REAVES UTILITY INCOME FUND
Form N-CSRS
July 09, 2007

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

REAVES UTILITY INCOME FUND
(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado — 80203
(Address of principal executive offices) — (Zip code)

Tané T. Tyler, Secretary
Reaves Utility Income Fund
1290 Broadway, Suite 1100
Denver, Colorado 80203
(Name and address of agent for service)

Registrant s telephone number, including area code: 303-623-2577

Date of fiscal year end: October 31

Date of reporting period: November 1, 2006 April 30, 2007

Item 1. **Reports to Stockholders.**

REAVES UTILITY INCOME FUND

Semi-Annual Report

April 30, 2007 (unaudited)

SHAREHOLDER LETTER

April 30, 2007 (unaudited)

Dear Shareholders:

On behalf of the Board of Trustees, I m pleased to announce that for the six-month period ending on April 30, 2007, the Reaves Utility Income Fund has delivered a total return on investment of more 17% of net asset value per common share, with dividends reinvested. Factoring in the stock price performance plus dividends, the Fund produced a total return of more than 18% during the period.

This return is a significant increase as compared to the same period last year, reflecting the price appreciation across all major sectors in which the Fund invests, including natural gas utilities, telecom and electric utilities. This appreciation was spurred by an active merger and acquisition market, rising electricity demand and an improved business outlook for large telecom carriers, to name a few trends. These factors, discussed in detail in the Fund manager s analysis that follows, contributed to an increase of more than 15% in the Fund s stock price.

In terms of dividends, the Fund not only paid its six scheduled monthly dividends during the fiscal half-year, but in December, 2006, saw a nearly 5% increase in the amount of the dividend. As a result, the first two dividends were $0.105 per share while the remaining four were at the increased rate of $0.11 per share. In addition, the Fund paid a special dividend of $0.055 per share in December, for a total of $0.705 per share paid in dividends during the period.

The dividend increase in December was the third in as many years, following a 5% increase in December, 2005, and a 3.4% increase in December, 2004. Those shareholders invested in the Fund since the first dividend record date in April, 2004, have received dividend payments totaling approximately $4.08 per share. During the 2006 calendar year, 80.14% of those dividends have been qualified dividend income, which are taxed at a maximum 15% federal rate, as opposed to a rate as high as 35% for non-qualifying and other types of dividend income. This presents a significant tax advantage to our shareholders.

Total assets of the Fund have grown to approximately $918 million, up from about $833 million at the beginning of the six-month period and $400 million at the Fund s inception in February 2004.

The portfolio managers provide detailed fund commentary and analysis on the pages that follow, along with full holdings and financial statements. Feel free to contact us with any questions about the fund by calling 1-800-644-5571 or visiting www.utilityincomefund.com.

Thank you for being a shareholder.

Sincerely,

/s/ Ned Burke
Ned Burke
President, Reaves Utility Income Fund

MANAGEMENT DISCUSSION & ANALYSIS

April 30, 2007 (unaudited)

We are pleased to discuss the results for the fiscal half year ended April 30, 2007, a period marked by price appreciation across all of our major sectors with the strongest price performance in natural gas utilities, followed by telecom, and electric utilities. Net asset value of the Fund increased 14.0% to $29.68, while the stock price increased 15.4% to $25.90. During the fiscal half year, the Fund paid six monthly dividends. The first two were at the rate of $0.105/share and the subsequent four were at $0.11/share, following a 4.8% dividend increase in December 2006. In addition the Fund paid a special dividend of $0.055 in December. The total compounded return on the Fund, including dividends reinvested, over the period was 18.7%.

Infrastructure requirements continue to dominate investing trends in utilities. Within the electric space this is sometimes reflected in regulatory approval for increased generating capacity. For example, Great Plains Energy, our largest electric holding at period end (5.0%), was awarded an 11% return on equity plus a 1⁄4% incentive in a recently concluded rate case. GXP is building a $1.2 billion 800 MW coal plant to serve the power needs of customers in Missouri and Kansas. The Wisconsin Commission is allowing Integrys Energy, another of our large holdings (3.9% at period end), to use a forward test year to set rates. This eliminates a lag in earning a return on capital, improves cash flow and furthers the Commission s goal to stimulate capital investment in the state.

