approximately $300,000 at both June 30, 2009 and 2008 and is reported as a noncurrent liability in the combined financial statements. Due to uncertainties in the estimate, it is at least reasonably possible that management's estimate could change in 2010.

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and under the provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers, such as the Medicare Recovery Audit Contractor Program. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that book value approximates fair value for the majority of the Hospital's financial assets and liabilities. The fair value of bonds payable, which are general obligation bonds of Maury County, are not considered practicable to estimate.

NOTE L--PRIOR PERIOD ADJUSTMENT

During 2009, management of the Hospital determined that estimated liabilities related to sick pay and retirement healthcare benefits were erroneously omitted in prior periods. A prior period adjustment was made to reduce net assets by $1,500,000 as of July 1, 2007 to correct these errors.

Required Supplementary Information

MAURY REGIONAL HOSPITAL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

CFDA Number	Grant Number (Funding Allocation)	Program Name (Program Period)	Grantor	Pass-Through Grantor Agency	Receivable (Unexpended) Balance at July 1, 2008	Receipts	Amounts Earned by Expenditures	Receivable (Unexpended) Balance at June 30, 2009
93.283	Z-07-038387-00 100% Federal	Pandemic Flu Grant (6/1/07 - 8/30/07)	U.S. Department of Health and Human Services	Tennessee Department of Health	$ (1,563)	$ -	$ -	$ (1,563)
93.301	Z-06-031255-00 100% Federal	Small Hospital Improvement Program (7/1/06 - 8/31/06)	U.S. Department of Health and Human Services	Tennessee Department of Health	(6,450)	-	-	(6,450)
93.301	Z-07-038134-00 100% Federal	Small Hospital Improvement Program (1/1/07 - 8/31/07)	U.S. Department of Health and Human Services	Tennessee Department of Health	(5,167)	-	-	(5,167)
93.301	Z-08-022648-00 100% Federal	Small Hospital Improvement Program (9/1/07 - 8/31/08)	U.S. Department of Health and Human Services	Tennessee Department of Health	(322)	-	-	(322)
93.301	Z-09-214860-00 100% Federal	Small Hospital Improvement Program (5/1/09 - 8/31/09)	U.S. Department of Health and Human Services	Tennessee Department of Health	-	8,500	-	(8,500)
93.301	DG-05-01910-00 100% Federal	Small Hospital Improvement Program (12/1/04 - 8/31/05)	U.S. Department of Health and Human Services	Tennessee Department of Health	(12,850)	-	-	(12,850)
93.301	DG-06-01994-01 100% Federal	Small Hospital Improvement Program (1/1/06 - 8/31/06)	U.S. Department of Health and Human Services	Tennessee Department of Health	(9,000)	-	-	(9,000)

MAURY REGIONAL HOSPITAL

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2009

CFDA Number	Grant Number (Funding Allocation)	Program Name (Program Period)	Grantor	Pass-Through Grantor Agency	Receivable (Unexpended) Balance at July 1, 2008	Receipts	Amounts Earned by Expenditures	Receivable (Unexpended) Balance at June 30, 2009
93.301	Z-07-038141-00 100% Federal	Small Hospital Improvement Program (1/1/07 - 8/31/07)	U.S. Department of Health and Human Services	Tennessee Department of Health	(1,902)	-	-	(1,902)
93.301	Z-08-022666-00 100% Federal	Small Hospital Improvement Program (2/1/08 - 8/31/08)	U.S. Department of Health and Human Services	Tennessee Department of Health	6,761	-	-	6,761
93.301	Z-09-214873-00 100% Federal	Small Hospital Improvement Program (5/1/09 - 8/31/09)	U.S. Department of Health and Human Services	Tennessee Department of Health	-	-	13,750	13,750
				Total 93.301	(28,930)	8,500	13,750	(23,680)
93.887*	C76HF09724 100% Federal	Health Care and Other Facilities (7/1/08 - 6/30/09)	U.S. Department of Health and Human Services	n/a	-	379,155	379,155	-
93.889	Z-07-036220-00 100% Federal	National Bioterrorism Hospital Preparedness Program (9/1/06 - 8/31/08)	U.S. Department of Health and Human Services	Tennessee Department of Health	(2,536)	-	2,536	-
93.889	Z-07-036282-00 100% Federal	National Bioterrorism Hospital Preparedness Program (9/1/06 - 8/31/08)	U.S. Department of Health and Human Services	Tennessee Department of Health	(1,684)	-	-	(1,684)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2009

