

CLASS "A" OR "B"

OFFICIAL COPY
Public Service Commission
File No. _____

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

ANNUAL REPORT

OF

HIGHLANDS UTILITIES CORPORATION

Exact Legal Name of Respondent

SU-299-08-AR

Certificate Number(s)

Submitted To The

STATE OF FLORIDA



RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
09 APR 30 AM 10: 51
DIVISION OF
ECONOMIC REGULATION

FOR THE

YEAR ENDED DECEMBER 31, 2008

Lisa Sherman, C.P.A., P.A.

CERTIFIED PUBLIC ACCOUNTANT

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, FL

I have compiled the comparative balance sheets of Highlands Utilities Corporation as of December 31, 2008 and 2007, 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 of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the Florida Public Service Commission information that is the representation of management. I 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.


Lisa Sherman, CPA, PA

April 22, 2009

GENERAL INSTRUCTIONS

1. Prepare this report in conformity with the 1996 National Association of Regulatory Utility Commissioners Uniform System of Accounts for Water and/or Wastewater Utilities (USOA).
2. Interpret all accounting words and phrases in accordance with the USOA.
3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
4. For any question, section, or page which is not applicable to the respondent, enter the words "Not Applicable." Do not omit any pages.
5. Where dates are called for, the month and day should be stated as well as the year.
6. All schedules requiring dollar entries should be rounded to the nearest dollar unless otherwise specifically indicated.
7. Complete this report by means which result in a permanent record, such as by computer or typewriter.
8. If there is not enough room on any schedule, an additional page or pages may be added, provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedules, state the name of the utility, and state the year of the report.
9. If it is necessary or desirable to insert additional statements for the purpose of further explanation of schedules, such statement should be made at the bottom of the page or an additional page inserted. Any additional pages should state the name of the utility, the year of the report, and reference the appropriate schedule.
10. For water and wastewater utilities with more than one rate group and/or system, water and wastewater pages should be completed for each rate group and/or system group. These pages should be grouped together and tabbed by rate group and/or system.
11. All other water and wastewater operations not regulated by the Commission and other regulated industries should be reported as "Other than Reporting Systems."
12. Financial information for multiple systems charging rates which are covered under the same tariff should be reported as one system. However, the engineering data must be reported by individual system.
13. For water and wastewater utilities with more than one system, one (1) copy of workpapers showing the consolidation of systems for the operating sections, should be filed with the annual report.
14. The report should be filled out in quadruplicate and the original and two copies returned by March 31, of the year following the date of the report. The report should be returned to:

**Florida Public Service Commission
Division of Economic Regulation
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850**

The fourth copy should be retained by the utility.

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 ERCs	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 ERCs	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

CERTIFICATION OF ANNUAL REPORT


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

- | | | |
|--|--------------------------------|--|
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 1. The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission. |
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 2. The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission. |
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 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
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 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. |

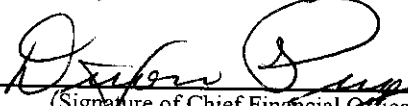
Items Certified

1.	2.	3.	4.
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

1.	2.	3.	4.
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



 (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, 2008

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:

411 KENT AVENUE
LAKE PLACID, FL 33852

Telephone: 863-465-1296

E Mail Address: huco@htn.net

WEB Site: N/A

Sunshine State One-Call of Florida, Inc. Member Number _____

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

DIXON PUGH
411 KENT AVE
LAKE PLACID, FL 33852

Telephone: 863-465-1296

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

411 KENT ' AVE
LAKE PLACID, FL 33852

Telephone: 863-465-1296

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

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.	<u>DIXON PUGH</u>	<u>50</u>
2.	<u>SUE PUGH</u>	<u>50</u>
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
8.	_____	_____
9.	_____	_____
10.	_____	_____

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31,2008

**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	LISA SHERMAN, CPA,PA	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

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.

- A. Company incorporated July 24, 1981.
- B. Commercial and residential wastewater collection and treatment in Highlands County, FL.
- C. To give customers quality wastewater service at the lowest possible cost while maintaining company profitability.
- D. One division.
- E. expansion as required.
- F. Partial sale of system to the City of Sebring in 2008.

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

PARENT / AFFILIATE ORGANIZATION CHART

Current as of 12/31/08

Complete below an organizational chart that shows 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
411 Kent Ave
Lake Placid, FL 33852

Pugh Septic Tank Services. Inc
411 Kent Ave
Lake Placid, FL 33852

Both owned by Dixon Pugh
411 Kent Ave
Lake Placid, FL 33852

100% owned by attribution rules

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	\$ 100,483
Sue Pugh	Vice President	100	57,483
Lorri Lammie	Sec/ treas	100	53,250

COMPENSATION OF DIRECTORS

For each director, list the number of directors' 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)
			\$

BUSINESS CONTRACTS WITH OFFICERS, DIRECTORS AND AFFILIATES

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation related to position with Respondents) between the Respondent and officer and director listed on page E-6. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

NAME OF OFFICER, DIRECTOR OR AFFILIATE (a)	IDENTIFICATION OF SERVICE OR PRODUCT (b)	AMOUNT (c)	NAME AND ADDRESS OF AFFILIATED ENTITY (d)
None		\$ _____	

* Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years. Although the Respondent and/or other companies will benefit from the arrangement, the officer or director is, however, acting on his behalf or for the benefit of other companies or persons.

