



2010
Sunter Electric Cooperative
Annual Report

2010 ANNUAL REPORT TO THE MEMBERS

SECO

Cooperative Highlights

OPERATING REVENUE

\$364,290,234

NET MARGINS

\$29,280,443

TOTAL ASSETS

\$561,838,629

PATRONAGE

CAPITAL DISTRIBUTED

\$3,374,006

KILOWATT-HOURS SOLD

2,954,743,665

MILES OF ENERGIZED LINE

11,541

NEW SERVICES

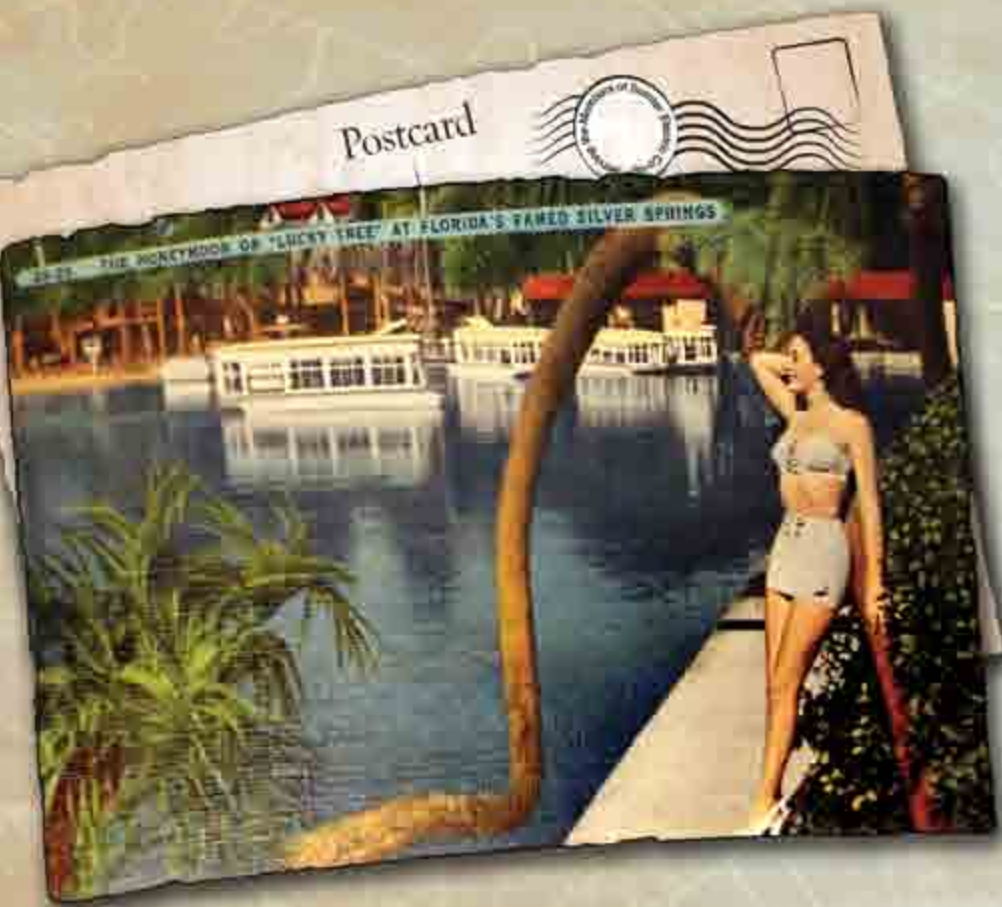
3,403

NUMBER OF MEMBERS

172,171

FULL-TIME EMPLOYEES

385



Since its early days of development, Central Florida has always been a great place to live and a wonderful place to vacation with many attractions in and around SECO's service territory. This part of the state has been an alluring post card for millions of people over the years.

The face of our region has changed over the decades. The pace of life has accelerated. Attractions have gotten bigger and recreational opportunities abound. Few would argue that Central Florida is still a magnet for people who want to relocate or vacation here.

Still, many folks remember that bygone era when life was a lot less complicated: a time when everyone knew their neighbors, when there was less intrusion by government

in people's lives, when an attendant in a uniform would check your oil and pump your gas with a smile on his face. Back then customer service wasn't the exception. It was the rule.

Sadly, true customer service just does not exist in many quarters any longer. Happily, at SECO, customer service has never gone away. It is as strong a focus for us today as it was when SECO was first established in 1938.

Someone not familiar with this co-op's history might wonder how we could have held onto that value for 72 years given the pace of business these days. The answer becomes apparent when you consider SECO's humble origins.

In the 1930's there wasn't any electric service in our part of Florida, but the need was great. Life on the farm was extremely rugged. Candles or kerosene lamps lighted homes and

manual labor was the order of the day for household and farm chores. Something had to be done about it and a group of ordinary citizens took it upon themselves to resolve the problem.

In preparation for bringing electricity to their homes, volunteers in each community took it upon themselves to begin clearing trees and underbrush to make way for the anticipated electric lines. Neighbor helped neighbor. When members were either too old or in too poor health to do any of the clearing work, their friends pitched in and got the job done. In the process, a true sense of community was forged.

When the power lines were finally up in 1938, some folks had only one electric light bulb in their home. That didn't matter. It was a thing of wonder and people were delighted with it.

It wasn't long and people began to look for more ways to use electricity. The women of the period went from hand washing the clothes to washing machines, farmers found electric pumps helped enormously with crop irrigation, and much more. Some folks even splurged and bought radios to hear FDR's fireside chats and the Grand Ole' Opry on Saturday nights.

The fledgling co-op was created and developed for the common good of its members. It is still all about the members' welfare today.

When the power finally began to flow in 1938, SECO served about 400 member/customers. Each had paid a \$5.00 fee to become a member of the cooperative. At the end of 2010, SECO's membership stood at

nearly 172,000 and the fee to become a member of the co-op was still just \$5.00.

As the sixth largest of the 900 electric cooperatives in the nation, SECO has never lost sight of the principles upon which it was founded. The cooperative business model is as relevant today as it was in 1938. And, there is considerable peace of mind for co-op members. They know that as a not-for-profit, member-owned utility their cooperative is interested in their well-being and not concerned with far away stockholders and quarterly profit dividends.

Since co-ops were first founded there have been seven guiding principles that cooperatives like SECO still adhere to 72 years later. They are:

1 Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.

2 Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The Board of Trustees is elected by and accountable to the membership. In primary cooperatives, like SECO, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

3 Members' Economic Participation Members democratically control, and contribute equitably to the capital of their cooperative.

4 Autonomy and Independence Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations,



including governments, or raise capital from external sources, they do so on terms that insure democratic control by their members and maintain their cooperative autonomy.

