

CLASS B

**WATER
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



Schedule 100. IMPORTANT CHANGES DURING THE YEAR

Provide written responses for each of the items listed below. Make the written statements clear and brief. A response must be given for each item. However, if the word "none" is an accurate response, it may be used as such. Similarly, if information is given elsewhere in the report which would serve as a response to an item, reference that information in the space provided.

1. Have you had changes or additions to franchise rights? If so, describe (a) the actual payment given in exchange for the franchise rights, and (b) from whom acquired. If acquired without payment, state that fact.
No
2. Have any of the following occurred -- acquisition of other companies, or reorganization, merger or consolidation with other companies? If so, give names of companies involved, details concerning the transactions, and reference to Commission authorization, including docket numbers.
No
3. Have any of the following occurred -- purchase or sale of operating units, such as sources, treatment and storage facilities, transmission and distribution systems, or similar occurrences? If so, specify items, parties, effective dates and also reference the Commission authorization, including docket numbers.
No
4. Have any leaseholds been acquired, given, assigned, or surrendered? If so, give the effective dates, lengths of terms, names of parties, rents, Commission authorization, (docket numbers), if any, and other conditions.
No
5. Have there been any extensions of service territories? If so, include the Commission authorization (docket numbers), that give the location of the new service territory covered by distribution system and the dates of beginning operations. Give the number of customers by class; for each class, give the number of customers estimated with regard to annual revenues for the new territories.
No
6. What is the estimated increase or decrease in annual revenues due to rate changes, (cite docket numbers), and the approximate extent to which the increase or decrease is reflected in revenues for the reporting year?
It is estimated that the rate increase will increase revenues \$14,524.00 a year. We saw aprox. 67% of this increase in 2008. Docket No. 2007-243-WS
7. Have there been any wage scale changes? If so, show the dates of changes, the effect on operating expenses for the year, and estimated annual effect of the wage scale changes on operating expenses.
No
8. Have there been any obligations incurred or assumed by you, the respondent, as guarantor for the performance by another of any agreement or obligation -- excluding ordinary corporate bonds maturing on demand or not later than one year after date of issue? If so, give the Commission authorization, (docket number), if any. No
9. Have there been any changes in articles of incorporation or amendments to charters? If so, explain the nature and purpose of these changes or amendments. Note any filing with the Commission.
No
10. Other changes not provided for elsewhere.
N/A

(Company Name)

Schedule 120. EXECUTIVE SUMMARY

1. IDENTIFICATION (legal title)

| | |
|---|--|
| PSC/ORS No. _____ (leave blank) | Federal ID No.: 57-0739094 |
| Check 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. **Wastewater 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 | 2/1/2009 | 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 | P O Box 1028 Beaufort, SC 29901-1028 | 2/1/2000 |
| Vice-President | Catherine C. Gross | P O Box 1028 Beaufort, SC 29901-1028 | 2/1/2000 |
| Secretary | Catherine C. Gross | P O Box 1028 Beaufort, SC 29901-1028 | 2/1/2000 |
| Treasurer | Robert G. Gross | P O Box 1028 Beaufort, SC 29901-1028 | 2/1/2000 |
| Gen. Manager or Supt. | Robert G. Gross | P O 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: | _____ |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | \$ - | \$ 2,482 | \$ (2,482) |
| 3 | 131.2 Cash in Bank | - | - | - |
| 4 | 132 Special Deposits (Interest and/or Dividends) | | | |
| 5 | 133 Other Special Deposits | 108 | 108 | - |
| 6 | 134 Working Funds | | | |
| 7 | 135 Temporary Cash Investments | | | |
| 8 | 141 Customer Accounts Receivable | 7,795 | 4,662 | 3,133 |
| 9 | 142 Other Accounts Receivable | | | |
| 10 | 143 Accumulated Provision for Uncollectible Accounts-Credit | | | |
| 11 | 144 Notes Receivable | | | |
| 12 | 145 Accounts Receivable from Associated Companies | 12,021 | - | 12,021 |
| 13 | 146 Notes Receivable from Associated Companies | | | |
| 14 | 151 Plant Material and Supplies | | | |
| 15 | 152 Merchandise | | | |
| 16 | 153 Other Material and Supplies | 600 | 600 | - |
| 17 | 161 Stores Expense | | | |
| 18 | 162 Prepayments | - | 1,600 | (1,600) |
| 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 | 20,524 | 9,452 | 11,072 |
| 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 | \$ 83,685 | \$ 82,006 | \$ 1,679 |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | \$ 81,000 | \$ 81,000 | \$ - |
| 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 | | | |
| 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) | 23,739 | 6,759 | 16,980 |
| 16 | 216 Reacquired Capital Stock | (516,100) | (516,100) | - |
| 17 | 218 Proprietary Capital (for proprietorships & partnerships only) | | | |
| 18 | TOTAL EQUITY CAPITAL | (411,361) | (428,341) | 16,980 |
| 19 | LONG-TERM DEBT | | | |
| 20 | 221 Bonds (Schedule 205) | | | |
| 21 | 222 Reacquired Bonds (Schedule 205) | | | |
| 22 | 223 Advances from Associated Companies | 193,685 | 197,160 | (3,475) |
| 23 | 224 Other Long-Term Debt (Schedule 205) | - | | |
| 24 | TOTAL LONG-TERM DEBT | 193,685 | 197,160 | (3,475) |
| 25 | CURRENT AND ACCRUED LIABILITIES | | | |
| 26 | 231 Accounts Payable | 1,537 | 4,951 | (3,414) |
| 27 | 232 Notes Payable | | | |
| 28 | 233 Accounts Payable to Associated Companies | 54,324 | 63,597 | (9,273) |
| 29 | 234 Notes Payable to Associated Companies | | | |
| 30 | 235 Customers' 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 | 567 | 567 | - |
| 40 | TOTAL CURRENT AND ACCRUED LIABILITIES | \$ 56,428 | \$ 69,115 | \$ (12,687) |

