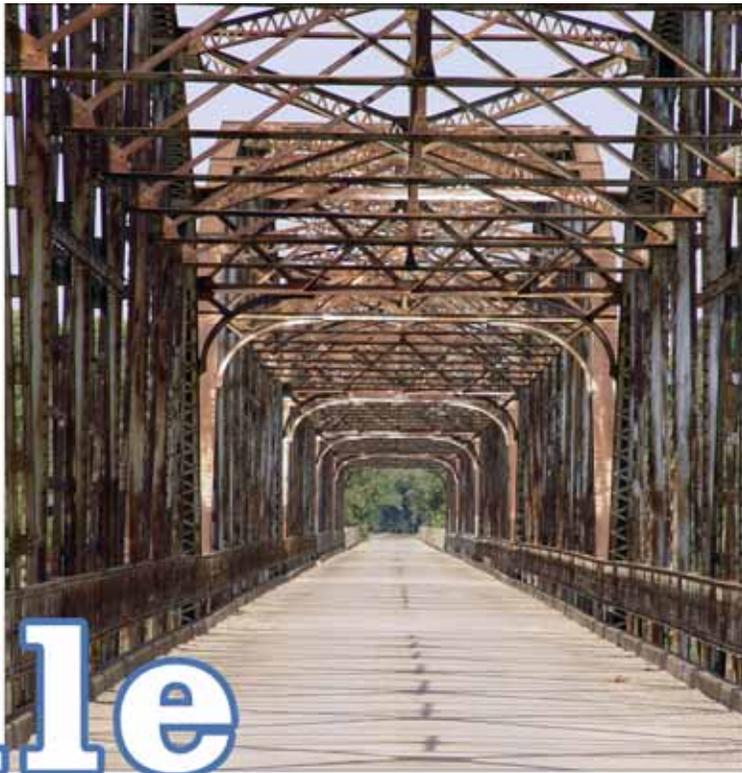


INDIAN ELECTRIC COOPERATIVE

2003
ANNUAL REPORT





Profile

and Purpose



Indian Electric Cooperative, Inc. has been dedicated to providing its members with the best electric service at the lowest possible price for 65 years. A consumer-owned, non-profit distribution cooperative, IEC supplies electric service and related products to its members in all or portions of seven north-central and northeastern Oklahoma counties including Creek, Kay, Noble, Osage, Pawnee, Payne and Tulsa.

IEC is governed by a board of trustees from each of its nine districts. Each trustee serves a three-year term. All cooperative members have equal voting rights and have the opportunity to vote at IEC's district and annual meetings.

IEC continues to dedicate time, energy and resources to accomplishing its mission – to deliver quality electric power and related value-added services along with community investments that contribute to the quality of life for our membership.

Our Mission

Indian Electric Cooperative is a member-owned organization dedicated to the delivery of quality electric power, related value-added services and the investment in our communities that contribute to the quality of life for the membership.

Incorporated Aug. 1, 1939, IEC now provides 12,625 members with service to 18,256 homes and businesses through 3,481 miles of distribution line covering a service territory of 2,500 square miles. IEC employs 80 people and has headquarters in Cleveland, a district office in Fairfax and a warehouse in Pawnee.



Quality

General Manager's Message by Jack Clinkscale

The electric utility industry seems to have settled down somewhat after the talk of electric utility deregulation faded and the Enron debacle is no longer in our daily headlines. As your cooperative general manager, I should be able to breathe a sigh of relief and go on about business as usual. This is very, very far from the truth.

Unrestricted retail electric competition was never implemented in Oklahoma, but the idea that it might be caused most utilities, including investor-owned and municipally-owned electric systems along with rural electric cooperatives, to change the way we thought and operated. In a free market-competitive environment, you must keep your price as low or lower than your competitor. The low price supplier who provides the same quality as its higher priced competition will thrive in the marketplace. This spurred the players in the electric industry to get 'lean and mean' and keep costs as low as possible. For a lot of utilities, reducing costs started with reducing personnel and closing local offices. The popular thought was that we could centralize services and save money. If the cost was low enough, consumers would tolerate a little less service.