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
			411 Kent Ave
			Lake Placid, FL 33852
Sue Pugh	Manager	Owner/ Vice President	Same

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 -computer services -engineering & construction services -repairing and servicing of equipment	-material and supplies furnished -leasing of structures, land, and equipment -rental transactions -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 Services, Inc	Real Estate lease	Annual	P	\$ 9,400
Dixon Pugh	Real Estate lease	Annual	P	9,148

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

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)
N/A		\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____

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.

FINANCIAL

SECTION

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31, 2008

**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	\$ 2,136,699	\$ 643,817
108-110	Less: Accumulated Depreciation and Amortization	F-8	1,462,763	411,872
Net Plant			\$ 673,936	\$ 231,945
114-115	Utility Plant Acquisition adjustment (Net)	F-7		0
116 *	Other Utility Plant Adjustments			
Total Net Utility Plant			\$ 673,936	\$ 231,945
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property	F-9	\$	\$ 0
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property			\$ 0	\$ 0
123	Investment in Associated Companies	F-10		0
124	Utility Investments	F-10		0
125	Other Investments	F-10		0
126-127	Special Funds	F-10		0
Total Other Property & Investments			\$ 0	\$ 0
CURRENT AND ACCRUED ASSETS				
131	Cash		\$ (21,200)	\$ 181,329
132	Special Deposits	F-9		0
133	Other Special Deposits	F-9		0
134	Working Funds			
135	Temporary Cash Investments			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	65,923	860,425
145	Accounts Receivable from Associated Companies	F-12		0
146	Notes Receivable from Associated Companies	F-12		0
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		0
Total Current and Accrued Assets			\$ 44,723	\$ 1,041,754

* Not Applicable for Class B Utilities

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31,2008

**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	\$ 3,898	\$ 0
182	Extraordinary Property Losses	F-13		0
183	Preliminary Survey & Investigation Charges			
184	Clearing Accounts			
185 *	Temporary Facilities			
186	Miscellaneous Deferred Debits	F-14		0
187 *	Research & Development Expenditures			
190	Accumulated Deferred Income Taxes			
	Total Deferred Debits		\$ 3,898	\$ 0
	TOTAL ASSETS AND OTHER DEBITS		\$ <u>722,557</u>	\$ <u>1,273,699</u>

* Not Applicable for Class B Utilities

<p>NOTES TO THE BALANCE SHEET</p> <p>The space below is provided for important notes regarding the balance sheet</p>

**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		0
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	(1,147,999)	(377,080)
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)			
Total Equity Capital			\$ (1,070,249)	\$ (299,330)
LONG TERM DEBT				
221	Bonds	F-15		0
222 *	Reacquired Bonds			
223	Advances from Associated Companies	F-17	243,139	400,495
224	Other Long Term Debt	F-17		0
Total Long Term Debt			\$ 243,139	\$ 400,495
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		76,727	42,393
232	Notes Payable	F-18	915,901	700,221
233	Accounts Payable to Associated Companies	F-18		0
234	Notes Payable to Associated Companies	F-18		0
235	Customer Deposits			
236	Accrued Taxes	W/S-3	20,278	11,509
237	Accrued Interest	F-19	384,530	411,608
238	Accrued Dividends			
239	Matured Long Term Debt			
240	Matured Interest			
241	Miscellaneous Current & Accrued Liabilities	F-20		0
Total Current & Accrued Liabilities			\$ 1,397,436	\$ 1,165,731

* Not Applicable for Class B Utilities

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31,2008

**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	\$ _____	\$ _____ 0
252	Advances For Construction	F-20	_____	_____ 0
253	Other Deferred Credits	F-21	_____	_____ 0
255	Accumulated Deferred Investment Tax Credits			
Total Deferred Credits			\$ <u>_____ 0</u>	\$ <u>_____ 0</u>
OPERATING RESERVES				
261	Property Insurance Reserve		\$ _____	\$ _____
262	Injuries & Damages Reserve		_____	_____
263	Pensions and Benefits Reserve		_____	_____
265	Miscellaneous Operating Reserves		_____	_____
Total Operating Reserves			\$ <u>_____ 0</u>	\$ <u>_____ 0</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions in Aid of Construction	F-22	\$ 1,138,339	\$ 227,668
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	986,108	(220,865)
Total Net CIAC			\$ <u>_____ 152,231</u>	\$ <u>_____ 6,803</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>_____ 0</u>	\$ <u>_____ 0</u>
TOTAL EQUITY CAPITAL AND LIABILITIES			\$ <u>_____ 722,557</u>	\$ <u>_____ 1,273,699</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31,2008

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)	\$ 658,197	\$ 602,761
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)		0
Net Operating Revenues			\$ 658,197	\$ 602,761
401	Operating Expenses	F-3(b)	\$ 619,204	\$ 619,264
403	Depreciation Expense:	F-3(b)	\$ 115,435	\$ 85,425
	Less: Amortization of CIAC	F-22	64,202	9,243
Net Depreciation Expense			\$ 51,233	\$ 76,182
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		0
407	Amortization Expense (Other than CIAC)	F-3(b)		0
408	Taxes Other Than Income	W/S-3	68,657	61,673
409	Current Income Taxes	W/S-3		0
410.1	Deferred Federal Income Taxes	W/S-3		0
410.11	Deferred State Income Taxes	W/S-3		0
411.1	Provision for Deferred Income Taxes - Credit	W/S-3		0
412.1	Investment Tax Credits Deferred to Future Periods	W/S-3		0
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		0
Utility Operating Expenses			\$ 739,094	\$ 757,119
Net Utility Operating Income			\$ (80,897)	\$ (154,358)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)		0
413	Income From Utility Plant Leased to Others			0
414	Gains (losses) From Disposition of Utility Property			974,695
420	Allowance for Funds Used During Construction			0
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ (80,897)	\$ 820,337

