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WATER AND/OR WASTEWATER UTILITIES
(Gross Revenue of More Than \$200,000 Each)

ANNUAL REPORT

OF

Highlands Utilities Corporation
Exact Legal Name of Respondent

SU299-06-AR

Certificate Number(s)

Submitted To The

STATE OF FLORIDA



PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2006

Williams & Sherman

CERTIFIED PUBLIC ACCOUNTANTS

FRANK L. WILLIAMS, CPA
LISA SHERMAN, CPA

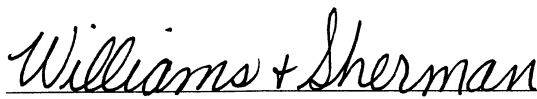
111 EAST PARK STREET
LAKE PLACID, FL 33852-6362
(863) 465-2835
FAX (863) 465-3323

To the Board of Directors
Highlands Utilities Corporation
Lake Placid, Florida

We have compiled the comparative balance sheets of Highlands Utilities Corporation as of December 31, 2006 and 2005, and the related comparative statements of operations and retained earnings for the years then ended and supplementary information included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Florida Public Service Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Florida Public Service Commission, which may differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



Williams & Sherman, CPA's

April 24, 2007

TABLE OF CONTENTS

SCHEDULE	PAGE	SCHEDULE	PAGE
EXECUTIVE SUMMARY			
Certification	E-1	Business Contracts with Officers, Directors and Affiliates	E-7
General Information	E-2	Affiliation of Officers and Directors	E-8
Directory of Personnel Who Contact the FPSC	E-3	Businesses which are a Byproduct, Coproduct or Joint Product Result of Providing Service	E-9
Company Profile	E-4	Business Transactions with Related Parties. Part I and II	E-10
Parent / Affiliate Organization Chart	E-5		
Compensation of Officers & Directors	E-6		
FINANCIAL SECTION			
Comparative Balance Sheet - Assets and Other Debits	F-1	Unamortized Debt Discount / Expense / Premium	F-13
Comparative Balance Sheet - Equity Capital and Liabilities	F-2	Extraordinary Property Losses	F-13
Comparative Operating Statement	F-3	Miscellaneous Deferred Debits	F-14
Year End Rate Base	F-4	Capital Stock	F-15
Year End Capital Structure	F-5	Bonds	F-15
Capital Structure Adjustments	F-6	Statement of Retained Earnings	F-16
Utility Plant	F-7	Advances from Associated Companies	F-17
Utility Plant Acquisition Adjustments	F-7	Other Long Term Debt	F-17
Accumulated Depreciation	F-8	Notes Payable	F-18
Accumulated Amortization	F-8	Accounts Payable to Associated Companies	F-18
Regulatory Commission Expense - Amortization of Rate Case Expense	F-9	Accrued Interest and Expense	F-19
Nonutility Property	F-9	Miscellaneous Current & Accrued Liabilities	F-20
Special Deposits	F-9	Advances for Construction	F-20
Investments and Special Funds	F-10	Other Deferred Credits	F-21
Accounts and Notes Receivable - Net	F-11	Contributions In Aid of Construction	F-22
Accounts Receivable from Associated Companies	F-12	Accumulated Amortization of CIAC	F-22
Notes Receivable from Associated Companies	F-12	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	F-23
Miscellaneous Current & Accrued Assets	F-12		

TABLE OF CONTENTS

SCHEDULE	PAGE	SCHEDULE	PAGE
WATER OPERATION SECTION			
Water Listing of System Groups	W-1	CIAC Additions / Amortization	W-8
Year End Water Rate Base	W-2	Water Operating Revenue	W-9
Water Operating Statement	W-3	Water Utility Expense Accounts	W-10
Water Utility Plant Accounts	W-4	Pumping and Purchased Water Statistics, Source Supply	W-11
Basis for Water Depreciation Charges	W-5	Water Treatment Plant Information	W-12
Analysis of Entries in Water Depreciation Reserve	W-6	Calculation of ERC's	W-13
Contributions In Aid of Construction	W-7	Other Water System Information	W-14
WASTEWATER OPERATION SECTION			
Wastewater Listing of System Groups	S-1	Contributions In Aid of Construction	S-7
Year End Wastewater Rate Base	S-2	CIAC Additions / Amortization	S-8
Wastewater Operating Statement	S-3	Wastewater Operating Revenue	S-9
Wastewater Utility Plant Accounts	S-4	Wastewater Utility Expense Accounts	S-10
Basis for Wastewater Depreciation Charges	S-5	Calculation of ERC's	S-11
Analysis of Entries in Wastewater Depreciation Reserve	S-6	Wastewater Treatment Plant Information	S-12
		Other Wastewater System Information	S-13

EXECUTIVE SUMMARY

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

CERTIFICATION OF ANNUAL REPORT

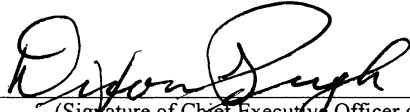
I HEREBY CERTIFY, to the best of my knowledge and belief:

- YES NO
1. The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission.
- YES NO
2. The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission.
- YES NO
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the the financial statement of the utility.
- YES NO
4. The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents.


Items Certified

1.	2.	3.	4.
X	X	X	X

1.	2.	3.	4.
X	X	X	X



(Signature of Chief Executive Officer of the utility) *



(Signature of Chief Financial Officer of the utility) *

* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate area to the left of the signature.

NOTICE: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

ANNUAL REPORT OF

YEAR OF REPORT
December 31, 2006

Highlands Utilities Corporation
(Exact Name of Utility)

County: Highlands

List below the exact mailing address of the utility for which normal correspondence should be sent:

Highlands Utilities Corporation
720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

E Mail Address: huco@htn.net

WEB Site: None

Sunshine State One-Call of Florida, Inc. Member Number None

Name and address of person to whom correspondence concerning this report should be addressed:

Dixon Pugh
720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

List below the address of where the utility's books and records are located:

720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

List below any groups auditing or reviewing the records and operations:

None

Date of original organization of the utility: 07/24/81

Check the appropriate business entity of the utility as filed with the Internal Revenue Service

Individual Partnership Sub S Corporation 1120 Corporation

List below every corporation or person owning or holding directly or indirectly 5% or more of the voting securities of the utility:

	Name	Percent Ownership
1.	Dixon Pugh	50%
2.	Sue Pugh	50%
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006

**DIRECTORY OF PERSONNEL WHO CONTACT
THE FLORIDA PUBLIC SERVICE COMMISSION**

NAME OF COMPANY REPRESENTATIVE (1)	TITLE OR POSITION (2)	ORGANIZATIONAL UNIT TITLE (3)	USUAL PURPOSE FOR CONTACT WITH FPSC
Dixon Pugh	President		General Counsel
Sue Pugh	Vice-President		General Counsel
Robert Marchewka	Consultant	Williams & Sherman	General Counsel

(1) Also list appropriate legal counsel, accountants and others who may not be on general payroll.
(2) Provide individual telephone numbers if the person is not normally reached at the company.
(3) Name of company employed by if not on general payroll.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
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COMPANY PROFILE

Provide a brief narrative company profile which covers the following areas:

- A. Brief company history.
- B. Public services rendered.
- C. Major goals and objectives.
- D. Major operating divisions and functions.
- E. Current and projected growth patterns.
- F. Major transactions having a material effect on operations.

<ul style="list-style-type: none">A. Company incorporated July 24, 1981.B. Commercial and residential wastewater collection and treatment in both Sebring and Lake Placid, Florida.C. To give customers quality wastewater service at the lowest possible price while at the same time maintain company profitability.D. Only one division.E. Expansion as needed.
--

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

PARENT / AFFILIATE ORGANIZATION CHART

Current as of December 31, 2006

Complete below an organizational chart that show all parents, subsidiaries and affiliates of the utility.
The chart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10(b).

