

CLASS B

WASTEWATER UTILITY ANNUAL REPORT

OF

Harbor Island Utilities, Inc.

Exact Legal Name of Respondent

PSC/ORS Number (leave blank)

FOR THE YEAR ENDED 2008

Calendar Year Ending December 31, 2008

or

Fiscal Year Ending October 31, 2008



(Company Name)

Schedule 120. EXECUTIVE SUMMARY

1. IDENTIFICATION (legal title)

PSC/ORS No. Check	_____ (leave blank)	Federal ID No.:	57-0739094
Business Structure & Indicate Date	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Partnership	<input checked="" type="checkbox"/> Corporation 1981
Name of Company:	Harbor Island Utilities, Inc.		
Doing Business As:	_____		
Street Address:	12-1B Fairfield Road		
City:	Beaufort	State:	SC Zip Code: 29907
Mailing Address:	P O Box 1028		
City:	Beaufort	State:	SC Zip Code: 29901
Telephone No. (Include Area Code):	843 982-0405		

(a) State whether any change was made in the name of the respondent during the year. If so, state the changes and the dates when they were made.
None

(b) State whether the respondent is a firm or partnership. If a partnership, give the names of the partners and the proportion of their respective interests.
Corporation

(c) State the kinds of business, other than Water Utility, in which the respondent was engaged at any time during the year. If none, state that fact.
Water Utility

(d) Give the names and office addresses of the Board of Directors, if any, of the respondent at the close of the year, as well as the dates of expiration of their respective terms. If any person abandoned, resigned from, or was removed from a directorship during the year, give full details in a footnote. If the organization was a partnership, give the names of the partners and designate them as such.

Name of Director	Office Address	Term Begins	Term Ends
Robert G. Gross	P O Box 1028 Beaufort, SC 29901-1028	2/1/2007	2/1/2009
Catherine C. Gross	P O Box 1028 Beaufort, SC 29901-1028	2/1/2007	2/1/2009

**Schedule 120. EXECUTIVE SUMMARY
(Continued)**

(e) Give the titles of all officers of the respondent at the close of the year, the names of persons holding the offices at year end, and the date when each originally assumed the duties of the office. If any person abandoned, resigned from, or was ousted from any office during the year, give full details in a footnote.

Title of Officer	Name of Person Holding Office	Office Address	Date of Entry Entry
President	Robert G. Gross	PO Box 1028 Beaufort, SC 29901-1028	2/1/2000
Vice-President	Catherine C. Gross	PO Box 1028 Beaufort, SC 29901-1028	2/1/2000
Secretary	Catherine C. Gross	PO Box 1028 Beaufort, SC 29901-1028	2/1/2000
Treasurer	Robert G. Gross	PO Box 1028 Beaufort, SC 29901-1028	2/1/2000
Gen. Manager or Supt.	Robert G. Gross	PO Box 1028 Beaufort, SC 29901-1028	2/1/2000

(f) Give the date of incorporation of respondent and the name of the state or territory under whose laws the incorporation was organized.

2/11/1981 SC

Use the initial word "the" when (and only when) it is a part of the name. If an individual, give full name.

2. CONTACT (for purpose of this report)

Contact Name:	<u>Robert G. Gross</u>		
Title:	<u>President</u>	Telephone:	<u>843 982-0405</u>
Email Address:	<u>bob@beaufortgroup.net</u>	Fax No.:	<u>843 982-0707</u>

3. MAILING ADDRESS (if different from above)

Mailing Address:	_____		
City:	_____	State:	_____
		Zip Code:	_____

Schedule 130. TECHNICAL SUMMARY

GENERAL INFORMATION

Submit a copy of the Company's latest DHEC quality of service letter/report with this annual report.

PHYSICAL DESCRIPTION:

Detailed general description of wastewater system: Contact stabilization and post chlorination followed by filtration to increase effluent quality (250,000 gallons)

Oxidation Pond(s)? 0
If so, provide information concerning size, construction type, and year of construction.

Aeration Pond(s)? 0
If so, provide information concerning size, construction type, and year of construction.

Polishing Pond(s)? 0
If so, provide information concerning size, construction type, and year of construction.

Detailed general description of disposal system/method: Spray Irrigation on Fripp Island golf course

Date of construction of original plant: 1977
Population for which plant was designed: 2500
Plant capacity in gallons per day: 250,000
Average daily discharge of sewage during year (Mgal): 0.035
Maximum daily discharge of sewage during year (Mgal): 0.0746

Kind of Pipe (Cast Iron, Galvanized Iron, Coated Steel, PVC, clay, etc.)	Diameter of Pipe	Beginning of Year	Removed / Abandoned	End of Year

**Schedule 130. TECHNICAL SUMMARY
(Continued)**

SERVICES AND LINE TYPE

Size and Description	Owned by Utility				Owned by Customers End of Year
	Beginning of year	Added	Retired or Abandoned	End of Year	
Services in use					
Iron pipe					
PVC pipe					
Clay pipe					
Other pipe					
Total services in use					
Services not in use					
Iron pipe					
PVC pipe					
Clay pipe					
Other pipe					
Total services not in use					
Total Services					

TREATMENT:

Is wastewater treated? Yes

If so, how? Secondary biological treatment

Is wastewater effluent disinfected? Yes

If so, provide information about the type of agent used (liquid chlorine, etc.): gas chlorine

How frequently is an analysis made of effluent? Daily

Give results of last analysis: DO=7.0 pH=6.8

What is the efficiency of sewerage plant? 98%

(Company Name)

**Schedule 130. TECHNICAL SUMMARY
(Continued)**

SERVICE AREA AND CUSTOMER DATA:

Area and/or subdivisions served by wastewater system: Harbor Island, SC

Total number of residential customers at the end of the fiscal or calendar year:	<u>446</u>
Total number of commercial customers at the end of the fiscal or calendar year:	<u>6</u>
Total number of industrial customers at the end of the fiscal or calendar year:	<u>0</u>
Total number of customers at the end of the fiscal or calendar year:	<u>452</u>

Extensions of system, giving location, new territory covered and dates of beginning operations since last annual annual report submitted:
N/A

Other important changes, including new plant and equipment built or installed:

None

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	UTILITY PLANT			
2	101 Utility Plant-in-Service (Schedule 201)	\$ 563,784	\$ 556,464	\$ 7,320
3	102 Utility Plant Leased to Others			
4	103 Property Held for Future Use			
5	104 Utility Plant Purchased or Sold			
6	105 Construction Work in Progress			
7	106 Completed Construction not Classified			
8	Total Utility Plant	563,784	556,464	7,320
9	ACCUMULATED DEPRECIATION			
10	108.1 Utility Plant-in-Service (Schedule 202)	(210,542)	(187,263)	(23,279)
11	108.2 Utility Plant Leased to Others			
12	108.3 Property Held for Future Use			
13	Total Accumulated Depreciation	(210,542)	(187,263)	(23,279)
14	ACCUMULATED AMORTIZATION			
15	110.1 Utility Plant in Service			
16	110.2 Utility Plant Leased to Others			
17	Total Accumulated Amortization	-	-	-
18	UTILITY PLANT ADJUSTMENTS			
19	114 Utility Plant Acquisition (Schedule 203)			
20	115 Accumulated Amortization of Utility Plant Acquisition (Schedule 203)			
21	116 Other Utility Plant			
22	Total Utility Plant Adjustments	-	-	-
23	TOTAL NET UTILITY PLANT	353,242	369,201	(15,959)
24	OTHER PROPERTY AND INVESTMENTS			
25	OTHER PROPERTY			
26	121 Non-Utility Property	-	-	-
27	122 Accumulated Depreciation and Amortization of Non-Utility Property	-	-	-
28	Total Other Property	-	-	-
29	INVESTMENTS			
30	123 Investments in Associated Companies			
31	124 Utility Investments			
32	125 Other Investments			
33	126 Sinking Funds			
34	127 Other Special Funds			
35	Total Investments	-	-	-
36	TOTAL OTHER PROPERTY AND INVESTMENTS	\$ 353,242	\$ 369,201	\$ (15,959)