5 Education, Training, and Information

Cooperatives provide education

and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

6 Cooperation among Cooperatives

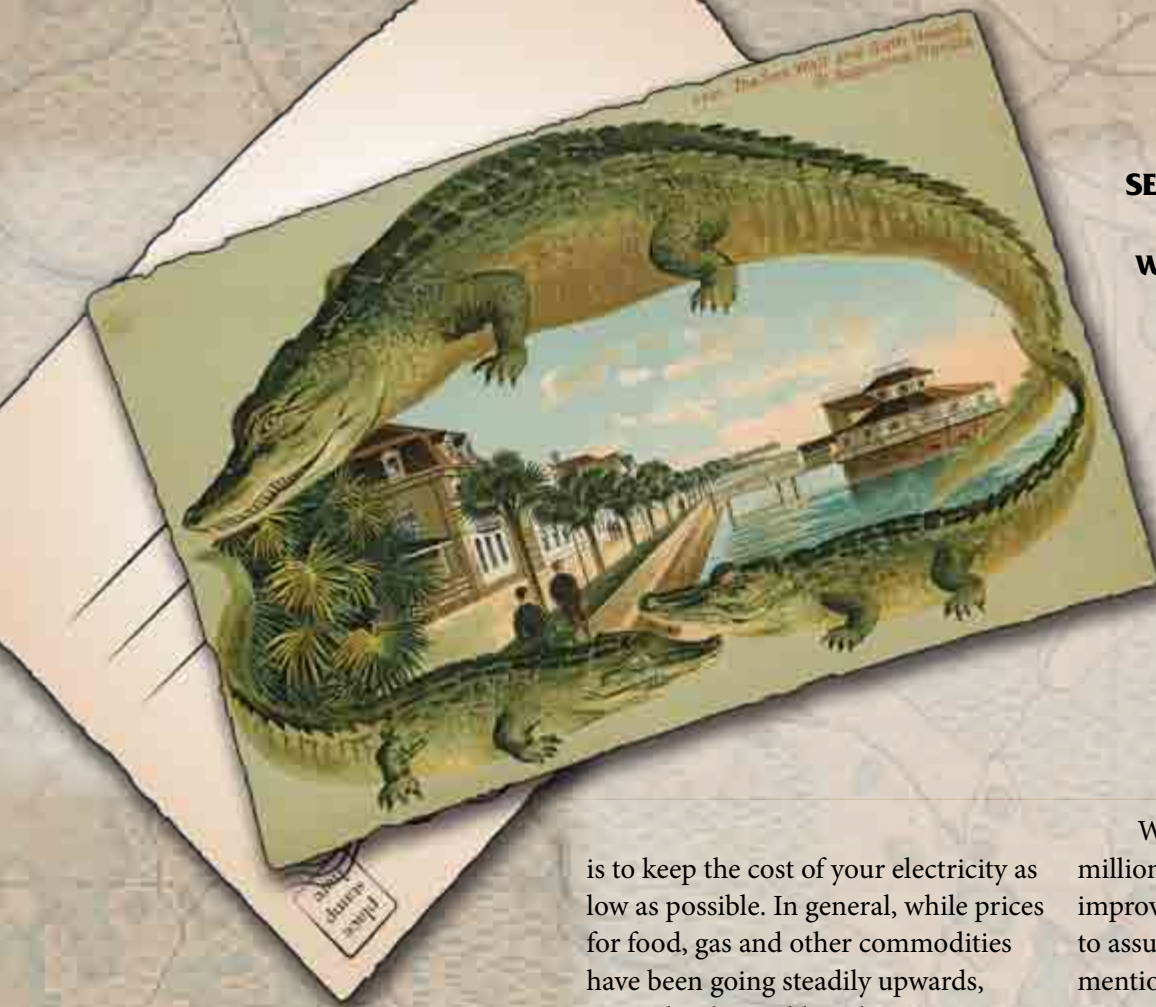
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7 Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

These principles have withstood the test of time and insure the relationship between co-ops and their member/customers remains strong and member interests remain the priority.





SECO Board of Trustees ▶

- Standing from left to right:
William James, Jr. - District 8
Earl Muffett - District 6
Jim Duncan - CEO
Donald Santee - District 1
Dillard Boyatt - District 2
Kenneth Jessop - District 4
 Sitting from left to right:
Rob Henion - District 7
 Vice President
Jerry Hatfield - District 9
 President
Ray Vick - District 5
 Secretary-Treasurer
Barry Evans - District 3



It was noted earlier that customer service is one of the hallmarks that has been retained by electric cooperatives and SECO, in particular. That's why we have kept our local offices open while many of the other investor-owned utilities have closed local offices. We think being able to access SECO personnel in a more convenient local setting is important for good communication. It also certainly makes it easier for our members, who are spread out over SECO's 2,000 square mile service territory to do business with their co-op.

Keeping local offices open is one manifestation of our commitment to good customer service, but it is by no means the only demonstration of that commitment. Customer service takes many forms.

Because there is no profit motive in a cooperative, one of our missions

is to keep the cost of your electricity as low as possible. In general, while prices for food, gas and other commodities have been going steadily upwards, SECO has been able to keep rates under control and competitive. In fact, at the end of 2010 we were able to announce a reduction in the overall cost of 1,000 kilowatt hours of electricity from \$128.05 down to \$124.25 effective January 1, 2011.

In addition, SECO returned \$3.4 million in capital credits to the membership in November of 2010. Over the last 15 years SECO has given back \$20 million in capital credits to the members. This, too, is a form of customer service.

Our members expect the power to be there when needed. Good customer service also means keeping the reliability of the electric system at an extremely high level. System wide, when members flipped the light switch they had power 99.98% of the time in 2010. And, when outages did occur, the response time to restore power was swift and effective. That's world class reliability.

We invested an average of \$1.6 million per month in 2010, making improvements to the electric system to assure the high reliability previously mentioned through a variety of important upgrades to SECO facilities.

SECO heavily promotes energy efficiency to assist members in cutting their power bills. The co-op offers many programs including free in-home energy audits that can help cut energy costs dramatically. Likewise, SECO energy experts are in the community constantly making energy-saving presentations to service clubs, church groups, homeowners associations, etc.

Our call center makes it easy to talk to a real person when members have a question about their accounts. The call center is located in Sumterville, not in some other state or overseas.

Looking after those less fortunate in our communities is an essential value and an obligation here at SECO. Our *Pennies from Heaven* program and *Angel Fund* have assisted literally thousands of families in helping pay their energy bills if

they found themselves in difficult financial situations through no fault of their own.

That same outreach to people in need also extends to SECO's support of many humanitarian efforts and our civic minded employees actively support community activities and organizations like the American Cancer Society, the United Way and many others.

Sometimes seniors in our service territory fall between the cracks in terms of care. They may be living alone and have no family to take responsibility for them. SECO's *Gatekeeper* Program identifies and assists older members who are alone and have become ill or are unable to

function independently. *Gatekeeper* puts them in contact with a variety of state and federal resources.

People are important and so are the flora and fauna of our beautiful part of Florida. We take great care in protecting birds and other animals from possible electrocution from contact with power lines. Our *Nature's Reflections* column in *SECO News* features the plants and animals indigenous to Florida and gives members insight into why it's important to preserve and protect them.

Central Florida has many beautiful old oaks. They are part of what makes up the character

of our region. We want to preserve as many of our stately trees as possible. That is why SECO is a *Tree Line USA Utility* as designated by the Arbor Day Foundation for our commitment to providing safe, efficient electric service while helping save community trees.





Customers also appreciate the service they receive when they put a solar power installation on their property. SECO was the first electric co-op in the state to offer its members net metering for home solar panels. This allows members to sell excess power generated by the solar array back to SECO at true retail rates.

There are all kinds of con artists out there determined to separate Floridians from their hard earned money. When it comes to the fleecing of our members, we get downright angry about it. That's why SECO takes an active role in protecting our members from consumer scams. We also watch out for bad legislation/regulation and other issues that could have a negative impact on our member's lifestyle and pocketbook.

As you can see from the preceding highlights, customer service truly comes in many forms. And, good customer service leads to high customer satisfaction with their co-op.

Indeed, SECO members give their co-op very high marks when it comes to customer satisfaction. In customer surveys done by both J.D. Power and Associates and NRECA Market Research Services, SECO's customer satisfaction scores are some of the highest in the United States.

All the results from the 2010 survey in November have now been tabulated and SECO members again gave their co-op a great report card.

A statistically valid sample of members in Marion, Lake, Citrus and Sumter counties were surveyed.

Overall, members continue to think very highly of their cooperative with an average overall satisfaction rating of 8.78 on a 10-point scale with seven in ten members giving ratings of 9 or 10.

The co-op scored very highly on:

- having courteous and friendly employees,
- having accurate and understandable bills,
- supporting the local community,
- being environmentally sensitive,
- minimizing longer outages,
- restoring power quickly after an outage, and
- keeping members informed — to name a few of the categories.

Another measurement contained within the survey was a series of questions that compare SECO to other types of companies who seek to rate themselves on the nationally recognized American Customer Satisfaction Index (ACSI).

Again, SECO's ACSI score of 83 was one of the highest in the industry and ranked higher than the average for the nation's Touchstone Energy co-ops, the ranked investor-owned electric utilities in Florida, and was 8 points above the electric industry average of 75.

“We pledge to continue to provide members with the most reliable and lowest cost electricity possible.”

SECO also scored higher than many companies not in the electric industry, but who rank themselves on the ACSI index including Ford Motor Company, Nike, Target Corporation, Verizon Wireless, Direct TV and others.