Highlands Utilities Corporation
720 U.S. 27 South
Lake Placid, Florida 33852

Pugh Septic Tank Service, Inc.
720 U.S. 27 South
Lake Placid, Florida 33852

Both Owned by Dixon Pugh
720 U.S. 27 South
Lake Placid, Florida 33852

100% by rules of attribution

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
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COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.			
NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF THE UTILITY (c)	OFFICERS' COMPENSATION (d)
Dixon Pugh	President	100%	\$ 93,839
Sue Pugh	Vice President	100%	48,078
Lorri Lammie	Sec/Treas	100%	50,685

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.			
NAME (a)	TITLE (b)	NUMBER OF DIRECTORS' MEETINGS ATTENDED (c)	DIRECTORS' COMPENSATION (d)
			\$

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
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AFFILIATION OF OFFICERS AND DIRECTORS

For each of the officials listed on page E-6, list the principal occupation or business affiliations or connections with any other business or financial organizations, firms, or partnerships. For purposes of this part, an official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.			
NAME (a)	PRINCIPAL OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)
Dixon Pugh	Manager	Owner/President	Pugh Septic Tank Service, Inc. 720 US 27 South Lake Placid, FL 33852-9515
Sue Pugh	Manager	Owner/Vice-Pres	Pugh Septic Tank Service, Inc. 720 US 27 South Lake Placid, FL 33852-9515

YEAR OF REPORT
December 31, 2006

UTILITY NAME: Highlands Utilities Corporation

**BUSINESSES WHICH ARE A BY-PRODUCT, COPRODUCT OR JOINT-PRODUCT
RESULT OF PROVIDING WATER OR WASTEWATER SERVICE**

Complete the following for any business which is conducted as a byproduct, coproduct, or joint product as a result of providing water and / or wastewater service. This would include any business which requires the use of utility land and facilities. Examples of these types of businesses would be orange groves, nurseries, tree farms, fertilizer manufacturing, etc. This would not include any business for which the assets are properly included in Account 121 - Nonutility Property along with the associated revenue and expenses segregated out as nonutility also.

BUSINESS OR SERVICE CONDUCTED (a)	ASSETS		REVENUES		EXPENSES	
	BOOK COST OF ASSETS (b)	ACCOUNT NUMBER (c)	REVENUES GENERATED (d)	ACCOUNT NUMBER (e)	EXPENSES INCURRED (f)	ACCOUNT NUMBER (g)
None	\$		\$			

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of \$500 in any on year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6, identifying the parties, amounts, dates and product, and asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

1. Enter in this part all transactions involving services and products received or provided.
2. Below are some types of transactions to include:

-management, legal and accounting services	-material and supplies furnished
-computer services	-leasing of structures, land, and equipment
-engineering & construction services	-rental transactions
-repairing and servicing of equipment	-sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION SERVICE AND/OR NAME OF PRODUCT (b)	CONTRACT OR AGREEMENT EFFECTIVE DATES (c)	ANNUAL CHARGES	
			(P)urchased (S)old (d)	AMOUNT (e)
Pugh Septic Tank Tank Service, Inc.	Real Estate Lease	Annually	P	\$ 9,400

UTILITY NAME: Highlands Utilities Corporation

BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Part II. Specific Instructions: Sale, Purchase and Transfer of Assets

1. Enter in this part all transactions relating to the purchase, sale, or transfer of assets.

2. Below are examples of some types of transactions to include:
 - purchase, sale or transfer of equipment
 - purchase, sale or transfer of land and structures
 - purchase, sale or transfer of securities
 - noncash transfers of assets
 - noncash dividends other than stock dividends
 - write-off of bad debts or loans

3. The columnar instructions follow:
 - (a) Enter name of related party or company.
 - (b) Describe briefly the type of assets purchased, sold or transferred.
 - (c) Enter the total received or paid. Indicate purchase with "P" and sale with "S".
 - (d) Enter the net book value for each item reported.
 - (e) Enter the net profit or loss for each item reported. (column (c) - column (d))
 - (f) Enter the fair market value for each item reported. In space below or in a supplemental schedule, describe the basis used to calculate fair market value.

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION OF ITEMS (b)	SALE OR PURCHASE PRICE (c)	NET BOOK VALUE (d)	GAIN OR LOSS (e)	FAIR MARKET VALUE (f)
		\$	\$	\$	\$

FINANCIAL SECTION

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
UTILITY PLANT				
101-106	Utility Plant	F-7	\$ 2,030,913	\$ 2,077,442
108-110	Less: Accumulated Depreciation and Amortization	F-8	1,239,078	1,351,366
Net Plant			\$ 791,835	\$ 726,076
114-115	Utility Plant Acquisition adjustment (Net)	F-7		
116 *	Other Utility Plant Adjustments			
Total Net Utility Plant			\$ 791,835	\$ 726,076
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property	F-9		
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property				
123	Investment in Associated Companies	F-10		
124	Utility Investments	F-10		
125	Other Investments	F-10		
126-127	Special Funds	F-10		
Total Other Property & Investments				
CURRENT AND ACCRUED ASSETS				
131	Cash		\$ (10,095)	\$ (9,526)
132	Special Deposits	F-9		
133	Other Special Deposits	F-9		
134	Working Funds			
135	Temporary Cash Investments			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	55,020	58,404
145	Accounts Receivable from Associated Companies	F-12		
146	Notes Receivable from Associated Companies	F-12		
151-153	Material and Supplies			
161	Stores Expense			
162	Prepayments			
171	Accrued Interest and Dividends Receivable			
172 *	Rents Receivable			
173 *	Accrued Utility Revenues			
174	Miscellaneous Current and Accrued Assets	F-12		
Total Current and Accrued Assets			\$ 44,925	\$ 48,878

* Not Applicable for Class B Utilities

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	\$ 5,337	\$ 4,617
182	Extraordinary Property Losses	F-13		
183	Preliminary Survey & Investigation Charges			
184	Clearing Accounts			
185 *	Temporary Facilities			
186	Miscellaneous Deferred Debits	F-14		
187 *	Research & Development Expenditures			
190	Accumulated Deferred Income Taxes			
	Total Deferred Debits		\$ 5,337	\$ 4,617
	TOTAL ASSETS AND OTHER DEBITS		\$ 842,097	\$ 779,571

* Not Applicable for Class B Utilities

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
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**COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
201	Common Stock Issued	F-15	\$ 760	\$ 760
204	Preferred Stock Issued	F-15		
202,205 *	Capital Stock Subscribed			
203,206 *	Capital Stock Liability for Conversion			
207 *	Premium on Capital Stock			
209 *	Reduction in Par or Stated Value of Capital Stock			
210 *	Gain on Resale or Cancellation of Reacquired Capital Stock			
211	Other Paid - In Capital		76,990	76,990
212	Discount On Capital Stock			
213	Capital Stock Expense			
214-215	Retained Earnings	F-16	(880,831)	(1,019,434)
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)			
Total Equity Capital			\$ (803,081)	\$ (941,684)
LONG TERM DEBT				
221	Bonds	F-15		
222 *	Reacquired Bonds			
223	Advances from Associated Companies	F-17	265,490	261,162
224	Other Long Term Debt	F-17		
Total Long Term Debt			\$ 265,490	\$ 261,162
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		20,998	52,477
232	Notes Payable	F-18	714,486	804,064
233	Accounts Payable to Associated Companies	F-18		
234	Notes Payable to Associated Companies	F-18		
235	Customer Deposits		500	500
236	Accrued Taxes	W/S-3	24,071	26,240
237	Accrued Interest	F-19	339,339	360,379
238	Accrued Dividends			
239	Matured Long Term Debt			
240	Matured Interest			
241	Miscellaneous Current & Accrued Liabilities	F-20		
Total Current & Accrued Liabilities			\$ 1,099,394	\$ 1,243,660

