



IEC

indian electric cooperative, inc.

Annual Report 04

Corporate Profile & Purpose

Created 65 years ago by people joining together to improve the quality of life for themselves and their neighbors, Indian Electric Cooperative meets that objective daily by delivering quality electric service at the lowest possible price.

As a consumer-owned, non-profit distribution cooperative, IEC supplies electricity 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.

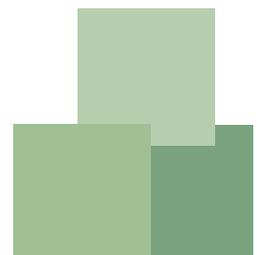
Incorporated Aug. 1, 1939, IEC now provides 12,707 members with services to 18,381 homes and businesses through 3,481 miles of distribution line covering a service territory of 2,500 square miles. IEC employs 78 people and has headquarters in Cleveland, a district office in Fairfax and a warehouse in Pawnee.

IEC is governed by a board of trustees from each of the cooperative's nine districts. Each trustee is elected to serve a three-year term.

All cooperative members have equal voting rights along with the opportunity to vote at the cooperative's district and annual meetings.

Mission Statement

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.



It has been a good year for Indian Electric. Unlike 2004, we have seen extremely high usage during the warm summer months while avoiding any major storm damage. In addition to the many new services constructed, we are approaching the completion of our Geographic Information System (GIS) project. This will allow us to identify the exact location of every pole, transformer, and other apparatus on our system. With the detailed information provided by the GIS system, we will be able to restore outages more quickly and produce up-to-date detailed system maps at the cooperative. These maps are used by our engineering and operations departments on a daily basis.

While we enjoy looking back over the successful past year, we must anticipate and meet upcoming challenges the new year will bring. The biggest of these challenges will be an increase in the cost of wholesale power. While the majority of our power, generated by Associated Electric Cooperative and purchased from KAMO Power in Vinita, is produced with coal, we are not immune to the rising costs evidenced in the oil and gas industry. Associated and KAMO must meet the ever increasing need for power within northeast Oklahoma and Missouri while meeting the stringent environmental standards set for by the Environmental Protection Agency (EPA) and other federal agencies. Wholesale power costs account for almost 60 percent of the total expenses of IEC and we will be working closely with these organizations to keep increases to a minimum.

The IEC 'family' suffered a great loss with the untimely passing of our longest tenured board member, J. W. Perry of Cleveland. J. W. was the only person to ever serve as President of IEC, KAMO Power, the Oklahoma Association of Electric Cooperatives (our statewide organization) and the Grand River Dam Authority at various times

during his career. His knowledge and leadership will be greatly missed.

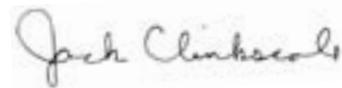
At this annual meeting we will be asking you to consider amending the cooperative's bylaws in what your board feels will allow us to continue to operate the cooperative as efficiently as possible. The board is proposing to reduce the number of trustees from eleven to nine. This will require an amendment to the bylaws as detailed below. We hope you will give consideration to this impor-

tant change.

The board of trustees, management and staff of Indian Electric Cooperative strive to provide the best service possible to you. We never forget that we are owned by those we serve and eagerly look forward to providing quality service for many years to come.



President, Board of Trustees



General Manager

Proposed Amendments to the Cooperative Bylaws

Your board of trustees is proposing to amend Article IV of the Bylaws to provide for a reduction in the number of trustees from eleven (11) to nine (9). The effect of the proposed amendments would be to provide for the election of a single trustee from each trustee district and to authorize and obligate the board to review the district boundary lines from time to time to insure each district provides, as nearly as possible, equal representation to members residing in each district with those residing in any others.

If the proposed amendments are approved:

- Section 4.01 will be amended to reduce the number of trustees from eleven (11) to nine (9).
- Section 4.04 will be amended to provide for one (1) trustee to be elected from each of the nine (9) districts and to instruct the board of trustees to review, and if necessary, redraw the district lines from time to time to maintain equal representation of the members. Currently, this section contemplates eleven (11) trustees and would require the board to review the districts not less than ninety (90) days before the next annual meeting.
- Sections 4.05(b), 4.06(d) and 4.07 will be amended to conform the language to the fact there would now be only nine (9) trustees with a single trustee to be elected from each trustee district.

All of the proposed amendments would become effective as of August 1, 2006 in time for the nomination and election of trustees whose terms expire and come up for re-election at the 2006 annual meeting and the giving of all notices necessary for the ensuing district meetings and the annual meeting.