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

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

COMPARATIVE OPERATING STATEMENT (Cont'd)

WATER SCHEDULE W-3 * (f)	WASTEWATER SCHEDULE S-3 * (g)	OTHER THAN REPORTING SYSTEMS (h)
\$ 0 0	\$ 602,761 0	\$ _____
\$ 0	\$ 602,761	\$ 0
\$ 0	\$ 619,264	\$ _____
0 0	85,425 9,243	_____
\$ 0	\$ 76,182	\$ 0
0 0 0 0 0 0 0 0 0 0	0 0 61,673 0 0 0 0 0 0 0	_____ _____ _____ _____ _____ _____ _____ _____ _____ _____
\$ 0	\$ 757,119	\$ 0
\$ 0	\$ (154,358)	\$ 0
0 0 0 0	0 0 974,695 0	_____ _____ _____ _____
\$ 0	\$ 820,337	\$ 0

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

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)]			\$ <u>(80,897)</u>	\$ <u>820,337</u>
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		_____	65
421	Nonutility Income		_____	221
426	Miscellaneous Nonutility Expenses		_____	(4)
Total Other Income and Deductions			\$ <u>0</u>	\$ <u>282</u>
TAXES APPLICABLE TO OTHER INCOME				
408.2	Taxes Other Than Income		\$ _____	\$ _____
409.2	Income Taxes		_____	_____
410.2	Provision for Deferred Income Taxes		_____	_____
411.2	Provision for Deferred Income Taxes - Credit		_____	_____
412.2	Investment Tax Credits - Net		_____	_____
412.3	Investment Tax Credits Restored to Operating Income		_____	_____
Total Taxes Applicable To Other Income			\$ <u>0</u>	\$ <u>0</u>
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ <u>46,949</u>	\$ <u>45,802</u>
428	Amortization of Debt Discount & Expense	F-13	<u>719</u>	<u>3,898</u>
429	Amortization of Premium on Debt	F-13	_____	0
Total Interest Expense			\$ <u>47,668</u>	\$ <u>49,700</u>
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ _____	\$ _____
434	Extraordinary Deductions		_____	_____
409.3	Income Taxes, Extraordinary Items		_____	_____
Total Extraordinary Items			\$ <u>0</u>	\$ <u>0</u>
NET INCOME			\$ <u>(128,565)</u>	\$ <u>770,919</u>

Explain Extraordinary Income:

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	\$ 0	\$ 643,817
	Less:			
	Nonused and Useful Plant (1)			
108	Accumulated Depreciation	F-8	0	411,872
110	Accumulated Amortization	F-8	0	0
271	Contributions in Aid of Construction	F-22	0	227,668
252	Advances for Construction	F-20		
Subtotal			\$ 0	\$ 4,277
272	Add: Accumulated Amortization of Contributions in Aid of Construction	F-22	0	220,865
Subtotal			\$ 0	\$ 225,142
114	Plus or Minus: Acquisition Adjustments (2)	F-7	0	0
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	0	0
	Working Capital Allowance (3)		0	77,408
	Other (Specify): _____ _____ _____			
RATE BASE			\$ 0	\$ 302,550
NET UTILITY OPERATING INCOME			\$ 0	\$ (154,358)
ACHIEVED RATE OF RETURN (Operating Income / Rate Base)			0.00%	-51.02%

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.

**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	0	0.00%		0.00%
Long Term Debt	0	0.00%		0.00%
Customer Deposits	0	0.00%		0.00%
Tax Credits - Zero Cost	0	0.00%		0.00%
Tax Credits - Weighted Cost	0	0.00%		0.00%
Deferred Income Taxes	0	0.00%		0.00%
Other (Explain)	681,355	97.31%	3.52%	3.43%
	18,866	2.69%	7.50%	0.20%
Total	\$ 700,221	100.00%		3.63%

(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.

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31, 2008

**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	\$ 0	\$ 643,817	\$	\$ 643,817
102	Utility Plant Leased to Other				0
103	Property Held for Future Use				0
104	Utility Plant Purchased or Sold				0
105	Construction Work in Progress				0
106	Completed Construction Not Classified				0
	Total Utility Plant	\$ 0	\$ 643,817	\$ 0	\$ 643,817

**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	\$	\$	\$	\$ 0
					0
					0
					0
					0
	Total Plant Acquisition Adjustments	\$ 0	\$ 0	\$ 0	\$ 0
115	Accumulated Amortization	\$	\$	\$	\$ 0
					0
					0
					0
					0
	Total Accumulated Amortization	\$ 0	\$ 0	\$ 0	\$ 0
	Net Acquisition Adjustments	\$ 0	\$ 0	\$ 0	\$ 0

