

# WASTEWATER UTILITY ANNUAL REPORT

(Class "A" and "B" Companies)

OF

**Harbor Island Utilities, Inc.**

Exact Legal Name of Respondent

S. C. PUBLIC SERVICE COMMISSION

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OFFICE OF REGULATORY STAFF

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PSC/ORS Number (leave blank)

OFFICE OF REGULATORY STAFF

FOR THE YEAR ENDED **2009**

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Calendar Year Ending December 31, 2009

or

Fiscal Year Ending October 31, 2009



**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
-	General Instructions.....	1-2
100	Important Changes During Year.....	3
110	Definitions.....	4-6
120	Executive Summary.....	7-8
130	Technical Summary.....	9-11
200	Balance Sheets:	
	Assets and Other Debits.....	12-13
	Equity Capital and Liabilities.....	14-15
201	Utility Plant-in-Service.....	16-17
202	Accumulated Depreciation of Utility Plant-in-Service.....	18
203	Utility Plant Acquisition Adjustment.....	19
204	Statement of Retained Earnings.....	19
205	Long-Term Debt.....	20
206	Contributions in Aid of Construction (CIAC).....	21
207	Accumulated Amortization of Contributions in Aid of Construction.....	21
300	Income Statement - Revenues and Expenses.....	22-23
301	Operating Revenues.....	24
302	Operating Expenses:	
	Operation and Maintenance.....	25-27
	Customer and Administrative and General.....	28
303	Basis for Depreciation Charges by Primary Accounts.....	29

## **GENERAL INSTRUCTIONS**

1. All water utilities are required by state law to complete and file this annual report. Two copies should be mailed to the South Carolina Office of Regulatory Staff, 1401 Main Street, Ste. 900, Columbia, SC 29201 by April 1, 2009. A third copy should be retained by the company for reference. Upon receipt, the Office of Regulatory Staff will forward one copy to the Public Service Commission of South Carolina. Filing two copies with the Office of Regulatory Staff will satisfy the utility's responsibility for submitting an annual report as required pursuant to Commission regulations. Pencil entries will not be permitted on the hard copy.
2. All forms are available in MS Excel on the Office of Regulatory Staff web site at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov).
3. Respond to each item using "0", "none", or "not applicable" as appropriate.
4. Requests for extension must be in writing to the Office of Regulatory Staff. Extension requests postmarked after April 1, 2009 will be denied.
5. All accounting terms and phrases used in this report are to be interpreted in accordance with the effective applicable Uniform System of Accounts prescribed by this Commission, as set forth in S.C. Code Ann. Section 58-5-220 and Commission regulation 103-520.
6. Standard accounting procedures will apply in determining the nature of any entry (e.g. entries of a reverse character will be indicated by a parentheses around the number).
7. The report will be filed consisting of data relative to a calendar year basis or the company's fiscal year, but not both.
8. If this report is made for a period less than the calendar year or fiscal year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where it is necessary to include the period covered. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes).
9. All instructions should be followed and each question should be answered fully and accurately. Sufficient answers are those in which no question or schedule has been overlooked. The expression "none" or "not applicable" should be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. In any instance where information called for is not given, the reason for its omission should be stated fully.
10. Dates, when called for, should include the day, month and year. Customary abbreviations may be used in stating dates.
11. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year; otherwise, an appropriate explanation of why different figures were used should be given.
12. One copy of the respondent's latest corporate annual report, if issued, should be submitted with this report. If the respondent is a member of a group, both the parent and subsidiary's corporate annual report should be submitted.

(Company Name)

**GENERAL INSTRUCTIONS**  
**(Continued)**

13. Throughout this report, money items will be rounded to the nearest dollar.
14. Failure to comply with the submission of the annual report may result in fines and/or loss of certification.
15. Separate notification is required for changes in company information -- i.e. name, address, telephone number, contact names, sale or purchase of Company, corporate structure.
16. Do not fold forms.
17. Contact the Office of Regulatory Staff at (803) 737-0800 if you have questions about this form or the requirements for a water or wastewater utility.

(Company Name)

**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?

**No rate case**

- 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 commercial paper 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 important changes not provided for elsewhere.

**No**

## Schedule 110. DEFINITIONS

**“Accounts”** means the accounts prescribed in the NARUC Uniform System of Accounts.

**“Amortization”** means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, which may be over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

**“Associated Companies”** means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

**“Book Cost”** means the amount at which property is recorded in the applicable account without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

**“Class A”** for wastewater utilities means a utility having annual wastewater operating revenues of \$1,000,000 or more.