This kind of input from the members helps us stay on top of what is important to them.

For our part, we pledge to continue to provide members with the most reliable and lowest cost electricity possible while not losing sight of the high premium they place on customer service.

Another attribute where co-ops like SECO are concerned is that they are truly democratic institutions. Members like that fact. If there are proposed changes to SECO's corporate

bylaws, the members get to vote on those changes at the annual meeting held each March.

Voting also comes into play when electing member representatives to SECO's Board of Trustees. Candidates for the Board are themselves members of the cooperative and they are elected to their position by their fellow members. There are nine SECO Trustees who serve a three year term of office and could be re-elected to subsequent terms during elections held every three years in their trustee district.

SECO trustees live right here in SECO's service territory and pay their electric bill just like the rest of the membership. Each trustee brings a unique perspective to the Board's deliberations on behalf of the total membership.

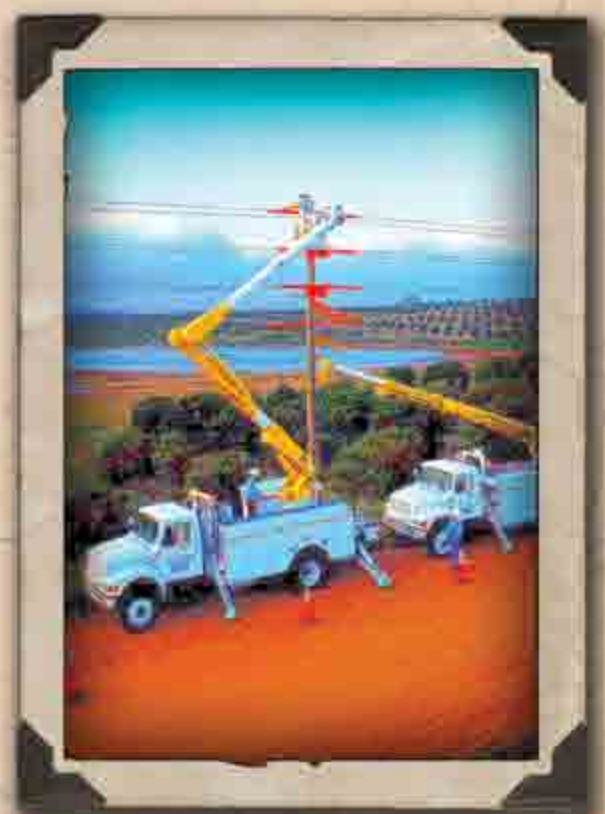
Since the people who serve on the Board of Trustees are determined by the very people who receive electricity from the co-op, it makes for a guiding body that is totally focused on what is best for our membership. It also makes for a cohesive group that is interested in the people's agenda, not the interests of some far off stockholders or brokerage

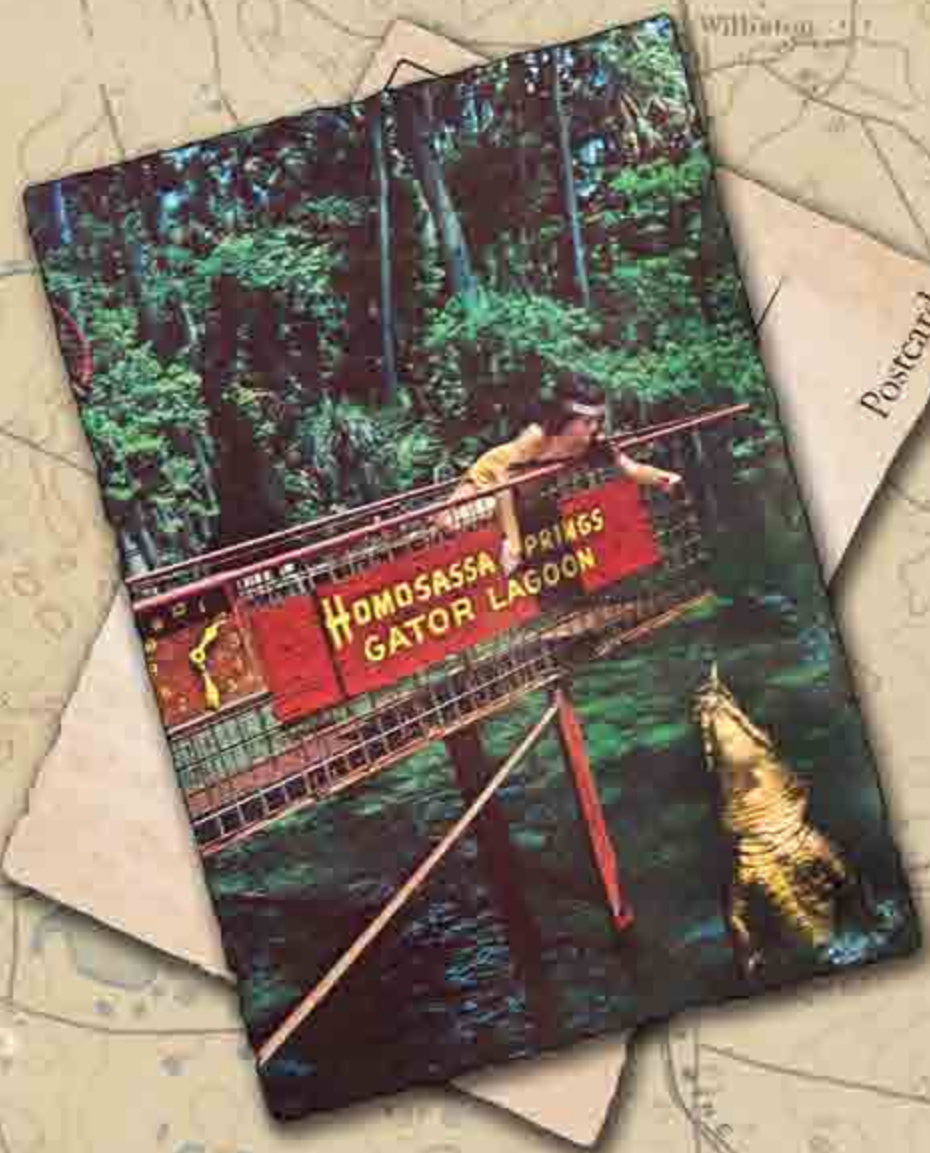
houses on Wall Street. On the SECO Board of Trustees the welfare and trust of SECO's membership is the prime directive.

Members entrust the Board to lead their cooperative by establishing, reviewing, and revising corporate policies aimed at keeping member satisfaction high and maintaining a strong financial position in the industry. The Board takes that responsibility very seriously.

Active, involved, and meticulously responsive to member needs, the Board has done an outstanding job and is well positioned to make sure that SECO thrives in the future.

Real democracy is a great thing.





Postcard



Yet another great thing about the cooperative business model is the accessibility factor.

Most people do not have access to the boards or senior management of the companies with whom they do business. Communicating with them is even more problematic.

In the co-op world it is quite different. At SECO the member-elected Board of Trustees and the senior management staff are readily accessible to the membership-at-large. The reason is simple. The real bosses at SECO are the members. We encourage our members to communicate with us and they do so by the hundreds each year.

That pathway of good two-way communication between the members and their co-op is frequently cited by the members as something they highly value. Members routinely send e-mails, letters, and notes to us. Every one of them that we receive is read and given careful consideration. A great many of them are complimentary and we appreciate that. It reinforces for us that we are doing the people's business in a manner that pleases folks.

Some communications relate to questions about individual electric services, requests for energy audits, and other topics that require us to take some type of action on the member's



BARRY BOWMAN
Director of Corporate Communications & Energy Services



BEN BRICKHOUSE
Director of Engineering & Information Technology



JOHN LASELVA
Director of Reliability & Operations

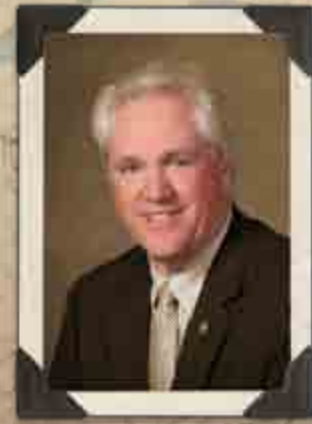
behalf. We place great emphasis on resolving any issues or needs a member may have as quickly as possible.

