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REAVES UTILITY INCOME FUND

Form N-CSRS

July 05, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21432  
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REAVES UTILITY INCOME FUND  
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(Exact name of registrant as specified in charter)

1625 Broadway, Suite 2200, Denver, Colorado 80202  
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(Address of principal executive offices)

(Zip code)

Tane T. Tyler, Secretary  
Reaves Utility Income Fund  
1625 Broadway, Suite 2200  
Denver, Colorado 80202  
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(Name and address of agent for service)

Registrant's telephone number, including area code: 303-623-2577  
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Date of fiscal year end: October 31  
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Date of reporting period: April 30, 2005  
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Item 1. REPORTS TO STOCKHOLDERS.

REAVES UTILITY INCOME FUND

[GRAPHIC]

SEMI-ANNUAL REPORT

APRIL 30, 2005 (UNAUDITED)

SHAREHOLDER LETTER  
April 30, 2005 (Unaudited)

Dear Shareholders:

Six months have passed since our last report and during that time the Reaves Utility Income Fund was able to raise its dividend due to favorable conditions

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among its utility stock investments. Utilities are the highest yielding sector of the domestic stock market and our portfolio managers seek out companies with increasing cash flows which can favor dividend payments.

A 3.4% dividend increase to \$0.10 per common share was announced in December 2004 and the Fund has paid out that amount each month since. The dividend increase was achieved through a growing cash yield in the Fund generated from both an increase in utility company dividends and realized capital gains attributable to the Fund's growing net asset value.

For those shareholders invested in the Fund since the first dividend record date in April 2004, 13 dividend payments have been made which total approximately \$1.27 per share. Through December 31, 2004, the Fund paid out 100% of its dividends in the form of qualified dividend income. Such income has a tax advantage versus other non-qualifying dividend income and other types of investment income.

W.H. Reaves & Company, Inc., the investment adviser with a 44-year history of experience, has provided a management discussion and analysis of the past six months in the pages that follow. Please feel free to review that commentary along with the full holdings and financial statements in this report. If you have any questions or need additional information, refer to [www.utilityincomefund.com](http://www.utilityincomefund.com) or call us at 1-800-644-5571.

Thank you for being a shareholder.

Sincerely,

/s/ Ned Burke

Ned Burke  
President

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### MANAGEMENT DISCUSSION & ANALYSIS April 30, 2005 (Unaudited)

**DISTRIBUTIONS TO COMMON SHAREHOLDERS** The Reaves Utility Income Fund pays dividends monthly. In December 2004, the Fund increased the monthly dividend 3.4% from \$0.967 per share to \$0.10 per share. The Fund was able to increase the dividend as the underlying cash flow and dividends from its investments improved. The current dividend provides an annualized yield of 6% based on the Fund's initial offering price of \$20.

As of this writing, June 14, 2005, the annualized yield is 5.73% as a result of the appreciation in share price to \$20.94. Dividends have been declared through June 2005.

**INVESTMENT PORTFOLIO** Total net assets of the Fund amounted to approximately \$490 million on April 30, 2005. Auction market preferred securities funded an additional \$240 million, bringing the gross assets of the fund to approximately \$739 million at April 30, 2005. This compares to approximately \$687 million of total assets at October 31, 2004. Leverage employed at April 30, 2005 was 32.8%.

### INDUSTRY BREAKDOWN

Utilities	82.54%
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Electric	57.66%
Telephone	17.74%
Gas	7.14%
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Non-Utility	15.39%
-----	
Consumer Staples	6.00%
Energy	5.15%
Financials	3.49%
Other	0.75%
-----	
Mutual Funds	2.07%
-----	
Total Investments	100.00%
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About 84.5%, 9.0%, and 4.4% of total investments were invested in common stock, preferred stock, and fixed-income securities, respectively. As shown in the accompanying table, total utilities investment was approximately 82.5%. Investment in non-utility sectors included 6.0% of investments in consumer staples and 5.2% of investments devoted to energy, two areas where the Fund could hedge some of the interest-rate risk and commodity-price risk associated with utilities portfolios. The Fund's top five holdings were Duke Energy, Ameren Corporation, Great Plains Energy, SBC Communications, and Altria Group. Together they accounted for 30.2% of investments.

MARKET AND FUND COMMENTARY Net Asset Value (NAV) increased 12.1% in the six months ended April 30, 2005 from \$19.29 to \$21.63 per share.

Overall performance was helped by industry consolidation, asset rationalization, cost cutting and re-structuring. Energy investments, 5.2% of assets, provided exposure to oil and natural gas.

Among the electrics, the portfolio benefited from the stock price performance of Public Service Enterprise Group and Exelon Corp., which agreed on December 20, 2004 to merge with Public Service for \$13.3 billion in stock. At the beginning of the period, Public Service was the Fund's second largest holding. Duke Energy Corp., in the midst of a successful re-structuring lead by CEO Paul Anderson, was a major contributor to the Fund's performance. Duke was the Fund's largest position at the end of the period.