**“Class B”** for wastewater utilities means a utility having annual wastewater operating revenues of \$200,000 or more but less than \$1,000,000.

**“Class C”** for wastewater utilities means a utility having annual wastewater operating revenues of less than \$200,000.

**“Control”** (including the terms; “controlling,” “controlled by,” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract or any other direct or indirect means.

**“Cost”** means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

**“Cost of Removal”** means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

**“Debt Expense”** means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

## Schedule 110. DEFINITIONS (Continued)

**“Depreciation”**, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of the utility plant in the course of providing service. This includes causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of regulatory bodies.

**“Discount”**, as applied to the securities or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

**“Distribution Mains”** means any pipes whose primary purpose is to distribute treated water throughout a community, and whose components include arterial or primary feeders, secondary feeders, and the distribution grid works.

**“Investment Advances”** means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

**“Minor Items of Property”** means the associated parts or items of which retirement units are composed.

**“Multiple Family Dwelling”** means a residential structure or group of structures which is capable of separately housing more than one family unit.

**“Net Salvage Value”** means the salvage value of property retired less the cost of removal.

**“Nominally Issued”**, as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued directly to trustees of sinking funds in accordance with contractual requirements.

**“Premium”**, as applied to the securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stock) or face value and interest or dividends accrued at the date of sale.

**“Original Cost”**, as applied to utility plant, means the cost of such property to the person first devoting it to public service.

**“Property Retired”**, as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

**“Reclaimed Water”** means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

## Schedule 110. DEFINITIONS (Continued)

**“Replacing or Replacement”**, when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

**“Retained Earnings”** means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments.

**“Reuse”** means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

**“Salvage Value”** means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

**“Straight-Line Remaining Life Method”**, as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and (accounts if used), and credited to the accumulated depreciation account through equal annual changes during its service life. “Remaining Life” implies that estimates of the future life and salvage shall be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

**“Supply Main”** means any main, pipe, or aqueduct or canal whose primary purpose is to convey raw untreated water from one unit to another unit in the source of supply and pumping plant, and to the water treatment equipment.

**“Transmission Main”** means any pipes whose primary purpose is to convey treated water from the water treatment equipment or pumping station to the distribution system serving a community and generally provides no service connections with customers.

**“Utility”**, as used herein and when not otherwise indicated in the context, means any public utility to which the uniform system of accounts is applicable.

(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.

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	2/1/2009	2/1/2011
Catherine C. Gross	P.O. Box 1028 Beaufort, SC 29901-1028	2/1/2009	2/1/2011

(Company Name)

**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

**2. CONTACT (for purpose of this report)**

Contact Name:	<u>Robert G. Gross</u>		
Title:	<u>President</u>	Telephone:	<u>(843)982-0606</u>
Email Address:	<u>bob@beaufortgroup.net</u>	Fax No.:	<u>(843)982-0707</u>

**3. MAILING ADDRESS (if different from above)**

Mailing Address:	<u>P.O. Box 1028</u>		
City:	<u>Beaufort</u>	State:	<u>SC</u> Zip Code: <u>29901</u>

**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: 1/28/10

(Company Name)

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): 0.037

Maximun daily discharge of sewage during year (Mgal): 0.0408

(Company Name)

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

**SERVICES AND LINE TYPE**

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

**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.): liquid bleach 12.5%

How frequently is an analysis made of effluent? Daily

Give results of last analysis: DO 3.5 pH 6.6

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

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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:

**None**

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

**None**

**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	<b>UTILITY PLANT</b>			
2	101 Utility Plant-in-Service (Schedule 201)	\$ 563,785	\$ 563,785	\$ -
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	<b>Total Utility Plant</b>	563,785	563,785	-
9	<b>ACCUMULATED DEPRECIATION</b>			
10	108.1 Utility Plant-in-Service (Schedule 202)	(233,108)	(210,543)	(22,565)
11	108.2 Utility Plant Leased to Others			
12	108.3 Property Held for Future Use			
13	<b>Total Accumulated Depreciation</b>	(233,108)	(210,543)	(22,565)
14	<b>ACCUMULATED AMORTIZATION</b>			
15	110.1 Utility Plant in Service			
16	110.2 Utility Plant Leased to Others			
17	<b>Total Accumulated Amortization</b>	-	-	-
18	<b>UTILITY PLANT ADJUSTMENTS</b>			
19	114 Utility Plant Acquisition (Schedule 203)			
20	115 Accumulated Amortization of Utility Plant Acquisition (Schedule 203)			
21	116 Other Utility Plant			
22	<b>Total Utility Plant Adjustments</b>	-	-	-
23	<b>TOTAL NET UTILITY PLANT</b>	330,677	353,242	(22,565)
24	<b>OTHER PROPERTY AND INVESTMENTS</b>			
25	<b>OTHER PROPERTY</b>			
26	121 Non-Utility Property	-	-	-
27	122 Accumulated Depreciation and Amortization of Non-Utility Property	-	-	-
28	<b>Total Other Property</b>	-	-	-
29	<b>INVESTMENTS</b>			
30	123 Investments in Associated Companies			
31	124 Utility Investments			
32	125 Other Investments			
33	126 Sinking Funds			
34	127 Other Special Funds			
35	<b>Total Investments</b>	-	-	-
36	<b>TOTAL OTHER PROPERTY AND INVESTMENTS</b>	\$ 330,677	\$ 353,242	\$ (22,565)