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 200. COMPARATIVE BALANCE SHEET (Continued)
ASSETS AND OTHER DEBITS

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	CURRENT AND ACCRUED ASSETS			
2	131.1 Cash on Hand			
3	131.2 Cash in Bank	\$ -	\$ -	\$ -
4	132 Special Deposits (Interest and/or Dividends)			
5	133 Other Special Deposits			
6	134 Working Funds			
7	135 Temporary Cash Investments			
8	141 Customer Accounts Receivable	6,429	7,965	(1,536)
9	142 Other Accounts Receivable			
10	143 Accumulated Provision for Uncollectible Accounts-Credit			
11	144 Notes Receivable			
12	145 Accounts Receivable from Associated Companies			
13	146 Notes Receivable from Associated Companies			
14	151 Plant Material and Supplies			
15	152 Merchandise			
16	153 Other Material and Supplies			
17	161 Stores Expense			
18	162 Prepayments			
19	171 Accrued Interest and Dividends Receivable			
20	172 Rents Receivable			
21	173 Accrued Utility Revenues			
22	174 Miscellaneous Current and Accrued Assets			
23	TOTAL CURRENT AND ACCRUED ASSETS	6,429	7,965	(1,536)
24	DEFERRED DEBITS			
25	181 Unamortized Debt Discount and Expense			
26	182 Extraordinary Property Losses			
27	183 Preliminary Survey and Investigation Charges			
28	184 Clearing Accounts			
29	185 Temporary Facilities			
30	186.1 Deferred Rate Case Expense			
31	186.2 Other Deferred Debits			
32	186.3 Regulatory Assets			
33	187 Research and Development Expenditures			
34	190.1 Accumulated Deferred Federal Income Taxes			
35	190.2 Accumulated Deferred State Income Taxes			
36	190.3 Accumulated Deferred Local Income Taxes			
37	TOTAL DEFERRED DEBITS	-	-	-
38	TOTAL ASSETS AND OTHER DEBITS	\$ 359,671	\$ 377,166	\$ (17,495)

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 200. COMPARATIVE BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	EQUITY CAPITAL			
2	201 Common Stock Issued	\$ -	\$ -	\$ -
3	202 Common Stock Subscribed			
4	203 Common Stock Liability for Conversion			
5	204 Preferred Stock Issued			
6	205 Preferred Stock Subscribed			
7	206 Preferred Stock Liability for Conversion			
8	207 Premium on Capital Stock			
9	209 Reduction in Par or Stated Value of Capital Stock			
10	210 Gain on Resale or Cancellation of Reacquired Capital Stock			
11	211 Other Paid-In Capital	-	-	-
12	212 Discount on Capital Stock			
13	213 Capital Stock Expense			
14	214 Appropriated Retained Earnings (Schedule 204)			
15	215 Unappropriated Retained Earnings (Schedule 204)	(98,520)	(75,956)	(22,564)
16	216 Reacquired Capital Stock			
17	218 Proprietary Capital (for proprietorships & partnerships only)			
18	TOTAL EQUITY CAPITAL	(98,520)	(75,956)	(22,564)
19	LONG-TERM DEBT			
20	221 Bonds (Schedule 205)			
21	222 Reacquired Bonds (Schedule 205)			
22	223 Advances from Associated Companies	76,583	65,197	11,386
23	224 Other Long-Term Debt (Schedule 205)	192,680	198,444	(5,764)
24	TOTAL LONG-TERM DEBT	269,263	263,641	5,622
25	CURRENT AND ACCRUED LIABILITIES			
26	231 Accounts Payable	1,596	3,877	(2,281)
27	232 Notes Payable			
28	233 Accounts Payable to Associated Companies	56,425	51,096	5,329
29	234 Notes Payable to Associated Companies	-	-	-
30	235 Customer Deposits-Billing			
31	236.11 Accrued Taxes, Utility Operating Income, Taxes Other Than Income			
32	236.12 Accrued Taxes, Utility Operating Income, Income Taxes			
33	236.2 Accrued Taxes, Other Income and Deductions			
34	237.1 Accrued Interest on Long-Term Debt			
35	237.2 Accrued Interest on Other Liabilities	-	-	-
36	238 Accrued Dividends			
37	239 Matured Long-Term Debt			
38	240 Matured Interest			
39	241 Miscellaneous Current and Accrued Liabilities	977	-	977
40	TOTAL CURRENT AND ACCRUED LIABILITIES	\$ 58,998	\$ 54,973	\$ 4,025

14 Equity & Capital

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 200. COMPARATIVE BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	DEFERRED CREDITS			
2	251 Unamortized Premium on Debt			
3	252 Advances for Construction			
4	253.1 Other Deferred Credits, Regulatory Liabilities			
5	253.2 Other Deferred Credits, Other Deferred Liabilities			
6	255.1 Accumulated Deferred Investment Tax Credits, Utility Operations			
7	255.2 Accumulated Deferred Investment Tax Credits, Non-Utility Operations			
8	TOTAL DEFERRED CREDITS	-	-	-
9	OPERATING RESERVES			
10	261 Property Insurance Reserve			
11	262 Injuries and Damages Reserve			
12	263 Pensions and Benefits Reserve			
13	265 Miscellaneous Operating Reserve			
14	TOTAL OPERATING RESERVES	-	-	-
15	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)			
16	271 Contributions in Aid of Construction (Schedule 206)	242,732	240,732	2,000
17	272 Accumulated Amortization of CIAC (Schedule 207)	(112,802)	(106,224)	(6,578)
18	TOTAL NET CIAC	129,930	134,508	(4,578)
19	ACCUMULATED DEFERRED INCOME TAXES			
20	281 Accelerated Amortization			
21	282 Liberalized Depreciation			
22	283 Other			
23	TOTAL ACCUMULATED DEFERRED INCOME TAXES	-	-	-
24	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 359,671	\$ 377,166	\$ (17,495)

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 201. UTILITY PLANT-IN-SERVICE
Account No. 101

All amounts included in accounts for utility plant acquired as an operating unit or system shall be stated at a cost incurred by the person who first devoted the property to utility service.

Line No.	Account Number and Title (a)	Previous Year-End Balance (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Current Year-End Balance (f)
1	.1 INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant and Miscellaneous Equipment					
5	Total Intangible Plant	-	-	-	-	-
6	.2 COLLECTION PLANT					
7	353.2 Land and Land Rights					
8	354.2 Structures and Improvements					
9	355.2 Power Generation Equipment					
10	360.2 Collection Sewers - Force					
11	361.2 Collection Sewers - Gravity	249,386				249,386
12	362.2 Special Collecting Structures					
13	363.2 Services to Customers					
14	364.2 Flow Measuring Devices					
15	365.2 Flow Measuring Installations					
16	389.2 Other Plant and Miscellaneous Equipment	17,207	973			18,180
17	Total Collection Plant	266,593	973	-	-	267,566
18	.3 SYSTEM PUMPING PLANT					
19	353.3 Land and Land Rights					
20	354.3 Structures and Improvements					
21	355.3 Power Generation Equipment					
22	370.3 Receiving Wells					
23	371.3 Pumping Equipment	27,849	-			27,849
24	389.3 Other Plant and Miscellaneous Equipment					
25	Total System Pumping Plant	27,849	-	-	-	27,849
26	.4 TREATMENT AND DISPOSAL PLANT					
27	353.4 Land and Land Rights					
28	354.4 Structures and Improvements					
29	355.4 Power Generation Equipment					
30	380.4 Treatment and Disposal Equipment	175,439	6,347			181,786
31	381.4 Plant Sewers					
32	382.4 Outfall Sewer Lines	86,583				86,583
33	389.4 Other Plant and Miscellaneous Equipment	-				-
34	Total Treatment and Disposal Plant	262,022	6,347	-	-	268,369
35	.5 RECLAIMED WATER TREATMENT PLANT					
36	353.5 Land and Land Rights					
37	354.5 Structures and Improvements					
38	355.5 Power Generation Equipment					
39	371.5 Pumping Equipment					
40	374.5 Reuse Distribution Reservoirs					
41	380.5 Treatment and Disposal Equipment					
42	381.5 Plant Sewers					
43	389.5 Other Plant and Miscellaneous Equipment					
44	Total Reclaimed Water Treatment Plant	-	-	-	-	-
	Subtotal	556,464	7,320	-	-	563,784