An active mergers and acquisition market, in part spurred by private equity as seen most dramatically in the KKR-sponsored bid for TXU Corporation, has supported valuations. Great Plains Energy announced on February 7, 2007 that it will acquire all of the outstanding shares of Aquila Inc. and its Missouri-based electric utility assets once Aquila completes the sale of its utility assets in Colorado, Kansas, Nebraska and Iowa to Black Hills Corporation.

Rising electricity demand also drove performance among the electrics. For example, companies with unregulated generating capacity in the Pennsylvania, New Jersey, and Maryland Power Pool, like Exelon (3.5% at period end) and Public Service Enterprise Group (3.9% at period end), performed well. The results of recent electric power forward auction markets indicated that demand is likely to remain high and supply constrained in the area served by the Pool.

The gas stocks were among the best performing in the portfolio. However as gas utilities are typically lower yielding than electrics or telecoms, their portfolio weighting remains relatively smaller. As we have mentioned in previous letters, our gas investments provide exposure to gathering, storage, processing and transmission. This diversification protects us somewhat against commodity price volatility and leverages us to higher production volumes.

With natural gas prices down from their highs and oil still relatively high, fractionation spreads widened, resulting in materially improved natural gas liquids pricing. Oneok Inc., a 3.5% holding at period end, in particular benefited from this environment.

In telecom, the business outlook for large integrated carriers improved. AT&T, (a 9.6% position at period end), appreciated as evidence emerged of improved economies of scale resulting from its recent merger activity. In addition indications of demand stabilization appeared in the wireline sector, driven by increased broadband utilization. We expect both trends to continue into the future. Revenue growth and improving profitability in wireless (AT&T has a multi-year exclusive agreement with Apple to sell the i-phone in the US), a pickup in activity at the enterprise, and the eventual adoption of IP-based TV should contribute to earnings and dividend growth for AT&T.

A significant portion of the telecom portfolio continues to be invested in the rural sector through Citizens Communication and Windstream Corporation, which together represented 7.6% of the portfolio at period end. Each of these companies produce stable and reliable cash flow, much of which is returned to the shareholder in the form of relatively high dividends, and help the Fund meet its dividend requirements. As of this writing Citizens is yielding 6.3% and Wind-stream is yielding 6.6%.

The potential for private equity investment supported telecom share prices. The Fund has benefited from recent private equity interest in BCE Inc., a 3.9% position at period end, and the largest telephone company in Canada. Two consortia of private equity firms and Canadian pension plans have signed non-disclosure agreements with BCE with the intent of bidding for the company. There is the possibility that a third group may join their ranks. We established the Fund s position because of BCE s above average dividend yield and our expectations for cash flow growth and future dividend increases. Finally, on May 20, 2007 Alltel, the fifth largest wireless carrier in the country, announced that it was being acquired by TPG Capital and the private-equity arm of Goldman Sachs.

The Fund is permitted to invest up to 20% of its assets outside the utility sector. Currently 7.5% of the total portfolio value is invested in consumer staples and 3.9% in energy. The consumer staples are characterized by high cash flow and above market dividend yield. The prospect of share price appreciation is also a consideration. Altria Group, with a 4.0% dividend yield, is a case in point. On March 30, 2007 Altria spun off its remaining stake in Kraft Foods, allowing it to focus its tobacco business. Subsequent to the spin off, the value of the combined Altria/Kraft position increased 11.2% as the market revalued three separate businesses: foods, domestic tobacco, and foreign tobacco.

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In the energy sector, where we invest primarily for capital appreciation, portfolio dividend income benefited from Diamond Offshore Drilling s special dividend. Other special dividends were received from Boston Properties Inc and General Maritime Corporation. Oil service, particularly underwater drilling, contributed to net asset value growth as demand for deepwater rigs remains strong. The Fund has a position in Transocean, the market leader. Consolidation in the less robust shallow-water segment of the undersea market benefited net asset value when Hercules Offshore Inc announced its acquisition of Todco, a Gulf of Mexico driller, also held in the Fund.