**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	<b>CURRENT AND ACCRUED ASSETS</b>			
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	7,262	6,429	833
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	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	7,262	6,429	833
24	<b>DEFERRED DEBITS</b>			
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	<b>TOTAL DEFERRED DEBITS</b>	-	-	-
38	<b>TOTAL ASSETS AND OTHER DEBITS</b>	\$ 337,939	\$ 359,671	\$ (21,732)

**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	<b>EQUITY CAPITAL</b>			
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)	(106,756)	(98,520)	(8,236)
16	216 Reacquired Capital Stock			
17	218 Proprietary Capital (for proprietorships & partnerships only)			
18	<b>TOTAL EQUITY CAPITAL</b>	(106,756)	(98,520)	(8,236)
19	<b>LONG-TERM DEBT</b>			
20	221 Bonds (Schedule 205)			
21	222 Reacquired Bonds (Schedule 205)			
22	223 Advances from Associated Companies	90,545	76,583	13,962
23	224 Other Long-Term Debt (Schedule 205)	186,719	192,680	(5,961)
24	<b>TOTAL LONG-TERM DEBT</b>	277,264	269,263	8,001
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	231 Accounts Payable	3,877	1,596	2,281
27	232 Notes Payable			
28	233 Accounts Payable to Associated Companies	43,210	56,425	(13,215)
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	<b>TOTAL CURRENT AND ACCRUED LIABILITIES</b>	\$ 47,087	\$ 58,998	\$ (11,911)

**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	<b>DEFERRED CREDITS</b>			
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	<b>TOTAL DEFERRED CREDITS</b>	-	-	-
9	<b>OPERATING RESERVES</b>			
10	261 Property Insurance Reserve			
11	262 Injuries and Damages Reserve			
12	263 Pensions and Benefits Reserve			
13	265 Miscellaneous Operating Reserve			
14	<b>TOTAL OPERATING RESERVES</b>	-	-	-
15	<b>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</b>			
16	271 Contributions in Aid of Construction (Schedule 206)	245,254	242,732	2,522
17	272 Accumulated Amortization of CIAC (Schedule 207)	(124,910)	(112,802)	(12,108)
18	<b>TOTAL NET CIAC</b>	120,344	129,930	(9,586)
19	<b>ACCUMULATED DEFERRED INCOME TAXES</b>			
20	281 Accelerated Amortization			
21	282 Liberalized Depreciation			
22	283 Other			
23	<b>TOTAL ACCUMULATED DEFERRED INCOME TAXES</b>	-	-	-
24	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	\$ 337,939	\$ 359,671	\$ (21,732)

**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	<b>.1 INTANGIBLE PLANT</b>					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant and Miscellaneous Equipment					
5	<b>Total Intangible Plant</b>	-	-	-	-	-
6	<b>.2 COLLECTION PLANT</b>					
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	249,387				249,387
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	18,180	-			18,180
17	<b>Total Collection Plant</b>	267,567	-	-	-	267,567
18	<b>.3 SYSTEM PUMPING PLANT</b>					
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	<b>Total System Pumping Plant</b>	27,849	-	-	-	27,849
26	<b>.4 TREATMENT AND DISPOSAL PLANT</b>					
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	181,786	-			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	<b>Total Treatment and Disposal Plant</b>	268,369	-	-	-	268,369
35	<b>.5 RECLAIMED WATER TREATMENT PLANT</b>					
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	<b>Total Reclaimed Water Treatment Plant</b>	-	-	-	-	-
	<b>Subtotal</b>	563,785	-	-	-	563,785

**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	<b>Total Reclaimed Water Distribution Plant</b>	-	-	-	-	-
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	<b>Total General Plant</b>	-	-	-	-	-
25	<b>101 TOTAL UTILITY PLANT-IN-SERVICE</b>	\$ 563,785	\$ -	\$ -	\$ -	\$ 563,785