CFDA Number	Grant Number (Funding Allocation)	Program Name (Program Period)	Grantor	Pass-Through Grantor Agency	Receivable (Unexpended) Balance at July 1, 2008	Receipts	Amounts Earned by Expenditures	Receivable (Unexpended) Balance at June 30, 2009
93.889	Z-08-200423-00 100% Federal	National Bioterrorism Hospital Preparedness Program (9/1/07 - 8/31/09)	U.S. Department of Health and Human Services	Tennessee Department of Health	(11,976)	34,240	13,843	(32,373)
93.889	Z-08-200424-01 100% Federal	National Bioterrorism Hospital Preparedness Program (9/1/07 - 8/31/09)	U.S. Department of Health and Human Services	Tennessee Department of Health	(22,468)	239,430	144,162	(117,736)
93.889	Z-08-200485-01 100% Federal	National Bioterrorism Hospital Preparedness Program (9/1/07 - 8/31/09)	U.S. Department of Health and Human Services	Tennessee Department of Health	(550)	34,240	11,610	(23,180)
93.889	RFS #343.07-114-07 100% Federal	Regional Medical Communication Center (12/1/06 - 6/30/07)	U.S. Department of Health and Human Services	Tennessee Department of Health	(7,750)	-	7,750	-
				Total 93.889	(46,964)	307,910	179,901	(174,973)
				Total U.S. Department of Health and Human Services	(77,457)	695,565	572,806	(200,216)
				Total Expenditures of Federal Awards	$ (77,457)	$ 695,565	$ 572,806	$ (200,216)

* Denotes major program

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the grant activity of Maury Regional Hospital (the Hospital) and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Tennessee Comptroller of the Treasury, respectively. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

NOTE B--CONTINGENCIES

The Hospital's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Hospital's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Hospital expects such amounts, if any, to be immaterial.

MAURY REGIONAL HOSPITAL

Schedule of Prior Audit Findings

Year Ended June 30, 2009

There was no prior audit.

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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 of
Maury Regional Hospital:

We have audited the combined financial statements of Maury Regional Hospital (the Hospital) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated May 24, 2010. As discussed in Note L to the combined financial statements, certain errors resulting in the understatement of retirement liabilities as of June 30, 2007, were discovered by management of the Hospital. Accordingly, the July 1, 2007 net assets have been restated to correct amounts previously reported. The correction of this error had no significant impact on revenue and expenses for the year ended June 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant 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 material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

A significant deficiency is a deficiency, or 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-2, 2009-3, 2009-4 and 2009-5 to be significant deficiencies.

We noted certain matters that we reported to management and the Board of Trustees of the Hospital in a separate letter dated November 30, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's combined financial statements are free of 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 combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-4 and 2009-6.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, the State of Tennessee Comptroller of the Treasury, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Knoxville, Tennessee
May 24, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Maury Regional Hospital:

Compliance

We have audited the compliance of Maury Regional Hospital (the Hospital) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Hospital's management. Our responsibility is to express an opinion on the Hospital's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Hospital's compliance with those requirements.

As described in item 2009-6 in the accompanying schedule of findings and questioned costs, the Hospital did not comply with requirements regarding procurement, suspension and debarment that are applicable to its Health Care and Other Facilities Program. Compliance with such requirements is necessary, in our opinion, for the Hospital to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hospital complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Hospital's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Hospital's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and another that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2009-6 to be a material weakness.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, the State of Tennessee Comptroller of the Treasury, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
May 24, 2010

MAURY REGIONAL HOSPITAL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

The auditor's report expressed an unqualified opinion on the financial statements of Maury Regional Hospital.