Revenue & Patronage Capital

For the years ended December 31, 2004 and 2003

	2004	2003
Operating revenues	\$25,128,531	\$24,628,995
Operating expenses:		
Cost of power	13,279,098	13,130,929
Distribution expense - operations	1,803,685	1,499,197
Distribution expense - maintenance	1,664,792	1,456,048
Consumer accounts	1,532,863	1,506,195
Customer service and information	310,368	389,145
Administrative and general	2,437,337	2,419,830
Depreciation	2,238,647	2,258,573
Taxes	487,891	486,567
Interest on long-term debt	1,347,192	1,535,920
Other interest and deductions	138,748	102,806
Total operating expenses	25,240,621	24,785,210
Net operating expenses	(112,090)	(156,215)
Non-operating margins:		
Interest income	188,971	200,792
Other	235,991	101,177
Total non-operating expenses	424,962	301,969
Generation and transmission cooperative and other capital credits	402,286	374,192
Net margins for year	715,158	519,946
Patronage capital - beginning of year	29,257,261	29,040,728
Retirement of capital credits	(108,483)	(303,413)
Patronage capital - end of year	\$29,863,936	\$29,257,261

Official Notice

2005 Annual Meeting

Notice is hereby given that the 2005 Annual Meeting of Members of Indian Electric Cooperative, Inc. will be held at 10 a.m. Saturday, Oct. 22, 2005, 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 2005 Annual Meeting will commence

at 8:15 a.m., Saturday, Oct. 22, 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.



Secretary, Board of Trustees

Balance Sheet

as of December 31, 2004

Assets:

WHAT WE OWN

Electric plant in service	\$78,580,195	
Less depreciation	25,555,657	53,024,538
Cash		553,532
Investments		11,963,803
Receivables		3,713,779
Material and supplies		264,102
Prepayments, other accrued assets and deferred debits		1,141,403
Total		70,661,157

Liabilities:

WHAT WE OWE

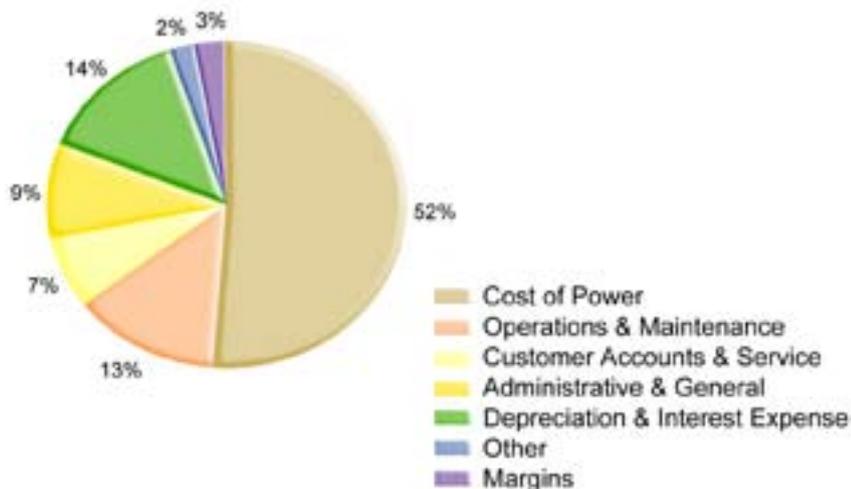
Long term debt	33,410,739
Current maturities of long term debt	1,921,000
Member deposits	1,282,260
Accounts payable	1,471,045
Deferred credits	154,977
Other liabilities	427,779

OUR NET WORTH

Membership fees	707,850
Patronage capital	29,863,936
Other equities	1,421,571

Total **70,661,157**

Use of Revenue



I am pleased to present the 2004 financial results for Indian Electric Cooperative. The cooperative's 2004 financial statements were audited by Briscoe, Burke & Grigsby, LLP, Certified Public Accountants, and George Nobles, CPA, audited the Operation Round Up® financial records reported on page 6 of this annual report. In their opinions, the 2004 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.

George Day
Secretary, Board of Trustees

Operation Round Up[®]

Financial Statements for years ended December 31

	2004	2003
Changes in unrestricted net assets:		
Revenues:		
Operation Round Up	\$40,111.81	\$41,557.87
Investment income	1,094.98	1,559.86
Total	41,206.79	42,117.73
Expenses:		
Grants to:		
Fire and police agencies	1,050.00	4,900.00
Educational organizations	3,300.00	7,771.83
Religious organizations	0.00	500.00
Health care organizations	2,000.00	2,000.00
Civic organizations	2,822.17	5,293.98
Public libraries	1,000.00	0.00
Total	10,172.17	20,465.81
Neighbor Assistance:		
Food and household staples	1,223.57	3,880.06
Medical and dental care	1,265.73	2,812.43
Clothing	0.00	100.00
Home improvements	1,459.72	1,185.00
House and car payments	22,047.34	27,522.16
Miscellaneous	1,062.22	400.00
Total	27,058.58	35,899.65
Support Expenses:		
Audit fees	1,175.00	1,175.00
Office supplies	104.50	24.38
Travel expense	2,690.26	2,178.72
Postage	0.00	37.00
Miscellaneous	100.00	141.70
Total	4,069.31	3,556.80
Increase (Decrease) in unrestricted net assets	(93.27)	(16,804.53)
Net assets at beginning of year	56,474.01	73,278.54
Net assets at end of year	<u>56,380.74</u>	<u>56,474.01</u>
Assets:		
Cash	2,113.27	3,301.52
Savings	3,214.55	3,172.49
Investments	51,052.92	50,000.00
Total Assets	56,380.74	56,474.01
Liabilities and net assets:		
Total liabilities	0.00	0.00
Net assets:		
Unrestricted	<u>56,380.74</u>	<u>\$56,474.01</u>

Minutes

The 65th Annual Meeting of Members of Indian Electric Cooperative, Inc. was held at the Cleveland High School Multi-Purpose Room and Gymnasium on Saturday, October 23, 2004. At approximately 10:00 a.m., Wanda Foster, President of the Board of Trustees, called the meeting to order.