This proved to be very wrong. Electricity is an essential service. In reality, the average consumer may try to conserve electricity and use it wisely, but few will give up what they feel are necessities – lights, heating, cooling, appliances, etc. Consumers are also very unwilling to accept compro-

mise in the quality of electric service. They don't want interruptions and when they need to transact business, they don't like to talk to someone in Ohio or Minnesota. They want to talk to a local person and they want their problem fixed as soon as possible.

At Indian Electric, we learned our lessons from the possibility of competition, but we never changed our basic principles. We want to provide you with the best

service possible at the lowest rate we can. However, we are, and always will be, a local company. When you call our office you will always hear a human voice (an Oklahoma voice.) When you have a problem, it will be resolved by people who most likely are your friends and neighbors.

We never forget we are owned by you, our members, and that we must meet your needs and expectations. That has, and always will be, job No.1.

Community

President's Message by Wanda Foster

One of the important functions of your board of trustees is planning for the cooperative's future. There is no question the electric utility industry is becoming more complex and decisions made in the boardroom can have far-reaching consequences.

Each month as we gather at the board table, we bring with us the spirit of the original board members and we are ever mindful of the cooperative principles.

Indeed, co-ops and their employees have a unique sense of duty compared with corporate America, where it is rare to see trustees and management interacting with their consumers both in and out of the office. I know co-ops are built on caring about their members, and they do anything they can to help those members wherever they can.

My belief in the dedication and hard work of our employees has been re-enforced since I became a trustee. I wouldn't want to be repairing electric lines with snow and ice falling or lightning flashing, yet our linemen never hesitate to do so. Supporting them are the in-office employees who leave the warmth and safety of their homes to come to the co-op to answer your phone calls, gather needed materials and perform other various jobs required to restore your electric service.

As our economy is globalized, more and more people are looking for a sense of community; they want to be a part of a community where their values are shared. Community is a shared value embraced by everyone at your cooperative.

Revenue

& Patronage Capital

For the years ended December 31, 2003 and 2002

	2003	2002
Operating revenues	\$24,142,428	\$24,161,199
Operating expenses:		
Cost of power	13,130,929	12,817,893
Distribution expense - operations	1,499,197	1,136,305
Distribution expense - maintenance	1,456,048	2,004,295
Consumer accounts	1,506,195	1,301,881
Customer service and information	389,145	361,343
Administrative and general	2,419,830	2,194,359
Depreciation	2,258,573	2,175,418
Interest on long-term debt	1,604,596	1,708,325
Total operating expenses	24,264,513	23,699,819
Net operating expenses	(122,085)	461,380
Non-operating margins:		
Interest income	200,792	262,126
Other	67,047	173,748
Total non-operating expenses	267,839	435,874
Generation and transmission cooperative and other capital credits	374,192	462,326
Net margins for year	519,946	1,359,580
Patronage capital - beginning of year	29,040,728	28,112,296
Retirement of capital credits	(303,413)	(431,148)
Patronage capital - end of year	<u>\$29,257,261</u>	<u>\$29,040,728</u>

Official Notice

2004 Annual Meeting

Notice is hereby given that the 2004 Annual Meeting of Members of Indian Electric Cooperative, Inc. will be held at 10 a.m. Saturday, Oct. 23, 2004, at the Cleveland High School Gymnasium located in Cleveland, Pawnee County, Oklahoma.

Purpose of the meeting is to act on the following matters:

1. Reports of Officers and Trustees;
2. Election of Cooperative

Trustees from Districts 3, 6, and 9;
3. All other business that may come before the meeting or any adjournments thereof.

Registration for the 2004 Annual Meeting will commence at 8:15 a.m., Saturday, Oct. 23, and the meeting will be called to order at 10 a.m.

Each membership, whether it is a single membership or a joint membership, shall be entitled to one vote in any matter that may

come before the meeting.

