

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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February 11, 2009

Ms. Sarah L. Frierson, Administrator
Dr. Ronald E. McNair Nursing and Rehabilitation Center
56 Genesis Drive
Lake City, South Carolina 29560

Re: AC# 3-RMM-D6 – Dr. Ronald E. McNair Nursing and Rehabilitation Center

Dear Ms. Frierson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period November 1, 2005 through April 30, 2006. That report was used to set the rate covering the contract periods beginning November 1, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**DR. RONALD E. MCNAIR
NURSING AND REHABILITATION CENTER
LAKE CITY, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING NOVEMBER 1, 2005
AC# 3-RMM-D6**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 5, 2008

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dr. Ronald E. McNair Nursing and Rehabilitation Center, for the contract periods beginning November 1, 2005, and for the six month cost report period ended April 30, 2006, as set forth in the accompanying schedules. The management of Dr. Ronald E. McNair Nursing and Rehabilitation Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dr. Ronald E. McNair Nursing and Rehabilitation Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the South Carolina Department of Health and Human Services and Dr. Ronald E. McNair Nursing and Rehabilitation Center dated as of October 1, 2001 and October 1, 2006, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 5, 2008

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER

Computation of Rate Change
For the Contract Periods
Beginning November 1, 2005
AC# 3-RMM-D6

	<u>11/01/05- 04/30/06</u>	<u>05/01/06- 09/30/06</u>	<u>10/01/06- 09/30/07</u>
Interim Reimbursement Rate (1)	\$133.55	\$139.45	\$139.22
Adjusted Reimbursement Rate	<u>122.48</u>	<u>127.86</u>	<u>127.65</u>
Decrease in Reimbursement Rate	\$ <u>11.07</u>	\$ <u>11.59</u>	\$ <u>11.57</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2005 Through April 30, 2006
 AC# 3-RMM-D6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.02	\$ 74.64	
Dietary		15.01	13.22	
Laundry/Housekeeping/Maintenance		<u>11.23</u>	<u>11.64</u>	
Subtotal	\$ <u>6.97</u>	87.26	99.50	\$ 87.26
Administration & Medical Records	\$ <u>-</u>	<u>22.08</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		109.34	<u>\$115.81</u>	103.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.54		3.54
Special Services		-		-
Medical Supplies & Oxygen		1.69		1.69
Taxes and Insurance		5.67		5.67
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$120.24</u>		114.47
Inflation Factor (N/A)				-
Cost of Capital				6.26
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.48</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period May 1, 2006 Through September 30, 2006
 AC# 3-RMM-D6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.02	\$ 74.64	
Dietary		15.01	13.22	
Laundry/Housekeeping/Maintenance		<u>11.23</u>	<u>11.64</u>	
Subtotal	\$ <u>6.97</u>	87.26	99.50	\$ 87.26
Administration & Medical Records	\$ <u>-</u>	<u>22.08</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		109.34	<u>\$115.81</u>	103.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.54		3.54
Special Services		-		-
Medical Supplies & Oxygen		1.69		1.69
Taxes and Insurance		5.67		5.67
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$120.24</u>		114.47
Inflation Factor (4.70%)				5.38
Cost of Capital				6.26
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.86</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-RMM-D6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.02	\$ 79.89	
Dietary		15.01	13.72	
Laundry/Housekeeping/Maintenance		<u>11.23</u>	<u>12.61</u>	
Subtotal	\$ <u>7.44</u>	87.26	106.22	\$ 87.26
Administration & Medical Records	\$ <u>-</u>	<u>22.18</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		109.44	<u>\$122.53</u>	103.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.54		3.54
Special Services		-		-
Medical Supplies & Oxygen		1.69		1.69
Taxes and Insurance		5.67		5.67
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$120.34</u>		114.47
Inflation Factor (4.60%)				5.27
Cost of Capital				6.16
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.44
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.69)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.65</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended April 30, 2006
 For the Contract Periods November 1, 2005 Through September 30, 2006
 AC# 3-RMM-D6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,034,464	\$ -	\$11,029 (1) 8,707 (2) 45,816 (5) 2,333 (5) 5,969 (6) 26,720 (7) 873 (7)	\$933,017
Dietary	206,338	28,623 (5)	2,590 (3) 2,777 (7)	229,594
Laundry	44,850	-	1,222 (7)	43,628
Housekeeping	69,921	-	1,554 (7)	68,367
Maintenance	94,711	-	33,579 (5) 1,395 (7)	59,737
Administration & Medical Records	302,786	11,029 (1) 4,709 (2) 10,436 (5) 2,393 (5) 5,969 (6) 3,125 (10)	2,404 (7) 476 (7)	337,567
Utilities	55,184	-	1,059 (4)	54,125
Special Services	-	2,590 (3)	2,590 (9)	-
Medical Supplies & Oxygen	85,937	3,998 (2) 6,697 (5)	327 (7) 70,435 (9)	25,870

