

**ANNUAL REPORT
OF
GREAT LAKES UTILITIES
FOR THE YEAR ENDING
DECEMBER 31, 2004**

PURPOSE OF GREAT LAKES UTILITIES

Great Lakes Utilities (GLU) is a municipal electric company formed under Wisconsin Statute Sec. 66.0825. As such, it is a public body and a subdivision of the State of Wisconsin, with a legal nature and authority separate from its municipal members. GLU was formed by several Wisconsin municipalities in 2000 as a power supply alternative for the members, in order to increase the members' ability to obtain firm electric power and energy at reasonable costs.

In 2004, Great Lake Utilities provided full requirements service to member communities Clintonville, Shawano, Wisconsin Rapids and Kiel. GLU also provided partial requirements service to Manitowoc. Service to these communities was provided by means of purchased power under existing power supply contracts that were assigned to GLU, effective February 1, 2004. To provide future and longer term power supply for these member communities, GLU issued a request for proposals to wholesale suppliers and entered into direct negotiations in 2004 with Alliant Energy and Wisconsin Public Service Corporation. In addition, GLU commissioned a study of the potential economic benefits of member load integration and continued exploring generation construction and ownership opportunities.

MEMBER COMMUNITIES

Clintonville, Kiel, Manitowoc, Marshfield, Medford, Rice Lake, Shawano, and Wisconsin Rapids.

The combined 2004 load of the GLU members was about 338 MW and 1,839,871 MWH.

BOARD OF DIRECTORS

John Boogren, Clintonville Utilities
Dennis Dederling, Kiel Electric Utilities
Nilaksh Kothari, Manitowoc Public Utilities
Joseph Pacovsky, Marshfield Electric & Water
Michael Frey, Medford Electric Utility
Scott Reimer, Rice Lake Utilities
Andrew Onesti, Shawano Utilities
Rick Skifton, Wisconsin Rapids Water & Light

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The accounting policies of Great Lakes Utilities conform to accounting principles generally accepted in the United States of America for local governmental units. A summary of the Utilities' significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Fund Accounting

Financial transactions of the Utilities and the result thereof are presented in the financial statements as Enterprise funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

3. Enterprise Fund Accounting Principles

The Governmental Accounting Standards Board (GASB) issued Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." This statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The Utilities have elected to apply only FASB, APB, and ARB materials issued on or before November 30, 1989.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Cash and Investments

Cash and Investments are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost.

5. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

6. Comparative Data

Comparative total data for the prior years have been presented in the accompanying financial statements in order to provide an understanding of changes in the Utilities' financial position and operations.

**GREAT LAKES UTILITIES
BALANCE SHEET
AS OF DECEMBER 31, 2004
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2003 & 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
ASSETS			
CASH	1,087	143,168	103,592
RECEIVABLES	<u>2,760,790</u>		
TOTAL ASSETS	<u>2,761,877</u>	<u>143,168</u>	<u>103,592</u>
LIABILITIES			
ACCOUNTS PAYABLE	2,692,994	4,404	20,377
FUND EQUITY			
RETAINED EARNINGS	68,883	138,764	83,215
TOTAL LIABILITIES & MEMBER EQUITY	<u>2,761,877</u>	<u>143,168</u>	<u>103,592</u>

GREAT LAKES UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR YEAR ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2003 & 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
OPERATING REVENUES			
MEMBER ASSESSMENTS	206,244	155,000	120,000
POWER SUPPLY COST BILLINGS	<u>31,338,396</u>		
TOTAL OPERATING REVENUES	<u>31,544,640</u>	<u>155,000</u>	<u>120,000</u>
OPERATING EXPENSES			
POWER SUPPLY COSTS	31,338,396	0	0
LEGAL SERVICES	85,204	44,785	32,347
SPECIAL STUDIES	150,137	32,562	36,205
MANAGEMENT SERVICES	24,066	12,002	7,650
SECRETARIAL SERVICES	4,681	3,073	1,648
INSURANCE	0	0	(5,725)
SUPPLIES & EXPENSES	<u>12,545</u>	<u>9,062</u>	<u>3,455</u>
TOTAL OPERATING EXPENSES	<u>31,615,029</u>	<u>101,483</u>	<u>75,580</u>
OPERATING INCOME	<u>(70,389)</u>	<u>53,517</u>	<u>44,420</u>
NONOPERATING REVENUES (EXPENSES)			
INTEREST REVENUES	<u>508</u>	<u>2,033</u>	<u>1,229</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>508</u>	<u>2,033</u>	<u>1,229</u>
NET INCOME	(69,881)	55,549	45,649
RETAINED EARNINGS - JANUARY 1	138,764	83,215	37,566
RETAINED EARNINGS - DECEMBER 31	<u>68,883</u>	<u>138,764</u>	<u>83,215</u>

**GREAT LAKES UTILITIES
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2003 & 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
OPERATING INCOME	(70,389)	53,517	44,420
CHANGES IN ASSETS & LIABILITIES			
ACCOUNTS RECEIVABLE	(2,760,790)		
ACCOUNTS PAYABLE	2,688,590	(15,973)	18,563
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(142,589)</u>	<u>37,543</u>	<u>62,983</u>
CASH FLOW FROM INVESTING ACTIVITIES			
INTEREST RECEIVED ON INVESTMENTS	508	2,033	1,229
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>508</u>	<u>2,033</u>	<u>1,229</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(142,081)	39,576	64,212
CASH & EQUIVALENTS - JANUARY 1	143,168	103,592	39,380
CASH & EQUIVALENTS - DECEMBER 31	<u>1,087</u>	<u>143,168</u>	<u>103,592</u>