During the period, the cost of leverage, represented by dividends on the auction-market preferred stock remained fairly stable and averaged 5.03% in line with our expectations.

The top five holdings of the fund as of April 30, 2007 were AT&T 9.6%; Citizens Communications, 5.0%; Great Plains Energy, 5.0%; Duke Energy, 4.7%; and PPL Corporation, 4.1% of total portfolio value.

We believe the trends contributing to the Fund s performance during the period will remain largely unchanged for the immediate future. A consensus is developing that the economy will slow and the yield curve will steepen as a result of a decline in short-term interest rates: an interest rate climate that is supportive of utility stock valuations. In addition we expect generating capacity to tighten over the next few years and power prices to firm as capacity additions trail demand growth. Private equity firms continue to seek investments in stable, cash-generating companies like utilities. Finally, growth in the population of retirees seeking a reliable and rising stream of dividend income should continue to contribute to demand for selected telecom and utility equities.

As always, we appreciate the support of our shareholders and remain focused on opportunities to grow the Fund s net asset value and monthly dividend.

Respectfully submitted,

Ronald J. Sorenson

STATEMENT OF INVESTMENTS

April 30, 2007 (unaudited)

	SHARES	VALUE
COMMON STOCKS 124.49%		
Consumer Staples 10.21%		
Altria Group, Inc.	530,300	$ 36,548,276
Kraft Foods, Inc.	366,980	12,282,820
Reynolds American, Inc.	150,000	9,639,000
UST, Inc.	180,000	10,202,400
		68,672,496
Electric 55.63%		
Ameren Corp.	680,000	35,747,600
American Electric Power Co., Inc.	60,000	3,013,200
Consolidated Edison, Inc.	242,000	12,404,920
Dominion Resources, Inc.	1,000	91,200
Duke Energy Corp.	2,105,000	43,194,600
Enel S.P.A - ADR	309,500	17,613,645
Exelon Corp.	425,000	32,049,250
Great Plains Energy, Inc.	1,393,669	45,489,356
Integrys Energy Group, Inc.	640,400	35,926,440
ITC Holdings Corp.	99,650	4,193,272
National Grid PLC - ADR	15,000	1,181,550
National Grid PLC	750,000	11,795,613
OGE Energy Corp.	25,000	961,000
Pinnacle West Capital Corp.	80,000	3,863,200
PNM Resources, Inc.	260,000	8,463,000
PPL Corp.	854,000	37,242,940
Progress Energy, Inc.	180,000	9,099,000
Public Service Enterprise Group, Inc.	411,800	35,600,110
TECO Energy, Inc.	909,400	16,323,730
TransAlta Corp.	180,000	4,258,800
TransAlta Corp. - Canadian Exchange	245,000	5,772,367
Xcel Energy, Inc.	420,000	10,117,800
		374,402,593
Energy 5.25%		
ConocoPhillips	28,500	1,976,475
Diamond Offshore Drilling	30,000	2,568,000
Eni S.P.A - ADR	23,000	1,523,520
Halliburton Co.	436,600	13,870,782
Occidental Petroleum	45,000	2,281,500
Petrochina LTD - ADR	24,500	2,747,430
Technip - Spon ADR	18,000	1,340,100
Todco *	57,000	2,591,220
Total - Spon ADR	12,000	884,280
Transocean, Inc. *	64,000	5,516,800
		35,300,107