* Not Applicable for Class B Utilities

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
DEFERRED CREDITS				
251	Unamortized Premium On Debt	F-13	\$ _____	\$ _____
252	Advances For Construction	F-20	\$ _____	\$ _____
253	Other Deferred Credits	F-21	\$ _____	\$ _____
255	Accumulated Deferred Investment Tax Credits		\$ _____	\$ _____
Total Deferred Credits			\$ <u>_____</u>	\$ <u>_____</u>
OPERATING RESERVES				
261	Property Insurance Reserve		\$ _____	\$ _____
262	Injuries & Damages Reserve		\$ _____	\$ _____
263	Pensions and Benefits Reserve		\$ _____	\$ _____
265	Miscellaneous Operating Reserves		\$ _____	\$ _____
Total Operating Reserves			\$ <u>_____</u>	\$ <u>_____</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions in Aid of Construction	F-22	\$ <u>1,138,339</u>	\$ <u>1,138,339</u>
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	858,045	921,906
Total Net C.I.A.C.			\$ <u>280,294</u>	\$ <u>216,433</u>
ACCUMULATED DEFERRED INCOME TAXES				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ _____	\$ _____
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		\$ _____	\$ _____
283	Accumulated Deferred Income Taxes - Other		\$ _____	\$ _____
Total Accumulated Deferred Income Tax			\$ <u>_____</u>	\$ <u>_____</u>
TOTAL EQUITY CAPITAL AND LIABILITIES			\$ <u>842,097</u>	\$ <u>779,571</u>

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 638,388	\$ 637,208
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)		
Net Operating Revenues			\$ 638,388	\$ 637,208
401	Operating Expenses	F-3(b)	\$ 586,467	\$ 619,275
403	Depreciation Expense:	F-3(b)	\$ 110,710	\$ 112,288
	Less: Amortization of CIAC	F-22	63,405	63,861
Net Depreciation Expense			\$ 47,305	\$ 48,427
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)		
408	Taxes Other Than Income	W/S-3	67,072	63,362
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 700,844	\$ 731,064
Net Utility Operating Income			\$ (62,456)	\$ (93,856)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)		
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property			
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ (62,456)	\$ (93,856)

* For each account, Column e should agree with Cloumns f, g and h on F-3(b)

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

COMPARATIVE OPERATING STATEMENT (Cont'd)

WATER SCHEDULE W-3 * (f)	WASTEWATER SCHEDULE S-3 * (g)	OTHER THAN REPORTING SYSTEMS (h)
\$ _____	\$ 637,208	\$ _____
\$ _____	\$ 637,208	\$ _____
\$ _____	\$ 619,275	\$ _____
_____	112,288	_____
_____	63,861	_____
\$ _____	\$ 48,427	\$ _____
_____	63,362	_____
_____	_____	_____
_____	_____	_____
\$ _____	\$ 731,064	\$ _____
\$ _____	\$ (93,856)	\$ _____
_____	_____	_____
_____	_____	_____
\$ _____	\$ (93,856)	\$ _____

* Total of Schedules W-3 / S-3 for all rate groups.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			\$ (62,456)	\$ (93,856)
OTHER INCOME AND DEDUCTIONS				
415	Revenues-Merchandising, Jobbing, and Contract Deductions		\$ _____	\$ _____
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		_____	_____
419	Interest and Dividend Income		6	6
421	Nonutility Income		_____	_____
426	Miscellaneous Nonutility Expenses		(1,164)	(558)
Total Other Income and Deductions			\$ (1,158)	\$ (552)
TAXES APPLICABLE TO OTHER INCOME				
408.20	Taxes Other Than Income		\$ _____	\$ _____
409.20	Income Taxes		_____	_____
410.20	Provision for Deferred Income Taxes		_____	_____
411.20	Provision for Deferred Income Taxes - Credit		_____	_____
412.20	Investment Tax Credits - Net		_____	_____
412.30	Investment Tax Credits Restored to Operating Income		_____	_____
Total Taxes Applicable To Other Income			\$ _____	\$ _____
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ 38,528	\$ 43,475
428	Amortization of Debt Discount & Expense	F-13	720	720
429	Amortization of Premium on Debt	F-13	_____	_____
Total Interest Expense			\$ 39,248	\$ 44,195
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ _____	\$ _____
434	Extraordinary Deductions		_____	_____
409.30	Income Taxes, Extraordinary Items		_____	_____
Total Extraordinary Items			\$ _____	\$ _____
NET INCOME			\$ (102,862)	\$ (138,603)

Explain Extraordinary Income:

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
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SCHEDULE OF YEAR END RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	WASTEWATER UTILITY (e)
101	Utility Plant In Service	F-7	\$	\$ 2,077,442
	Less:			
	Nonused and Useful Plant (1)			
108	Accumulated Depreciation	F-8		1,351,366
110	Accumulated Amortization	F-8		
271	Contributions in Aid of Construction	F-22		1,138,339
252	Advances for Construction	F-20		
Subtotal			\$	\$ (412,263)
272	Add: Accumulated Amortization of Contributions in Aid of Construction	F-22		921,906
Subtotal			\$	\$ 509,643
114	Plus or Minus: Acquisition Adjustments (2)	F-7		
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7		
	Working Capital Allowance (3)			77,409
	Other (Specify): _____ _____ _____			
RATE BASE			\$	\$ (587,052)
NET UTILITY OPERATING INCOME			\$	\$ (93,856)
ACHIEVED RATE OF RETURN (Operating Income / Rate Base)				(15.99%)

NOTES :

- (1) Estimate based on the methodology used in the last rate proceeding.
- (2) Include only those Acquisition Adjustments that have been approved by the Commission.
- (3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

F-4
Revised
 5/8/07

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING (1)**

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (2) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (3) (d)	WEIGHTED COST (c x d) (e)
Common Equity	\$ 0	0.00%	11.34%	0.00%
Preferred Stock				
Long Term Debt				
Customer Deposits				
Tax Credits - Zero Cost				
Tax Credits - Weighted Cost				
Deferred Income Taxes	0	0.00%	0.00%	0.00%
Other (Explain) Notes- Assoc	261,162	24.52%	1.75%	.43%
Notes Payable	804,062	75.48%	5.31%	4.00%
Total	\$ <u>1,065,224</u>	<u>100.00%</u>		<u>4.43%</u>

(1) If the utility's capital structure is not used, explain which capital structure is used.

(2) Should equal amounts on Schedule F-6, Column (g).

(3) Mid-point of the last authorized Return On Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates.

APPROVED RETURN ON EQUITY

Current Commission Return on Equity: <u>Unknown</u> %
Commission order approving Return on Equity: <u>PSC-94-1234-FOF-SU (11.34%)</u>

APPROVED AFUDC RATE

COMPLETION ONLY REQUIRED IF AFUDC WAS CHARGED DURING YEAR

Current Commission Approved AFUDC rate: _____ %
Commission order approving AFUDC rate: _____

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

**SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING**

CLASS OF CAPITAL (a)	PER BOOK BALANCE (b)	NON-UTILITY ADJUSTMENTS (c)	NON-JURISDICTIONAL ADJUSTMENTS (d)	OTHER (1) ADJUSTMENTS SPECIFIC (e)	OTHER (1) ADJUSTMENTS PRO RATA (f)	CAPITAL STRUCTURE (g)
Common Equity	\$	\$	\$	\$	\$	\$
Preferred Stock						0
Long Term Debt						0
Customer Deposits						0
Tax Credits - Zero Cost						0
Tax Credits - Weighted Cost						0
Deferred Inc. Taxes						0
Other (Explain) Notes-Assoc	261,162					261,162
Notes Payable	804,062					804,062
Total	\$ 1,065,224	\$	\$	\$	\$	\$ 1,065,224

(1) Explain below all adjustments made in Columns (e) and (f):

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

**UTILITY PLANT
ACCOUNTS 101 - 106**

ACCT. NO. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
101	Plant Accounts: Utility Plant In Service	\$ _____	\$ 2,077,442	\$ _____	\$ 2,077,442
102	Utility Plant Leased to Other	_____	_____	_____	_____
103	Property Held for Future Use	_____	_____	_____	_____
104	Utility Plant Purchased or Sold	_____	_____	_____	_____
105	Construction Work in Progress	_____	_____	_____	_____
106	Completed Construction Not Classified	_____	_____	_____	_____
	Total Utility Plant	\$ _____	\$ 2,077,442	\$ _____	\$ 2,077,442

**UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNTS 114 AND 115**

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order Number.