Internal control over financial reporting:

Material weakness(es) identified?	Yes [X] No [ ]
Significant deficiency identified not considered to be material weaknesses?	Yes [X] No [ ]
Noncompliance material to financial statements noted?	Yes [ ] No [X]

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	Yes [X] No [ ]
Significant deficiency identified not considered to be material weaknesses?	Yes [ ] No [X]

The auditor's report expressed a qualified opinion on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes [X] No [ ]

Identification of Major Programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.887	U.S. Department of Health and Human Services – Health Care and Other Facilities

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes [ ] No [X]

Section II - Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Government Auditing Standards

Item 2009-1: Material Weakness in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Financial statements prepared in accordance with U.S. generally accepted accounting principles require that retirement benefits be recorded on an accrual basis.

Finding or Condition: During the audit, we identified various retirement benefits that were not appropriately recorded in the financial statements.

Questioned Costs: Not applicable

Cause: The liability was not identified by previous management.

Recommendation: We recommend that management review its process for approving and reporting policies and determine that Board involvement is considered where appropriate.

Management's Response: As a result of the audit finding, we have established a Reserve for Sick Pay Liability and a Reserve for Retiree Health Insurance. These accounts will be analyzed on a continuing basis to ensure that the accruals match the approved policies of the Hospital.

Item 2009-2: Significant Deficiency in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Effective internal controls over financial reporting require that access to financial reporting systems be segregated and assigned by responsibilities.

Finding or Condition: Various employees have access to modify information within financial reporting systems that is not necessary for their assigned responsibilities. This access reduces the effectiveness of the segregation of duties.

Questioned Costs: Not applicable

Cause: Prior management did not recognize certain unnecessary system access after a financial reporting system conversion.

Recommendation: We recommend that the Hospital review access to modify information within all significant financial reporting systems and limit access to employees with assigned responsibility for that area.

Management's Response: In fiscal year 2010 a Meditech user audit will be performed by the Information Technology Department (IT) and the "owners" of the BAR, Human Resources, and Payroll modules. "Inquiry access only" menu options will be built for those employees requiring access to these modules but not requiring enter/edit/processing capabilities. IT is in the process of combining the network and Meditech login request forms and in this process will require that the requestor indicate if the employee needs "inquiry access only" access or enter/edit/processing access to the various Meditech modules.

Item 2009-3: Significant Deficiency in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Effective internal control requires that cash collections be appropriately safeguarded.

Finding or Condition: During the audit, we became aware of an instance of employee theft of approximately $25,000 over a 20-month timeframe related to cash collections in the cafeteria.

Questioned Costs: Not applicable

Cause: The internal controls over cafeteria cash collections lacked appropriate reconciliation procedures, allowing collusion between related employees.

Recommendation: We recommend that management review its control processes related to cash collections.

Management's Response: The Internal Audit Department performed a review of cash controls in July 2009. Based on the results of their review, the Business Office Manager and Assistant Controller have been developing standard policies and procedures to be used by all areas of the Hospital where cash is handled (i.e., petty cash funds, cash registers, point of sale collection areas, etc.) These policies and procedures include secured cash handling, daily balancing and reconciling, approval processes, etc. These policies should be completed and all processes in place by June 30, 2010.

Item 2009-4: Significant Deficiency in Internal Control Over Compliance / Non-major Program Noncompliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.301 - Small Hospital Improvement Program (Award numbers Z-08-022666-00 and Z-09-214873-00); passed through the Tennessee Department of Health

Criteria or Requirement: Expenditures charged to the grant award should not exceed the total award amount and all award expenditures should be made in accordance with the timeframe as outlined in the award contract.

Finding or Condition: During our review of expenditures for the Small Hospital Improvement Program, we noted that $12,011 of expenditures exceeded the award amount and were charged to the general ledger accounts used for accumulating the financial activity for these awards. Although these awards were over spent, the grantor has not provided additional funding for these expenditures.

In addition, we noted that $17,600 of expenditures were spent outside of the grant period and charged to the grants.

Questioned Costs: $17,600, for the total amount charged to the grant awards outside of the period of availability

Cause: Multiple small-dollar awards and a lack of communication related to available award monies caused insufficient bookkeeping related to award expenditures and allowable timeframes.

Recommendation: We recommend that management implement internal controls whereby award expenditures are made only during the award period. In instances where award funds remain at the end of the period of availability, we recommend that management implement controls to ensure that the grantor agency is notified and, where possible, an extension of time requested. Separate sets of general ledger accounts should be kept for each award and its related period to allow for separate tracking by award in its applicable timeframe.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure that the grant accounts are maintained correctly.