Memberships other than residential must present a letter on organizational stationery, signed by a recognized official of the organization, indicating the bearer as the official voting representative of the organization. The bearer must present the letters at the time of registration.

Berry Keeler,
Secretary, Board of Trustees

Balance Sheet

as of December 31, 2003

Assets:

WHAT WE OWN

Electric plant at original cost	\$78,423,413	
Less Depreciation	25,656,990	\$52,766,423
Cash		541,620
Investments		12,992,740
Accounts receivable		3,303,292
Material & supplies		306,415
Prepayments, other accrued assets and deferred debits		714,994
Total		<u>\$70,625,484</u>

Liabilities:

WHAT WE OWE

Long term debt - RUS, CFC	30,978,843
Current maturities of long term debt	1,700,000
Member deposits	1,152,842
Accounts payable	1,640,044
Deferred credits	125,076
Other liabilities	3,734,124

OUR NET WORTH

Membership fees	685,945
Patronage capital	29,257,261
Other equities	1,351,349

Total

\$70,625,484

I am pleased to present the 2003 results for Indian Electric Cooperative. The cooperative's 2003 financial statements were audited by Briscoe, Burke & Grigsby, LLP, Certified Public Accountants, and George Nobles, CPA, audited the Operation Round Up financial records. In their opinions, the 2003 financial statements present fairly, in all material respects, the financial position and results of operation for Indian Electric Cooperative and the IEC Foundation in conformity and generally accepted accounting principles.

Berry Keeler,
Secretary, Board of Trustees



Operation Round Up[®]

Financial Statements for years ended December 31	2003	2002
Changes in unrestricted net assets:		
Revenues:		
Operation Round Up	\$41,557.87	\$42,549.24
Investment income	1,559.86	3,300.51
Total	43,117.73	45,849.75
Expenses:		
Grants to:		
Fire and police agencies	4,900.00	1,200.00
Educational organizations	7,771.83	7,000.00
Religious organizations	500.00	678.00
Health care organizations	2,000.00	4,000.00
Civic organizations	5,293.98	10,927.71
Public libraries	0.00	0.00
Total	20,465.81	23,805.71
Neighbor Assistance:		
Food and household staples	3,880.06	1,247.72
Medical and dental care	2,812.43	1,623.82
Clothing	100.00	0.00
Home improvements	1,185.00	2,169.71
House and car payments	27,522.16	19,100.82
Miscellaneous	400.00	2,845.68
Total	35,899.65	26,987.75
Support Expenses:		
Audit fees	1,175.00	1,175.00
Office supplies	24.38	56.87
Travel expense	2,178.72	2,163.36
Postage	37.00	19.60
Miscellaneous	141.70	125.00
Total	3,556.80	3,539.83
Increase (Decrease) in unrestricted net assets	(16,804.53)	(8,483.54)
Net assets at beginning of year	73,278.54	81,762.08
Net assets at end of year	<u>56,474.01</u>	<u>73,278.54</u>
Assets:		
Cash	3,301.52	4,325.16
Savings	3,172.49	11,062.67
Investments	50,000.00	57,890.71
Total Assets	56,474.01	73,278.54
Liabilities and net assets:		
Total liabilities	0.00	0.00
Net assets:		
Unrestricted	<u>\$56,474.01</u>	<u>\$73,278.54</u>

Minutes



The Annual Meeting of Members of Indian Electric Cooperative, Inc. was held at the Cleveland High School multi-purpose room and gymnasium on Saturday, Oct. 18, 2003. At approximately 10:00 a.m., Dr. Greg Fielding, president of the board of trustees, called the meeting to order.

Dr. Fielding introduced members of American Legion Post #3 who led a salute to the Flag of the United States. Rev. Dakota Rush, pastor of the Christian Church of Cleveland, delivered the invocation. Indian Electric employee Janice Brown sang the national anthem and God Bless America.

Mike Vaughan, mayor of Cleveland, was introduced and, in turn, welcomed all visitors to Cleveland.

