

*State of South Carolina*



*Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

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

(803) 253-4160  
FAX (803) 343-0723

November 22, 2011

Mr. Joseph Hunt, Administrator  
Countrywood Nursing Center  
1645 Ridge Road  
Hopkins, South Carolina 29061

Re: AC# 3-RDM-E8 – Countrywood Nursing Center, L.L.C.

Dear Mr. Hunt:

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 29, 2007 through May 31, 2008. That report was used to set the rate covering the contract period beginning November 29, 2007.

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.

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/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider  
Mr. Terry K. Schmoyer, Jr.

**COUNTRYWOOD NURSING CENTER, L.L.C.**

**HOPKINS, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING NOVEMBER 29, 2007  
AC# 3-RDM-E8**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING NOVEMBER 29, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD NOVEMBER 29, 2007 THROUGH MAY 31, 2008	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JUNE 1, 2008 THROUGH SEPTEMBER 30, 2008	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2009	B-3	6
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MAY 31, 2008 FOR THE CONTRACT PERIODS NOVEMBER 29, 2007 THROUGH SEPTEMBER 30, 2008	C-1	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MAY 31, 2008 FOR THE CONTRACT PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2009	C-2	9
ADJUSTMENT REPORT	1	11
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS NOVEMBER 29, 2007 THROUGH SEPTEMBER 30, 2008	2	15
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2009	3	16

# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 21, 2011

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 Countrywood Nursing Center, L.L.C., for the contract periods beginning November 29, 2007, and for the six month cost report period ended May 31, 2008, as set forth in the accompanying schedules. The management of Countrywood Nursing Center, L.L.C. 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 Countrywood Nursing Center, L.L.C., 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 contract between the South Carolina Department of Health and Human Services and Countrywood Nursing Center, L.L.C. dated as of November 29, 2007, 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  
September 21, 2011

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

**COUNTRYWOOD NURSING CENTER, L.L.C.**

Computation of Rate Change  
For the Contract Periods  
Beginning November 29, 2007  
AC# 3-RDM-E8

	11/29/07- <u>05/31/08</u>	06/01/08- <u>09/30/08</u>	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$150.80	\$157.32	\$157.73
Adjusted Reimbursement Rate	<u>129.21</u>	<u>134.74</u>	<u>135.11</u>
Decrease in Reimbursement Rate	\$ <u>21.59</u>	\$ <u>22.58</u>	\$ <u>22.62</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 15, 2011.

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period November 29, 2007 Through May 31, 2008  
 AC# 3-RDM-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.88	\$ 79.97	
Dietary		10.83	16.36	
Laundry/Housekeeping/Maintenance		<u>10.02</u>	<u>13.89</u>	
Subtotal	<u>\$7.72</u>	92.73	110.22	\$ 92.73
Administration & Medical Records	<u>\$4.24</u>	<u>17.17</u>	<u>21.41</u>	<u>17.17</u>
Subtotal		109.90	<u>\$131.63</u>	109.90
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.45		.45
Medical Supplies & Oxygen		3.70		3.70
Taxes and Insurance		2.92		2.92
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.21</u>		120.21
Inflation Factor (N/A)				-
Cost of Capital				7.25
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.21
Cost Incentive				7.72
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.18)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$129.21</u>

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period June 1, 2008 Through September 30, 2008  
 AC# 3-RDM-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.88	\$ 79.97	
Dietary		10.83	16.36	
Laundry/Housekeeping/Maintenance		<u>10.02</u>	<u>13.89</u>	
Subtotal	<u>\$7.72</u>	92.73	110.22	\$ 92.73
Administration & Medical Records	<u>\$4.24</u>	<u>17.17</u>	<u>21.41</u>	<u>17.17</u>
Subtotal		109.90	<u>\$131.63</u>	109.90
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.45		.45
Medical Supplies & Oxygen		3.70		3.70
Taxes and Insurance		2.92		2.92
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.21</u>		120.21
Inflation Factor (4.60%)				5.53
Cost of Capital				7.25
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.21
Cost Incentive				7.72
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.18)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$134.74</u>

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2008 Through September 30, 2009  
 AC# 3-RDM-E8

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services		\$ 71.88	\$ 76.00	
Dietary		10.83	16.33	
Laundry/Housekeeping/Maintenance		<u>10.02</u>	<u>14.74</u>	
Subtotal	<u>\$7.49</u>	92.73	107.07	\$ 92.73
Administration & Medical Records	<u>\$6.02</u>	<u>17.17</u>	<u>23.19</u>	<u>17.17</u>
Subtotal		109.90	<u>\$130.26</u>	109.90
 <u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.45		.45
Medical Supplies & Oxygen		3.70		3.70
Taxes and Insurance		2.92		2.92
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.21</u>		120.21
Inflation Factor (4.80%)				5.77
Cost of Capital				7.38
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.21
Cost Incentive				7.49
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.95)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$135.11</u>