SECO's service territory spans parts of Lake, Marion, Citrus, Sumter, Levy, Hernando and Pasco counties. It encompasses an area of 2,000 square miles which is the same size as the State of Delaware. Across this vast expanse SECO delivers electricity to members over a network of 11,541 miles of energized power lines. In 2010

members called upon us to provide nearly 3,000,000,000 kilowatt hours of electricity over those lines. That's a whole lot of electrons.

Just given those numbers, one can imagine that the requirements for the day-to-day operations of the sixth largest cooperative in the nation are complex and demand keen attention to detail. That job falls to SECO's small senior management staff and our dedicated employees.

There is a clear understanding that the electricity we provide our customers is a critical commodity. It is not something that people can do without for very long. Each day is viewed as a new opportunity to excel on behalf of the co-op's members and a team approach is the key to insuring our customers are getting the very best efforts of all concerned.



JAMES P. DUNCAN
CEO & General Manager



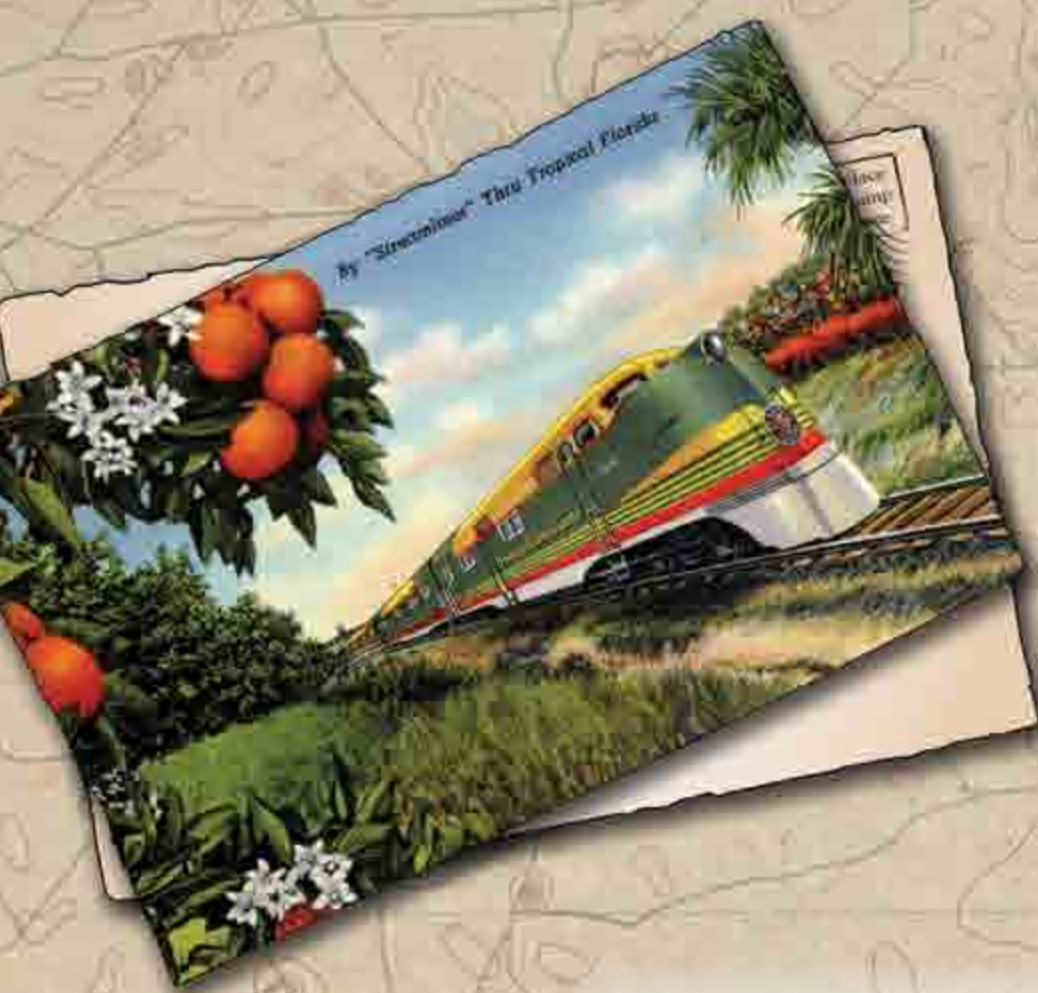
NORA BROWN
Sr. Executive Assistant



ALEX MARKLEY
Director of Human Resources & Corporate Services



TED PURSER
Director of Accounting & Finance



There was a time when an eight year old could set up a lemonade stand on the sidewalk and not have to worry about some agency bureaucrat demanding he have a permit for his mega business operation or looking to raid his jar of nickels, dimes and quarters for taxes. We've probably all heard some of these goofy and, yes, ridiculous stories on the news over recent years.

We mention the lemonade stand stories because they are symptomatic, in microcosm, of the direction our country is headed with regard to bureaucratic over-reach. Government wants to regulate seemingly every aspect of our lives and it's usually at our expense.

There is a disturbing trend developing in this nation whereby government agencies staffed by

non-elected political appointees and faceless bureaucrats are making rules that affect many aspects of our lives. These agencies have in some instances bypassed the legislative process entirely or have been allowed to plunge headlong into virtually irrevocable rulemaking without proper oversight.

One such example is what is going on at the U.S. Environmental Protection Agency (EPA) with regard to greenhouse gas regulations. This agency's actions, if left unchecked, will hit every consumer of electricity squarely in the pocketbook.

Regular readers of the co-op's member newsletter *SECO News* know that we were opposed to the Cap and Trade bill that was originally passed in the U.S. House of Representatives, but did not make it through the Senate as it had opposition there from both Republicans and Democrats.

President Obama himself stated

that passage of a Cap and Trade style bill would cause consumer power bills to "skyrocket" across the country, yet he continued to support such a measure.

The whole argument that greenhouse gases like carbon dioxide must be regulated to stop global warming has met with considerable skepticism in Congress and elsewhere. One would certainly have to be skeptical due to the revelations of the seriously flawed and manipulated climate data that proponents of a man-made meltdown were using to push their warming agenda.

When it became clear that a cap and trade style bill was not going to be passed by the Congress, the EPA threatened bureaucratic action to regulate greenhouse gases under the Clean Air Act so as to put pressure on Congress to act.

That prompted veteran Democratic Representative John Dingell, who authored the Clean Air Act, to say that having the EPA

regulating greenhouse gas emissions under the Act would result in a "glorious mess." The Act was never intended for that purpose.

Nevertheless, having failed legislatively to impose Draconian costs on carbon, the EPA's back door approach is well under way. New rules recently went into effect from the EPA that will make the cost of new fossil fuel generation prohibitive and will likely adversely affect the cost of operating existing power plants. That, in turn, will affect the power bills of all consumers. Keep in mind, that the EPA is initiating these rules without a mandate from Congress or the American people.

Now a majority in Congress seems to understand that the Cap and Trade bill would have had catastrophic adverse impacts on the nation and, frankly, would have done little to reduce the volume of greenhouse gases. They are upset, on both sides of the aisle, with the EPA proposals and are working to find ways to suspend, delay or limit the impact of these rules. Frankly, we wish them well.

For our part we are going to continue to act as a consumer advocate. We will engage our legislators in conversation about the realities of the EPA's actions and the crushing financial impact those actions will have on the people of this nation who are already struggling in a difficult economy.

The nation's co-ops, in general, act as advocates for their member-owned businesses. As an example, co-

"Whatever Congress does on the energy front must insure that electricity remains reliable and affordable."

op representatives from across Florida attend a legislative rally in Washington, D.C. each year to educate members of Congress about co-ops and the issues currently of critical importance to them. And, the prime message we convey is that whatever Congress does on the energy front must insure that electricity remains reliable and affordable.