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

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	\$	\$ 1,462,763	\$	\$ 1,462,763
Credit during year:				
Accruals charged to:				
Account 108.1 (1)	\$	\$ 85,425	\$	\$ 85,425
Account 108.2 (2)	_____	_____	_____	0
Account 108.3 (2)	_____	_____	_____	0
Other Accounts (specify):	_____	_____	_____	0
_____	_____	_____	_____	0
_____	_____	_____	_____	0
Salvage	_____	_____	_____	0
Other Credits (Specify):	_____	_____	_____	0
_____	_____	_____	_____	0
Total Credits	\$ 0	\$ 85,425	\$ 0	\$ 85,425
Debits during year:				
Book cost of plant retired	_____	_____	_____	0
Cost of Removal	_____	1,136,316	_____	1,136,316
Other Debits (specify):	_____	_____	_____	0
_____	_____	_____	_____	0
Total Debits	\$ 0	\$ 1,136,316	\$ 0	\$ 1,136,316
Balance end of year	\$ 0	\$ 411,872	\$ 0	\$ 411,872
ACCUMULATED AMORTIZATION				
Account 110				
Balance first of year	\$	\$	\$	\$ 0
Credit during year:				
Accruals charged to:				
Account 110.2 (3)	\$	\$	\$	\$ 0
Other Accounts (specify):	_____	_____	_____	0
_____	_____	_____	_____	0
Total credits	\$ 0	\$ 0	\$ 0	\$ 0
Debits during year:				
Book cost of plant retired	_____	_____	_____	0
Other debits (specify):	_____	_____	_____	0
_____	_____	_____	_____	0
Total Debits	\$ 0	\$ 0	\$ 0	\$ 0
Balance end of year	\$ 0	\$ 0	\$ 0	\$ 0

- (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

**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	\$ <u>0</u>		\$ <u>0</u>

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)
_____	\$ _____	\$ _____	\$ _____	\$ _____ 0
_____	_____	_____	_____	_____ 0
_____	_____	_____	_____	_____ 0
_____	_____	_____	_____	_____ 0
Total Nonutility Property	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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	\$ <u>0</u>
OTHER SPECIAL DEPOSITS (Account 133): _____ _____	\$ _____ _____
Total Other Special Deposits	\$ <u>0</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

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		\$ <u> 0</u>
UTILITY INVESTMENTS (Account 124): _____ _____ _____ _____ _____	\$ _____ _____ _____ _____ _____	\$ _____ _____ _____ _____ _____
Total Utility Investment		\$ <u> 0</u>
OTHER INVESTMENTS (Account 125): _____ _____ _____ _____ _____	\$ _____ _____ _____ _____ _____	\$ _____ _____ _____ _____ _____
Total Other Investment		\$ <u> 0</u>
SPECIAL FUNDS (Class A Utilities: Accounts 126 and 127; Class B Utilities: Account 127): _____ _____ _____ _____ _____		\$ _____ _____ _____ _____ _____
Total Special Funds		\$ <u> 0</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

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	49,968	
Other	_____	
Total Customer Accounts Receivable		\$ 49,968
OTHER ACCOUNTS RECEIVABLE (Account 142):		
Employee Receivables	\$ 10,457	
_____	_____	
_____	_____	
Total Other Accounts Receivable		\$ 10,457
NOTES RECEIVABLE (Account 144):		
City Of Sebring	\$ 800,000	
_____	_____	
_____	_____	
Total Notes Receivable		\$ 800,000
Total Accounts and Notes Receivable		\$ 860,425
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		\$ 0
Deduct accounts written off during year:		
Utility Accounts	_____	
Others	_____	
_____	_____	
Total accounts written off		\$ 0
Balance end of year		\$ 0
TOTAL ACCOUNTS AND NOTES RECEIVABLE - NET		\$ 860,425

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 145

Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____ _____ _____ _____ _____ _____ _____ _____ _____
Total	\$ <u> 0</u>

NOTES RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 146

Report each note receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	_____ % _____ % _____ % _____ % _____ % _____ % _____ % _____ %	\$ _____ _____ _____ _____ _____ _____ _____ _____
Total		\$ <u> 0</u>

MISCELLANEOUS CURRENT AND ACCRUED ASSETS
ACCOUNT 174

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____ _____ _____ _____
Total Miscellaneous Current and Accrued Liabilities	\$ <u> 0</u>

YEAR OF REPORT

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

**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): _____ _____ _____	\$ 3,898 _____ _____	\$ _____ _____ _____
Total Unamortized Debt Discount and Expense	\$ <u>3,898</u>	\$ <u>0</u>
UNAMORTIZED PREMIUM ON DEBT (Account 251): _____ _____ _____	\$ _____ _____ _____	\$ _____ _____ _____
Total Unamortized Premium on Debt	\$ <u>0</u>	\$ <u>0</u>

**EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182**

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
_____ _____ _____	\$ _____ _____ _____
Total Extraordinary Property Losses	\$ <u>0</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

**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	\$ _____ 0	\$ _____ 0
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2): _____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Other Deferred Debits	\$ _____ 0	\$ _____ 0
REGULATORY ASSETS (Class A Utilities: Account. 186.3): _____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Regulatory Assets	\$ _____ 0	\$ _____ 0
TOTAL MISCELLANEOUS DEFERRED DEBITS	\$ _____ 0	\$ _____ 0

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

CAPITAL STOCK
ACCOUNTS 201 AND 204*

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share	%	\$ 10
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			\$ 0