**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	116,884	6,747	-			123,631
5	Special Collecting Structures						
6	Services to Customers - Sewer Taps	5,649	1,210	-			6,859
7	Flow Measuring Devices						
8	Flow Measuring Installations						
9	Reuse Services						
10	Reuse Meters and Meter Installations						
11	Receiving Wells						
12	Pumping Equipment	23,255	646	-			23,901
13	Reuse Distribution Reservoirs						
14	Reuse Transmission/Distribution System						
15	Treatment and Disposal Equipment	47,029	9,608	-			56,637
16	Plant Sewers						
17	Outfall Sewer Lines	17,726	4,354	-			22,080
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	<b>TOTAL ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE</b>	<b>\$ 210,543</b>	<b>\$ 22,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 233,108</b>





**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	186,719	5.50%	9,484
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31	<b>TOTAL LONG-TERM DEBT</b>			200,000	186,719		\$ 9,484

**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	\$ 242,732
2	Credits Added During the Year:	
3	Contributions Received from Capacity, Main Extensions, and Customer Connection Charges	-
4	Contributions Received from Developer or Contract Agreements in cash or property	
5	Adjustment to Accumulated Amortization below	2,522
6	Total Credits	2,522
7	Less: Debits Charged During the Year	
8	<b>TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<b>\$ 245,254</b>

**Schedule 207. ACCUMULATED AMORTIZATION OF CIAC**  
**Account No. 272**

Line No.	Description (a)	Amount (b)
9	Beginning of Year Balance	\$ (112,802)
10	Debits Charged During the Year: Accruals Charged to Account 272	
11	Other Debits Charged During the Year (specify):	
12	Adjust to agree with depreciation schedule	(2,522)
13		
14		
15	Total Debits	
16	Credits Added During the Year (specify):	
17	Current year accumulated amortization	(9,586)
18		
19		
20	Total Credits	(12,108)
21	<b>TOTAL ACCUMULATED AMORTIZATION OF CIAC</b>	<b>\$ (124,910)</b>
22	<b>TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<b>\$ 120,344</b>

**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	\$ 242,732
2	Credits Added During the Year:	
3	Contributions Received from Capacity, Main Extensions, and Customer Connection Charges	-
4	Contributions Received from Developer or Contract Agreements in cash or property	
5	Adjustment to Accumulated Amortization below	2,522
6	Total Credits	2,522
7	Less: Debits Charged During the Year	
8	<b>TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<b>\$ 245,254</b>

**Schedule 207. ACCUMULATED AMORTIZATION OF CIAC**  
**Account No. 272**

Line No.	Description (a)	Amount (b)
9	Beginning of Year Balance	\$ (112,802)
10	Debits Charged During the Year: Accruals Charged to Account 272	
11	Other Debits Charged During the Year (specify):	
12	Adjust to agree with depreciation schedule	(2,522)
13		
14		
15	Total Debits	
16	Credits Added During the Year (specify):	
17	Current year accumulated amortization	(9,586)
18		
19		
20	Total Credits	(12,108)
21	<b>TOTAL ACCUMULATED AMORTIZATION OF CIAC</b>	<b>\$ (124,910)</b>
22	<b>TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<b>\$ 120,344</b>

**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	<b>UTILITY OPERATING INCOME</b>			
2	400 Total Utility Operating Revenues (Schedule 301)			
3	<b>UTILITY OPERATING EXPENSES</b>	\$ 201,364	\$ 181,502	\$ 19,862
4	401 Operating Expenses (Schedule 302)			
5	403 Depreciation Expenses (Schedule 303)	173,577	167,417	6,160
6	406 Amortization of Utility Plant Acquisition Adjustments	14,980	14,769	211
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			
14	408.12 Payroll Taxes	4,335	3,915	420
15	408.13 Other Taxes and Licenses			
16	409.10 Federal Income Taxes, Utility Operating Income	1,148	1,190	(42)
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	<b>Total Utility Operating Expenses</b>	194,040	187,291	6,749
26	<b>TOTAL NET UTILITY OPERATING INCOME (LOSS)</b>	7,324	(5,789)	13,113
27	<b>OTHER OPERATING INCOME (LOSS)</b>			
28	413 Income from Utility Plant Leased to Others			
29	414 Gains (Losses) from Disposition of Utility Property			
30	<b>Total Other Operating Income (Loss)</b>	-	-	-
31	<b>OTHER INCOME AND DEDUCTIONS</b>			
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	<b>TOTAL OTHER INCOME AND DEDUCTIONS</b>	-	-	-