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

All amts included in accts 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 | 301.1 Organization | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | 302.1 Franchises | | | | | |
| 4 | 339.1 Other Plant and Miscellaneous Equipment | | | | | |
| 5 | Total Intangible Plant | - | - | - | - | - |
| 6 | .2 SOURCE OF SUPPLY AND PUMPING PLANT | | | | | |
| 7 | 303.2 Land and Land Rights | | | | | |
| 8 | 304.2 Structures and Improvements | | | | | |
| 9 | 305.2 Collecting and Impounding Reservoirs | | | | | |
| 10 | 306.2 Lake, River and Other Intakes | | | | | |
| 11 | 307.2 Wells and Springs | | | | | |
| 12 | 308.2 Infiltration Galleries and Tunnels | | | | | |
| 13 | 309.2 Supply Mains | | | | | |
| 14 | 310.2 Power Generation Equipment | | | | | |
| 15 | 311.2 Pumping Equipment | | | | | |
| 16 | 339.2 Other Plant and Miscellaneous Equipment | | | | | |
| 17 | Total Source of Supply and Pumping Plant | - | - | - | - | - |
| 18 | .3 WATER TREATMENT EQUIPMENT | | | | | |
| 19 | 303.3 Land and Land Rights | | | | | |
| 20 | 304.3 Structures and Improvements | | | | | |
| 21 | 311.3 Pumping Equipment | | | | | |
| 22 | 320.3 Water Treatment Equipment | | | | | |
| 23 | 339.3 Other Plant and Miscellaneous Equipment | | | | | |
| 24 | Total Water Treatment Equipment | - | - | - | - | - |
| 25 | .4 TRANSMISSION AND DISTRIBUTION PLANT | | | | | |
| 26 | 303.4 Land and Land Rights | 5,700 | - | - | - | 5,700 |
| 27 | 304.4 Structures and Improvements | - | - | - | - | - |
| 28 | 311.4 Pumping Equipment | 37,051 | - | - | - | 37,051 |
| 29 | 330.4 Distribution Reservoirs and Standpipes | - | - | - | - | - |
| 30 | 331.4 Transmission and Distribution Mains | 41,232 | - | - | - | 41,232 |
| 31 | 333.4 Services | 10,616 | - | - | - | 10,616 |
| 32 | 334.4 Meters and Meter Installations | 27,859 | 495 | - | - | 28,354 |
| 33 | 335.4 Hydrants | 13,853 | - | - | - | 13,853 |
| 34 | 336.4 Backflow Prevention Devices | - | - | - | - | - |
| 35 | 339.4 Other Plant and Miscellaneous Equipment | 15,079 | - | - | - | 15,079 |
| 36 | Total Transmission and Distribution Plant | 151,390 | 495 | - | - | 151,885 |
| 37 | .5 GENERAL PLANT | | | | | |
| 38 | 303.5 Land and Land Rights | | | | | |
| 39 | 304.5 Structures and Improvements | | | | | |
| 40 | 340.5 Office Furniture and Equipment | | | | | |
| 41 | 341.5 Transportation Equipment | | | | | |
| 42 | 342.5 Stores Equipment | | | | | |
| 43 | 343.5 Tools, Shop and Garage Equipment | | | | | |
| 44 | 344.5 Laboratory Equipment | | | | | |
| 45 | 345.5 Power Operated Equipment | | | | | |
| 46 | 346.5 Communication Equipment | | | | | |
| 47 | 347.5 Miscellaneous Equipment | | | | | |
| 48 | 348.5 Other Tangible Plant | | | | | |
| 49 | Total General Plant | - | - | - | - | - |
| 50 | 101 TOTAL UTILITY PLANT-IN-SERVICE | \$ 151,390 | \$ 495 | \$ - | \$ - | \$ 151,885 |