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Among the gas utilities, the Fund was helped by solid performance at ONEOK which on April 25, 2005 increased its dividend by 12%, and recently announced the purchase of Koch's natural gas liquids business for approximately \$1.35 billion.

The telephone sector performance, while flat overall, was an important contributor to the Fund's dividend yield. Four telephone holdings yielded 5% or more as of April 30, 2005: AT&T, SBC Communications, Citizens Communications, and Telecom New Zealand.

During the six-month period ended April 30, 2005, the Fund faced a flattening yield curve as short rates steadily increased while long rates fluctuated, thereby creating some volatility. Although the yield on the ten-year Treasury was roughly unchanged at the end of the period from the beginning, 4.2% versus 4.1%, yields hit a high of 4.6% and a low of 4.0%. The Fund's dividend to preferred shareholders, a portion of which is qualified dividend income, increased with the increases in short-term interest rates.

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The Fund responded to the rising short term interest rates in several ways. During the period, the Fund realized net short-term capital gains of approximately \$8.4 million. The sales were made in a volatile interest rate environment, and were executed as part of a strategy to reduce the portfolio's exposure to potential stock price decline. The realized short-term gains provide the Fund an ample income cushion for payment of dividends. As a result, the Fund can maintain its dividend and enhance NAV growth by increasing investment in companies with moderate dividend yield but with strong prospects for increasing dividends, earnings, and cash flow. Examples include Constellation Energy, Exelon, and ONEOK.

We expect short-term rates to continue to rise and will position the Fund accordingly. This means continued focus on sectors like telephones and energy, which historically are less sensitive to interest-rate movements. Finally, we will continue to seek out companies with superior dividend-growth opportunities, because dividend growth, in our opinion, helps to counteract the adverse effect of rising short and long term interest rates.

Respectfully submitted,

Portfolio Manager

Ronald J. Sorenson

June 16, 2005

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### STATEMENT OF INVESTMENTS April 30, 2005 (Unaudited)

	SHARES	V
-----		
COMMON STOCK - 126.17%		
CONSUMER STAPLES - 8.96%		
Altria Group, Inc.	535,300	\$ 34,789
UST, Inc.	200,000	9,160
		43,949
ELECTRIC - 75.26%		
Ameren Corp.	899,300	46,493
Cinergy Corp.	100,000	3,960
Consolidated Edison, Inc.	235,100	10,175
Constellation Energy Group, Inc.	235,000	12,351
Duke Energy Corp.	2,000,000	58,380
Duquesne Light Holdings Inc.	447,800	7,876
Enel S.P.A, ADR	486,600	23,235
Energy East Coast	10,000	260
Exelon Corp.	480,000	23,760
First Energy Corp.	100,000	4,352
Great Plains Energy, Inc.	1,453,700	44,454
NSTAR	75,000	4,060
OGE Energy Corp.	996,700	27,508
PNM Resources Inc.	75,000	2,073
PPL Corp.	360,000	19,533
Public Service Enterprise Group, Inc.	411,800	23,925
Southern Co.	100,000	3,295

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TECO Energy, Inc.	900,200	14,952
TXU Corp.	20,000	1,715
TransAlta Corp.	225,000	3,390
Unisource Energy Corp.	450,000	14,062
WPS Resources Corp.	221,200	11,663
Xcel Energy Inc.	445,000	7,645
		369,126
ENERGY - 7.70%		
BP Amoco PLC, ADR	200,000	12,180
Exxon Mobil Corp.	135,000	7,699
Statoil ASA, ADR	50,000	874
Royal Dutch Petroleum Co., ADR	140,000	8,155
Todco*	85,000	1,891
Transocean Inc.*	150,000	6,955
		37,755
FINANCIALS - 0.21%		
Lloyd TSB Group	30,000	1,042
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	SHARES	V
-----		
COMMON STOCK (CONTINUED)		
GAS - 9.54%		
ONEOK, Inc.	340,000	\$ 9,812
Peoples Energy Corp.	564,500	22,354
Sempra Energy	299,700	12,101
South Jersey Industries, Inc.	12,200	663
Southern Union Co.*	20,000	478
Vectren Corp.	50,400	1,361
		46,771
TELEPHONE - 24.50%		
Alltel Corp.	10,000	569
AT&T Corp.	1,343,300	25,697
BCE, Inc.	797,600	19,190
BellSouth Corp.	100,000	2,649
Citizens Communications Co.	1,620,000	20,655
SBC Communications Inc.	1,550,000	36,890
TDC A/S, ADR	119,500	2,580
Telecom Corp., ADR	170,000	6,046
Telefonos de Mexico SA de CV, ADR	15,000	508
Verizon Communications Inc.	150,000	5,370
		120,156
TRANSPORTATION - 0.00%#		
Ship Finance International Limited	1,000	18
TOTAL COMMON STOCK		618,820
(Cost \$561,495,720)		
PREFERRED STOCK - 13.47%		
CONSUMER DISCRETIONARY - 0.41%		
Corts Ford Trust, 7.40%, 11/01/46	97,700	2,032