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 201. UTILITY PLANT-IN-SERVICE (Continued)
Account No. 101

All amounts included in accounts for utility plant acquired as an operating unit or system shall be stated at a cost incurred by the person who first devoted the property to utility service.

Line No.	Account Number and Title (a)	Previous Year-End Balance (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Current Year-End Balance (f)
1	.6 RECLAIMED WATER DISTRIBUTION PLANT					
2	352.6 Franchises					
3	353.6 Land and Land Rights					
4	354.6 Structures and Improvements					
5	355.6 Power Generation Equipment					
6	366.6 Reuse Services					
7	367.6 Reuse Meter and Meter Installations					
8	371.6 Pumping Equipment					
9	375.6 Reuse Transmission and Distribution System					
10	389.6 Other Plant and Miscellaneous Equipment					
11	Total Reclaimed Water Distribution Plant	-	-	-	-	-
12	.7 GENERAL PLANT					
13	353.7 Land and Land Rights					
14	354.7 Structures and Improvements					
15	390.7 Office Furniture and Equipment					
16	391.7 Transportation Equipment					
17	392.7 Stores Equipment					
18	393.7 Tools, Shop and Garage Equipment					
19	394.7 Laboratory Equipment					
20	395.7 Power Operated Equipment					
21	396.7 Communication Equipment					
22	397.7 Miscellaneous Equipment					
23	398.7 Other Tangible Plant					
24	Total General Plant	-	-	-	-	-
25	101 TOTAL UTILITY PLANT-IN-SERVICE	\$ 556,464	\$ 7,320	\$ -	\$ -	\$ 563,784

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 202. ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE
Account No. 108.1

Report below an analysis of the changes in accumulated depreciation during the year for each plant category.

Line No.	Depreciated Property Item (a)	Previous Year-End Balance (b)	Credits		Debits		Current Year-End Balance (g)
			Depreciation Expense (c)	PSC Audit Adjustment (d)	Plant Retired (e)	Cost of Removal and Other Debits (f)	
1	Structures and Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Power Generation Equipment						
3	Collection Sewers - Force						
4	Collection Sewers - Gravity	110,043	6,747	93			116,883
5	Special Collecting Structures						
6	Services to Customers - Sewer Taps	4,475	1,174	0			5,649
7	Flow Measuring Devices						
8	Flow Measuring Installations						
9	Reuse Services						
10	Reuse Motors and Meter Installations						
11	Receiving Wells						
12	Pumping Equipment	22,567	646	42			23,255
13	Reuse Distribution Reservoirs						
14	Reuse Transmission/Distribution System						
15	Treatment and Disposal Equipment	35,431	9,397	2,201			47,029
16	Plant Sewers						
17	Outfall Sewer Lines	14,747	4,354	(1,375)			17,726
18	Other Plant and Misc. Equipment						
19	Office Furniture and Equipment						
20	Transportation Equipment						
21	Stores Equipment						
22	Tools, Shop and Garage Equipment						
23	Laboratory Equipment						
24	Power Operated Equipment						
25	Communication Equipment						
26	Miscellaneous Equipment						
27	Other Tangible Plant	-					-
28	TOTAL ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE	\$ 187,263	\$ 22,318	\$ 961	\$ -	\$ -	\$ 210,542

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 205. LONG-TERM DEBT - Account Nos. 221, 222, and 224
(Excluding Advances from Associated Companies)

Give below the particulars indicated of the long-term debt at end of year represented by unmatured obligations issued or assumed by the Company and group entries according to accounts and show the total for each account.

Line No.	Class and Series of Obligations (a)	Date of Issue (b)	Date of Maturity (c)	Principal Amount Authorized (d)	Outstanding Per Balance Sheet (e)	Interest For Year	
						% Rate (f)	Amount (g)
1	Palmetto State Bank Note	12/05/05	05/08/12	200,000	192,680	5.50%	13,455
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
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14							
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21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31	TOTAL LONG-TERM DEBT			200,000	192,680	\$	13,455

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 206. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)
Account No. 271

Line No.	Description (a)	Amount (b)
1	Beginning of Year Balance	\$ 240,732
2	Credits Added During the Year:	
3	Contributions Received from Capacity, Main Extensions, and Customer Connection Charges	2,000
4	Contributions Received from Developer or Contract Agreements in cash or property	
5	Total Credits	
6	Less: Debits Charged During the Year	
7	TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 242,732

Schedule 207. ACCUMULATED AMORTIZATION OF CIAC
Account No. 272

Line No.	Description (a)	Amount (b)
8	Beginning of Year Balance	\$ (106,224)
9	Debits Charged During the Year: Accruals Charged to Account 272	
10	Other Debits Charged During the Year (specify):	
11		
12		
13		
14	Total Debits	
15	Credits Added During the Year (specify):	
16	Current year accumulated amortization	(6,578)
17		
18		
19	Total Credits	(6,578)
20	TOTAL ACCUMULATED AMORTIZATION OF CIAC	\$ (112,802)
21	TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 129,930

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 300. COMPARATIVE INCOME STATEMENT
REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	UTILITY OPERATING INCOME			
2	400 Total Utility Operating Revenues (Schedule 301)	\$ 181,502	\$ 138,553	\$ 42,949
3	UTILITY OPERATING EXPENSES			
4	401 Operating Expenses (Schedule 302)	167,417	141,019	26,398
5	403 Depreciation Expenses (Schedule 303)	14,769	17,026	(2,257)
6	406 Amortization of Utility Plant Acquisition Adjustments			
7	407.1 Amortization of Limited Term Plant			
8	407.2 Amortization of Property Losses			
9	407.3 Amortization of Other Utility Plant			
10	407.4 Amortization of Regulatory Assets			
11	407.5 Amortization of Regulatory Liabilities			
12	408.10 Utility Regulatory Assessment Fees			
13	408.11 Property Taxes	3,915	1,007	2,908
14	408.12 Payroll Taxes			
15	408.13 Other Taxes and Licenses	1,190	1,467	(277)
16	409.10 Federal Income Taxes, Utility Operating Income			
17	409.11 State Income Taxes, Utility Operating Income			
18	409.12 Local Income Taxes, Utility Operating Income			
19	410.10 Deferred Federal Income Taxes			
20	410.11 Deferred State Income Taxes			
21	410.12 Deferred Local Income Taxes			
22	411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income			
23	412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations			
24	412.11 Investment Tax Credits, Restored to Operating Income, Utility Operations			
25	Total Utility Operating Expenses	187,291	160,519	26,772
26	TOTAL NET UTILITY OPERATING INCOME (LOSS)	(5,789)	(21,966)	16,177
27	OTHER OPERATING INCOME (LOSS)			
28	413 Income from Utility Plant Leased to Others			
29	414 Gains (Losses) from Disposition of Utility Property			
30	Total Other Operating Income (Loss)	-	-	-
31	OTHER INCOME AND DEDUCTIONS			
32	415 Revenues from Merchandising, Jobbing and Contract Work			
33	416 Costs and Expenses of Merchandising, Jobbing and Contract Work			
34	419 Interest and Dividend Income			
35	420 Allowance for Funds Used During Construction (AFUDC)			
36	421 Non-Utility Income			
37	426 Miscellaneous Non-Utility Expenses			
38	TOTAL OTHER INCOME AND DEDUCTIONS	-	-	-