**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	<b>WASTEWATER SALES REVENUE</b>			
2	521 Flat Rate Revenues - General Customers	XXX		XXX
3	521.1 Residential	XXX		XXX
4	521.2 Commercial	\$ 201,364	\$ 181,502	\$ 19,862
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	201,364	181,502	19,862
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	<b>TOTAL WASTEWATER SALES REVENUE</b>	-	-	-
21	<b>OTHER WASTEWATER REVENUES</b>			
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	<b>TOTAL OTHER WASTEWATER REVENUES</b>	-	-	-
29	<b>RECLAIMED WATER SALES</b>			
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	<b>TOTAL RECLAIMED WATER SALES</b>	-	-	-
43	<b>400 TOTAL OPERATING REVENUES</b>	\$ 201,364	\$ 181,502	\$ 19,862

**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	<b>COLLECTION EXPENSES</b>			
2	701 Salaries and Wages - Employees		XXX	XXX
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	<b>TOTAL COLLECTION EXPENSES</b>	-	-	-

25	<b>PUMPING EXPENSES</b>			
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			
30	716 Fuel for Power Production	21,785	18,028	3,757
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	<b>TOTAL PUMPING EXPENSES</b>	\$ 21,785	\$ 18,028	\$ 3,757

**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	<b>TREATMENT AND DISPOSAL EXPENSES</b>			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	11,015	5,969	5,046
7	715 Purchased Power			
8	716 Fuel for Power Production			
9	718 Chemicals	-	239	(239)
10	720 Materials and Supplies	1,913	2,027	(114)
11	731 Contractual Services - Engineering			
12	732 Contractual Services - Accounting			
13	733 Contractual Services - Legal			
14	734 Contractual Services - Management fees	25,701	25,701	-
15	735 Contractual Services - Testing and monitoring	5,815	4,858	957
16	736 Contractual Services - Repairs and maintenance	79,465	81,198	(1,733)
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	<b>TOTAL TREATMENT AND DISPOSAL EXPENSES</b>	<b>\$ 123,909</b>	<b>\$ 119,992</b>	<b>\$ 3,917</b>

**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	<b>RECLAIMED WATER TREATMENT EXPENSES</b>			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	<b>TOTAL RECLAIMED WATER TREATMENT EXP.</b>	-	-	-
25	<b>TOTAL OPERATION AND MAINTENANCE EXPENSES</b>	\$ 145,694	\$ 138,020	\$ 7,674

## 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	<b>CUSTOMER ACCOUNTS EXPENSES</b>	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)	1,069	4,953	(3,884)
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	928	943	(15)
	Printing	454	468	(14)
24	<b>TOTAL CUSTOMER ACCOUNTS EXPENSES</b>	2,451	6,364	(3,913)
25	<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>			
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	3,000	3,823	(823)
34	733 Contractual Services - Legal	134	170	(36)
35	734 Contractual Services - Management Fees	19,069	17,258	1,811
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	1,628	736	892
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	218	158	60
	Bad debt expense	247	106	141
	Office supplies	15	81	(66)
	Rate case	308	76	232
	Telephone	813	625	188
49	<b>TOTAL ADMINISTRATIVE AND GENERAL EXP.</b>	\$ 25,432	\$ 23,033	2,399
50	<b>401 TOTAL OPERATING EXPENSES</b>	\$ 173,577	\$ 167,417	6,160

**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	9,608
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	<b>TOTALS</b>	\$ 305,518		\$ 14,980

\* 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 ordinarily 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, 2009

**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: 1/27/10

Kevin H. Cain, CPA

1/27/10



**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

We have compiled the accompanying balance sheets of Harbor Island Utilities, Inc., a corporation, as of October 31, 2009 and 2008 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. We 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*  
Kevin Cain, CPA, LLC  
Beaufort, South Carolina  
January 16, 2010