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2008  
 For the Contract Periods November 29, 2007 Through September 30, 2008  
 AC# 3-RDM-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$559,176	\$ -	\$ 58,833 (3) 4,798 (10) 90 (10) 5,357 (11) 4,966 (14)	\$485,132
Dietary	77,577	47,426 (13)	5,923 (4) 27 (10) 45,977 (14)	73,076
Laundry	13,918	6,861 (13)	8,025 (14)	12,754
Housekeeping	41,967	16,544 (13)	24,053 (14)	34,458
Maintenance	22,020	15,003 (13)	1,976 (5) 118 (10) 142 (12) 14,357 (14)	20,430
Administration & Medical Records	143,524	1,457 (5) 30,010 (13)	2,030 (6) 1,451 (7) 6,000 (8) 390 (10) 19,816 (12) 29,406 (14)	115,898
Utilities	22,408	15,235 (13)	452 (12) 15,321 (14)	21,870
Special Services	3,036	-	-	3,036
Medical Supplies & Oxygen	53,445	-	7,513 (4) 10,470 (9) 10,499 (14)	24,963

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2008  
 For the Contract Periods November 29, 2007 Through September 30, 2008  
 AC# 3-RDM-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	20,152	12,913 (13)	450 (12) 12,923 (14)	19,692
Legal Fees	-	-	-	-
Cost of Capital	48,742	384 (1) 3,642 (2) <u>895 (13)</u>	148 (12) 954 (14) <u>3,642 (15)</u>	48,919
Subtotal	1,005,965	150,370	296,107	860,228
Ancillary	22,799	10,470 (9)	-	33,269
Nonallowable	148,760	58,833 (3) 13,436 (4) 519 (5) 1,451 (7) 6,000 (8) 5,423 (10) 5,357 (11) 21,008 (12) 166,481 (14) 3,642 (15)	384 (1) 3,642 (2) 144,887 (13)	281,997
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$1,177,524</u>	<u>\$442,990</u>	<u>\$445,020</u>	<u>\$1,175,494</u>
Total Patient Days	<u>6,749</u>	<u>-</u>	<u>-</u>	<u>6,749</u>

Total Beds 38

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2008  
 For the Contract Period October 1, 2008 Through September 30, 2009  
 AC# 3-RDM-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$559,176	\$ -	\$ 58,833 (3) 4,798 (10) 90 (10) 5,357 (11) 4,966 (14)	\$485,132
Dietary	77,577	47,426 (13)	5,923 (4) 27 (10) 45,977 (14)	73,076
Laundry	13,918	6,861 (13)	8,025 (14)	12,754
Housekeeping	41,967	16,544 (13)	24,053 (14)	34,458
Maintenance	22,020	15,003 (13)	1,976 (5) 118 (10) 142 (12) 14,357 (14)	20,430
Administration & Medical Records	143,524	1,457 (5) 30,010 (13)	2,030 (6) 1,451 (7) 6,000 (8) 390 (10) 19,816 (12) 29,406 (14)	115,898
Utilities	22,408	15,235 (13)	452 (12) 15,321 (14)	21,870
Special Services	3,036	-	-	3,036
Medical Supplies & Oxygen	53,445	-	7,513 (4) 10,470 (9) 160,499 (14)	24,963

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2008  
 For the Contract Period October 1, 2008 Through September 30, 2009  
 AC# 3-RDM-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	20,152	12,913 (13)	450 (12) 12,923 (14)	19,692
Legal Fees	-	-	-	-
Cost of Capital	49,518	384 (1) 3,642 (2) <u>895 (13)</u>	148 (12) 954 (14) <u>3,520 (16)</u>	49,817
Subtotal	1,006,741	150,370	295,985	861,126
Ancillary	22,799	10,470 (9)	-	33,269
Nonallowable	147,984	58,833 (3) 13,436 (4) 519 (5) 1,451 (7) 6,000 (8) 5,423 (10) 5,357 (11) 21,008 (12) 166,481 (14) 3,520 (16)	384 (1) 3,642 (2) 144,887 (13)	281,099
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$1,177,524</u>	<u>\$442,868</u>	<u>\$444,898</u>	<u>\$1,175,494</u>
Total Patient Days	<u>6,749</u>	<u>-</u>	<u>-</u>	<u>6,749</u>

