



JUST BUSINESS

2020 ANNUAL REPORT



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DEAR SECO ENERGY MEMBERS,

After 42 years at SECO Energy, I have formally announced my plan to retire as CEO in January 2022. I began my career with SECO in 1979 as the Director of Accounting and Finance. At that time, the cooperative was known as Sumter Electric Cooperative, and the meter count was just 37,000.

Growth in Central Florida took off, and when I was promoted to CEO in 1990, the meter count had almost doubled to 66,000 homes and businesses. We reached the 100,000-meter count milestone in 1999 and the 200,000-meter count milestone in 2017.

Without question, much has changed over my three decades as CEO. We have dramatically improved members' service reliability through increased investments in our electric infrastructure and a strengthened vegetation management program. At the end of 2020, our meter count reached 216,477. Our total investment in our electric facilities is approaching the \$1 billion mark at \$955.9 million.

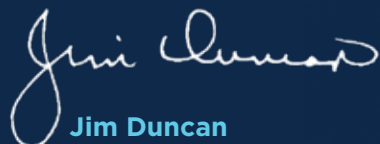
We've celebrated customer satisfaction wins in recent years, too. Some of my proudest moments as CEO came when SECO Energy won coveted J.D. Power awards in 2015, 2016 and 2017 when our satisfaction scores topped all utilities in the nation. In 2020, we upheld our position as an American Customer Satisfaction Index (ACSI) frontrunner in Florida and nationally with a score of 91.

Most important, I am honored to work with the best employees in the energy industry. SECO employees are world-class representatives of the cooperative purpose who provide exceptional customer service to our members. When I retire, it's the great employees of this company I will miss the most.

My wife Connie and I have been married for 53 years. We are looking forward to spending more time traveling, scuba diving and relaxing on the water. We're excited to spend more of our free time with our two sons and three grandchildren as well. Though the timing of my retirement was an emotional and difficult decision, I know it is the right time to take the next steps to focus on fun and family.

The months will fly by quickly, and I want to emphasize how thankful I am for the privilege of working for this great organization for 42 years.

Sincerely,



Jim Duncan

Chief Executive Officer



OUR YEAR BY THE NUMBERS

2016,477

METERS

2020 ACSI SCORE

91

400+

EMPLOYEES

3.64

BILLION KWH SOLD

33.64%

MEMBER EQUITY

TIER

2.87

3rd

LARGEST CO-OP IN FLORIDA



7th

LARGEST IN THE
NATION

TOTAL PLANT INVESTMENT

\$955.9 MILLION



91

72

72

73

INVESTOR-OWNED

MUNICIPALS

OTHER CO-OPS

SECO ENERGY

ACSI 2020

THE COOPERATIVE DIFFERENCE

In 2020, members rated SECO Energy a customer satisfaction leader. Our 2020 ACSI score is an impressive 91. This is a one-point increase over our 2019 score.

Our score of 91 is tops when compared to average ACSI scores in the energy industry. Nationally, cooperative utilities averaged 73 in 2020, which is two points lower than the 2019 score. Investor-owned utilities and municipal utilities scores averaged 72, both of which are one point lower than the respective 2019 scores.

Thank you, members, for your recognition of our employees' efforts.