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ELECTRIC - 5.50%		
AES Trust III, 6.75%, 10/15/29	133,100	5,836
BGE Capital Trust II, 6.20%, 10/15/43	180,000	4,561
Consumers Energy Co.Funding Trust IV, 9.00%, 06/30/31	136,800	3,563
Entergy Arkansas Inc., 7.32%	5,501	573
Entergy Arkansas Inc.,	3,936	100
Entergy Gulf States Inc., Series A, 7.00%, 12/15/04**	4,472	453
Entergy Louisiana Inc., Series 92, 8.00%	1,200	30
Georgia Power Capital Trust V, 7.13%, 03/31/42	141,400	3,684
Great Plains Energy Inc., 8.00%, 02/16/07	50,000	1,333
Monongahela Power, Series L, 7.73%	1,500	154

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	SHARES	V
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PREFERRED STOCK (CONTINUED)		
NVP Capital Trust III, 7.75%, 09/30/38	52,400	\$ 1,304
PSEG Funding Trust II, 8.75%, 12/31/32	90,100	2,441
Public Service Co. of New Mexico, Series 1965, 4.58%	10,967	1,026
Puget Sound Energy Capital Trust, 8.40%, 06/30/41	20,000	519
Sierra Pacific Power, Series 1, 7.80%	25,000	596
Southern Cal Edison, 4.32%	10,000	191
TXU U.S. Holding Co.,	6,306	599
		26,971
FINANCIALS - 4.99%		
ABN AMRO Capital Funding Trust VII, 6.08%	120,000	2,985
GMAC, 7.375%	50,000	996
Merrill Lynch & Co., Series H, 3.65%**	600,000	14,796
Renaissance Holdings Ltd., Series C, 6.08%	250,000	5,725
		24,503
GAS - 1.13%		
ONEOK, Inc., 8.50%, 02/16/06	156,800	5,520
REAL ESTATE INVESTMENT TRUSTS - 0.70%		
Duke Realty Corp., Series K, 6.50%	138,700	3,439
TELEPHONE - 0.74%		
Preferred Plus Trust		
Series SPR1, 7.00%, 11/15/28	12,624	318
Series T1, 7.35%, 03/15/29	69,800	1,747
Trust Certificates 2001-1, Series T, 7.45%, 03/15/29	61,900	1,550
		3,617
TOTAL PREFERRED STOCK		66,084
(Cost \$67,059,150)		

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	BOND RATING MOODY/S&P	PRINCIPAL AMOUNT	
CORPORATE BONDS - 6.63%			
ELECTRIC - 5.36%			
Calpine Corp., 7.88%, 04/01/08	Caal/CCC+	\$ 6,000,000	3,030
Calpine Generating Co., 11.50%, 04/01/11^	B3/CCC+	22,000,000	18,810
TXU Corp., 6.375%, 06/15/08	Bal/BBB-	1,900,000	1,943
TXU Electric Co., 6.75%, 07/01/05	Baal/BBB	2,500,000	2,514
			26,297

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		PRINCIPAL AMOUNT	
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CORPORATE BONDS (CONTINUED)			
TELEPHONE - 1.27%			
US West Communications Inc., 7.50%, 06/15/23	Ba3/BB-	\$ 7,000,000	\$ 6,230
TOTAL CORPORATE BONDS (Cost \$36,897,056)			32,527

		SHARES	
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MUTUAL FUNDS - 3.10%			
Goldman Financial Square Money Market Fund		12,108,569	12,108
Loomis Sayles High Income Fund		424,929	3,072
TOTAL MUTUAL FUNDS (Cost \$15,108,570)			15,180

TOTAL INVESTMENTS (Cost \$680,560,496)		149.37%	\$ 732,613
Liabilities in Excess of Other Assets		-0.44%	(2,149)
Liquidation Preference of Auction Market Preferred Shares: Series M7, F7, W28		-48.93%	(240,000)
NET ASSETS ATTRIBUTABLE TO COMMON SHARES		100.00%	\$ 490,463

ADR- American Depositary Receipt

\*Non-income producing security

\*\*Floating or variable rate security- rate disclosed as of April 30, 2005.

Maturity date represents the next rate reset date.

^ Security exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At April 30, 2005, these securities amounted to a value of \$18,810,000 or 3.84% of net assets.

# Less than 0.005% of net assets

RATINGS:

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The Moody's and S&P ratings are believed to be the most recent ratings as of April, 30, 2005.

See Notes to Financial Statements.