In actuality, co-ops have always battled those who would seek to diminish or deprive co-op members of essential services and affordable power. That is more important today than ever before with the price of just about everything consumers purchase going up from milk to gasoline.

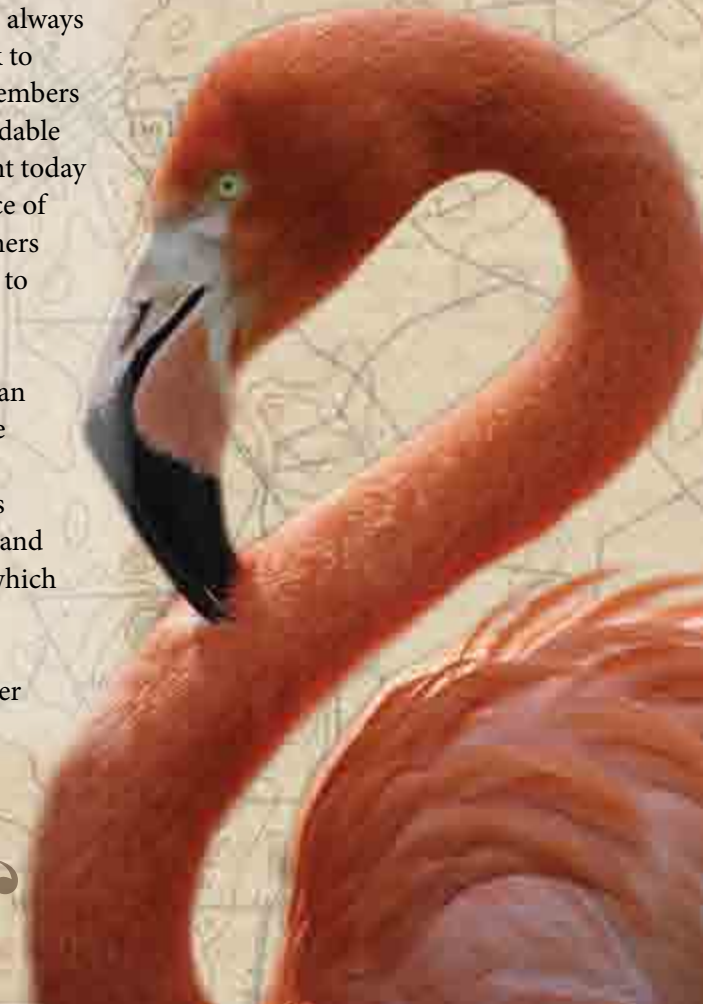
We've done so since electric cooperatives first began to form in the 1930's. Because we are not-for-profit utility we've always stood for what is best for our member/owners and the various communities to which we provide service.

When a member of a cooperative talks to a customer of another type of electric

company, the customer from the other utility is always amazed at how much emphasis is put on customer care in the cooperative environment.

Things like the return of capital credits to members, the ability to accumulate equity in their cooperative, the ability to personally take part in electing board members and voting on changes to the co-op bylaws, etc., are amazing revelations for customers of other types of electric providers. And, upon reflection, that amazement often turns to envy.

Where SECO is concerned, we'll continue to act as champions of the people because we are a people driven organization. 





INDEPENDENT AUDITORS' REPORT

Board of Directors
Sumter Electric Cooperative, Inc.
Sumterville, Florida

We have audited the accompanying balance sheets of Sumter Electric Cooperative, Inc. (the Cooperative), as of December 31, 2010 and 2009, and the related statements of revenues and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative, as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 8, 2011, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Purvis, Gray and Company, LLP

February 8, 2011
Gainesville, Florida



BALANCE SHEET

December 31, 2010

ASSETS		
	2010	2009
Electric Plant		
Distribution and Transmission Plant	580,933,068	554,840,925
Construction Work in Progress	<u>14,622,601</u>	<u>21,322,958</u>
Total Electric Plant	595,555,669	576,163,883
(Accumulated Provision for Depreciation and Amortization)	<u>(124,969,768)</u>	<u>(114,654,031)</u>
Total Electric Plant - Cost Less Depreciation and Amortization	<u>470,585,901</u>	<u>461,509,852</u>
Investments		
Investments in Associated Organizations and Other Special Funds	<u>43,844,314</u>	<u>32,519,244</u>
Current Assets		
Cash and Cash Equivalents	665,266	2,754,326
Accounts Receivable - Consumers (Less Provision for Doubtful Accounts 2010 - \$1,001,379 2009 - \$798,142)	15,708,168	12,075,378
Other Receivables	1,328,724	730,690
Unbilled Electric Revenues	15,320,858	12,223,176
Inventories	11,730,031	12,746,513
Prepayments and Other Current Assets	<u>2,463,604</u>	<u>2,432,794</u>
Total Current Assets	<u>47,216,651</u>	<u>42,962,877</u>
Deferred Charges	<u>191,763</u>	<u>385,700</u>
Total Assets	<u>561,838,629</u>	<u>537,377,673</u>
EQUITIES AND LIABILITIES		
Equities		
Memberships	748,604	734,189
Patronage Capital	168,308,033	142,401,596
Other Equities	<u>2,632,933</u>	<u>2,632,933</u>
Total Equities	<u>171,689,570</u>	<u>145,768,718</u>
Noncurrent Liabilities		
Long-term Debt	<u>328,139,389</u>	<u>337,709,422</u>
Current Liabilities		
Long-term Debt - Portion Due Within One Year	9,633,143	9,145,403
Accounts Payable	31,512,746	26,027,122
Consumer Deposits	11,398,315	10,659,950
Other Current or Accrued Liabilities	<u>7,680,700</u>	<u>7,158,880</u>
Total Current Liabilities	<u>60,224,904</u>	<u>52,991,355</u>
Deferred Credits	<u>1,784,766</u>	<u>908,178</u>
Total Equities and Liabilities	<u>\$561,838,629</u>	<u>\$537,377,673</u>

See accompanying notes.



STATEMENTS OF REVENUES AND PATRONAGE CAPITAL

for the years ended December 31, 2010 & 2009

	2010	2009
Operating Revenues	<u>\$ 364,290,234</u>	<u>\$ 325,848,329</u>
Operating Expenses		
Cost of Power	257,435,019	228,817,265
Transmission Expense	192,017	169,954
Distribution Expense - Operations	13,551,716	12,859,824
Distribution Expense - Maintenance	19,657,710	18,536,778
Consumer Accounts Expense	10,183,160	9,756,685
Customer Service and Informational Expense	1,504,558	1,430,390
Administrative, General, and Other Expense	11,411,294	11,734,353
Depreciation Expense	19,152,611	17,878,696
Taxes - Expense	68,744	53,750
Other Expense	<u>757,839</u>	<u>543,809</u>
(Total Operating Expenses)	<u>(333,914,668)</u>	<u>(301,781,504)</u>
Operating Margins Before Fixed Charges	30,375,566	24,066,825
Fixed Charges		
Interest on Long-term Debt	<u>(13,806,941)</u>	<u>(15,217,117)</u>
Operating Margins After Fixed Charges	<u>16,568,625</u>	<u>8,849,708</u>
Other Margins		
G&T Cooperative Capital Credits	11,188,729	4,647,203
Other Capital Credits and Margins	<u>1,332,111</u>	<u>1,597,028</u>
Total Other Margins	<u>12,520,840</u>	<u>6,244,231</u>
Net Operating Margins	<u>29,089,465</u>	<u>15,093,939</u>
Nonoperating Margins		
Interest Income	116,742	153,495
Other Nonoperating Income	<u>74,236</u>	<u>487</u>
Total Nonoperating Margins	<u>190,978</u>	<u>153,982</u>
Net Margins	29,280,443	15,247,921
Patronage Capital, Beginning of Year	142,401,596	128,596,536
(Retirement of Capital Credits)	<u>(3,374,006)</u>	<u>(1,442,861)</u>
Patronage Capital, End of Year	<u>\$ 168,308,033</u>	<u>\$ 142,401,596</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2010 & 2009