Item 2009-5: Significant Deficiency in Internal Control Over Compliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.889 – National Bioterrorism Hospital Preparedness Program (Award number Z-07-036282-00) and Regional Medical Communication Center (Award number RFS#343.07-114-07); CFDA 93.301 – Small Hospital Improvement Program (Award numbers Z-06-031255-00; Z-07-038134-00; Z-08-022648-00; DG-05-01910-00; DG-06-01994-01; Z-07-038141-00) and CFDA 93.283 – Pandemic Flu Grant (Award number Z-07-038387-00); all passed through the Tennessee Department of Health

Criteria or Requirement: Grant award funds should be expended in the timeframe as designated in the award contract. In the event an award cannot be spent, the grantor should be notified. If possible, a request for extension should be made. In the event an extension cannot be granted, the unexpended award funds should be returned to the grantor agency.

Finding or Condition: A total of $38,930 in award funds were unexpended as of June 30, 2009 in addition to $7,750 expended during fiscal year 2009, with certain grant periods dating back to 2005. None of the grantor agencies to which these funds relate had been notified of the unexpended balances as of the grant period end date.

Questioned Costs: Not applicable

Cause: Multiple small-dollar awards and a lack of communication related to available award monies caused insufficient bookkeeping related to award expenditures and allowable timeframes.

Recommendation: We recommend that the respective grantor agencies be notified of any unexpended balances. Where possible, an extension of time should be requested. In the event the request is not granted, management should return the unexpended funds to the awarding agency.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure the grant accounts are maintained correctly.

Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Section 510(a) of Circular A-133 (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that is material to a major program.

Item 2009-6: Material Weakness in Internal Control Over Compliance / Major Program Noncompliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.887 – Health Care and Other Facilities (Award number C76HF09724)

Criteria or Requirement: Procurement and Suspension and Debarment requirements within the OMB Circular A-133 Compliance Supplement state that procurement documents, such as proposals and invitations to bid, should be maintained by the grantee for items exceeding the small purchase threshold of $25,000. In addition, any item exceeding the small purchase threshold is considered a covered transaction, whereby the vendor should be verified against the EPLS Exclusion List for suspension and debarment.

Finding or Condition: For all covered transactions tested under the award, totaling $326,108, sufficient procurement documents, including quotes and justification for vendor selection, were not maintained. In addition, none of the vendors had been verified against the EPLS Exclusion List. However, as a part of our testing, we verified those vendors from which purchases were made were not included in the EPLS Exclusion List.

Questioned Costs: $326,108, equaling the amount of covered transactions tested as a part of our audit

Cause: Management oversight

Recommendation: We recommend that management implement controls whereby procurement documentation is maintained for purchases exceeding the small purchase threshold of $25,000. In addition, all vendors from which purchases are made with federal award funds should be verified against the EPLS Exclusion List before the purchase is made. Documentation of this verification should be maintained.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure that the grant accounts are maintained correctly.

MAURY REGIONAL HOSPITAL (EIN NO. 62-6002623)

Corrective Action Plan

Year Ended June 30, 2009

Item 2009-1: Material Weakness in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Financial statements prepared in accordance with U.S. generally accepted accounting principles require that retirement benefits be recorded on an accrual basis.

Finding or Condition: During the audit, we identified various retirement benefits that were not appropriately recorded in the financial statements.

Questioned Costs: Not applicable

Cause: The liability was not identified by previous management.

Recommendation: We recommend that management review its process for approving and reporting policies and determine that Board involvement is considered where appropriate.

Management's Response: Management agrees with the audit finding.

Plan of Corrective Action:

1. Management will establish a Reserve for Sick Pay Liability and a Reserve for Retiree Health Insurance.
2. Management will analyze these accounts on a continuing basis to ensure the accruals match the approved policies of the Hospital.

Responsible Person: Jeff Strawn, Controller

Date of Implementation: November 30, 2009

Item 2009-2: Significant Deficiency in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Effective internal controls over financial reporting require that access to financial reporting systems be segregated and assigned by responsibilities.

Finding or Condition: Various employees have access to modify information within financial reporting systems that is not necessary for their assigned responsibilities. This access reduces the effectiveness of the segregation of duties.