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

UTILITY NAME: **HIGHLANDS UTILITIES CORPORATION**

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	\$ (1,147,999)
439	Changes to Account: Adjustments to Retained Earnings (requires Commission approval prior to use): Credits: _____ _____	\$ _____ _____
	Total Credits:	\$ 0
	Debits: _____ _____	\$ _____ _____
	Total Debits:	\$ 0
435	Balance Transferred from Income	\$ 770,919
436	Appropriations of Retained Earnings: _____ _____	_____ _____
	Total Appropriations of Retained Earnings	\$ 0
437	Dividends Declared: Preferred Stock Dividends Declared _____	_____ _____
438	Common Stock Dividends Declared _____	_____ _____
	Total Dividends Declared	\$ 0
215	Year end Balance	\$ (377,080)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end): _____ _____ _____	_____ _____ _____
214	Total Appropriated Retained Earnings	\$ 0
Total Retained Earnings		\$ (377,080)
Notes to Statement of Retained Earnings:		

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

ADVANCES FROM ASSOCIATED COMPANIES
ACCOUNT 223

Report each advance separately.

DESCRIPTION (a)	TOTAL (b)
Advances from Pugh Septic Tank, Inc	\$ 400,495
Total	\$ 400,495

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			\$ 0

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

UTILITY NAME: **HIGHLANDS UTILITIES CORPORATION**

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):			
Dixon Pugh	3.52 %	FIXED	\$ 681,355
Truck	7.50 %	FIXED	18,866
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 232			\$ <u>700,221</u>
NOTES PAYABLE TO ASSOC. COMPANIES (Account 234):			
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 234			\$ <u>0</u>

* 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	\$ <u>0</u>

YEAR OF REPORT
DECEMBER 31, 2008

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	\$ 208,037		\$ 23,296	\$ 18,724	\$ 212,609
Total Account 237.1	\$ 208,037		\$ 23,296	\$ 18,724	\$ 212,609
ACCOUNT NO. 237.2 - Accrued Interest on Other Liabilities					
Customer Deposits	\$ 176,493	427	\$ 22,506	\$	\$ 198,999
NOTES PAYABLE		427			
Total Account 237.2	\$ 176,493		\$ 22,506	\$ 0	\$ 198,999
Total Account 237 (1)	\$ 384,530		\$ 45,802	\$ 18,724	\$ 411,608
INTEREST EXPENSED:					
Total accrual Account 237		237	\$ 45,802		
Less Capitalized Interest Portion of AFUDC:					
Net Interest Expensed to Account No. 427 (2)			\$ 45,802		

(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

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31,2008

**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, 2008

**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	\$ <u>0</u>	\$ <u>1,138,339</u>	\$ _____	\$ <u>1,138,339</u>
Add credits during year:	\$ <u>0</u>	\$ <u>0</u>	\$ _____	\$ <u>0</u>
Less debit charged during the year	\$ <u>0</u>	\$ <u>910,671</u>	\$ _____	\$ <u>910,671</u>
Total Contribution In Aid of Construction	\$ <u>0</u>	\$ <u>227,668</u>	\$ <u>0</u>	\$ <u>227,668</u>

**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	\$ <u>0</u>	\$ <u>986,108</u>	\$ _____	\$ <u>986,108</u>
Debits during the year:	\$ _____	\$ <u>9,243</u>	\$ _____	\$ <u>9,243</u>
Credits during the year	\$ <u>0</u>	\$ <u>774,486</u>	\$ _____	\$ <u>774,486</u>
Total Accumulated Amortization of Contributions In Aid of Construction	\$ <u>0</u>	\$ <u>220,865</u>	\$ <u>0</u>	\$ <u>220,865</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31, 2008
--

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

- 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.
- 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)	\$ 770,919
Reconciling items for the year:		
Taxable income not reported on books:		
AMORTIZATION OF PRIOR CIAC		11,014
ACCOUNTS RECEIVABLE ADJUSTMENT		9,106
Deductions recorded on books not deducted for return:		
EXCESS OF BOOK OVER TAX DEPRECIATION		3,618
INTEREST ACCRUAL TO RELATED PARTY		22,507
Income recorded on books not included in return:		
DEFERRED GAIN		(171,148)
AMORTIZATION OF CIAC		(9,243)
Deduction on return not charged against book income:		
Federal tax net income		\$ 636,773

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, 2008

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/ Highlands	361-S	N/A

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31, 2008

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)	\$ 643,817
	Less:		
	Nonused and Useful Plant (1)		
108	Accumulated Depreciation	S-6(b)	411,872
110	Accumulated Amortization	F-8	0
271	Contributions in Aid of Construction	S-7	227,668
252	Advances for Construction	F-20	
Subtotal			\$ 4,277
	Add:		
272	Accumulated Amortization of Contributions in Aid of Construction	S-8(a)	\$ 220,865
Subtotal			\$ 225,142
	Plus or Minus:		
114	Acquisition Adjustments (2)	F-7	
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	
	Working Capital Allowance (3)		77,408
	Other (Specify):		
WASTEWATER RATE BASE			\$ 302,550
WASTEWATER OPERATING INCOME		S-3	\$ (154,358)
ACHIEVED RATE OF RETURN (Wastewater Operating Income / Wastewater Rate Base)			-51.02%

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.