HARBOR ISLAND UTILITIES, INC. (Water 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 | None | | | | | | \$ - |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
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| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | TOTAL LONG-TERM DEBT | | | | | | \$ - |

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

| Line No. | Description (a) | Amount (b) |
|----------|---|-------------------|
| 1 | Beginning of Year Balance | \$ 273,589 |
| 2 | Credits Added During the Year: | |
| 3 | Contributions Received from Capacity, Main Extensions and Customer Connection Charges | 4,287 |
| 4 | Contributions Received from Developer or Contract Agreements in cash or property | |
| 5 | Total Credits | 4,287 |
| 6 | Less: Debits Charged During the Year | |
| 7 | TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION | \$ 277,876 |

Schedule 207. ACCUMULATED AMORTIZATION OF CIAC
Account No. 272

| Line No. | Description (a) | Amount (b) |
|----------|---|-------------------|
| 8 | Beginning of Year Balance | \$ (29,517) |
| 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 depreciation on Contributions in Aid of Construction | (3,426) |
| 17 | | |
| 18 | | |
| 19 | Total Credits | |
| 20 | TOTAL ACCUMULATED AMORTIZATION OF CIAC | (32,943) |
| 21 | TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION | \$ 244,933 |

HARBOR ISLAND UTILITIES, INC. - (Water 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) | \$ 221,924 | \$ 226,729 | \$ (4,805) |
| 3 | UTILITY OPERATING EXPENSES | | | |
| 4 | 401 Operating Expenses (Schedule 302) | 179,401 | 208,040 | (28,639) |
| 5 | 403 Depreciation Expenses (Schedule 303) | 3,647 | 2,638 | 1,009 |
| 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 Fee | | | |
| 13 | 408.11 Property Taxes | 4,787 | 1,647 | 3,140 |
| 14 | 408.12 Payroll Taxes | | | |
| 15 | 408.13 Other Taxes and Licenses | 1,456 | 2,400 | (944) |
| 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 | 189,291 | 214,725 | (25,434) |
| 26 | TOTAL NET UTILITY OPERATING INCOME (LOSS) | 32,633 | 12,004 | 20,629 |
| 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 | - | - | - |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | 11,868 | 15,452 | (3,584) |
| 11 | 427.2 Interest on Short-Term Debt | | | |
| 12 | 427.3 Interest on Long-Term Debt | - | - | - |
| 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 | 11,868 | 15,452 | (3,584) |
| 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) | \$ 20,763 | \$ (3,448) | \$ 24,213 |