Questioned Costs: Not applicable

Cause: Prior management did not recognize certain unnecessary system access after a financial reporting system conversion.

Recommendation: We recommend that the Hospital review access to modify information within all significant financial reporting systems and limit access to employees with assigned responsibility for that area.

Management's Response: Management agrees with the audit finding.

Plan of Corrective Action:

1. A Meditech user audit will be performed by the Information Technology Department ("IT") and the "owners" of the BAR, Human Resources, and Payroll modules.
2. "Inquiry Access Only" menu options will be built for those employees requiring access to these modules, but not requiring enter/edit/processing capabilities.
3. IT will combine the network and Meditech login request forms, and will require that the requestor indicate if the employee needs "inquiry access only" access or enter/edit/processing access to the various Meditech modules.

Responsible Person: Terry Phillips, Director of Information Technology

Date of Implementation: January 1, 2010

Item 2009-3: Significant Deficiency in Internal Control

Identification of Federal Award Program(s): Not applicable

Criteria or Requirement: Effective internal control requires that cash collections be appropriately safeguarded.

Finding or Condition: During the audit, we became aware of an instance of employee theft of approximately $25,000 over a 20-month timeframe related to cash collections in the cafeteria.

Questioned Costs: Not applicable

Cause: The internal controls over cafeteria cash collections lacked appropriate reconciliation procedures, allowing collusion between related employees.

Recommendation: We recommend that management review its control processes related to cash collections.

Management's Response: Management agrees with the audit finding.

Plan of Corrective Action:

1. The Internal Audit Department performed a review of cash controls in July 2009.
2. Based on the results of this review, the Business Office Manager and Assistant Controller will develop standard policies and procedures to be used by all areas of the Hospital where cash is handled (i.e., petty cash funds, cash registers, point of sale collection areas, etc.).
3. These policies and procedures will include secure cash handling, daily balancing and reconciling, approval processes, etc.

Responsible Person: Kirby Hedrick, Director of Patient Accounts

Date of Implementation: November 30, 2009

Item 2009-4: Significant Deficiency in Internal Control Over Compliance / Non-major Program Noncompliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.301 - Small Hospital Improvement Program (Award numbers Z-08-022666-00 and Z-09-214873-00); passed through the Tennessee Department of Health

Criteria or Requirement: Expenditures charged to the grant award should not exceed the total award amount and all award expenditures should be made in accordance with the timeframe as outlined in the award contract.

Finding or Condition: During our review of expenditures for the Small Hospital Improvement Program, we noted that $12,011 of expenditures exceeded the award amount and were charged to the general ledger accounts used for accumulating the financial activity for these awards. Although these awards were over spent, the grantor has not provided additional funding for these expenditures.

In addition, we noted that $17,600 of expenditures were spent outside of the grant period and charged to the grants.

Questioned Costs: $17,600, for the total amount charged to the grant awards outside of the period of availability

Cause: Multiple small-dollar awards and a lack of communication related to available award monies caused insufficient bookkeeping related to award expenditures and allowable timeframes.

Recommendation: We recommend that management implement internal controls whereby award expenditures are made only during the award period. In instances where award funds remain at the end of the period of availability, we recommend that management implement controls to ensure that the grantor agency is notified and, where possible, an extension of time requested. Separate sets of general ledger accounts should be kept for each award and its related period to allow for separate tracking by award in its applicable timeframe.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure that the grant accounts are maintained correctly.

Plan of Corrective Action:

1. A separate general ledger account will be established for each grant and each grant period.
2. Grant accounts will be analyzed quarterly to ensure that expenditures are recorded in the correct grant account and in the correct grant period.
3. The grantor agency will be notified on a timely basis if any grant funds are unexpended at the end of the grant period.
4. One member of the Finance Department will be assigned the responsibility to monitor all of the grant accounts and to work with each of the facilities to establish procedures pertaining to accounting, purchases with grant funds, communication with grantor agencies, etc.