BOARD OF TRUSTEES



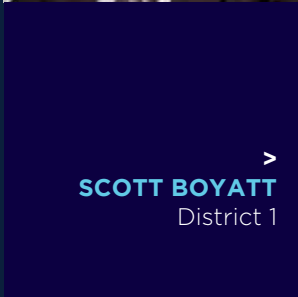
<
RICHARD DENNISON
President
District 4



<
JERRY HATFIELD
Vice President
District 9



<
GERALD ANDERSON
Secretary-Treasurer
District 3



>
SCOTT BOYATT
District 1



>
JOYCE ANDERSON
District 2



>
RAY VICK
District 5



<
MIKE MUFFETT
District 6



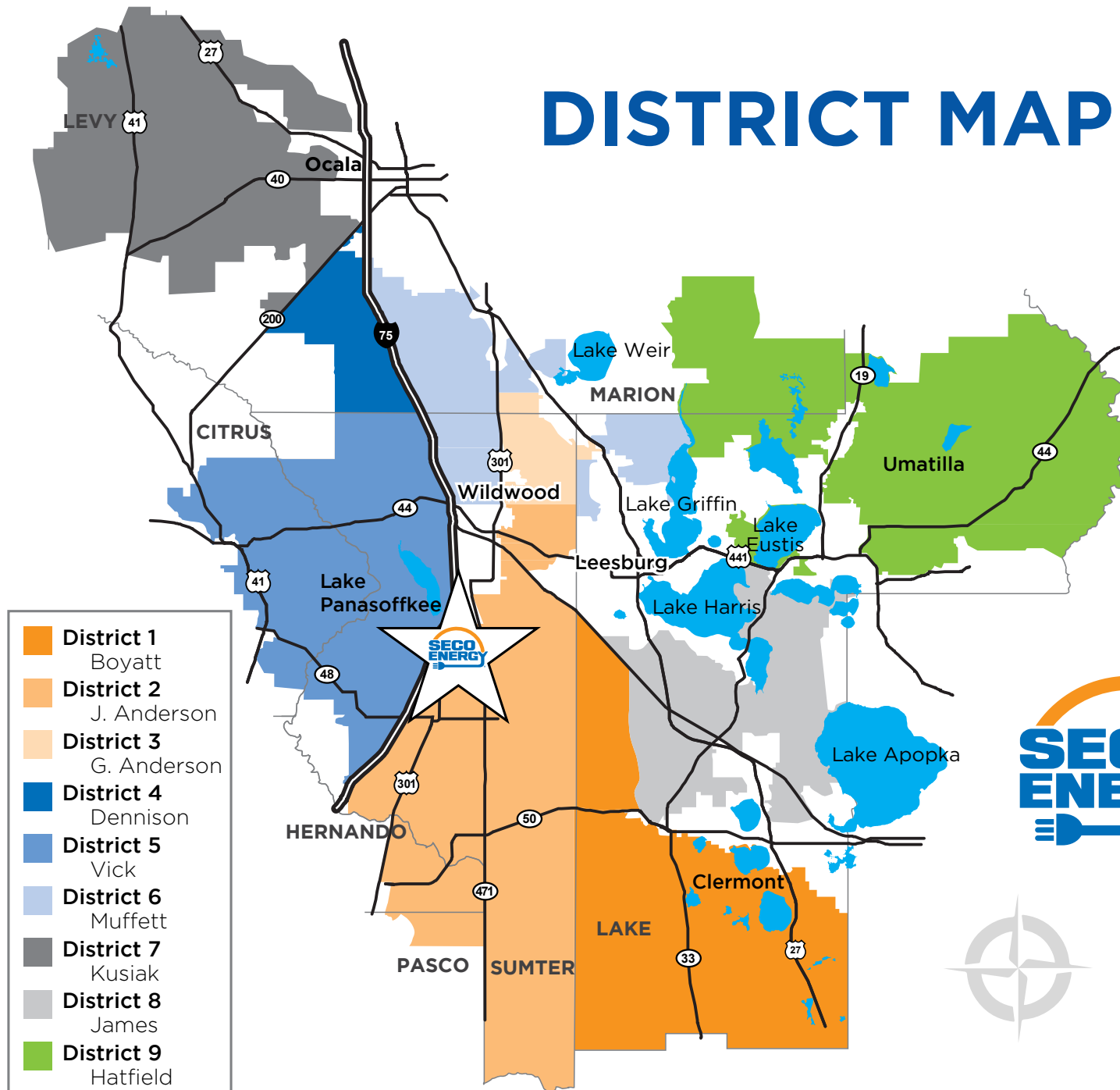
<
JOSEPH KUSIAK
District 7



<
BILL JAMES
District 8

SECO Energy's Board of Trustees are members who live in SECO's service territory. They are elected to oversee the governance of the cooperative. Each Trustee on the Board is elected by the members who reside in his/her District. Collectively, the Trustees are responsible for establishing, reviewing and revising corporate policies to ensure that SECO continues to preserve reliable, affordable service for all members.