HARBOR ISLAND UTILITIES, INC. - (Water 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) | Average Number of Customers (e) | Gallons of Water Sold (000)omited (f) |
|----------|---------------------------------------|---------------------------------|----------------------------------|--------------------------------|------------------------------------|---|
| 1 | WATER SALES REVENUE | | | | | |
| 2 | 460 Unmetered Water Revenue | | | | | |
| 3 | 460.1 Residential Customers | \$ - | \$ - | \$ - | - | - |
| 4 | 460.2 Commercial Customers | | | | | |
| 5 | 460.3 Industrial Customers | | | | | |
| 6 | 460.4 Public Authorities | | | | | |
| 7 | 460.5 Multiple Family Dwellings | | | | | |
| 8 | Total Unmetered Water Revenue | - | - | - | - | - |
| 9 | 461 Metered Water Revenue | | | | | |
| 10 | 461.1 Residential Customers | 221,122 | 226,031 | (4,909) | 465 | 31,701 |
| 11 | 461.2 Commercial Customers | | | | | |
| 12 | 461.3 Industrial Customers | | | | | |
| 13 | 461.4 Public Authorities | | | | | |
| 14 | 461.5 Multiple Family Dwellings | | | | | |
| 15 | Total Metered Water Revenue | 221,122 | 226,031 | (4,909) | 465 | 31,701 |
| 16 | 462 Fire Protection Revenue | | | | | |
| 17 | 462.1 Public Fire Protection | | | | | |
| 18 | 462.2 Private Fire Protection | | | | | |
| 19 | 464 Other Sales to Public Authorities | | | | | |
| 20 | 466 Sales for Resale | | | | | |
| 21 | 467 Interdepartmental Sales | | | | | |
| 22 | TOTAL WATER SALES REVENUES | 221,122 | 226,031 | (4,909) | 465 | 31,701 |
| 23 | OTHER WATER REVENUES | | | | | |
| 24 | 469 Guaranteed Revenues | | | | | |
| 25 | 470 Forfeited Discounts / Late fees | 727 | 698 | 29 | | |
| 26 | 471 Miscellaneous Service Revenues | 75 | - | 75 | | |
| 27 | 472 Rents from Water Property | | | | | |
| 28 | 473 Interdepartmental Rents | | | | | |
| 29 | 474 Other Water Revenues | - | - | - | | |
| 30 | TOTAL OTHER WATER REVENUES | 802 | 698 | 104 | | |
| 31 | 400 TOTAL OPERATING REVENUES | \$ 221,924 | \$ 226,729 | \$ (4,805) | | |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | SOURCE OF SUPPLY EXPENSES | | XXX | XXX |
| 2 | 601 Salaries and Wages - Employees | \$ - | \$ - | \$ - |
| 3 | 610 Purchased Water | 82,251 | 92,929 | (10,678) |
| 4 | 615 Purchased Power | | | |
| 5 | 616 Fuel for Power Production | | | |
| 6 | 618 Chemicals | | | |
| 7 | 620 Materials and Supplies | | | |
| 8 | 631 Contractual Services - Engineering | | | |
| 9 | 632 Contractual Services - Accounting | | | |
| 10 | 633 Contractual Services - Legal | | | |
| 11 | 634 Contractual Services - Management Fees | | | |
| 12 | 635 Contractual Services - Testing | | | |
| 13 | 636 Contractual Services - Other | | | |
| 14 | 641 Rental of Building/Real Property | | | |
| 15 | 642 Rental of Equipment | | | |
| 16 | 650 Transportation Expenses | | | |
| 17 | 658 Insurance - Workman's Compensation | | | |
| 18 | 668 Water Resource Conservation Expense | | | |
| 19 | 675 Miscellaneous Expenses | | | |
| 20 | TOTAL SOURCE OF SUPPLY EXPENSES | \$ 82,251 | \$ 92,929 | \$ (10,678) |