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended April 30, 2006
 For the Contract Periods November 1, 2005 Through September 30, 2006
 AC# 3-RMM-D6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	86,625	-	-	86,625
Legal Fees	-	-	-	-
Cost of Capital	97,745	560 (5) 364 (11) <u>169 (12)</u>	3,125 (10)	95,713
Subtotal	2,078,561	80,662	224,980	1,934,243
Ancillary	32,875	943 (9)	-	33,818
Nonallowable	77,001	1,059 (4) 37,748 (7) 72,082 (9)	364 (11) 169 (12)	187,357
CNA Training and Testing	<u>381</u>	<u>-</u>	<u>-</u>	<u>381</u>
Total Operating Expenses	<u>\$2,188,818</u>	<u>\$192,494</u>	<u>\$225,513</u>	<u>\$2,155,799</u>
Total Patient Days	<u>15,375</u>	<u>-</u>	<u>84 (14)</u>	<u>15,291</u>
Total Beds	<u>88</u>			

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended April 30, 2006
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-RMM-D6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,034,464	\$ -	\$11,029 (1) 8,707 (2) 45,816 (5) 2,333 (5) 5,969 (6) 26,720 (8) 873 (8)	\$933,017
Dietary	206,338	28,623 (5)	2,590 (3) 2,777 (8)	229,594
Laundry	44,850	-	1,222 (8)	43,628
Housekeeping	69,921	-	1,554 (8)	68,367
Maintenance	94,711	-	33,579 (5) 1,395 (8)	59,737
Administration & Medical Records	305,218	11,029 (1) 4,709 (2) 10,436 (5) 2,393 (5) 5,969 (6) 3,125 (10)	3,316 (8) 476 (8)	339,087
Utilities	55,184	-	1,059 (4)	54,125
Special Services	-	2,590 (3)	2,590 (9)	-
Medical Supplies & Oxygen	85,937	3,998 (2) 6,697 (5)	327 (8) 70,435 (9)	25,870

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended April 30, 2006
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-RMM-D6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	86,625	-	-	86,625
Legal Fees	-	-	-	-
Cost of Capital	96,316	560 (5) 364 (11) <u>149 (13)</u>	3,125 (10)	94,264
Subtotal	2,079,564	80,642	225,892	1,934,314
Ancillary	32,875	943 (9)	-	33,818
Nonallowable	75,998	1,059 (4) 38,660 (8) 72,082 (9)	364 (11) 149 (13)	187,286
CNA Training and Testing	<u>381</u>	<u>-</u>	<u>-</u>	<u>381</u>
Total Operating Expenses	<u>\$2,188,818</u>	<u>\$193,386</u>	<u>\$226,405</u>	<u>\$2,155,799</u>
Total Patient Days	<u>15,375</u>	<u>-</u>	<u>84 (14)</u>	<u>15,291</u>
Total Beds	<u>88</u>			