DISTRICT MAP



EXECUTIVE LEADERSHIP

OUR PURPOSE

To provide exceptional service to our members, co-workers and communities.

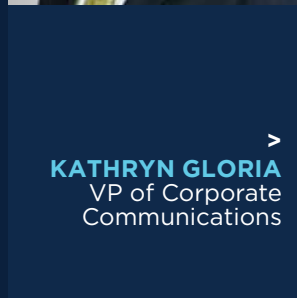
JIM DUNCAN
Chief Executive Officer



MICHEAL WHITE
VP of Engineering



NORA BROWN
Executive Administrator



KATHRYN GLORIA
VP of Corporate Communications



GENE KANIKOVSKY
Chief Financial Officer



GREGG MORRELL
VP of Corporate Services & Human Resources



JOHN LASELVA
VP of Operations



OUR VALUES

Safety, Member Commitment, Honesty and Integrity,
Strong Work Ethic, Teamwork, Open Communication

INDEPENDENT AUDITOR'S REPORT

PURVIS GRAY

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sumter Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenues and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

EMPHASIS OF A MATTER - COVID-19

As more fully described in Note 13 to the financial statements, the Cooperative may be impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not

modified with respect to this matter.

OTHER MATTERS

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Cooperative's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021, 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 and 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* in considering the Cooperative's internal control over financial reporting and compliance.

OTHER REPORTING REQUIRED BY 7 CFR PART 1773

In accordance with 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33, we have also issued our report dated February 16, 2021, on our consideration of the Cooperative's compliance with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in the regulatory requirements for electric borrowers, insofar as they relate to accounting matters enumerated therein. The purpose of that report is to describe the scope of our testing of the Cooperative's compliance with the regulatory requirements for electric borrowers and the results of that testing, and not to provide an opinion on the Cooperative's compliance with the regulatory requirements for electric borrowers. That report is an integral part of an audit in considering the Cooperative's internal control over financial reporting and compliance.

Purvis Gray

February 16, 2021
Ocala, Florida

Certified Public Accountants
Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

Members of American and Florida Institutes of Certified Public Accountants
An Independent Member of the BDO Alliance USA

BALANCE SHEETS | DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019	EQUITIES AND LIABILITIES	2020	2019
Electric Plant			Equities		
Distribution, Transmission, and General Plant	\$ 922,879,948	\$ 878,746,560	Memberships	\$ 964,520	\$ 937,010
Construction Work in Progress	<u>33,032,725</u>	<u>39,070,154</u>	Patronage Capital	295,776,013	272,268,172
Total Electric Plant	<u>955,912,673</u>	<u>917,816,714</u>	Accumulated Other Comprehensive Income	(885,278)	(692,156)
(Accumulated Provision for Depreciation and Amortization)	<u>(213,663,635)</u>	<u>(204,325,724)</u>	Other Equities	<u>6,643,341</u>	<u>5,860,121</u>
Total Electric Plant – Cost Less Depreciation and Amortization	<u>742,249,038</u>	<u>713,490,990</u>	Total Equities	<u>302,498,596</u>	<u>278,373,147</u>
Investments			Non-Current Liabilities		
Investments in Associated Organizations and Other Special Funds	<u>103,325,828</u>	<u>97,272,555</u>	Long-Term Debt	488,851,496	497,447,231
Current Assets			Capital Lease Obligations	3,466,003	3,678,601
Cash and Cash Equivalents	2,618,401	2,027,502	Deferred Compensation Liability	<u>2,710,063</u>	<u>2,132,463</u>
Accounts Receivable – Consumers (Less Provision for Doubtful Accounts 2020 – \$3,156,995, and 2019 – \$922,007)	8,312,577	11,225,269	Total Non-Current Liabilities	<u>495,027,562</u>	<u>503,258,295</u>
Other Receivables	2,008,157	17,892,879	Current Liabilities		
Unbilled Electric Revenues	19,187,937	13,474,363	Long-Term Debt – Portion Due Within One Year	22,296,782	19,989,058
Inventories	18,216,283	15,882,376	Capital Lease Obligation – Portion Due Within One Year	1,366,170	1,467,007
Prepayments and Other Current Assets	<u>233,091</u>	<u>379,200</u>	Line of Credit	10,424,576	1,186,132
Total Current Assets	<u>50,576,446</u>	<u>60,881,589</u>	Accounts Payable	26,231,618	19,548,807
Deferred Charges	<u>2,835,227</u>	<u>3,870,378</u>	Consumer Deposits	18,728,158	17,819,162
Total Assets	<u><u>898,986,539</u></u>	<u><u>875,515,512</u></u>	Other Current or Accrued Liabilities	<u>10,940,320</u>	<u>18,749,902</u>
			Total Current Liabilities	<u>89,987,624</u>	<u>78,760,068</u>
			Deferred Credits	<u>11,472,757</u>	<u>15,124,002</u>
			Total Equities and Liabilities	<u><u>\$ 898,986,539</u></u>	<u><u>\$ 875,515,512</u></u>