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### STATEMENT OF ASSETS & LIABILITIES April 30, 2005 (Unaudited)

#### ASSETS:

Investments, at value (Cost - see below)	\$	732,613,424
Dividends receivable		1,516,115
Interest receivable		594,620
Receivable for investments sold		4,519,584
Other assets		15,061
Total Assets		739,258,804

#### LIABILITIES:

Payable for investments purchased		7,938,662
Preferred dividends payable		284,715
Accrued investment advisory fee		318,114
Accrued administration fee		155,443
Accrued trustees fee		25,719
Accrued offering costs		22,057
Other payables		50,115
Total Liabilities		8,794,825

#### PREFERRED STOCK (UNLIMITED SHARES AUTHORIZED):

Auction rate cumulative preferred shares, Series M7		80,000,000
(\$25,000 liquidation value per share, no par value, 3,200 shares issued and outstanding)		
Auction rate cumulative preferred shares, Series F7		80,000,000
(\$25,000 liquidation value per share, no par value, 3,200 shares issued and outstanding)		
Auction rate cumulative preferred shares, Series W28		80,000,000
(\$25,000 liquidation value per share, no par value, 3,200 shares issued and outstanding)		
Total Preferred Stock		240,000,000
Net Assets	\$	490,463,979

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COST OF INVESTMENTS	\$	680,560,496
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#### COMPOSITION OF NET ASSETS ATTRIBUTABLE TO COMMON SHARES:

Paid in capital	\$	429,406,407
Undistributed net investment income		691,821
Accumulated net realized gain on investments and foreign currency transactions		8,312,823
Net unrealized appreciation in value of investments		52,052,928
Net Assets	\$	490,463,979

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Shares of common stock outstanding of no par value, unlimited shares authorized		22,677,001
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Net asset value per share	\$	21.63
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See Notes to Financial Statements.

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STATEMENT OF OPERATIONS  
For the Six Months Ended April 30, 2005 (Unaudited)

INVESTMENT INCOME:	
Dividends	\$ 16,514,005
Interest	2,120,753
Total Income	18,634,758
EXPENSES:	
Investment advisory fee	2,096,517
Administration fee	966,221
Trustees fee	47,320
Broker/dealer fees	304,095
Taxes	44,964
Miscellaneous	17,454
Net Expenses	3,476,571
Net Investment Income	15,158,187
Net realized gain on:	
Investments	8,104,736
Foreign currency transactions	56,689
Change in net unrealized appreciation/depreciation on investments	46,204,440
Net gain on investments	54,365,865
Net Increase in Net Assets From Operations	69,524,052
Total Distributions to Preferred Shareholders	(3,083,074)
Net Increase in Net Assets Attributable to Common Shares from Operations	\$ 66,440,978
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See Notes to Financial Statements.

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STATEMENTS OF CHANGES IN NET ASSETS

	FOR THE SIX MONTHS ENDED APRIL 30, 2005 (UNAUDITED)	FOR THE PERIOD FEBRUARY 24, 2004* TO OCTOBER 31, 2004
-----		
COMMON SHAREHOLDER OPERATIONS:		
Net investment income	\$ 15,158,187	\$ 19,211,500
Net realized gain on:		
Investments	8,104,736	(216,213)

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Foreign currency transactions	56,689	(2,752)
Change in net unrealized appreciation/depreciation on investments	46,204,440	5,848,488
Net increase in net assets from operations	69,524,052	24,841,023
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:		
From net investment income	(3,083,074)	(1,420,777)
Net decrease in net assets from distributions	(3,083,074)	(1,420,777)
DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
From net investment income	(13,456,532)	(15,347,120)
Net decrease in net assets from distributions	(13,456,532)	(15,347,120)
NET INCREASE IN NET ASSETS	52,984,446	437,379,533
NET ASSETS ATTRIBUTABLE TO COMMON SHARES:		
Beginning of period	437,479,533	100,000**
End of period ***	\$ 490,463,979	\$ 437,479,533

\* Commencement of operations.

\*\* Initial seed capital.

\*\*\* Includes undistributed net investment income of:     \$           691,821     \$           2,443,603

See Notes to Financial Statements.

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### FINANCIAL HIGHLIGHTS

	FOR THE SIX MONTHS ENDED APRIL 30, 2005 (UNAUDITED)	FOR THE PERIOD FEBRUARY 24, 2004* OCTOBER 31, 2004
-----		
PER COMMON SHARE OPERATING PERFORMANCE		
Net asset value - beginning of period	\$ 19.29	\$ 19.10
Income from investment operations:		
Net investment income	0.53	0.85
Net realized and unrealized gain on investments	2.54	0.24
Total income from investment operations	3.07	1.09
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:		
From net investment income	(0.14)	(0.06)
Total distributions	(0.14)	(0.06)
DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
From net investment income	(0.59)	(0.68)
Total distributions	(0.59)	(0.68)
Net asset value per common share - end of period	\$ 21.63	\$ 19.29
Market price per common share - end of period	\$ 19.99	\$ 18.00
TOTAL INVESTMENT RETURN - NET ASSET VALUE (1)	15.57%	4.93%
TOTAL INVESTMENT RETURN - MARKET PRICE (1)	14.46%	(6.50)%
RATIOS AND SUPPLEMENTAL DATA		
Net assets attributable to common shares, end of period (000)	\$ 490,464	\$ 437,480

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Ratio of expenses to average net assets attributable to common shares (3)	1.45% (2)	1.64% (2)
Ratio of net investment income to average net assets attributable to common shares (3)	6.33% (2)	6.96% (2)
Ratio of expenses to average managed assets (4)	0.97% (2)	1.02% (2)
Portfolio turnover rate	33%	63%

### AUCTION MARKET PREFERRED SHARES

Liquidation value, end of period (000)	\$ 240,000	\$ 240,000
Total shares outstanding (000)	9.6	9.6
Asset coverage per share	\$ 76,090	\$ 70,571
Liquidation preference per share	\$ 25,000	\$ 25,000
Average market value per share (5)	\$ 25,000	\$ 25,000

\* Commencement of operations.