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31,2008

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)	\$ 602,761
530	Less: Guaranteed Revenue (and AFPI)	S-9(a)	0
Net Operating Revenues			\$ 602,761
401	Operating Expenses	S-10(a)	\$ 619,264
403	Depreciation Expense	S-6(a)	85,425
	Less: Amortization of CIAC	S-8(a)	9,243
Net Depreciation Expense			\$ 76,182
406	Amortization of Utility Plant Acquisition Adjustment	F-7	
407	Amortization Expense (Other than CIAC)	F-8	0
Taxes Other Than Income			
408.10	Utility Regulatory Assessment Fee		27,225
408.11	Property Taxes		9,845
408.12	Payroll Taxes		
408.13	Other Taxes and Licenses		24,603
408	Total Taxes Other Than Income		\$ 61,673
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			\$ 757,119
Utility Operating Income			\$ (154,358)
Add Back:			
530	Guaranteed Revenue (and AFPI)	S-9(a)	\$ 0
413	Income From Utility Plant Leased to Others		
414	Gains (losses) From Disposition of Utility Property		974,695
420	Allowance for Funds Used During Construction		
Total Utility Operating Income			\$ 820,337

YEAR OF REPORT
DECEMBER 31, 2008

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	\$ 0
352	Franchises	11,337		10,991	346
353	Land and Land Rights	30,833		28,455	2,378
354	Structures and Improvements	131,254	7,072	91,502	46,824
355	Power Generation Equipment	0			0
360	Collection Sewers - Force	231,345		174,383	56,962
361	Collection Sewers - Gravity	250,346		198,191	52,155
362	Special Collecting Structures	1,333			1,333
363	Services to Customers	2,041			2,041
364	Flow Measuring Devices	6,554		5,618	936
365	Flow Measuring Installations	1,965			1,965
366	Reuse Services	0			0
367	Reuse Meters and Meter Installations	0			0
370	Receiving Wells	70,481		41,787	28,694
371	Pumping Equipment	451,582	26,544	323,625	154,501
374	Reuse Distribution Reservoirs	0			0
375	Reuse Transmission and Distribution System	0			0
380	Treatment and Disposal Equipment	696,433		668,276	28,157
381	Plant Sewers	9,524		5,582	3,942
382	Outfall Sewer Lines	0			0
389	Other Plant Miscellaneous Equipment	9,756		6,000	3,756
390	Office Furniture and Equipment	19,801	1,525		21,326
391	Transportation Equipment	150,066	39,611		189,677
392	Stores Equipment	1,607			1,607
393	Tools, Shop and Garage Equipment	13,880			13,880
394	Laboratory Equipment	0			0
395	Power Operated Equipment	0			0
396	Communication Equipment	0			0
397	Miscellaneous Equipment	25,269			25,269
398	Other Tangible Plant	19,938		11,870	8,068
	Total Wastewater Plant	\$ 2,136,700	\$ 74,752	\$ 1,567,635	\$ 643,817

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

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 (k)	.6 RECLAIMED WASTEWATER DISTRIBUTION PLANT (l)	.7 GENERAL PLANT (m)
351	Organization	\$ 346						
352	Franchises							
353	Land and Land Rights		2,378					
354	Structures and Improvements		46,824					
355	Power Generation Equipment							
360	Collection Sewers - Force		56,962					
361	Collection Sewers - Gravity		52,155					
362	Special Collecting Structures		1,333					
363	Services to Customers		2,041					
364	Flow Measuring Devices		936					
365	Flow Measuring Installations		1,965					
366	Reuse Services							
367	Reuse Meters and Meter Installations			28,694				
370	Receiving Wells			154,501				
371	Pumping Equipment							
374	Reuse Distribution Reservoirs							
375	Reuse Transmission and Distribution System							
380	Treatment and Disposal Equipment				28,157			
381	Plant Sewers				3,942			
382	Outfall Sewer Lines				3,756			
389	Other Plant Miscellaneous Equipment							21,326
390	Office Furniture and Equipment							189,677
391	Transportation Equipment							1,607
392	Stores Equipment							13,880
393	Tools, Shop and Garage Equipment							
394	Laboratory Equipment							
395	Power-Operated Equipment							
396	Communication Equipment							
397	Miscellaneous Equipment							25,269
398	Other Tangible Plant							8,068
	Total Wastewater Plant	\$ 346	\$ 164,594	\$ 183,195	\$ 35,855	\$ 0	\$ 0	\$ 259,827

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

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31, 2008
--

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%
374	Reuse Distribution Reservoirs			
375	Reuse Transmission/Distribution Sys.			
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%
Wastewater Plant Composite Depreciation Rate *				

* 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, 2008

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	\$ 44,253	\$ 3,008	\$	\$ 3,008
355	Power Generation Equipment	0			0
360	Collection Sewers - Force	151,680	4,800		4,800
361	Collection Sewers - Gravity	156,703	3,358		3,358
362	Special Collecting Structures	719	33		33
363	Services to Customers	976	54		54
364	Flow Measuring Devices	15,731	0		0
365	Flow Measuring Installations	1,591	52		52
366	Reuse Services	0			0
367	Reuse Meters and Meter Installations	0			0
370	Receiving Wells	51,918	1,651		1,651
371	Pumping Equipment	234,343	18,326		18,326
374	Reuse Distribution Reservoirs	0			0
375	Reuse Transmission/Distribution Sys.	599,322	20,144		20,144
380	Treatment and Disposal Equipment	2,791	193		193
381	Plant Sewers	0			0
382	Outfall Sewer Lines	10,013			0
389	Other Plant Miscellaneous Equipment	1,222	1,372		1,372
390	Office Furniture and Equipment	152,081	28,318		28,318
391	Transportation Equipment	1,811			0
392	Stores Equipment	2,809	868		868
393	Tools, Shop and Garage Equipment	0			0
394	Laboratory Equipment	0			0
395	Power Operated Equipment	(2,980)			0
396	Communication Equipment	35			0
397	Miscellaneous Equipment	10,337	1,848		1,848
398	Other Tangible Plant	27,408	1,400		1,400
Total Depreciable Wastewater Plant in Service		\$ 1,462,763	\$ 85,425	\$ 0	\$ 85,425