Ms. Foster introduced members of Cleveland American Legion Post #3 who led a salute to the Flag of the United States. Dr. Gene Perry, Pastor of Westport Baptist Church, delivered the invocation. Indian Electric employees Janice Brown, Amanda Ramsay, Karen Davis and Teresa Robertson sang the National Anthem.

Betty Buck, Councilwoman for the City of Cleveland, was introduced and, in turn welcomed all visitors to Cleveland.

President Foster advised that Berry Keeler, Secretary of the Board of Trustees, would serve as Secretary of the Annual Meeting. Mr. Keeler was introduced and conducted several prize drawings.

Following the prize drawings, Mr. Keeler informed that the membership of the Cooperative currently has 12,707 members and the Bylaws require that five-percent of the members must register their attendance in order to constitute a quorum and have a legal meeting. He reported 649 had registered and declared a quorum in attendance.

A true copy of the official Notice of the Annual Meeting of Members for 2004 was mailed to all members in accordance with the Bylaws of the Cooperative.

Mr. Keeler then called for any additions or corrections to the minutes of the 2003 Annual Meeting. There were no additions or corrections and on

motion duly made and seconded, the minutes of the 2003 Annual Meeting of Members were declared approved as written. Mr. Keeler turned the meeting back to President Foster.

President Foster introduced Mike Spradling, Indian Electric's statewide representative, who introduced honored guests and visiting Cooperative representatives. He further introduced members of the Board of Trustees.

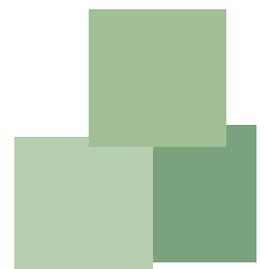
The next order of business was the election of Trustees to the Cooperative's Board to represent Districts 3, 6 and 9 for the next three years. President Foster turned the chair over to Ron Barber, Corporate Counsel. Mr. Barber explained results of district meetings, stating the incumbent Trustees in each of the districts were unopposed and by reason thereof became the official nominees. Those individuals were named as J. W. Perry, district 3; Loris Peckenpaugh, district 6; and Berry Keeler and Rock Reese, district 9. Mr. Barber then called for a motion to elect those nominees to their respective districts by acclamation. Motion was made, seconded and carried. J. W. Perry will represent district 3, Loris Peckenpaugh will represent district 6, and Berry Keeler and Rock Reese will represent district 9, all for three-year terms.

Mr. Barber turned the meeting back to President Foster who conducted additional prize drawings. Ms. Foster then introduced General Manager Jack Clinkscale. Mr. Clinkscale made a presentation to the membership, emphasizing the many and very worthwhile contributions made by Operation Roundup and the importance of joining. He further expressed gratitude to employees of Indian Electric and to members, particularly for their support in self regulation. Mr.

Clinkscale then introduced employee and entertainer Thomas Martinez and Wild Frontier who performed before the audience.

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

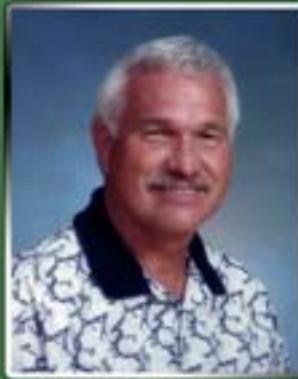
There being no further business, the 2004 Annual Meeting of Members adjourned.



INDIAN ELECTRIC COOPERATIVE BOARD OF TRUSTEES 2004



Loris Peckenpaugh
President
District 6



Berry Keeler
Vice-President
District 9



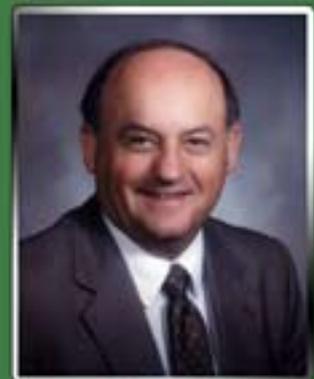
Leon Day
Secretary-Treasurer
District 4



Robert Burk
District 1



Mike Spradling
District 2



J.W. Perry
District 3



Wanda Foster
District 5



Bill Boone
District 7



Greg Fielding
District 8



Gary Moore
District 8



Rock Reese
District 9