(1) Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at the closing on the last day of each period reported. Total investment return on net asset value reflects the sales load of \$.90 per share. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

(2) Annualized.

(3) Ratios do not reflect dividend payments to preferred shareholders.

(4) Average managed assets represent net assets attributable to common shares plus liquidation value of preferred shares.

(5) Based on weekly prices.

See Notes to Financial Statements.

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### NOTES TO FINANCIAL STATEMENTS

April 30, 2005 (Unaudited)

Reaves Utility Income Fund is a closed-end management investment company (the "Fund") that was organized under the laws of the state of Delaware by an Agreement and Declaration of Trust dated September 15, 2003. The Fund is a non-diversified series with an investment objective to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest. The Fund commenced operations on February 24, 2004. The Fund's common shares are listed on the American Stock Exchange and trade under the ticker symbol "UTG."

The Fund may have elements of risk, including the risk of loss of principal. There is no assurance that the investment process will consistently lead to successful results. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment.

The following summarizes the significant accounting policies of the Fund.

**SECURITY VALUATION:** The net asset value per Share of the Fund is determined no less frequently than daily, on each day that the American Stock Exchange (the "Exchange") is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). Securities held by the fund for which exchange quotations are readily available are valued at the last sale price, or if no sale price or if traded on the over-the-counter market, at the

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mean of the bid and asked prices on such day. Over-the-counter securities traded on NASDAQ are valued based upon the NASDAQ Official Closing Price. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or pricing services at the mean between the latest available bid and asked prices. As authorized by the Trustees, debt securities (other than short-term obligations) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of securities. Short-term obligations maturing within 60 days are valued at amortized cost which approximates market value. Over-the-counter options are valued at the mean between bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices. Securities for which there is no such quotation or valuation and all other assets are valued at fair value in good faith by or at the direction of the Trustees. Various factors may be reviewed in order to make a good faith determination of a security's fair value. These factors may include, but are not limited to, the type and cost of the security; the fundamental analytical data relating to the investment; an evaluation of the forces which influence the market in which the security is sold, including the liquidity and depth of the market; information as to any transactions or offers with respect to the security; price, yield and the extent of public or private trading in similar securities of the issuer or comparable companies. The valuation assigned to fair-valued securities for purposes of calculating the Fund's NAV may differ from the security's most recent closing market price and from the prices used by other funds to calculate their NAVs.

**FOREIGN SECURITIES:** The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

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The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

The effect of changes in foreign currency exchange rates on investments is separately identified from the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

**DISTRIBUTIONS TO SHAREHOLDERS:** Distributions from net investment income for the Fund are declared and paid monthly to common shareholders. Any net capital gains earned by the Fund are distributed at least annually to the extent necessary to avoid federal income and excise taxes. Distributions to shareholders are recorded by the Fund on the ex-dividend date.

**INCOME TAXES:** The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME:** Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex-dividend date. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of

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securities are determined using the First In First Out basis for both financial reporting and income tax purposes.

USE OF ESTIMATES: The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

### 2. INCOME TAXES

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by the Fund.

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Net unrealized appreciation/depreciation of investments based on federal tax cost were as follows:

AS OF APRIL 30, 2005

Gross appreciation (excess of value over tax cost)	\$	66,722,814
Gross depreciation (excess of tax cost over value)		(15,154,905)
Net unrealized appreciation	\$	51,567,909
Cost of investments for income tax purposes	\$	681,045,915

The tax basis components of capital differ from the amounts reflected in the Statement of Assets and Liabilities due to temporary book/tax differences primarily arising from wash sales and the tax treatment of certain preferred holdings.

### 3. CAPITAL TRANSACTIONS

COMMON SHARES: There are an unlimited number of no par value common shares of beneficial interest authorized. Of the 22,677,001 common shares outstanding on April 30, 2005, ALPS Distributors, Inc. owned 5,236 shares.

PREFERRED SHARES: On April 27, 2004, the Fund's Board of Trustees authorized the issuance of an unlimited number of no par value preferred shares, in addition to the existing common shares, as part of the Fund's leverage strategy. Preferred shares issued by the Fund have seniority over the common shares.

The Fund is subject to certain limitations and restrictions while preferred shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Fund from declaring any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation value. Specifically, the Fund is required under the Investment Company Act of 1940 to maintain an asset coverage with respect to the outstanding preferred shares of 200% or greater.