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 300. COMPARATIVE INCOME STATEMENT (Continued)
REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS			
2	408.20 Taxes Other Than Income, Other Income and Deductions			
3	409.20 Income Taxes, Other Income and Deductions			
4	410.20 Provision for Deferred Income Taxes, Other Income and Deductions			
5	411.20 Provisions for Deferred Income Taxes, Credit, Other Income and Deductions			
6	412.20 Investment Tax Credits, Net, Non-Utility Operations			
7	412.30 Investment Tax Credits Restored to Non-Operating Income, Utility Operations			
8	TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUC.	-	-	-
9	INTEREST EXPENSE			
10	427.1 Interest on Debt to Associated Companies	2,359	5,498	(3,139)
11	427.2 Interest on Short-Term Debt			
12	427.3 Interest on Long-Term Debt	13,455	15,164	(1,709)
13	427.4 Interest on Customer Deposits			
14	427.5 Interest - Other			
15	428 Amortization of Debt Discount and Expense			
16	429 Amortization of Premium on Debt			
17	TOTAL INTEREST EXPENSE	15,814	20,662	(4,848)
18	EXTRAORDINARY ITEMS			
19	433 Extraordinary Income			
20	434 Extraordinary Deductions			
21	409.30 Income Taxes, Extraordinary Items			
22	TOTAL EXTRAORDINARY ITEMS	-	-	-
23	NET INCOME (LOSS)	\$ (21,603)	\$ (42,628)	\$ 21,025

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
SCHEDULE 301. OPERATING REVENUES
Account No. 400

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	WASTEWATER SALES REVENUE	XXX		XXX
2	521 Flat Rate Revenues - General Customers	XXX		XXX
3	521.1 Residential	\$ 181,502	\$ 138,553	\$ 42,949
4	521.2 Commercial			
5	521.3 Industrial			
6	521.4 Public Authorities			
7	521.5 Multiple Family Dwelling Revenues			
8	521.6 Other Revenues (Availability)			
9	Total Flat Rate (Unmetered) Revenues	181,502	138,553	42,949
10	522 Measured Revenues - General Customers			
11	522.1 Residential			
12	522.2 Commercial			
13	522.3 Industrial			
14	522.4 Public Authorities			
15	522.5 Multiple Family Dwellings Revenues			
16	Total Measured Revenues			
17	523 Revenues from Public Authorities			
18	524 Revenues from Other Systems			
19	525 Interdepartmental Revenues			
20	TOTAL WASTEWATER SALES REVENUE	-	-	-
21	OTHER WASTEWATER REVENUES			
22	530 Guaranteed Revenues			
23	531 Sale of Biosolids			
24	532 Forfeited Discounts			
25	534 Rents from Wastewater Property			
26	535 Interdepartmental Rents			
27	536 Other Wastewater Revenues			
28	TOTAL OTHER WASTEWATER REVENUES	-	-	-
29	RECLAIMED WATER SALES			
30	540 Flat Rate Reuse Revenues			
31	540.1 Residential Reuse Revenues			
32	540.2 Commercial Reuse Revenues			
33	540.3 Industrial Reuse Revenues			
34	540.4 Reuse Revenues from Public Authorities			
35	540.5 Other Revenues	-	-	-
36	541 Measured Reuse Revenue			
37	541.1 Residential Reuse Revenues			
38	541.2 Commercial Reuse Revenues			
39	541.3 Industrial Reuse Revenues			
40	541.4 Reuse Revenues from Public Authorities			
41	544 Reuse Revenues from Other Systems			
42	TOTAL RECLAIMED WATER SALES	-	-	-
43	400 TOTAL OPERATING REVENUES	\$ 181,502	\$ 138,553	\$ 42,949

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)

Schedule 302. OPERATING EXPENSES

OPERATION AND MAINTENANCE

Account No. 401

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	COLLECTION EXPENSES		XXX	XXX
2	701 Salaries and Wages - Employees	\$ -	\$ -	\$ -
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
4	704 Employee Pensions and Benefits			
5	715 Purchased Power			
6	716 Fuel for Power Production			
7	718 Chemicals			
8	720 Materials and Supplies			
9	731 Contractual Services - Engineering			
10	732 Contractual Services - Accounting			
11	733 Contractual Services - Legal			
12	734 Contractual Services - Management Fees			
13	735 Contractual Services - Testing			
14	736 Contractual Services - Other			
15	741 Rental of Building/Real Property			
16	742 Rental of Equipment			
17	750 Transportation Expenses			
18	756 Insurance - Vehicle			
19	757 Insurance - General Liability			
20	758 Insurance - Workman's Compensation			
21	759 Insurance - Other			
22	767 Regulatory Commission Expense - Other			
23	775 Miscellaneous Expenses			
24	TOTAL COLLECTION EXPENSES	-	-	-

25	PUMPING EXPENSES			
26	701 Salaries and Wages - Employees			
27	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
28	704 Employee Pensions and Benefits			
29	715 Purchased Power	18,028	28,286	(10,258)
30	716 Fuel for Power Production			
31	718 Chemicals			
32	720 Materials and Supplies			
33	731 Contractual Services - Engineering			
34	732 Contractual Services - Accounting			
35	733 Contractual Services - Legal			
36	734 Contractual Services - Management Fees			
37	735 Contractual Services - Testing			
38	736 Contractual Services - Other			
39	741 Rental of Building/Real Property			
40	742 Rental of Equipment			
41	750 Transportation Expenses			
42	756 Insurance - Vehicle			
43	757 Insurance - General Liability			
44	758 Insurance - Workman's Compensation			
45	759 Insurance - Other			
46	767 Regulatory Commission Expense - Other			
47	775 Miscellaneous Expenses			
48	TOTAL PUMPING EXPENSES	\$ 18,028	\$ 28,286	\$ (10,258)

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)

Schedule 302. OPERATING EXPENSES (Continued)

OPERATION AND MAINTENANCE

Account No. 401

Line No.	Account Number and Title (a)	Current Year- End Balance (b)	Previous Year- End Balance (c)	Increase/ (Decrease) (d)
1	TREATMENT AND DISPOSAL EXPENSES			0
2	701 Salaries and Wages - Employees			
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
4	704 Employee Pensions and Benefits			
5	710 Purchased Wastewater Treatment (Water)			
6	711 Sludge Removal Expense	5,969	7,659	(1,690)
7	715 Purchased Power			
8	716 Fuel for Power Production			
9	718 Chemicals	239	240	(1)
10	720 Materials and Supplies	2,027	588	1,439
11	731 Contractual Services - Engineering			
12	732 Contractual Services - Accounting			
13	733 Contractual Services - Legal			
14	734 Contractual Services - Management fees	25,701	30,006	(4,305)
15	735 Contractual Services - Testing and monitoring	4,858	5,812	(954)
16	736 Contractual Services - Repairs and maintenance	81,198	41,645	39,553
17	741 Rental of Building/Real Property			
18	742 Rental of Equipment			
19	750 Transportation Expenses			
20	756 Insurance - Vehicle			
21	757 Insurance - General Liability			
22	758 Insurance - Workman's Compensation			
23	759 Insurance - Other			
24	767 Regulatory Commission Expense - Other			
25	775 Miscellaneous Expenses			
26	TOTAL TREATMENT AND DISPOSAL EXPENSES	\$ 119,992	\$ 85,950	\$ 34,042