	SHARES	VALUE
COMMON STOCKS (continued)		
Financials 0.28%		
Lloyd TSB Group - ADR	40,000	$ 1,864,800
Gas 15.93%		
AGL Resources, Inc.	41,000	1,785,140
Copano Energy LLC	24,000	937,440
Equitable Resources, Inc.	214,000	11,130,140
ONEOK, Inc.	654,300	31,674,663
Sempra Energy	289,700	18,390,156
South Jersey Industries, Inc.	40,300	1,582,581
Spectra Energy Corp.	1,052,500	27,470,250
Vectren Corp.	490,000	14,244,300
		107,214,670
Industrial 0.27%		
General Electric Co.	50,000	1,843,000
Pharmaceuticals 1.12%		
Merck & Co., Inc.	15,000	771,600
Pfizer, Inc.	255,000	6,747,300
		7,518,900
Telephone 34.73%		
AT&T Corp.	2,255,965	87,350,965
BCE, Inc.	1,067,000	36,011,250
Citizens Communications Co.	2,920,400	45,470,628
Deutsche Telekom AG - ADR	300,000	5,508,000
Embarq Corp.	134,000	8,045,360
Sprint Nextel Corp.	157,500	3,154,725
Telecom Corp. of New Zealand - ADR	765,500	21,740,200
Telecom Italia S.P.A. - ADR	70,000	2,096,500
Windstream Corp.	1,667,900	24,384,698
		233,762,326
Transportation 0.18%		
General Maritime Corp.	37,500	1,202,625
Water 0.89%		
United Utilities PLC - ADR	200,000	6,002,000
TOTAL COMMON STOCKS (Cost $621,134,811)		837,783,517

	SHARES	VALUE
PREFERRED STOCKS 4.83%		
Electric 2.84%		
AES Trust III, 6.75%, 10/15/29	133,100	$ 6,651,007
BGE Capital Trust II, 6.20%, 10/15/43	183,500	4,515,935
Entergy Gulf States, Inc., Series A, 7.00% 09/15/13 (a)	3,140	318,219
Entergy Mississippi, Inc., 4.56%	3,520	281,380
Georgia Power Capital Trust V 7.125%, 03/31/42	141,400	3,557,624
PSEG Funding Trust II, 8.75%, 12/31/32	90,100	2,315,570
Public Service Co. of New Mexico Series 1965, 4.58%	11,667	989,873
Southern Cal Edison, 4.32%	24,300	517,590
		19,147,198
Financials 1.89%		
GMAC, 7.375%, 12/16/44	50,000	1,196,000
Merrill Lynch & Co., 6.01%, 11/28/09 (a)	455,000	11,525,150
		12,721,150
Media 0.10%		
Comcast Corp., 7.00%	25,000	648,750
TOTAL PREFERRED STOCKS (Cost $32,044,633)		32,517,098
LIMITED PARTNERSHIPS 1.16%		
ONEOK Partners LP	110,000	7,804,500
TOTAL LIMITED PARTNERSHIPS (Cost $5,657,923)		7,804,500

	BOND RATING MOODY/S&P	PRINCIPAL AMOUNT	VALUE
CORPORATE BONDS 2.75%			
Electric 1.14%			
Calpine Generating Co. 11.50%, 4/1/2011 (b)	WR/D	$ 22,000,000	7,700,000
Gas 0.08%			
Copano Energy LLC 8.125%, 3/1/2016 (b)	B2/B+	500,000	523,750
Telephone 1.53%			
Level 3 Financing, Inc. 9.25%, 11/1/2014 (b)	B3/CCC+	3,000,000	3,131,250
US West Communications 7.50%, 6/15/2023	Ba1/BB+	7,000,000	7,175,000
			10,306,250
TOTAL CORPORATE BONDS (Cost $15,238,181)			18,530,000

STATEMENT OF INVESTMENTS

April 30, 2007 (unaudited)

	SHARES	VALUE
MUTUAL FUNDS 2.57%		
Goldman Financial Square Money Market Fund	13,743,515	$ 13,743,515
Loomis Sayles Institutional High Income Fund	424,929	3,577,904
TOTAL MUTUAL FUNDS (Cost $16,743,516)		17,321,419