**Harbor Island Utilities, Inc.**  
**Balance Sheets**  
As of October 31, 2009 and 2008

	October 31, 2009	October 31, 2008	Change	Percent Change
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
1000 · Palmetto State checking	\$ 937.21	\$ -	\$ 937.21	100.0%
<b>Accounts Receivable</b>				
1200 · Receivables	13,963.64	14,224.14	(260.50)	-1.83%
<b>Total Current Assets</b>	<u>14,900.85</u>	<u>14,224.14</u>	<u>676.71</u>	<u>4.76%</u>
<b>Fixed Assets</b>				
<b>1500 · Fixed Assets</b>				
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	28,354.14	-	0.0%
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	181,786.45	-	0.0%
1561 · Land	5,700.00	5,700.00	-	0.0%
1702 · Sewer tap	9,992.74	9,992.74	-	0.0%
<b>Total 1500 · Fixed Assets</b>	<u>715,670.04</u>	<u>715,670.04</u>	<u>-</u>	<u>0.0%</u>
<b>1600 · Accumulated Depreciation</b>				
1605 · WS-Pump equipment	(23,393.00)	(21,202.00)	(2,191.00)	10.33%
1606 · WS-Mains	(10,458.00)	(9,989.00)	(469.00)	4.7%
1607 · WS-Services	(5,533.00)	(5,268.00)	(265.00)	5.03%
1608 · WS-Hydrants	(7,639.00)	(7,201.00)	(438.00)	6.08%
1611 · WS-Support equipment	(14,406.00)	(14,122.00)	(284.00)	2.01%
1623 · Contributed mains	(5,874.01)	(5,448.01)	(426.00)	7.82%
1624 · Contributed meters	(18,787.00)	(17,151.00)	(1,636.00)	9.54%
1625 · Contributed systems 1986-1995	(14,166.01)	(13,791.01)	(375.00)	2.72%
1626 · Contributed systems 1996 forward	(112,177.00)	(106,228.00)	(5,949.00)	5.6%
1635 · SS-Pump equipment	(23,901.00)	(23,255.00)	(646.00)	2.78%
1636 · SS-Collection systems	(5,580.00)	(5,208.00)	(372.00)	7.14%
1637 · Contributed sewer costs	(5,014.00)	(4,470.00)	(544.00)	12.17%
1638 · Effluent Line Relocation	(22,080.00)	(17,726.00)	(4,354.00)	24.56%
1645 · TP-Treatment units	(56,637.00)	(47,029.00)	(9,608.00)	20.43%
1650 · Sewer Taps	(1,845.00)	(1,179.00)	(666.00)	56.49%
<b>Total 1600 · Accumulated Depreciation</b>	<u>(327,490.02)</u>	<u>(299,267.02)</u>	<u>(28,223.00)</u>	<u>9.43%</u>
<b>Total Fixed Assets</b>	<u>388,180.02</u>	<u>416,403.02</u>	<u>(28,223.00)</u>	<u>-6.78%</u>
<b>Other Assets</b>				
<b>1800 · Other Assets</b>				
1801 · Deposits	108.08	108.08	-	0.0%
1802 · Parts inventory	600.00	600.00	-	0.0%
<b>Total 1800 · Other Assets</b>	<u>708.08</u>	<u>708.08</u>	<u>-</u>	<u>0.0%</u>
<b>Total Other Assets</b>	<u>708.08</u>	<u>708.08</u>	<u>-</u>	<u>0.0%</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 403,788.95</u></u>	<u><u>\$ 431,335.24</u></u>	<u><u>\$ (27,546.29)</u></u>	<u><u>-6.39%</u></u>

See Accompanying Accountants' Compilation Report.

**Harbor Island Utilities, Inc.**  
**Balance Sheets**  
As of October 31, 2009 and 2008

	<u>October 31,</u> <u>2009</u>	<u>October 31,</u> <u>2008</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
2100 · Accounts payable	\$ 87,100.85	\$ 113,881.69	\$ (26,780.84)	-23.52%
1000 · Bank overdraft	-	977.39	(977.39)	-100.0%
2101 · Accrued interest shareholder loan	-	-	-	0.0%
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	6,802.00	5,660.00	1,142.00	20.18%
<b>Total Current Liabilities</b>	<u>352,716.15</u>	<u>379,332.38</u>	<u>(26,616.23)</u>	<u>-7.02%</u>
<b>Long Term Liabilities</b>				
2103 · Note Payable - Palmetto State Bank	186,718.70	192,680.38	(5,961.68)	-3.09%
Less current portion of long term debt	(6,802.00)	(5,660.00)	(1,142.00)	20.18%
<b>Total Long Term Liabilities</b>	<u>179,916.70</u>	<u>187,020.38</u>	<u>(7,103.68)</u>	<u>-3.8%</u>
<b>Total Liabilities</b>	<u>532,632.85</u>	<u>566,352.76</u>	<u>(33,719.91)</u>	<u>-5.95%</u>
<b>Equity</b>				
<b>3700 · Contributed Tap-In Fees</b>				
3702 · Prior year tap-in fees	123,259.00	116,972.00	6,287.00	5.38%
3703 · Current year water tap fees	-	4,287.00	(4,287.00)	-100.0%
3704 · Current year sewer tap fees	-	2,000.00	(2,000.00)	-100.0%
3751 · 1986 & prior systems	81,550.81	81,550.81	-	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%
3764 · Accum. Amort-Water tap fee costs	(18,787.00)	(17,151.00)	(1,636.00)	9.54%
3765 · Accum. Amort-Sewer tap fee costs	(6,859.00)	(5,649.00)	(1,210.00)	21.42%
3766 · Accum Amort-Water System	(14,166.00)	(13,791.00)	(375.00)	2.72%
3767 · Amortization-1996 forward sys	(118,051.00)	(111,676.00)	(6,375.00)	5.71%
<b>Total 3700 · Contributed Tap-In Fees</b>	<u>359,736.89</u>	<u>369,332.89</u>	<u>(9,596.00)</u>	<u>-2.6%</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	(53,480.79)	(69,250.41)	15,769.62	-22.77%
<b>Total Equity</b>	<u>(128,843.90)</u>	<u>(135,017.52)</u>	<u>6,173.62</u>	<u>-4.57%</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$ 403,788.95</u>	<u>\$ 431,335.24</u>	<u>\$ (27,546.29)</u>	<u>-6.39%</u>