The Fund has three series of Auction Market Preferred Shares: M7, F7, and W28.

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On June 30, 2004, the Fund issued 3,200 shares of Series M7, 3,200 shares of Series F7, and 3,200 shares of Series W28 each with a net asset and liquidation value of \$25,000 per share plus accrued dividends. Dividends on the preferred shares are cumulative and are paid based on an annual rate set through auction procedures. Distributions of net realized capital gains, if any, are paid annually. As of April 30, 2005, the annualized dividend rates for Series M7, F7 and W28 were 3.08%, 3.20% and 3.50%, respectively. The dividend rate, as set by the auction process, is generally expected to vary with short-term interest rates. These rates may vary in a manner unrelated to the income received on the Fund's assets, which could have either a beneficial or detrimental impact on net investment income and gains available to Common Shareholders.

Preferred Shares, which are entitled to one vote per share, generally vote with the Common Shares but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

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#### 4. PORTFOLIO SECURITIES

Purchases and sales of investment securities, other than short-term securities, for the six months ended April 30, 2005 aggregated \$235,171,810 and \$243,554,230, respectively. Purchases and sales of U.S. government and agency securities, other than short-term securities, for the six months ended April 30, 2005 aggregated \$0 and \$0, respectively.

#### 5. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS

W.H. Reaves & Co., Inc. ("Reaves") serves as the Fund's investment adviser pursuant to an Investment Advisory Agreement with the Fund. As compensation for its services to the Fund, Reaves receives an annual investment advisory fee of 0.575% based on the Fund's average daily total assets, computed daily and payable monthly.

ALPS serves as the Fund's administrator pursuant to an Administration, Bookkeeping and Pricing Services Agreement with the Fund. As compensation for its services to the Fund, ALPS receives an annual administration fee of 0.265% based on the Fund's average daily total assets, computed daily and payable monthly. ALPS will pay all expenses incurred by the Fund, with the exception of advisory fees, trustees' fees, portfolio transaction expenses, litigation expenses, taxes, cost of preferred shares, expenses of conducting repurchase offers for the purpose of repurchasing fund shares, and extraordinary expenses.

#### 6. OTHER

The Independent Trustees of the Fund receive a quarterly retainer of \$3,500 and an additional \$1,500 for each meeting attended.

#### 7. INDEMNIFICATIONS

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

#### 8. SUBSEQUENT DISTRIBUTIONS

Subsequent to April 30, 2005, the Fund paid a distribution of \$0.10 per common share on May 31, 2005 to common shareholders of record on May 13, 2005.

Subsequent to April 30, 2005, dividends paid on preferred shares totaled

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\$1,045,011 for the outstanding preferred share series through June 18, 2005.

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### DIVIDEND REINVESTMENT PLAN April 30, 2005 (Unaudited)

Unless the registered owner of Common Shares elects to receive cash by contacting The Bank of New York (the "Plan Administrator" or "BONY"), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Dividend Reinvestment Plan (the "Plan"), in additional Common Shares. Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by BONY as dividend disbursing agent. You may elect not to participate in the Plan and to receive all dividends in cash by contacting BONY, as dividend disbursing agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional Common Shares for you. If you wish for all dividends declared on your Common Shares to be automatically reinvested pursuant to the Plan, please contact your broker.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a dividend or other distribution (together, a "Dividend") payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding Common Shares on the open market ("Open-Market Purchases") on the American Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the net asset value per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the net asset value per Common Share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the net asset value per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases. In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an "ex-dividend" basis or 30 days after the payment date for such Dividend, whichever is sooner (the "Last Purchase Date"), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. It is contemplated that the Fund will pay monthly income Dividends. Therefore, the period during which Open-Market Purchases can be made will exist only from the payment date of each Dividend

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through the date before the next "ex-dividend" date which typically will be approximately ten days. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the net asset value per Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the net asset value of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the net asset value per Common Share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per Common Share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants.

In the case of Common Shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan.

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, The Bank of New York, 101 Barclay Street, New York, New York 10286, 20 th Floor, Transfer Agent Services, 1-800-433-8191.

FUND PROXY VOTING POLICIES & PROCEDURES  
April 30, 2005 (Unaudited)

Fund policies and procedures used in determining how to vote proxies relating to portfolio securities and a summary of proxies voted by the Fund for the period ended June 30, 2004, are available without a charge, upon request, by contacting the Fund at 1-800-644-5571 and on the Commission's website at



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<http://www.sec.gov>.

### PORTFOLIO HOLDINGS

April 30, 2005 (Unaudited)

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Forms N-Q are available on the Commission's website at <http://www.sec.gov>. You may also review and copy Form N-Q at the Commission's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the Commission at 1-800-SEC-0330. Information on the Fund's N-Q is available without a charge, upon request, by contacting the Fund at 1-800-644-5571 and on the website at <http://www.utilityincomefund.com>

### NOTICE

April 30, 2005 (Unaudited)

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its common stock in the open market.