President Fielding advised that Wanda Foster, secretary of the board of trustees, would serve as secretary of the annual meeting.

Ms. Foster was introduced and conducted several prize drawings. Following the prize drawings, she introduced Betty Buck, executive director of Cleveland Chamber of Commerce, who announced winners of drawings held in the Business Spotlight.

Ms. Foster stated the cooperative currently has 12,489 members and bylaws require 5

percent of the members must register their attendance in order to constitute a quorum and have a legal meeting. She reported 637 had registered and declared a quorum in attendance.

A true copy of the official Notice of the Annual Meeting of Members for 2003 was mailed to all members in accordance with the bylaws of the cooperative.

Ms. Foster then called for any additions or corrections to the minutes of the 2002 Annual Meeting. There were no additions or corrections and on motion duly made and seconded, the minutes of the 2002 Annual Meeting of Members were declared approved as written. Ms. Foster turned the meeting back to President Fielding.

President Fielding introduced honored guests and visiting cooperative representatives. He further introduced members of the board of trustees.

The next order of business was the election of trustees to the cooperative's board to represent districts 2, 5 and 8 for the next three years. President Fielding turned the chair over to Ron Barber, corporate counsel. Mr. Barber explained results of district meetings, stating the incumbent trustees in each of the districts were unopposed and, by reason thereof, became the official nominees. Those individuals were

named as Mike Spradling, district 2; Wanda Foster, district 5; and Greg Fielding and Gary Moore, district 8. Mr. Barber then called for a motion to elect those nominees to their respective districts by acclamation. Motion was made, seconded and carried. Mike Spradling will represent district 2, Wanda Foster will represent district 5, and Greg Fielding and Gary Moore will represent district 8, all for three-year terms.

Mr. Barber turned the meeting back to President Fielding. President Fielding introduced Tim Muniz who in turn introduced Chase Foster accompanied by his grandfather, who entertained the audience with fiddle and guitar playing. Mr. Muniz then entertained with a vocal presentation.

General Manager Jack Clinkscale made a presentation to the membership, giving a brief summary of his background and expressing gratitude to the members and employees of Indian Electric.

Secretary Wanda Foster conducted more prize drawings with grand prizes presented at the conclusion.

There being no further business, the 2003 Annual Meeting of Members adjourned.

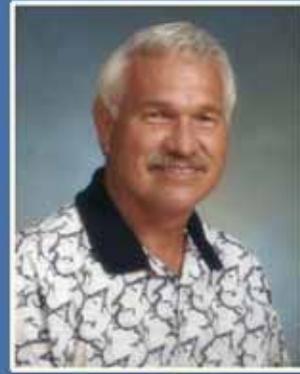
INDIAN ELECTRIC COOPERATIVE BOARD OF TRUSTEES



Wanda Foster
President
District 5



Loris Peckenpaugh
Vice-President
District 6



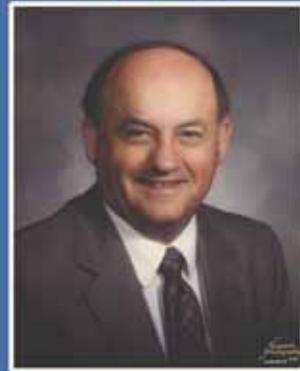
Berry Keeler
Secretary-Treasurer
District 9



Robert Burk
District 1



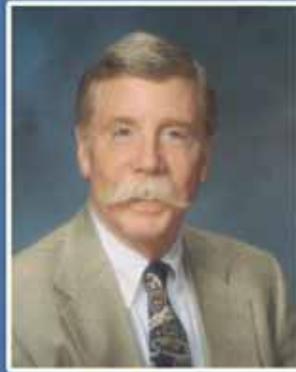
Mike Spradling
District 2



J.W. Perry
District 3



Leon Day
District 4



Bill Boone
District 7



Greg Fielding
District 8



Gary Moore
District 8



Rock Reese
District 9