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)

Schedule 302. OPERATING EXPENSES (Continued)

OPERATION AND MAINTENANCE

Account No. 401

Line No.	Account Number and Title (a)	Current Year- End Balance (b)	Previous Year- End Balance (c)	Increase/ (Decrease) (d)
1	RECLAIMED WATER TREATMENT EXPENSES			0
2	701 Salaries and Wages - Employees			
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
4	704 Employee Pension and Benefits			
5	715 Purchased Power			
6	716 Fuel for Power Production			
7	718 Chemicals			
8	720 Materials and Supplies			
9	731 Contractual Services - Engineering			
10	732 Contractual Services - Accounting			
11	733 Contractual Services - Legal			
12	734 Contractual Services - Management Fees			
13	735 Contractual Services - Testing			
14	736 Contractual Services - Other			
15	741 Rental of Building/Real Property			
16	742 Rental of Equipment			
17	750 Transportation Expenses			
18	756 Insurance - Vehicle			
19	757 Insurance - General Liability			
20	758 Insurance - Workman's Compensation			
21	759 Insurance - Other			
22	767 Regulatory Commission Expenses- Other			
23	775 Miscellaneous Expenses			
24	TOTAL RECLAIMED WATER TREATMENT EXP.	-	-	-
25	TOTAL OPERATION AND MAINTENANCE EXPENSES	\$ 138,020	\$ 114,236	\$ 23,784

28 Total Operation & Maint Exp

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)

Schedule 302. OPERATING EXPENSES (Continued)

CUSTOMER AND ADMINISTRATIVE AND GENERAL

Account No. 401

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Previous Year-End Balance (c)	Increase/ (Decrease) (d)
1	CUSTOMER ACCOUNTS EXPENSES	XXX	XXX	XXX
2	701 Salaries and Wages - Employees			
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
4	704 Employee Pensions and Benefits			
5	715 Purchased Power			
6	716 Fuel for Power Production			
7	720 Materials and Supplies			
8	731 Contractual Services - Engineering			
9	732 Contractual Services - Accounting			
10	733 Contractual Services - Legal			
11	734 Contractual Services - Management Fees			
12	735 Contractual Services - Testing			
13	736 Contractual Services - Other (Line Location)	4,953	903	4,050
14	741 Rental of Building/Real Property			
15	742 Rental of Equipment			
16	750 Transportation Expenses			
17	756 Insurance - Vehicle			
18	757 Insurance - General Liability			
19	758 Insurance - Workman's Compensation			
20	759 Insurance - Other			
21	767 Regulatory Commission Expense - Other			
22	770 Bad Debt Expense			
23	775 Miscellaneous Expenses			
	Postage	943	2,413	(1,470)
	Printing	468	429	39
24	TOTAL CUSTOMER ACCOUNTS EXPENSES	6,364	3,745	2,619
25	ADMINISTRATIVE AND GENERAL EXPENSES			
26	701 Salaries and Wages - Employees			
27	703 Salaries and Wages-Officers, Directors and Majority Stockholders			
28	704 Employee Pension and Benefits			
29	715 Purchased Power			
30	716 Fuel for Power Production			
31	720 Materials and Supplies			
32	731 Contractual Services - Engineering			
33	732 Contractual Services - Accounting	3,823	2,310	1,513
34	733 Contractual Services - Legal	170	373	(203)
35	734 Contractual Services - Management Fees	17,258	15,763	1,495
36	735 Contractual Services - Testing			
37	736 Contractual Services - Other			
38	741 Rental of Building/Real Property			
39	742 Rental of Equipment			
40	750 Transportation Expenses			
41	756 Insurance - Vehicle			
42	757 Insurance - General Liability	736	601	135
43	758 Insurance - Workman's Compensation			
44	759 Insurance - Other			
45	760 Advertising Expense			
46	766 Regulatory Commission Expenses-Amortization of Rate Case Exp.			
47	767 Regulatory Commission Expenses-Other			
48	775 Miscellaneous Expenses			
	Bank Service Charges	158	113	45
	Bad debt expense	106	-	106
	Office supplies	81	19	62
	Rate case	76	3,331	(3,255)
	Telephone	625	528	97
49	TOTAL ADMINISTRATIVE AND GENERAL EXP.	\$ 23,033	\$ 23,038	(5)
50	401 TOTAL OPERATING EXPENSES	\$ 167,417	\$ 141,019	26,398

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 303. BASIS FOR DEPRECIATION CHARGES BY
PRIMARY ACCOUNTS
Account No. 403

Line No.	Description of Property (a)	Original Cost (b)	Approved Depreciation Rates * (c)	Annual Depreciation (d)
1	Structures and Improvements	\$ -	\$ -	\$ -
2	Power Generation Equipment			
3	Collection Sewers - Force			
4	Collection Sewers - Gravity	9,300	25 years	372
5	Special Collecting Structures			
6	Services to Customers			
7	Flow Measuring Devices			
8	Flow Measuring Installations			
9	Reuse Services			
10	Reuse Meters and Meter Installations			
11	Receiving Wells			
12	Pumping Equipment	27,849	7-20 years	646
13	Reuse Distribution Reservoirs			
14	Reuse Transmission/Distribution System			
15	Treatment and Disposal Equipment	181,786	12-25 years	9,397
16	Plant Plant			
17	Outfall Sewer Lines	86,583	15-20 years	4,354
18	Other Plant and Misc. Equipment			
19	Office Furniture and Equipment			
20	Transportation Equipment			
21	Stores Equipment			
22	Tools, Shop and Garage Equipment			
23	Laboratory Equipment			
24	Power Operated Equipment			
25	Communication Equipment			
26	Miscellaneous Equipment			
27	Other Tangible Plant			
28	TOTALS	\$ 305,518		\$ 14,769

* Use Straight-line depreciation rates as approved by the Commission.
Do not use Tax Depreciation Rates.

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 400. NOTES TO FINANCIAL STATEMENTS

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinary included in financial statements prepared in accordance with the Uniform System of Accounts for Class B Wastewater Utilities issued by the National Association of Regulatory Utility Commissioners. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed of such matters.

FOR THE YEAR ENDED OCTOBER 31, 2008

HARBOR ISLAND UTILITIES, INC. (Wastewater Division)
Schedule 500. CERTIFICATION

I hereby certify that the enclosed Annual Report was prepared by me or under my supervision, that I have examined it, and that the items herein reported on the basis of my knowledge are correctly shown.

Name: Robert G. Gross Title: President

Signature: Robert G. Gross Date: 1/15/09

KEVIN CAIN, CPA, LLC
Certified Public Accountant & Consultants

Mr. Robert G. Gross, President
Harbor Island Utilities, Inc..
Post Office Box 1028
Beaufort, SC 29901-1028

I have compiled the accompanying balance sheets of Harbor Island Utilities, Inc., a corporation, as of October 31, 2008, and 2007, and the related statements of income (loss) and changes in retained earnings (deficit) for the years then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.


Kevin Cain, CPA, LLC
Beaufort, South Carolina
December 11, 2008

Carolina Cove Executive Center * 2201 Boundary Street, Suite 206 * Beaufort, South Carolina 29902
Telephone (843) 522-0222 * Facsimile (843) 470-0233 * Email KCCPA@hargray.com

A Member of the American Institute of Certified Public Accountants & South Carolina Association of Certified Public Accountants



Harbor Island Utilities, Inc.