ACCT. NO. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment	\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
	Total Plant Acquisition Adjustments	\$ _____	\$ _____	\$ _____	\$ _____
115	Accumulated Amortization	\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
	Total Accumulated Amortization	\$ _____	\$ _____	\$ _____	\$ _____
	Net Acquisition Adjustments	\$ _____	\$ _____	\$ _____	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006

ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT. 110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	OTHER THAN REPORTING SYSTEMS (d)	TOTAL (e)
ACCUMULATED DEPRECIATION				
Account 108				
Balance first of year	\$	\$ 1,239,078	\$	\$1,239,078
Credit during year:				
Accruals charged to:				
Account 108.1 (1)	\$	\$ 112,288	\$	\$ 112,288
Account 108.2 (2)				
Account 108.3 (2)				
Other Accounts (specify):				

Salvage				
Other Credits (Specify):				

Total Credits	\$	\$ 112,288	\$	\$ 112,288
Debits during year:				
Book cost of plant retired				
Cost of Removal				
Other Debits (specify):				

Total Debits	\$	\$	\$	\$
Balance end of year	\$	\$ 1,351,366	\$	\$1,351,366
ACCUMULATED AMORTIZATION				
Account 110				
Balance first of year	\$	\$	\$	\$
Credit during year:				
Accruals charged to:				
Account 110.2 (3)	\$	\$	\$	\$
Other Accounts (specify):				

Total credits	\$	\$	\$	\$
Debits during year:				
Book cost of plant retired				
Other debits (specify):				

Total Debits	\$	\$	\$	\$
Balance end of year	\$	\$	\$	\$

- (1) Account 108 for Class B utilities.
- (2) Not applicable for Class B utilities.
- (3) Account 110 for Class B utilities.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNTS 666 AND 766)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	CHARGED OFF DURING YEAR	
		ACCT. (d)	AMOUNT (e)
_____	\$ _____	_____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$ _____	_____	\$ _____

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of \$25,000 or more included in Account 121.

Other Items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Nonutility Property	\$ _____	\$ _____	\$ _____	\$ _____

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133.

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	
_____	\$ _____
_____	_____
_____	_____
Total Special Deposits	\$ _____
OTHER SPECIAL DEPOSITS (Account 133):	
_____	\$ _____
_____	_____
_____	_____
Total Other Special Deposits	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

INVESTMENTS AND SPECIAL FUNDS
ACCOUNTS 123 - 127

Report hereunder all investments and special funds carried in Accounts 123 through 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (Account 123): _____ _____ _____ _____	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Investment in Associated Companies		\$ _____
UTILITY INVESTMENTS (Account 124): _____ _____ _____ _____	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Utility Investment		\$ _____
OTHER INVESTMENTS (Account 125): _____ _____ _____ _____	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Other Investment		\$ _____
SPECIAL FUNDS (Class A Utilities: Accounts 126 and 127; Class B Utilities: Account 127): _____ _____ _____ _____		\$ _____ _____ _____ _____
Total Special Funds		\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141 - 144

Report hereunder all accounts and notes receivable included in Accounts 141, 142, and 144. Amounts included in
Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNTS RECEIVABLE (Account 141):		
Water	\$ _____	
Wastewater	55,204	
Other	_____	
Total Customer Accounts Receivable		\$ 55,204
OTHER ACCOUNTS RECEIVABLE (Account 142):		
_____	\$ 3,200	
_____	_____	
_____	_____	
Total Other Accounts Receivable		\$ 3,200
NOTES RECEIVABLE (Account 144):		
_____	\$ _____	
_____	_____	
_____	_____	
Total Notes Receivable		\$ _____
Total Accounts and Notes Receivable		\$ 58,404
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Account 143)		
Balance first of year	\$ _____	
Add: Provision for uncollectibles for current year	\$ _____	
Collection of accounts previously written off	_____	
Utility Accounts	_____	
Others	_____	
_____	_____	
Total Additions		\$ _____
Deduct accounts written off during year:		
Utility Accounts	_____	
Others	_____	
_____	_____	
Total accounts written off		\$ _____
Balance end of year		\$ _____
TOTAL ACCOUNTS AND NOTES RECEIVABLE - NET		\$ 58,404

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

ACCOUNT 145

Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
	\$ _____

Total	\$ _____ =====

NOTES RECEIVABLE FROM ASSOCIATED COMPANIES

ACCOUNT 146

Report each note receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
	_____ %	\$ _____
	_____ %	_____
	_____ %	_____
	_____ %	_____
	_____ %	_____
	_____ %	_____
	_____ %	_____
	_____ %	_____
Total		\$ _____ =====

MISCELLANEOUS CURRENT AND ACCRUED ASSETS

ACCOUNT 174

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
	\$ _____

Total Miscellaneous Current and Accrued Liabilities	\$ _____ =====

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251**

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Account 181):	\$ 720	\$ 4,617
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Unamortized Debt Discount and Expense	\$ <u>720</u>	\$ <u>4,617</u>
UNAMORTIZED PREMIUM ON DEBT (Account 251):	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Unamortized Premium on Debt	\$ _____	\$ _____

**EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182**

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
_____	\$ _____
_____	_____
_____	_____
Total Extraordinary Property Losses	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186**

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1)		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
Total Deferred Rate Case Expense	\$ _____	\$ _____
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Other Deferred Debits	\$ _____	\$ _____
REGULATORY ASSETS (Class A Utilities: Account. 186.3):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Regulatory Assets	\$ _____	\$ _____
TOTAL MISCELLANEOUS DEFERRED DEBITS	\$ _____	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**CAPITAL STOCK
ACCOUNTS 201 AND 204***

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share	%\$	10.00
Shares authorized		1,000
Shares issued and outstanding		76
Total par value of stock issued	%\$	760
Dividends declared per share for year	%\$	0
PREFERRED STOCK		
Par or stated value per share	%\$	
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued	%\$	
Dividends declared per share for year	%\$	

* Account 204 not applicable for Class B utilities.

**BONDS
ACCOUNT 221**

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			\$

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock. Show amounts as dividends per share.
2. Show separately the state and federal income tax effect of items shown in Account No. 439.

ACCT. NO. (a)	DESCRIPTION (b)	AMOUNTS (c)
215	Unappropriated Retained Earnings: Balance Beginning of Year	\$ (880,831)
439	Changes to Account: Adjustments to Retained Earnings (requires Commission approval prior to use): Credits: _____ _____	\$ _____ _____
	Total Credits:	\$ _____
	Debits: _____ _____	\$ _____ _____
	Total Debits:	\$ _____
435	Balance Transferred from Income	\$ (138,603)
436	Appropriations of Retained Earnings: _____ _____	_____ _____
	Total Appropriations of Retained Earnings	\$ _____
	Dividends Declared:	
437	Preferred Stock Dividends Declared _____	_____
438	Common Stock Dividends Declared _____ _____	_____ _____
	Total Dividends Declared	\$ _____
215	Year end Balance	\$ (1,019,434)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end): _____ _____	_____ _____
214	Total Appropriated Retained Earnings	\$ _____
	Total Retained Earnings	\$ (1,019,434)
Notes to Statement of Retained Earnings:		

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

ADVANCES FROM ASSOCIATED COMPANIES

ACCOUNT 223

Report each advance separately.