	PRINCIPAL AMOUNT	VALUE
U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.15%		
United States Treasury Bill, maturity 7/5/07	$ 1,000,000	991,424
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Amortized Cost $991,333)		991,424
Total Investments (Cost $691,810,397) - 135.95%		914,947,958
Liabilities in Excess of Other Assets - (0.23)%		(1,567,387)
Liquidation Preference of Auction Market Preferred Shares - (35.72)% Series M7, F7, W28 (including dividends payable on preferred shares)		(240,386,535)
TOTAL NET ASSETS - 100.00%		$ 672,994,036

SCHEDULE OF OPTIONS WRITTEN

	EXPIRATION DATE	EXERCISE PRICE	NUMBER OF CONTRACTS	VALUE
COVERED CALL OPTIONS WRITTEN				
Diamond Offshore Drilling, Inc. *				
	May, 2007	$ 85.00	100	$ (25,000)
Occidental Petroleum Corp. *				
	May, 2007	45.00	250	(146,250)
TOTAL COVERED CALL OPTIONS WRITTEN (Premiums received $91,947)				$ (171,250)

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* Non Income Producing Security

(a) Floating or variable rate security - Rate disclosed as of April 30, 2007. Maturity date represents the next reset date.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At April 30, 2007, these securities amount to a value of $11,355,000 or 1.69% of net assets.

ADR American Depositary Receipt

Ratings:

Moody s and S&P s ratings are believed to be the most recent as of April 30, 2007.

See Notes to Financial Statements

STATEMENT OF ASSETS & LIABILITIES

April 30, 2007 (unaudited)

Assets:	
Investments, at value (Cost - see below)	$ 914,947,958
Dividends receivable	1,675,756
Interest receivable	390,217
Receivable for investments sold	1,195,114
Other assets	15
Total Assets	918,209,060
Liabilities:	
Due to custodian	2,453,670
Options written at value (premiums received $91,947)	171,250
Payable for investments purchased	1,564,163
Accrued investment advisory fee	383,424
Accrued administration fee	185,542
Accrued trustees fee	15,862
Accrued S&P Ratings fee	10,031
Accrued Fitch Ratings fee	9,180
Other payables	35,367
Total Liabilities	4,828,489
Preferred Stock (unlimited shares authorized):	
Auction market preferred shares, Series M7, F7, & W28, including dividends payable on preferred shares ($25,000 liquidation value per share, no par value, 3,200 shares issued and outstanding for each series)	240,386,535
Total Preferred Stock	240,386,535
Net Assets	$ 672,994,036
Cost of Investments	$ 691,810,397
Composition of Net Assets Attributable to Common Shares:	
Paid in capital	$ 429,352,814
Accumulated net investment loss	(6,134,863)
Accumulated net realized gain on investments, options and foreign currency transactions	26,717,827
Net unrealized appreciation on investments, options, and translation of assets and liabilities denominated in foreign currencies	223,058,258
Net Assets	$ 672,994,036
Shares of common stock outstanding of no par value, unlimited shares authorized	22,677,001
Net asset value per share	$ 29.68

See Notes to Financial Statements

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STATEMENT OF OPERATIONS

For the Six Months Ended April 30, 2007 (unaudited)

Investment Income:			
Dividends (Net of foreign withholding taxes of $422,314)	$	18,483,955	
Interest on investment securities	270,172		
Other income	8		
Total Income	18,754,135		
Expenses:			
Investment advisory fee	2,467,007		
Administration fee	1,136,968		
Trustees fee	48,157		
Broker/dealer fees	302,329		
S&P Ratings fees	5,951		
Fitch Ratings fees	2,480		
Auction Agent fees	8,927		
Tax fees	8,600		
Miscellaneous fees	29,976		
Total Expenses	4,010,395		
Net Investment Income	14,743,740		
Net realized gain/(loss) on:			
Investment securities	23,465,044		
Written options	77,436		
Foreign currency transactions	(17,695		)
Change in unrealized appreciation/depreciation on investments, options, and translation of assets and liabilities denominated in foreign currencies	66,283,050		
Net gain on investments, options, and foreign currency transactions	89,807,835		
Distributions to Preferred Shareholders from Net Investment Income	(6,172,271		)
Net Increase in Net Assets Attributable to Common Shares from Operations	$	98,379,304	