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

YEAR OF REPORT
DECEMBER 31, 2008

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 (b)	COST OF REMOVAL AND OTHER CHARGES (i)	TOTAL CHARGES (g-h+i)	BALANCE AT END OF YEAR (e+f-f)
354	Structures and Improvements	\$ 35,402	\$	\$	\$ 35,402	\$ 11,859
355	Power Generation Equipment				0	0
360	Collection Sewers - Force	121,344			121,344	35,136
361	Collection Sewers - Gravity	125,362			125,362	34,699
362	Special Collecting Structures				0	752
363	Services to Customers				0	1,030
364	Flow Measuring Devices	5,618			5,618	10,113
365	Flow Measuring Installations				0	1,643
366	Reuse Services				0	0
367	Reuse Meters and Meter Installations				0	0
370	Receiving Wells	41,534			41,534	12,035
371	Pumping Equipment	187,474			187,474	65,195
374	Reuse Distribution Reservoirs				0	0
375	Reuse Transmission/Distribution Sys.	594,687			594,687	24,779
380	Treatment and Disposal Equipment	2,233			2,233	751
381	Plant Sewers				0	0
382	Outfall Sewer Lines				0	10,013
389	Other Plant Miscellaneous Equipment	6,000			6,000	(3,406)
390	Office Furniture and Equipment				0	180,399
391	Transportation Equipment				0	1,811
392	Stores Equipment				0	3,677
393	Tools, Shop and Garage Equipment				0	0
394	Laboratory Equipment				0	0
395	Power Operated Equipment				0	(2,980)
396	Communication Equipment	35			35	0
397	Miscellaneous Equipment	4,757			4,757	7,428
398	Other Tangible Plant	11,870			11,870	16,938
Total Depreciable Wastewater Plant in Service		\$ 1,136,316	\$ 0	\$ 0	\$ 1,136,316	\$ 411,872

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

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31, 2008
--

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)	\$ <u>0</u>
Contributions received from Developer or Contractor Agreements in cash or property	S-8(b)	<u>0</u>
Total Credits		\$ <u>0</u>
Less debits charged during the year (All debits charged during the year must be explained below)		\$ <u>910,671</u>
Total Contributions In Aid of Construction		\$ <u>227,668</u>

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

<u>Partial sale of System</u>	<u>910671</u>
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UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31, 2008

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)
_____	_____	\$ _____	\$ _____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
_____	_____	_____	_____ 0
Total Credits			\$ <u>_____ 0</u>

ACCUMULATED AMORTIZATION OF WASTEWATER CONTRIBUTIONS IN AID OF CONSTRUCTION

DESCRIPTION (a)	WASTEWATER (b)
Balance first of year	\$ 986,108
Debits during the year:	
Accruals charged to Account 272	\$ 9,243
Other debits (specify) :	
_____	_____
_____	_____
Total debits	\$ 9,243
Credits during the year (specify) :	
Deletions	\$ 774,486
_____	_____
_____	_____
Total credits	\$ 774,486
Balance end of year	\$ <u>220,865</u>

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31, 2008
--

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		\$ _____ 0

UTILITY NAME:

HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT

DECEMBER 31, 2008

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				
Flat Rate Revenues:				
521.1	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	0	0	\$ _____
Measured Revenues:				
522.1	Residential Revenues	1,340	179	306,695
522.2	Commercial Revenues	179	75	259,012
522.3	Industrial Revenues	_____	_____	_____
522.4	Revenues From Public Authorities	_____	_____	_____
522.5	Multiple Family Dwelling Revenues	12	4	35,899
522	Total Measured Revenues	1,531	258	\$ 601,606
523	Revenues From Public Authorities	_____	_____	_____
524	Revenues From Other Systems	_____	_____	_____
525	Interdepartmental Revenues	_____	_____	_____
Total Wastewater Sales		<u>1,531</u>	<u>258</u>	\$ <u>601,606</u>
OTHER WASTEWATER REVENUES				
530	Guaranteed Revenues (Including Allowance for Funds Prudently Invested or AFPI)	_____	_____	\$ _____
531	Sale of Sludge	_____	_____	_____
532	Forfeited Discounts	_____	_____	_____
534	Rents From Wastewater Property	_____	_____	_____
535	Interdepartmental Rents	_____	_____	_____
536	Other Wastewater Revenues	_____	_____	1,155
Total Other Wastewater Revenues				\$ 1,155

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

UTILITY NAME:

HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31,2008

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	0	0	\$ _____ 0
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	0	0	\$ _____ 0
544	Reuse Revenues From Other Systems	_____	_____	_____
Total Reclaimed Water Sales				\$ _____ 0
Total Wastewater Operating Revenues				\$ <u>602,761</u>