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended April 30, 2006
AC# 3-RMM-D6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration Nursing	\$11,029	\$11,029
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
2	Administration Medical Supplies Nursing	4,709 3,998	8,707
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Special Services Dietary	2,590	2,590
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable Utilities	1,059	1,059
	To disallow duplicate posting of expense HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
5	Fixed Assets Dietary Administration Medical Records Medical Supplies Cost of Capital Accumulated Depreciation Nursing Restorative Maintenance	33,579 28,623 10,436 2,393 6,697 560	560 45,816 2,333 33,579
	To capitalize fixed assets and record related depreciation expense and reclassify expense to the proper cost center HIM-15-1, Section 108.1 DH&HS Expense Crosswalk		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended April 30, 2006
AC# 3-RMM-D6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration Nursing	5,969	5,969
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
7	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Medical Supplies	37,748	26,720 873 2,777 1,222 1,554 1,395 2,404 476 327
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 11/01/05 - 09/30/06)		
8	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Medical Supplies	38,660	26,720 873 2,777 1,222 1,554 1,395 3,316 476 327
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D (This adjustment applies only to the rate period 10/01/06 - 09/30/07)		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended April 30, 2006
AC# 3-RMM-D6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Ancillary	943	
	Nonallowable	72,082	
	Medical Supplies		70,435
	Special Services		2,590
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Administration	3,125	
	Cost of Capital		3,125
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
11	Cost of Capital	364	
	Nonallowable		364
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
12	Cost of Capital	169	
	Nonallowable		169
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 11/01/05 - 09/30/06)		
13	Cost of Capital	149	
	Nonallowable		149
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/01/06 - 09/30/07)		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Adjustment Report
 Cost Report Period Ended April 30, 2006
 AC# 3-RMM-D6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	<u>Memo Adjustment:</u> To decrease total patient days by 84 to 15,291		
	TOTAL ADJUSTMENTS	<u>\$264,882</u>	<u>\$264,882</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended April 30, 2006

For the Contract Periods November 1, 2005 Through September 30, 2006

AC# 3-RMM-D6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.71494</u>	<u>2.71494</u>	
Deemed Asset Value (Per Bed)	42,402	42,402	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,865,688	1,865,688	
Improvements Since 1981	55,447	58,217	
Accumulated Depreciation at 4/30/06	<u>(520,893)</u>	<u>(546,934)</u>	
Deemed Depreciated Value	1,400,242	1,376,971	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	72,252	71,052	
Number of Days in Period	<u>181/365</u>	<u>181/365</u>	
Adjusted Annual Return	35,829	35,234	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	35,829	35,234	
Depreciation Expense	12,025	12,625	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	47,854	47,859	\$95,713
Total Patient Days (Minimum 96% Occupancy)	<u>7,646</u>	<u>7,645</u>	<u>15,291</u>
Cost of Capital Per Diem	\$ <u>6.26</u>	\$ <u>6.26</u>	\$ <u>6.26</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended April 30, 2006
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-RMM-D6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,909,556	1,909,556	
Improvements Since 1981	55,447	58,217	
Accumulated Depreciation at 4/30/06	<u>(520,893)</u>	<u>(546,934)</u>	
Deemed Depreciated Value	1,444,110	1,420,839	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	70,761	69,621	
Number of Days in Period	<u>181/365</u>	<u>181/365</u>	
Adjusted Annual Return	35,090	34,524	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	35,090	34,524	
Depreciation Expense	12,025	12,625	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	47,115	47,149	\$94,264
Total Patient Days (Minimum 96% Occupancy)	<u>7,646</u>	<u>7,645</u>	<u>15,291</u>
Cost of Capital Per Diem	\$ <u>6.16</u>	\$ <u>6.17</u>	\$ <u>6.16</u>

2 copies of this document were published at an estimated printing cost of \$1.55 each, and a total printing cost of \$3.10. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.