DESCRIPTION (a)	TOTAL (b)
Advances from Pugh Septic Tank, Inc.	\$ 261,162
Total	\$ 261,162

OTHER LONG-TERM DEBT

ACCOUNT 224

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			\$

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

**NOTES PAYABLE
ACCOUNTS 232 AND 234**

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
NOTES PAYABLE (Account 232):			
Chrysler	0 %	Fixed	\$ 7,593
Dixon Pugh	3.52 %	Fixed	517,853
Highlands Independent Bank	8.75 %	Variable	253,673
Highlands Independent Bank	9.75 %	Variable	23,380
Sheffield Financial	1.95 %	Fixed	1,565
	%		
	%		
	%		
	%		
Total Account 232			\$ 804,064
NOTES PAYABLE TO ASSOC. COMPANIES (Account 234):			
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 234			\$

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

**ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES
ACCOUNT 233**

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
	\$
Total	\$

UTILITY NAME: Highlands Utilities Corporation

**ACCRUED INTEREST AND EXPENSE
ACCOUNTS 237 AND 427**

DESCRIPTION OF DEBIT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR		INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
		ACCT. DEBIT (c)	AMOUNT (d)		
ACCOUNT NO. 237.1 - Accrued Interest on Long Term Debt	\$ 198,774	427.1	4,631	\$	\$ 203,405
Total Account 237.1	\$ 198,774		4,631	\$	\$ 203,405
ACCOUNT NO. 237.2 - Accrued Interest on Other Liabilities					
Customer Deposits		427			
Notes Payable - Account 232 - various	\$ 140,565	427.2	38,844	\$ 22,435	\$ 156,974
Total Account 237.2	\$ 140,565		38,844	\$ 22,435	\$ 156,974
Total Account 237 (1)	\$ 339,339		43,475	\$ 22,435	\$ 360,379
INTEREST EXPENSED:					
Total accrual Account 237		237	43,475		
Less Capitalized Interest Portion of AFUDC:					
Net Interest Expensed to Account No. 427 (2)			\$ 43,475		

(1) Must agree to F-2 (a), Beginning and Ending Balance of Accrued Interest.
(2) Must agree to F-3 (c), Current Year Interest Expense

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES
ACCOUNT 241

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
	\$ _____

Total Miscellaneous Current and Accrued Liabilities	\$ _____

ADVANCES FOR CONSTRUCTION
ACCOUNT 252

NAME OF PAYOR * (a)	BALANCE BEGINNING OF YEAR (b)	ACCT. DEBIT (c)	DEBITS		CREDITS (e)	BALANCE END OF YEAR (f)
			AMOUNT (d)			
	\$ _____					\$ _____
	_____					_____
	_____					_____
	_____					_____
	_____					_____
	_____					_____
	_____					_____
Total	\$ _____					\$ _____

* Report advances separately by reporting group, designating water or wastewater in column (a).

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**OTHER DEFERRED CREDITS
ACCOUNT 253**

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
REGULATORY LIABILITIES (Class A Utilities: Account 253.1):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
Total Regulatory Liabilities	\$ _____	\$ _____
OTHER DEFERRED LIABILITIES (Class A Utilities: Account 253.2):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Other Deferred Liabilities	\$ _____	\$ _____
TOTAL OTHER DEFERRED CREDITS	\$ _____	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

**CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271**

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	\$ _____	\$ 1,138,339	\$ _____	\$ 1,138,339
Add credits during year:	\$ _____	\$ _____	\$ _____	\$ _____
Less debit charged during the year	\$ _____	\$ _____	\$ _____	\$ _____
Total Contribution In Aid of Construction	\$ _____	\$ 1,138,339	\$ _____	\$ 1,138,339

**ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 272**

DESCRIPTION (a)	WATER (W-8(a)) (b)	WASTEWATER (S-8(a)) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	\$ _____	\$ 858,045	\$ _____	\$ 858,045
Debits during the year:	\$ _____	\$ 63,861	\$ _____	\$ 63,861
Credits during the year	\$ _____	\$ _____	\$ _____	\$ _____
Total Accumulated Amortization of Contributions In Aid of Construction	\$ _____	\$ 921,906	\$ _____	\$ 921,906

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (UTILITY OPERATIONS)

- 1 The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computations of all tax accruals.
- 2 If the utility is a member of a group which files a consolidated federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments or sharing of the consolidated tax among the group members.

DESCRIPTION (a)	REF. NO. (b)	AMOUNT (c)
Net income for the year	F-3(c)	\$ (138,603)
Reconciling items for the year:		
Taxable income not reported on books:		
<u>Amortization of prior CIAC</u>		11,014
_____		_____
_____		_____
Deductions recorded on books not deducted for return:		
<u>Excess of Book over Tax Depreciation</u>		39,885
<u>Interest accrual to related party</u>		16,412
<u>Penalties</u>		558
_____		_____
Income recorded on books not included in return:		
<u>Amortization of CIAC</u>		(63,861)
<u>Accounts receivable adjustment</u>		(2,586)
_____		_____
_____		_____
Deduction on return not charged against book income:		
<u>NOL carryforward</u>		_____
_____		_____
_____		_____
Federal tax net income		\$ (137,181)

Computation of tax :

WATER OPERATING SECTION

Note: This utility is a wastewater only service; therefore, Pages W-1 through W-14 have been omitted from this report.

**WASTEWATER
OPERATION
SECTION**

UTILITY NAME:

Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

WASTEWATER LISTING OF SYSTEM GROUPS

List below the name of each reporting system and its certificate number. Those systems which have been consolidated under the same tariff should be assigned a group number. Each individual system which has not been consolidated should be assigned its own group number.

The wastewater financial schedules (S-2 through S-10) should be filed for the group in total.

The wastewater engineering schedules (S-11 through S-13) must be filed for each system in the group.

All of the following wastewater pages (S-2 through S-13) should be completed for each group and arranged by group number.

SYSTEM NAME / COUNTY	CERTIFICATE NUMBER	GROUP NUMBER
Highlands Utilities Corporation	361-S	N/A

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY : Highlands

SCHEDULE OF YEAR END WASTEWATER RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
101	Utility Plant In Service	S-4(a)	\$ 2,077,439
	Less:		
	Nonused and Useful Plant (1)		
108	Accumulated Depreciation	S-6(b)	<u>1,351,366</u>
110	Accumulated Amortization		
271	Contributions in Aid of Construction	S-7	<u>1,138,339</u>
252	Advances for Construction	F-20	
Subtotal			\$ <u>(412,266)</u>
	Add:		
272	Accumulated Amortization of Contributions in Aid of Construction	S-8(a)	\$ 921,906
Subtotal			\$ <u>509,640</u>
	Plus or Minus:		
114	Acquisition Adjustments (2)	F-7	
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	
	Working Capital Allowance (3)		<u>77,409</u>
	Other (Specify):		
WASTEWATER RATE BASE			\$ <u><u>587,049</u></u>
WASTEWATER OPERATING INCOME		S-3	\$ <u><u>(93,856)</u></u>
ACHIEVED RATE OF RETURN (Wastewater Operating Income / Wastewater Rate Base)			<u><u>(15.99%)</u></u>

- NOTES : (1) Estimate based on the methodology used in the last rate proceeding.
- (2) Include only those Acquisition Adjustments that have been approved by the Commission.
- (3) Calculation consistent with last rate proceeding.
 In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