Balance Sheets

As of October 31, 2008 and 2007

ASSETS	October 31, 2008	October 31, 2007	Change	Percent Change
Current Assets				
Checking/Savings				
1000 · Palmetto State checking	\$ -	\$ 2,482.11	\$ (2,482.11)	-100.0%
Accounts Receivable				
1200 · Receivables	14,224.14	12,626.48	1,597.66	12.65%
Other Current Assets				
1400 · Prepaid Expenses				
1402 · Prepaid Federal Income Taxes	-	1,600.00	(1,600.00)	-100.0%
Total Other Current Assets	<u>-</u>	<u>1,600.00</u>	<u>(1,600.00)</u>	<u>-100.0%</u>
Total Current Assets	<u>14,224.14</u>	<u>16,708.59</u>	<u>(2,484.45)</u>	<u>-14.87%</u>
Fixed Assets				
1500 · Fixed Assets				
1505 · Water System-Pump equipment	37,050.64	37,050.64	-	0.0%
1506 · Water System - Mains	18,702.29	18,702.29	-	0.0%
1507 · Water System-Services	10,616.15	10,616.15	-	0.0%
1508 · Water System-Hydrants	13,853.31	13,853.31	-	0.0%
1509 · Water System-Support equipment	15,078.67	15,078.67	-	0.0%
1523 · Contributed mains & services	17,040.59	17,040.59	-	0.0%
1524 · Contributed meters	28,354.14	27,859.14	495.00	1.78%
1525 · Contributed systems 1986-1995	22,529.75	22,529.75	-	0.0%
1526 · Contributed systems 1996 forward	223,046.25	223,046.25	-	0.0%
1535 · Wastewater - Pump equipment	27,848.73	27,848.73	-	0.0%
1536 · Wastewater- Collection system	9,300.00	9,300.00	-	0.0%
1537 · Contributed sewer costs	8,187.43	8,187.43	-	0.0%
1538 · Effluent line replacement	86,582.90	86,582.90	-	0.0%
1545 · Treatment Plant-Treatment units	181,786.45	175,439.22	6,347.23	3.62%
1561 · Land	5,700.00	5,700.00	-	0.0%
1702 · Sewer tap	9,992.74	9,020.24	972.50	10.78%
Total 1500 · Fixed Assets	<u>715,670.04</u>	<u>707,855.31</u>	<u>7,814.73</u>	<u>1.1%</u>
1600 · Accumulated Depreciation				
1605 · WS-Pump equipment	(21,202.00)	(13,170.56)	(8,031.44)	60.98%
1606 · WS-Mains	(9,989.00)	(8,152.46)	(1,836.54)	22.53%
1607 · WS-Services	(5,268.00)	(5,886.53)	618.53	-10.51%
1608 · WS-Hydrants	(7,201.00)	(7,529.57)	328.57	-4.36%
1611 · WS-Support equipment	(14,122.00)	(14,705.31)	583.31	-3.97%
1623 · Contributed mains	(5,448.01)	(5,022.21)	(425.80)	8.48%
1624 · Contributed meters	(17,151.00)	(15,431.96)	(1,719.04)	11.14%
1625 · Contributed systems 1986-1995	(13,791.01)	(13,053.81)	(737.20)	5.65%
1626 · Contributed systems 1996 forward	(106,228.00)	(100,279.90)	(5,948.10)	5.93%
1635 · SS-Pump equipment	(23,255.00)	(22,566.68)	(688.32)	3.05%
1636 · SS-Collection systems	(5,208.00)	(4,743.00)	(465.00)	9.8%
1637 · Contributed sewer costs	(4,470.00)	(3,928.78)	(541.22)	13.78%
1638 · Effluent Line Relocation	(17,726.00)	(14,747.18)	(2,978.82)	20.2%
1645 · TP-Treatment units	(47,029.00)	(35,430.71)	(11,598.29)	32.74%
1650 · Sewer Taps	(1,179.00)	(546.01)	(632.99)	115.93%
Total 1600 · Accumulated Depreciation	<u>(299,267.02)</u>	<u>(265,194.67)</u>	<u>(34,072.35)</u>	<u>12.85%</u>
Total Fixed Assets	<u>416,403.02</u>	<u>442,660.64</u>	<u>(26,257.62)</u>	<u>-5.93%</u>
Other Assets				
1800 · Other Assets				
1801 · Deposits	108.08	108.08	-	0.0%
1802 · Parts inventory	600.00	600.00	-	0.0%
Total 1800 · Other Assets	<u>708.08</u>	<u>708.08</u>	<u>-</u>	<u>0.0%</u>
Total Other Assets	<u>708.08</u>	<u>708.08</u>	<u>-</u>	<u>0.0%</u>
TOTAL ASSETS	<u>\$ 431,335.24</u>	<u>\$ 460,077.31</u>	<u>\$ (28,742.07)</u>	<u>-6.25%</u>

See Accompanying Accountant's Compilation Report.

Harbor Island Utilities, Inc.

Balance Sheets

As of October 31, 2008 and 2007

ASSETS	October 31, 2008	October 31, 2007	Change	Percent Change
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
2100 · Accounts payable	\$ 113,881.69	\$ 125,239.47	\$ (11,357.78)	-9.07%
1000 · Bank overdraft	977.39	-	977.39	100.0%
2101 · Accrued interest shareholder loan	-	3,589.49	(3,589.49)	-100.0%
2102 · Notes payable - R Arnold Ellison, Jr.	258,246.80	258,246.80	-	0.0%
2200 · Water/sewer deposits	566.50	566.50	-	0.0%
Current portion of long term liabilities	5,660.00	5,808.00	(148.00)	-2.55%
Total Current Liabilities	379,332.38	393,450.26	(14,117.88)	-3.59%
Long Term Liabilities				
2103 · Note Payable - Palmetto State Bank	192,680.38	198,444.64	(5,764.26)	-2.91%
Less current portion of long term debt	(5,660.00)	(5,808.00)	148.00	-2.55%
Total Long Term Liabilities	187,020.38	192,636.64	(5,616.26)	-2.92%
Total Liabilities	566,352.76	586,086.90	(19,734.14)	-3.37%
Equity				
3700 · Contributed Tap-In Fees				
3702 · Prior year tap-in fees	116,972.00	111,804.00	5,168.00	4.62%
3703 · Current year water tap fees	4,287.00	5,820.00	(1,533.00)	-26.34%
3704 · Current year sewer tap fees	2,000.00	5,000.00	(3,000.00)	-60.0%
3751 · 1986 & prior systems	79,028.45	79,028.45	-	0.0%
3753 · 1986 - 1995 systems	62,314.91	62,314.91	-	0.0%
3754 · 1986 - 1995 cash	22,068.92	22,068.92	-	0.0%
3755 · Westmarsh systems	223,046.25	223,046.25	-	0.0%
3756 · Cash after 1996	5,360.00	5,360.00	-	0.0%
3765 · Amortization-tap fee costs	(6,576.80)	(5,943.80)	(633.00)	10.65%
3766 · Amortization-since 1986 systems	(32,942.61)	(29,516.61)	(3,426.00)	11.61%
3767 · Amortization-1996 forward sys	(106,225.23)	(100,279.88)	(5,945.35)	5.93%
Total 3700 · Contributed Tap-In Fees	369,332.89	378,702.24	(9,369.35)	-2.47%
3801 · Common stock	81,000.00	81,000.00	-	0.0%
3802 · Treasury stock	(516,100.00)	(516,100.00)	-	0.0%
3900 · Retained Earnings	(69,250.41)	(69,611.83)	361.42	-0.52%
Total Equity	(135,017.52)	(126,009.59)	(9,007.93)	7.15%
TOTAL LIABILITIES & EQUITY	\$ 431,335.24	\$ 460,077.31	\$ (28,742.07)	-6.25%

See Accompanying Accountant's Compilation Report.