| | | | | |
|----|--|------|------|------|
| 21 | WATER TREATMENT EXPENSES | XXX | XXX | XXX |
| 22 | 601 Salaries and Wages - Employees | \$ - | \$ - | \$ - |
| 23 | 615 Purchased Power | | | |
| 24 | 616 Fuel for Power Production | | | |
| 25 | 618 Chemicals | | | |
| 26 | 620 Materials and Supplies | | | |
| 27 | 631 Contractual Services - Engineering | | | |
| 28 | 632 Contractual Services - Accounting | | | |
| 29 | 633 Contractual Services - Legal | | | |
| 30 | 634 Contractual Services - Management Fees | | | |
| 31 | 635 Contractual Services - Testing | | | |
| 32 | 636 Contractual Services - Other | | | |
| 33 | 641 Rental of Building/Real Property | | | |
| 34 | 642 Rental of Equipment | | | |
| 35 | 650 Transportation Expenses | | | |
| 36 | 658 Insurance - Workman's Compensation | | | |
| 37 | 675 Miscellaneous Expenses | | | |
| 38 | TOTAL WATER TREATMENT EXPENSES | \$ - | \$ - | \$ - |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | TRANSMISSION AND DISTRIBUTION EXPENSES | | | 0 |
| 2 | 601 Salaries and Wages - Employees | | | |
| 3 | 615 Purchased Power | \$ 7,239 | \$ 7,276 | \$ (37) |
| 4 | 616 Fuel for Power Production | | | |
| 5 | 618 Chemicals | | | |
| 6 | 620 Materials and Supplies | 1,170 | 1,347 | (177) |
| 7 | 631 Contractual Services - Engineering | | | |
| 8 | 632 Contractual Services - Accounting | | | |
| 9 | 633 Contractual Services - Legal | | | |
| 10 | 634 Contractual Services - Management Fees | 12,659 | 13,692 | (1,033) |
| 11 | 635 Contractual Services - Testing | 560 | 420 | 140 |
| 12 | 636 Contractual Services - Maintenance | 39,572 | 48,241 | (8,669) |
| 13 | 641 Rental of Building/Real Property | | | |
| 14 | 642 Rental of Equipment | | | |
| 15 | 650 Transportation Expenses | | | |
| 16 | 658 Insurance - Workman's Compensation | | | |
| 17 | 675 Miscellaneous Expenses | | | |
| 18 | TOTAL TRANSMISSION AND DISTRIBUTION | 61,200 | 70,976 | (9,776) |
| 19 | TOTAL OPERATION AND MAINTENANCE EXPENSES | \$ 143,451 | \$ 163,905 | \$ (20,454) |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | XXX | XXX | XXX |
| 2 | 601 Salaries and Wages - Employees | \$ - | \$ - | \$ - |
| 3 | 615 Purchased Power | | | |
| 4 | 616 Fuel for Power Production | | | |
| 5 | 620 Materials and Supplies | | | |
| 6 | 631 Contractual Services - Engineering | | | |
| 7 | 632 Contractual Services - Accounting | | | |
| 8 | 633 Contractual Services - Legal | | | |
| 9 | 634 Contractual Services - Management Fees | | | |
| 10 | 635 Contractual Services - Testing | | | |
| 11 | 636 Contractual Services - Other (Line Location) | 6,057 | 1,477 | 4,580 |
| 12 | 641 Rental of Building/Real Property | | | |
| 13 | 642 Rental of Equipment | | | |
| 14 | 650 Transportation Expenses | | | |
| 15 | 658 Insurance - Workman's Compensation | | | |
| 16 | 670 Bad Debt Expense | - | - | - |
| 17 | 675 Miscellaneous Expenses | | | |
| | 675.1 Postage | 1,152 | 3,948 | (2,796) |
| | 675.2 Printing | 573 | 701 | (128) |
| 18 | TOTAL CUSTOMER ACCOUNTS | 7,782 | 6,126 | 1,656 |
| 19 | ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| 20 | 601 Salaries and Wages - Employees | | | |
| 21 | 603 Salaries and Wages - Officers, Directors, and Majority Stockholders | | | |
| 22 | 604 Employee Pension and Benefits | | | |
| 23 | 615 Purchased Power | | | |
| 24 | 616 Fuel for Power Production | | | |
| 25 | 620 Materials and Supplies | 98 | 32 | 66 |
| 26 | 631 Contractual Services - Engineering | | | |
| 27 | 632 Contractual Services - Accounting | 4,712 | 3,780 | 932 |
| 28 | 633 Contractual Services - Legal | 170 | 610 | (440) |
| 29 | 634 Contractual Services - Management Fees | 21,102 | 25,794 | (4,692) |
| 30 | 635 Contractual Services - Testing | | | |
| 31 | 636 Contractual Services - Other | | | |
| 32 | 641 Rental of Building/Real Property | | | |
| 33 | 642 Rental of Equipment | | | |
| 34 | 650 Transportation Expenses | | | |
| 35 | 656 Insurance - Vehicle | | | |
| 36 | 657 Insurance - General Liability | 901 | 983 | (82) |
| 37 | 658 Insurance - Workman's Compensation | | | |
| 38 | 659 Insurance - Other | | | |
| 39 | 660 Advertising Expense | | | |
| 40 | 666 Regulatory Commission Expenses- Amort. Of Rate Case Exp. | | | |
| 41 | 667 Regulatory Commission Expenses- Other | | | |
| 42 | 675 Miscellaneous Expenses | | | |
| | 675.1 Bank Charges | 193 | 186 | 7 |
| | 675.2 Bad debt expense | 130.00 | - | 130 |
| | 675.3 Fripp PSD Settlement | - | - | - |
| | 675.4 Rate Case | 93 | 5,450 | (5,357) |
| | 675.5 Safe Water Fee | 5 | 309 | (304) |
| | 675.6 Telephone | 764 | 865 | (101) |
| 43 | TOTAL ADMINISTRATIVE AND GENERAL | 28,168 | 38,009 | (9,841) |
| 44 | 401 TOTAL OPERATING EXPENSES | \$ 179,401 | \$ 208,040 | (28,639) |