See Accompanying Accountants' Compilation Report.

**Harbor Island Utilities, Inc.**  
**Statements of Income (Loss) and**  
**Changes in Retained Earnings (Deficit)**  
**For the Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Percent Change</u>
<b>Income</b>				
<b>4000 · Revenues</b>				
4001 · Water consumption	\$ 202,794.32	\$ 221,121.99	\$ (18,327.67)	-8.29%
4002 · Sewer use	201,364.01	181,501.56	19,862.45	10.94%
4005 · Late Charges	916.67	726.78	189.89	26.13%
4008 · Administrative set-up fees	-	75.00	(75.00)	-100.0%
<b>Total 4000 · Revenues</b>	<u>405,075.00</u>	<u>403,425.33</u>	<u>1,649.67</u>	<u>0.41%</u>
<b>5000 · Cost of sales</b>				
5002 · Water	67,057.59	82,250.77	(15,193.18)	-18.47%
<b>Gross Profit</b>	<u>338,017.41</u>	<u>321,174.56</u>	<u>16,842.85</u>	<u>5.24%</u>
<b>Expense</b>				
<b>5100 · Administrative expenses</b>				
5201 · Accounting & auditing	5,965.00	8,705.00	(2,740.00)	-31.48%
5221 · Bad debts	497.07	235.70	261.37	110.89%
5226 · Bank charges	438.56	351.43	87.13	24.79%
5340 · Interest Paid to R. Arnold Ellison, Jr.	15,488.04	16,617.38	(1,129.34)	-6.8%
5341 · Interest Paid to Robert Gross	-	(3,589.49)	3,589.49	100.0%
5342 · Interest Paid to Palmetto State Bank	9,484.08	13,455.74	(3,971.66)	-29.52%
5349 · Finance charges	-	-	-	0.0%
5346 · Insurance	3,274.00	1,637.00	1,637.00	100.0%
5356 · Legal fees	339.00	170.00	169.00	99.41%
5360 · Safe Water Fee	-	4.44	(4.44)	-100.0%
5361 · Licenses & permits	-	2,646.00	(2,646.00)	-100.0%
5362 · Line location services	2,150.00	11,010.00	(8,860.00)	-80.47%
5366 · Administration fees	38,360.04	38,360.34	(0.30)	-0.0%
5376 · Office supplies	30.00	178.55	(148.55)	-83.2%
5386 · Postage & freight	1,865.90	2,094.58	(228.68)	-10.92%
5391 · Printing	913.67	1,041.26	(127.59)	-12.25%
5395 · Rate case	618.75	168.75	450.00	266.67%
5438 · Taxes - Licenses	2,310.00	2,632.55	(322.55)	-12.25%
5439 · Taxes - Property	8,721.09	6,068.55	2,652.54	43.71%
5441 · Telephone	1,635.86	1,388.67	247.19	17.8%
<b>Total 5100 · Administrative expenses</b>	<u>92,091.06</u>	<u>103,176.45</u>	<u>(11,085.39)</u>	<u>-10.74%</u>
<b>5200 · Water system expenses</b>				
5211 · Auxiliary generator	3,086.02	1,437.16	1,648.86	114.73%
5217 · Backflow preventors	100.00	-	100.00	100.0%
5256 · Bldgs & grounds	441.20	2,931.10	(2,489.90)	-84.95%
5291 · Controls and Instrumentation	550.02	-	550.02	100.0%
5296 · Depreciation	3,647.00	3,647.00	-	0.0%
5316 · Electricity-water	8,570.37	7,238.76	1,331.61	18.4%
5318 · Field supplies	1,564.63	1,169.81	394.82	33.75%
5381 · Operator services	12,658.80	12,472.82	185.98	1.49%
5396 · Pumps & motors	10,842.81	1,392.64	9,450.17	678.58%
5451 · Water lines & hydrants	16,292.11	24,723.61	(8,431.50)	-34.1%
5456 · Water meter installation	9,304.46	6,199.86	3,104.60	50.08%
5461 · Water quality monitoring	1,065.00	560.00	505.00	90.18%
5466 · Water tank	1,360.00	725.14	634.86	87.55%
5655 · Water meter repair	-	2,349.39	(2,349.39)	-100.0%
<b>Total 5200 · Water system expenses</b>	<u>69,482.42</u>	<u>64,847.29</u>	<u>4,635.13</u>	<u>7.15%</u>