Responsible Person: Kyle Jones, Controller, Marshall Medical Center

Projected Date of Implementation: July 1, 2010

Item 2009-5: Significant Deficiency in Internal Control Over Compliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.889 – National Bioterrorism Hospital Preparedness Program (Award number Z-07-036282-00) and Regional Medical Communication Center (Award number RFS#343.07-114-07); CFDA 93.301 – Small Hospital Improvement Program (Award numbers Z-06-031255-00; Z-07-038134-00; Z-08-022648-00; DG-05-01910-00; DG-06-01994-01; Z-07-038141-00) and CFDA 93.283 – Pandemic Flu Grant (Award number Z-07-038387-00); all passed through the Tennessee Department of Health

Criteria or Requirement: Grant award funds should be expended in the timeframe as designated in the award contract. In the event an award cannot be spent, the grantor should be notified. If possible, a request for extension should be made. In the event an extension cannot be granted, the unexpended award funds should be returned to the grantor agency.

Finding or Condition: A total of $38,930 in award funds were unexpended as of June 30, 2009 in addition to $7,750 expended during fiscal year 2009, with certain grant periods dating back to

2005. None of the grantor agencies to which these funds relate had been notified of the unexpended balances as of the grant period end date.

Questioned Costs: Not applicable

Cause: Multiple small-dollar awards and a lack of communication related to available award monies caused insufficient bookkeeping related to award expenditures and allowable timeframes.

Recommendation: We recommend that the respective grantor agencies be notified of any unexpended balances. Where possible, an extension of time should be requested. In the event the request is not granted, management should return the unexpended funds to the awarding agency.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure the grant accounts are maintained correctly.

Plan of Corrective Action:

1. A separate general ledger account will be established for each grant and each grant period.
2. Grant accounts will be analyzed quarterly to ensure that expenditures are recorded in the correct grant account and in the correct grant period.
3. The grantor agency will be notified on a timely basis if any grant funds are unexpended at the end of the grant period.
4. If appropriate, extensions of time will be requested, or if not appropriate, refunds of the unexpended funds will be made.
5. One member of the Finance Department will be assigned the responsibility to monitor all of the grant accounts and to work with each of the facilities to establish procedures pertaining to accounting, purchases with grant funds, communication with grantor agencies, etc.

Responsible Person: Kyle Jones, Controller, Marshall Medical Center

Projected Date of Implementation: July 1, 2010

Item 2009-6: Material Weakness in Internal Control Over Compliance / Major Program Noncompliance

Identification of Federal Award Program(s): U.S. Department of Health and Human Services CFDA 93.887 – Health Care and Other Facilities (Award number C76HF09724)

Criteria or Requirement: Procurement and Suspension and Debarment requirements within the OMB Circular A-133 Compliance Supplement state that procurement documents, such as proposals and invitations to bid, should be maintained by the grantee for items exceeding the small purchase threshold of $25,000. In addition, any item exceeding the small purchase threshold is considered a covered transaction, whereby the vendor should be verified against the EPLS Exclusion List for suspension and debarment.

Finding or Condition: For all covered transactions tested under the award, totaling $326,108, sufficient procurement documents, including quotes and justification for vendor selection, were not maintained. In addition, none of the vendors had been verified against the EPLS Exclusion List. However, as a part of our testing, we verified those vendors from which purchases were made were not included in the EPLS Exclusion List.

Questioned Costs: $326,108, equaling the amount of covered transactions tested as a part of our audit

Cause: Management oversight

Recommendation: We recommend that management implement controls whereby procurement documentation is maintained for purchases exceeding the small purchase threshold of $25,000. In addition, all vendors from which purchases are made with federal award funds should be verified against the EPLS Exclusion List before the purchase is made. Documentation of this verification should be maintained.

Management's Response: Management understands and agrees with the findings and will implement appropriate controls to ensure that the grant accounts are maintained correctly.

Plan of Corrective Action:

1. All vendor quotes, proposals or other correspondence accumulated in the purchase of equipment or other assets with grant funds will be maintained, including those for vendors who were not awarded the purchase.
2. Any vendor that is asked to propose on a purchase with grant funds in excess of $25,000 will be verified against the EPLS Exclusion List before any purchase is finalized.
3. One member of the Finance Department will be assigned the responsibility to monitor all of the grant accounts and to work with each of the facilities to establish procedures pertaining to accounting, purchases with grant funds, communication with grantor agencies, etc.

Responsible Person: Kyle Jones, Controller, Marshall Medical Center

Projected Date of Implementation: July 1, 2010