	2010	2009
Cash Flows from Operating Activities		
Net Margins	<u>\$ 29,280,443</u>	<u>\$ 15,247,921</u>
Adjustments to Reconcile Net Margins to Net Cash Provided by (Used in) Operations:		
Capital Credits and Patronage Dividend		
Certificates Assigned	(12,520,840)	(6,244,231)
Depreciation	21,126,592	19,617,707
Provision for Uncollectible Accounts	659,700	901,204
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):		
Accounts Receivable	(7,988,206)	(532,369)
Prepayments and Other Current Assets	(30,810)	1,387,474
Deferred Charges	193,937	(45,049)
Accounts Payable	5,485,624	(1,624,182)
Consumer Deposits	738,365	1,907,323
Other Current Liabilities	521,820	(434,918)
Deferred Credits	<u>876,588</u>	<u>(8,455)</u>
Total Adjustments	<u>9,062,770</u>	<u>14,924,504</u>
Net Cash Provided by (Used in) Operating Activities	<u>38,343,213</u>	<u>30,172,425</u>
Cash Flows from Investing Activities		
Change in Inventory - Net of Salvage	1,016,482	452,827
Contributions in Aid of Construction Received	8,908,565	3,067,060
Proceeds from Disposition of Property	0	240,319
Proceeds from Redemption of Patronage Capital		
Certificate	490,959	433,133
Proceeds from Redemption of Other Investments	697,574	81,244
Purchase of Other Investments	7,236	(100,000)
Extension and Replacement of Plant	(36,493,176)	(37,531,543)
Plant Removal Cost	<u>(2,618,030)</u>	<u>(2,436,873)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(27,990,390)</u>	<u>(35,793,833)</u>
Cash Flows from Financing Activities		
Line of Credit (Net)	265,082	13,995,358
Payments on Long-term Debt	(9,347,374)	(8,605,369)
Membership Fees	14,415	10,120
Retirement of Capital Credits	<u>(3,374,006)</u>	<u>(1,442,861)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(12,441,883)</u>	<u>3,957,248</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,089,060)</u>	<u>(1,664,160)</u>
Cash and Cash Equivalents, Beginning of Year	<u>2,754,326</u>	<u>4,418,486</u>
Cash and Cash Equivalents, End of Year	<u>\$ 665,266</u>	<u>\$ 2,754,326</u>

STATEMENTS OF CASH FLOWS (CONCLUDED)*for the years ended December 31, 2010 & 2009*

	2010	2009
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Interest	\$ 13,799,536	\$ 15,189,786
Supplemental Schedule of Noncash Investing and Financing Activities		
The Cooperative Retired Certain Assets from its Plant Records as Follows:		
Cost of Assets Retired	\$ 10,022,020	\$ 9,037,963
Plant Removal Costs	2,618,030	2,436,873
Material Salvaged	(1,392,780)	(1,808,727)
Net Reduction in Accumulated Depreciation	\$ 11,247,270	\$ 9,666,109

*See accompanying notes.***NOTES TO FINANCIAL STATEMENTS***for the years ended December 31, 2010 & 2009***Note 1 - Summary of Significant Accounting Policies**

Sumter Electric Cooperative, Inc. (the Cooperative) is a nonprofit rural electric distribution cooperative organized under the Statutes of the State of Florida. The primary purpose of the Cooperative is to provide electricity to its members located in central Florida through wholesale purchase and subsequent distribution. The accounting policies of the Cooperative conform to generally accepted accounting principles as applied to utility cooperatives and are in accordance with the accounting requirements of the Rural Utilities Service (RUS).

Receivables

Receivables are shown at anticipated realizable value. Bad debts are recognized by use of the allowance method. Receivables consist primarily of uncollateralized amounts due from the sale of energy to commercial and residential members of the Cooperative and other related items. Receivables may be considered delinquent after thirty days and are written off after approximately one hundred twenty days past due.

Revenue Recognition and Cost of Power

Electric revenues are recognized when billed and are adjusted for unbilled usage through year-end. Power costs are metered and recognized during the period of use. The Cooperative's retail rates provide for recovery of all power costs incurred.

Utility Plant

Electric plant is recorded at original cost with maintenance and repairs charged to expense as incurred. Additions to plant include costs of materials, labor, and certain overhead expenses. Depreciable plant replaced or retired is removed from the appropriate asset at average cost; cost being determined by a moving average for identifiable units of property. Such costs, plus removal costs less any salvage values, are charged to accumulated depreciation when normal retirements are made.

Depreciation

Provision for depreciation of utility plant in service is based on straight-line composite rates. Depreciation rates are applied by primary account within the plant accounts. Depreciation on general plant assets is based on straight-line rates for specific assets as outlined by RUS ranging from three to fifteen years.

No provision for depreciation is made for construction work in progress until the construction has been completed and the plant is placed into service.

Materials and Supplies

Materials and supplies inventories are stated at weighted average cost.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all cash and highly liquid investments as cash and cash equivalents. Such investments generally have maturities of three months or less. The Cooperative maintains accounts with several banks in central Florida. As of December 31, 2010 and 2009, accounts at each bank are insured by the FDIC for \$250,000. At times bank deposits may exceed federally insure limits. Management does not believe that the Cooperative is exposed to a significant credit risk for bank deposits.

Investments

Investments in capital term certificates are carried at cost, with cost determined by specific identification. Investments in associated cooperatives are accounted for at original cost plus patronage capital assigned less capital credits received.

Patronage Capital

Accumulated net margins are credited to patronage capital. The net margins are assigned to individual cooperative members' capital credit accounts based upon their contribution to total patronage capital for the year. Such amounts are assignable to members at year-end; the assignment of capital accounts takes place in subsequent years. Capital credits are returned to members in accordance with the Cooperative's policies and by-laws.

Income Taxes

The Cooperative is a nonprofit organization exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(12). Accordingly, there is no provision for income taxes in the financial statements. For the year ended December 31, 2010, the Cooperative adopted Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*. The implementation of this

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

standard had no impact on the Cooperative's financial statements. The Cooperative does not believe it has taken any uncertain tax positions that would have a material effect on the financial statements. The Cooperative's Form 990 has not been examined by the Internal Revenue Service within the last three years. For the years ended December 31, 2010 and 2009, the Cooperative filed Form 990T for unrelated rental income on communication towers. The amount paid or accrued was \$4,993 and \$4,700, respectively.

Compensated Absences

Vacation is accrued monthly as it is earned and sick pay is expensed as it is taken.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Collective Bargaining

Approximately 43% of the Cooperative's work force is covered by a collective bargaining agreement that expires in September 2015.

Subsequent Events

Management has evaluated subsequent events through February 8, 2011, the date the financial statements were available to be issued.

Note 2 - Electric Plant and Depreciation Rates

The following is a summary of the major classes of electric plant and depreciation rates as of December 31, 2010 and 2009:

	2010	2009	Depreciation Rates
Transmission Plant	\$ 9,620,711	\$ 8,704,963	2.75%
Distribution Plant	503,451,588	481,599,350	3.20%
Intangible Plant	346,899	346,899	N/A
General Plant:			
Land and Land Rights	1,485,463	1,485,463	N/A
Structures and Improvements	22,702,095	21,704,614	3.6%
Office Furniture and Fixtures	9,087,785	9,008,254	13.1%
Transportation Equipment	18,503,887	17,758,907	10.0%-20.0%
Shop Equipment	2,570,368	2,276,077	17.7%
Laboratory Equipment	1,166,421	1,214,204	7.4%
Communications Equipment	3,895,902	2,737,023	6.5%
Stores Equipment	383,750	476,904	6.9%
Surge Protection Equipment	3,536,244	3,376,392	7.7%
Miscellaneous Equipment	996,955	1,002,976	11.7%
Software	<u>3,185,000</u>	<u>3,148,899</u>	10.2%
Total Electric Plant in Service	580,933,068	554,840,925	
Construction Work in Progress	<u>14,622,601</u>	<u>21,322,958</u>	
Total Electric Plant - at Cost	<u>\$ 595,555,669</u>	<u>\$ 576,163,883</u>	

Depreciation expense of \$19,152,611 (2010) and \$17,878,696 (2009) is net of \$1,973,981 (2010) and \$1,739,011 (2009) charged to clearing accounts, some of which is capitalized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