HARBOR ISLAND UTILITIES, INC. - (Water 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 | Buildings | \$ - | \$ - | \$ - |
| 2 | Water Rights | | | |
| 3 | Reservoirs | | | |
| 4 | Tanks and Standpipes | | | |
| 5 | Wells | | | |
| 6 | Filter Plant | | | |
| 7 | Pumping Equipment | 37,051 | 7 - 17 yrs | 2,191 |
| 8 | Purification Equipment | | | |
| 9 | Mains | 18,703 | 40 yrs | 469 |
| 10 | Services | 10,616 | 40 yrs | 265 |
| 11 | Hydrants | 13,854 | 20 - 40 yrs | 438 |
| 12 | Meters | | | |
| 13 | Miscellaneous Equipment | 15,078 | 3 - 15 yrs | 284 |
| 14 | Shop Equipment | | | |
| 15 | General Equipment | | | |
| 16 | General Office Equipment | | | |
| 17 | Vehicles and Other Work Equipment | | | |
| 18 | TOTALS | \$ 95,302 | | \$ 3,647 |

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

HARBOR ISLAND UTILITIES, INC. - (Water 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 theUniform System of Accounts for Class B Water 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. - (Water 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

SCDHEC

Public Water System Inventory Report Form

Bureau of Water

Site Name: HARBOR ISLAND
 System Number: 0780013
 Fax Number: (843)982-0707

(Add, Modify, Remove, Delete: M
 Reason: SS
 Today's Date: 11/14/08

DW Mailing Address:
 Owner: HARBOR ISLAND UTILITIES INC
 Attn: HARBOR ISLAND UTILS INC
 PO BOX 1028
 BEAUFORT, SC 29901-1028

Site Info Address:
 HARBOR ISLAND
 ST HELENA, SC 29920

Owner Business Telephone: (843)982-0806
 Owner Emergency Telephone: (843)982-0405

* Relation Contact: GROSS, ROBERT
 *Phone:
 DW Mail Attention: ROBERT G GROSS
 DW Contact Telephone: NONE

System Characteristics

| | | | |
|--------------------------|----------------------------------|-------------------------|----------------------------------|
| System Type C | Inact Code | Service Area R1 | Season On (mo/yr) 01/01 |
| Subtype | Inact Date (mo/yr) | Counties Served: | Season Off (mo/yr) 12/31 |
| Owner Type LOCAL | Begin Date (mo/yr) . . . 03/1970 | 07 | |

Statistical Information

Source Use Information:
 Percent Surface Water 0
 Percent Ground Water 0
 Percent Purchased Surface Water . . . 100
 Percent Purchased Ground Water 0
 Total must equal 100%

Number of Service Connections:
 Residential 449
 Non Residential 18
 Maximum Allowable 0
 Permitted 0
 Total 467

Number of Surface Water Sources . . . 0
 Number of Ground Water Sources . . . 0
 Purchased Surface Water Sources . . . 1
 Number of Permanent SW Sources . . . 0
 Number of Emergency SW Sources . . . 0
 Number of Permanent GW Sources . . . 0
 Number of Emergency GW Sources . . . 0

Production (MGD):
 Average 0.0000
 Maximum Day 0
 Capacity:
 Total 0
 Emergency 0.0000

Service Population:
 Population 1122
 Secondary Population 0

Storage:
 Elevated (MG) 0.000
 Ground (MG) 0.800
 Pressure (TG) 10.000

Comments

* Add/change contact name, address and phone info here.