S-2
 GROUP _____
Revised
 5/8/07

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY : Highlands

WASTEWATER OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
	UTILITY OPERATING INCOME		
400	Operating Revenues	S-9(a)	\$ 637,208
530	Less: Guaranteed Revenue (and AFPI)	S-9(a)	
	Net Operating Revenues		\$ 637,208
401	Operating Expenses	S-10(a)	\$ 619,275
403	Depreciation Expense	S-6(a)	112,288
	Less: Amortization of CIAC	S-8(a)	63,861
	Net Depreciation Expense		\$ 48,427
406	Amortization of Utility Plant Acquisition Adjustment	F-7	
407	Amortization Expense (Other than CIAC)	F-8	
408.10	Taxes Other Than Income Utility Regulatory Assessment Fee		28,674
408.11	Property Taxes		14,198
408.12	Payroll Taxes		18,868
408.13	Other Taxes and Licenses		1,622
408	Total Taxes Other Than Income		\$ 63,362
409.1	Income Taxes		
410.10	Deferred Federal Income Taxes		
410.11	Deferred State Income Taxes		
411.10	Provision for Deferred Income Taxes - Credit		
412.10	Investment Tax Credits Deferred to Future Periods		
412.11	Investment Tax Credits Restored to Operating Income		
	Utility Operating Expenses		\$ 731,064
	Utility Operating Income		\$ (93,856)
530	Add Back: Guaranteed Revenue (and AFPI)	S-9(a)	
413	Income From Utility Plant Leased to Others		
414	Gains (losses) From Disposition of Utility Property		
420	Allowance for Funds Used During Construction		
	Total Utility Operating Income		\$ (93,856)

YEAR OF REPORT
December 31, 2006

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)
351	Organization	\$ 1,355			\$ 1,355
352	Franchises	11,337			11,337
353	Land and Land Rights	30,833			30,833
354	Structures and Improvements	130,166	1,088		131,254
355	Power Generation Equipment				
360	Collection Sewers - Force	231,345			231,345
361	Collection Sewers - Gravity	250,346			250,346
362	Special Collecting Structures	1,333			1,333
363	Services to Customers	2,041			2,041
364	Flow Measuring Devices	6,554			6,554
365	Flow Measuring Installations	1,965			1,965
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	69,753	728		70,481
371	Pumping Equipment	377,409	18,547		395,956
374	Reuse Distribution Reservoirs				
375	Reuse Transmission and Distribution System				
380	Treatment and Disposal Equipment	685,854	10,097		695,951
381	Plant Sewers	5,582	3,941		9,523
382	Outfall Sewer Lines				
389	Other Plant Miscellaneous Equipment	9,756			9,756
390	Office Furniture and Equipment	22,145	1,255		23,400
391	Transportation Equipment	147,178	2,888		150,066
392	Stores Equipment	1,607			1,607
393	Tools, Shop and Garage Equipment	14,319			14,319
394	Laboratory Equipment				
395	Power Operated Equipment				
396	Communication Equipment				
397	Miscellaneous Equipment	10,097	7,982		18,079
398	Other Tangible Plant	19,938			19,938
	Total Wastewater Plant	\$ 2,030,913	\$ 46,526	\$	\$ 2,077,439

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

S-4(a)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY : Highlands

WASTEWATER UTILITY PLANT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	.1 INTANGIBLE PLANT (g)	.2 COLLECTION PLANT (h)	.3 SYSTEM PUMPING PLANT (i)	.4 TREATMENT AND DISPOSAL (j)	.5 RECLAIMED WASTEWATER TREATMENT PLANT (i)	.6 RECLAIMED WASTEWATER DISTRIBUTION PLANT (i)	.7 GENERAL PLANT (k)
351	Organization	\$ 1,355						
352	Franchises	\$ 11,337						
353	Land and Land Rights		30,833					
354	Structures and Improvements		131,254					
355	Power Generation Equipment		231,345					
360	Collection Sewers - Force		250,346					
361	Collection Sewers - Gravity		1,333					
362	Special Collecting Structures		2,041					
363	Services to Customers		6,554					
364	Flow Measuring Devices		1,965					
365	Flow Measuring Installations							
366	Reuse Services							
367	Reuse Meters and Meter Installations							
370	Receiving Wells			70,481				
371	Pumping Equipment			395,956				
374	Reuse Distribution Reservoirs							
375	Reuse Transmission and Distribution System							
380	Treatment and Disposal Equipment				695,951			
381	Plant Sewers				9,523			
382	Outfall Sewer Lines				9,756			
389	Other Plant Miscellaneous Equipment							23,400
390	Office Furniture and Equipment							150,066
391	Transportation Equipment							1,607
392	Stores Equipment							14,319
393	Tools, Shop and Garage Equipment							
394	Laboratory Equipment							
395	Power Operated Equipment							
396	Communication Equipment							18,079
397	Miscellaneous Equipment							19,938
398	Other Tangible Plant							
	Total Wastewater Plant	\$ 12,692	\$ 655,671	\$ 466,437	\$ 715,230	\$	\$	\$ 227,409

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

S-4(b)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY : Highlands

BASIS FOR WASTEWATER DEPRECIATION CHARGES

ACCT. NO. (a)	ACCOUNT NAME (b)	AVERAGE SERVICE LIFE IN YEARS (c)	AVERAGE NET SALVAGE IN PERCENT (d)	DEPRECIATION RATE APPLIED IN PERCENT (100% - D) / C (e)
354	Structures and Improvements	32		3.13%
355	Power Generation Equipment			
360	Collection Sewers - Force	30		3.33%
361	Collection Sewers - Gravity	45		2.22%
362	Special Collecting Structures	40		2.50%
363	Services to Customers	38		2.63%
364	Flow Measuring Devices	5		20.00%
365	Flow Measuring Installations	38		2.63%
366	Reuse Services			
367	Reuse Meters and Meter Installations			
370	Receiving Wells	30		3.33%
371	Pumping Equipment	18		5.56%
375	Reuse Transmission and Distribution System			
380	Treatment and Disposal Equipment	18		5.56%
381	Plant Sewers	35		2.86%
382	Outfall Sewer Lines			
389	Other Plant Miscellaneous Equipment	18		5.56%
390	Office Furniture and Equipment	15		6.67%
391	Transportation Equipment	6		16.67%
392	Stores Equipment	18		5.56%
393	Tools, Shop and Garage Equipment	16		6.25%
394	Laboratory Equipment			
395	Power Operated Equipment	12		8.33%
396	Communication Equipment	10		10.00%
397	Miscellaneous Equipment	15		6.67%
398	Other Tangible Plant	10		10.00%
351 & 352	Organization & Franchise	40		2.50%
	Wastewater Plant Composite Depreciation Rate *	N/A		N/A

* If depreciation rates prescribed by this Commission are on a total composite basis, entries should be made on this line only.

YEAR OF REPORT
December 31, 2006

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY : Highlands

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO. (a)	ACCOUNT NAME (b)	BALANCE AT BEGINNING OF YEAR (c)	ACCRUALS (d)	OTHER CREDITS * (e)	TOTAL CREDITS (d + e) (f)
354	Structures and Improvements	\$ 36,054	\$ 4,091	\$	\$ 4,091
355	Power Generation Equipment				
360	Collection Sewers - Force	136,272	7,704		7,704
361	Collection Sewers - Gravity	145,587	5,558		5,558
362	Special Collecting Structures	653	33		33
363	Services to Customers	868	54		54
364	Flow Measuring Devices	13,109	1,311		1,311
365	Flow Measuring Installations	1,487	52		52
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	47,236	2,335		2,335
371	Pumping Equipment	189,332	21,449		21,449
375	Reuse Transmission and Distribution System				
380	Treatment and Disposal Equipment	522,200	38,414		38,414
381	Plant Sewers	2,303	216		216
382	Outfall Sewer Lines				
389	Other Plant Miscellaneous Equipment	8,929	542		542
390	Office Furniture and Equipment	1,861	1,519		1,519
391	Transportation Equipment	102,289	24,776		24,776
392	Stores Equipment	1,633	89		89
393	Tools, Shop and Garage Equipment	1,472	895		895
394	Laboratory Equipment				
395	Power Operated Equipment	(2,980)			
396	Communication Equipment	35			
397	Miscellaneous Equipment	3,358	939		939
398	Other Tangible Plant	23,420	1,994		1,994
351 & 352	Organization & Franchise	3,960	317		317
	Total Depreciable Wastewater Plant in Service	\$ 1,239,078	\$ 112,288	\$	\$ 112,288

* Specify nature of transaction.
Use () to denote reversal entries.