Harbor Island Utilities, Inc.
Statements of Income (Loss) and
Changes in Retained Earnings (Deficit)
For the Years Ended October 31, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percent Change</u>
Income				
4000 · Revenues				
4001 · Water consumption	\$ 221,121.99	\$ 226,031.65	\$ (4,909.66)	-2.17%
4002 · Sewer use	181,501.56	138,753.07	42,748.49	30.81%
4005 · Late Charges	726.78	697.43	29.35	4.21%
4008 · Administrative set-up fees	75.00	-	75.00	100.0%
Total 4000 · Revenues	<u>403,425.33</u>	<u>365,482.15</u>	<u>37,943.18</u>	<u>10.38%</u>
5000 · Cost of sales				
5002 · Water	82,250.77	92,929.33	(10,678.56)	-11.49%
Gross Profit	<u>321,174.56</u>	<u>272,552.82</u>	<u>48,621.74</u>	<u>17.84%</u>
Expense				
5100 · Administrative expenses				
5201 · Accounting & auditing	8,705.00	6,090.00	2,615.00	42.94%
5221 · Bad debts	235.70	-	235.70	100.0%
5226 · Bank charges	351.43	299.20	52.23	17.46%
5340 · Interest Paid to R. Arnold Ellison, Jr.	16,617.38	20,650.63	(4,033.25)	-19.53%
5341 · Interest Paid to Robert Gross	(3,589.49)	170.93	(3,760.42)	-2,199.98%
5342 · Interest Paid to Palmetto State Bank	13,455.74	15,163.84	(1,708.10)	-11.26%
5349 · Finance charges	-	86.34	(86.34)	-100.0%
5346 · Insurance	1,637.00	1,584.00	53.00	3.35%
5356 · Legal fees	170.00	983.12	(813.12)	-82.71%
5360 · Safe Water Fee	4.44	308.58	(304.14)	-98.56%
5361 · Licenses & permits	2,646.00	2,330.00	316.00	13.56%
5362 · Line location services	11,010.00	2,380.00	8,630.00	362.61%
5366 · Administration fees	38,360.34	41,556.71	(3,196.37)	-7.69%
5376 · Office supplies	178.55	51.00	127.55	250.1%
5386 · Postage & freight	2,094.58	6,361.29	(4,266.71)	-67.07%
5391 · Printing	1,041.26	1,129.59	(88.33)	-7.82%
5395 · Rate case	168.75	8,781.26	(8,612.51)	-98.08%
5438 · Taxes - Licenses	2,632.55	1,537.48	1,095.07	71.23%
5439 · Taxes - Property	6,068.55	2,654.16	3,414.39	128.64%
5441 · Telephone	1,388.67	1,393.83	(5.16)	-0.37%
Total 5100 · Administrative expenses	<u>103,176.45</u>	<u>113,511.96</u>	<u>(10,335.51)</u>	<u>-9.11%</u>
5200 · Water system expenses				
5211 · Auxiliary generator	1,437.16	10,103.63	(8,666.47)	-85.78%
5217 · Backflow preventors	-	200.00	(200.00)	-100.0%
5256 · Bldgs & grounds	2,931.10	1,177.50	1,753.60	148.93%
5296 · Depreciation	3,647.00	2,637.98	1,009.02	38.25%
5316 · Electricity-water	7,238.76	7,276.76	(38.00)	-0.52%
5318 · Field supplies	1,169.81	1,347.44	(177.63)	-13.18%
5381 · Operator services	12,472.82	13,692.38	(1,219.56)	-8.91%
5396 · Pumps & motors	1,392.64	6,677.12	(5,284.48)	-79.14%
5451 · Water lines & hydrants	24,723.61	23,033.90	1,689.71	7.34%
5456 · Water meter installation	6,199.86	5,401.36	798.50	14.78%
5461 · Water quality monitoring	560.00	420.00	140.00	33.33%
5466 · Water tank	725.14	1,479.00	(753.86)	-50.97%
5655 · Water meter repair	2,349.39	1,606.92	742.47	46.21%
Total 5200 · Water system expenses	<u>64,847.29</u>	<u>75,053.99</u>	<u>(10,206.70)</u>	<u>-13.6%</u>

-(Continued) -

Harbor Island Utilities, Inc.
Statements of Income (Loss) and
Changes in Retained Earnings (Deficit)
For the Years Ended October 31, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percent Change</u>
5300 - Sewer system expenses				
5257 - Buildings & grounds	3,067.71	5,890.00	(2,822.29)	-47.92%
5267 - Chemicals	238.74	240.40	(1.66)	-0.69%
5269 - Chlorination system	376.77	-	376.77	100.0%
5292 - Controls & Instrument	2,026.51	588.01	1,438.50	244.64%
5297 - Depreciation	14,769.00	17,026.00	(2,257.00)	-13.26%
5310 - Effluent PS & force main	3,018.40	618.22	2,400.18	388.24%
5311 - Effluent monitoring	4,040.00	4,475.00	(435.00)	-9.72%
5312 - Effluent Disposal	818.44	1,336.73	(518.29)	-38.77%
5317 - Electricity	18,028.46	28,285.84	(10,257.38)	-36.26%
5319 - Field Supplies - Sewer	1,240.86	533.84	707.02	132.44%
5336 - Gravity sewer lines	4,650.31	5,246.77	(596.46)	-11.37%
5382 - Operator services-sewer	25,701.44	30,006.10	(4,304.66)	-14.35%
5401 - Secondary treatment units	30,071.19	20,232.24	9,838.95	48.63%
5416 - Sewer pump systems	32,340.29	8,121.42	24,418.87	300.67%
5421 - Sludge disposal	5,968.77	7,658.83	(1,690.06)	-22.07%
5430 - Water	6,232.51	1,002.34	5,230.17	521.8%
Total 5300 - Sewer system expenses	<u>152,789.40</u>	<u>131,261.74</u>	<u>21,527.66</u>	<u>16.4%</u>
Total expenses	<u>320,813.14</u>	<u>319,827.69</u>	<u>985.45</u>	<u>0.31%</u>
Net income (loss)	<u>\$ 361.42</u>	<u>\$ (47,274.87)</u>	<u>\$ 47,636.29</u>	<u>-100.77%</u>
Retained earnings (deficit) - Beginning of year	<u>\$ (69,611.83)</u>	<u>(22,336.96)</u>	<u>(47,274.87)</u>	<u>211.64%</u>
Net income (loss)	<u>361.42</u>	<u>(47,274.87)</u>	<u>47,636.29</u>	<u>-100.77%</u>
Retained earnings (deficit) - End of year	<u>\$ (69,250.41)</u>	<u>\$ (69,611.83)</u>	<u>\$ 361.42</u>	<u>-0.52%</u>



South Carolina Department of Health and Environmental Control

NPDES Compliance Inspection Report

NPDES Permit No.: ND0065919

Inspection Type: CSI Date of Inspection: 04/28/2008

Entry Time: Outfall 002: 1300 Exit Time: 1430

Permit Effective Date: 08/01/04 Permit Expiration Date: 09/30/13
 Permit Modification Date: 10/1/06

Name and Location of Facility, (include county):
 Harbor Island PSD WWTF **Outfall 002**
 Harbor Island, SC 29920
 Beaufort County

Name, Title, Telephone No. of On-Site Representative(s):
 Ms. Christie Greene, Chief Wastewater Operator, 843-982-0606

Name and Address of Responsible Official/Title/Telephone No.
 Mr. Robert G. Gross, President, 843-982-0606
 P.O. Box 1028
 Beaufort, SC 29901-1028

*Areas Evaluated During Inspection

- | | | |
|---------------------------|----------------------|-----------------------------|
| * Permit | * Flow Measurement | * Operation and Maintenance |
| * Records/Reports | * Self-Monitoring | * Sludge Handling/Disposal |
| * Facility Site Review | Compliance Schedules | Pretreatment |
| Effluent/Receiving Waters | Laboratory | Storm Water |
| Collection System | Other: | |

Name of Inspector: Alex Saunders District/Section: Region 8 EQC

Name of District/Section Reviewer: Penny Cornett Date: 05/05/2008

Signature of PSC Reviewer: _____ Date: _____

Compliance Sampling Inspection
Fripp Island PSD
and
Harbor Island Utilities
Fripp Island, South Carolina
State Land Application Permit No. ND0065919

On April 28, 2008, personnel from the South Carolina Department of Health and Environmental Control (DHEC) conducted a Compliance Sampling Inspection (CSI) at the Fripp Island PSD, Fripp Island, South Carolina and conducted a CSI on Harbor Island, Harbor Island, South Carolina. The inspectors, Alex Saunders, Jeff Cook, and Allyson Leone met with facility representatives Ernie Wilson (Fripp Island PSD) and Christie Greene (Harbor Island Utilities) to explain the objectives and procedures of the inspection.