- (Continued) -

**Harbor Island Utilities, Inc.**  
**Statements of Income (Loss) and**  
**Changes in Retained Earnings (Deficit)**  
**For the Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Percent Change</u>
<b>5300 · Sewer system expenses</b>				
5257 · Buildings & grounds	2,507.98	3,067.71	(559.73)	-18.25%
5267 · Chemicals	-	238.74	(238.74)	-100.0%
5269 · Chlorination system	2,034.67	376.77	1,657.90	440.03%
5292 · Controls & instrument	1,313.49	2,026.51	(713.02)	-35.19%
5297 · Depreciation	14,980.00	14,769.00	211.00	1.43%
5310 · Effluent PS & force main	2,394.17	3,018.40	(624.23)	-20.68%
5311 · Effluent monitoring	4,736.00	4,040.00	696.00	17.23%
5312 · Effluent Disposal	1,078.75	818.44	260.31	31.81%
5317 · Electricity	21,785.20	18,028.46	3,756.74	20.84%
5319 · Field Supplies - Sewer	1,913.44	1,240.86	672.58	54.2%
5336 · Gravity sewer lines	440.00	4,650.31	(4,210.31)	-90.54%
5382 · Operator services-sewer	25,701.24	25,701.44	(0.20)	-0.0%
5401 · Secondary treatment units	41,034.22	30,071.19	10,963.03	36.46%
5416 · Sewer pump systems	27,452.63	32,540.29	(5,087.66)	-15.64%
5421 · Sludge disposal	11,014.98	5,968.77	5,046.21	84.54%
5430 · Water	2,287.54	6,232.51	(3,944.97)	-63.3%
<b>Total 5300 · Sewer system expenses</b>	<u>160,674.31</u>	<u>152,789.40</u>	<u>7,884.91</u>	<u>5.16%</u>
 <b>Total expenses</b>	 <u>322,247.79</u>	 <u>320,813.14</u>	 <u>1,434.65</u>	 <u>0.45%</u>
 <b>Net income (loss)</b>	 <u>\$ 15,769.62</u>	 <u>\$ 361.42</u>	 <u>\$ 15,408.20</u>	 <u>4,263.24%</u>
 <b>Retained earnings (deficit) - Beginning of year</b>	 \$ (69,250.41)	 \$ (69,611.83)	 361.42	 -0.52%
<b>Net income (loss)</b>	<u>15,769.62</u>	<u>361.42</u>	<u>15,408.20</u>	<u>4,263.24%</u>
<b>Retained earnings (deficit) - End of year</b>	<u>\$ (53,480.79)</u>	<u>\$ (69,250.41)</u>	<u>\$ 15,769.62</u>	<u>-22.77%</u>

See Accompanying Accountants' Compilation Report.



South Carolina Department of Health and Environmental Control

# NPDES Compliance Inspection Report

	NPDES Permit No.:	<u>ND0065919</u>		
Inspection Type:	<u>CSI</u>	Date of Inspection:	<u>04/28/2008</u>	
Entry Time:	<u>Outfall 002: 1300</u>	Exit Time:	<u>1430</u>	
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
- \* Records/Reports
- \* Facility Site Review
- Effluent/Receiving Waters
- Collection System

- \* Flow Measurement
- \* Self-Monitoring
- Compliance Schedules
- Laboratory
- Other:

- \* Operation and Maintenance
- \* Sludge Handling/Disposal
- Pretreatment
- Storm Water

Name of Inspector:	<u>Alex Saunders</u>	District/Section:	<u>Region 8 EQC</u>
Name of District/Section Reviewer:	<u>Penny Cornett</u>	Date:	<u>05/05/2008</u>
Signature of PSC Reviewer:	_____	Date:	_____