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

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	\$ 51,224	\$	\$	\$	\$	\$ 41,322	\$
703	Salaries and Wages - Officers, Directors and Majority Stockholders	205,215					100,483	
704	Employee Pensions and Benefits	2,134						
710	Purchased Sewage Treatment	0						
711	Sludge Removal Expense	12,836					12,836	
715	Purchased Power	66,429			26,660		32,566	
716	Fuel for Power Production	0						
718	Chemicals	27,940					27,940	
720	Materials and Supplies	45,580				9,001		7,402
731	Contractual Services-Engineering	6,005						
732	Contractual Services - Accounting	10,010						
733	Contractual Services - Legal	1,618						
734	Contractual Services - Mgt. Fees	0						
735	Contractual Services - Testing	0						
736	Contractual Services - Other	107,907		7,188			31,873	3,576
741	Rental of Building/Real Property	19,780						
742	Rental of Equipment	435						435
750	Transportation Expenses	24,759						
756	Insurance - Vehicle	4,435						
757	Insurance - General Liability	0						
758	Insurance - Workman's Comp.	3,781						
759	Insurance - Other	24,332						
760	Advertising Expense	179						
766	Regulatory Commission Expenses - Amortization of Rate Case Expense	0						
767	Regulatory Commission Exp.-Other	0						
770	Bad Debt Expense	0						
775	Miscellaneous Expenses	4,665						
Total Wastewater Utility Expenses		\$ 619,264	\$ 0	\$ 7,188	\$ 26,660	\$ 15,500	\$ 247,020	\$ 11,413

YEAR OF REPORT
DECEMBER 31, 2008

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

SYSTEM NAME / COUNTY: HIGHLANDS

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	.7 CUSTOMER ACCOUNTS EXPENSE (g)	.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	\$	9,902	\$	\$	\$	\$
703	Salaries and Wages - Officers, Directors and Majority Stockholders		104,732				
704	Employee Pensions and Benefits		2,134				
710	Purchased Sewage Treatment						
711	Sludge Removal Expense						
715	Purchased Power		7,203				
716	Fuel for Power Purchased						
718	Chemicals						
720	Materials and Supplies		29,177				
731	Contractual Services-Engineering		6,005				
732	Contractual Services - Accounting		10,010				
733	Contractual Services - Legal		1,618				
734	Contractual Services - Mgt. Fees						
735	Contractual Services - Testing						
736	Contractual Services - Other		58,771				
741	Rental of Building/Real Property		19,780				
742	Rental of Equipment						
750	Transportation Expenses		24,759				
756	Insurance - Vehicle		4,435				
757	Insurance - General Liability						
758	Insurance - Workman's Comp.		3,781				
759	Insurance - Other		24,332				
760	Advertising Expense		179				
766	Regulatory Commission Expenses - Amortization of Rate Case Expense						
767	Regulatory Commission Exp.-Other						
770	Bad Debt Expense						
775	Miscellaneous Expenses		4,665				
Total Wastewater Utility Expenses		\$ 0	\$ 311,483	\$ 0	\$ 0	\$ 0	\$ 0

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT
DECEMBER 31,2008

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	1,342	1,342
5/8"	Displacement	1.0	137	137
3/4"	Displacement	1.5	0	0
1"	Displacement	2.5	24	60
1 1/2"	Displacement or Turbine	5.0	11	55
2"	Displacement, Compound or Turbine	8.0	20	160
3"	Displacement	15.0	8	120
3"	Compound	16.0		0
3"	Turbine	17.5		0
4"	Displacement or Compound	25.0	2	50
4"	Turbine	30.0		0
6"	Displacement or Compound	50.0		0
6"	Turbine	62.5		0
8"	Compound	80.0		0
8"	Turbine	90.0		0
10"	Compound	115.0		0
10"	Turbine	145.0		0
12"	Turbine	215.0		0
Total Wastewater System Meter Equivalents				<u>1,924</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: 25,848,000 divided by 1342 divided by 365 = 52.77

UTILITY NAME: HIGHLANDS UTILITIES CORPORATION

YEAR OF REPORT DECEMBER 31,2008

SYSTEM NAME / COUNTY : HIGHLANDS

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	<u>.060MGD</u>		
Basis of Permit Capacity (1)	<u>.060MGD</u>		
Manufacturer	<u>DEFIANCE/ PUGH</u>		
Type (2)	<u>EXTENDED AERATION</u>		
Hydraulic Capacity	<u>.060MGD</u>		
Average Daily Flow	<u>64,967</u>		
Total Gallons of Wastewater Treated	<u>23.713MG</u>		
Method of Effluent Disposal	<u>Percolation 2 Ponds</u>		

(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, 2008

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 258

2. Maximum number of ERCs* which can be served 258

3. Present system connection capacity (in ERCs*) using existing lines 258

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? NO

12. Department of Environmental Protection ID # FLA 014353

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

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

Company: HIGHLANDS UTILITIES CORPORATION
For the Year Ended December 31, ____ 2008

(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)	601606	601606	_____
Revenues from Public Authorities (523)	_____	_____	_____
Revenues from Other Systems (524)	_____	_____	_____
Interdepartmental Revenues (525)	_____	_____	_____
Total Other Wastewater Revenues (530 - 536)	1155	1155	_____
Reclaimed Water Sales (540.1 - 544)	_____	_____	_____
Total Wastewater Operating Revenue	602761	602761	0
LESS: Expense for Purchased Wastewater from FPSC-Regulated Utility	_____	_____	_____
Net Wastewater Operating Revenues	602761	602761	0

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).