STATEMENTS OF REVENUES AND PATRONAGE CAPITAL | DECEMBER 31, 2020 AND 2019

	2020	2019
Operating Revenues	<u>\$ 422,968,807</u>	<u>\$ 395,780,230</u>
Operating Expenses		
Cost of Power	260,423,605	255,458,625
Transmission Expense	295,142	276,306
Distribution Expense - Operations	17,991,874	19,334,959
Distribution Expense - Maintenance	39,556,325	37,394,763
Consumer Accounts Expense	17,878,479	12,629,391
Customer Service and Informational Expense	2,156,114	2,172,608
Administrative, General, and Other Expense	18,178,503	18,049,692
Depreciation Expense	28,286,393	27,120,911
Taxes - Expense	129,259	77,746
Other Expense	<u>1,150,532</u>	<u>553,303</u>
(Total Operating Expenses)	<u>(386,046,226)</u>	<u>(373,068,304)</u>
Operating Margins Before Fixed Charges	36,922,581	22,711,926
Fixed Charges		
Interest on Long-Term and Short-Term Debt	<u>(15,684,929)</u>	<u>(16,580,726)</u>
Operating Margins After Fixed Charges	<u>21,237,652</u>	<u>6,131,200</u>

	2020	2019
Other Margins		
G&T Cooperative Capital Credits	\$ 5,237,639	\$ 5,916,257
Other Capital Credits and Margins	<u>1,189,923</u>	<u>1,618,740</u>
Total Other Margins	<u>6,427,562</u>	<u>7,534,997</u>
Net Operating Margins	<u>27,665,214</u>	<u>13,666,197</u>
Non-Operating Margins		
Interest Income	451,687	1,241,461
Other Non-Operating (Expense) Income	<u>384,101</u>	<u>1,998,723</u>
Total Non-Operating Margins	<u>835,788</u>	<u>3,240,184</u>
Net Margins	28,501,002	16,906,381
Patronage Capital, Beginning of Year	272,268,172	257,504,864
Reallocation of Unclaimed Patronage Capital (Retirement of Capital Credits)	<u>(6,058,844)</u>	<u>(3,488,223)</u>
Patronage Capital, End of Year	<u>\$ 295,776,013</u>	<u>\$ 272,268,172</u>

STATEMENTS OF COMPREHENSIVE INCOME DECEMBER 31, 2020 AND 2019

	2020	2019
Net Margins	\$ 28,501,002	\$ 16,906,381
Other Comprehensive Net Margins		
Amortization of Unrecognized Prior Service Costs and Unrecognized Actuarial (Loss) Gain	<u>(193,122)</u>	<u>(172,868)</u>
Comprehensive Net Margins	<u>\$ 28,307,880</u>	<u>\$ 16,733,513</u>