Signature: Denny Corbett

**HARBOR ISLAND
WATER SYSTEM
DHEC SYSTEM NO. 0750013**

SCDHEC personnel conducted a sanitary survey of your public water system on November 14, 2008. The cooperation and information that Bob Gross and Claudia McKeown provided is appreciated. The Harbor Island system is master metered from the Beaufort Jasper Water and Sewer Authority. The water for the Harbor Island system passes through a 4-inch pipe into the system's 500,000-gallon ground storage tank. Water is pumped from the ground storage tank to the distribution system by a combination of three service pumps. The 180-gpm variable frequency drive service pump handles most of the normal water consumption. When the demand is beyond the capacity of the service pump, one of the 800-gpm fire pumps is activated. The second 800-gpm fire pump is activated if the system pressure continues to decrease. The system currently serves 449 residential taps and 18 non-residential taps. The water is not retreated.

The Harbor Island water system has been given a satisfactory rating although the following items must be addressed:

1. Fire Flow

The water line into the system's 500,000-gallon ground storage tank is only 4-inch. If the ground storage tank is ever off-line, adequate fire flow could not be provided. Fire Chief Kline of the Fire District has acknowledged this problem in a letter dated November 27, 2007. The Fire District and Harbor Island Utilities need to explore possible emergency solutions in the interim and work together on a permanent solution of a larger supply line and potential upgrade to the current system. There are currently 38 hydrants on the system. Bishop Hydrant Service tests them yearly.

2. Under the Direct Influence of Surface Water

Your system is not considered to be under the direct influence of surface water, based on current information. However, changing circumstances may change the results of future evaluations.

3. Other

In accordance with the State Primary Drinking Water Regulations, R.61-58.6 D, you must retain a copy of the sanitary survey report for a period not less than ten (10) years and make it available for inspection by the Department and the public upon request.

SCDHEC
Bureau of Water

Public Water System Source/Plant Inventory Report

Site Name: HARBOR ISLAND
System Number: 0750013
Source ID: P07106

(Add, Modify, (R)ename, (D)elate: AS
Reason: SS
Today's Date: 11/14/08

General Information

Location NONE
Source Name Purchased Surface Water
Receiving Plant N/A
Plant ID N/A

Availability Code P
Latitude NONE
Longitude NONE
Source Code P

Purchased Source Information

System Number Metered From 0720003
System Name Metered From B.W&B

Average Use (MGD) 0.028
Total Capacity (MGD) 378
Number of Meters 0

Treatment Codes

N9900

Comments

Signature: _____

Dwight Cornett

SCDHEC
Bureau of Water

Public Water System Sanitary Survey Report
Ground Water Systems

Site name: **HARBOR ISLAND**

System number: **0750013**

Last Survey: **11/29/07**

Survey Date: **11/14/08**

| | | | | | |
|-----------------------------------|-----------|--|---|---|---|
| SOURCE: | | OPERATIONAL CONTROL: | | D. Distribution Operator Grade | |
| 1. Quantity..... | N | 28. Certified Operator/Staffing* .. | S | A..... | |
| 2. Protection from Contam. | N | 29. Testing Equipment*..... | S | B..... | |
| 3. Security..... | N | 30. Monitoring/Records..... | S | C..... | 1 |
| 4. Wellhead Piping..... | N | GENERAL O & M: | | D..... | |
| 5. Pumps..... | N | 31. Flood Security*..... | N | T..... | |
| 6. Flow Measuring Device..... | N | 32. Facility Maintenance..... | S | G..... | |
| WATER TREATMENT: | | 33. Supplies/Spare Parts Inv.... | S | E. Field Tests | |
| 7. Filtration*..... | N | 34. Waste Disposal*..... | N | Chlorine..... | |
| 8. Equipment Maintenance* .. | N | 35. Procedures Manual..... | S | pH..... | |
| 9. Chemical Storage & Hand.* .. | N | EMERGENCY OPERATION: | | pH..... | |
| 10. Chemical Feed*..... | N | 36. Stand-by Power..... | S | Other..... | |
| 11. Chemical Injection Points* .. | N | 37. Emergency Plan..... | S | S. Samples Taken | |
| DISTRIBUTION: | | 38. Drought Response Plan** .. | N | Bacteriological..... | |
| 12. Water Quality..... | S | CONSUMER CONFIDENCE REPORTS: | | Inorganic..... | |
| 13. Operation & Control..... | S | 39. CCR (Y/N)..... | N | Organic..... | |
| 14. Adequate Pressure..... | S | A. System Group (I - V)..... | | Radiological..... | |
| 15. Fire Flow..... | S | A. System Group (I - V)..... | | Other..... | |
| 16. Cross Connection Control.. | <i>NS</i> | B. Operator Grade | | F. Type Inspection/Well.... GW ROUTINE | |
| 17. Valve/Hydrant Maintenance | <i>NS</i> | A..... | | G. Are all services metered?..... Y | |
| 18. Flushing Program..... | S | B..... | | Percent metered..... 100 | |
| 19. Leak Detection and Repair.. | <i>NS</i> | C..... | | H. Is system presently under order?..... N | |
| 20. System Map..... | <i>NS</i> | D..... | | If Yes, is system complying w/order? N | |
| 21. Sample Siting Plan..... | S | T..... | | I. Follow up scheduled?..... <i>NS</i> | |
| 22. Disinfectant Residual*..... | S | C. Dist. Group (I - V)..... III | | Date scheduled..... <i>2/09</i> | |
| STORAGE: | | | | J. Overall Rating..... S | |
| 23. Capacity..... | S | | | K. Operator/Owner present?..... Y | |
| 24. Sanitary Protection..... | S | | | | |
| 25. Security..... | S | | | | |
| 26. Appurtenances..... | S | | | | |
| 27. Maintenance..... | S | | | | |