The results of the inspection are as follows:

Permit

The two facilities have different ownership. The facility at Fripp Island (001) is owned and operated by Fripp Island PSD. The facility at Harbor Island (002) is owned by Harbor Island Utilities and operated by The Beaufort Group. Both facilities discharge into an effluent holding pond located at Fripp Island and is land applied to 106 acres of a golf course located on Fripp Island.

These facilities are authorized to discharge under State Permit Land Application Permit Number ND0065919.

Permit information regarding the name and location of the receiving waters was correct. Permit information regarding the number and location of discharge points was correct. The permit became effective on August 1, 2004, was modified October 1, 2006, and expires on September 30, 2013.

Rating: Satisfactory.

Records and Reports

Records and reports are maintained as required by the NPDES Permit. All information is available, complete, current, and is maintained for a minimum of three years either at the wastewater treatment plants or at the offices on Fripp Island and Lady's Island, South Carolina.

The Discharge Monitoring Reports (DMRs) for April and December of 2007, and January and February of 2008 were reviewed. Analytical results are consistent with the data reported on the DMRs. Sampling and analysis data is adequate and includes dates, times, locations of sampling as well as methods and techniques, results, and persons performing sampling and analysis. All calculations are performed correctly. Monitoring records are adequate and include flow, pH, dissolved oxygen, residual chlorine, monitoring charts, etc., as required by the permit. Report forms have been developed to provide complete data documentation and permanent records. Laboratory records are readily available for the required period of time.

Plant records are adequate and included As-built engineering drawings, up-to-date schedules of equipment maintenance and repairs, and equipment supplies manuals. An Operations and Maintenance manual for the facility at Fripp was available and was last updated in November 2006. There is an O&M manual available for the plant located at Harbor Island but was last updated in May 1981.

Rating: Satisfactory Outfall 001 Fripp Island
Marginal Outfall 002 Harbor Island. The O&M Manual at Harbor Island needs updating to include the new Hydrosieve static screen.

Facility Site Review

The 0.49 MGD facility at Fripp Island is a Zenon Membrane Biological Reactor (MBR) with a JWC grit classifier that includes a dual band screening device with a washer/compactor and Muffin Monster. This highly computerized facility utilizes a low vacuum membrane system to force wastewater through filaments rejecting solids and bacteria. The facility includes an aerobic digester, flow equalization tank, anoxic zone, aeration basin and membranes. Disinfection is accomplished through a dual bank Wedeco UV system. The vacuum sewer system for the unsewered portion of the Fripp Island is approximately 80% complete. This should help in improving the water quality of the surrounding brackish water estuaries. SCDHEC has for years identified water quality problems in the immediate area and it is thought that the source of the contamination (primarily fecal coliform) originates from the leaching out of the sands in the tile fields of the septic systems as the tides go in and out.

The 0.20 MGD facility at Harbor Island is a Smith and Loveless package plant. The headworks consist of a new Hydrosieve static screening device. The facility consists of a two-phase aeration chamber, clarification, aerobic digester, chlorine contact chamber, dual Amiad filters, and a effluent pump station. The effluent is pumped for seven miles to a holding pond at Fripp Island. At the time of the inspection one of the Amiad filters were off line for service. The cable from the flow meter to the sampler needs to be replaced as it is frayed and has been repaired with electrical tape.

Standby power is provided and an alarm system is available. An emergency plan for treatment control is established. The operator logbooks are properly maintained. An adequate number of operators are on-hand and there is an established procedure for training new operators. Spare parts and supplies inventories are maintained, as are major equipment specifications. Hydraulic and/or organic overloads are not routinely experienced at either of the two facilities.

Rating: Satisfactory.

Flow Measurement

Flow is measured at the effluent at Fripp Island using a 3 MAG in-line meter. The Harbor Island facility uses a 90-degree V-notch weir with an OCM II ultrasonic flow meter with totalizer to record flow. The weir at Harbor Island is located in a confined space and could not be evaluated. The weir plate appeared to be level, plumb and its top edges were sharp and clean. There is a free access of air below the nappe of the weir. The stilling basin is of sufficient size and clear of debris. Upstream channel of the weir is straight for at least four times the depth of water level, and free from disturbing influences. Head measurements are properly made by facility personnel and the correct flow tables are used. Flow records are retained and the actual flow discharged is measured. The flow meters are calibrated yearly. The Fripp Island flow meter was last calibrated in December 2007. The Harbor Island flow meter was last calibrated in March 2008.

A calibration check could not be accomplished at either facility. The Harbor Island weir is in a confined space and the Fripp Island meter is located in-line. Flow measurement is adequate to handle the expected range of flows.

Rating: Satisfactory.

Pretreatment

The facilities are not currently subject to pretreatment requirements.

Compliance Schedule

The facilities are not currently subject to a schedule of compliance.

Self-Monitoring Program

Both facilities self-monitoring program is meeting the requirements of the NPDES permit. Samples are taken at sites specified in the permit and the locations are adequate for

representative samples. Flow proportioned samples are properly collected. Grab samples for fecal coliform, dissolved oxygen, and pH are collected properly. Sampling and analysis is completed on parameters specified by the permit and in the frequencies specified in the permit. Samples are also collected on the day specified by the permit. When monitoring and analysis are performed more often than required by the NPDES permit, the results are reported on the DMRs. Samples are refrigerated during compositing and proper preservation techniques are used. Containers and sample holding times before analysis conforms with Federal Register 40 CRF 136.3.

Rating: Satisfactory.

Operations and Maintenance

At the time of the inspection, all treatment units were in service and operating satisfactorily with the exception of the one Amiad filter at Harbor Island. Procedures for facility operation exist. Instruction files were kept for operation and maintenance of each item of major equipment. Routine and preventive maintenance were scheduled and performed on time.

At the time of the inspection, the effluent was clear at the facility on Fripp Island with no visible signs of problems. The effluent at the Harbor Island facility was clear with no visible signs of problems.

Rating: Satisfactory.

Sludge Disposal

Sludge is stabilized at both facilities in an aerobic digester, and is disposed of at the BJW&SA/Cherry Point-Okatie WWTP in Jasper County. The facility at Cherry/point-Okatie is the regional sludge and septage handling facility. Ultimate disposal is at the Hickory Hill Landfill.

Rating: Satisfactory.

Laboratory

The laboratory at Fripp Island (# 07013) is certified for pH, DO, and temperature. There is a SOP available and was last updated in June 2007. A contract lab (GEL #27553) analyzes all other parameters. The laboratory certification expires on 10/21/08.

Harbor Island uses The Beaufort Groups laboratory (#07012) and is certified for pH, DO, temperature, and chlorine. A contract lab (GEL #27553) analyzes all other parameters. The Beaufort Group has a lab SOP and it was last updated in December 2007. The laboratory certification expires on 5/26/08.

Rating: Satisfactory