STATEMENTS OF CHANGES IN COMPREHENSIVE INCOME DECEMBER 31, 2020 AND 2019

	2020	2019
Accumulated Other Comprehensive Income (Loss)–Beginning of the Year	\$ (692,156)	\$ (519,288)
Amortization of Unrecognized Prior Service Costs and Unrecognized Actuarial (Loss) Gain	<u>(193,122)</u>	<u>(172,868)</u>
Accumulated Other Comprehensive Income (Loss)–End of the Year	<u>\$ (885,278)</u>	<u>\$ (692,156)</u>

STATEMENTS OF CASH FLOWS DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Net Margins	<u>\$ 28,501,002</u>	<u>\$ 16,906,381</u>
Adjustments to Reconcile Net Margins to Net Cash Provided by (Used in) Operations:		
Capital Credits and Patronage Dividend Certificates Assigned	(6,427,562)	(7,534,997)
Depreciation	29,439,841	28,341,424
Provision for Uncollectible Accounts	5,152,353	363,057
Amortization of Prepaid Pension	1,148,029	1,148,029
Changes in Assets – Decrease (Increase) and Liabilities – Increase (Decrease):		
Accounts Receivable	(7,953,235)	(4,316,755)
Other Receivables	15,884,722	3,019,727
Prepayments and Other Current Assets	146,109	(214,533)
Deferred Charges	(465,743)	548,679
Accounts Payable	6,682,811	(15,272,308)
Consumer Deposits	908,996	423,319
Other Current Liabilities	(7,809,582)	7,120,788
Deferred Compensation Liability	577,600	576,642
Deferred Credits	<u>(3,651,245)</u>	<u>2,263,242</u>
Total Adjustments	<u>33,633,094</u>	<u>16,466,314</u>
Net Cash Provided by (Used in) Operating Activities	<u>62,134,096</u>	<u>33,372,695</u>

Cash Flows from Investing Activities

Change in Inventory – Net of Salvage	(2,333,907)	1,225,347
Contributions in Aid of Construction Received	13,303,379	12,905,920
Proceeds from Disposition of Property	674,596	4,887,038

STATEMENTS OF CASH FLOWS | DECEMBER 31, 2020 AND 2019

	2020	2019
Proceeds from Redemption of Patronage Capital Certificate	353,809	381,213
Proceeds from Redemption of Other Investments	205,086	57,155
Purchase of Other Investments	(184,606)	(220,601)
Extension and Replacement of Plant	(63,790,000)	(68,637,402)
Plant Removal Cost	<u>(7,067,464)</u>	<u>(7,542,289)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(58,839,107)</u>	<u>(56,943,619)</u>
Cash Flows from Financing Activities		
Line of Credit (Net)	1,738,444	(19,767,298)
Proceeds on Long-Term Debt	15,941,200	45,500,000
Payments on Long-Term Debt	(20,184,621)	(17,821,616)
Utilization of Cushion of Credit	5,808,275	18,461,163
Payments on Capital Lease Obligation	(1,631,835)	(1,595,136)
Other Equities	590,098	470,529
Membership Fees	27,510	25,485
Reallocation of Unclaimed Patronage Capital	1,065,683	1,345,150
Retirement of Capital Credits	<u>(6,058,844)</u>	<u>(3,488,223)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(2,704,090)</u>	<u>23,130,054</u>
Net Increase (Decrease) in Cash and Cash Equivalents	590,899	(440,870)
Cash and Cash Equivalents, Beginning of Year	<u>2,027,502</u>	<u>2,468,372</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,618,401</u>	<u>\$ 2,027,502</u>

	2020	2019
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Interest	\$ <u>15,809,391</u>	\$ <u>16,655,345</u>
Supplemental Schedule of Non-Cash Investing and Financing Activities		
The Cooperative Retired Certain Assets from its Plant Records as Follows:		
Cost of Assets Retired	\$ 14,965,541	\$ 21,374,435
Plant Removal Costs	7,067,464	7,542,289
Material Salvaged	<u>(358,064)</u>	<u>(1,695,619)</u>
Net Reduction in Accumulated Depreciation	<u>\$ 21,674,941</u>	<u>\$ 27,221,105</u>

The Cooperative Financed Certain Equipment Using a Capital Lease:		
Amounts not Included in Proceeds from Capital Lease Obligation	\$ 1,318,400	\$ 2,902,384
Amounts not Included in Extension and Replacement of Plant	\$ 1,318,400	\$ 2,902,384

STORMCENTER

StormCenter is SECO Energy's all-in-one online outage reporting and communications platform. Members can report an outage 24/7, check the status of an existing outage or report an area light malfunction. StormCenter is designed specifically for use on your smartphone or tablet.