*Applicable for treated systems only.

**Applicable for part 1 and 2 systems only.

This form represents neither a final approval of the water system, nor an approval to operate the system.

**SCDHEC
Bureau of Water**

**Public Water System Sanitary Survey Report
Ground Water Systems**

Site name: HARBOR ISLAND

System number: 0750013

Last Survey: 11/29/2007

Survey Date: 11/14/08

Comments

Shirley Colwell
DHEC Representative

System Representative

Title

October 27, 2008

Page 2 of 2

dhecsvgs.rdf

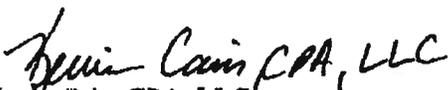
KEVIN CAIN, CPA, LLC
Certified Public Accountant & Consultants

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 | - | 1,600.00 | (1,600.00) | -100.0% |
| Total Current Assets | 14,224.14 | 16,708.59 | (2,484.45) | -14.87% |
| 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 | 715,670.04 | 707,855.31 | 7,814.73 | 1.1% |
| 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 | (3,448.01) | (3,022.21) | (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 | (299,267.02) | (265,194.67) | (34,072.35) | 12.85% |
| Total Fixed Assets | 416,403.02 | 442,660.64 | (26,257.62) | -5.93% |
| 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 | 708.08 | 708.08 | - | 0.0% |
| Total Other Assets | 708.08 | 708.08 | - | 0.0% |
| TOTAL ASSETS | \$ 431,335.24 | \$ 460,077.31 | \$ (28,742.07) | -6.25% |

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 | <u>5,660.00</u> | <u>5,808.00</u> | <u>(148.00)</u> | <u>-2.55%</u> |
| Total Current Liabilities | <u>379,332.38</u> | <u>393,450.26</u> | <u>(14,117.88)</u> | <u>-3.59%</u> |
| 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 | <u>(5,660.00)</u> | <u>(5,808.00)</u> | <u>148.00</u> | <u>-2.55%</u> |
| Total Long Term Liabilities | <u>187,020.38</u> | <u>192,636.64</u> | <u>(5,616.26)</u> | <u>-2.92%</u> |
| Total Liabilities | <u>566,352.76</u> | <u>586,086.90</u> | <u>(19,734.14)</u> | <u>-3.37%</u> |
| 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 | <u>(106,225.23)</u> | <u>(100,279.88)</u> | <u>(5,945.35)</u> | <u>5.93%</u> |
| Total 3700 · Contributed Tap-In Fees | <u>369,332.89</u> | <u>378,702.24</u> | <u>(9,369.35)</u> | <u>-2.47%</u> |
| 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 | <u>(69,250.41)</u> | <u>(69,611.83)</u> | <u>361.42</u> | <u>-0.52%</u> |
| Total Equity | <u>(135,017.52)</u> | <u>(126,009.59)</u> | <u>(9,007.93)</u> | <u>7.15%</u> |
| TOTAL LIABILITIES & EQUITY | <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.
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 · Auxillary 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</u> <u>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 | 32,540.29 | 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> |

See Accompanying Accountant's Compilation Report.