S-6(a)
GROUP _____

YEAR OF REPORT
December 31, 2006

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT RETIRED (e)	SALVAGE AND INSURANCE (h)	COST OF REMOVAL AND OTHER CHARGES (i)	TOTAL CHARGES (g-h+i)	BALANCE AT END OF YEAR (c+f-j) (k)
354	Structures and Improvements	\$	\$	\$	\$	\$ 40,145
355	Power Generation Equipment					
360	Collection Sewers - Force					143,976
361	Collection Sewers - Gravity					151,145
362	Special Collecting Structures					686
363	Services to Customers					922
364	Flow Measuring Devices					14,420
365	Flow Measuring Installations					1,539
366	Reuse Services					
367	Reuse Meters and Meter Installations					
370	Receiving Wells					49,571
371	Pumping Equipment					210,781
375	Reuse Transmission and Distribution System					
380	Treatment and Disposal Equipment					560,614
381	Plant Sewers					2,519
382	Outfall Sewer Lines					
389	Other Plant Miscellaneous Equipment					9,471
390	Office Furniture and Equipment					3,380
391	Transportation Equipment					127,065
392	Stores Equipment					1,722
393	Tools, Shop and Garage Equipment					2,367
394	Laboratory Equipment					
395	Power Operated Equipment					(2,980)
396	Communication Equipment					35
397	Miscellaneous Equipment					4,297
398	Other Tangible Plant					25,414
351 & 352	Organization & Franchise					4,277
	Total Depreciable Wastewater Plant in Service	\$	\$	\$	\$	\$ 1,351,366

* Specify nature of transaction.
Use () to denote reversal entries.

S-6(b)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY : Highlands

**CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271**

DESCRIPTION (a)	REFERENCE (b)	WASTEWATER (c)
Balance first of year		\$ <u>1,138,339</u>
Add credits during year:		
Contributions received from Capacity, Main Extension and Customer Connection Charges	S-8(a)	\$ _____
Contributions received from Developer or Contractor Agreements in cash or property	S-8(b)	_____
Total Credits		\$ _____
Less debits charged during the year (All debits charged during the year must be explained below)		\$ _____
Total Contributions In Aid of Construction		\$ <u>1,138,339</u>

Explain all debits charged to Account 271 during the year below:

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY: Highlands

WASTEWATER CIAC SCHEDULE "A"

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,
MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
_____	_____	\$ _____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total Credits			\$ _____

ACCUMULATED AMORTIZATION OF WASTEWATER CONTRIBUTIONS IN AID OF CONSTRUCTION

DESCRIPTION (a)	WASTEWATER (b)
Balance first of year	\$ 858,045
Debits during the year:	
Accruals charged to Account 272	\$ 63,861
Other debits (specify):	_____
_____	_____
_____	_____
Total debits	\$ 63,861
Credits during the year (specify):	
_____	\$ _____
_____	_____
Total credits	\$ _____
Balance end of year	\$ 921,906

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY : Highlands

WASTEWATER CIAC SCHEDULE "B"
 ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION
 RECEIVED FROM ALL DEVELOPERS OR CONTRACTORS AGREEMENTS
 WHICH CASH OR PROPERTY WAS RECEIVED DURING THE YEAR

DESCRIPTION (a)	INDICATE CASH OR PROPERTY (b)	AMOUNT (c)
		\$ _____

Total Credits		\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY: Highlands

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
WASTEWATER SALES				
521.1	Flat Rate Revenues: Residential Revenues			\$
521.2	Commercial Revenues			
521.3	Industrial Revenues			
521.4	Revenues From Public Authorities			
521.5	Multiple Family Dwelling Revenues			
521.6	Other Revenues			
521	Total Flat Rate Revenues			\$
522.1	Measured Revenues: Residential Revenues	1,323	1,332	327,032
522.2	Commercial Revenues	169	175	278,742
522.3	Industrial Revenues			
522.4	Revenues From Public Authorities			
522.5	Multiple Family Dwelling Revenues	12	12	29,459
522	Total Measured Revenues	1,504	1,519	\$ 635,233
523	Revenues From Public Authorities			
524	Revenues From Other Systems			
525	Interdepartmental Revenues			
Total Wastewater Sales		<u>1,504</u>	<u>1,519</u>	\$ <u>635,233</u>
OTHER WASTEWATER REVENUES				
530	Guaranteed Revenues			\$
531	Sale of Sludge			
532	Forfeited Discounts			
534	Rents From Wastewater Property			
535	Interdepartmental Rents			
536	Other Wastewater Revenues (Including Allowance for Funds Prudently Invested or AFPI)			1,975
Total Other Wastewater Revenues				\$ 1,975

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY : Highlands

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
RECLAIMED WATER SALES				
	Flat Rate Reuse Revenues:			
540.1	Residential Reuse Revenues			\$ _____
540.2	Commercial Reuse Revenues			_____
540.3	Industrial Reuse Revenues			_____
540.4	Reuse Revenues From Public Authorities			_____
540.5	Other Revenues			_____
540	Total Flat Rate Reuse Revenues			\$ _____
	Measured Reuse Revenues:			
541.1	Residential Reuse Revenues			_____
541.2	Commercial Reuse Revenues			_____
541.3	Industrial Reuse Revenues			_____
541.4	Reuse Revenues From Public Authorities			_____
541	Total Measured Reuse Revenues			\$ _____
544	Reuse Revenues From Other Systems			_____
Total Reclaimed Water Sales				\$ _____
Total Wastewater Operating Revenues				\$ <u>637,208</u>

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

YEAR OF REPORT
December 31, 2006

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY : Highlands

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)	.1 COLLECTION EXPENSES- OPERATIONS (d)	.2 COLLECTION EXPENSES- MAINTENANCE (e)	.3 PUMPING EXPENSES - OPERATIONS (f)	.4 PUMPING EXPENSES - MAINTENANCE (g)	.5 TREATMENT & DISPOSAL EXPENSES - OPERATIONS (h)	.6 TREATMENT & DISPOSAL EXPENSES - MAINTENANCE (i)
701	Salaries and Wages - Employees	\$ 38,836						
703	Salaries and Wages - Officers, Directors and Majority Stockholders	192,601						
704	Employee Pensions and Benefits	1,866						
710	Purchased Sewage Treatment							
711	Sludge Removal Expense	13,388						
715	Purchased Power	63,157			31,692			
716	Fuel for Power Production							
718	Chemicals	37,920				2,971		7,883
720	Materials and Supplies	52,805						
731	Contractual Services-Engineering	2,500						
732	Contractual Services - Accounting	11,710						
733	Contractual Services - Legal	2,537						
734	Contractual Services - Mgt. Fees							
735	Contractual Services - Testing							
736	Contractual Services - Other	104,308		10,352			32,714	6,235
741	Rental of Building/Real Property	19,544						
742	Rental of Equipment							
750	Transportation Expenses	28,291						
756	Insurance - Vehicle	6,139						
757	Insurance - General Liability							
758	Insurance - Workman's Comp.	6,679						
759	Insurance - Other	28,301						
760	Advertising Expense	535						
766	Regulatory Commission Expenses - Amortization of Rate Case Expense							
767	Regulatory Commission Exp.-Other							
770	Bad Debt Expense	3,379						
775	Miscellaneous Expenses	4,779						
Total Wastewater Utility Expenses		\$ 619,275	\$ 31,692	\$ 10,352	\$ 14,026	\$ 236,400	\$ 14,118	