### SHAREHOLDER MEETING

On April 14, 2005, the Fund held its Annual Meeting of Shareholders (the "Meeting") for the purposes of voting on proposals to approve the existing Investment Advisory Agreement between the Fund and W.H. Reaves and to elect two trustees of the Fund. The results of the proposals are as follows:

#### PROPOSAL 1: Approval of Existing Investment Advisory Agreement

For	12,306,626
Against	94,278
Abstain	181,805

#### PROPOSAL 2: Election of Trustees

	MICHAEL HOLLAND	MARY ANSTINE
For	12,449,412	12,449,412
Abstain	137,629	137,629
Withheld	4,570	43,105

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TRUSTEES & OFFICERS  
April 30, 2005 (Unaudited)

Except for their service on the Company's Board of Directors, the independent directors named above have not held any positions during the past two years with the Fund; any investment company; any investment adviser; any underwriter of the Fund; or any affiliate of the Fund or its investment advisers or underwriters. Each independent trustee serves on the Fund's Audit Committee.

#### INTERESTED TRUSTEES AND OFFICERS

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NAME, AGE AND ADDRESS	POSITION(S) HELD WITH FUNDS/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS HELD BY TRUSTEE	NUM POR COM SEE
<p>W. ROBERT ALEXANDER Age - 77 1625 Broadway, Ste. 2200 Denver, CO 80202</p>	<p>Trustee and Chairman/ Less than nine months</p>	<p>Mr. Alexander is the Chief Executive Officer &amp; Chairman of ALPS. Mr. Alexander was Vice Chairman of First Interstate Bank of Denver, responsible for Trust, Private Banking, Retail Banking, Cash Management Services and Marketing. Mr. Alexander is currently a member of the Board of Trustees of the Hunter and Hughes Trusts as well as Chairman of Clough Global Allocation Fund, Clough Global Equity Fund, Financial Investors Trust and Financial Investors Variable Insurance Trust. Because of his affiliation with ALPS, Mr. Alexander is considered an "interested" Trustee of the Fund.</p>	<p>1</p>
<p>EDMUND J. BURKE Age - 44 1625 Broadway, Ste. 2200 Denver, CO 80202</p>	<p>President/Less than nine months</p>	<p>Mr. Burke is President and a Director of ALPS. Mr. Burke joined ALPS in 1991 as Vice President and National Sales Manager. Because of his position with ALPS, Mr. Burke is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Burke is currently the President of Clough Global Allocation Fund, Clough Global Equity Fund, Financial Investors Trust and Financial Investors Variable Insurance Trust.</p>	<p>N/A</p>

NAME, AGE AND ADDRESS	POSITION(S) HELD WITH FUNDS/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS HELD BY TRUSTEE	NUM POR COM SEE
<p>JEREMY O. MAY Age - 35 1625 Broadway, Ste. 2200 Denver, CO 80202</p>	<p>Treasurer/Less than nine months</p>	<p>Mr. May is Managing Director of ALPS. Mr. May joined ALPS in 1995 as a Controller. Because of his position with ALPS, Mr. May is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. May is currently the Treasurer of Clough Global</p>	<p>N/A</p>

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EVERETT L. MORRIS  
Age - 76  
1625 Broadway, Ste. 2200  
Denver, CO 80202

Trustee/Less than  
nine months

Allocation Fund, Clough Global  
Equity Fund, Financial Investors  
Trust, Financial Investors  
Variable Insurance Trust and  
First Funds.

Mr. Morris was a Vice President  
and Director of Reaves from 1993  
to 2003. Mr. Morris is currently  
a Director/Trustee of the Phoenix  
Funds, a Director of the Duff &  
Phelps Utilities Tax-Free Income  
Fund, and a Director of the Duff  
& Phelps Utility & Corporate Bond  
Trust.

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TANE T. TYLER  
Age - 39  
1625 Broadway, Ste. 2200  
Denver, CO 80202

Secretary/Less than  
six months

Ms. Tyler is General Counsel of  
ALPS. Ms. Tyler joined ALPS as  
General Counsel in September  
2005. Formerly, Ms. Tyler was  
Vice President and Associate  
Counsel, Oppenheimer Funds, Inc.,  
and Vice President and Assistant  
General Counsel, INVESCO Funds  
Group, Inc. Ms. Tyler is deemed  
an affiliate of the Trust as  
defined under the 1940 Act.  
Ms. Tyler is currently the  
Secretary of the Financial  
Investors Variable Insurance  
Trust, First Funds and Westcore  
Funds.