See Notes to Financial Statements

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STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended April 30, 2007**	For the Year Ended October 31, 2006
Common Shareholder Operations:		
Net investment income	$ 14,743,740	$ 33,696,637
Net realized gain/(loss) from:		
Investment securities	23,465,044	10,033,233
Written options	77,436	16,399
Foreign currency transactions	(17,695)	
Change in net unrealized appreciation/depreciation on investments, options, and translation of assets and liabilities denominated in foreign currencies	66,283,050	90,718,144
Distributions to Preferred Shareholders:		
From net investment income	(6,172,271)	(10,914,272)
From net realized gains		(431,000)
Net increase in net assets attributable to common shares from operations	98,379,304	123,119,141
Distributions to Common Shareholders:		
From net investment income	(14,740,051)	(34,128,887)
From net realized gains	(1,244,967)	
Net decrease in net assets from distributions to common shareholders	(15,985,018)	(34,128,887)
Capital Share Transactions:		
Costs from issuance of preferred shares		(8,631)
Net decrease in net assets from capital share transactions		(8,631)
Net increase in Net Assets Attributable to Common Shares	82,394,286	88,981,623
Net Assets Attributable to Common Shares:		
Beginning of period	590,599,750	501,618,127
End of period*	$ 672,994,036	$ 590,599,750

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* Includes undistributed net investment income/(loss) of:	$ (6,134,863)	$ 33,719
** Unaudited		

See Notes to Financial Statements

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FINANCIAL HIGHLIGHTS

	For the Six Months Ended 4/30/07**	
Per Common Share Operating Performance		
Net asset value - beginning of period	$ 26.04	
Income from investment operations:		
Net investment income	0.38	
Net realized and unrealized gain on investments	4.23	
Distributions to preferred shareholders from:		
From net investment income	(0.27	)
Total from investment operations	4.34	
Distributions to common shareholders:		
From net investment income	(0.65	)
From net realized gain	(0.05	)
Total distributions to common shareholders	(0.70	)
Capital Share Transactions:		
Common share offering costs charged to paid in capital		
Preferred share offering costs and sales loadcharged to paid in capital		
Total capital share transactions		
Net asset value per common share - end of period	$ 29.68	
Market price per common share - end of period	$ 25.90	
Total Investment Return - Net Asset Value(1):	17.31	%
Total Investment Return - Market Price(1):	18.74	%
Ratios and Supplemental Data		
Net assets attributable to common shares, end of period (000)	$ 672,994	
Ratio of expenses to average net assets attributable to common shares(3)	1.31	%(2)
Ratio of net investment income to average net assetsattributable to common shares(3)	4.80	%(2)
Ratio of expenses to average managed assets(4)	0.94	%(2)
Portfolio turnover rate	20	%
Preferred Shares		
Liquidation value, end of period, including dividendson preferred shares (000)	$ 240,378	
Total shares outstanding (000)	9.6	
Asset coverage per share(5)	$ 95,144	
Liquidation preference per share	$ 25,000	
Average market value per share(6)	$ 25,000	

** Unaudited

(1) Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return on net asset value excludes a sales load of $0.90 per share for the period, effectively reducing the net asset value at issuance from $20.00 to $19.10. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund s common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

(2) Annualized

	For the Year Ended 10/31/06	**For the Year Ended 10/31/05**	**For the Period 2/24/04 (inception) to 10/31/04**
Per Common Share Operating Performance			
Net asset value - beginning of period	$ 22.12	$ 19.29	$ 19.10
Income from investment operations:			
Net investment income	0.99	1.05	0.85
Net realized and unrealized gain on investments	4.94)	3.29	0.24
Distributions to preferred shareholders from:			
From net investment income	(0.50)	(0.32)	(0.06)
Total from investment operations	5.43	4.02	1.03
Distributions to common shareholders:			
From net investment income	(1.51)	(1.19)	(0.68)
From net realized gain			
Total distributions to common shareholders	(1.51)	(1.19)	(0.68)
Capital Share Transactions:			