S-10(a)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMIN. & GENERAL EXPENSES (k)	.9 RECLAIMED WATER TREATMENT EXPENSES- OPERATIONS (l)	.10 RECLAIMED WATER TREATMENT EXPENSES- MAINTENANCE (m)	.11 RECLAIMED WATER DISTRIBUTION EXPENSES- OPERATIONS (n)	.12 RECLAIMED WATER DISTRIBUTION EXPENSES- MAINTENANCE (o)
701	Salaries and Wages - Employees	\$	\$ 9,316	\$	\$	\$	\$
703	Salaries and Wages - Officers, Directors and Majority Stockholders		98,762				
704	Employee Pensions and Benefits		1,866				
710	Purchased Sewage Treatment						
711	Sludge Removal Expense						
715	Purchased Power		2,446				
716	Fuel for Power Purchased						
718	Chemicals						
720	Materials and Supplies		41,951				
731	Contractual Services-Engineering		2,500				
732	Contractual Services - Accounting		11,710				
733	Contractual Services - Legal		2,537				
734	Contractual Services - Mgt. Fees						
735	Contractual Services - Testing						
736	Contractual Services - Other		43,952				
741	Rental of Building/Real Property		19,544				
742	Rental of Equipment						
750	Transportation Expenses		28,291				
756	Insurance - Vehicle		6,139				
757	Insurance - General Liability						
758	Insurance - Workman's Comp.		6,679				
759	Insurance - Other		28,301				
760	Advertising Expense		535				
766	Regulatory Commission Expenses - Amortization of Rate Case Expense						
767	Regulatory Commission Exp.-Other						
770	Bad Debt Expense						
775	Miscellaneous Expenses		4,779				
	Total Wastewater Utility Expenses	\$ 3,379	\$ 309,308	\$	\$	\$	\$

UTILITY NAME:

Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY :

Highlands

CALCULATION OF THE WASTEWATER SYSTEM METER EQUIVALENTS

WATER METER SIZE (a)	TYPE OF WATER METER (b)	EQUIVALENT FACTOR (c)	NUMBER OF WATER METERS (d)	TOTAL NUMBER OF METER EQUIVALENTS (c x d) (e)
All Residential		1.0	1,332	1,332.00
5/8"	Displacement	1.0	124	124.00
3/4"	Displacement	1.5		
1"	Displacement	2.5	23	57.50
1 1/2"	Displacement or Turbine	5.0	10	50.00
2"	Displacement, Compound or Turbine	8.0	20	160.00
3"	Displacement	15.0	8	120.00
3"	Compound	16.0		
3"	Turbine	17.5		
4"	Displacement or Compound	25.0	2	50.00
4"	Turbine	30.0		
6"	Displacement or Compound	50.0		
6"	Turbine	62.5		
8"	Compound	80.0		
8"	Turbine	90.0		
10"	Compound	115.0		
10"	Turbine	145.0		
12"	Turbine	215.0		
Total Wastewater System Meter Equivalents				<u>1,893.50</u>

CALCULATION OF THE WASTEWATER SYSTEM EQUIVALENT RESIDENTIAL CONNECTIONS

Provide a calculation used to determine the value of one wastewater equivalent residential connection (ERC).

Use one of the following methods:

- (a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365 days.
- (b) If no historical flow data are available, use:

$$ERC = (\text{Total SFR gallons treated (Omit 000)} / 365 \text{ days} / 280 \text{ gallons per day})$$

For wastewater only utilities:

Subtract all general use and other non residential customer gallons from the total gallons treated.

Divide the remainder (SFR customers) by 365 days to reveal single family residence customer gallons per day.

NOTE: Total gallons treated includes both treated and purchased treatment.

ERC Calculation: $31,304,000 \div 1,332 \div 365 = 64.39$
--

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2006
--

SYSTEM NAME / COUNTY: Highlands - Brunners

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.0150 MGD		
Basis of Permit Capacity (1)	0.0150 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.015 MGD		
Average Daily Flow	0.0059 MGD		
Total Gallons of Wastewater Treated	2.166 MG		
Method of Effluent Disposal	Percolation Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit (i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY: Highlands - South Plant

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.060 MGD		
Basis of Permit Capacity (1)	0.060 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.060 MGD		
Average Daily Flow	0.0796657 MGD		
Total Gallons of Wastewater Treated	29.078 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit
(i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY: Highlands - Western Boulevard

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.200 MGD		
Basis of Permit Capacity (1)	0.200 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.200 MGD		
Average Daily Flow	0.15541 MGD		
Total Gallons of Wastewater Treated	56.785 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit
(i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY : Highlands - Clearview Plant

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.0350 MGD		
Basis of Permit Capacity (1)	0.0350 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.0350 MGD		
Average Daily Flow	0.0000 MGD		
Total Gallons of Wastewater Treated	0.000 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit
(i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

S-12
GROUP _____
SYSTEM _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2006

SYSTEM NAME / COUNTY : Highlands

OTHER WASTEWATER SYSTEM INFORMATION

Furnish information below for each system. A separate page should be supplied where necessary.

1. Present number of ERCs* now being served 3,750

2. Maximum number of ERCs* which can be served 4,668

3. Present system connection capacity (in ERCs*) using existing lines 4,668

4. Future connection capacity (in ERCs*) upon service area buildout N/A

5. Estimated annual increase in ERCs* N/A

6. Describe any plans and estimated completion dates for any enlargements or improvements of this system
None

7. If the utility uses reuse as a means of effluent disposal, attach a list of the reuse end users and the amount of reuse provided to each, if known. N/A

8. If the utility does not engage in reuse, has a reuse feasibility study been completed? No

If so, when? _____

9. Has the utility been required by the DEP or water management district to implement reuse? No

If so, what are the utility's plans to comply with this requirement? _____

10. When did the company last file a capacity analysis report with the DEP? N/A

11. If the present system does not meet the requirements of DEP rules:

a. Attach a description of the plant upgrade necessary to meet the DEP rules.

b. Have these plans been approved by DEP? N/A

c. When will construction begin? N/A

d. Attach plans for funding the required upgrading.

e. Is this system under any Consent Order with DEP? N/A

12. Department of Environmental Protection ID # FLA 014369, FLA 014353, FLA 014394, FLA 014328

* An ERC is determined based on the calculation on S-11.

S-13
GROUP _____
SYSTEM _____

**Reconciliation of Revenue to
Regulatory Assessment Fee Revenue
Wastewater Operations
Class A & B**

Company:
For the Year Ended December 31, 2006

(a)	(b)	(c)	(d)
Accounts	Gross Wastewater Revenues Per Sch. S-9	Gross Wastewater Revenues Per RAF Return	Difference (b) - (c)
Gross Revenue:			
Total Flat-Rate Revenues (521.1 - 521.6)	\$ _____	\$ _____	\$ _____
Total Measured Revenues (522.1 - 522.5)	<u>635,233</u>	<u>635,233</u>	_____
Revenues from Public Authorities (523)	_____	_____	_____
Revenues from Other Systems (524)	_____	_____	_____
Interdepartmental Revenues (525)	_____	_____	_____
Total Other Wastewater Revenues (530 - 536)	<u>1,975</u>	<u>1,975</u>	_____
Reclaimed Water Sales (540.1 - 544)	_____	_____	_____
Total Wastewater Operating Revenue	\$ 637,208	\$ 637,208	\$ _____
LESS: Expense for Purchased Wastewater from FPSC-Regulated Utility	_____	_____	_____
Net Wastewater Operating Revenues	\$ 637,208	\$ 637,208	\$ _____

Explanations:

Instructions:

For the current year, reconcile the gross wastewater revenues reported on Schedule S-9 with the gross wastewater revenues reported on the company's regulatory assessment fee return. Explain any differences reported in column (d).