Note 3 - Investments in Associated Organizations and Other Special Funds

Investments in associated organizations and other special funds consist of the following:

	2010	2009
Seminole Electric Cooperative, Inc. -		
Patronage Capital Assigned	\$ 32,578,438	\$ 21,389,709
National Rural Utilities Cooperative		
Finance Corporation (CFC):		
Patronage Capital Certificates	1,671,250	1,483,719
Capital Term Certificates	3,628,619	4,326,192
GRESKO Utility Supply, Inc.	5,068,052	4,575,101
Investments in Other Associated Organizations	634,698	474,023
Special Funds	<u>263,257</u>	<u>270,500</u>
Total Investments in Associated Organizations and Other Special Funds	<u>\$ 43,844,314</u>	<u>\$ 32,519,244</u>

CFC Capital Term Certificates are purchased as a condition of the mortgage agreements with CFC. At December 31, 2010 and 2009, they consist of the following:

	2010	2009
Certificates, 5% (Maturing 2070 to 2080)	\$ 1,902,011	\$ 1,902,010
Certificates, 3% (Maturing 2020 to 2030)	471,400	471,401
Certificates, 0% (Maturing at Variable Dates)	<u>1,255,208</u>	<u>1,952,781</u>
Total	<u>\$ 3,628,619</u>	<u>\$ 4,326,192</u>

The patronage capital assigned by Seminole Electric Cooperative, Inc. and the patronage capital certificates with CFC are excluded from ASC 320, *Investments—Debt and Equity Securities*, as an investment accounted for under the equity method of accounting. Capital term certificates are held to maturity under ASC 320 and are excluded from ASC 820, *Fair Value Measurements and Disclosures*. Investments in Other Associated Organizations includes memberships with related and trade organizations, and are accounted for under the equity method of accounting.

ASC 820, among other things, requires the Cooperative to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the company's market assumptions. ASC 820 defines the following fair value hierarchy based on these two types of inputs:

- **Level 1** — Quoted prices for identical instruments in active markets.
- **Level 2** — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- **Level 3** — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

There were no assets recorded at fair value on a recurring basis at December 31, 2010 or December 31, 2009.

Note 4 - Account Receivables

All of the Cooperative's consumer account receivables are due from consumers in the central Florida area. Each new consumer pays a membership fee and may make a deposit when

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

becoming a consumer. The membership fees and deposits can be retained by the Cooperative in the event of nonpayment of a billing for services. Once a residential consumer establishes a satisfactory credit history, the Cooperative may return the member's deposit.

Other receivables at December 31, 2010 and 2009, include approximately \$237,607 and \$293,425, respectively, relating to pole rentals due from other utility companies.

Note 5 - Return of Capital

Under provisions of the long-term debt agreements, unlimited patronage capital distributions to members are allowed provided equities and margins equal or exceed 30% of total assets after distribution. Effective with the 1991 year, the Cooperative suspended for five years the general capital credit retirements. During 1995, the suspension was lifted and the Cooperative began making general retirements of patronage capital. The equities and margins of the Cooperative represent 30.56% and 27.13% of the total assets at December 31, 2010 and 2009, respectively. Capital credit retirements in the amount of \$3,374,006 and \$1,442,861 were paid in 2010 and 2009, respectively.

Note 6 -Detail of Patronage Capital

	2010	2009
Assignable	\$ 29,280,443	\$ 15,247,921
Assigned	169,470,465	153,935,169
	198,750,908	169,183,090
(Retired in Current Year)	(3,374,006)	(1,442,861)
(Cumulative Amount Retired in Previous Years)	(27,068,869)	(25,338,633)
Total Patronage Capital	\$ 168,308,033	\$ 142,401,596

Note 7 -Detail of Other Equities

	2010	2009
Operating Margins (Prior to 1957)	\$ 32,092	\$ 32,092
Nonoperating Margins (Prior to 1964)	19,371	19,371
Capital Gains and Losses (Prior to 1964)	10,533	10,533
Donated Capital	626	626
Discount on Retired Capital Credits	2,570,311	2,570,311
Total Other Equities	\$ 2,632,933	\$ 2,632,933

Note 8 - Noncurrent Liabilities

The Cooperative has the following unsecured lines of credit:

	2010	2009
CoBank, ACB. Credit Line of \$50,000,000, - Variable Interest, 3.07 & 3.14% at December 31, 2010 & 2009, Respectively	\$ 26,936,368	\$ 27,795,358
Bank of America, Credit Line of \$3,000,000 Variable Interest, 2.01% at December 31, 2010, Payable on Demand	1,124,072	0
Total	\$ 28,060,440	\$ 27,795,358

The Cooperative also has an available line of credit with CFC of \$12,000,000 in 2010 and 2009.

The Cooperative also had approved, but undrawn long-term loan funds available in the amount of \$68,500,000 as of December 31, 2010. In accordance with ASC 470, *Debt*, the line of credit has been classified as long-term debt in an amount not exceeding the undrawn loan funds. The amount, if any, in excess of undrawn loan funds is classified as a current liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

The following is a summary of the Cooperative's long-term debt payable to RUS, and CFC:

	2010	2009
RUS Mortgage Notes		
1.000% Notes	\$ 1,681,871	\$ 1,743,728
2.000% Notes	5,969,041	0
2.125% Notes	946,718	4,646,256
2.250% Notes	2,762,934	0
2.375% Notes	1,680,166	1,731,521
2.550% Notes	25,188,662	25,706,151
2.625% Notes	3,441,165	3,534,084
2.750% Notes	6,555,411	9,214,374
3.000% Notes	7,345,423	7,533,477
3.125% Notes	6,665,346	8,308,796
3.250% Notes	2,441,724	2,502,005
3.500% Notes	12,523,495	12,795,922
3.625% Notes	12,837,419	13,095,145
3.750% Notes	22,967,650	23,469,721
3.875% Notes	0	1,394,405
4.000% Notes	3,295,756	3,384,211
4.125% Notes	32,065,030	32,659,981
5.000% Notes	30,342,685	32,078,080
5.070% Notes	43,151,080	43,699,395
5.500% Notes	4,802,559	4,938,336
Total RUS Mortgage Notes	226,664,135	232,435,588
(Current Portion)	(5,996,267)	(5,651,351)
Long-term Portion	\$ 220,667,868	\$ 226,784,237
CFC Mortgage Notes		
4.250% Notes	\$ 0	\$ 44,455
4.550% Notes	131,624	300,310
4.950% Notes	651,111	28,417,269
5.150% Notes	1,604,240	1,895,083
5.250% Notes	1,178,773	1,314,718
5.300% Notes	7,458,121	8,004,106
6.028% Notes	20,177,055	20,429,884
6.150% Notes	0	501,551
6.198% Notes	402,018	23,249
6.250% Notes	24,515,429	25,693,254
Total CFC Mortgage Notes	56,118,371	86,623,879
(Current Portion)	(2,987,359)	(3,494,052)
Long-term Portion	\$ 53,131,012	\$ 83,129,827

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

The following is a summary of the Cooperative's long-term debt payable to CoBank:

	2010	2009
COBank Mortgage Notes		
1.620% Notes	\$ 26,929,585	\$ 0
Total COBank Mortgage Notes	26,929,585	0
(Current Portion)	(649,517)	0
Long-term Portion	<u>\$ 26,280,068</u>	<u>\$ 0</u>

RUS mortgage notes are payable to the United States of America for thirty-five year periods each. Principal and interest are due in monthly installments. Certain notes have provisions for interest rate changes at future dates.

CFC mortgage notes are payable to the National Rural Utilities Cooperative Finance Corporation for thirty-five year periods each. Principal and interest are due in quarterly installments. Certain notes have provisions for interest rate changes at future dates. Certain notes included above are serviced by CFC but have been sold to Farmer MAC. At December 31, 2010 and 2009 the balance of these notes was \$20,579,074 and \$20,931,435, respectively. There were no unadvanced CFC loan funds available to the Cooperative as of December 31, 2010 and 2009, respectively.

CoBank mortgage notes are payable to CoBank, ACB, for thirty-five year periods each. Principal and interest are due in quarterly installments. Interest is calculated based on variable rates that change weekly.