Enroll in outage notifications to receive updates about current outages or scheduled system maintenance in your area. Members can choose to receive notifications via email, text, voice message or all three. Update your contact information and other settings to prepare for storm season. Visit SECOEnergy.com > StormCenter to explore the options.

Outage Map

INTERACTIVE MAP WITH ETR, CREW STATUS AND MORE!

Report Outage

REPORT A NEW OUTAGE.

Check Status

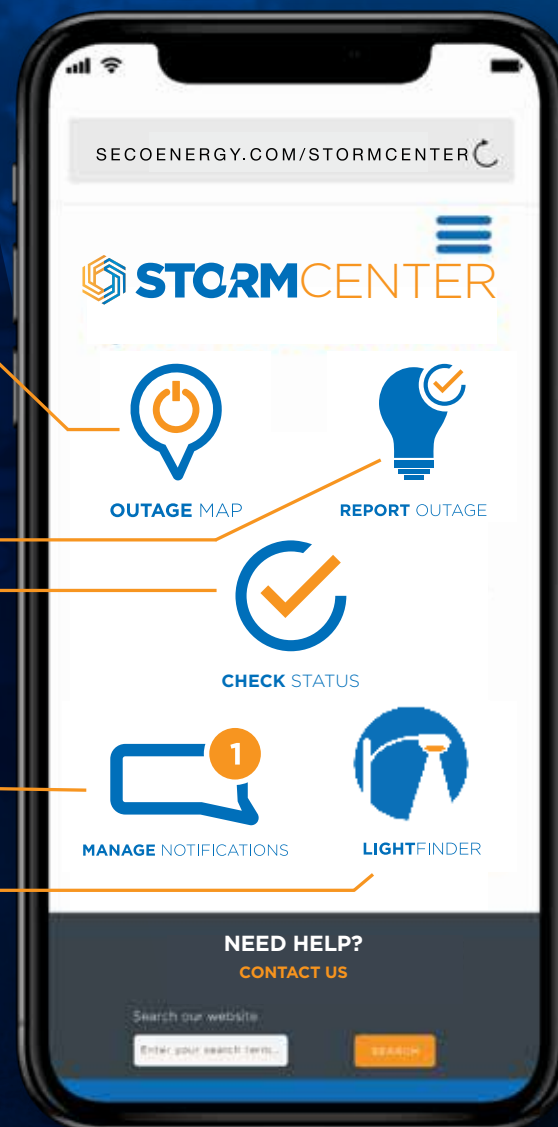
CHECK THE STATUS OF AN EXISTING OUTAGE.

Manage Notifications

ENROLL IN EMAIL, TEXT AND VOICE NOTIFICATIONS.

LightFinder

REPORT AN AREA LIGHT OUTAGE OR ISSUE.



SURGE MITIGATOR™

TAKES THE BITE OUT OF DAMAGING SPIKES AND SURGES.

For just pennies a day, SECO Energy's Surge MitiGator™ helps take the bite out of damaging power surges and spikes that can damage or destroy household appliances and sensitive electronics. This valuable protection is "Made in the USA" and includes a beastly warranty. Visit SECOEnergy.com > Energy Solutions > Surge MitiGator to enroll or learn more today.

SURGE@SECOENERGY.COM



HIGHEST IN CUSTOMER SATISFACTION

“Highest in Customer Satisfaction among Cooperatives (2017 & 2016) and among South Midsize Utilities (2015)”



TRIPLE CROWN

For J.D. Power award information, visit jdpower.com. | To learn more about SECO Energy visit secoenergy.com.

