

**Balance Sheets**  
December 31, 2004  
and 2003

Assets	2004	2003
Utility Plant		
Electric plant in service	\$389,437,082	\$387,479,962
Construction work in progress	3,300,807	2,266,723
Total utility plant	<u>392,737,889</u>	<u>389,746,685</u>
Accumulated provision for depreciation	(150,099,521)	(138,505,129)
Net utility plant	<u>242,638,368</u>	<u>251,241,556</u>
Investments:		
Investments in associated organizations	100,994	- 0
Other investment	8,449,902	3,000,000
	<u>8,550,896</u>	<u>3,000,000</u>
Current Assets:		
Cash and cash equivalents	5,109,132	1,830,940
Accounts receivable:		
Customers	8,043,097	5,715,870
Unbilled	6,499,462	4,751,732
Allowance for doubtful accounts	(79,045)	(86,781)
	<u>14,463,514</u>	<u>10,380,821</u>
Materials and supplies	9,045,208	8,007,996
Prepaid expenses and other	952,874	1,154,036
Total current assets	<u>29,570,728</u>	<u>21,373,793</u>
Deferred Charges	5,751,296	6,010,306
<b>Total assets</b>	<b><u>\$286,511,288</u></b>	<b><u>\$281,625,655</u></b>
<b>Equity and Liabilities</b>		
Equity:		
Memberships	\$ 279	\$ 257
Patronage capital	17,754,491	6,879,907
Net unrealized gain on investments	51,222	- 0
Total equity	<u>17,805,992</u>	<u>6,880,164</u>
Long-Term Liabilities:		
RUS mortgage notes, less current portion	231,073,284	208,017,055
CFC mortgage notes, less current portion	7,632,313	39,574,000
Postretirement benefit obligations	4,038,498	4,077,104
Customer advances for construction	1,324,965	2,894,114
Deferred credits	8,730,201	7,301,315
Total long-term liabilities	<u>252,799,261</u>	<u>261,863,588</u>
Commitments and Contingencies		
Current Liabilities:		
Current portion of long-term debt	5,825,000	2,541,000
Accounts payable	4,010,429	5,479,749
Customer deposits	496,047	432,345
Other current and accrued liabilities	5,574,559	4,428,809
Total current liabilities	<u>15,906,035</u>	<u>12,881,903</u>
<b>Total equity and liabilities</b>	<b><u>\$286,511,288</u></b>	<b><u>\$281,625,655</u></b>

These financial statements were audited by KMH LLP, an independent Certified Public Accounting firm. A full report including the accompanying notes, which are an integral part of these financial statements, is available for your review at KIUC.

**Statements of Revenues and Patronage Capital**  
For the years ended December 31, 2004 and 2003

	2004	2003
Operating Revenues	\$118,907,802	\$99,185,257
Operating Expenses:		
Cost of power	55,220,546	41,079,605
Depreciation and amortization	17,021,299	16,686,714
Transmission operations	351,065	259,628
Transmission maintenance	322,838	286,685
Distribution operations	1,062,267	1,172,326
Distribution maintenance	1,756,110	1,571,449
Consumer accounts	1,798,833	1,405,921
Consumer service and information	359,718	303,245
Administrative and general	8,784,875	6,658,131
Other	9,800,072	8,614,126
Total operating expenses	<u>96,477,623</u>	<u>78,037,830</u>
Operating margins before interest expense	<u>22,430,179</u>	<u>21,147,427</u>
Interest Expense:		
Long-term debt	10,151,776	8,851,175
Capital lease and other obligations	38,079	6,074,567
Total interest expense	<u>10,189,855</u>	<u>14,925,742</u>
Operating margins	<u>12,240,324</u>	<u>6,221,685</u>
Nonoperating Margins:		
Interest income	339,421	136,035
Other nonoperating expense	(25,267)	(62,124)
Total nonoperating margins	<u>314,154</u>	<u>73,911</u>
Other Capital Credits and Patronage Dividends	40,083	10,533
Net margins	<u>12,594,561</u>	<u>6,306,129</u>
Retirement of patronage capital	(1,719,977)	- 0
Patronage Capital, beginning of period	6,879,907	573,778
Patronage Capital, end of period	<u>\$17,754,491</u>	<u>\$6,879,907</u>

**Statements of Comprehensive Income and Change in Members' Equity**  
For the Years Ended December 31, 2004 and 2003

	2004	2003
Net margins	\$12,594,561	\$6,306,129
Other comprehensive income:		
Unrealized gain during the period on available-for-sale investments	51,222	- 0
Comprehensive income	<u>\$12,645,783</u>	<u>\$6,306,129</u>

	Memberships	Patronage Capital	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2002	\$257	\$ 573,778	\$ - 0	\$ 574,035
Net margins	- 0	6,306,129	- 0	6,306,129
Balance at December 31, 2003	257	6,879,907	- 0	6,880,164
Net margins	- 0	12,594,561	- 0	12,594,561
Change in accumulated other comprehensive income	- 0	- 0	51,222	51,222
Membership additions	22	- 0	- 0	22
Retirement of patronage capital	- 0	(1,719,977)	- 0	(1,719,977)
Balance at December 31, 2004	<u>\$279</u>	<u>\$17,754,491</u>	<u>\$51,222</u>	<u>\$17,805,992</u>