Interest on long-term debt, all of which was charged to expense, follows:

	2010	2009
Lines of Credit	\$ 776,761	\$ 786,888
RUS Mortgage Notes	9,007,256	9,284,375
CFC Mortgage Notes	3,698,369	5,145,854
COBank Mortgage Notes	324,555	0
Totals	<u>\$ 13,806,941</u>	<u>\$ 15,217,117</u>

Long-term debt maturing within each of the five years subsequent to December 31, 2010, is as follows:

December 31	Mortgage Notes			
	RUS	CFC	COBank	Total
2011	\$ 5,996,267	\$ 2,987,359	\$ 649,517	\$ 9,633,143
2012	6,232,025	2,952,552	682,270	9,866,847
2013	6,517,157	3,126,591	716,674	10,360,422
2014	6,797,696	2,920,043	752,814	10,470,553
2015	7,043,236	2,948,673	790,776	10,782,685
Thereafter	<u>194,077,754</u>	<u>41,183,153</u>	<u>23,337,534</u>	<u>258,598,441</u>
Total	<u>\$ 226,664,135</u>	<u>\$ 56,118,371</u>	<u>\$ 26,929,585</u>	<u>\$ 309,712,091</u>

Substantially all assets and revenues of the Cooperative are pledged as collateral for these notes. RUS debt covenants require the Cooperative to maintain certain ratios including a Times Interest Earned Ratio (TIER) of 1.25, a Debt Service Coverage (DSC) Ratio of 1.25 in two out of the last three years, and a Equity to Total Assets Ratio of not less than .225 to 1.0. As of December 31, 2010 and 2009, the Cooperative achieved a Times Interest Earned Ratio of 3.25 and 2.06, respectively, a Debt Service Coverage Ratio of 2.75 and 2.06, respectively, and a Equity to Total Assets Ratio of .306 and .271, respectively.

Note 9 - Employee Benefit Plan

The group pension plan for employees was merged into the Retirement and Security Program of the National Rural Electric Cooperative Association (NRECA) effective July 1, 2003. The Retirement and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

for the years ended December 31, 2010 & 2009

Security Program administered by the NRECA is a defined benefit, multi-employer plan qualified under Section 401 of the Internal Revenue Code and exempt from federal income tax under Section 501(a) of the Internal Revenue Code. The transferred net assets have been recognized in the accounts of the NRECA Plan as of July 1, 2003. The Cooperative incurred past service costs in the amount of \$9,191,107 due to the transfer to the NRECA Plan.

The total past service cost has been fully amortized. The Cooperative incurred pension expense totaling 3,903,878 and \$2,682,148 related to the NRECA Plan during 2010 and 2009, respectively.

All employees of the Cooperative meeting age and service requirements can elect to participate in a 401(k) savings plan (the Plan) of the National Rural Electric Cooperative Association. Employees may make contributions to the Plan up to the maximum percentage outlined in the Plan and the Cooperative will match the employee contributions up to 4.0% of the employee's salary. Both employee and employer contributions to the Plan are funded biweekly. The Cooperative's contributions to the Plan were \$839,561 and \$826,668 in 2010 and 2009, respectively.

Effective January 2006, the Cooperative adopted an executive compensation plan that allows eligible participants to defer compensation under Internal Revenue Code Section 457. There is no matching employer contribution. This plan is administered by the Cooperative and plan assets are subject to the Cooperatives creditors in the event of bankruptcy or insolvency. Plan assets totaled \$263,257 and \$270,500 at December 31, 2010 and 2009, respectively.

Self-insured Medical Benefits

The Cooperative provides a self-insured medical benefits plan for active and retired employees, trustees, and their dependents. Active employees that select dependent or additional coverage are required to pay a premium to cover part of the cost of the coverage they select. Retired employees and trustees are required to pay a premium to cover the full cost of the coverage they select. In connection with the plan, the Cooperative maintains specific excess insurance for claims that exceed \$175,000 for any covered individual up to the maximum lifetime reimbursement of \$1,825,000 and \$1,000,000 aggregate excess insurance for claims that exceed \$4,069,125 in the plan year. Based upon the results of a prior actuarial review the Cooperative does not have a liability related to its coverage of retired employees.

Note 10 - Related Party Transactions

The Cooperative is one of ten members of Seminole Electric Cooperative, Inc., an electric generating and transmission cooperative. Seminole Electric Cooperative, Inc. is the sole supplier of electricity to the Cooperative and has entered into an agreement to supply power to the Cooperative through 2045. Seminole Electric Cooperative, Inc. has pledged the power supply agreement of its members to secure certain of its notes and mortgages. The following is a summary of all significant transactions between the Cooperative and Seminole Electric Cooperative, Inc.:

	2010	2009
Purchased Power Cost	\$ 257,435,019	\$ 228,817,265
Accounts Payable - Power Cost, December 31	\$ 26,318,772	\$ 19,905,389
Patronage Capital Assigned	\$ 11,188,729	\$ 4,647,203
Patronage Capital, December 31	\$ 32,578,438	\$ 21,389,709

Note 11 - Deferred Charges and Credits

A schedule of deferred charges and credits are as follows:

	2010	2009
Deferred Charges		
Unamortized:		
Dues	\$ 0	\$ 152,904
Deposits on Sales and Use Tax	174,305	168,000
Other	17,458	64,796
Total Deferred Charges	<u>\$ 191,763</u>	<u>\$ 385,700</u>

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

for the years ended December 31, 2010 & 2009

	2010	2009
Deferred Credits		
Unclaimed Capital Credits	\$ 1,435,399	\$ 502,298
Unpaid Billings for Contribution in Aid of Construction	0	4,127
Other Deferred Amounts	227,750	270,792
Customer Benevolent Fund	<u>121,617</u>	<u>130,961</u>
Total Deferred Credits	<u>\$ 1,784,766</u>	<u>\$ 908,178</u>

Amortization

Deferred charges are amortized over periods of one or more years.

Note 12 - Financial Instruments

In accordance with ASC 825, Financial Instruments, the following is a summary of the book and current values of the Cooperative's financial instruments:

Financial Instruments	Book Value	Current Value
RUS Long-term Debt	\$ 226,664,136	\$ 253,984,404
CFC Long-term Debt	56,118,371	51,540,262
CoBank Long-term Debt	26,929,585	16,966,159
CFC Subscription Capital Term Certificates and Interest-bearing Loan Capital Term Certificates	2,773,411	1,581,594
CFC Loan Capital Term Certificates	955,218	648,151
CFC Member Capital Security	100,000	152,830
Lines of Credit (Reclassified as Long-term Debt)	<u>\$ 28,060,440</u>	<u>\$ 28,060,440</u>

Discount Rates

RUS Loans:

■ 5% loans discounted at the RUS insured loan rates for the corresponding maturity dates. The rates range from 2.50% to 4.00%.

■ The RUS variable rate loans are discounted at the RUS insured loan rates as of January 1, 2011, for the corresponding maturity date. The maturity dates range from 1 year to 31 years and the rates range from 0.375% to 4.00%.

CFC Loans:

■ Fixed rate loans discounted at December 31, 2010, CFC fixed rate using corresponding maturity dates for each loan. The maturity dates range from 1 year to 29 years and the rates range from 2.9% to 7.4%.

CoBank Loans:

■ Variable rate loans discounted at the variable rate as of December 31, 2010. The maturity dates range from 10 to 29 years and the variable rate was 3.07%.

CFC Capital Term Certificates (CTC's):

■ Loan CTC's are discounted based on the corresponding maturity dates of the CFC long-term fixed rates. The rates range from 5.65% to 7.35%.

■ Subscription CTC's were discounted using the corresponding interest rates for the years remaining on the CTC ranging from 6.10% to 7.50%.

CFC Member Capital Security:

■ This security is discounted at the 30 year treasury bond rate of 4.48%.

Note 13 - Contingency

The Cooperative has been identified as a potentially responsible party in a transformer superfund site. While it is not possible to predict the outcome of this matter, its resolution is not expected to have a material effect on the accompanying financial statements.