N/A

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NAME, AGE AND ADDRESS	POSITION(S) HELD WITH FUNDS/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS HELD BY TRUSTEE	NUM POR COM SEE
BRADLEY J. SWENSEN Age - 32 1625 Broadway, Ste. 2200 Denver, CO 80202	Chief Compliance Officer/Less than six months	Mr. Swenson joined ALPS as Chief Compliance Officer ("CCO") in May 2004. Prior to joining ALPS, Mr. Swenson served as the Senior Audit manager at Janus Capital Group. Before joining Janus Mr. Swenson was a senior Internal Auditor for Oppenheimer Funds. Because of his position with ALPS and ADI, Mr. Swenson is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Swenson is currently the CCO of Clough Global Allocation Fund, Clough Global Equity Fund, Financial Investors Trust, SPDR Trust, Midcap SPDR Trust, and DIAMONDS Trust.	N/A

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INDEPENDENT TRUSTEES

<p>MARY K. ANSTINE Age - 64 1625 Broadway, Ste. 2200 Denver, CO 80202</p>	<p>Trustee/Less than nine months</p>	<p>Ms. Anstine was the President/Chief Executive Officer of HealthONE, Denver, Colorado, and former Executive Vice President of First Interstate Bank of Denver. Ms. Anstine is also a Trustee/Director of the following: Denver Area Council of the Boy Scouts of America; Colorado Uplift Board; AV Hunter Trust; Financial Investors Trust and Financial Investors Variable Trust; Denver Chapter of the Alzheimer's Association and a member of the Advisory Boards for the Girl Scouts Mile Hi Council. Ms. Anstine was a Director of: the Northern Trust Bank of Colorado from February 1998 until February 2002; HealthONE; a member of the American Bankers Association Trust Executive Committee; and Director of the Center for Dispute Resolution.</p>	<p>1</p>
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NAME, AGE AND ADDRESS	POSITION(S) HELD WITH FUNDS/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS HELD BY TRUSTEE	NUM POR COM SEE
<p>MICHAEL F. HOLLAND Age - 60 375 Park Avenue New York, NY 10152</p>	<p>Trustee/Less than nine months</p>	<p>Mr. Holland is Chairman of Holland &amp; Company. Mr. Holland is currently a Director and Chairman of the Board, President and Treasurer of the Holland Series Fund, Inc. Mr. Holland is also Chairman of the Board and Trustee of State Street Master Funds and a Trustee of the China Fund, Inc.</p>	<p>1</p>
<p>ROBERT E. LEE Age - 70 10510 Lakeview Drive Hayden Lake, Idaho 83835</p>	<p>Trustee/Less than nine months</p>	<p>Mr. Lee was a commercial bank executive of First Interstate Bank of Denver from 1980 through 1989. He is currently a Director of the following: Storage Technology Corporation; ING Financial Services -- North America; Meredith Corporation; and the Source Capital Corporation. Mr. Lee is also a Trustee of Financial Investors Trust and Financial Investors Variable Insurance Trust.</p>	<p>1</p>

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LARRY W. PAPASAN  
Age - 64  
2670 Union Avenue  
Extended Suite 700  
Memphis, TN 38112

Trustee/Less than  
nine months

Mr. Papasan is the former Chairman of Smith & Nephew, Inc. (orthopedic division). Mr. Papasan is a former Director of First American National Bank of Memphis and The West Tennessee Board of First American National Bank (1988-1991) and was President of Memphis Light Gas and Water Division of the city of Memphis (1984-1991). Mr. Papasan is a member of the Board of the Plough Foundation, a non-profit trust, a Trustee of First Funds, a mutual fund complex, and a Trustee of Smith Seckman Reid, Inc., an engineering services company.

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REAVES UTILITY INCOME FUND  
1625 Broadway, Suite 2200  
Denver, CO 80202  
1-800-644-5571

[ALPS LOGO]  
MUTUAL FUNDS SERVICES, INC.

This Fund is neither insured nor guaranteed by the U.S. Government, the FDIC, the Federal Reserve Board or any other governmental agency or insurer.

For more information, please call 1-800-644-5571.

Item 2. CODE OF ETHICS.

Not applicable to semi-annual report.

Item 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to semi-annual report.

Item 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to semi-annual report.

Item 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

Item 6. SCHEDULE OF INVESTMENTS.

The Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.

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Item 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to semi-annual report.

Item 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to semi-annual report.

Item 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

Item 10. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

As of this reporting period, the registrant has yet to adopt procedures by which shareholders may recommend nominees to the registrant's Board of Trustees.

Item 11. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date.

(b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. EXHIBITS.

(a) (1) Not applicable to semi-annual report.

(a) (2) The certifications required by Rule 30a-2(a) of the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.Cert.

(a) (3) Not applicable.

(b) The certifications by the registrant's Principal Executive Officer and Principal Financial Officer, as required by Rule 30a-2(b) of the Investment Company Act of 1940, as amended, and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.906Cert.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REAVES UTILITY INCOME FUND

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By: /s/ Edmund J. Burke  
-----  
Edmund J. Burke  
President (Principal Executive Officer)

Date: July 1, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Edmund J. Burke  
-----  
Edmund J. Burke  
President (Principal Executive Officer)

Date: July 1, 2005

By: /s/ Jeremy O. May  
-----  
Jeremy O. May  
Treasurer (Principal Financial Officer)

Date: July 1, 2005