

**ANNUAL REPORT
OF
GREAT LAKES UTILITIES
FOR THE YEAR ENDING
DECEMBER 31, 2005**

2005 ANNUAL REPORT

HISTORY AND MISSION OF GREAT LAKES UTILITIES

Great Lakes Utilities (GLU) is a municipal electric company formed under Section 66.0825, Wis. Stats. As such, it is a public body and a political subdivision of the State of Wisconsin, with separate legal status from that of its members. GLU was formed in 2000 in order to become a vehicle for obtaining low cost and reliable electric power for its members. In 2004, GLU entered into agreements to provide full requirements service to member communities Clintonville, Shawano, Wisconsin Rapids and Kiel, as well as partial requirements service to Manitowoc.

SIGNIFICANT ACCOMPLISHMENTS- 2005

In 2005, GLU entered into power purchase contracts with Wisconsin Power & Light and the Manitowoc Public Utilities on behalf of several of its member communities. These were the agency's first independent contracts with suppliers. Previously, GLU served its members solely by means of existing power purchase arrangements that were assigned to the agency.

In June, 2005, GLU's Board of Directors passed a resolution to integrate member load and commissioned technical consultants to assist the agency in developing a technical action plan to implement load integration by 2007. It is anticipated that load integration will maximize GLU's ability to achieve its mission of providing reliable and low cost electric power to its members.

MEMBER COMMUNITIES

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

The combined 2005 load of the GLU members was approximately 348 MW and 1,938,152 MWh.

BOARD OF DIRECTORS

Peggy Kettenhoven, City of Clintonville
Dennis Dederling, City of Kiel
Nilaksh Kothari, City of Manitowoc
Joseph Pacovsky, City of Marshfield
Michael Frey, city of Medford
Scott Reimer, City of Rice Lake
Andrew Onesti, City of Shawano
Rick Skifton, City of Wisconsin Rapids

GREAT LAKES UTILITIES
Notes to Financial Statements
December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

Great Lakes Utilities is a municipal electric company formed under Wisconsin Statute 66.073. 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 members in order to increase the members' ability to obtain firm electric power and energy at reasonable costs.

2. Basis of Accounting

The accrual basis of accounting is utilized by GLU. 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. GLU have elected to apply only FASB, APB, and ARB materials issued on or before November 30, 1989.

4. Cash

Cash deposits consist of time deposits with a financial institution and are carried at cost. For purposes of the statement of cash flows, all cash deposits with a maturity of three months or less are considered to be cash equivalents.

NOTE B - CASH AND INVESTMENTS

Deposits of GLU are subject to custodial credit risk. Presented below is a discussion of GLU's deposits and the related risk.

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On December 31, 2005, none of GLU's deposits with financial institutions were in excess of federal and state depository insurance limits.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. GLU does not have an additional custodial credit policy.

GREAT LAKES UTILITIES
Notes to Financial Statements
December 31, 2005 and 2004

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ -	\$ 237,935	\$ -	\$ 237,935
Less accumulated depreciation	-	3,367	-	3,367
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 234,568</u>	<u>\$ -</u>	<u>234,568</u>
Less related long-term obligations				<u>237,935</u>
Invested in capital assets net of related long-term obligations				<u>\$ (3,367)</u>

NOTE D - RISK MANAGEMENT

GLU has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payment of premiums for these policies is recorded as expenses of GLU.

NOTE E - RELATED PARTY TRANSACTIONS

At the present time GLU has no employees. Therefore in order to facilitate operations, GLU has contracted with one of its members, Manitowoc Public Utilities (MPU), to provide management, secretarial, accounting and technical support services. GLU is charged for these services based upon actual time spent by MPU personnel on GLU operations. GLU is then billed for these services based upon contracted hourly rates.

GREAT LAKES UTILITIES
Statements of Net Assets
December 31, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash	\$ 126,501	\$ 1,087
Accounts receivable	3,227,771	2,760,790
Total Current Assets	<u>3,354,272</u>	<u>2,761,877</u>
Noncurrent Assets		
Equipment	237,935	-
Accumulated amortization	(3,367)	-
Total Noncurrent Assets	<u>234,568</u>	<u>-</u>
Total Assets	<u>3,588,840</u>	<u>2,761,877</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,289,912	2,692,994
Noncurrent Liabilities		
Accounts payable - Manitowoc Public Utilities	<u>237,935</u>	<u>-</u>
Total Liabilities	<u>3,527,847</u>	<u>2,692,994</u>
NET ASSETS		
Invested in capital assets, net of related debt	(3,367)	-
Unrestricted	<u>64,360</u>	<u>68,883</u>
Total Net Assets	<u>\$ 60,993</u>	<u>\$ 68,883</u>

The accompanying notes are an integral part of these statements.

GREAT LAKES UTILITIES
 Statements of Revenues, Expenses and Changes in Net Assets
 Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Member assessments	\$ 233,900	\$ 131,194
Power supply		
Billings	42,615,258	31,342,537
Supply charges	550,441	75,050
Total Operating Revenues	<u>43,399,599</u>	<u>31,548,781</u>
Operating Expenses		
Power supply		
Purchased power	42,615,258	31,342,537
Phone lines	4,159	3,606
Outside services		
Legal and consulting	260,073	235,339
Management services	24,068	23,219
Technical services	465,803	847
Insurance expense	16,592	-
Administrative and general		
Secretarial services	3,367	2,694
Accounting services	1,900	-
Supplies and other expenses	12,902	10,928
Amortization	3,367	-
Total Operating Expenses	<u>43,407,489</u>	<u>31,619,170</u>
Operating Income (Loss)	<u>(7,890)</u>	<u>(70,389)</u>
Nonoperating Revenues		
Interest	-	508
Net Income (Loss)	<u>(7,890)</u>	<u>(69,881)</u>
Net Assets - January 1	<u>68,883</u>	<u>138,764</u>
Net Assets - December 31	<u>\$ 60,993</u>	<u>\$ 68,883</u>

The accompanying notes are an integral part of these statements.

GREAT LAKES UTILITIES
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Cash received from customers	\$ 42,932,618	\$ 28,787,991
Cash paid to suppliers	(42,807,204)	(28,930,580)
Net Cash Provided (Used) by Operating Activities	<u>125,414</u>	<u>(142,589)</u>
Cash Flows from Capital Financing Activities		
Acquisition of capital assets	(237,935)	-
Accounts payable - Manitowoc Public Utilities	237,935	-
Net Cash Provided by Capital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities		
Interest received	-	508
Net Change in Cash and Cash Equivalents	125,414	(142,081)
Cash and Cash Equivalents - January 1	1,087	143,168
Cash and Cash Equivalents - December 31	<u>\$ 126,501</u>	<u>\$ 1,087</u>
Cash Flows from Operating Activities		
Operating income (loss)	\$ (7,890)	\$ (70,389)
Amortization	3,367	-
Cash provided (used) by changes in assets and liabilities		
Accounts receivable	(466,981)	(2,760,790)
Accounts payable	596,918	2,688,590
Net Cash Provided by Operating Activities	<u>\$ 125,414</u>	<u>\$ (142,589)</u>

The accompanying notes are an integral part of these statements.