Total Beds 38

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Adjustment Report  
Cost Report Period Ended May 31, 2008  
AC# 3-RDM-E8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$243,615	
	Cost of Capital	384	
	Accumulated Depreciation		\$ 96,864
	Other Equity		146,751
	Nonallowable		384
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	3,642	
	Nonallowable		3,642
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	58,833	
	Nursing		58,833
	To disallow expense due to lack of adequate documentation HIM-15-1, Sections 1000, 1005 and 2304		
4	Nonallowable	13,436	
	Dietary		5,923
	Medical Supplies		7,513
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
5	Administration	1,457	
	Nonallowable	519	
	Maintenance		1,976
	To remove duplicate expense posting and reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Adjustment Report  
Cost Report Period Ended May 31, 2008  
AC# 3-RDM-E8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings Administration	2,030	2,030
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nonallowable Administration	1,451	1,451
	To adjust expense to agree to postings per the general ledger HIM-15-1, Section 2304		
8	Nonallowable Medical Records	6,000	6,000
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
9	Ancillary Medical Supplies	10,470	10,470
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
10	Nonallowable Nursing Restorative Dietary Maintenance Administration	5,423	4,798 90 27 118 390
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable Nursing	5,357	5,357
	To reclassify salaries to the proper cost center DH&HS Expense Crosswalk		

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Adjustment Report  
Cost Report Period Ended May 31, 2008  
AC# 3-RDM-E8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable	21,008	
	Maintenance		142
	Administration		19,816
	Utilities		452
	Taxes and Insurance		450
	Cost of Capital		148
	To disallow home office cost allocation due to lack of adequate documentation HIM-15-1, Section 2304		
13	Dietary	47,426	
	Laundry	6,861	
	Housekeeping	16,544	
	Maintenance	15,003	
	Administration	30,010	
	Utilities	15,235	
	Taxes and Insurance	12,913	
	Cost of Capital	895	
	Nonallowable		144,887
	To reverse Provider/DH&HS adjustments to remove cost applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
14	Nonallowable	166,481	
	Restorative		4,966
	Dietary		45,977
	Laundry		8,025
	Housekeeping		24,053
	Maintenance		14,357
	Administration		29,406
	Utilities		15,321
	Taxes and Insurance		12,923
	Medical Supplies		10,499
	Cost of Capital		954
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Adjustment Report  
Cost Report Period Ended May 31, 2008  
AC# 3-RDM-E8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable Cost of Capital	3,642	3,642
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 11/29/07 - 9/30/08)		
16	Nonallowable Cost of Capital	3,520	3,520
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract period 10/1/08 - 9/30/09)		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$692,155</u>	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$692,155</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.

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 2008  
For the Contract Periods November 29, 2007 Through September 30, 2008  
AC# 3-RDM-E8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>38</u>
Deemed Asset Value	1,693,698
Improvements Since 1981	16,746
Accumulated Depreciation at 5/31/08	<u>(342,279)</u>
Deemed Depreciated Value	1,368,165
Market Rate of Return	<u>.0489</u>
Total Annual Return	66,903
Number of Days in Period	<u>185/366</u>
Adjusted Annual Return	33,817
Return Applicable to Non-Reimbursable Cost Centers	(1,806)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	32,011
Depreciation Expense	17,862
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(954)</u>
Allowable Cost of Capital Expense	48,919
Total Patient Days (Minimum 96% Occupancy)	<u>6,749</u>
Cost of Capital Per Diem	\$ <u><u>7.25</u></u>

**COUNTRYWOOD NURSING CENTER, L.L.C.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 2008  
For the Contract Period October 1, 2008 Through September 30, 2009  
AC# 3-RDM-E8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.94141</u>
Deemed Asset Value (Per Bed)	45,939
Number of Beds	<u>38</u>
Deemed Asset Value	1,745,682
Improvements Since 1981	16,746
Accumulated Depreciation at 5/31/08	<u>(342,279)</u>
Deemed Depreciated Value	1,420,149
Market Rate of Return	<u>.0483</u>
Total Annual Return	68,593
Number of Days in Period	<u>185/365</u>
Adjusted Annual Return	34,766
Return Applicable to Non-Reimbursable Cost Centers	(1,857)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	32,909
Depreciation Expense	17,862
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(954)</u>
Allowable Cost of Capital Expense	49,817
Total Patient Days (Minimum 96% Occupancy)	<u>6,749</u>
Cost of Capital Per Diem	\$ <u><u>7.38</u></u>

3 copies of this document were published at an estimated printing cost of \$1.55 each, and a total printing cost of \$4.65. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.